

**CITY OF ARCATA
STATE OF CALIFORNIA**

**ANNUAL FINANCIAL REPORT
June 30, 2009**

**CITY OF ARCATA
Annual Financial Report
For the Fiscal Year Ended June 30, 2009**

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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, 2009, 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, 2009, 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, 2008, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standards*.

In accordance with Government Auditing Standards, we have also issued a report dated February 25, 2010, 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, Housing Revolving Loan Special Revenue Fund, HUD Block Grant Special Revenue Fund, and the Community Development Housing Set Aside Special Revenue Fund on pages 68 through 73 are not required parts of the basic financial statements but is 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 financial statements nonmajor funds, major capital projects and debt service fund budgetary comparison schedules, and budgetary comparison schedules nonmajor funds are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining financial statements nonmajor funds, major capital projects and debt service fund budgetary comparison schedules, and budgetary comparison schedules nonmajor funds 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
February 25, 2010

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 that ended on June 30, 2009. 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 \$4.0 million over the course of this year's operations after conducting all City operations and programs. The assets of the City exceeded its liabilities by about \$69.8 million at the end of the 2009 fiscal year. Of that amount, \$21.8 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 increased by about \$0.6 million compared to the 2008 fiscal year. Most of the increase resulted from increases in general revenues, including property tax revenue and investment income. The City's total expense of all programs in fiscal 2009 decreased slightly by about \$0.3 million compared to the 2008 fiscal year; a 1.4 percent decrease. Much of this decrease resulted from the one-time business loan that was disbursed in 2008.
- The general fund reported a fund balance of \$3.1 million at the end of the 2009 fiscal year, a decrease of about \$662,000. This decrease resulted primarily from increased public safety expenditures resulting from the allocation and hiring of additional police officers.
- The City also ended the fiscal year with \$5.2 million reported in the proprietary enterprise 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* 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 non-major 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 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* presents information on all the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the City is improving or declining.

The *Statement of Activities* presents information showing changes in the City's net assets during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements of the City are reported in two categories:

- *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 in major funds.

The Government-wide Financial Statement can be found starting on page 13 of this report.

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, HUD Block Grant, Community Development Housing Set-Aside, Debt Service and Capital Project funds are considered to be **major funds** because of the significance in 2009 of reported revenues and operations. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or 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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. The City's combined net assets increased about \$5.1 million between fiscal years 2009 and 2008. (See Table A-1.)

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

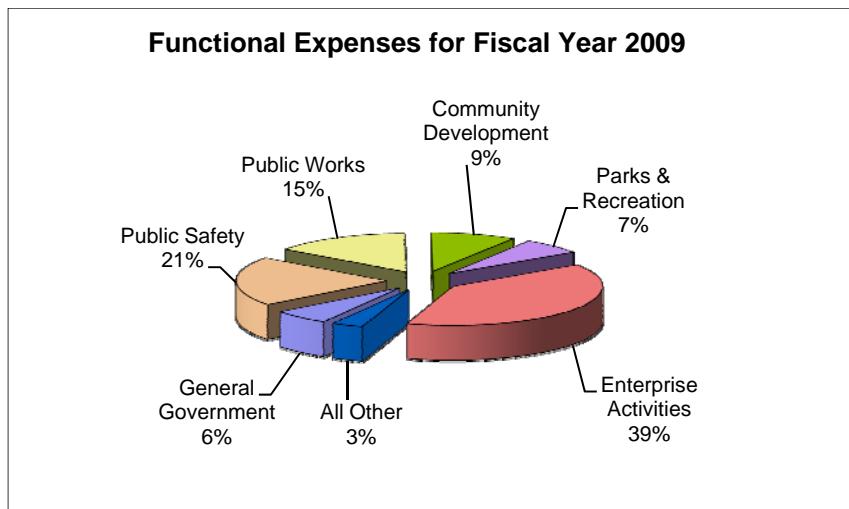
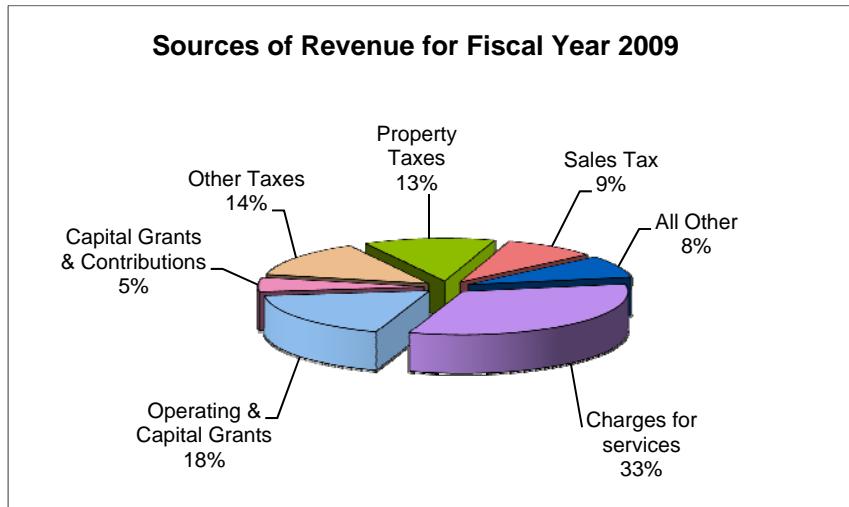
	Governmental Activities		Business-type Activities		Total		Total % Change
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 36.5	\$ 32.4	\$ 6.5	\$ 6.4	\$ 43.0	\$ 38.8	10.8%
Capital assets	30.0	29.2	17.2	17.0	47.2	46.2	2.2%
Total assets	66.5	61.6	23.7	23.4	90.2	85.0	6.1%
Long-term debt outstanding	13.8	14.1	3.3	3.6	17.1	17.7	-3.4%
Other liabilities	2.1	1.7	1.1	0.8	3.2	2.5	28.0%
Total liabilities	15.9	15.8	4.4	4.4	20.3	20.2	0.5%
Net assets							
Invested in capital assets	17.0	15.2	14.0	13.6	31.0	28.8	7.6%
Restricted	17.0	15.8			17.0	15.8	7.6%
Unrestricted	16.6	14.8	5.2	5.3	21.8	20.1	8.5%
Total net assets	\$ 50.6	\$ 45.8	\$ 19.2	\$ 18.9	\$ 69.8	\$ 64.7	7.9%

Net assets of the City's governmental and business-type activities increased \$5.1 million to \$69.8 million, a 7.9 percent increase. About 44.4 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 55.6 percent. About 84.2 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 2009 total revenues of about \$25.7 million was about \$0.6 million more than in 2008; about a 2.4 percent increase. (See Table A-2) About 33 percent of the City's total revenue comes from some type of user fee or charges for services, another 18 percent comes from operating and capital grants from federal and state agencies, and about 31 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 2009 was about \$21.6 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



Governmental Activities

Revenues from all governmental type activities in fiscal year 2009 increased by about \$0.7 million on a net basis compared to fiscal 2008. Revenues from property taxes and interest increased modestly in 2009 as compared to the 2008 fiscal year.

The City's primary source of governmental type revenue comes from some kind of tax. Approximately 35.4 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 \$2.6 million or 32.9 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 with this department accounting for about 34 percent of the City's total 2009 governmental operating expenses. Another 24 percent of the City's 2009 governmental activities operating expenses was spent on public works projects, 15 percent on community development and redevelopment projects, 11 percent was incurred to provide a variety of cultural and recreation services, the remaining 16 percent was spent on general administration and interest on long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

When all operations were concluded, the governmental activities function generated a \$3.8 million increase in net assets for 2009 compared to \$2.7 million increase in 2008. Most of the increase resulted from increases in general revenues, including property tax revenue and investment income. The City's total expenses of all programs in fiscal 2009 decreased slightly by about \$0.4 million compared to the 2008 fiscal year; a 1.4 percent decrease. Much of this decrease resulted from the one-time business loan that was disbursed in 2008.

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

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change		
	2009	2008	2009	2008	2009	2008				
Revenues										
Program revenues										
Charges for services	\$ 1.0	\$ 1.7	\$ 7.4	\$ 7.2	\$ 8.4	\$ 8.9	\$ (0.5)	-5.6%		
Grants and contributions	4.9	4.8	1.1	1.3	6.0	6.1	0.1)	-1.6%		
General revenues										
Sales taxes	2.3	2.0	-	-	2.3	2.0	0.3	15.0%		
Property and other taxes	5.4	4.9	-	-	5.4	4.9	0.5	10.2%		
Other	3.3	2.8	0.2	0.3	3.5	3.1	0.4	12.9%		
Total revenues	16.9	16.2	8.7	8.8	25.6	25.0	0.6	2.4%		
Expenses										
General government										
General government	1.3	0.9	-	-	1.3	0.9	0.4	44.4%		
Public safety	4.5	4.1	-	-	4.5	4.1	0.4	9.8%		
Public works	3.2	2.5	-	-	3.2	2.5	0.7	28.0%		
Community development	2.0	3.7	-	-	2.0	3.7	(1.7)	-45.9%		
Parks and recreation	1.4	1.6	-	-	1.4	1.6	(0.2)	-12.5%		
Interest on long-term debt	0.7	0.7	-	-	0.7	0.7	-	0.0%		
Water	-	-	2.8	3.2	2.8	3.2	(0.4)	-12.5%		
Wastewater	-	-	3.5	3.1	3.5	3.1	0.4	12.9%		
Transit	-	-	1.0	1.0	1.0	1.0	-	0.0%		
Solid waste	-	-	0.7	0.6	0.7	0.6	0.1	16.7%		
Stormwater	-	-	0.5	0.5	0.5	0.5	-	0.0%		
Total expenses	13.1	13.5	8.5	8.4	21.6	21.9	(0.3)	-1.4%		
Increase (decrease) in net assets	\$ 3.8	\$ 2.7	\$ 0.2	\$ 0.4	\$ 4.0	\$ 3.1	\$ 0.9	29.0%		

While users and contributors funded about \$5.9 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 \$7.2 million using general revenues such as taxes. Major sources of program revenues were:

- Those who directly benefited from or used the programs (\$1.0 million), or
- Other governments and organizations that subsidized certain programs with grants and contributions (about \$4.9 million).

The City paid for the \$7.2 million "public benefit" portion out of the \$11.0 million in general revenues such as property taxes, hotel taxes, sales taxes, incremental property taxes, other tax revenues, and investment earnings.

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 \$13.5 million to \$13.1 million, a 3.0 percent decrease.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Spending on community development decreased in 2009 because of a one-time over-the-counter CDBG business loan that was funded in 2008.

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

	Total Cost of Services		Percentage Change
	2009	2008	
General government	\$ 1.3	\$ 0.9	44.44%
Public safety	4.5	4.1	9.76%
Public works	3.2	2.5	28.00%
Community development	2.0	3.7	-45.95%
Parks and recreation	1.4	1.6	-12.50%
Interest on long-term debt	0.7	0.7	0.00%
Total	\$ 13.1	\$ 13.5	-2.96%

Business-Type Activities

The City's business-type activities (water, wastewater, transit, solid waste, and stormwater) were responsible for about a \$0.2 million increase in net assets in fiscal 2009. Table A-4 summarizes the change in net assets for each Business-type activity. The decrease to the wastewater results from the fact that service fee revenue was less than anticipated. The decrease to the transit fund results from increased costs of maintenance. The increase in the water fund results from increased rates for service fees. The increase to the solid waste fund results from higher than anticipated revenues. The increase to the stormwater drainage fund results from reimbursement of costs associated with capital grants.

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

	2009	2008	Increase (Decrease)
Water	\$ 74,979	\$ (357,765)	\$ (432,744)
Wastewater	(393,449)	(36,616)	356,833
Transit	(130,924)	27,423	158,347
Solid Waste	41,190	40,956	(234)
Stormwater	566,836	755,261	188,425
	\$ 158,632	\$ 429,259	\$ 270,627

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

Major Funds-Governmental

As the City completed the year, its governmental funds reported a *combined* fund balance of \$22.7 million, about \$0.9 million less than the last fiscal year.

The City's general fund did not generate enough revenue to cover its operation costs or other financing uses which resulted in a decrease in fund balance of \$662,000. Revenues were about \$64,000 higher than 2008 while expenditures were \$900,000 greater than the prior year. The general fund started the 2008/09 fiscal year with a fund balance of \$3.7 million. After operations, the City's general fund ended the year with a \$3.1 million fund balance. Of this amount about \$401,000 was reserved for advances to other funds, notes receivable and encumbrances leaving about \$2.7 million available to start the 2009/10 fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The CDBG Revolving Loan Fund ended the year with increased fund balances \$14,000 for a total amount available of \$274,000 to start the 2009/10 fiscal year.

The HOME Revolving Loan Funds ended the year with increased fund balance of \$242,000 for a total amount available of \$418,000 to start the 2009/10 fiscal year.

The HUD Block Grant fund is classified as a major fund this year because of the large over-the-counter loan that was made to a local business for major capital improvements. This fund ended the year with a fund deficit of \$3,344 which will be recovered in the 2009/10 fiscal year.

The Redevelopment Agency's Housing Set-aside Fund is classified as a major fund this year due to the large expenditure of funds for low-income housing projects and the acquisition of property.

The Redevelopment Agency's Capital Projects Fund ended the year with a fund balance of \$7.8 million. This is a decrease of \$1.45 million due to the acquisition of property.

The Redevelopment Agency's Debt Service Fund recognized \$2.1 million in incremental tax revenues in 2009 of which \$0.9 million was used for debt service payments on the tax allocation bonds and \$450,000 was transferred to other funds for various projects and administrative expenditures. This fund ended 2009 with a \$2.9 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 2009 fiscal year with a combined fund balance of \$6.0 million. Of this amount, \$1.8 million is restricted for street maintenance and reconstruction projects, \$1.0 million has been received from FEMA and OES for dike and levee repairs that will be completed in subsequent years, \$1.2 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 \$2.0 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 \$1,244,000 less than final budget amounts. The changes made to the expenditure budget during the year amounted to \$481,000. This increase was due primarily to the appropriation of funds for the purchase a new City-wide network and telephone system and the buy-out of the City Manager's employment contract.

Business-Type Funds

The City's water enterprise ended 2009 with a strong unrestricted cash position of \$2.1 million. This fund experienced a slight increase in net assets of \$75,000 due to increased rates for service fees.

The City's wastewater enterprise had \$1.3 million of unrestricted cash at year-end. The fund experienced a decrease of \$393,000 in net assets for the year because service fees revenue was less than anticipated.

The transit fund ended 2009 with \$1,150,000 in cash available for operations and had a slight decrease in net assets of \$131,000 due to higher than anticipated maintenance costs.

The solid waste fund ended 2009 with \$223,000 in cash available and had a slight increase of net assets of \$41,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The stormwater fund had \$90,000 in cash available at year-end; and showed an operating loss of 126,000 for the year, but received intergovernmental grant funds of \$500,000 to offset various operating and capital expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the City had invested \$47.2 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 \$1.0 million due the acquisition of several pieces of property.

This year's major capital asset additions included:

- Purchase of property known as Happy Valley property
- Purchase of property known as 215 E Street

Additional information about the City's capital assets can be found on pages 52 through 54 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
	2009	2008	2009	2008	2009	2008	
Land and Work in Process	\$ 9.4	\$ 8.7	\$ 5.3	\$ 4.8	\$ 14.7	\$ 13.5	8.9%
Buildings and structures	6.1	5.1	4.3	4.5	10.4	9.6	8.3%
Machinery and equipment	0.6	0.5	0.7	0.5	1.3	1.0	30.0%
Underground facilities	-	-	4.4	4.5	4.4	4.5	-2.2%
Improvements	3.5	3.5	2.0	2.1	5.5	5.6	-1.8%
Infrastructure	9.8	10.8	-	-	9.8	10.8	-9.3%
Vehicles	0.6	0.6	0.5	0.6	1.1	1.2	-8.3%
Total	\$ 30.0	\$ 29.2	\$ 17.2	\$ 17.0	\$ 47.2	\$ 46.2	2.2%

Long - Term Debt

At the end of fiscal 2009, the City's debt included \$12,470,000 in redevelopment tax allocation bonds. During the year this was reduced by \$245,000. Long-term debt also included \$3,685,000 in private placement debt. The City paid regular principal payments of \$264,000 on its private placement debt.

Additional information about the City's long-term debt obligations can be found on pages 55 through 60 of the notes to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the 2010 fiscal year, the City's adopted budget contains the following financial assumptions and structure:

- The City will receive approximately \$1.3 million in new tax revenue generated by the newly implemented Transactions and Use Tax;
- The service charges and fees for the City's water and wastewater fund will also increase by 8.0 percent and 10.0 percent, respectively
- The State will not raid local government coffers in order to balance its budget
- 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 State will continue to fully fund the COPS grant (\$100,000) and continue to backfill County booking fees (\$108,000).

The City's budgeted appropriations for 2010 increased by \$850,000 from fiscal 2009, or 2.3 percent. There are a number of significant projects that have been appropriated for fiscal 2010. These include:

- 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,

The General fund portion of 2009 budgeted appropriations is \$9.9 million, an increase of \$1.4 million compared to 2009 appropriations. This is a result of the passage of Measure G, the City's Transactions and Use Tax, which will generate approximately \$1.3 of new general fund revenue.

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, 2009

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 15,321,679	\$ 4,939,143	\$ 20,260,822
Restricted assets:			
Cash and investments	310,582		310,582
Cash and investments with fiscal agents	6,520,372		6,520,372
Receivables:			
Accounts	492,548	977,864	1,470,412
Intergovernmental	1,168,185	83,140	1,251,325
Notes	12,352,470		12,352,470
Interest	35,014		35,014
Deposit	85,000		85,000
Internal balances	(380,659)	380,659	
Inventory	135,621	79,140	214,761
Deferred charges, net of accumulated amortization	403,436	38,112	441,548
Capital assets not being depreciated	9,364,779	5,346,912	14,711,691
Capital assets, net of accumulated depreciation	20,675,019	11,815,629	32,490,648
Total Assets	66,484,046	23,660,599	90,144,645
Liabilities:			
Accounts payable	666,798	492,449	1,159,247
Accrued liabilities	423,950	171,137	595,087
Accrued interest payable	266,546	6,902	273,448
Unearned revenue	76,256	225,758	302,014
Deposits payable	9,341	195,351	204,692
Other liabilities	393,006		393,006
Other postemployment benefits payable	270,169		270,169
Noncurrent liabilities:			
Due within one year	455,685	351,557	807,242
Due in more than one year	13,323,815	2,996,477	16,320,292
Total Liabilities	15,885,566	4,439,631	20,325,197
Net assets:			
Invested in capital assets, net of related debt	17,014,259	13,993,323	31,007,582
Restricted for:			
Capital Projects	306,765		306,765
Parks	178,970		178,970
Public Safety	336,379		336,379
Highways and Streets	2,111,544		2,111,544
Housing	11,414,070		11,414,070
Debt Service	2,623,779		2,623,779
Unrestricted	16,612,714	5,227,645	21,840,359
Total Net Assets	\$ 50,598,480	\$ 19,220,968	\$ 69,819,448

See Notes to Basic Financial Statements

CITY OF ARCATA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Primary Government:					
Governmental Activities:					
General government	\$ (1,335,871)	\$ 3,726	\$ 82,663	\$ -	
Public safety	(4,462,253)	381,049	165,748	66,985	
Public works	(3,198,182)	38,836	528,435	282,996	
Community development	(1,983,522)	346,381	3,172,319		
Parks and recreation	(1,434,383)	256,811	77,579	499,000	
Interest on long-term debt	(736,595)				
Total Governmental Activities	(13,150,806)	1,026,803	4,026,744	848,981	
Business-type Activities:					
Water	(2,821,725)	2,876,520			
Wastewater	(3,458,829)	3,104,571			
Transit	(1,008,150)	276,964	591,479		
Solid waste	(702,771)	763,219	10,500		
Stormwater	(547,909)	414,294		500,934	
Total Business-type Activities	(8,539,384)	7,435,568	601,979	500,934	
Total Primary Government	\$ (21,690,190)	\$ 8,462,371	\$ 4,628,723	\$ 1,349,915	
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					
Gain on sale of capital assets					
Transfers					
Total General Revenues and Transfers					
Change in Net Assets					
Net Assets at Beginning of Fiscal Year					
Prior Period Adjustments					
Net Assets at Beginning of Fiscal Year, Restated					
Net Assets at End of Fiscal Year					
See Notes to Basic Financial Statements					

Net (Expense) Revenue and Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
\$	(1,249,482)	\$ -	\$ (1,249,482)
	(3,848,471)		(3,848,471)
	(2,347,915)		(2,347,915)
	1,535,178		1,535,178
	(600,993)		(600,993)
	(736,595)		(736,595)
	<hr/>	<hr/>	<hr/>
	(7,248,278)		(7,248,278)
	54,795		54,795
	(354,258)		(354,258)
	(139,707)		(139,707)
	70,948		70,948
	367,319		367,319
	<hr/>	<hr/>	<hr/>
	(903)		(903)
	<hr/>	<hr/>	<hr/>
	(7,248,278)		(7,249,181)
	3,276,189		3,276,189
	906,020		906,020
	2,314,669		2,314,669
	273,660		273,660
	807,080		807,080
	171,339		171,339
	1,352,105		1,352,105
	1,315,974	193,089	1,509,063
	250,931		250,931
	389,198		389,198
	33,554	(33,554)	<hr/>
	<hr/>	<hr/>	<hr/>
	11,090,719	159,535	11,250,254
	<hr/>	<hr/>	<hr/>
	3,842,441	158,632	4,001,073
	<hr/>	<hr/>	<hr/>
	45,700,711	18,945,100	64,645,811
	<hr/>	<hr/>	<hr/>
	1,055,328	117,236	1,172,564
	<hr/>	<hr/>	<hr/>
	46,756,039	19,062,336	65,818,375
	<hr/>	<hr/>	<hr/>
\$	50,598,480	\$ 19,220,968	\$ 69,819,448

**CITY OF ARCATA
BALANCE SHEET
GOVERNMENTAL FUNDS**
June 30, 2009

	Special Revenue Funds		
	General	CDBG Housing Revolving Loan	Housing Revolving Loan
Assets:			
Cash and investments	\$ 2,949,936	\$ 219,641	\$ -
Restricted assets:			
Cash and investments	310,582		
Cash and investments with fiscal agents			
Receivables:			
Accounts	420,701	55,914	9,248
Intergovernmental	568,212		
Notes	380,659	4,363,080	5,363,268
Interest	23,114		
Deposit			
Due from other funds	45,123		411,546
Inventory	5,672		
Advances to other funds			
Total Assets	\$ 4,703,999	\$ 4,638,635	\$ 5,784,062
Liabilities:			
Accounts payable	\$ 385,779	\$ 1,585	\$ 2,689
Accrued liabilities	363,163		
Due to other funds	380,659		
Deferred revenue	76,256	4,363,080	5,363,268
Deposits payable	3,041		
Other liabilities	393,006		
Advances from other funds			
Total Liabilities	1,601,904	4,364,665	5,365,957
Fund Balances:			
Reserved:			
Reserved for encumbrances	16,958	1,680	
Reserved for inventory	5,672		
Reserved for streets			
Reserved for debt service			
Reserved for long-term receivables	380,659		
Unreserved, designated for contingencies	150,000		
Unreserved reported in:			
General fund	2,548,806		
Special revenue funds		272,290	418,105
Capital projects funds			
Total Fund Balances (Deficit)	3,102,095	273,970	418,105
Total Liabilities and Fund Balances	\$ 4,703,999	\$ 4,638,635	\$ 5,784,062

See Notes to Basic Financial Statements

Special Revenue Funds		Capital Projects Fund		Debt Service Fund			
HUD Block Grant	Community Development Housing Set Aside	Community Development Agency Capital Projects	Community Development Agency	Other Governmental Funds	Total Governmental Funds		
\$ -	\$ 1,956,010	\$ 1,844,158	\$ 2,341,222	\$ 5,253,498	\$ 14,564,465		
		5,577,916	942,456		310,582		6,520,372
		2,629	3,288		768		492,548
17,557		1,866,045	349,437	31,647	550,769		1,168,185
		10,109	1,791		29,981		12,352,470
		15,000	70,000				35,014
					134,079		590,748
					123,039		128,711
					425,000		425,000
<u>\$ 17,557</u>	<u>\$ 3,849,793</u>	<u>\$ 7,846,590</u>	<u>\$ 3,315,325</u>	<u>\$ 6,517,134</u>	<u>\$ 36,673,095</u>		
\$ 217	\$ 11,586	\$ 25,111	\$ -	\$ 210,116	\$ 637,083		
				51,381	414,544		
34,358	355,189			201,201	971,407		
	1,265,100			29,981	11,097,685		
				6,300	9,341		
					393,006		
			425,000		425,000		
<u>34,575</u>	<u>1,631,875</u>	<u>25,111</u>	<u>425,000</u>	<u>498,979</u>	<u>13,948,066</u>		
	1,616,973	78,881		369,763	2,084,255		
				123,039	128,711		
				1,526,351	1,526,351		
			2,890,325		2,890,325		
	600,945	349,437			1,331,041		
				293,440	443,440		
(17,018)					2,548,806		
		7,393,161		3,398,797	4,072,174		
				306,765	7,699,926		
(17,018)	2,217,918	7,821,479	2,890,325	6,018,155	22,725,029		
<u>\$ 17,557</u>	<u>\$ 3,849,793</u>	<u>\$ 7,846,590</u>	<u>\$ 3,315,325</u>	<u>\$ 6,517,134</u>	<u>\$ 36,673,095</u>		

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CITY OF ARCATA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Fund balances of governmental funds	\$ 22,725,029
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.	29,172,880
Certain notes receivable are not available to pay for current period expenditures and therefore, are offset by deferred revenue in the governmental funds	11,021,429
Long-term debt and compensated absences have not been included in the governmental funds.	
Other postemployment benefits payable	(270,169)
Long-term debt	(13,293,422)
Compensated absences	(338,404)
Deferred charges, net of accumulated amortization for debt issuance costs on long-term debt have not been reported in the governmental funds.	403,436
Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.	(266,546)
Internal service funds are used by management to charge the costs of certain activities, such as central garage, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.	<u>1,444,247</u>
Net assets of governmental activities	<u>\$ 50,598,480</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, 2009

	Special Revenue Funds			
	General	CDBG Housing Revolving Loan	Housing Revolving Loan	HUD Block Grant
Revenues:				
Taxes and assessments	\$ 5,029,558	\$ -	\$ -	\$ -
Licenses and permits	197,588			
Intergovernmental	1,484,506			2,461,635
Charges for services	557,306			
Use of money and property	223,757	67,521	22,990	
Fines and forfeitures	247,632			
Reimbursements				
Miscellaneous	103,598	135,532	245,787	101,630
Total Revenues	7,843,945	203,053	268,777	2,563,265
Expenditures:				
Current:				
General government	975,481			
Public safety	4,245,323			
Public works	526,519			
Community development	889,637	189,044	26,885	2,566,609
Parks and recreation	1,167,434			
Capital outlay	413,577			
Debt service:				
Principal retirement	57,777			
Interest and fiscal charges	29,568			
Total Expenditures	8,305,316	189,044	26,885	2,566,609
Excess of Revenues Over (Under) Expenditures	(461,371)	14,009	241,892	(3,344)
Other Financing Sources (Uses):				
Transfers in				
Transfers out	(200,563)			
Total Other Financing Sources (Uses)	(200,563)			
Net Change in Fund Balances	(661,934)	14,009	241,892	(3,344)
Fund Balances, Beginning of Fiscal Year	3,764,029	259,961	176,213	21,967
Prior Period Adjustments				(35,641)
Fund Balances (Deficit), Beginning of Fiscal Year (restated)	3,764,029	259,961	176,213	(13,674)
Fund Balances (Deficit), End of Fiscal Year	\$ 3,102,095	\$ 273,970	\$ 418,105	\$ (17,018)

See Notes to Basic Financial Statements

Special Revenue Funds	Capital Projects Fund	Debt Service Fund		
	Community Development Agency Capital Projects	Community Development Agency	Other Governmental Funds	Total Governmental Funds
\$ 517,283	\$ -	\$ 2,069,131	\$ 151,203 39,154 1,917,615	\$ 7,767,175 236,742 5,863,756 557,306
74,546	289,463	83,050	270,505 79,259 38,322	1,031,832 326,891 38,322
980,986			259,719	1,827,252
<u>1,572,815</u>	<u>289,463</u>	<u>2,152,181</u>	<u>2,755,777</u>	<u>17,649,276</u>
11,992			423,278 139,677 739,003	1,410,751 4,385,000 1,265,522
919,411	307,137		677,678 257,204	5,576,401 1,424,638
570,000	1,432,859		1,022,493	3,438,929
		245,000 691,753		302,777 721,321
<u>1,501,403</u>	<u>1,739,996</u>	<u>936,753</u>	<u>3,259,333</u>	<u>18,525,339</u>
71,412	(1,450,533)	1,215,428	(503,556)	(876,063)
		(450,000)	1,361,571 (687,725)	1,361,571 (1,338,288)
		(450,000)	673,846	23,283
71,412	(1,450,533)	765,428	170,290	(852,780)
2,146,506	9,272,012	2,124,897	5,847,865	23,613,450
				(35,641)
2,146,506	9,272,012	2,124,897	5,847,865	23,577,809
<u>\$ 2,217,918</u>	<u>\$ 7,821,479</u>	<u>\$ 2,890,325</u>	<u>\$ 6,018,155</u>	<u>\$ 22,725,029</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, 2009

Net change in fund balances - total governmental funds	\$ (852,780)
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 outlay (\$2,932,425) exceeds depreciation (\$1,622,716) in the current period.	1,309,709
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(490,802)
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.	3,453,004
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.	308,976
Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized and amortized on the statement of net assets. This is the amount of amortization in the current period.	(16,137)
Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period.	4,688
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.	10,638
Other postemployment benefits payable is a long-term debt that increases or decreases each fiscal year, depending on the Annual Required Contribution amount and the actual amount funded/paid by the City. This is the amount of the change in the payable in the current period.	(145,071)
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.	<u>260,216</u>
Change in net assets of governmental activities	<u>\$ 3,842,441</u>

See Notes to Basic Financial Statements

CITY OF ARCATA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Transit
ASSETS			
Current Assets:			
Cash and cash investments	\$ 2,144,117	\$ 1,334,140	\$ 1,147,701
Accounts receivable, net	328,252	337,650	
Due from other funds	380,659		
Due from other agencies	846		75,500
Inventory	69,726	5,067	
Total Current Assets	<u>2,923,600</u>	<u>1,676,857</u>	<u>1,223,201</u>
Noncurrent Assets:			
Deferred issuance costs, net of accumulated amortization	15,176	22,936	
Capital assets:			
Land	214,546	374,603	
Depreciable buildings and structures, net	100,247	3,301,864	583,161
Depreciable underground facilities, net	2,275,040	2,113,414	
Depreciable improvements, net	937,512	598,535	99,324
Depreciable vehicles, net			461,954
Depreciable furniture and equipment, net	24,948	426,315	180,414
Total Noncurrent Assets	<u>3,567,469</u>	<u>6,837,667</u>	<u>1,324,853</u>
Total Assets	<u>6,491,069</u>	<u>8,514,524</u>	<u>2,548,054</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	97,702	296,518	67,496
Accrued liabilities	65,556	68,932	17,940
Accrued interest payable		6,902	
Deferred revenue			225,758
Deposits payable	192,951		
Current portion of long-term obligations	87,356	116,516	3,603
Total Current Liabilities	<u>443,565</u>	<u>488,868</u>	<u>314,797</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Compensated absences	35,869	40,546	10,807
Capital lease payable	1,067,950		
Loan payable		1,823,000	
Total Noncurrent Liabilities	<u>1,103,819</u>	<u>1,863,546</u>	<u>10,807</u>
Total Liabilities	<u>1,547,384</u>	<u>2,352,414</u>	<u>325,604</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,424,120	4,911,667	1,324,853
Unrestricted	2,519,565	1,250,443	897,597
Total Net Assets	<u>\$ 4,943,685</u>	<u>\$ 6,162,110</u>	<u>\$ 2,222,450</u>

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
Solid Waste	Stormwater	Totals		
\$ 222,875	\$ 90,310	\$ 4,939,143	\$ 757,214	
174,136	137,826	977,864		
		380,659		
	6,794	83,140		
	4,347	79,140	6,910	
<u>397,011</u>	<u>239,277</u>	<u>6,459,946</u>	<u>764,124</u>	
		38,112		
	4,757,763	5,346,912		
3,303	267,456	4,256,031	673	
		4,388,454		
	412,760	2,048,131	2,562	
		461,954	619,037	
<u>29,382</u>	<u>5,437,979</u>	<u>661,059</u>	<u>244,646</u>	
<u>32,685</u>	<u>5,677,256</u>	<u>23,660,599</u>	<u>1,631,042</u>	
1,240	29,493	492,449	29,715	
4,629	14,080	171,137	9,406	
		6,902		
		225,758		
	2,400	195,351		
<u>1,522</u>	<u>142,560</u>	<u>351,557</u>	<u>53,338</u>	
<u>7,391</u>	<u>188,533</u>	<u>1,443,154</u>	<u>92,459</u>	
4,566	13,739	105,527	9,090	
		1,067,950	85,246	
		1,823,000		
<u>4,566</u>	<u>13,739</u>	<u>2,996,477</u>	<u>94,336</u>	
<u>11,957</u>	<u>202,272</u>	<u>4,439,631</u>	<u>186,795</u>	
32,685	5,299,998	13,993,323	731,364	
385,054	174,986	5,227,645	712,883	
<u>\$ 417,739</u>	<u>\$ 5,474,984</u>	<u>\$ 19,220,968</u>	<u>\$ 1,444,247</u>	

CITY OF ARCATA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Transit
Operating Revenues:			
Sales and service charges	\$ 2,783,822	\$ 2,766,905	\$ 214,111
Interdepartmental charges			
Other	92,698	337,666	62,853
 Total Operating Revenues	 2,876,520	 3,104,571	 276,964
 Operating Expenses:			
Salaries and benefits	1,192,496	1,209,414	370,698
Contractual services	43,410	291,717	162,726
Materials and supplies	138,764	229,554	10,415
Repairs and maintenance	252,327	607,560	202,412
Purchased water	450,589		
Utilities	72,664	167,126	4,632
Insurance	108,900	109,240	38,736
Taxes and fees	6,522	743	
Allocated overhead	351,870	351,870	66,090
Depreciation	151,086	402,794	152,441
Amortization	1,320	1,841	
 Total Operating Expenses	 2,769,948	 3,371,859	 1,008,150
 Operating Income (Loss)	 106,572	 (267,288)	 (731,186)
 Nonoperating Revenues (Expenses):			
Interest revenue	89,514	52,204	42,371
Interest expense	(51,777)	(86,970)	
Intergovernmental			591,479
 Total Nonoperating Revenues (Expenses)	 37,737	 (34,766)	 633,850
 Income (Loss) Before Transfers	 144,309	 (302,054)	 (97,336)
 Transfers in			
Transfers out			
 Net Transfers	 (69,330)	 (91,395)	 (33,588)
 Changes in Net Assets	 (69,330)	 (91,395)	 (33,588)
 Net Assets			
Beginning of fiscal year	4,868,706	6,555,559	2,236,138
Prior period adjustments			117,236
 Beginning of fiscal year, as restated	 4,868,706	 6,555,559	 2,353,374
 End of fiscal year	 \$ 4,943,685	 \$ 6,162,110	 \$ 2,222,450

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste	Stormwater	Totals	
\$ 749,801	\$ 219,756	\$ 6,734,395	\$ - 967,440
13,418	194,538	701,173	
<u>763,219</u>	<u>414,294</u>	<u>7,435,568</u>	<u>967,440</u>
63,352	226,032	3,061,992	186,511
526,976	62,939	1,087,768	27,477
17,766	19,415	415,914	206,233
6,900	109,182	1,178,381	73,127
		450,589	
	145	244,567	
3,960	19,800	280,636	59,400
	1,134	8,399	
74,110	78,280	922,220	
9,707	23,510	739,538	177,938
		3,161	
<u>702,771</u>	<u>540,437</u>	<u>8,393,165</u>	<u>730,686</u>
<u>60,448</u>	<u>(126,143)</u>	<u>(957,597)</u>	<u>236,754</u>
7,417	1,583	193,089	23,215
	(7,472)	(146,219)	(10,024)
<u>10,500</u>	<u>500,934</u>	<u>1,102,913</u>	
<u>17,917</u>	<u>495,045</u>	<u>1,149,783</u>	<u>13,191</u>
<u>78,365</u>	<u>368,902</u>	<u>192,186</u>	<u>249,945</u>
	197,934	197,934	10,271
(37,175)		(231,488)	
<u>(37,175)</u>	<u>197,934</u>	<u>(33,554)</u>	<u>10,271</u>
<u>41,190</u>	<u>566,836</u>	<u>158,632</u>	<u>260,216</u>
376,549	4,908,148	18,945,100	1,184,031
		117,236	
<u>376,549</u>	<u>4,908,148</u>	<u>19,062,336</u>	<u>1,184,031</u>
<u>\$ 417,739</u>	<u>\$ 5,474,984</u>	<u>\$ 19,220,968</u>	<u>\$ 1,444,247</u>

CITY OF ARCATA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Transit
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 2,851,484	\$ 3,047,821	\$ 502,222
Cash received from interfund services provided	(1,103,149)	(1,252,673)	(622,686)
Cash paid to suppliers for goods and services	(1,173,013)	(1,183,535)	(363,182)
Cash paid to employees for services	(351,870)	(351,870)	(66,090)
Cash paid for allocated overhead			
Net Cash Provided (Used) by Operating Activities	<u>223,452</u>	<u>259,743</u>	<u>(549,736)</u>
Cash Flows from Non-Capital Financing Activities:			
Intergovernmental revenue			591,479
Cash due from (to) other funds	10,523		
Cash transfers to other funds	(69,330)	(91,395)	(33,588)
Cash transfers from other funds			
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(58,807)</u>	<u>(91,395)</u>	<u>557,891</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(26,206)	(140,952)	(93,236)
Principal paid on long-term debt	(87,750)	(129,000)	
Interest paid on long-term debt	(51,777)	(87,432)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(165,733)</u>	<u>(357,384)</u>	<u>(93,236)</u>
Cash Flows from Investing Activities:			
Interest received	89,514	52,204	42,371
Net Cash Provided (Used) by Investing Activities	<u>89,514</u>	<u>52,204</u>	<u>42,371</u>
Net Increase (Decrease) in Cash and Cash Equivalents	88,426	(136,832)	(42,710)
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>2,055,691</u>	<u>1,470,972</u>	<u>1,190,411</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 2,144,117</u>	<u>\$ 1,334,140</u>	<u>\$ 1,147,701</u>
Reconciliation to Statement of Net Assets:			
Cash and investments	<u>\$ 2,144,117</u>	<u>\$ 1,334,140</u>	<u>\$ 1,147,701</u>

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste	Stormwater	Totals	
\$ 719,919	\$ 447,488	\$ 7,568,934	\$ - 967,440
(555,049)	(189,636)	(3,723,193)	(391,236)
(59,386)	(218,258)	(2,997,374)	(182,487)
<u>(74,110)</u>	<u>(78,280)</u>	<u>(922,220)</u>	<u></u>
<u>31,374</u>	<u>(38,686)</u>	<u>(73,853)</u>	<u>393,717</u>
10,500	500,934	1,102,913	
(37,175)	197,934	10,523 (231,488)	10,271
<u></u>	<u>197,934</u>	<u></u>	<u>10,271</u>
<u>(26,675)</u>	<u>698,868</u>	<u>1,079,882</u>	<u></u>
	(538,460)	(798,854)	(153,283)
	(30,477)	(247,227)	(47,611)
	<u>(7,472)</u>	<u>(146,681)</u>	<u>(10,024)</u>
	<u></u>	<u></u>	<u></u>
	<u>(576,409)</u>	<u>(1,192,762)</u>	<u>(210,918)</u>
7,417	1,583	193,089	23,215
<u>7,417</u>	<u>1,583</u>	<u>193,089</u>	<u>23,215</u>
12,116	85,356	6,356	216,285
<u>210,759</u>	<u>4,954</u>	<u>4,932,787</u>	<u>540,929</u>
<u>\$ 222,875</u>	<u>\$ 90,310</u>	<u>\$ 4,939,143</u>	<u>\$ 757,214</u>
<u>\$ 222,875</u>	<u>\$ 90,310</u>	<u>\$ 4,939,143</u>	<u>\$ 757,214</u>

(Continued)

CITY OF ARCATA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009
(Continued)

Business-type Activities - Enterprise Funds			
	Water	Wastewater	Transit
Reconciliation of Operating Income (loss) to Net Cash			
Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 106,572	\$ (267,288)	\$ (731,186)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	151,086	402,794	152,441
Amortization	1,320	1,841	
Adjustments:			
(Increase) decrease in due from other agencies	9,425		(500)
(Increase) decrease in accounts receivable	(53,462)	(56,750)	
(Increase) decrease in inventory	(9,539)	(450)	
Increase (decrease) in accounts payable	(20,434)	153,717	(203,765)
Increase (decrease) in accrued liabilities	17,610	19,940	5,075
Increase (decrease) in deferred revenue			225,758
Increase (decrease) in compensated absences	1,873	5,939	2,441
Increase (decrease) in deposits payable	19,001		
Total Adjustments	<u>116,880</u>	<u>527,031</u>	<u>181,450</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 223,452</u></u>	<u><u>\$ 259,743</u></u>	<u><u>\$ (549,736)</u></u>

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
<u>Solid Waste</u>	<u>Stormwater</u>	<u>Totals</u>	<u> </u>
<u>\$ 60,448</u>	<u>\$ (126,143)</u>	<u>\$ (957,597)</u>	<u>\$ 236,754</u>
9,707	23,510	739,538	177,938
		3,161	
20,074	36,590	65,589	
(63,374)	(3,396)	(176,982)	
	104	(9,885)	(662)
553	22,875	(47,054)	(24,338)
2,519	5,312	50,456	3,752
		225,758	
1,447	2,462	14,162	273
		19,001	
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>(29,074)</u>	<u>87,457</u>	<u>883,744</u>	<u>156,963</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>\$ 31,374</u>	<u>\$ (38,686)</u>	<u>\$ (73,853)</u>	<u>\$ 393,717</u>

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CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 (City) 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, 2009

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, 2009

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, 2009

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 **HUD Block Grant Fund** is used to account for grants from the CDBG program that the City applies for and receives.

The **Community Development Housing Set-Aside Special Revenue Fund** is used to account for the portion of City and County tax increment funds received for redevelopment related purposes and set aside for low-and-moderate-income housing.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 governmental funds: (Continued)

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.

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 the 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.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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. 49, No. 52, No. 55, and No. 56 during the fiscal year ended June 30, 2009.

GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations

This Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care and nuclear power plant decommissioning.

GASB Statement No. 52 – Land and Other Real Estate Held as Investments by Endowments

This Statement is effective for periods beginning after June 15, 2008. The Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

New Accounting Pronouncements (Continued)

GASB Statement No. 55 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

This Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB Statement No. 56 – Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standards

This Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

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.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

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

6. Compensated Absences

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

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.

8. 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.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. 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.

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

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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	\$ 71,255,653
Less: Accumulated depreciation	<u>(42,082,773)</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 29,172,880</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:

Long-Term Debt Obligations and Related Interest	
Tax allocation bonds	\$ 12,470,000
Leases payable	615,650
Accrued interest on bonds	266,546
Energy commision loan	52,812
Other postemployment benefits payable	270,169
Compensated absences-vacation and sick leave provision	338,404
Bond premiums	<u>154,960</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 14,168,541</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	\$ 1,184,031
Change in net assets	260,216
	<u>\$ 1,444,247</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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

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	\$ 2,932,425
Depreciation expense	(1,622,716)
Book value of capital assets disposed of	(490,802)
Repayment of long-term debt principal	308,976
Vacation and sick leave provision	<u>10,638</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ 1,138,521</u>

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.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Budgetary information (Continued)

Fund Deficits

The following funds contained a deficit fund balance as of June 30, 2009:

Major Fund:

HUD Block Grant	\$ (17,018)
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Nonmajor Funds:

POST	(3,562)
Forest Management	(46,302)
STIP	(49,972)
Community Development Administration	(1,536)

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

Excess of Expenditures over Appropriations

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

Fund	Final Appropriations	Expenditures	Excess
Major Governmental Funds:			
CDBG Housing Revolving Loan	\$ 162,000	\$ 189,044	\$ (27,044)
Community Development Agency			
Debt Service	854,436	936,753	(82,317)
Nonmajor Funds:			
Forest Management	238,053	720,264	(482,211)
Parkland In Lieu	52,000	53,220	(1,220)
Basic Business Revolving Loan	500	1,162	(662)
Community Development Administration	497,654	503,894	(6,240)

NOTE 4 CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 20,260,822
Restricted cash and investments	310,582
Restricted cash and investments with fiscal agents	<u>6,520,372</u>
 Total cash and investments	 <u>\$ 27,091,776</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2009 consist of the following:

Petty cash	\$ 1,285
Deposits with financial institutions	5,111,470
Investments	<u>21,979,021</u>
Total cash and investments	<u><u>\$ 27,091,776</u></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 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	Per Entity
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, 2009

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:

Investment Type	Totals	Remaining maturity					
		12 Months or Less	13-24 Months	25-36 Months	37-48 Months	49-60 Months	Over 60 Months
U.S. Treasury notes	\$ 2,418,059	\$ 205,992	\$ 707,586	\$ 221,849	\$ 1,282,632	\$ -	\$ -
Money market funds	26,069	26,069					
Federal agency securities	5,905,517	793,814	1,155,906	1,272,334	1,713,671	969,792	
Corporate medium term notes	55,161			55,161			
State investment pool	7,220,557	7,220,557					
Certificates of deposit*	310,582	310,582					
Held by bond trustees:							
Money market funds	648,786	648,786					
U.S. Treasury notes	1,425,868	1,320,672	21,046	21,444	62,706		
Federal agency securities	3,968,422	1,304,859	2,415,286	48,600	64,294	135,383	
Total	\$ 21,979,021	\$ 11,831,331	\$ 4,299,824	\$ 1,619,388	\$ 3,123,303	\$ 1,105,175	\$ -

* 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, 2009

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	\$ 2,418,059	N/A	\$ 2,418,059	\$ -	\$ -	\$ -	\$ -
Money Market Funds	26,069	N/A		26,069			
Federal agency securities	5,905,517	N/A			5,905,517		
Corporate medium term notes	55,161	N/A				55,161	
State investment pool	7,220,557	N/A					7,220,557
Certificates of deposit	310,582	N/A					310,582
Held by bond trustee:							
Money market funds	648,786	N/A		648,786			
U.S. Treasury notes	1,425,868	N/A	1,425,868				
Federal agency securities	3,968,422	N/A		3,968,422			
Total	<u>\$ 21,979,021</u>		<u>\$ 3,843,927</u>	<u>\$ 10,548,794</u>	<u>\$ 55,161</u>	<u>\$ -</u>	<u>\$ 7,531,139</u>

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	\$ 2,895,473
FNMA	Federal agency securities	2,753,541
FHLB	Federal agency securities	2,841,739
FFCB	Federal agency securities	1,383,186

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:

\$9,873,939 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, \$2,895,473 (FHLMC), \$2,753,541 (FNMA), \$2,841,739 (FHLB), and \$1,383,186 (FFCB).

The Arcata Community Development Agency Capital Projects Fund (Major Fund) holds investments (including amounts held by bond trustees) in the amount of \$3,720,145 which are Federal Agency Securities. These securities are \$1,247,594 (FHLMC), \$1,221,938 (FNMA), and \$1,250,613 (FHLB).

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009, \$4,874,547 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts as required by the California Government Code. As of June 30, 2009, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used to buy the investments:

<u>Investment Type</u>	<u>Reported Amount</u>
Certificates of deposit	\$310,582
Money market funds	648,786
U.S. Treasury notes	1,425,868
Federal agency securities	3,968,422

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:

	Receivable	Allowance	Net
Governmental activities:			
Due from other governments	\$ 1,168,185	\$ -	\$ 1,168,185
Accounts	492,548	492,548	492,548
	<u>\$ 1,660,733</u>	<u>\$ -</u>	<u>\$ 1,660,733</u>
Business-type activities			
Due from other governments	\$ 83,140	\$ -	\$ 83,140
Accounts	977,864	977,864	977,864
	<u>\$ 1,061,004</u>	<u>\$ -</u>	<u>\$ 1,061,004</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 RECEIVABLES (CONTINUED)

Notes Receivable

The following schedule summarizes notes receivable as of June 30, 2009:

General fund notes receivable	\$ 380,659
CDBG Housing Revolving Loan fund notes receivable	4,363,080
Housing Revolving Loan fund notes receivable	5,363,268
Community Development Agency Housing Set Aside fund notes receivable	1,866,045
Community Development Agency Capital Projects fund notes receivable	349,437
Basic Business Revolving Loan fund notes receivable	29,981
Total notes receivable, Governmental funds	<u><u>\$ 12,352,470</u></u>

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

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

The composition of interfund balances as of June 30, 2009 is as follows:

A. Due to/ from other fund

Receivable Fund	Amount	Payable Fund	Amount
Major Funds:		Major Funds:	
General	\$ 45,123	General	\$ 380,659
Housing Revolving Loan	411,546	HUD Block Grant	34,358
		Community Development	
		Housing Set Aside	355,189
Nonmajor Funds:		Nonmajor Funds:	
Gas Tax 2107 and 2107.5	40,857	POST	5,608
Basic Business Revolving Loan	93,222	Forest Management	39,514
Major Enterprise Fund:		STIP	40,857
Water	380,659	HOME Grant	115,222
	<u><u>\$ 971,407</u></u>		<u><u>\$ 971,407</u></u>

B. Advance to/ from other fund

Receivable Fund	Amount	Payable Fund	Amount
Nonmajor Fund:		Major Fund:	
PERS Phase In Special		Community Development	
Revenue	\$ 425,000	Debt Service	\$ 425,000
	<u><u>\$ 425,000</u></u>		<u><u>\$ 425,000</u></u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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

C. Interfund transfers

Fund	Transfers In	Transfers Out
Major Funds:		
General	\$ -	\$ 200,563
Community Development Agency Debt Service		450,000
Nonmajor Governmental Funds:		
Gas Tax 2106		98,018
Gas Tax 2107 and 2107.5	678,580	4,000
Traffic Safety	72,976	
Industrial Park		17,500
PEG Access		4,590
Residential Construction		11,000
Parkland In Lieu		183,000
Gas Tax 2105		120,430
Proposition 172		75,000
ISTEA		40,000
Healthsport		6,000
Curtis Heights		14,000
Janes Creek Meadows	164,500	
Windsong		17,000
Community Development Agency Administration	445,515	
City Capital Projects		97,187
Internal Service Fund	10,271	
Major Enterprise Funds:		
Water		69,330
Wastewater		91,395
Transit		33,588
Solid Waste		37,175
Stormwater	197,934	
	<hr/> <u>\$ 1,569,776</u>	<hr/> <u>\$ 1,569,776</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 CAPITAL ASSETS

A. Governmental Activities

Governmental capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 8,653,709	\$ 1,201,872	\$ (490,802)	\$ 9,364,779
Total capital assets, not being depreciated	<u>8,653,709</u>	<u>1,201,872</u>	<u>(490,802)</u>	<u>9,364,779</u>
Capital assets, being depreciated:				
Buildings and structures	9,752,787	1,298,649		11,051,436
Furniture and equipment	3,029,772	263,358		3,293,130
Improvements	5,629,741	168,546		5,798,287
Infrastructure	<u>41,748,021</u>	<u>1,730,553</u>		<u>41,748,021</u>
Total capital assets, being depreciated	<u>60,160,321</u>	<u>1,730,553</u>		<u>61,890,874</u>
Less accumulated depreciation for:				
Buildings and structures	(4,643,769)	(262,708)		(4,906,477)
Furniture and equipment	(2,794,857)	(90,027)		(2,884,884)
Improvements	(2,116,824)	(201,001)		(2,317,825)
Infrastructure	<u>(30,904,607)</u>	<u>(1,068,980)</u>		<u>(31,973,587)</u>
Total accumulated depreciation	<u>(40,460,057)</u>	<u>(1,622,716)</u>		<u>(42,082,773)</u>
Total capital assets, being depreciated, net	<u>19,700,264</u>	<u>107,837</u>		<u>19,808,101</u>
Governmental activities capital assets, net	<u>\$ 28,353,973</u>	<u>\$ 1,309,709</u>	<u>\$ (490,802)</u>	<u>\$ 29,172,880</u>

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

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
Capital Assets, being depreciated:				
Buildings and structures	\$ 41,198	\$ -	\$ -	\$ 41,198
Furniture and equipment	516,610	56,655		573,265
Improvements	12,799			12,799
Vehicles	<u>3,113,721</u>	<u>96,628</u>		<u>3,210,349</u>
Total capital assets, being depreciated	<u>3,684,328</u>	<u>153,283</u>		<u>3,837,611</u>
Less accumulated depreciation for:				
Buildings and structures	(40,271)	(254)		(40,525)
Furniture and equipment	(272,089)	(56,530)		(328,619)
Improvements	(10,029)	(208)		(10,237)
Vehicles	<u>(2,470,366)</u>	<u>(120,946)</u>		<u>(2,591,312)</u>
Total accumulated depreciation	<u>(2,792,755)</u>	<u>(177,938)</u>		<u>(2,970,693)</u>
Total capital assets, being depreciated, net	<u>\$ 891,573</u>	<u>\$ (24,655)</u>	<u>\$ -</u>	<u>\$ 866,918</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 CAPITAL ASSETS (CONTINUED)

A. Governmental Activities(Continued)

Total Governmental Activities

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 8,653,709	\$ 1,201,872	\$ (490,802)	\$ 9,364,779
Total capital assets, not being depreciated	<u>8,653,709</u>	<u>1,201,872</u>	<u>(490,802)</u>	<u>9,364,779</u>
Capital assets, being depreciated:				
Buildings and structures	9,793,985	1,298,649		11,092,634
Furniture and equipment	3,546,382	320,013		3,866,395
Improvements	5,642,540	168,546		5,811,086
Infrastructure	41,748,021			41,748,021
Vehicles	<u>3,113,721</u>	<u>96,628</u>		<u>3,210,349</u>
Total capital assets, being depreciated	<u>63,844,649</u>	<u>1,883,836</u>		<u>65,728,485</u>
Less accumulated depreciation for:				
Buildings and structures	(4,684,040)	(262,962)		(4,947,002)
Furniture and equipment	(3,066,946)	(146,557)		(3,213,503)
Improvements	(2,126,853)	(201,209)		(2,328,062)
Infrastructure	(30,904,607)	(1,068,980)		(31,973,587)
Vehicles	<u>(2,470,366)</u>	<u>(120,946)</u>		<u>(2,591,312)</u>
Total accumulated depreciation	<u>(43,252,812)</u>	<u>(1,800,654)</u>		<u>(45,053,466)</u>
Total capital assets, being depreciated, net	<u>20,591,837</u>	<u>83,182</u>		<u>20,675,019</u>
Governmental activities capital assets, net	<u>\$ 29,245,546</u>	<u>\$ 1,285,054</u>	<u>\$ (490,802)</u>	<u>\$ 30,039,798</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at June 30, 2008	Increases	Decreases	Prior Period Adjustments	Balance at June 30, 2009
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 4,841,000	\$ 505,912	\$ -	\$ -	\$ 5,346,912
Total capital assets, not being depreciated	<u>4,841,000</u>	<u>505,912</u>	<u></u>	<u></u>	<u>5,346,912</u>
Capital assets, being depreciated:					
Buildings and structures	9,213,265	24,534			9,237,799
Furniture and equipment	2,706,145	190,707		117,236	3,014,088
Underground facilities	7,707,688				7,707,688
Improvements	3,950,982	77,701			4,028,683
Vehicles	1,258,832				1,258,832
Total capital assets, being depreciated	<u>24,836,912</u>	<u>292,942</u>	<u></u>	<u>117,236</u>	<u>25,247,090</u>
Less accumulated depreciation for:					
Buildings and structures	(4,741,554)	(240,214)			(4,981,768)
Furniture and equipment	(2,236,163)	(116,866)			(2,353,029)
Underground facilities	(3,155,206)	(164,028)			(3,319,234)
Improvements	(1,850,415)	(130,137)			(1,980,552)
Vehicles	(708,585)	(88,293)			(796,878)
Total accumulated depreciation	<u>(12,691,923)</u>	<u>(739,538)</u>	<u></u>	<u></u>	<u>(13,431,461)</u>
Total capital assets, being depreciated, net	<u>12,144,989</u>	<u>(446,596)</u>	<u></u>	<u>117,236</u>	<u>11,815,629</u>
Business-type activities capital assets, net	<u><u>\$ 16,985,989</u></u>	<u><u>\$ 59,316</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 117,236</u></u>	<u><u>\$ 17,162,541</u></u>

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

Governmental activities				
General government		\$ 194,995		
Public safety		62,312		
Public works		1,471,741		
Community development		61,861		
Parks and recreation		<u>9,745</u>		
Total depreciation expense-governmental activities		<u><u>\$ 1,800,654</u></u>		
Business-type activities				
Water		\$ 151,086		
Wastewater		402,794		
Transit		152,441		
Solid Waste		9,707		
Stormwater		<u>23,510</u>		
Total depreciation expense-business-type activities		<u><u>\$ 739,538</u></u>		

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009 was \$3,200,000. Future debt service requirements on the 1994 Series Tax Allocation Bonds are:

Fiscal Year	Principal	Interest	Total
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	175,000	150,750	325,750
2015-2019	1,040,000	579,000	1,619,000
2020-2024	<u>1,385,000</u>	<u>217,650</u>	<u>1,602,650</u>
Totals	<u>\$ 3,200,000</u>	<u>\$ 1,646,400</u>	<u>\$ 4,846,400</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, 2009

NOTE 8 LONG-TERM DEBT (Continued)

A. Governmental Activities (Continued)

Tax Allocation Bonds – 2003 Series (Continued)

The outstanding balance at June 30, 2009 was \$9,270,000.

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

Fiscal Year	Principal	Interest	Total
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	135,000	428,905	563,905
2015-2019	765,000	2,056,560	2,821,560
2020-2024	955,000	1,866,858	2,821,858
2025-2029	3,030,000	1,386,219	4,416,219
2030-2034	3,875,000	516,216	4,391,216
Totals	<u>\$ 9,270,000</u>	<u>\$ 8,014,492</u>	<u>\$ 17,284,492</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, 2009 was \$52,812.

Future debt service requirements on the Energy Commission loan are:

Fiscal Year	Principal	Interest	Total
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	126	6,463
Totals	<u>\$ 52,812</u>	<u>\$ 5,356</u>	<u>\$ 58,168</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, 2009 was \$135,553. See *2009 Municipal Lease* for the other capital lease attributable to governmental activities.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 LONG-TERM DEBT (Continued)

A. Governmental Activities (Continued)

Future debt service requirements on the capital leases are:

Fiscal Year	Principal	Interest	Total
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	\$ 135,553	\$ 16,429	\$ 151,982

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, 2009 was \$137,980. Future debt service on the note is:

Fiscal Year	Principal	Interest	Total
2010	\$ 137,980	\$ 3,128	\$ 141,108
	\$ 137,980	\$ 3,128	\$ 141,108

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, 2009

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, 2009 was \$1,926,000.

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 2009 Municipal Loan are as follows:

Fiscal Year	Principal	Interest	Total
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	123,000	61,254	184,254
2015-2019	692,000	221,235	913,235
2020-2023	<u>671,000</u>	<u>59,061</u>	<u>730,061</u>
	<u>\$ 1,926,000</u>	<u>\$ 636,102</u>	<u>\$ 2,562,102</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, 2009

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, 2009 was \$1,759,000.

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
2010	\$ 40,600	\$ 25,303	\$ 75,400	\$ 46,990
2011	42,000	23,547	78,000	43,731
2012	43,400	21,733	80,600	40,360
2013	46,550	19,821	86,450	36,810
2014	47,950	17,813	89,050	33,081
2015-2019	269,150	56,384	499,850	104,712
2020-2021	126,000	5,370	234,000	9,973
Totals	<u>\$ 615,650</u>	<u>\$ 169,971</u>	<u>\$ 1,143,350</u>	<u>\$ 315,657</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 LONG-TERM DEBT (CONTINUED)

C. Changes in long-term debt

Long-term liability activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009	Due Within One Year
Governmental activities					
Tax allocation bonds	\$ 12,715,000	\$ -	\$ (245,000)	\$ 12,470,000	\$ 260,000
Compensated absences	360,890		(10,365)	350,525	87,631
Energy commission loan	63,339		(10,527)	52,812	10,947
Leases payable	846,064		(94,861)	751,203	90,908
Bond premiums	161,159		(6,199)	154,960	6,199
Total governmental activities	\$ 14,146,452	\$ -	\$ (366,952)	\$ 13,779,500	\$ 455,685
Business-type activities:					
Note payable	\$ 168,457	\$ -	\$ (30,477)	\$ 137,980	\$ 137,980
Compensated absences	126,542	14,162		140,704	35,177
Lease payable	1,231,100		(87,750)	1,143,350	75,400
Loan payable	2,055,000		(129,000)	1,926,000	103,000
Total business-type activities	\$ 3,581,099	\$ 14,162	\$ (247,227)	\$ 3,348,034	\$ 351,557

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities are included as part of the above totals for governmental activities. At fiscal year end, \$12,120 of the internal service funds' compensated absences and \$135,554 of the internal service funds' lease payable are included in the above amounts.

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, 2009, 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, 2009

NOTE 9 RISK MANAGEMENT

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

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

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

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

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

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

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

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2009:

Total assets	\$ 19,960,775
Total liabilities	(14,857,877)
Members' equity	<u>\$ 5,102,898</u>
Total revenues	\$ 6,558,260
Total expenses	(5,849,502)
Operating income (loss)	<u>\$ 708,758</u>

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 20.124% for non-safety employees and 27.579% 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 2007, 2008, and 2009, the City's annual pension costs of \$929,850, \$1,017,586, and \$1,250,508, 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, stand-alone information of the schedule of the funding progress for the City's retirement plans is no longer available or disclosed.

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 2008-09, the City contributed \$92,643, 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)	<u>237,714</u>
Contributions made	<u>(92,643)</u>
Increase in net OPEB obligation	<u>145,071</u>
Net OPEB obligation - beginning of fiscal year	<u>125,098</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 270,169</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2009 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation (Asset)
6/30/2007	\$ -	0%	\$ -
6/30/2008	112,616	47%	125,098
6/30/2009	92,643	39%	270,169

CITY OF ARCATA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009, 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, 2009 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, 2009 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, 2009

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 \$16,971,507 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.

NOTE 13 PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$1,055,328 was made on the Statement of Activities for Governmental Activities for an understatement of loans receivable \$1,090,969 and an overstatement of accounts receivable (\$35,641).

A prior period adjustment of \$117,236 was made on the Statement of Activities for Business-type Activities and in the Transit Fund for an understatement of capital assets.

A prior period adjustment of (\$35,641) was made in the HUD Block Grant Special Revenue Fund for an overstatement of accounts receivable.

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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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)		
	Original	Final				
Revenues:						
Taxes and assessments:						
Utility users	\$ 800,000	\$ 840,000	\$ 807,080	\$ (32,920)		
Property	720,000	720,000	656,670	(63,330)		
Sales	2,250,000	2,060,000	2,235,271	175,271		
Transient occupancy	915,000	905,000	906,020	1,020		
Franchise tax	279,500	279,500	273,660	(5,840)		
Business license	125,000	125,000	126,699	1,699		
Other	45,100	45,100	24,158	(20,942)		
Licenses and permits	260,250	203,000	197,588	(5,412)		
Intergovernmental	1,856,887	1,872,412	1,484,506	(387,906)		
Charges for services	652,225	726,650	557,306	(169,344)		
Fines, forfeitures, and penalties	262,000	262,000	247,632	(14,368)		
Use of money and property	267,000	232,000	223,757	(8,243)		
Miscellaneous	133,026	129,076	103,598	(25,478)		
Total Revenues	8,565,988	8,399,738	7,843,945	(555,793)		
Expenditures:						
Current:						
General government:						
City council	140,425	131,925	131,588	337		
City manager	139,082	266,181	242,008	24,173		
City clerk	82,859	107,734	99,549	8,185		
Finance	273,171	253,371	267,592	(14,221)		
City attorney	80,290	80,290	81,005	(715)		
Personnel	113,096	125,621	131,535	(5,914)		
General insurance	57,210	5,710	22,204	(16,494)		
Total general government	886,133	970,832	975,481	(4,649)		
Public safety:						
Police services	4,065,708	4,178,880	4,004,277	174,603		
Parking control	192,115	190,985	198,157	(7,172)		
Animal control	51,810	50,510	42,889	7,621		
Total public safety	4,309,633	4,420,375	4,245,323	175,052		

(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, 2009
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Expenditures:				
Current:				
Community development:				
Planning services	\$ 642,873	\$ 667,343	\$ 476,731	\$ 190,612
Communications	68,219	258,407	53,911	204,496
Geographic information system	37,093	35,293	27,118	8,175
Building	354,284	349,084	331,877	17,207
Total community development	<u>1,102,469</u>	<u>1,310,127</u>	<u>889,637</u>	<u>420,490</u>
Public works:				
Engineering	173,649	201,118	189,954	11,164
Corporation yard	8,919	8,219	9,102	(883)
Government buildings	356,444	386,604	327,463	59,141
Total public works	<u>539,012</u>	<u>595,941</u>	<u>526,519</u>	<u>69,422</u>
Parks and recreation:				
Library	6,500	6,500	5,313	1,187
Recreation	581,647	572,947	529,174	43,773
Parks	623,581	653,481	632,947	20,534
Total parks and recreation	<u>1,211,728</u>	<u>1,232,928</u>	<u>1,167,434</u>	<u>65,494</u>
Debt Service:				
Principal	57,777	57,777	57,777	
Interest	29,568	29,568	29,568	
Total debt service	<u>87,345</u>	<u>87,345</u>	<u>87,345</u>	
Capital outlay				
Total Expenditures	931,826	931,826	413,577	518,249
Excess of Revenues Over (Under) Expenditures	<u>9,068,146</u>	<u>9,549,374</u>	<u>8,305,316</u>	<u>1,244,058</u>
Other Financing Sources (Uses):				
Transfers in	384,200	384,200		(384,200)
Transfers out	(528,924)	(528,924)	(200,563)	328,361
Total Other Financing Sources (Uses)	<u>(144,724)</u>	<u>(144,724)</u>	<u>(200,563)</u>	<u>(55,839)</u>
Net Change in Fund Balance	(646,882)	(1,294,360)	(661,934)	632,426
Fund Balance, beginning of fiscal year	3,764,029	3,764,029	3,764,029	
Fund Balance, end of fiscal year	<u>\$ 3,117,147</u>	<u>\$ 2,469,669</u>	<u>\$ 3,102,095</u>	<u>\$ 632,426</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CDBG HOUSING REVOLVING LOAN SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 30,000	\$ 30,000	\$ 67,521	\$ 37,521
Miscellaneous	<u>100,000</u>	<u>100,000</u>	<u>135,532</u>	<u>35,532</u>
Total Revenues	<u>130,000</u>	<u>130,000</u>	<u>203,053</u>	<u>73,053</u>
Expenditures:				
Current:				
Community development	<u>162,000</u>	<u>162,000</u>	<u>189,044</u>	<u>(27,044)</u>
Total Expenditures	<u>162,000</u>	<u>162,000</u>	<u>189,044</u>	<u>(27,044)</u>
Net Change in Fund Balance	(32,000)	(32,000)	14,009	46,009
Fund Balance, Beginning of Fiscal Year	<u>259,961</u>	<u>259,961</u>	<u>259,961</u>	
Fund Balance, End of Fiscal Year	<u>\$ 227,961</u>	<u>\$ 227,961</u>	<u>\$ 273,970</u>	<u>\$ 46,009</u>

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 25,000	\$ 25,000	\$ 22,990	\$ (2,010)
Miscellaneous	<u>150,000</u>	<u>150,000</u>	<u>245,787</u>	<u>95,787</u>
Total Revenues	<u>175,000</u>	<u>175,000</u>	<u>268,777</u>	<u>93,777</u>
Expenditures:				
Current:				
Community development	<u>265,000</u>	<u>265,000</u>	<u>26,885</u>	<u>238,115</u>
Total Expenditures	<u>265,000</u>	<u>265,000</u>	<u>26,885</u>	<u>238,115</u>
Net Change in Fund Balance	(90,000)	(90,000)	241,892	331,892
Fund Balance, Beginning of Fiscal Year	<u>176,213</u>	<u>176,213</u>	<u>176,213</u>	
Fund Balance, End of Fiscal Year	\$ 86,213	\$ 86,213	\$ 418,105	\$ 331,892

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,923,727	\$ 2,923,727	\$ 2,461,635	\$ (462,092)
Miscellaneous	112,500	112,500	101,630	(10,870)
Total Revenues	3,036,227	3,036,227	2,563,265	(472,962)
Expenditures:				
Current:				
Community development	3,036,227	3,036,227	2,566,609	469,618
Total Expenditures	3,036,227	3,036,227	2,566,609	469,618
Net Change in Fund Balance			(3,344)	(3,344)
Fund Balance, Beginning of Fiscal Year	21,967	21,967	21,967	
Prior Period Adjustments			(35,641)	(35,641)
Fund Balance (Deficit), Beginning of Fiscal Year, restated	21,967	21,967	(13,674)	(35,641)
Fund Balance (Deficit), End of Fiscal Year	\$ 21,967	\$ 21,967	\$ (17,018)	\$ (38,985)

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 450,000	\$ 450,000	\$ 517,283	\$ 67,283
Use of money and property	39,500	39,500	74,546	35,046
Miscellaneous			980,986	980,986
Total Revenues	489,500	489,500	1,572,815	1,083,315
Expenditures:				
Current:				
General government	10,500	10,500	11,992	(1,492)
Community development	911,000	1,387,407	919,411	467,996
Capital outlay	200,000	570,000	570,000	
Total Expenditures	1,121,500	1,967,907	1,501,403	466,504
Net Change in Fund Balance	(632,000)	(1,478,407)	71,412	1,549,819
Fund Balance, Beginning of Fiscal Year	2,146,506	2,146,506	2,146,506	
Fund Balance, End of Fiscal Year	\$ 1,514,506	\$ 668,099	\$ 2,217,918	\$ 1,549,819

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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, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	<u>\$ 400,000</u>	<u>\$ 289,463</u>	<u>\$ (110,537)</u>
Total Revenues	<u>400,000</u>	<u>289,463</u>	<u>(110,537)</u>
Expenditures:			
Current:			
Community development	2,119,601	307,137	1,812,464
Capital outlay	<u>1,182,382</u>	<u>1,432,859</u>	<u>(250,477)</u>
Total Expenditures	<u>3,301,983</u>	<u>1,739,996</u>	<u>1,561,987</u>
Net Change in Fund Balance	(2,901,983)	(1,450,533)	1,451,450
Fund Balance, beginning of fiscal year	<u>9,272,012</u>	<u>9,272,012</u>	<u></u>
Fund Balance, end of fiscal year	<u>\$ 6,370,029</u>	<u>\$ 7,821,479</u>	<u>\$ 1,451,450</u>

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, 2009

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:			
Property tax increment revenue	\$ 1,800,000	\$ 2,069,131	\$ 269,131
Use of money and property	50,000	83,050	33,050
 Total Revenues	 1,850,000	 2,152,181	 302,181
 Expenditures:			
Debt Service:			
Principal retirement	245,000	245,000	
Interest and fiscal charges	609,436	691,753	(82,317)
 Total Expenditures	 854,436	 936,753	 (82,317)
 Excess of Revenues Over (Under) Expenditures	 995,564	 1,215,428	 219,864
 Other Financing Sources (Uses):			
Transfers out	(425,000)	(450,000)	(25,000)
 Total Other Financing Sources (Uses)	 (425,000)	 (450,000)	 (25,000)
 Net Change in Fund Balance	 570,564	 765,428	 194,864
 Fund Balance, Beginning of Fiscal Year	 2,124,897	 2,124,897	
 Fund Balance, End of Fiscal Year	 \$ 2,695,461	 \$ 2,890,325	 \$ 194,864

CITY OF ARCATA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue Funds					Gas Tax 2106
	Bicycle Registration	POST	Forest Management	-		
	\$ 885	\$ -	\$ 563	\$ -		
Assets:						
Cash and investments	\$ 885	\$ -	\$ 563	\$ -		
Receivables:						
Accounts						
Intergovernmental			3,559			5,867
Notes						
Due from other funds						
Inventory						
Advances to other funds						
 Total Assets	 \$ 885	 \$ 3,559	 \$ 563	 \$ 5,867		
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ -	\$ 1,513	\$ 2,161	\$ -		
Accrued liabilities				5,190		
Due to other funds			5,608		39,514	
Deposits payable						
Deferred revenues						
 Total Liabilities	 7,121	 46,865				
Fund Balances:						
Reserved:						
Reserved for encumbrances					11,001	
Reserved for inventory						
Unreserved:						
Designated for contingencies				293,440		
Undesignated	885	(3,562)	(350,743)			
 Total Fund Balances (Deficit)	 885	 (3,562)	 (46,302)	 5,867		
 Total Liabilities and Fund Balances	 \$ 885	 \$ 3,559	 \$ 563	 \$ 5,867		

Special Revenue Funds

Gas Tax	Special Revenue Funds				
2107 and 2107.5	Traffic Safety	STIP	Industrial Park	PEG Access	Residential Construction
\$ 687,841	\$ 146,706	\$ -	\$ 605,319	\$ -	\$ 107,521
48,993	12,828	25,350			
40,857					
1,519	121,520				
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\$ 779,210	\$ 281,054	\$ 25,350	\$ 605,319	\$ -	\$ 107,521
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 23,550	\$ 20,467	\$ 34,465	\$ 2,552	\$ -	\$ -
26,202	4,618				
	40,857				
6,300					
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
56,052	25,085	75,322	2,552		
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12,101		5,952		4,865	
1,519	121,520				
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134,449	(55,924)	597,902			107,521
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
723,158	255,969	(49,972)	602,767		107,521
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 779,210	\$ 281,054	\$ 25,350	\$ 605,319	\$ -	\$ 107,521

(Continued)

CITY OF ARCATA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2009

(Continued)

	<u>Special Revenue Funds</u>			
	Parkland In Lieu	Parking In Lieu	Gas Tax 2105	Proposition 172
Assets:				
Cash and investments	\$ 178,970	\$ 254,676	\$ -	\$ 77,030
Receivables:				
Accounts				
Intergovernmental			7,178	17,203
Notes				
Due from other funds				
Inventory				
Advances to other funds				
 Total Assets	<u>\$ 178,970</u>	<u>\$ 254,676</u>	<u>\$ 7,178</u>	<u>\$ 94,233</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities				
Due to other funds				
Deposits payable				
Deferred revenues				
 Total Liabilities				
Fund Balances:				
Reserved:				
Reserved for encumbrances				
Reserved for inventory				
Unreserved:				
Designated for contingencies				
Undesignated	<u>178,970</u>	<u>254,676</u>		<u>94,233</u>
 Total Fund Balances (Deficit)	<u>178,970</u>	<u>254,676</u>	<u>7,178</u>	<u>94,233</u>
 Total Liabilities and Fund Balances	<u>\$ 178,970</u>	<u>\$ 254,676</u>	<u>\$ 7,178</u>	<u>\$ 94,233</u>

Special Revenue Funds

ISTEA	FEMA/ OES	COPS	Basic Business				PERS Phase In	Healthsport
			HOME Grants	Revolving Loan	Utility Users			
\$ 710,624	\$ 972,217	\$ 198,769	\$ -	\$ 429,382	\$ 229,032	\$ 201,911	\$ 68,782	
100,604		46,939	281,643		29,981			768
				93,222				
						425,000		
<u>\$ 811,228</u>	<u>\$ 972,217</u>	<u>\$ 245,708</u>	<u>\$ 281,643</u>	<u>\$ 553,353</u>	<u>\$ 229,032</u>	<u>\$ 626,911</u>	<u>\$ 68,782</u>	
\$ 7,460	\$ -	\$ -	\$ 114,716	\$ -	\$ -	\$ -	\$ -	\$ -
			115,222					
				29,981				
<u>7,460</u>			<u>229,938</u>	<u>29,981</u>				
			335,644					
<u>972,217</u>	<u>245,708</u>	<u>(283,939)</u>	<u>523,372</u>	<u>229,032</u>	<u>626,911</u>	<u>68,782</u>		
<u>803,768</u>	<u>972,217</u>	<u>245,708</u>	<u>51,705</u>	<u>523,372</u>	<u>229,032</u>	<u>626,911</u>	<u>68,782</u>	
<u>\$ 811,228</u>	<u>\$ 972,217</u>	<u>\$ 245,708</u>	<u>\$ 281,643</u>	<u>\$ 553,353</u>	<u>\$ 229,032</u>	<u>\$ 626,911</u>	<u>\$ 68,782</u>	

(Continued)

CITY OF ARCATA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2009

(Continued)

Special Revenue Funds			
	Undergrounding Reserve	Curtis Heights	Janes Creek Meadows
Assets:			
Cash and investments	\$ 13,749	\$ 1,093	\$ 23,897
Receivables:			
Accounts			
Intergovernmental			402
Notes			
Due from other funds			
Inventory			
Advances to other funds			
 Total Assets	 \$ 13,749	 \$ 1,093	 \$ 24,299
 Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities			
Due to other funds			
Deposits payable			
Deferred revenues			
 Total Liabilities			
 Fund Balances:			
Reserved:			
Reserved for encumbrances			
Reserved for inventory			
Unreserved:			
Designated for contingencies			
Undesignated	13,749	1,093	24,299
 Total Fund Balances (Deficit)	 13,749	 1,093	 24,299
 Total Liabilities and Fund Balances	 \$ 13,749	 \$ 1,093	 \$ 24,299

Special Revenue Funds		Capital Projects			Total
		Community Development	City Capital Projects	Nonmajor Governmental Funds	
Windsong	Administration				
\$ 20,699	\$ 17,067	\$ 306,765	\$ 5,253,498		
			768		
203			550,769		
			29,981		
			134,079		
			123,039		
			425,000		
<u>\$ 20,902</u>	<u>\$ 17,067</u>	<u>\$ 306,765</u>	<u>\$ 6,517,134</u>		
\$ -	\$ 3,232	\$ -	\$ 210,116		
	15,371		51,381		
			201,201		
			6,300		
			29,981		
<u>\$ 18,603</u>			<u>\$ 498,979</u>		
	200		369,763		
			123,039		
			293,440		
<u>20,902</u>	<u>(1,736)</u>	<u>306,765</u>	<u>\$ 3,705,562</u>		
<u>20,902</u>	<u>(1,536)</u>	<u>306,765</u>	<u>6,018,155</u>		
<u>\$ 20,902</u>	<u>\$ 17,067</u>	<u>\$ 306,765</u>	<u>\$ 6,517,134</u>		

CITY OF ARCATA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	Special Revenue Funds			
	Bicycle Registration	POST	Forest Management	Gas Tax 2106
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits		274		
Intergovernmental			494,000	76,805
Use of money and property	28	45	423	
Fines and forfeitures				
Reimbursements		21,436		
Miscellaneous			114,431	
 Total Revenues	 302	 21,481	 608,854	 76,805
 Expenditures:				
Current:				
General government				
Public safety		20,010		
Community development				
Parks and recreation		204,504		
Public works				
Capital outlay		515,760		
 Total Expenditures	 20,010	 720,264		
 Excess of Revenues Over (Under) Expenditures	 302	 1,471	 (111,410)	 76,805
 Other Financing Sources (Uses):				
Transfers in				
Transfers out			(98,018)	
 Total Other Financing Sources (Uses)	 302	 1,471	 (111,410)	 (98,018)
 Net Change in Fund Balances	 302	 1,471	 (111,410)	 (21,213)
 Fund Balances (Deficit), Beginning of Fiscal Year	 583	 (5,033)	 65,108	 27,080
 Fund Balances (Deficit), End of Fiscal Year	 \$ 885	 \$ (3,562)	 \$ (46,302)	 \$ 5,867

Special Revenue Funds

Gas Tax 2107 and 2107.5	Traffic Safety	STIP	Industrial Park	PEG Access	Residential Construction
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,699
274,116		175,349			
22,249	3,607		38,204	76	3,273
79,259					
16,886					
11,042	7,154				
<u>324,293</u>	<u>90,020</u>	<u>175,349</u>	<u>38,204</u>	<u>76</u>	<u>41,972</u>
119,667					
		19,457			
620,109		118,844			
234,638	15,000	67,722	862		
<u>854,747</u>	<u>134,667</u>	<u>186,566</u>	<u>20,319</u>		
(530,454)	(44,647)	(11,217)	17,885	76	41,972
678,580	72,976				
(4,000)			(17,500)	(4,590)	(11,000)
<u>674,580</u>	<u>72,976</u>		<u>(17,500)</u>	<u>(4,590)</u>	<u>(11,000)</u>
144,126	28,329	(11,217)	385	(4,514)	30,972
<u>579,032</u>	<u>227,640</u>	<u>(38,755)</u>	<u>602,382</u>	<u>4,514</u>	<u>76,549</u>
<u>\$ 723,158</u>	<u>\$ 255,969</u>	<u>\$ (49,972)</u>	<u>\$ 602,767</u>	<u>\$ -</u>	<u>\$ 107,521</u>

(Continued)

CITY OF ARCATA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009
(continued)

	<u>Special Revenue Funds</u>			
	Parkland In Lieu	Parking In Lieu	Gas Tax 2105	Proposition 172
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 79,398
Licenses and permits	38,880			
Intergovernmental			94,256	
Use of money and property	9,706	8,630		2,253
Fines and forfeitures				
Reimbursements				
Miscellaneous				
 Total Revenues	 48,586	 8,630	 94,256	 81,651
Expenditures:				
Current:				
General government				
Public safety				
Community development				
Parks and recreation	52,000			
Public works				
Capital outlay	1,220			
 Total Expenditures	 53,220			
 Excess of Revenues Over (Under) Expenditures	 (4,634)	 8,630	 94,256	 81,651
Other Financing Sources (Uses):				
Transfers in				
Transfers out	(183,000)		(120,430)	(75,000)
 Total Other Financing Sources (Uses)	 (183,000)		 (120,430)	 (75,000)
 Net Change in Fund Balances	 (187,634)	 8,630	 (26,174)	 6,651
 Fund Balances (Deficit), Beginning of Fiscal Year	 366,604	 246,046	 33,352	 87,582
 Fund Balances (Deficit), End of Fiscal Year	 <u>\$ 178,970</u>	 <u>\$ 254,676</u>	 <u>\$ 7,178</u>	 <u>\$ 94,233</u>

Special Revenue Funds							
ISTEA	FEMA/ OES	COPS	Basic Business				
			HOME Grants	Revolving Loan	Utility Users	PERS Phase In	Healthsport
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
100,604		100,000	602,485				
25,582	32,946	5,858		44,859	7,761	46,679	2,488
			43,145	1,906			
126,186	32,946	105,858	645,630	46,765	7,761	46,679	2,488
					9,084		
			567,359	1,162			
50							
18,745							
18,795			576,443	1,162			
107,391	32,946	105,858	69,187	45,603	7,761	46,679	2,488
(40,000)							(6,000)
(40,000)							(6,000)
67,391	32,946	105,858	69,187	45,603	7,761	46,679	(3,512)
736,377	939,271	139,850	(17,482)	477,769	221,271	580,232	72,294
\$ 803,768	\$ 972,217	\$ 245,708	\$ 51,705	\$ 523,372	\$ 229,032	\$ 626,911	\$ 68,782

(Continued)

CITY OF ARCATA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009
(continued)

	Special Revenue Funds		
	Undergrounding Reserve	Curtis Heights	Janes Creek Meadows
Revenues:			
Taxes and assessments	\$ -	\$ -	\$ 18,369
Licenses and permits			
Intergovernmental			
Use of money and property	466	260	257
Fines and forfeitures			
Reimbursements			
Miscellaneous			
 Total Revenues	 466	 260	 18,626
Expenditures:			
Current:			
General government			
Public safety			
Community development			
Parks and recreation			
Public works			
Capital outlay			168,546
 Total Expenditures	 466	 260	 168,546
 Excess of Revenues Over (Under) Expenditures	 466	 260	 (149,920)
Other Financing Sources (Uses):			
Transfers in			164,500
Transfers out		(14,000)	
 Total Other Financing Sources (Uses)	 466	 (14,000)	 164,500
 Net Change in Fund Balances	 466	 (13,740)	 14,580
 Fund Balances (Deficit), Beginning of Fiscal Year	 13,283	 14,833	 9,719
 Fund Balances (Deficit), End of Fiscal Year	 \$ 13,749	 \$ 1,093	 \$ 24,299

Special Revenue Funds		Capital Projects		Total Nonmajor Governmental Funds
		Fund	City Capital Projects	
Windsong	Community Development Administration			
\$ 14,737	\$ -	\$ -	\$ 151,203	
			39,154	
			1,917,615	
645	3,088	11,122	270,505	
			79,259	
			38,322	
		82,041	259,719	
<u>15,382</u>	<u>3,088</u>	<u>93,163</u>	<u>2,755,777</u>	
		414,194	423,278	
			139,677	
	89,700		677,678	
700			257,204	
			739,003	
		1,022,493		
<u>700</u>	<u>503,894</u>		<u>3,259,333</u>	
<u>14,682</u>	<u>(500,806)</u>	<u>93,163</u>	<u>(503,556)</u>	
		445,515	1,361,571	
(17,000)		(97,187)	(687,725)	
<u>(17,000)</u>	<u>445,515</u>	<u>(97,187)</u>	<u>673,846</u>	
(2,318)	(55,291)	(4,024)	170,290	
<u>23,220</u>	<u>53,755</u>	<u>310,789</u>	<u>5,847,865</u>	
<u>\$ 20,902</u>	<u>\$ (1,536)</u>	<u>\$ 306,765</u>	<u>\$ 6,018,155</u>	

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BICYCLE REGISTRATION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Licenses and permits	\$ 200	\$ 274	\$ 74
Use of money and property	25	28	3
Miscellaneous	<u>75</u>	<u> </u>	<u>(75)</u>
 Total Revenues	 <u>300</u>	 <u>302</u>	 <u>2</u>
 Net Change in Fund Balance	 300	 302	 2
 Fund Balance, Beginning of Fiscal Year	 <u>583</u>	 <u>583</u>	 <u> </u>
 Fund Balance, End of Fiscal Year	 <u>\$ 883</u>	 <u>\$ 885</u>	 <u>\$ 2</u>

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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ -	\$ 45	\$ 45
Reimbursements	<u>25,000</u>	<u>21,436</u>	<u>(3,564)</u>
 Total Revenues	 <u>25,000</u>	 <u>21,481</u>	 <u>(3,519)</u>
 Expenditures:			
Current:			
Public safety	<u>25,000</u>	<u>20,010</u>	<u>4,990</u>
 Total Expenditures	 <u>25,000</u>	 <u>20,010</u>	 <u>4,990</u>
 Net Change in Fund Balance		1,471	1,471
 Fund Balance (Deficit), Beginning of Fiscal Year	<u>(5,033)</u>	<u>(5,033)</u>	<u></u>
 Fund Balance (Deficit), End of Fiscal Year	<u>\$ (5,033)</u>	<u>\$ (3,562)</u>	<u>\$ 1,471</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 14,000	\$ 494,000	\$ 480,000
Use of money and property	500	423	(77)
Miscellaneous	<u>171,000</u>	<u>114,431</u>	<u>(56,569)</u>
Total Revenues	<u>185,500</u>	<u>608,854</u>	<u>423,354</u>
Expenditures:			
Current:			
Parks and recreation	216,553	204,504	12,049
Capital outlay	<u>21,500</u>	<u>515,760</u>	<u>(494,260)</u>
Total Expenditures	<u>238,053</u>	<u>720,264</u>	<u>(482,211)</u>
Net Change in Fund Balance	(52,553)	(111,410)	(58,857)
Fund Balance, Beginning of Fiscal Year	<u>65,108</u>	<u>65,108</u>	<u></u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ 12,555</u>	<u>\$ (46,302)</u>	<u>\$ (58,857)</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 85,000	\$ 76,805	\$ (8,195)
Total Revenues	<u>85,000</u>	<u>76,805</u>	<u>(8,195)</u>
Other Financing Sources (Uses):			
Transfers out	(85,000)	(98,018)	(13,018)
Total Other Financing Sources (Uses)	<u>(85,000)</u>	<u>(98,018)</u>	<u>(13,018)</u>
Net Change in Fund Balance		(21,213)	(21,213)
Fund Balance, Beginning of Fiscal Year	<u>27,080</u>	<u>27,080</u>	
Fund Balance, End of Fiscal Year	<u>\$ 27,080</u>	<u>\$ 5,867</u>	<u>\$ (21,213)</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 592,186	\$ 274,116	\$ (318,070)
Use of money and property	15,000	22,249	7,249
Reimbursements	2,500	16,886	14,386
Miscellaneous	<u>4,000</u>	<u>11,042</u>	<u>7,042</u>
 Total Revenues	 <u>613,686</u>	 <u>324,293</u>	 <u>(289,393)</u>
 Expenditures:			
Current:			
Public works	950,196	620,109	330,087
Capital outlay	<u>593,286</u>	<u>234,638</u>	<u>358,648</u>
 Total Expenditures	 <u>1,543,482</u>	 <u>854,747</u>	 <u>688,735</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(929,796)</u>	 <u>(530,454)</u>	 <u>399,342</u>
 Other Financing Sources (Uses):			
Transfers in	802,233	678,580	(123,653)
Transfers out	<u>(24,000)</u>	<u>(4,000)</u>	<u>20,000</u>
 Total Other Financing Sources (Uses)	 <u>778,233</u>	 <u>674,580</u>	 <u>(103,653)</u>
 Net Change in Fund Balance	 (151,563)	 144,126	 295,689
 Fund Balance, Beginning of Fiscal Year	 <u>579,032</u>	 <u>579,032</u>	 <u></u>
 Fund Balance, End of Fiscal Year	 <u>\$ 427,469</u>	 <u>\$ 723,158</u>	 <u>\$ 295,689</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 1,000	\$ 3,607	\$ 2,607
Fines and forfeitures	80,000	79,259	(741)
Miscellaneous	<u> </u>	<u>7,154</u>	<u>7,154</u>
 Total Revenues	 <u>81,000</u>	 <u>90,020</u>	 <u>9,020</u>
 Expenditures:			
Current:			
Public safety	156,476	119,667	36,809
Capital outlay	<u>20,000</u>	<u>15,000</u>	<u>5,000</u>
 Total Expenditures	 <u>176,476</u>	 <u>134,667</u>	 <u>41,809</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(95,476)</u>	 <u>(44,647)</u>	 <u>50,829</u>
 Other Financing Sources (Uses):			
Transfers in	<u>97,976</u>	<u>72,976</u>	<u>(25,000)</u>
 Total Other Financing Sources (Uses)	 <u>97,976</u>	 <u>72,976</u>	 <u>(25,000)</u>
 Net Change in Fund Balance	 2,500	 28,329	 25,829
 Fund Balance, Beginning of Fiscal Year	 <u>227,640</u>	 <u>227,640</u>	 <u> </u>
 Fund Balance, End of Fiscal Year	 <u>\$ 230,140</u>	 <u>\$ 255,969</u>	 <u>\$ 25,829</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 150,000	\$ 175,349	\$ 25,349
Total Revenues	<u>150,000</u>	<u>175,349</u>	<u>25,349</u>
Expenditures:			
Current:			
Public works	313,658	118,844	194,814
Capital outlay	<u>67,722</u>	<u>(67,722)</u>	<u></u>
Total Expenditures	<u>313,658</u>	<u>186,566</u>	<u>127,092</u>
Net Change in Fund Balance	(163,658)	(11,217)	152,441
Fund Balance (Deficit), Beginning of Fiscal Year	<u>(38,755)</u>	<u>(38,755)</u>	<u></u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ (202,413)</u>	<u>\$ (49,972)</u>	<u>\$ 152,441</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 38,000	\$ 38,204	\$ 204
Miscellaneous	<u>50,000</u>	<u> </u>	<u>(50,000)</u>
 Total Revenues	 <u>88,000</u>	 <u>38,204</u>	 <u>(49,796)</u>
 Expenditures:			
Current:			
Community development	120,000	19,457	100,543
Capital outlay	<u>22,000</u>	<u>862</u>	<u>21,138</u>
 Total Expenditures	 <u>142,000</u>	 <u>20,319</u>	 <u>121,681</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(54,000)</u>	 <u>17,885</u>	 <u>71,885</u>
 Other Financing Sources (Uses):			
Transfers out	(37,500)	(17,500)	20,000
 Total Other Financing Sources (Uses)	 <u>(37,500)</u>	 <u>(17,500)</u>	 <u>20,000</u>
 Net Change in Fund Balance	 (91,500)	 385	 91,885
 Fund Balance, Beginning of Fiscal Year	 <u>602,382</u>	 <u>602,382</u>	 <u> </u>
 Fund Balance, End of Fiscal Year	 <u>\$ 510,882</u>	 <u>\$ 602,767</u>	 <u>\$ 91,885</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PEG ACCESS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 76	\$ 76
Total Revenues	<u> </u>	<u>76</u>	<u>76</u>
Other Financing Sources (Uses):			
Transfers out	<u>(4,400)</u>	<u>(4,590)</u>	<u>(190)</u>
Total Other Financing Sources (Uses)	<u>(4,400)</u>	<u>(4,590)</u>	<u>(190)</u>
Net Change in Fund Balance	(4,400)	(4,514)	(114)
Fund Balance, Beginning of Fiscal Year	<u>4,514</u>	<u>4,514</u>	<u> </u>
Fund Balance, End of Fiscal Year	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ (114)</u>

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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Taxes and assessments	\$ 20,000	\$ 38,699	\$ 18,699
Use of money and property	<u>2,000</u>	<u>3,273</u>	<u>1,273</u>
 Total Revenues	 <u>22,000</u>	 <u>41,972</u>	 <u>19,972</u>
 Other Financing Sources (Uses):			
Transfers out	(11,000)	(11,000)	(11,000)
 Total Other Financing Sources (Uses)	 <u>(11,000)</u>	 <u>(11,000)</u>	 <u>(11,000)</u>
 Net Change in Fund Balance	 11,000	 30,972	 19,972
 Fund Balance, Beginning of Fiscal Year	 <u>76,549</u>	 <u>76,549</u>	 <u>76,549</u>
 Fund Balance, End of Fiscal Year	 <u>\$ 87,549</u>	 <u>\$ 107,521</u>	 <u>\$ 19,972</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ 50,000	\$ 38,880	\$ (11,120)
Use of money and property	<u>10,000</u>	<u>9,706</u>	<u>(294)</u>
 Total Revenues	 <u>60,000</u>	 <u>48,586</u>	 <u>(11,414)</u>
 Expenditures:			
Current:			
Parks and recreation	52,000	52,000	
Capital outlay	<u>1,220</u>	<u>1,220</u>	<u>(1,220)</u>
 Total Expenditures	 <u>52,000</u>	 <u>53,220</u>	 <u>(1,220)</u>
 Excess of Revenues Over (Under) Expenditures	 <u>8,000</u>	 <u>(4,634)</u>	 <u>(12,634)</u>
 Other Financing Sources (Uses):			
Transfers out	(290,000)	(183,000)	107,000
 Total Other Financing Sources (Uses)	 <u>(290,000)</u>	 <u>(183,000)</u>	 <u>107,000</u>
 Net Change in Fund Balance	 (282,000)	 (187,634)	 94,366
 Fund Balance, Beginning of Fiscal Year	 <u>366,604</u>	 <u>366,604</u>	 <u></u>
 Fund Balance, End of Fiscal Year	 <u>\$ 84,604</u>	 <u>\$ 178,970</u>	 <u>\$ 94,366</u>

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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 10,000	\$ 8,630	\$ (1,370)
Total Revenues	<u>10,000</u>	<u>8,630</u>	<u>(1,370)</u>
Other Financing Sources (Uses):			
Transfers out	(25,000)		25,000
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u></u>	<u>25,000</u>
Net Change in Fund Balance	(15,000)	8,630	23,630
Fund Balance, Beginning of Fiscal Year	<u>246,046</u>	<u>246,046</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 231,046</u>	<u>\$ 254,676</u>	<u>\$ 23,630</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX 2105 SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 105,000	\$ 94,256	\$ (10,744)
Total Revenues	<u>105,000</u>	<u>94,256</u>	<u>(10,744)</u>
Other Financing Sources (Uses):			
Transfers out	(105,000)	(120,430)	(15,430)
Total Other Financing Sources (Uses)	<u>(105,000)</u>	<u>(120,430)</u>	<u>(15,430)</u>
Net Change in Fund Balance		(26,174)	(26,174)
Fund Balance, Beginning of Fiscal Year	<u>33,352</u>	<u>33,352</u>	
Fund Balance, End of Fiscal Year	<u>\$ 33,352</u>	<u>\$ 7,178</u>	<u>\$ (26,174)</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, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 85,000	\$ 79,398	\$ (5,602)
Use of money and property	<u>500</u>	<u>2,253</u>	<u>1,753</u>
 Total Revenues	 <u>85,500</u>	 <u>81,651</u>	 <u>(3,849)</u>
 Other Financing Sources (Uses):			
Transfers out	(75,000)	(75,000)	_____
 Total Other Financing Sources (Uses)	 <u>(75,000)</u>	 <u>(75,000)</u>	 <u>_____</u>
 Net Change in Fund Balance	 10,500	 6,651	 (3,849)
 Fund Balance, Beginning of Fiscal Year	 <u>87,582</u>	 <u>87,582</u>	 <u>_____</u>
 Fund Balance, End of Fiscal Year	 <u>\$ 98,082</u>	 <u>\$ 94,233</u>	 <u>\$ (3,849)</u>

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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 90,000	\$ 100,604	\$ 10,604
Use of money and property	<u>15,000</u>	<u>25,582</u>	<u>10,582</u>
Total Revenues	<u>105,000</u>	<u>126,186</u>	<u>21,186</u>
Expenditures:			
Current:			
Public works	50	(50)	
Capital outlay	<u>405,000</u>	<u>18,745</u>	<u>386,255</u>
Total Expenditures	<u>405,000</u>	<u>18,795</u>	<u>386,205</u>
Excess of Revenues Over (Under) Expenditures	<u>(300,000)</u>	<u>107,391</u>	<u>407,391</u>
Other Financing Sources (Uses):			
Transfers out	(97,100)	(40,000)	57,100
Total Other Financing Sources (Uses)	<u>(97,100)</u>	<u>(40,000)</u>	<u>57,100</u>
Net Change in Fund Balance	(397,100)	67,391	464,491
Fund Balance, Beginning of Fiscal Year	<u>736,377</u>	<u>736,377</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 339,277</u>	<u>\$ 803,768</u>	<u>\$ 464,491</u>

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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 25,000	\$ 32,946	\$ 7,946
Total Revenues	<u>25,000</u>	<u>32,946</u>	<u>7,946</u>
Net Change in Fund Balance	25,000	32,946	7,946
Fund Balance, Beginning of Fiscal Year	<u>939,271</u>	<u>939,271</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 964,271</u>	<u>\$ 972,217</u>	<u>\$ 7,946</u>

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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 100,000	\$ 100,000	\$ -
Use of money and property	<u>2,000</u>	<u>5,858</u>	<u>3,858</u>
Total Revenues	<u>102,000</u>	<u>105,858</u>	<u>3,858</u>
Expenditures:			
Current:			
Public safety	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Excess of Revenues Over (Under) Expenditures	<u>2,000</u>	<u>105,858</u>	<u>103,858</u>
Net Change in Fund Balance	2,000	105,858	103,858
Fund Balance, Beginning of Fiscal Year	<u>139,850</u>	<u>139,850</u>	<u>139,850</u>
Fund Balance, End of Fiscal Year	<u>\$ 141,850</u>	<u>\$ 245,708</u>	<u>\$ 103,858</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 783,171	\$ 602,485	\$ (180,686)
Miscellaneous	<u>43,145</u>	<u>43,145</u>	<u></u>
Total Revenues	<u>783,171</u>	<u>645,630</u>	<u>(137,541)</u>
Expenditures:			
Current:			
General government	26,234	9,084	17,150
Community development	<u>1,526,937</u>	<u>567,359</u>	<u>959,578</u>
Total Expenditures	<u>1,553,171</u>	<u>576,443</u>	<u>976,728</u>
Net Change in Fund Balance	(770,000)	69,187	839,187
Fund Balance (Deficit), Beginning of Fiscal Year	<u>(17,482)</u>	<u>(17,482)</u>	<u></u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ (787,482)</u>	<u>\$ 51,705</u>	<u>\$ 839,187</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 12,500	\$ 44,859	\$ 32,359
Miscellaneous	<u>2,500</u>	<u>1,906</u>	<u>(594)</u>
 Total Revenues	 <u>15,000</u>	 <u>46,765</u>	 <u>31,765</u>
 Expenditures:			
Current:			
Community development	500	1,162	(662)
 Total Expenditures	 <u>500</u>	 <u>1,162</u>	 <u>(662)</u>
 Net Change in Fund Balance	 14,500	 45,603	 31,103
 Fund Balance, Beginning of Fiscal Year	 <u>477,769</u>	 <u>477,769</u>	 <u></u>
 Fund Balance, End of Fiscal Year	 <u>\$ 492,269</u>	 <u>\$ 523,372</u>	 <u>\$ 31,103</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 8,500	\$ 7,761	\$ (739)
Total Revenues	<u>8,500</u>	<u>7,761</u>	<u>(739)</u>
Net Change in Fund Balance	8,500	7,761	(739)
Fund Balance, Beginning of Fiscal Year	<u>221,271</u>	<u>221,271</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 229,771</u>	<u>\$ 229,032</u>	<u>\$ (739)</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PERS PHASE IN SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 45,000	\$ 46,679	\$ 1,679
Total Revenues	<u>45,000</u>	<u>46,679</u>	<u>1,679</u>
Net Change in Fund Balance	45,000	46,679	1,679
Fund Balance, Beginning of Fiscal Year	<u>580,232</u>	<u>580,232</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 625,232</u>	<u>\$ 626,911</u>	<u>\$ 1,679</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 2,000	\$ 2,488	\$ 488
Total Revenues	<u>2,000</u>	<u>2,488</u>	<u>488</u>
Other Financing Sources (Uses):			
Transfers out	(6,000)	(6,000)	(6,000)
Total Other Financing Sources (Uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>
Net Change in Fund Balance	(4,000)	(3,512)	488
Fund Balance, Beginning of Fiscal Year	<u>72,294</u>	<u>72,294</u>	<u>72,294</u>
Fund Balance, End of Fiscal Year	<u>\$ 68,294</u>	<u>\$ 68,782</u>	<u>\$ 488</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UNDERGROUNDING SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 500	\$ 466	\$ (34)
Total Revenues	<u>500</u>	<u>466</u>	<u>(34)</u>
Net Change in Fund Balance	500	466	(34)
Fund Balance, Beginning of Fiscal Year	<u>13,283</u>	<u>13,283</u>	<u></u>
Fund Balance, End of Fiscal Year	<u><u>\$ 13,783</u></u>	<u><u>\$ 13,749</u></u>	<u><u>\$ (34)</u></u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CURTIS HEIGHTS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 300	\$ 260	\$ (40)
Total Revenues	<u>300</u>	<u>260</u>	<u>(40)</u>
Other Financing Sources (Uses):			
Transfers out	(14,000)	(14,000)	(14,000)
Total Other Financing Sources (Uses)	<u>(14,000)</u>	<u>(14,000)</u>	<u>(14,000)</u>
Net Change in Fund Balance	(13,700)	(13,740)	(40)
Fund Balance, Beginning of Fiscal Year	<u>14,833</u>	<u>14,833</u>	<u>14,833</u>
Fund Balance, End of Fiscal Year	<u>\$ 1,133</u>	<u>\$ 1,093</u>	<u>\$ (40)</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JANES CREEK MEADOWS SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Taxes and assessments	\$ 18,000	\$ 18,369	\$ 369
Use of money and property	<u>1,000</u>	<u>257</u>	<u>(743)</u>
 Total Revenues	 <u>19,000</u>	 <u>18,626</u>	 <u>(374)</u>
Expenditures:			
Capital outlay	183,000	168,546	14,454
 Total Expenditures	 <u>183,000</u>	 <u>168,546</u>	 <u>14,454</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(164,000)</u>	 <u>(149,920)</u>	 <u>14,080</u>
Other Financing Sources (Uses):			
Transfers in	110,000	164,500	54,500
Transfers out	<u>(18,500)</u>		18,500
 Total Other Financing Sources (Uses)	 <u>91,500</u>	 <u>164,500</u>	 <u>73,000</u>
 Net Change in Fund Balance	 <u>(72,500)</u>	 <u>14,580</u>	 <u>87,080</u>
 Fund Balance, Beginning of Fiscal Year	 <u>9,719</u>	 <u>9,719</u>	
 Fund Balance (Deficit), End of Fiscal Year	 <u>\$ (62,781)</u>	 <u>\$ 24,299</u>	 <u>\$ 87,080</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WINDSONG SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 17,000	\$ 14,737	\$ (2,263)
Use of money and property	<u>1,000</u>	<u>645</u>	<u>(355)</u>
 Total Revenues	 <u>18,000</u>	 <u>15,382</u>	 <u>(2,618)</u>
 Expenditures:			
Current:			
Parks and recreation	700	700	_____
 Total Expenditures	 <u>700</u>	 <u>700</u>	 <u>_____</u>
 Excess of Revenues Over (Under) Expenditures	 <u>17,300</u>	 <u>14,682</u>	 <u>(2,618)</u>
 Other Financing Sources (Uses):			
Transfers out	(17,000)	(17,000)	_____
 Total Other Financing Sources (Uses)	 <u>(17,000)</u>	 <u>(17,000)</u>	 <u>_____</u>
 Net Change in Fund Balance	 300	 (2,318)	 (2,618)
 Fund Balance, Beginning of Fiscal Year	 <u>23,220</u>	 <u>23,220</u>	 <u>_____</u>
 Fund Balance, End of Fiscal Year	 <u>\$ 23,520</u>	 <u>\$ 20,902</u>	 <u>\$ (2,618)</u>

CITY OF ARCATA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT ADMINISTRATION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 500	\$ 3,088	\$ 2,588
Total Revenues	<u>500</u>	<u>3,088</u>	<u>2,588</u>
Expenditures:			
Current:			
General government	424,054	414,194	9,860
Community development	<u>73,600</u>	<u>89,700</u>	<u>(16,100)</u>
Total Expenditures	<u>497,654</u>	<u>503,894</u>	<u>(6,240)</u>
Excess of Revenues Over (Under) Expenditures	<u>(497,154)</u>	<u>(500,806)</u>	<u>(3,652)</u>
Other Financing Sources (Uses):			
Transfers in	<u>450,000</u>	<u>445,515</u>	<u>(4,485)</u>
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>445,515</u>	<u>(4,485)</u>
Net Change in Fund Balance	(47,154)	(55,291)	(8,137)
Fund Balance, Beginning of Fiscal Year	<u>53,755</u>	<u>53,755</u>	<u></u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ 6,601</u>	<u>\$ (1,536)</u>	<u>\$ (8,137)</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, 2009

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 7,500	\$ 11,122	\$ 3,622
Miscellaneous	<u>5,000</u>	<u>82,041</u>	<u>77,041</u>
 Total Revenues	 <u>12,500</u>	 <u>93,163</u>	 <u>80,663</u>
 Other Financing Sources (Uses):			
Transfers out	(22,300)	(97,187)	(74,887)
 Total Other Financing Sources (Uses)	 <u>(22,300)</u>	 <u>(97,187)</u>	 <u>(74,887)</u>
 Net Change in Fund Balance	 (9,800)	 (4,024)	 5,776
 Fund Balance, Beginning of Fiscal Year	 <u>310,789</u>	 <u>310,789</u>	 <u></u>
 Fund Balance, End of Fiscal Year	 <u>\$ 300,989</u>	 <u>\$ 306,765</u>	 <u>\$ 5,776</u>

**PARTNERS**

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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, 2009 which collectively comprise the City of Arcata's basic financial statements, and have issued our report thereon dated February 25, 2010. 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 25, 2010.

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
February 25, 2010