

**CITY OF ARCATA  
STATE OF CALIFORNIA**

**ANNUAL FINANCIAL REPORT  
June 30, 2010**



**CITY OF ARCATA**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2010**

Table of Contents

**FINANCIAL SECTION**

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

**REQUIRED SUPPLEMENTAL INFORMATION**

Schedule of Funding Progress – Other Postemployment Benefits .....	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	68
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – CDBG Housing Revolving Loan Special Revenue Fund .....	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Housing Revolving Loan Special Revenue Fund .....	71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development Housing Set Aside Special Revenue Fund .....	72

**CITY OF ARCATA**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2010**

Table of Contents

**OTHER SUPPLEMENTAL INFORMATION**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development Agency Capital Projects Fund.....	74
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development Agency Debt Service Fund .....	75
Combining Nonmajor Governmental Fund Statements and Schedules	
Combining Balance Sheet.....	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	82
Budgetary Comparison Schedules	
Bicycle Registration Special Revenue Fund.....	88
POST Special Revenue Fund.....	89
Forest Management Special Revenue Fund.....	90
Gas Tax 2106 Special Revenue Fund .....	91
Gas Tax 2107 and 2107.5 Special Revenue Fund .....	92
Traffic Safety Special Revenue Fund .....	93
STIP Special Revenue Fund .....	94
Industrial Park Special Revenue Fund .....	95
HUD Block Grant Special Revenue Fund .....	96
Residential Construction Special Revenue Fund .....	97
Parkland in lieu Special Revenue Fund .....	98
Parking in lieu Special Revenue Fund .....	99
Gas Tax 2105 Special Revenue Fund .....	100
Proposition 172 Special Revenue Fund .....	101
ISTEA Special Revenue Fund .....	102
FEMA/OES Special Revenue Fund.....	103
COPS Special Revenue Fund.....	104
Home Grants Special Revenue Fund .....	105
Basic Business Revolving Loan Special Revenue Fund.....	106
Utility Users Special Revenue Fund.....	107
PERS Phase in Special Revenue Fund.....	108
Healthsport Special Revenue Fund .....	109
Undergrounding Special Revenue Fund .....	110
Curtis Heights Special Revenue Fund .....	111
Janes Creek Meadows Special Revenue Fund.....	112
Windsong Special Revenue Fund .....	113
Community Development Administration Special Revenue Fund.....	114
ARRA Special Revenue Fund .....	115
City Capital Projects Fund.....	116
Internal Service Funds	
Combining Statement of Net Assets .....	117
Combining Statement of Revenues, Expenses, and Changes in Net Assets .....	118
Combining Statement of Cash Flows.....	119

**CITY OF ARCATA**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2010**

Table of Contents

**ADDITIONAL REPORT**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	120
--	-----





MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.273.1689  
www.mlhcpas.com

**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, 2010, 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, 2010, 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, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple – Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 7, 2011, 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.

Accounting principles generally accepted in the United States of America require that 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, and the Community Development Housing Set Aside Special Revenue Fund on pages 68 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, budgetary comparison schedules nonmajor funds, and internal service 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, budgetary comparison schedules nonmajor funds, and internal service 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  
March 7, 2011

---

## 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, 2010. 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 \$5.7 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 \$75.5 million at the end of the 2010 fiscal year. Of that amount, \$14.1 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 \$0.9 million compared to the 2009 fiscal year. Most of the increase resulted from increases in general revenues, primarily from increased sales tax revenue. The City's total expense of all programs in fiscal 2010 increased by about \$2.6 million compared to the 2009 fiscal year; a 12.2 percent increase. This increase resulted from increased costs for the purchase of water, and one-time grant expenditures for the development of a rail with trail project.
- The general fund reported a fund balance of \$3.2 million at the end of the 2010 fiscal year, a slight increase of about \$77,000. This increase resulted primarily from increased sales tax revenue.
- The City also ended the fiscal year with \$4.7 million reported in the proprietary enterprise funds (the amount of net assets available for use, including unrestricted net assets, but excluding the investment in capital assets net of related debt). This is a slight decrease from 2009 of approximately \$.5 million.

### 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.

<p style="text-align: center;"><b>Figure A-1</b> <b>Major Features of City of Arcata's Government-Wide and Fund Financial Statements</b></p>			
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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.

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

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

- *Governmental activities* – All of the City's basic services are included here, such as general government, police, streets, public works, parks and recreation, and redevelopment. Property taxes, sales taxes, transient occupancy taxes, other taxes, user charges and fees and state, local and federal grants help to finance these activities.
- *Business-Type activities* - The City charges fees to customers to help cover the costs of certain services. The City's water, wastewater, transit, solid waste and stormwater enterprises are reported here; all of such activities are considered to be 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 Housing Revolving Loan Funds, Community Development Housing Set-Aside, Debt Service and Capital Project funds are considered to be **major funds** because of the significance in 2010 of reported assets, liabilities, revenues, and expenditures. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.

*Proprietary funds* - The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions reported as business-type activities in the government-wide financial statements; the City's water, wastewater, transit, solid waste and stormwater operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Arcata's various functions. The City uses internal service funds to account for its fleet of vehicles and its information technology assets. 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 central garage and information technology internal service funds are presented as a total 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 \$5.7 million between fiscal years 2010 and 2009. (See Table A-1.)

**Table A-1**  
**City of Arcata's Net Assets**  
(in millions of dollars)  
(may not add due to rounding)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2010	2009	2010	2009	2010	2009	2009/10
Current and other assets	\$ 38.5	\$ 36.5	\$ 6.0	\$ 6.5	\$ 44.5	\$ 43.0	3.5%
Capital assets	31.4	30.0	19.5	17.2	50.9	47.2	7.8%
<b>Total assets</b>	<b>69.9</b>	<b>66.5</b>	<b>25.5</b>	<b>23.7</b>	<b>95.4</b>	<b>90.2</b>	<b>5.8%</b>
Long-term debt outstanding	13.4	13.8	3.0	3.3	16.4	17.1	-4.1%
Other liabilities	2.3	2.1	1.2	1.1	3.5	3.2	9.4%
<b>Total liabilities</b>	<b>15.7</b>	<b>15.9</b>	<b>4.2</b>	<b>4.4</b>	<b>19.9</b>	<b>20.3</b>	<b>-2.0%</b>
Net assets							
Invested in capital assets, net of related debt	21.2	17.0	16.6	14.0	37.8	31.0	21.9%
Restricted	23.6	17.0			23.6	17.0	38.8%
Unrestricted	9.4	16.6	4.7	5.2	14.1	21.8	-35.3%
<b>Total net assets</b>	<b>\$ 54.2</b>	<b>\$ 50.6</b>	<b>\$ 21.3</b>	<b>\$19.2</b>	<b>\$ 75.5</b>	<b>\$ 69.8</b>	<b>8.2%</b>

Net assets of the City's governmental and business-type activities increased \$5.7 million to \$75.5 million, an 8.2 percent increase. About 50.0 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 other 50.0 percent. About 82.4 percent of the City's total liabilities are represented by long-term obligations including revenue bonds, tax allocation bonds, and certificates of participation.

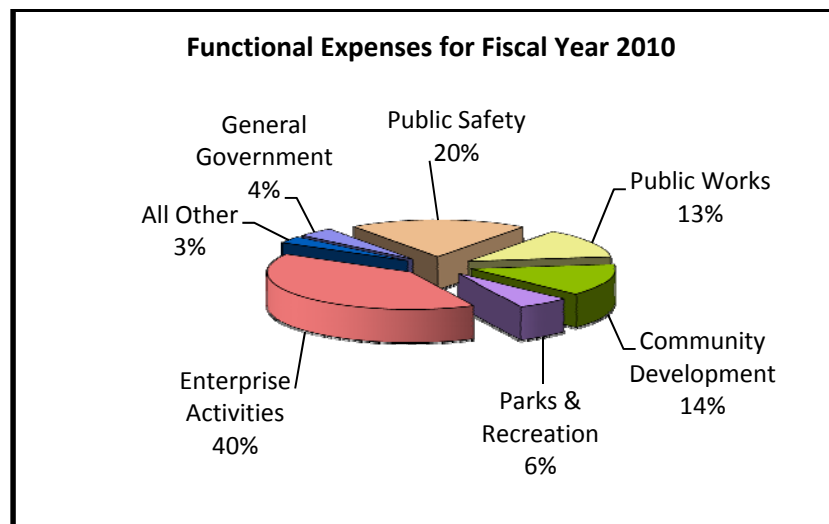
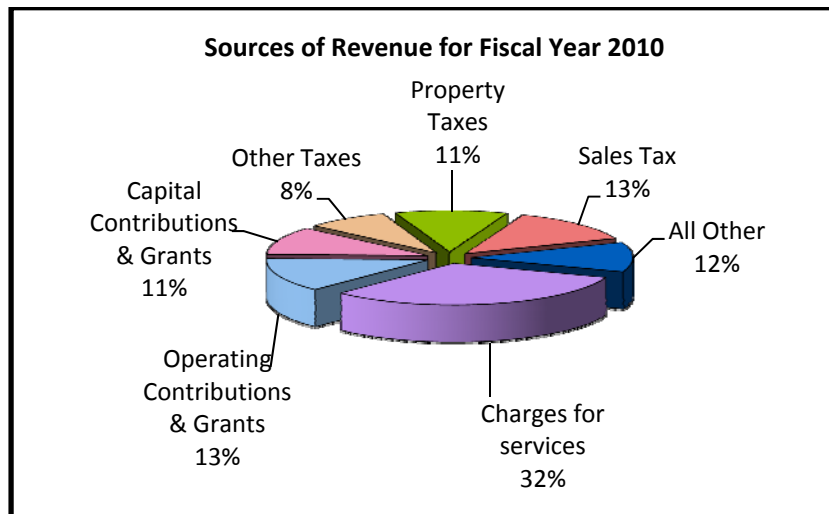
**Changes in net assets.** The City's 2010 total revenues of about \$26.6 million was about \$0.9 million more than in 2010, about a 3.6 percent increase. (See Table A-2) About 31.7 percent of the City's total revenue comes from some type of user fee or charges for services, another 24.1 percent comes from operating and capital grants from federal and state agencies, and about 32.6 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 2010 was about \$24.3 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 2010 decreased by about \$2.2 million on a net basis compared to fiscal 2009. This is primarily the result of two factors. First of all, the City received a large one-time CDBG grant in 2009 which increased revenue from Grants and Contributions substantially. Secondly, in fiscal 2010, Other Income decreased due to the transfer of FEMA funds to the City's Wastewater Fund to cover expenditures associated with repair of dikes that were damaged as a result of severe storms. Revenues from property taxes decreased slightly due to the borrowing of property taxes by the State of California.

The City's primary source of governmental type revenue comes from some kind of tax. Approximately 38.0 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 \$2.5 million or 27.2 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 2010 governmental operating expenses. Another 21 percent of the City's 2010 governmental activities operating expenses was spent on public works projects, 23 percent on community development and

## MANAGEMENT'S DISCUSSION AND ANALYSIS

redevelopment projects, 10 percent was incurred to provide a variety of cultural and recreation services, the remaining 12 percent was spent on general administration and interest on long-term debt.

When all operations were concluded, the governmental activities function generated a \$.2 million increase in net assets for 2010 compared to \$3.8 million increase in 2009. Most of the increase resulted from increases sales tax revenue. The City's total expenses of all programs in fiscal 2010 increased by approximately \$2.7 million compared to the 2009 fiscal year; a 12.5 percent increase. This increase resulted from increased costs for the purchase of water, and one-time grant expenditures for the development of a rail with trail project.

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

	Governmental Activities		Business-type Activities		Totals			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>								
Program revenues								
Charges for services	\$ 0.9	\$ 1.0	\$ 7.5	\$ 7.4	\$ 8.4	\$ 8.4	\$ -	0.0%
Grants and contributions	3.6	4.9	2.8	1.1	6.4	6.0	0.4	6.7%
General revenues								
Sales taxes	3.5	2.3	-	-	3.5	2.3	1.2	52.2%
Property and other taxes	5.2	5.4	-	-	5.2	5.4	(0.2)	-3.7%
Other	1.5	3.3	1.6	0.2	3.1	3.5	(0.4)	-11.4%
<b>Total revenues</b>	<b>14.7</b>	<b>16.9</b>	<b>11.9</b>	<b>8.7</b>	<b>26.6</b>	<b>25.6</b>	<b>1.0</b>	<b>3.9%</b>
<b>Expenses</b>								
General government	1.0	1.3	-	-	1.0	1.3	(0.3)	-23.1%
Public safety	4.9	4.5	-	-	4.9	4.5	0.4	8.9%
Public works	3.1	3.2	-	-	3.1	3.2	(0.1)	-3.1%
Community development	3.4	2.0	-	-	3.4	2.0	1.4	70.0%
Parks and recreation	1.4	1.4	-	-	1.4	1.4	-	0.0%
Interest on long-term debt	0.7	0.7	-	-	0.7	0.7	-	0.0%
Water	-	-	3.2	2.8	3.2	2.8	0.4	14.3%
Wastewater	-	-	3.3	3.5	3.3	3.5	(0.2)	-5.7%
Transit	-	-	1.1	1.0	1.1	1.0	0.1	10.0%
Solid waste	-	-	0.7	0.7	0.7	0.7	-	0.0%
Stormwater	-	-	1.5	0.5	1.5	0.5	1.0	200.0%
<b>Total expenses</b>	<b>14.5</b>	<b>13.1</b>	<b>9.8</b>	<b>8.5</b>	<b>24.3</b>	<b>21.6</b>	<b>2.7</b>	<b>12.5%</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 0.2</b>	<b>\$ 3.8</b>	<b>\$ 2.1</b>	<b>\$ 0.2</b>	<b>\$ 2.3</b>	<b>\$ 4.0</b>	<b>\$ (1.7)</b>	<b>-42.5%</b>

While users and contributors funded about \$4.5 million of the costs of the city's governmental activity programs through related program revenues, the City still had to make up the short fall of about \$10.0 million using general revenues such as taxes. Major sources of program revenues were:

- Those who directly benefited from or used the programs (\$.9 million), or
- Other governments and organizations that subsidized certain programs with grants and contributions (about \$3.6 million).

The City paid for the \$10.0 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- The cost of *all programs* this year increased from \$13.1 million to \$14.5 million, a 10.7 percent increase.
- Spending on community development increased in 2010 due to the required Redevelopment Agency SERAF Shift of \$1.125 million.

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

	Total Cost of Services		% Change
	2010	2009	2009/10
General government	\$ 1.0	\$ 1.3	-23.08%
Public safety	4.9	4.5	8.89%
Public works	3.1	3.2	-3.13%
Community development	3.4	2.0	70.00%
Parks and recreation	1.4	1.4	0.00%
Interest on long-term debt	0.7	0.7	0.00%
<b>Total</b>	<b>\$ 14.5</b>	<b>\$ 13.1</b>	<b>10.69%</b>

### Business-Type Activities

The City's business-type activities (water, wastewater, transit, solid waste, and stormwater) were responsible for about a \$1.9 million increase in net assets in fiscal 2010, when compared to fiscal 2009. Table A-4 summarizes the change to net assets for each Business-type activity. The decrease in the water fund results from the increased cost to purchase water. The increase in the wastewater fund results from the transfer of funds for the reimbursement of expenditures associated with the dike repair from FEMA. The transit fund increased due to intergovernmental grants associated with the purchase of buses and the reimbursement of operating expenditures. The decrease to the solid waste fund results from higher than anticipated expenditures associated with the transition to a mandatory recycling program. The decrease to the stormwater drainage fund results from one-time reimbursement of costs associated with capital grants in 2009.

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

	2010	2009	Increase (Decrease)
Water	\$ (181,790)	\$ 74,979	\$ (256,769)
Wastewater	1,461,902	(393,449)	1,855,351
Transit	740,422	(130,924)	871,346
Solid Waste	(159,222)	41,190	(200,412)
Stormwater	233,813	566,836	(333,023)
	<b>\$ 2,095,125</b>	<b>\$ 158,632</b>	<b>\$ 1,936,493</b>

## 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 \$19.8 million, about \$2.9 million less than the last fiscal year.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The City's general fund generated enough revenue to cover its operation costs or other financing uses which resulted in an increase in fund balance of \$77,000. Revenues were about \$1 million higher than 2009 while expenditures were \$200,000 greater than the prior year. The general fund started the 2009/10 fiscal year with a fund balance of \$3.1 million. After operations, the City's general fund ended the year with a \$3.2 million fund balance. Of this amount about \$100,000 was reserved for encumbrances and inventory, leaving about \$3.1 million available to start the 2010/11 fiscal year.

The CDBG Housing Revolving Loan Fund ended the year with increased fund balances of \$211,000 for a total amount available of \$485,000 to start the 2010/11 fiscal year.

The Housing Revolving Loan Funds ended the year with increased fund balance of \$37,000 for a total amount available of \$455,000 to start the 2010/11 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 \$4.7 million. This is a decrease of \$3.11 million due to the acquisition of property and economic development assistance to a local business.

The Redevelopment Agency's Debt Service Fund recognized \$2.0 million in incremental tax revenues in 2010 of which \$0.9 million was used for debt service payments on the tax allocation bonds and \$1.675 million was transferred to other funds for administrative expenditures and to fund the Agency's SERAF payment of \$1,125 million. This fund ended 2009 with a \$2.3 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 2010 fiscal year with a combined fund balance of \$6.0 million. Of this amount, \$1.4 million is reserved for street maintenance and reconstruction projects, \$9 million has been received from FEMA and OES for dike and levee repairs, \$1.4 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 \$2.2 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 \$1,358,000 less than final budget amounts. The changes made to the expenditure budget during the year amounted to \$308,000. This increase was due primarily to the rollover of prior year residual capital budgets for the purchase a new financial information system and a new telephone system.

### Business-Type Funds

The City's water enterprise ended 2010 with a strong unrestricted cash position of \$2.0 million. This fund experienced a slight decrease in net assets of \$182,000 due to increased cost to purchase water.

The City's wastewater enterprise had \$.7 million of unrestricted cash at year-end. The fund experienced an increase of \$1.5 million in net assets for the year due to the capitalization of improvements made to the City's levees.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The transit fund ended 2009 with \$1.1 million in cash available for operations and had an increase in net assets of \$740,000 due to the purchase of buses.

The solid waste fund ended 2010 with \$226,000 in cash available and had a decrease of net assets of \$159,000 due to costs associated with the implementation of the City's mandatory recycling program.

The stormwater fund had \$500 in cash available at year-end and had an increase in net assets of \$234,000 due to the acquisition of a small parcel of land.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2010, the City had invested \$50.9 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 an increase from last year of \$3.7 million due the acquisition of several pieces of property.

This year's major capital asset additions included:

- Purchase of two properties by the Community Development Agency
- Reconstruction of two levees which were damaged by a severe storm in 2006
- Purchase of two (2) large Gillig Buses

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 % Change
	2010	2009	2010	2009	2010	2009	2009/10
Land and Work in Process	\$ 11.8	\$ 9.4	\$ 5.7	\$ 5.3	\$17.5	\$ 14.7	12.2%
Buildings and structures	6.2	6.1	4.0	4.3	10.2	10.4	-1.9%
Machinery and equipment	.6	0.6	.6	0.7	1.2	1.3	-7.7%
Underground facilities	-	-	4.2	4.4	4.2	4.4	-4.5%
Improvements	3.4	3.5	3.9	2.0	7.3	5.5	32.7%
Infrastructure	8.7	9.8	-	-	8.7	9.8	-11.2%
Vehicles	.7	0.6	1.1	0.5	1.8	1.1	63.6%
<b>Total</b>	<b>\$ 31.4</b>	<b>\$ 30.0</b>	<b>\$19.5</b>	<b>\$ 17.2</b>	<b>\$50.9</b>	<b>\$ 47.2</b>	<b>7.8%</b>

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Long - Term Debt

At the end of fiscal 2010, the City's debt included \$12,210,000 in redevelopment tax allocation bonds. During the year this was reduced by \$260,000. Long-term debt also included \$3,551,000 in private placement debt. The City paid regular principal payments of \$269,000 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.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the 2011 fiscal year, the City's adopted budget contains the following financial assumptions and structure:

- The service charges and fees for the City's water and wastewater fund will also increase by 8.0 percent and 3.0 percent, respectively
- The State will not raid local government coffers in order to balance its budget

The City's budgeted appropriations for 2011 increased by \$1,300,000 from fiscal 2010, or 3.5 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,
- Rail with trail improvements using grant funds,
- Replacement of Samoa Lift Station,
- Replacement of various sewer main lines with extensive infiltration and inflow,
- Construct gateway improvements on Samoa Boulevard and street overlay on Alliance Road,
- Continue work on Panorama and Margaret Avenue water tank design and assessments,
- Completion of replacement/conversion of financial information system.

The General fund portion of 2010 budgeted appropriations is \$10.2 million, an increase of \$.3 million compared to 2010 appropriations, or 3 percent. This is due to increased personnel costs.

### 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, 2010**

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 16,126,194	\$ 3,981,220	\$ 20,107,414
Restricted assets:			
Cash and investments with fiscal agents	3,382,233		3,382,233
Receivables:			
Accounts	522,500	820,868	1,343,368
Intergovernmental	1,977,242	1,062,404	3,039,646
Notes	15,955,337		15,955,337
Interest	5,778		5,778
Internal balances	(28,264)	28,264	
Inventory	136,566	90,173	226,739
Deferred charges, net of accumulated amortization	387,299	34,953	422,252
Capital assets not being depreciated	11,828,047	5,647,157	17,475,204
Capital assets, net of accumulated depreciation	19,622,618	13,848,396	33,471,014
Total Assets	69,915,550	25,513,435	95,428,985
Liabilities:			
Accounts payable	691,552	770,273	1,461,825
Accrued liabilities	483,247	168,619	651,866
Accrued interest payable	258,430	6,902	265,332
Deposits payable	19,514	203,276	222,790
Other liabilities	436,585		436,585
Noncurrent liabilities:			
Due within one year	450,550	224,331	674,881
Due in more than one year	13,371,499	2,823,941	16,195,440
Total Liabilities	15,711,377	4,197,342	19,908,719
Net assets:			
Invested in capital assets, net of related debt	21,201,844	16,639,556	37,841,400
Restricted for:			
Capital Projects	45,732		45,732
Parks	198,699		198,699
Public Safety	260,901		260,901
Highways and Streets	1,959,206		1,959,206
Housing	19,087,503		19,087,503
Debt Service	2,069,289		2,069,289
Unrestricted	9,380,999	4,676,537	14,057,536
Total Net Assets	\$ 54,204,173	\$ 21,316,093	\$ 75,520,266

See Notes to Basic Financial Statements

**CITY OF ARCATA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ (983,550)	\$ 5,638	\$ 248,202	\$ -
Public safety	(4,861,226)	384,944	184,932	26,193
Public works	(3,136,432)	56,392	587,080	1,625,481
Community development	(3,398,796)	248,542	873,198	
Parks and recreation	(1,428,821)	251,795	15,892	33,868
Interest on long-term debt	(719,472)			
Total Governmental Activities	(14,528,297)	947,311	1,909,304	1,685,542
Business-type Activities:				
Water	(3,210,779)	3,007,825		
Wastewater	(3,315,549)	3,397,706		
Transit	(1,080,078)	246,840	1,583,933	
Solid waste	(670,144)	506,672	29,488	
Stormwater	(1,534,886)	345,681		1,205,761
Total Business-type Activities	(9,811,436)	7,504,724	1,613,421	1,205,761
Total Primary Government	\$ (24,339,733)	\$ 8,452,035	\$ 3,522,725	\$ 2,891,303

General Revenues:

Taxes:

Property taxes

Transient occupancy taxes

Sales taxes

Franchise taxes

Utility users tax

Other taxes

Motor vehicle tax, unrestricted

Use of money and property

Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Fiscal Year

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
\$ (729,710)	\$ -	\$ (729,710)
(4,265,157)		(4,265,157)
(867,479)		(867,479)
(2,277,056)		(2,277,056)
(1,127,266)		(1,127,266)
(719,472)		(719,472)
(9,986,140)		(9,986,140)
	(202,954)	(202,954)
	82,157	82,157
	750,695	750,695
	(133,984)	(133,984)
	16,556	16,556
	512,470	512,470
(9,986,140)	512,470	(9,473,670)
2,995,953		2,995,953
892,339		892,339
3,501,419		3,501,419
261,621		261,621
866,624		866,624
167,858		167,858
1,427,267		1,427,267
1,427,435	92,491	1,519,926
128,981		128,981
(1,490,164)	1,490,164	
10,179,333	1,582,655	11,761,988
193,193	2,095,125	2,288,318
50,598,480	19,220,968	69,819,448
3,412,500		3,412,500
54,010,980	19,220,968	73,231,948
\$ 54,204,173	\$ 21,316,093	\$ 75,520,266

**CITY OF ARCATA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

		Special Revenue Funds	
	General	CDBG Housing Revolving Loan	Housing Revolving Loan
Assets:			
Cash and investments	\$ 3,568,075	\$ 206,789	\$ 335,546
Restricted assets:			
Cash and investments with fiscal agents			
Receivables:			
Accounts	431,441	65,963	9,906
Intergovernmental	745,067		
Notes		4,458,185	9,665,116
Interest	4,293		
Due from other funds	180,925	214,597	115,222
Inventory	5,615		
Advances to other funds			
Total Assets	<u>\$ 4,935,416</u>	<u>\$ 4,945,534</u>	<u>\$ 10,125,790</u>
Liabilities:			
Accounts payable	\$ 416,150	\$ 2,126	\$ 5,247
Accrued liabilities	417,673		
Due to other funds	201,139		
Deferred revenue	281,451	4,458,185	9,665,116
Deposits payable	3,041		
Other liabilities	436,585		
Advances from other funds			
Total Liabilities	<u>1,756,039</u>	<u>4,460,311</u>	<u>9,670,363</u>
Fund Balances:			
Reserved:			
Reserved for housing			
Reserved for encumbrances	99,669	16,396	4,308
Reserved for inventory	5,615		
Reserved for advances			
Reserved for streets			
Reserved for debt service			
Reserved for long-term receivables			
Unreserved, designated for contingencies	150,000		
Unreserved reported in:			
General fund	2,924,093		
Special revenue funds		468,827	451,119
Capital projects funds			
Total Fund Balances	<u>3,179,377</u>	<u>485,223</u>	<u>455,427</u>
Total Liabilities and Fund Balances	<u>\$ 4,935,416</u>	<u>\$ 4,945,534</u>	<u>\$ 10,125,790</u>

See Notes to Basic Financial Statements

Special Revenue Funds	Capital Projects Fund	Debt Service Fund		
Community Development Housing Set Aside	Community Development Agency Capital Projects	Community Development Agency	Other Governmental Funds	Total Governmental Funds
\$ 2,475,799	\$ 2,030,394	\$ 1,868,807	\$ 4,587,403	\$ 15,072,813
	2,424,801	957,432		3,382,233
2,583	11,195		1,412	522,500
370		1,480	1,230,325	1,977,242
1,494,019	310,152		27,865	15,955,337
818	667			5,778
			42,561	553,305
			122,356	127,971
			500,000	500,000
<u>\$ 3,973,589</u>	<u>\$ 4,777,209</u>	<u>\$ 2,827,719</u>	<u>\$ 6,511,922</u>	<u>\$ 38,097,179</u>
\$ 80,192	\$ 66,621	\$ -	\$ 62,554	\$ 632,890
			50,393	468,066
			380,430	581,569
1,254,703			27,865	15,687,320
			16,473	19,514
				436,585
		500,000		500,000
<u>1,334,895</u>	<u>66,621</u>	<u>500,000</u>	<u>537,715</u>	<u>18,325,944</u>
2,317,084				2,317,084
82,294	133,638			336,305
			122,356	127,971
			500,000	500,000
			1,350,901	1,350,901
		2,327,719		2,327,719
239,316	310,152			549,468
				150,000
				2,924,093
	4,266,798		3,488,728	4,408,674
			512,222	4,779,020
<u>2,638,694</u>	<u>4,710,588</u>	<u>2,327,719</u>	<u>5,974,207</u>	<u>19,771,235</u>
<u>\$ 3,973,589</u>	<u>\$ 4,777,209</u>	<u>\$ 2,827,719</u>	<u>\$ 6,511,922</u>	<u>\$ 38,097,179</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF ARCATA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2010**

Fund balances of governmental funds	\$ 19,771,235
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.	30,537,781
Certain notes receivable are not available to pay for current period expenditures and therefore, are offset by deferred revenue in the governmental funds	15,687,320
Long-term debt, other postemployment benefits, and compensated absences have not been included in the governmental funds.	
Other postemployment benefits payable	(385,152)
Long-term debt	(12,975,676)
Compensated absences	(365,948)
Deferred charges, net of accumulated amortization for debt issuance costs on long-term debt have not been reported in the governmental funds.	387,299
Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.	(258,430)
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 funds must be added to the statement of net assets.	1,805,744
Net assets of governmental activities	<u><u>\$ 54,204,173</u></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, 2010**

		Special Revenue Funds	
	General	CDBG Housing Revolving Loan	Housing Revolving Loan
Revenues:			
Taxes and assessments	\$ 6,069,277	\$ -	\$ -
Licenses and permits	173,655		
Intergovernmental	1,517,636		
Charges for services	567,085		
Use of money and property	205,512	109,951	12,223
Fines and forfeitures	232,952		
Reimbursements			
Miscellaneous	88,467	199,895	66,929
Total Revenues	8,854,584	309,846	79,152
Expenditures:			
Current:			
General government	918,391		
Public safety	4,448,363		
Public works	543,692		
Community development	933,951	98,593	41,830
Parks and recreation	1,162,139		
Capital outlay	410,847		
Debt service:			
Principal retirement	51,547		
Interest and fiscal charges	27,282		
Total Expenditures	8,496,212	98,593	41,830
Excess of Revenues Over (Under) Expenditures	358,372	211,253	37,322
Other Financing Sources (Uses):			
Transfers in			
Transfers out	(281,090)		
Total Other Financing Sources (Uses)	(281,090)		
Net Change in Fund Balances	77,282	211,253	37,322
Fund Balances, Beginning of Fiscal Year	3,102,095	273,970	418,105
Fund Balances, End of Fiscal Year	\$ 3,179,377	\$ 485,223	\$ 455,427

See Notes to Basic Financial Statements

Special Revenue Funds	Capital Projects Fund	Debt Service Fund		
Community Development Housing Set Aside	Community Development Agency Capital Projects	Community Development Agency	Other Governmental Funds	Total Governmental Funds
\$ 495,888	\$ -	\$ 1,983,551	\$ 125,197	\$ 8,673,913
			15,738	189,393
			3,069,642	4,587,278
				567,085
74,815	207,687	71,777	156,112	838,077
			119,284	352,236
			38,736	38,736
11,455			598,880	965,626
582,158	207,687	2,055,328	4,123,589	16,212,344
			34,179	952,570
			324,113	4,772,476
			733,141	1,276,833
24,974	375,665		2,792,121	4,267,134
			246,535	1,408,674
121,408	2,984,667		451,706	3,968,628
		260,000		311,547
		682,726		710,008
146,382	3,360,332	942,726	4,581,795	17,667,870
435,776	(3,152,645)	1,112,602	(458,206)	(1,455,526)
	41,754		2,480,873	2,522,627
(15,000)		(1,675,208)	(2,049,597)	(4,020,895)
(15,000)	41,754	(1,675,208)	431,276	(1,498,268)
420,776	(3,110,891)	(562,606)	(26,930)	(2,953,794)
2,217,918	7,821,479	2,890,325	6,001,137	22,725,029
\$ 2,638,694	\$ 4,710,588	\$ 2,327,719	\$ 5,974,207	\$ 19,771,235

**THIS PAGE INTENTIONALLY LEFT BLANK**

**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, 2010**

Net change in fund balances - total governmental funds	\$ (2,953,794)
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 (\$2,987,482) exceeds depreciation (\$1,622,581) in the current period.	1,364,901
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.	1,253,391
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.	317,746
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.	8,116
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.	(27,544)
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.	(114,983)
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.	361,497
Change in net assets of governmental activities	<u>\$ 193,193</u>

See Notes to Basic Financial Statements

**CITY OF ARCATA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2010**

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Transit
<b>ASSETS</b>			
Current Assets:			
Cash and cash investments	\$ 2,008,051	\$ 670,949	\$ 1,075,610
Accounts receivable, net	327,234	351,733	
Due from other funds	305,068		
Due from other agencies	141,620	207,580	47,935
Inventory	71,174	14,823	
Total Current Assets	<u>2,853,147</u>	<u>1,245,085</u>	<u>1,123,545</u>
Noncurrent Assets:			
Deferred issuance costs, net of accumulated amortization	13,857	21,096	
Capital assets:			
Land	214,546	374,603	
Depreciable buildings and structures, net	89,323	3,106,324	559,098
Depreciable underground facilities, net	2,198,067	2,026,359	
Depreciable improvements, net	927,573	2,521,857	88,359
Depreciable vehicles, net			1,119,695
Depreciable furniture and equipment, net	8,688	385,272	136,880
Total Noncurrent Assets	<u>3,452,054</u>	<u>8,435,511</u>	<u>1,904,032</u>
Total Assets	<u>6,305,201</u>	<u>9,680,596</u>	<u>3,027,577</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	154,870	102,397	25,251
Accrued liabilities	62,901	64,605	22,579
Accrued interest payable		6,902	
Deposits payable	200,876		
Due to other funds			
Current portion of long-term obligations	92,177	121,920	4,219
Total Current Liabilities	<u>510,824</u>	<u>295,824</u>	<u>52,049</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Compensated absences	42,532	44,760	12,656
Capital lease payable	989,950		
Loan payable		1,716,000	
Total Noncurrent Liabilities	<u>1,032,482</u>	<u>1,760,760</u>	<u>12,656</u>
Total Liabilities	<u>1,543,306</u>	<u>2,056,584</u>	<u>64,705</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,384,104	6,612,511	1,904,032
Unrestricted	2,377,791	1,011,501	1,058,840
Total Net Assets	<u>\$ 4,761,895</u>	<u>\$ 7,624,012</u>	<u>\$ 2,962,872</u>

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste	Stormwater	Totals	
\$ 226,072	\$ 538	\$ 3,981,220	\$ 1,053,381
34,985	106,916	820,868	
		305,068	
	665,269	1,062,404	
	4,176	90,173	8,595
261,057	776,899	6,259,733	1,061,976
		34,953	
	5,058,008	5,647,157	
3,303	255,328	4,013,376	420
		4,224,426	
	401,377	3,939,166	2,355
		1,119,695	729,208
20,893		551,733	180,901
24,196	5,714,713	19,530,506	912,884
285,253	6,491,612	25,790,239	1,974,860
15,508	472,247	770,273	58,662
5,249	13,285	168,619	15,181
		6,902	
	2,400	203,276	
	276,804	276,804	
1,495	4,520	224,331	29,481
22,252	769,256	1,650,205	103,324
4,484	13,559	117,991	7,521
		989,950	58,271
		1,716,000	
4,484	13,559	2,823,941	65,792
26,736	782,815	4,474,146	169,116
24,196	5,714,713	16,639,556	827,639
234,321	(5,916)	4,676,537	978,105
\$ 258,517	\$ 5,708,797	\$ 21,316,093	\$ 1,805,744

**CITY OF ARCATA**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Transit
<b>Operating Revenues:</b>			
Sales and service charges	\$ 3,006,093	\$ 3,383,045	\$ 186,775
Interdepartmental charges			
Other	1,732	14,661	60,065
Total Operating Revenues	3,007,825	3,397,706	246,840
<b>Operating Expenses:</b>			
Salaries and benefits	1,237,751	1,231,198	381,948
Contractual services	39,454	195,704	168,055
Materials and supplies	126,911	120,060	14,994
Repairs and maintenance	168,316	278,538	207,605
Purchased water	682,137		
Utilities	122,537	183,561	5,038
Insurance	94,875	95,247	31,383
Taxes and fees	14,327	64,277	
Allocated overhead	523,731	640,182	69,500
Depreciation	151,110	422,497	201,555
Amortization	1,320	1,841	
Total Operating Expenses	3,162,469	3,233,105	1,080,078
Operating Income (Loss)	(154,644)	164,601	(833,238)
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	51,453	17,718	19,727
Interest expense	(48,310)	(82,444)	
Intergovernmental			1,583,933
Total Nonoperating Revenues (Expenses)	3,143	(64,726)	1,603,660
Income (Loss) Before Transfers	(151,501)	99,875	770,422
<b>Transfers in</b>		1,362,027	
<b>Transfers out</b>	(30,289)		(30,000)
Net Transfers	(30,289)	1,362,027	(30,000)
Changes in Net Assets	(181,790)	1,461,902	740,422
<b>Net Assets</b>			
Beginning of fiscal year	4,943,685	6,162,110	2,222,450
End of fiscal year	\$ 4,761,895	\$ 7,624,012	\$ 2,962,872

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste	Stormwater	Totals	
\$ 502,302	\$ 206,749	\$ 7,284,964	\$ -
4,370	138,932	219,760	1,171,350
506,672	345,681	7,504,724	1,171,350
82,473	253,841	3,187,211	246,302
446,033	929,190	1,778,436	17,592
12,180	13,947	288,092	213,537
31,535	139,227	825,221	65,670
		682,137	
	195	311,331	
3,450	17,250	242,205	51,750
	6,416	85,020	150
85,765	148,125	1,467,303	48,500
8,708	23,510	807,380	188,525
		3,161	
670,144	1,531,701	9,677,497	832,026
(163,472)	(1,186,020)	(2,172,773)	339,324
4,762	(1,169)	92,491	21,711
	(3,185)	(133,939)	(7,642)
29,488	1,205,761	2,819,182	
34,250	1,201,407	2,777,734	14,069
(129,222)	15,387	604,961	353,393
	218,426	1,580,453	8,104
(30,000)		(90,289)	
(30,000)	218,426	1,490,164	8,104
(159,222)	233,813	2,095,125	361,497
417,739	5,474,984	19,220,968	1,444,247
\$ 258,517	\$ 5,708,797	\$ 21,316,093	\$ 1,805,744

**CITY OF ARCATA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Transit
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 2,875,994	\$ 3,176,043	\$ 48,647
Cash received from interfund services provided			
Cash paid to suppliers for goods and services	(1,192,838)	(1,141,265)	(469,320)
Cash paid to employees for services	(1,231,522)	(1,229,907)	(374,844)
Cash paid for allocated overhead	(523,731)	(640,182)	(69,500)
Net Cash Provided (Used) by Operating Activities	(72,097)	164,689	(865,017)
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Intergovernmental revenue			1,583,933
Cash due from (to) other funds	75,591		
Cash transfers to other funds	(30,289)		(30,000)
Cash transfers from other funds		1,362,027	
Net Cash Provided (Used) by Non-Capital Financing Activities	45,302	1,362,027	1,553,933
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchases of capital assets	(37,014)	(2,022,181)	(780,734)
Principal paid on long-term debt	(75,400)	(103,000)	
Interest paid on long-term debt	(48,310)	(82,444)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(160,724)	(2,207,625)	(780,734)
<b>Cash Flows from Investing Activities:</b>			
Interest received	51,453	17,718	19,727
Net Cash Provided (Used) by Investing Activities	51,453	17,718	19,727
Net Increase (Decrease) in Cash and Cash Equivalents	(136,066)	(663,191)	(72,091)
<b>Cash and Cash Equivalents at Beginning of Fiscal Year</b>	<u>2,144,117</u>	<u>1,334,140</u>	<u>1,147,701</u>
<b>Cash and Cash Equivalents at End of Fiscal Year</b>	<u>\$ 2,008,051</u>	<u>\$ 670,949</u>	<u>\$ 1,075,610</u>
<b>Reconciliation to Statement of Net Assets:</b>			
Cash and investments	<u>\$ 2,008,051</u>	<u>\$ 670,949</u>	<u>\$ 1,075,610</u>

See Notes to Basic Financial Statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste	Stormwater	Totals	
\$ 645,823	\$ (281,884)	\$ 6,464,623	\$ -
(478,930)	(663,300)	(3,945,653)	1,171,350
(81,962)	(254,876)	(3,173,111)	(321,440)
(85,765)	(148,125)	(1,467,303)	(242,619)
(834)	(1,348,185)	(2,121,444)	(48,500)
29,488	1,205,761	2,819,182	558,791
(30,000)	276,804	352,395	
	218,426	(90,289)	
		1,580,453	8,104
(512)	1,700,991	4,661,741	8,104
(219)	(300,244)	(3,140,392)	(234,489)
	(137,980)	(316,380)	(50,308)
	(3,185)	(133,939)	(7,642)
(219)	(441,409)	(3,590,711)	(292,439)
4,762	(1,169)	92,491	21,711
4,762	(1,169)	92,491	21,711
3,197	(89,772)	(957,923)	296,167
222,875	90,310	4,939,143	757,214
\$ 226,072	\$ 538	\$ 3,981,220	\$ 1,053,381
\$ 226,072	\$ 538	\$ 3,981,220	\$ 1,053,381

(Continued)

**CITY OF ARCATA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
(Continued)

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Transit
<b>Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (154,644)	\$ 164,601	\$ (833,238)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	151,110	422,497	201,555
Amortization	1,320	1,841	
Adjustments:			
(Increase) decrease in due from other agencies	(140,774)	(207,580)	27,565
(Increase) decrease in accounts receivable	1,018	(14,083)	
(Increase) decrease in inventory	(1,448)	(9,756)	
Increase (decrease) in accounts payable	57,167	(194,122)	(42,245)
Increase (decrease) in accrued liabilities	(2,655)	(4,327)	4,639
Increase (decrease) in deferred revenue			(225,758)
Increase (decrease) in compensated absences	8,884	5,618	2,465
Increase (decrease) in deposits payable	7,925		
Total Adjustments	82,547	88	(31,779)
Net Cash Provided (Used) by Operating Activities	\$ (72,097)	\$ 164,689	\$ (865,017)

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>\$ (163,472)</u>	<u>\$ (1,186,020)</u>	<u>\$ (2,172,773)</u>	<u>\$ 339,324</u>
8,708	23,510	807,380 3,161	188,525
	(658,475)	(979,264)	
139,151	30,910	156,996	
	171	(11,033)	(1,685)
14,269	442,753	277,822	28,944
620	(795)	(2,518)	5,775
		(225,758)	
(110)	(239)	16,618	(2,092)
		7,925	
<u>162,638</u>	<u>(162,165)</u>	<u>51,329</u>	<u>219,467</u>
<u>\$ (834)</u>	<u>\$ (1,348,185)</u>	<u>\$ (2,121,444)</u>	<u>\$ 558,791</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 2010**

**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, 2010**

**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 have been combined with the governmental activities in the government-wide financial statements.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Proprietary fund financial statements (Continued)**

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.

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.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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.

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 Funds** are used to account for financial transactions related to the City's Garage Department and Information Technology 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.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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. 51, No. 53, No. 57, and No. 58 during the fiscal year ended June 30, 2010.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”. This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”. This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”. This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”. This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

**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.

**CITY OF ARCATA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**1. Deposits and Investments (Continued)**

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

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

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

**2. Receivables and Payables**

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

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of fair market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Humboldt collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent after 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.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**4. Restricted Assets**

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

**5. Capital Assets**

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

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

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

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

**6. Compensated Absences**

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

**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.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**7. Long-Term obligations**

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.

**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.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**9. Property Taxes (Continued)**

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

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

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

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

Capital assets	\$ 74,243,135
Less: Accumulated depreciation	<u>(43,705,354)</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 30,537,781</u></u>

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

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	\$ 12,210,000
Leases payable	575,050
Accrued interest on bonds	258,430
Energy commission loan	41,865
Other postemployment benefits payable	385,152
Compensated absences-vacation and sick leave provision	365,948
Bond premiums	<u>148,761</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 13,985,206</u></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 fiscal year	\$ 1,444,247
Change in net assets	<u>361,497</u>
	<u><u>\$ 1,805,744</u></u>

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

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

Capital outlay	\$ 2,987,482
Depreciation expense	(1,622,581)
Repayment of long-term debt principal	311,547
Amortization of bond premium	6,199
Change in compensated absences	<u>(27,544)</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><u>\$ 1,655,103</u></u>

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

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

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

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

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

**Fund Deficits**

The following funds contained a deficit fund balance as of June 30, 2010:

Nonmajor Funds:

POST	\$ (818)
Forest Management	(12,321)
HUD Block Grant	(176,736)

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
<u>Major Governmental Funds:</u>			
Community Development Agency			
Debt Service	\$ 939,286	\$ 942,726	\$ (3,440)
<u>Nonmajor Funds:</u>			
COPS Special Revenue	152,145	158,628	(6,483)
Home Grants Special Revenue	456,085	614,982	(158,897)

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 4 CASH AND INVESTMENTS**

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 20,107,414
Restricted cash and investments with fiscal agents	<u>3,382,233</u>
Total cash and investments	<u><u>\$ 23,489,647</u></u>

Cash and investments as of June 30, 2010 consist of the following:

Petty cash	\$ 1,285
Deposits with financial institutions	5,513,084
Investments	<u>17,975,278</u>
Total cash and investments	<u><u>\$ 23,489,647</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	\$50 Million 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, 2010**

**NOTE 4 CASH AND INVESTMENTS (CONTINUED)**

**B. Investments Authorized by Debt Agreements**

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

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

**C. Disclosures Relating to Interest Rate Risk**

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

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

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity</u>					
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>	<u>Over 60 Months</u>
U.S. Treasury notes	\$ 2,374,058	\$ 405,812	\$ 219,838	\$ 1,473,535	\$ 274,873	\$ -	\$ -
Money market funds	57,483	57,483					
Federal agency securities	6,452,152	597,470	878,984	1,676,234	2,296,282	1,003,182	
Corporate medium term notes	1,930,915		1,283,111	647,804			
State investment pool	3,778,437	3,778,437					
Held by bond trustees:							
Money market funds	592,966	592,966					
U.S. Treasury notes	773,385	673,172		63,581	18,249	18,383	
Federal agency securities	2,015,882	1,742,745			216,255	56,882	
<b>Total</b>	<b>\$ 17,975,278</b>	<b>\$ 7,848,085</b>	<b>\$ 2,381,933</b>	<b>\$ 3,861,154</b>	<b>\$ 2,805,659</b>	<b>\$ 1,078,447</b>	<b>\$ -</b>

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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	\$ 2,374,058	N/A	\$ 2,374,058	\$ -	\$ -	\$ -	\$ -
Money Market Funds	57,483	N/A		57,483			
Federal agency securities	6,452,152	N/A		6,452,152			
Corporate medium term notes	1,930,915	N/A		1,930,915			
State investment pool	3,778,437	N/A					3,778,437
Held by bond trustee:							
Money market funds	1,266,138	N/A		1,266,138			
U.S. Treasury notes	100,213	N/A	100,213				
Federal agency securities	2,015,882	N/A		2,015,882			
Total	<u>\$ 17,975,278</u>		<u>\$ 2,474,271</u>	<u>\$ 11,722,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,778,437</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	\$ 2,429,167
FNMA	Federal agency securities	2,317,146
FHLB	Federal agency securities	2,203,741
FFCB	Federal agency securities	1,517,980

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:

\$8,468,034 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, \$2,429,167 (FHLMC), \$2,317,146 (FNMA), \$2,203,741 (FHLB), and \$1,517,980 (FFCB).

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 4 CASH AND INVESTMENTS (CONTINUED)**

**F. Concentration of Credit Risk (Continued)**

The Arcata Community Development Agency Capital Projects Fund (Major Fund) holds investments (including amounts held by bond trustees) in the amount of \$1,742,744 which are Federal Agency Securities. These securities are \$606,868, (FHLMC), \$544,012 (FNMA), and \$591,864 (FHLB). The Arcata Community Development Agency Debt Service Fund (Major Fund) holds investments (including amounts held by bond trustees) in the amount of \$273,137 which are Federal Agency Securities. These securities are \$93,251 (FHLMC), \$81,065 (FNMA), and \$98,821 (FHLB).

**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, 2010, the City did not have any deposits with financial institutions in excess of federal depository insurance limits. As of June 30, 2010, 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>
Money market funds	\$ 592,966
U.S. Treasury notes	773,385
Federal agency securities	2,015,882

**H. 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.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 RECEIVABLES**

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

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental activities:			
Due from other governments	\$ 1,977,242	\$ -	\$ 1,977,242
Accounts	591,704	(69,204)	522,500
	<u>\$ 2,568,946</u>	<u>\$ (69,204)</u>	<u>\$ 2,499,742</u>
Business-type activities			
Due from other governments	\$ 1,062,404	\$ -	\$ 1,062,404
Accounts	1,335,429	(514,561)	820,868
	<u>\$ 2,397,833</u>	<u>\$ (514,561)</u>	<u>\$ 1,883,272</u>

**Notes Receivable**

The following schedule summarizes notes receivable as of June 30, 2010:

CDBG Housing Revolving Loan fund notes receivable	\$ 4,458,185
Housing Revolving Loan fund notes receivable	9,665,116
Community Development Agency Housing Set Aside fund notes receivable	1,494,019
Community Development Agency Capital Projects fund notes receivable	310,152
Basic Business Revolving Loan fund notes receivable	27,865
Total notes receivable, Governmental funds	<u>\$ 15,955,337</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, 2010 is as follows:

**A. Due to/ from other fund**

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		Major Fund:	
General	\$ 180,925	General	\$ 201,139
CDBG Housing Revolving Loan	214,597	Nonmajor Funds:	
Housing Revolving Loan	115,222	POST	5,608
Nonmajor Funds:		STIP	40,857
POST	1,704	HUD Block Grant	214,597
Gas Tax 2107 and 2107.5	40,857	HOME Grants	119,368
Major Enterprise Fund:		Major Enterprise Fund:	
Water	305,068	Stormwater	276,804
	<u>\$ 858,373</u>		<u>\$ 858,373</u>

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

The composition of interfund balances as of June 30, 2010 is as follows:

**B. Advance to/ from other fund**

Receivable Fund	Amount	Payable Fund	Amount
Nonmajor Fund:		Major Fund:	
PERS Phase In Special		Community Development	
Revenue	\$ 500,000	Debt Service	\$ 500,000
	<u>\$ 500,000</u>		<u>\$ 500,000</u>

**C. Interfund transfers**

Fund	Transfers In	Transfers Out
Major Funds:		
General	\$ -	\$ 281,090
Community Development Housing Set Aside		15,000
Community Development Agency Capital Projects	41,754	
Community Development Agency Debt Service		1,675,208
Nonmajor Governmental Funds:		
Forest Management	9,440	
Gas Tax 2106		79,263
Gas Tax 2107 and 2107.5	688,192	4,000
Traffic Safety	58,033	
Industrial Park		17,500
Residential Construction		5,000
Gas Tax 2105		94,829
Proposition 172		100,000
ISTEA		134,414
FEMA/OES		1,501,133
Basic Business Revolving Loan		26,754
Undergrounding Reserve		2,500
Janes Creek Meadows		18,500
Windsong		17,000
Community Development Agency Administration	1,675,208	
ARRA	50,000	
City Capital Projects		48,704
Internal Service Fund:		
Information Technology	8,104	
Major Enterprise Funds:		
Water		30,289
Wastewater	1,362,027	
Transit		30,000
Solid Waste		30,000
Stormwater	218,426	
	<u>\$ 4,111,184</u>	<u>\$ 4,111,184</u>

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 7 CAPITAL ASSETS**

**A. Governmental Activities**

Governmental capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 9,364,779	\$ 2,463,268	\$ -	\$ 11,828,047
Total capital assets, not being depreciated	9,364,779	2,463,268		11,828,047
Capital assets, being depreciated:				
Buildings and structures	11,051,436	342,220		11,393,656
Furniture and equipment	3,293,130	157,157		3,450,287
Improvements	5,798,287	24,837		5,823,124
Infrastructure	41,748,021			41,748,021
Total capital assets, being depreciated	61,890,874	524,214		62,415,088
Less accumulated depreciation for:				
Buildings and structures	(4,906,477)	(303,857)		(5,210,334)
Furniture and equipment	(2,884,884)	(118,532)		(3,003,416)
Improvements	(2,317,825)	(131,211)		(2,449,036)
Infrastructure	(31,973,587)	(1,068,981)		(33,042,568)
Total accumulated depreciation	(42,082,773)	(1,622,581)		(43,705,354)
Total capital assets, being depreciated, net	19,808,101	(1,098,367)		18,709,734
Governmental activities capital assets, net	\$ 29,172,880	\$ 1,364,901	\$ -	\$ 30,537,781

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

	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
Capital Assets, being depreciated:				
Buildings and structures	\$ 41,198	\$ -	\$ -	\$ 41,198
Furniture and equipment	573,265			573,265
Improvements	12,799			12,799
Vehicles	3,210,349	234,489	(48,492)	3,396,346
Total capital assets, being depreciated	3,837,611	234,489	(48,492)	4,023,608
Less accumulated depreciation for:				
Buildings and structures	(40,525)	(253)		(40,778)
Furniture and equipment	(328,619)	(63,745)		(392,364)
Improvements	(10,237)	(209)		(10,446)
Vehicles	(2,591,312)	(124,318)	48,492	(2,667,138)
Total accumulated depreciation	(2,970,693)	(188,525)	48,492	(3,110,726)
Total capital assets, being depreciated, net	\$ 866,918	\$ 45,964	\$ -	\$ 912,882

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

**A. Governmental Activities(Continued)**

**Total Governmental Activities**

	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 9,364,779	\$ 2,463,268	\$ -	\$ 11,828,047
Total capital assets, not being depreciated	<u>9,364,779</u>	<u>2,463,268</u>		<u>11,828,047</u>
Capital assets, being depreciated:				
Buildings and structures	11,092,634	342,220		11,434,854
Furniture and equipment	3,866,395	157,157		4,023,552
Improvements	5,811,086	24,837		5,835,923
Infrastructure	41,748,021			41,748,021
Vehicles	3,210,349	234,489	(48,492)	3,396,346
Total capital assets, being depreciated	<u>65,728,485</u>	<u>758,703</u>	<u>(48,492)</u>	<u>66,438,696</u>
Less accumulated depreciation for:				
Buildings and structures	(4,947,002)	(304,110)		(5,251,112)
Furniture and equipment	(3,213,503)	(182,277)		(3,395,780)
Improvements	(2,328,062)	(131,420)		(2,459,482)
Infrastructure	(31,973,587)	(1,068,981)		(33,042,568)
Vehicles	(2,591,312)	(124,318)	48,492	(2,667,138)
Total accumulated depreciation	<u>(45,053,466)</u>	<u>(1,811,106)</u>	<u>48,492</u>	<u>(46,816,080)</u>
Total capital assets, being depreciated, net	<u>20,675,019</u>	<u>(1,052,403)</u>		<u>19,622,616</u>
Governmental activities capital assets, net	<u>\$ 30,039,798</u>	<u>\$ 1,410,865</u>	<u>\$ -</u>	<u>\$ 31,450,663</u>

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

**B. Business-type Activities**

Business-type capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 5,346,913	\$ 300,244	\$ -	\$ 5,647,157
Total capital assets, not being depreciated	5,346,913	300,244		5,647,157
Capital assets, being depreciated:				
Buildings and structures	9,237,798	219	(24,170)	9,213,847
Furniture and equipment	3,014,088	21,261	(11,581)	3,023,768
Underground facilities	7,707,688			7,707,688
Improvements	4,028,682	2,037,934		6,066,616
Vehicles	1,258,832	780,734		2,039,566
Total capital assets, being depreciated	25,247,088	2,840,148	(35,751)	28,051,485
Less accumulated depreciation for:				
Buildings and structures	(4,981,767)	(242,874)	24,170	(5,200,471)
Furniture and equipment	(2,353,029)	(130,587)	11,581	(2,472,035)
Underground facilities	(3,319,234)	(164,028)		(3,483,262)
Improvements	(1,980,552)	(146,898)		(2,127,450)
Vehicles	(796,878)	(122,993)		(919,871)
Total accumulated depreciation	(13,431,460)	(807,380)	35,751	(14,203,089)
Total capital assets, being depreciated, net	11,815,628	2,032,768		13,848,396
Business-type activities capital assets, net	\$ 17,162,541	\$ 2,333,012	\$ -	\$ 19,495,553

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

Governmental activities	
General government	\$ 201,220
Public safety	74,978
Public works	1,407,893
Community development	106,868
Parks and recreation	20,147
Total depreciation expense-governmental activities	<u>\$ 1,811,106</u>
Business-type activities	
Water	\$ 151,110
Wastewater	422,497
Transit	201,555
Solid Waste	8,708
Stormwater	23,510
Total depreciation expense-business-type activities	<u>\$ 807,380</u>

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 2010 was \$3,065,000. Future debt service requirements on the 1994 Series Tax Allocation Bonds are:

Fiscal Year Ended June 30,	Principal	Interest	Total
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	185,000	139,950	324,950
2016-2020	1,100,000	514,800	1,614,800
2021-2024	1,140,000	141,900	1,281,900
Totals	<u>\$ 3,065,000</u>	<u>\$ 1,458,450</u>	<u>\$ 4,523,450</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.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 8 LONG-TERM DEBT (Continued)**

**A. Governmental Activities (Continued)**

**Tax Allocation Bonds – 2003 Series (Continued)**

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, 2010 was \$9,145,000.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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	140,000	423,609	563,609
2016-2020	800,000	2,023,619	2,823,619
2021-2025	1,330,000	1,812,534	3,142,534
2026-2030	3,180,000	1,230,532	4,410,532
2031-2034	3,175,000	335,559	3,510,559
Totals	<u>\$ 9,145,000</u>	<u>\$ 7,568,655</u>	<u>\$ 16,713,655</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, 2010 was \$41,865.

Future debt service requirements on the Energy Commission loan are:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 11,383	\$ 1,543	\$ 12,926
2012	11,835	1,091	12,926
2013	12,310	617	12,927
2014	<u>6,337</u>	<u>126</u>	<u>6,463</u>
Totals	<u>\$ 41,865</u>	<u>\$ 3,377</u>	<u>\$ 45,242</u>

**CITY OF ARCATA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 8 LONG-TERM DEBT (Continued)**

**A. Governmental Activities (Continued)**

**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, 2010 was \$85,245. See *2008 Municipal Lease* for the other capital lease attributable to governmental activities.

Future debt service requirements on the capital leases are:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 26,974	\$ 4,475	\$ 31,449
2012	28,390	3,059	31,449
2013	29,881	1,569	31,450
Totals	<u>\$ 85,245</u>	<u>\$ 9,103</u>	<u>\$ 94,348</u>

**B. Business-type Activities**

*Note Payable*

The note payable was to Umpqua Bank with an original principal balance of \$249,500. The note bears interest at 4.70 percent and was payable in monthly installments of \$2,621 through November 10, 2009 with a final payment of \$134,591 on December 10, 2009. The note was secured by a time deposit of the City for \$263,000 under an assignment agreement. The outstanding balance at June 30, 2010 was \$0, as the final payment was made on December 10, 2009.

*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

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 8 LONG-TERM DEBT (Continued)**

**B. Business-type Activities (Continued)**

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.

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 purpose 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, 2010 was \$1,823,000.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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	126,000	55,900	181,900
2016-2020	724,000	190,791	914,791
2021-2023	513,000	33,604	546,604
	\$ 1,823,000	\$ 555,497	\$ 2,378,497

*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 OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 8 LONG-TERM DEBT (Continued)**

**B. Business-type Activities (Continued)**

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.

*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, 2010 was \$1,643,000.

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
2011	\$ 42,000	\$ 24,440	\$ 78,000	\$ 45,388
2012	43,400	22,654	80,600	42,073
2013	46,550	20,810	86,450	38,648
2014	47,950	18,832	89,050	34,974
2015	49,000	16,794	91,000	31,188
2016-2020	282,800	50,665	525,200	94,091
2021	63,350	2,692	117,650	5,000
Totals	<u>\$ 575,050</u>	<u>\$ 156,887</u>	<u>\$ 1,067,950</u>	<u>\$ 291,362</u>

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

**C. Changes in long-term debt**

Long-term liability activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010	Due Within One Year
<b>Governmental activities:</b>					
Tax allocation bonds	\$ 12,470,000	\$ -	\$ (260,000)	\$ 12,210,000	\$ 270,000
Compensated absences	350,525	25,451		375,976	93,994
Energy commission loan	52,812		(10,947)	41,865	11,383
Leases payable	751,203		(90,908)	660,295	68,974
Other post-employment benefits payable	270,169	114,983		385,152	
Bond premiums	154,960		(6,199)	148,761	6,199
Total governmental activities	<u>\$ 14,049,669</u>	<u>\$ 140,434</u>	<u>\$ (368,054)</u>	<u>\$ 13,822,049</u>	<u>\$ 450,550</u>
<b>Business-type activities:</b>					
Note payable	\$ 137,980	\$ -	\$ (137,980)	\$ -	\$ -
Compensated absences	140,704	16,618		157,322	39,331
Lease payable	1,143,350		(75,400)	1,067,950	78,000
Loan payable	1,926,000		(103,000)	1,823,000	107,000
Total business-type activities	<u>\$ 3,348,034</u>	<u>\$ 16,618</u>	<u>\$ (316,380)</u>	<u>\$ 3,048,272</u>	<u>\$ 224,331</u>

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, \$10,029 of the internal service funds' compensated absences and \$85,245 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, 2010, 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, 2010**

**NOTE 9 RISK MANAGEMENT**

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

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

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

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

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

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

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

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2010:

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 9 RISK MANAGEMENT (CONTINUED)**

Total assets	\$ 19,028,937
Total liabilities	(13,679,292)
Members' equity	<u>\$ 5,349,645</u>
Total revenues	\$ 8,422,520
Total expenses	(7,925,517)
Operating income (loss)	<u>\$ 497,003</u>

**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.

*SERAF Contingency*

During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the SERAF legislation, together with the effect of this legislation on the Arcata Community Development Agency (the Agency).

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portions of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Agency's SERAF contributions are \$1,125,208 for the fiscal year 2009-2010 and \$231,661 for 2010-2011. The Agency made the contribution for fiscal year 2009-2010.

**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

**CITY OF ARCATA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**  
**(CONTINUED)**

**A. Public Employees' Retirement System (Continued)**

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 20.27% for non-safety employees and 26.818% 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 2008, 2009, and 2010, the City's annual pension costs of \$1,017,586, \$1,250,508, and \$1,432,227, 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.

**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 2009-10, the City contributed \$122,731, which covered current premiums, but did not include any additional prefunding of benefits. Currently, there are 14 retirees who are receiving benefits.

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**  
**(CONTINUED)**

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

**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>(122,731)</u>
Increase in net OPEB obligation	114,983
Net OPEB obligation - beginning of fiscal year	<u>270,169</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 385,152</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, 2010 and the two preceding fiscal years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contribution</b>	<b>Net OPEB Obligation (Asset)</b>
6/30/2008	\$ 237,714	47%	\$ 125,098
6/30/2009	237,714	39%	270,169
6/30/2010	237,714	52%	385,152

**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

**CITY OF ARCATA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**  
**(CONTINUED)**

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

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.

*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 \$13,979,453 of restricted net assets, of which \$2,073,340 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 \$3,412,500 was made on the Statement of Activities for Governmental Activities for an understatement of loans receivable.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF ARCATA**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POSTEMPLOYMENT BENEFITS**

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/(c)
2/1/2009	\$ 2,293,829	\$ -	\$ 2,293,829	0.0%	\$ 2,797,466	82.0%

**CITY OF ARCATA**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive (Negative)</u>
Revenues:				
Taxes and assessments:				
Utility users	\$ 825,000	\$ 800,000	\$ 856,565	\$ 56,565
Property	650,000	400,000	444,422	44,422
Sales	2,075,000	1,925,000	1,870,371	(54,629)
Transient occupancy	925,000	800,000	892,339	92,339
Franchise tax	290,000	290,000	261,621	(28,379)
Transaction and use tax	1,300,000	1,475,000	1,555,960	80,960
Business license	125,000	125,000	125,156	156
Other	25,100	75,100	62,843	(12,257)
Licenses and permits	302,750	267,750	173,655	(94,095)
Intergovernmental	1,803,162	1,819,888	1,517,636	(302,252)
Charges for services	595,215	640,132	567,085	(73,047)
Fines, forfeitures, and penalties	262,000	262,000	232,952	(29,048)
Use of money and property	237,000	259,000	205,512	(53,488)
Miscellaneous	99,476	107,522	88,467	(19,055)
Total Revenues	<u>9,514,703</u>	<u>9,246,392</u>	<u>8,854,584</u>	<u>(391,808)</u>
Expenditures:				
Current:				
General government:				
City council	139,455	133,542	128,319	5,223
City manager	142,802	136,282	119,545	16,737
City clerk	78,572	87,794	82,756	5,038
Finance	276,564	287,675	329,633	(41,958)
City attorney	78,970	78,970	60,389	18,581
Personnel	133,149	132,288	117,537	14,751
General insurance	57,975	41,625	80,212	(38,587)
Total general government	<u>907,487</u>	<u>898,176</u>	<u>918,391</u>	<u>(20,215)</u>
Public safety:				
Police services	4,472,504	4,442,264	4,187,766	254,498
Parking control	214,885	217,776	215,830	1,946
Animal control	52,015	52,015	44,767	7,248
Total public safety	<u>4,739,404</u>	<u>4,712,055</u>	<u>4,448,363</u>	<u>263,692</u>

(Continued)

**CITY OF ARCATA**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive (Negative)</u>
Expenditures:				
Current:				
Community development:				
Planning services	\$ 539,348	\$ 540,824	\$ 473,983	\$ 66,841
Communications	74,116	143,185	74,564	68,621
Geographic information system	37,688	37,716	31,114	6,602
Building	364,553	361,709	354,290	7,419
Total community development	1,015,705	1,083,434	933,951	149,483
Public works:				
Engineering	183,605	194,859	188,628	6,231
Corporation yard	10,596	10,656	8,335	2,321
Government buildings	378,023	389,191	346,729	42,462
Total public works	572,224	594,706	543,692	51,014
Parks and recreation:				
Library	7,000			
Recreation	566,237	575,282	540,671	34,611
Parks	647,844	684,163	621,468	62,695
Total parks and recreation	1,221,081	1,259,445	1,162,139	97,306
Debt Service:				
Principal	51,547	51,547	51,547	
Interest	29,148	29,148	27,282	1,866
Total debt service	80,695	80,695	78,829	1,866
Capital outlay	1,400,912	1,617,052	410,847	1,206,205
Total Expenditures	9,937,508	10,245,563	8,496,212	1,749,351
Excess of Revenues Over (Under)				
Expenditures	(422,805)	(999,171)	358,372	1,357,543
Other Financing Sources (Uses):				
Transfers in	414,350	414,350		(414,350)
Transfers out	(532,055)	(532,055)	(281,090)	250,965
Total Other Financing Sources (Uses)	(117,705)	(117,705)	(281,090)	(163,385)
Net Change in Fund Balance	(540,510)	(1,116,876)	77,282	1,194,158
Fund Balance, beginning of fiscal year	3,102,095	3,102,095	3,102,095	
Fund Balance, end of fiscal year	<u>\$ 2,561,585</u>	<u>\$ 1,985,219</u>	<u>\$ 3,179,377</u>	<u>\$ 1,194,158</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 30,000	\$ 30,000	\$ 109,951	\$ 79,951
Miscellaneous	<u>250,000</u>	<u>250,000</u>	<u>199,895</u>	<u>(50,105)</u>
Total Revenues	<u>280,000</u>	<u>280,000</u>	<u>309,846</u>	<u>29,846</u>
Expenditures:				
Current:				
Community development	<u>94,000</u>	<u>349,227</u>	<u>98,593</u>	<u>250,634</u>
Total Expenditures	<u>94,000</u>	<u>349,227</u>	<u>98,593</u>	<u>250,634</u>
Net Change in Fund Balance	186,000	(69,227)	211,253	280,480
Fund Balance, Beginning of Fiscal Year	<u>273,970</u>	<u>273,970</u>	<u>273,970</u>	
Fund Balance, End of Fiscal Year	<u><u>\$ 459,970</u></u>	<u><u>\$ 204,743</u></u>	<u><u>\$ 485,223</u></u>	<u><u>\$ 280,480</u></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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive (Negative)</u>
Revenues:				
Use of money and property	\$ 25,000	\$ 25,000	\$ 12,223	\$ (12,777)
Miscellaneous	<u>300,000</u>	<u>1,070,000</u>	<u>66,929</u>	<u>(1,003,071)</u>
Total Revenues	<u>325,000</u>	<u>1,095,000</u>	<u>79,152</u>	<u>(1,015,848)</u>
Expenditures:				
Current:				
Community development	<u>280,000</u>	<u>1,065,251</u>	<u>41,830</u>	<u>1,023,421</u>
Total Expenditures	<u>280,000</u>	<u>1,065,251</u>	<u>41,830</u>	<u>1,023,421</u>
Net Change in Fund Balance	45,000	29,749	37,322	7,573
Fund Balance, Beginning of Fiscal Year	<u>418,105</u>	<u>418,105</u>	<u>418,105</u>	
Fund Balance, End of Fiscal Year	<u>\$ 463,105</u>	<u>\$ 447,854</u>	<u>\$ 455,427</u>	<u>\$ 7,573</u>

**CITY OF ARCATA**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT HOUSING SET ASIDE SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Revenues:				
Taxes and assessments	\$ 525,000	\$ 525,000	\$ 495,888	\$ (29,112)
Use of money and property	25,000	25,000	74,815	49,815
Miscellaneous			11,455	11,455
Total Revenues	<u>550,000</u>	<u>550,000</u>	<u>582,158</u>	<u>32,158</u>
Expenditures:				
Current:				
Community development	51,500	51,500	24,974	26,526
Capital outlay	<u>1,445,000</u>	<u>1,578,146</u>	<u>121,408</u>	<u>1,456,738</u>
Total Expenditures	<u>1,496,500</u>	<u>1,629,646</u>	<u>146,382</u>	<u>1,483,264</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(946,500)</u>	<u>(1,079,646)</u>	<u>435,776</u>	<u>1,515,422</u>
Other Financing Sources (Uses):				
Transfers out			<u>(15,000)</u>	<u>(15,000)</u>
Total Other Financing Sources (Uses)			<u>(15,000)</u>	<u>(15,000)</u>
Net Change in Fund Balance	(946,500)	(1,079,646)	420,776	1,500,422
Fund Balance, Beginning of Fiscal Year	<u>2,217,918</u>	<u>2,217,918</u>	<u>2,217,918</u>	
Fund Balance, End of Fiscal Year	<u>\$ 1,271,418</u>	<u>\$ 1,138,272</u>	<u>\$ 2,638,694</u>	<u>\$ 1,500,422</u>

## **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, 2010**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 400,000	\$ 207,687	\$ (192,313)
Total Revenues	400,000	207,687	(192,313)
Expenditures:			
Current:			
Community development	1,297,541	375,665	921,876
Capital outlay	3,499,000	2,984,667	514,333
Total Expenditures	4,796,541	3,360,332	1,436,209
Excess of Revenues Over (Under) Expenditures	(4,396,541)	(3,152,645)	1,243,896
Other Financing Sources (Uses):			
Transfers in		41,754	41,754
Transfers out	(175,000)		175,000
Total Other Financing Sources (Uses)	(175,000)	41,754	216,754
Net Change in Fund Balance	(4,571,541)	(3,110,891)	1,460,650
Fund Balance, Beginning of Fiscal Year	7,821,479	7,821,479	
Fund Balance, End of Fiscal Year	\$ 3,249,938	\$ 4,710,588	\$ 1,460,650

**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, 2010**

	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:			
Property tax increment revenue	\$ 2,100,000	\$ 1,983,551	\$ (116,449)
Use of money and property	50,000	71,777	21,777
	<u>2,150,000</u>	<u>2,055,328</u>	<u>(94,672)</u>
Total Revenues			
Expenditures:			
Debt Service:			
Principal retirement	260,000	260,000	
Interest and fiscal charges	679,286	682,726	(3,440)
	<u>939,286</u>	<u>942,726</u>	<u>(3,440)</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>1,210,714</u>	<u>1,112,602</u>	<u>(98,112)</u>
Other Financing Sources (Uses):			
Transfers out	(550,000)	(1,675,208)	(1,125,208)
	<u>(550,000)</u>	<u>(1,675,208)</u>	<u>(1,125,208)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	660,714	(562,606)	(1,223,320)
Fund Balance, Beginning of Fiscal Year	<u>2,890,325</u>	<u>2,890,325</u>	
Fund Balance, End of Fiscal Year	<u><u>\$ 3,551,039</u></u>	<u><u>\$ 2,327,719</u></u>	<u><u>\$ (1,223,320)</u></u>

**CITY OF ARCATA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2010**

	Special Revenue Funds			
	Bicycle Registration	POST	Forest Management	Gas Tax 2106
<b>Assets:</b>				
Cash and investments	\$ 1,094	\$ -	\$ 10,331	\$ -
Receivables:				
Accounts				
Intergovernmental		4,715		6,785
Notes				
Due from other funds		1,704		
Inventory				
Advances to other funds				
Total Assets	<u>\$ 1,094</u>	<u>\$ 6,419</u>	<u>\$ 10,331</u>	<u>\$ 6,785</u>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable	\$ -	\$ 1,629	\$ 19,316	\$ -
Accrued liabilities			3,336	
Due to other funds		5,608		
Deposits payable				
Deferred revenues				
Total Liabilities		<u>7,237</u>	<u>22,652</u>	
Fund Balances:				
Reserved:				
Reserved for inventory				
Reserved for advances				
Reserved for streets				6,785
Unreserved:				
Undesignated	<u>1,094</u>	<u>(818)</u>	<u>(12,321)</u>	
Total Fund Balances (Deficit)	<u>1,094</u>	<u>(818)</u>	<u>(12,321)</u>	<u>6,785</u>
Total Liabilities and Fund Balances	<u>\$ 1,094</u>	<u>\$ 6,419</u>	<u>\$ 10,331</u>	<u>\$ 6,785</u>

Special Revenue Funds					
Gas Tax 2107 and 2107.5	Traffic Safety	STIP	Industrial Park	HUD Block Grant	Residential Construction
\$ 521,366	\$ 155,457	\$ 54,861	\$ 617,384	\$ -	\$ 123,437
	644				
59,706	17,339			37,994	
40,857					
2,323	120,033				
<u>\$ 624,252</u>	<u>\$ 293,473</u>	<u>\$ 54,861</u>	<u>\$ 617,384</u>	<u>\$ 37,994</u>	<u>\$ 123,437</u>
\$ 23,515	\$ -	\$ -	\$ 14,129	\$ 133	\$ -
24,303	1,470				
		40,857		214,597	
6,300			10,173		
<u>54,118</u>	<u>1,470</u>	<u>40,857</u>	<u>24,302</u>	<u>214,730</u>	
2,323	120,033				
567,811					
	171,970	14,004	593,082	(176,736)	123,437
570,134	292,003	14,004	593,082	(176,736)	123,437
<u>\$ 624,252</u>	<u>\$ 293,473</u>	<u>\$ 54,861</u>	<u>\$ 617,384</u>	<u>\$ 37,994</u>	<u>\$ 123,437</u>

(Continued)

**CITY OF ARCATA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2010**

(Continued)

	Special Revenue Funds			
	Parkland In Lieu	Parking In Lieu	Gas Tax 2105	Proposition 172
<b>Assets:</b>				
Cash and investments	\$ 198,699	\$ 260,516	\$ -	\$ 52,199
Receivables:				
Accounts				
Intergovernmental			8,419	18,408
Notes				
Due from other funds				
Inventory				
Advances to other funds				
Total Assets	<u>\$ 198,699</u>	<u>\$ 260,516</u>	<u>\$ 8,419</u>	<u>\$ 70,607</u>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities				
Due to other funds				
Deposits payable				
Deferred revenues				
Total Liabilities				
Fund Balances:				
Reserved:				
Reserved for inventory				
Reserved for advances				
Reserved for streets			8,419	
Unreserved:				
Undesignated	<u>198,699</u>	<u>260,516</u>		<u>70,607</u>
Total Fund Balances (Deficit)	<u>198,699</u>	<u>260,516</u>	<u>8,419</u>	<u>70,607</u>
Total Liabilities and Fund Balances	<u>\$ 198,699</u>	<u>\$ 260,516</u>	<u>\$ 8,419</u>	<u>\$ 70,607</u>

Special Revenue Funds							
ISTEA	FEMA/ OES	COPS	HOME Grants	Basic Business		PERS Phase In	Healthsport
				Revolving Loan	Utility Users		
\$ 686,776	\$ 87,857	\$ 180,907	\$ -	\$ 512,627	\$ 234,283	\$ 173,600	\$ 70,374
				768			
81,110	858,060	10,205	127,098	27,865			
						500,000	
<u>\$ 767,886</u>	<u>\$ 945,917</u>	<u>\$ 191,112</u>	<u>\$ 127,098</u>	<u>\$ 541,260</u>	<u>\$ 234,283</u>	<u>\$ 673,600</u>	<u>\$ 70,374</u>
\$ -	\$ -	\$ -	\$ 1,012	\$ 78	\$ -	\$ -	\$ -
			119,368				
				27,865			
			120,380	27,943			
						500,000	
767,886	945,917	191,112	6,718	513,317	234,283	173,600	70,374
767,886	945,917	191,112	6,718	513,317	234,283	673,600	70,374
<u>\$ 767,886</u>	<u>\$ 945,917</u>	<u>\$ 191,112</u>	<u>\$ 127,098</u>	<u>\$ 541,260</u>	<u>\$ 234,283</u>	<u>\$ 673,600</u>	<u>\$ 70,374</u>

(Continued)

**CITY OF ARCATA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2010**  
(Continued)

	Special Revenue Funds		
	Undergrounding Reserve	Curtis Heights	Janes Creek Meadows
<b>Assets:</b>			
Cash and investments	\$ 11,544	\$ 1,117	\$ 20,855
Receivables:			
Accounts			
Intergovernmental			276
Notes			
Due from other funds			
Inventory			
Advances to other funds			
Total Assets	<u>\$ 11,544</u>	<u>\$ 1,117</u>	<u>\$ 21,131</u>
<b>Liabilities and Fund Balances:</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities			
Due to other funds			
Deposits payable			
Deferred revenues			
Total Liabilities			
Fund Balances:			
Reserved:			
Reserved for inventory			
Reserved for advances			
Reserved for streets			
Unreserved:			
Undesignated	<u>11,544</u>	<u>1,117</u>	<u>21,131</u>
Total Fund Balances (Deficit)	<u>11,544</u>	<u>1,117</u>	<u>21,131</u>
Total Liabilities and Fund Balances	<u>\$ 11,544</u>	<u>\$ 1,117</u>	<u>\$ 21,131</u>

Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
Windsong	Community Development Administration	ARRA	City Capital Projects	
\$ 18,367	\$ 33,663	\$ 47,867	\$ 512,222	\$ 4,587,403
				1,412
210				1,230,325
				27,865
				42,561
				122,356
				500,000
<u>\$ 18,577</u>	<u>\$ 33,663</u>	<u>\$ 47,867</u>	<u>\$ 512,222</u>	<u>\$ 6,511,922</u>
\$ -	\$ 607	\$ 2,135	\$ -	\$ 62,554
	21,284			50,393
				380,430
				16,473
				27,865
	21,891	2,135		537,715
				122,356
				500,000
				1,350,901
<u>18,577</u>	<u>11,772</u>	<u>45,732</u>	<u>512,222</u>	<u>4,000,950</u>
<u>18,577</u>	<u>11,772</u>	<u>45,732</u>	<u>512,222</u>	<u>5,974,207</u>
<u>\$ 18,577</u>	<u>\$ 33,663</u>	<u>\$ 47,867</u>	<u>\$ 512,222</u>	<u>\$ 6,511,922</u>

**CITY OF ARCATA**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	Special Revenue Funds			
	Bicycle Registration	POST	Forest Management	Gas Tax 2106
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	186			
Intergovernmental			13,666	80,181
Use of money and property	23	33	1,838	
Fines and forfeitures				
Reimbursements		24,140		
Miscellaneous			254,872	
Total Revenues	209	24,173	270,376	80,181
Expenditures:				
Current:				
General government				
Public safety		21,429		
Community development				
Parks and recreation			245,835	
Public works				
Capital outlay				
Total Expenditures		21,429	245,835	
Excess of Revenues Over (Under) Expenditures	209	2,744	24,541	80,181
Other Financing Sources (Uses):				
Transfers in			9,440	
Transfers out				(79,263)
Total Other Financing Sources (Uses)			9,440	(79,263)
Net Change in Fund Balances	209	2,744	33,981	918
Fund Balances (Deficit), Beginning of Fiscal Year	885	(3,562)	(46,302)	5,867
Fund Balances (Deficit), End of Fiscal Year	\$ 1,094	\$ (818)	\$ (12,321)	\$ 6,785

Special Revenue Funds					
Gas Tax 2107 and 2107.5	Traffic Safety	STIP	Industrial Park	HUD Block Grant	Residential Construction
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,315
291,545		70,000		303,203	
10,873	2,512		13,501		2,601
	119,284				
14,596					
19,933	261		71,536		
336,947	122,057	70,000	85,037	303,203	20,916
	144,056		77,222	462,921	
727,117		6,024			
447,046					
1,174,163	144,056	6,024	77,222	462,921	
(837,216)	(21,999)	63,976	7,815	(159,718)	20,916
688,192	58,033		(17,500)		(5,000)
(4,000)					
684,192	58,033		(17,500)		(5,000)
(153,024)	36,034	63,976	(9,685)	(159,718)	15,916
723,158	255,969	(49,972)	602,767	(17,018)	107,521
\$ 570,134	\$ 292,003	\$ 14,004	\$ 593,082	\$ (176,736)	\$ 123,437

(Continued)

**CITY OF ARCATA**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(continued)**

	Special Revenue Funds			
	Parkland In Lieu	Parking In Lieu	Gas Tax 2105	Proposition 172
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 75,088
Licenses and permits	15,552			
Intergovernmental			96,070	
Use of money and property	4,177	5,840		1,286
Fines and forfeitures				
Reimbursements				
Miscellaneous				
Total Revenues	19,729	5,840	96,070	76,374
Expenditures:				
Current:				
General government				
Public safety				
Community development				
Parks and recreation				
Public works				
Capital outlay				
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	19,729	5,840	96,070	76,374
Other Financing Sources (Uses):				
Transfers in				
Transfers out			(94,829)	(100,000)
Total Other Financing Sources (Uses)			(94,829)	(100,000)
Net Change in Fund Balances	19,729	5,840	1,241	(23,626)
Fund Balances (Deficit), Beginning of Fiscal Year	178,970	254,676	7,178	94,233
Fund Balances (Deficit), End of Fiscal Year	\$ 198,699	\$ 260,516	\$ 8,419	\$ 70,607

Special Revenue Funds							
ISTEA	FEMA/ OES	COPS	HOME Grants	Basic Business Revolving Loan	Utility Users	PERS Phase In	Healthsport
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
81,110	1,464,663	99,209	569,995				
17,422	10,170	4,823		11,721	5,251	46,689	1,592
				6,605			
98,532	1,474,833	104,032	569,995	18,326	5,251	46,689	1,592
		158,628	614,982	1,627			
		158,628	614,982	1,627			
98,532	1,474,833	(54,596)	(44,987)	16,699	5,251	46,689	1,592
(134,414)	(1,501,133)			(26,754)			
(134,414)	(1,501,133)			(26,754)			
(35,882)	(26,300)	(54,596)	(44,987)	(10,055)	5,251	46,689	1,592
803,768	972,217	245,708	51,705	523,372	229,032	626,911	68,782
\$ 767,886	\$ 945,917	\$ 191,112	\$ 6,718	\$ 513,317	\$ 234,283	\$ 673,600	\$ 70,374

(Continued)

**CITY OF ARCATA**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(continued)**

	Special Revenue Funds		
	Undergrounding Reserve	Curtis Heights	Janes Creek Meadows
Revenues:			
Taxes and assessments	\$ -	\$ -	\$ 16,563
Licenses and permits			
Intergovernmental			
Use of money and property	295	24	169
Fines and forfeitures			
Reimbursements			
Miscellaneous			
Total Revenues	295	24	16,732
Expenditures:			
Current:			
General government			
Public safety			
Community development			1,400
Parks and recreation			
Public works			
Capital outlay			
Total Expenditures			1,400
Excess of Revenues Over (Under) Expenditures	295	24	15,332
Other Financing Sources (Uses):			
Transfers in			
Transfers out	(2,500)		(18,500)
Total Other Financing Sources (Uses)	(2,500)		(18,500)
Net Change in Fund Balances	(2,205)	24	(3,168)
Fund Balances (Deficit), Beginning of Fiscal Year	13,749	1,093	24,299
Fund Balances (Deficit), End of Fiscal Year	\$ 11,544	\$ 1,117	\$ 21,131

Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
Windsong	Community Development Administration	ARRA	City Capital Projects	
\$ 15,231	\$ -	\$ -	\$ -	\$ 125,197
				15,738
				3,069,642
144	6,248	392	8,488	156,112
				119,284
				38,736
			245,673	598,880
15,375	6,248	392	254,161	4,123,589
	34,179			34,179
				324,113
	1,633,969			2,792,121
700				246,535
		4,660		733,141
				451,706
700	1,668,148	4,660		4,581,795
14,675	(1,661,900)	(4,268)	254,161	(458,206)
	1,675,208	50,000		2,480,873
(17,000)			(48,704)	(2,049,597)
(17,000)	1,675,208	50,000	(48,704)	431,276
(2,325)	13,308	45,732	205,457	(26,930)
20,902	(1,536)		306,765	6,001,137
\$ 18,577	\$ 11,772	\$ 45,732	\$ 512,222	\$ 5,974,207

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Licenses and permits	\$ 200	\$ 186	\$ (14)
Use of money and property	100	23	(77)
	<hr/>	<hr/>	<hr/>
Total Revenues	300	209	(91)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	300	209	(91)
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning of Fiscal Year	885	885	
	<hr/>	<hr/>	<hr/>
Fund Balance, End of Fiscal Year	\$ 1,185	\$ 1,094	\$ (91)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF ARCATA**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**POST SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 33	\$ 33
Reimbursements	25,000	24,140	(860)
Total Revenues	25,000	24,173	(827)
Expenditures:			
Current:			
Public safety	25,000	21,429	3,571
Total Expenditures	25,000	21,429	3,571
Net Change in Fund Balance		2,744	2,744
Fund Balance (Deficit), Beginning of Fiscal Year	(3,562)	(3,562)	
Fund Balance (Deficit), End of Fiscal Year	\$ (3,562)	\$ (818)	\$ 2,744

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 23,600	\$ 13,666	\$ (9,934)
Use of money and property	500	1,838	1,338
Miscellaneous	458,007	254,872	(203,135)
	<u>482,107</u>	<u>270,376</u>	<u>(211,731)</u>
Total Revenues	<u>482,107</u>	<u>270,376</u>	<u>(211,731)</u>
Expenditures:			
Current:			
Parks and recreation	314,699	245,835	68,864
	<u>314,699</u>	<u>245,835</u>	<u>68,864</u>
Total Expenditures	<u>314,699</u>	<u>245,835</u>	<u>68,864</u>
Excess of Revenues Over (Under) Expenditures	<u>167,408</u>	<u>24,541</u>	<u>(142,867)</u>
Other Financing Sources (Uses):			
Transfers in	<u>                    </u>	9,440	9,440
Total Other Financing Sources (Uses)	<u>                    </u>	9,440	9,440
Net Change in Fund Balance	167,408	33,981	(133,427)
Fund Balance (Deficit), Beginning of Fiscal Year	<u>(46,302)</u>	<u>(46,302)</u>	<u>                    </u>
Fund Balance (Deficit), End of Fiscal Year	<u><u>\$ 121,106</u></u>	<u><u>\$ (12,321)</u></u>	<u><u>\$ (133,427)</u></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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 85,000	\$ 80,181	\$ (4,819)
Total Revenues	85,000	80,181	(4,819)
Other Financing Sources (Uses):			
Transfers out		(79,263)	(79,263)
Total Other Financing Sources (Uses)		(79,263)	(79,263)
Net Change in Fund Balance	85,000	918	(84,082)
Fund Balance, Beginning of Fiscal Year	5,867	5,867	
Fund Balance, End of Fiscal Year	\$ 90,867	\$ 6,785	\$ (84,082)

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 632,600	\$ 291,545	\$ (341,055)
Use of money and property	15,000	10,873	(4,127)
Reimbursements	2,500	14,596	12,096
Miscellaneous	19,933	19,933	19,933
	<hr/>	<hr/>	<hr/>
Total Revenues	650,100	336,947	(313,153)
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Public works	1,000,539	727,117	273,422
Capital outlay	690,321	447,046	243,275
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,690,860	1,174,163	516,697
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(1,040,760)	(837,216)	203,544
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Transfers in	709,275	688,192	(21,083)
Transfers out	(24,000)	(4,000)	20,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	685,275	684,192	(1,083)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(355,485)	(153,024)	202,461
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning of Fiscal Year	723,158	723,158	
	<hr/>	<hr/>	<hr/>
Fund Balance, End of Fiscal Year	\$ 367,673	\$ 570,134	\$ 202,461
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 1,000	\$ 2,512	\$ 1,512
Fines and forfeitures	80,000	119,284	39,284
Miscellaneous		261	261
Total Revenues	81,000	122,057	41,057
Expenditures:			
Current:			
Public safety	199,117	144,056	55,061
Total Expenditures	199,117	144,056	55,061
Excess of Revenues Over (Under) Expenditures	(118,117)	(21,999)	96,118
Other Financing Sources (Uses):			
Transfers in	58,033	58,033	
Total Other Financing Sources (Uses)	58,033	58,033	
Net Change in Fund Balance	(60,084)	36,034	96,118
Fund Balance, Beginning of Fiscal Year	255,969	255,969	
Fund Balance, End of Fiscal Year	\$ 195,885	\$ 292,003	\$ 96,118

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 785,000	\$ 70,000	\$ (715,000)
Total Revenues	785,000	70,000	(715,000)
Expenditures:			
Current:			
Public works	819,932	6,024	813,908
Total Expenditures	819,932	6,024	813,908
Net Change in Fund Balance	(34,932)	63,976	98,908
Fund Balance (Deficit), Beginning of Fiscal Year	(49,972)	(49,972)	
Fund Balance (Deficit), End of Fiscal Year	\$ (84,904)	\$ 14,004	\$ 98,908

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 15,000	\$ 13,501	\$ (1,499)
Miscellaneous	120,000	71,536	(48,464)
Total Revenues	135,000	85,037	(49,963)
Expenditures:			
Current:			
Community development	209,500	77,222	132,278
Total Expenditures	209,500	77,222	132,278
Excess of Revenues Over (Under) Expenditures	(74,500)	7,815	82,315
Other Financing Sources (Uses):			
Transfers out	(17,500)	(17,500)	
Total Other Financing Sources (Uses)	(17,500)	(17,500)	
Net Change in Fund Balance	(92,000)	(9,685)	82,315
Fund Balance, Beginning of Fiscal Year	602,767	602,767	
Fund Balance, End of Fiscal Year	\$ 510,767	\$ 593,082	\$ 82,315

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 671,227	\$ 303,203	\$ (368,024)
Total Revenues	<u>671,227</u>	<u>303,203</u>	<u>(368,024)</u>
Expenditures:			
Current:			
Community development	<u>672,413</u>	<u>462,921</u>	<u>209,492</u>
Total Expenditures	<u>672,413</u>	<u>462,921</u>	<u>209,492</u>
Net Change in Fund Balance	(1,186)	(159,718)	(158,532)
Fund Balance (Deficit), Beginning of Fiscal Year	<u>(17,018)</u>	<u>(17,018)</u>	<u></u>
Fund Balance (Deficit), End of Fiscal Year	<u><u>\$ (18,204)</u></u>	<u><u>\$ (176,736)</u></u>	<u><u>\$ (158,532)</u></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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 30,000	\$ 18,315	\$ (11,685)
Use of money and property	2,500	2,601	101
Total Revenues	32,500	20,916	(11,584)
Other Financing Sources (Uses):			
Transfers out	(5,000)	(5,000)	
Total Other Financing Sources (Uses)	(5,000)	(5,000)	
Net Change in Fund Balance	27,500	15,916	(11,584)
Fund Balance, Beginning of Fiscal Year	107,521	107,521	
Fund Balance, End of Fiscal Year	\$ 135,021	\$ 123,437	\$ (11,584)

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Licenses and permits	\$ 50,000	\$ 15,552	\$ (34,448)
Use of money and property	10,000	4,177	(5,823)
	<u>60,000</u>	<u>19,729</u>	<u>(40,271)</u>
Total Revenues			
	60,000	19,729	(40,271)
Excess of Revenues Over (Under) Expenditures	<u>60,000</u>	<u>19,729</u>	<u>(40,271)</u>
Other Financing Sources (Uses):			
Transfers out	(174,850)		174,850
	<u>(174,850)</u>	<u></u>	<u>174,850</u>
Total Other Financing Sources (Uses)			
	(174,850)	19,729	134,579
Net Change in Fund Balance	(114,850)	19,729	134,579
Fund Balance, Beginning of Fiscal Year	<u>178,970</u>	<u>178,970</u>	<u></u>
Fund Balance, End of Fiscal Year	<u>\$ 64,120</u>	<u>\$ 198,699</u>	<u>\$ 134,579</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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 8,000	\$ 5,840	\$ (2,160)
Total Revenues	8,000	5,840	(2,160)
Expenditures:			
Capital outlay	25,000		25,000
Total Expenditures	25,000		25,000
Net Change in Fund Balance	(17,000)	5,840	22,840
Fund Balance, Beginning of Fiscal Year	254,676	254,676	
Fund Balance, End of Fiscal Year	\$ 237,676	\$ 260,516	\$ 22,840

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 105,000	\$ 96,070	\$ (8,930)
Total Revenues	105,000	96,070	(8,930)
Other Financing Sources (Uses):			
Transfers out	(105,000)	(94,829)	10,171
Total Other Financing Sources (Uses)	(105,000)	(94,829)	10,171
Net Change in Fund Balance		1,241	1,241
Fund Balance, Beginning of Fiscal Year	7,178	7,178	
Fund Balance, End of Fiscal Year	\$ 7,178	\$ 8,419	\$ 1,241

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 85,000	\$ 75,088	\$ (9,912)
Use of money and property	500	1,286	786
	<u>85,500</u>	<u>76,374</u>	<u>(9,126)</u>
Total Revenues			
Other Financing Sources (Uses):			
Transfers out	(100,000)	(100,000)	
	<u>(100,000)</u>	<u>(100,000)</u>	
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(14,500)	(23,626)	(9,126)
Fund Balance, Beginning of Fiscal Year	94,233	94,233	
Fund Balance, End of Fiscal Year	<u>\$ 79,733</u>	<u>\$ 70,607</u>	<u>\$ (9,126)</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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 90,000	\$ 81,110	\$ (8,890)
Use of money and property	22,000	17,422	(4,578)
	<hr/>	<hr/>	<hr/>
Total Revenues	112,000	98,532	(13,468)
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Public works	2,500		2,500
Capital outlay	503,600		503,600
	<hr/>	<hr/>	<hr/>
Total Expenditures	506,100		506,100
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(394,100)	98,532	492,632
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Transfers in	75,000		(75,000)
Transfers out	(20,000)	(134,414)	(114,414)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	55,000	(134,414)	(189,414)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(339,100)	(35,882)	303,218
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning of Fiscal Year	803,768	803,768	
	<hr/>	<hr/>	<hr/>
Fund Balance, End of Fiscal Year	\$ 464,668	\$ 767,886	\$ 303,218
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ -	\$ 1,464,663	\$ 1,464,663
Use of money and property	25,000	10,170	(14,830)
	<u>25,000</u>	<u>10,170</u>	<u>(14,830)</u>
Total Revenues	<u>25,000</u>	<u>1,474,833</u>	<u>1,449,833</u>
Other Financing Sources (Uses):			
Transfers out		(1,501,133)	(1,501,133)
		<u>(1,501,133)</u>	<u>(1,501,133)</u>
Total Other Financing Sources (Uses)		<u>(1,501,133)</u>	<u>(1,501,133)</u>
Net Change in Fund Balance	25,000	(26,300)	(51,300)
Fund Balance, Beginning of Fiscal Year	<u>972,217</u>	<u>972,217</u>	
Fund Balance, End of Fiscal Year	<u><u>\$ 997,217</u></u>	<u><u>\$ 945,917</u></u>	<u><u>\$ (51,300)</u></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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 100,000	\$ 99,209	\$ (791)
Use of money and property	2,000	4,823	2,823
	<u>102,000</u>	<u>104,032</u>	<u>2,032</u>
Total Revenues			
Expenditures:			
Current:			
Public safety	152,145	158,628	(6,483)
	<u>152,145</u>	<u>158,628</u>	<u>(6,483)</u>
Total Expenditures			
Net Change in Fund Balance	(50,145)	(54,596)	(4,451)
Fund Balance, Beginning of Fiscal Year	245,708	245,708	
Fund Balance, End of Fiscal Year	<u>\$ 195,563</u>	<u>\$ 191,112</u>	<u>\$ (4,451)</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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 442,897	\$ 569,995	\$ 127,098
Total Revenues	442,897	569,995	127,098
Expenditures:			
Current:			
Community development	456,085	614,982	(158,897)
Total Expenditures	456,085	614,982	(158,897)
Net Change in Fund Balance	(13,188)	(44,987)	(31,799)
Fund Balance, Beginning of Fiscal Year	51,705	51,705	
Fund Balance, End of Fiscal Year	\$ 38,517	\$ 6,718	\$ (31,799)

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 12,500	\$ 11,721	\$ (779)
Miscellaneous	92,500	6,605	(85,895)
	<u>105,000</u>	<u>18,326</u>	<u>(86,674)</u>
Total Revenues			
Expenditures:			
Current:			
Community development	95,000	1,627	93,373
	<u>95,000</u>	<u>1,627</u>	<u>93,373</u>
Total Expenditures			
	<u>10,000</u>	<u>16,699</u>	<u>6,699</u>
Excess of Revenues Over (Under) Expenditures			
Other Financing Sources (Uses):			
Transfers out		(26,754)	(26,754)
		<u>(26,754)</u>	<u>(26,754)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	10,000	(10,055)	(20,055)
Fund Balance, Beginning of Fiscal Year	523,372	523,372	
Fund Balance, End of Fiscal Year	<u>\$ 533,372</u>	<u>\$ 513,317</u>	<u>\$ (20,055)</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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 8,500	\$ 5,251	\$ (3,249)
Total Revenues	8,500	5,251	(3,249)
Net Change in Fund Balance	8,500	5,251	(3,249)
Fund Balance, Beginning of Fiscal Year	229,032	229,032	
Fund Balance, End of Fiscal Year	\$ 237,532	\$ 234,283	\$ (3,249)

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 45,000	\$ 46,689	\$ 1,689
Total Revenues	45,000	46,689	1,689
Net Change in Fund Balance	45,000	46,689	1,689
Fund Balance, Beginning of Fiscal Year	626,911	626,911	
Fund Balance, End of Fiscal Year	\$ 671,911	\$ 673,600	\$ 1,689

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 2,000	\$ 1,592	\$ (408)
Total Revenues	2,000	1,592	(408)
Other Financing Sources (Uses):			
Transfers out	(7,000)		7,000
Total Other Financing Sources (Uses)	(7,000)		7,000
Net Change in Fund Balance	(5,000)	1,592	6,592
Fund Balance, Beginning of Fiscal Year	68,782	68,782	
Fund Balance, End of Fiscal Year	\$ 63,782	\$ 70,374	\$ 6,592

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 500	\$ 295	\$ (205)
Total Revenues	500	295	(205)
Excess of Revenues Over (Under) Expenditures	500	295	(205)
Other Financing Sources (Uses):			
Transfers out		(2,500)	(2,500)
Total Other Financing Sources (Uses)		(2,500)	(2,500)
Net Change in Fund Balance	500	(2,205)	(2,705)
Fund Balance, Beginning of Fiscal Year	13,749	13,749	
Fund Balance, End of Fiscal Year	\$ 14,249	\$ 11,544	\$ (2,705)

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 300	\$ 24	\$ (276)
Total Revenues	300	24	(276)
Net Change in Fund Balance	300	24	(276)
Fund Balance, Beginning of Fiscal Year	1,093	1,093	
Fund Balance, End of Fiscal Year	\$ 1,393	\$ 1,117	\$ (276)

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 18,000	\$ 16,563	\$ (1,437)
Use of money and property	1,000	169	(831)
Total Revenues	19,000	16,732	(2,268)
Expenditures:			
Current:			
Community development	13,269	1,400	11,869
Total Expenditures	13,269	1,400	11,869
Excess of Revenues Over (Under) Expenditures	5,731	15,332	9,601
Other Financing Sources (Uses):			
Transfers out	(18,500)	(18,500)	
Total Other Financing Sources (Uses)	(18,500)	(18,500)	
Net Change in Fund Balance	(12,769)	(3,168)	9,601
Fund Balance, Beginning of Fiscal Year	24,299	24,299	
Fund Balance, End of Fiscal Year	\$ 11,530	\$ 21,131	\$ 9,601

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes and assessments	\$ 17,000	\$ 15,231	\$ (1,769)
Use of money and property	1,000	144	(856)
Total Revenues	18,000	15,375	(2,625)
Expenditures:			
Current:			
Parks and recreation	700	700	
Total Expenditures	700	700	
Excess of Revenues Over (Under) Expenditures	17,300	14,675	(2,625)
Other Financing Sources (Uses):			
Transfers out	(17,000)	(17,000)	
Total Other Financing Sources (Uses)	(17,000)	(17,000)	
Net Change in Fund Balance	300	(2,325)	(2,625)
Fund Balance, Beginning of Fiscal Year	20,902	20,902	
Fund Balance, End of Fiscal Year	\$ 21,202	\$ 18,577	\$ (2,625)

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 500	\$ 6,248	\$ 5,748
Total Revenues	500	6,248	5,748
Expenditures:			
Current:			
General government	37,600	34,179	3,421
Community development	1,635,669	1,633,969	1,700
Total Expenditures	1,673,269	1,668,148	5,121
Excess of Revenues Over (Under) Expenditures	(1,672,769)	(1,661,900)	10,869
Other Financing Sources (Uses):			
Transfers in	550,000	1,675,208	1,125,208
Total Other Financing Sources (Uses)	550,000	1,675,208	1,125,208
Net Change in Fund Balance	(1,122,769)	13,308	1,136,077
Fund Balance (Deficit), Beginning of Fiscal Year	(1,536)	(1,536)	
Fund Balance (Deficit), End of Fiscal Year	\$ (1,124,305)	\$ 11,772	\$ 1,136,077

**CITY OF ARCATA**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**ARRA SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,977,000	\$ -	\$ (1,977,000)
Use of money and property	7,500	392	(7,108)
Total Revenues	1,984,500	392	(1,984,108)
Expenditures:			
Capital outlay	2,027,000	4,660	2,022,340
Total Expenditures	2,027,000	4,660	2,022,340
Excess of Revenues Over (Under) Expenditures	(42,500)	(4,268)	38,232
Other Financing Sources (Uses):			
Transfers in		50,000	50,000
Total Other Financing Sources (Uses)		50,000	50,000
Net Change in Fund Balance	(42,500)	45,732	88,232
Fund Balance, Beginning of Fiscal Year			
Fund Balance (Deficit), End of Fiscal Year	\$ (42,500)	\$ 45,732	\$ 88,232

**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, 2010**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Use of money and property	\$ 7,500	\$ 8,488	\$ 988
Miscellaneous	5,000	245,673	240,673
Total Revenues	12,500	254,161	241,661
Other Financing Sources (Uses):			
Transfers out	(32,000)	(48,704)	(16,704)
Total Other Financing Sources (Uses)	(32,000)	(48,704)	(16,704)
Net Change in Fund Balance	(19,500)	205,457	224,957
Fund Balance, Beginning of Fiscal Year	306,765	306,765	
Fund Balance, End of Fiscal Year	\$ 287,265	\$ 512,222	\$ 224,957

**CITY OF ARCATA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2010**

	<b>Central Garage</b>	<b>Information Technology</b>	<b>Totals</b>
	<b>Fund</b>	<b>Fund</b>	
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 1,044,529	\$ 8,852	\$ 1,053,381
Inventory	8,595		8,595
	<hr/>	<hr/>	<hr/>
Total Current Assets	1,053,124	8,852	1,061,976
	<hr/>	<hr/>	<hr/>
Noncurrent Assets:			
Capital Assets:			
Depreciable buildings and structures, net	420		420
Depreciable improvements, net	2,355		2,355
Depreciable vehicles, net	729,208		729,208
Depreciable furniture and equipment, net	180,901		180,901
	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	912,884		912,884
	<hr/>	<hr/>	<hr/>
Total Assets	1,966,008	8,852	1,974,860
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	58,449	213	58,662
Accrued liabilities	10,022	5,159	15,181
Current portion of long-term obligations	29,461	20	29,481
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	97,932	5,392	103,324
	<hr/>	<hr/>	<hr/>
Noncurrent Liabilities:			
Noncurrent portion of long-term obligations:			
Compensated absences	7,461	60	7,521
Capital lease payable	58,271		58,271
	<hr/>	<hr/>	<hr/>
Total liabilities	163,664	5,452	169,116
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	827,639		827,639
Unrestricted	974,705	3,400	978,105
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 1,802,344	\$ 3,400	\$ 1,805,744
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF ARCATA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Central Garage Fund</b>	<b>Information Technology Fund</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
Interdepartmental charges	\$ 1,104,450	\$ 66,900	\$ 1,171,350
Total Operating Revenues	<u>1,104,450</u>	<u>66,900</u>	<u>1,171,350</u>
<b>Operating Expenses:</b>			
Salaries and benefits	194,120	52,182	246,302
Contractual services	15,530	2,062	17,592
Materials and supplies	210,196	3,341	213,537
Repairs and maintenance	51,550	14,120	65,670
Insurance	51,750		51,750
Taxes and fees	150		150
Allocated overhead	48,500		48,500
Depreciation	188,525		188,525
Total Operating Expenses	<u>760,321</u>	<u>71,705</u>	<u>832,026</u>
Operating Income (Loss)	<u>344,129</u>	<u>(4,805)</u>	<u>339,324</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	21,610	101	21,711
Interest expense	(7,642)		(7,642)
Total Nonoperating Revenues (Expenses)	<u>13,968</u>	<u>101</u>	<u>14,069</u>
Income (Loss) Before Transfers	358,097	(4,704)	353,393
<b>Transfers in</b>		8,104	8,104
Change in net assets	358,097	3,400	361,497
<b>Net Assets</b>			
Beginning of fiscal year	<u>1,444,247</u>		<u>1,444,247</u>
End of fiscal year	<u>\$ 1,802,344</u>	<u>\$ 3,400</u>	<u>\$ 1,805,744</u>

**CITY OF ARCATA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2010**

	Central Garage Fund	Information Technology Fund	Totals
<b>Cash Flows from Operating Activities:</b>			
Cash received from interfund services provided	\$ 1,104,450	\$ 66,900	\$ 1,171,350
Cash paid to suppliers for goods and services	(302,130)	(19,310)	(321,440)
Cash paid to employees for services	(195,676)	(46,943)	(242,619)
Cash paid for allocated overhead	(48,500)		(48,500)
Net Cash Provided (Used) by Operating Activities	558,144	647	558,791
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers from other funds		8,104	8,104
Net Cash Provided (Used) by Non-Capital Financing Activities		8,104	8,104
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of capital assets	(234,489)		(234,489)
Principal paid on long-term debt	(50,308)		(50,308)
Interest paid on long-term debt	(7,642)		(7,642)
Net Cash Provided (Used) by Capital and Related Financing Activities	(292,439)		(292,439)
<b>Cash Flows from Investing Activities:</b>			
Interest received	21,610	101	21,711
Net Cash Provided (Used) by Investing Activities	21,610	101	21,711
Net Increase (Decrease) in Cash and Cash Equivalents	287,315	8,852	296,167
<b>Cash and Cash Equivalents at Beginning of Fiscal Year</b>	757,214		757,214
<b>Cash and Cash Equivalents at End of Fiscal Year</b>	<u>\$ 1,044,529</u>	<u>\$ 8,852</u>	<u>\$ 1,053,381</u>
<b>Reconciliation to Statement of Net Assets:</b>			
Cash and investments	<u>\$ 1,044,529</u>	<u>\$ 8,852</u>	<u>\$ 1,053,381</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 344,129	\$ (4,805)	\$ 339,324
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	188,525		188,525
(Increase) Decrease in Operating Assets:			
Inventory	(1,685)		(1,685)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	28,731	213	28,944
Accrued liabilities	616	5,159	5,775
Compensated absences	(2,172)	80	(2,092)
Net Cash Provided (Used) by Operating Activities	<u>\$ 558,144</u>	<u>\$ 647</u>	<u>\$ 558,791</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.273.1689  
www.mlhcpas.com

**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, 2010 which collectively comprise the City of Arcata's basic financial statements, and have issued our report thereon dated March 7, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 March 7, 2011.

## **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, the California State Controller's Office Division of Accounting and Reporting, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
March 7, 2011