

CITY OF ARCATA, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2011



Prepared by:

Janet Luzzi
Finance Director

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**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011**

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	i
Letter of Transmittal	v
Organization Chart	x
List of Officials	xi
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets.....	19
Statement of Activities	20
<i>Fund Financial Statements:</i>	
<i>Governmental Funds:</i>	
Balance Sheet	24
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net Assets.....	26
Reconciliation of Fund Basis Balance Sheet to Government-wide	
Statement of Net Assets – Governmental Activities	27
Statement of Revenues, Expenditures, and Changes	
in Fund Balances – Governmental Funds.....	28
Reconciliation of Fund Basis Statements to Government-wide	
Statement of Activities	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities.....	31
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Budget to Actual – General Fund and	
Major Special Revenue Funds	32

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Table of Contents, Continued

	<u>Page</u>
Basic Financial Statements, Continued:	
<i>Fund Financial Statements, Continued:</i>	
Proprietary Funds:	
Statement of Net Assets – Proprietary Funds	38
Statement of Revenues, Expenses, and Changes in Fund Net Assets –	
Proprietary Funds	40
Statement of Cash Flows – Proprietary Funds	42
Notes to Basic Financial Statements	45
Other Supplemental Information:	
Required Supplementary Information:	
Other Postemployment Benefits – Schedule of Funding Progress.....	83
Combining and Individual Fund Financial Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances	89
Nonmajor Special Revenue Funds:	
Combining Balance Sheet.....	94
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances.....	96
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Community Development Agency	98
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Forest Management	99
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Traffic Safety	100
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Industrial Park	101
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Basic Business Loan Revolving	102
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – STIP	103
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget to Actual – Public Improvement	104

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011**

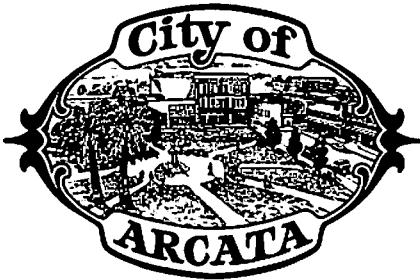
Table of Contents, Continued

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules, Continued:	
Nonmajor Special Revenue Funds, Continued:	
Combining Balance Sheet – Gas Tax Special Revenue Funds	105
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Gas Tax Special Revenue Funds.....	106
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Gas Tax 2105.....	107
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Gas Tax 2106.....	108
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Gas Tax 2107 and 2107.5.....	109
Combining Balance Sheet – Federal Grant Special Revenue Funds	110
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Federal Grant Special Revenue Funds.....	112
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – HUD Block Grant.....	114
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – ISTEAGrant.....	115
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – FEMA/OES Grants.....	116
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – COPS Grant.....	117
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – HOME Grant	118
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – ARRA Grant.....	119
Combining Balance Sheet – In Lieu Fee Special Revenue Funds.....	120
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – In Lieu Fee Special Revenue Funds.....	121
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Parkland in Lieu	122

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011**

Table of Contents, Continued

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules, Continued:	
Nonmajor Special Revenue Funds, Continued:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Parking in Lieu	123
Combining Balance Sheet – Assessment District Special Revenue Funds	124
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Assessment District Special Revenue Funds	125
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Curtis Heights	126
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Janes Creek Meadow	127
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Windsong.....	128
Internal Service Funds:	
Combining Statement of Net Assets – Internal Service Funds	130
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds	131
Combining Statement of Cash Flows – Internal Service Funds	132



736 F Street
Arcata, CA 95521

City Manager
(707) 822-5953

Environmental Services
822-8184

Police
822-2428

Recreation
822-7091

Community Development
822-5955

Finance
822-5951

Public Works
822-5957

Transportation
822-3775

March 5, 2012

To the Honorable Mayor and Members of the City Council and Citizens of the City of Arcata:

We are pleased to submit the City of Arcata' Annual Financial Report for the fiscal year ended June 30, 2011. It is the policy of the Council that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to them. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Arcata, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements have been audited by JJACPA, Inc., a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Arcata

The City of Arcata is located 275 miles north of San Francisco. It is situated in a 11 square mile area in the northern coast region of California at the western mid-point of Humboldt County. The City is framed by the Pacific Ocean on the west, forested hills on the east, the Mad River on the North, and Humboldt Bay to the south. The City of Arcata was incorporated as the Town of Union in 1858. It was renamed "Arcata" in 1860. Arcata reincorporated as a general law city on May 4, 1903, under the Municipal Corporation Act of the State of California. The original township (including surrounding area) had a population of 553 persons. By 2010, the City has grown to an estimated population of approximately 17,500. It is 85.5% developed and is graced with a strong business base and a well established residential community.

The City of Arcata operates under a Council-Manager form of government and provides municipal services that include public safety, public works, community development and parks and recreation. In addition, the City provides water, wastewater, transit, solid waste and stormwater services in the form of enterprise activities. This report includes all funds of the City of Arcata and its blended component unit, the Arcata Community Development Agency, for which the City is financially accountable.

The City Council establishes annual budgets for the General Fund, Proprietary Funds, and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The Arcata City Council consists of five members, elected at-large to four-year overlapping terms. Council members must be residents of the City. The positions of Mayor and Vice Mayor are chosen by the City Council through policy direction determined by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards, commissions, and committees.

Arcata is retail oriented and is fortunate to have a large area which serves as a hub for students at Humboldt State University.

The Arcata business climate has experienced benchmarked transformation initiated by local businesses as well as City-business partnerships. Improvements and programs include infrastructure renovations, façade improvements, a street banner program, and the adoption of a redevelopment plan area.

In Arcata, the total labor force is approximately 8,200. Unemployment in Arcata is approximately 8.9%. Within ten miles, there is a diverse labor force specializing in such occupations as sales, executive and managerial services, technical support, professional specialties, and other services.

The City of Arcata is committed to providing high quality services in an economical manner. For fiscal year 2010/11, the City's efforts were focused in the following areas.

Facilities and Infrastructure – Improving city streets continues to be a priority. During the year, the City's Public Works Department was working on several ARRA projects for street improvements.

Economic Development – Promoting economic development (recruitment and retention of businesses) continues to be one of the City's key operational priorities. The City Manager works closely with staff and the development community to ensure the redevelopment and development of key sites. In addition, City staff works to assist local businesses to provide loans needed for expansion and other economic development needs.

Current Economic Conditions and Outlook

The City's economic development efforts and implementation of the City's financial policies help to promote Arcata's long-term fiscal stability. Since incorporation, at the direction of Council, staff has conducted a systematic review of operations, resulting in some cases in the transition from contract service to an in-house operational model; in other instances a renegotiation of existing service contracts; and in other instances, retention of the contract operational model with a different service provider. These operational analyses and reforms are intended to promote long-term savings to the City and ensure long-term stability. As part of this operation review, the City has established appropriation limits in key operational areas such as law enforcement, which has promoted increased operational efficiency.

The City's principle general fund revenue sources are sales tax, transactions and use tax, and vehicle license fees. For FY 2010/11 sales tax revenues increased by 15.1%. Transactions and use tax increased by 16.0%. Vehicle license fee revenues increased slightly by 0.6%.

Sales tax is projected to remain steady for FY 2011-12. The City is 85.5% built out and no new significant sales tax generating businesses are anticipated in the future. Motor Vehicle License Fees are projected to remain steady for FY 2011-12.

The City of Arcata anticipates minimal revenue growth for the next ten years. The City has a reserve policy which promotes maintaining a fund balances or working capital balances of at least 20% of operating expenditures. However, in order to assure that the City Council has some discretion, these reserves may be reduced in order to fund unforeseeable financial conditions such as transition funding in a recessionary economy, one-time expenditures or other budget shortfall stop gap measures of a temporary nature.

Financial Information

During the past fiscal year, there were no changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and the auditing firm of JJACPA, Inc. I would like to express my appreciation to Joseph Arch, CPA, Brett Jones, Brian Modrak and Lori Hammarlund of JJACPA, Inc. and to the members of the Finance Department who assisted and contributed to its preparation.

I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,



Janet Luzzi

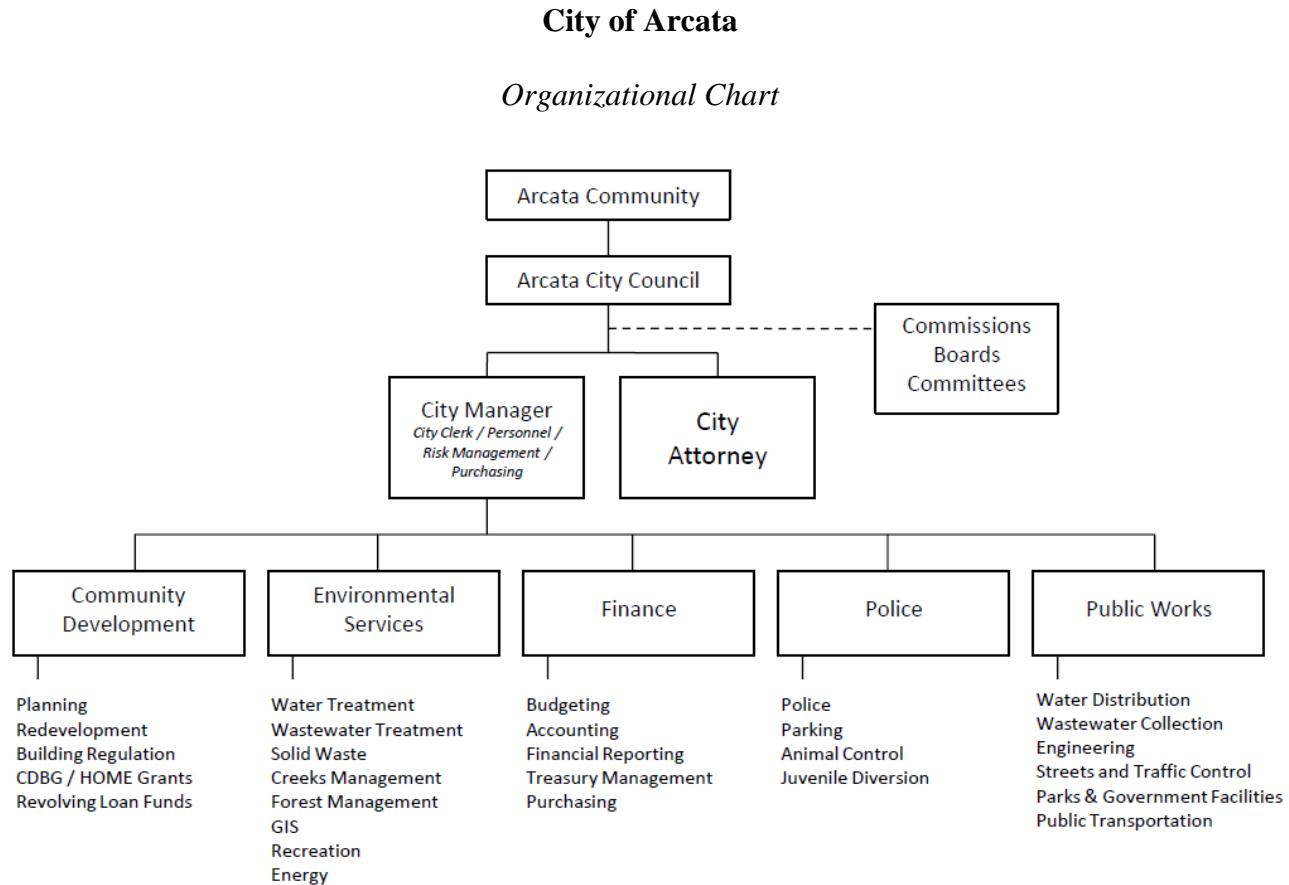
Finance Director

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Organization Chart



**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011**

List of Officials

CITY COUNCIL

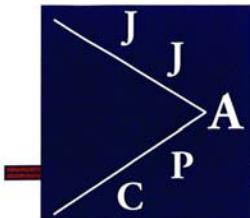
- Susan Ornelas, Mayor
- Michael Winkler, Vice Mayor
- Shane Brinton
- Alex Stillman
- Mark Wheetley

CITY OFFICIALS

- Randy Mendosa, City Manager
- Janet Luzzi, Finance Director
- Larry Oetker, Community & Economic Development Director
- Tom Chapman, Chief of Police
- Doby Class, Public Works Director
- Mark Andre, Environmental Services Director
- Nancy Diamond, City Attorney

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and 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 year ended June 30, 2011, 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 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 as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of implementation of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011.

To the Honorable Mayor and City Council
of the City of Arcata
Arcata, California
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2012, 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 management's discussion and analysis and budgetary comparison information 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 evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, which includes the combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

JJACPA, Inc.

March 5, 2012

JJACPA, Inc.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis

This section provides a narrative overview and analysis of the financial activities of the City of Arcata (City) for the fiscal year ended June 30, 2011. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- ◆ The City's total net assets increased by about \$0.9 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 \$76.4 million at the end of the 2010 fiscal year. Of that amount, \$35.7 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 \$3.3 million compared to the 2010 fiscal year. Most of the increase resulted from increases in general revenues, primarily from increased sales tax and transactions and use tax revenues. The City's total expense of all programs in fiscal 2011 increased by about \$4.7 million compared to the 2010 fiscal year; a 19.4 percent increase. This increase resulted from increased employee costs; increased cost for the purchase of water; and one-time expenditures for the acquisition, rehabilitation or construction of low-income housing units.
- ◆ The general fund reported a fund balance of \$4.6 million at the end of the 2011 fiscal year, an increase of about \$226,000. This increase resulted primarily from increased sales tax and transactions and use tax revenues, and because appropriations for street improvements remained unspent at year-end.
- ◆ The City also ended the fiscal year with \$4.6 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 2010 of approximately \$100,000.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is in two major parts:

- 1) **Introductory section**, which includes the Transmittal Letter and general information; and,
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements, and Combining and Individual Fund Financial Statements and Schedules.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- ♦ ***Governmental activities*** – All of the City's basic services are considered to be governmental activities, including general government, community development, parks and recreation, public safety, animal control, engineering, community events, public improvements, planning and zoning, building inspections, and general administration. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees. The City's governmental activities include the activities of a separate legal entity, the City of Arcata Community Development Agency, because the City is financially accountable for the Agency.
- ♦ ***Business-type activities*** – All the City's enterprise activities are reported here, including Water, Wastewater, Transit, Solid Waste, and Stormwater. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011**

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2011, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ Community Development Agency Low/Moderate Income Housing Special Revenue Fund
- ◆ Community Development Agency Capital Projects Fund
- ◆ Community Development Agency Debt Service Fund
- ◆ CDBG Housing Special Revenue Fund
- ◆ Housing Revolving Loan Special Revenue

PROPRIETARY FUNDS:

- ◆ Water Enterprise Fund
- ◆ Wastewater Enterprise Fund
- ◆ Transit Enterprise Fund
- ◆ Solid Waste Enterprise Fund
- ◆ Stormwater Utility Enterprise Fund

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

For the fiscal year ended June 30, 2011, the City adopted annual appropriated budgets for all governmental funds.

Proprietary funds. The City maintains Enterprise-type and Internal Service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Water, Wastewater, Transit, Solid Waste, and Stormwater activities. Internal service funds are an accounting methodology used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and its information technology assets. Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for all of these operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 47–82 of this report. Required Supplementary Information follows the notes on Page 83.

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 88–132 of this report.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$75,520,266 as of June 30, 2011. The Summary of Net Assets as of June 30, 2011, and 2010, follows:

	Summary of Net Assets					
	2011			2010		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Current and other assets	\$ 40,840,043	\$ 5,592,164	\$ 46,432,207	\$ 38,077,586	\$ 5,982,929	\$ 44,060,515
Noncurrent assets	29,915,839	20,185,129	50,100,968	31,837,964	19,530,506	51,368,470
Total assets	70,755,882	25,777,293	96,533,175	69,915,550	25,513,435	95,428,985
Current and other liabilities	2,875,913	699,613	3,575,526	1,889,328	1,149,070	3,038,398
Long-term liabilities	13,708,693	2,879,454	16,588,147	13,822,049	3,048,272	16,870,321
Total liabilities	16,584,606	3,579,067	20,163,673	15,711,377	4,197,342	19,908,719
Net assets:						
Invested in capital assets	16,886,824	17,638,987	34,525,811	21,201,844	16,639,556	37,841,400
Restricted	6,111,033	-	6,111,033	13,464,129	-	13,464,129
Unrestricted	31,173,419	4,559,239	35,732,658	19,538,200	4,676,537	24,214,737
Total net assets	\$ 54,171,276	\$ 22,198,226	\$ 76,369,502	\$ 54,204,173	\$ 21,316,093	\$ 75,520,266

Overall, total net assets increased by approximately \$850,000. Of this amount, net assets for governmental activities decreased slightly by \$32,000 and net assets for business-type activities increased by \$882,000. 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 90 percent of the City's total liabilities are represented by long-term obligations including revenue bonds, tax allocation bonds, and certificates of participation.

Restricted net assets decreased by \$7,353,096 and unrestricted net assets increased \$11,517,921. This is primarily the result of the implementation of GASB Statement No. 54 which established new categories for reporting fund balance and revised the definitions for governmental fund types.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were \$29,913,575 for the fiscal year ended June 30, 2011. Approximately 29% of the City's key revenues are generated from four major sources.

The following discusses variances in key revenues from the prior fiscal year:

1. **Property Tax.** Annual receipts increased approximately 9%. This increase is attributed to the one-time loan of property tax monies to the State of California in fiscal year 2009/10.
2. **Sales Tax.** Annual receipts are up approximately 15%. This increase has resulted from higher gasoline prices when compared to the prior year.
3. **Transactions and Use Tax.** Annual receipts are up approximately 16%. This increase has also resulted from higher gasoline prices when compared to the prior year.
4. **State Motor Vehicle In-Lieu Tax.** Annual receipts remained steady decreased for fiscal year 2010/11.
5. **Grants and Contributions – Governmental Activities Operating** – The increase in operating grants and contributions results from a reclassification of interfund service revenues and an adjustment required to reconcile the government-wide statements financial statements to the fund financial statements, specifically for deferred revenue.
6. **Grants and Contributions – Business-type Activities Operating** – The decrease in Business-type operating grants and contributions was mainly operating grants in the prior year that were for transit system maintenance and operations and not renewed in the current year.
7. **Grants and Contributions – Capital** – The decrease in capital revenues reflects the fluctuation that occurs from year to year for street and stormwater projects. These projects usually span over multiple years. The costs associated with the various projects are reimbursed by other government agencies. Depending on the stage the project is in (planning, construction, entitlements); reimbursements will be higher in one year than the next.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net assets for the fiscal years ended June 30, 2011, and 2010, follows:

	Changes in Net Assets					
	2011			2010		
	Govem- mental Activities	Business- type Activities	Total	Govem- mental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,682,086	\$ 8,600,651	\$ 10,282,737	\$ 947,311	\$ 7,504,724	\$ 8,452,035
Grants and contributions:						
Operating	7,702,594	-	7,702,594	1,909,304	1,613,421	3,522,725
Capital	530,729	-	530,729	1,685,542	1,205,761	2,891,303
General revenues:						
Property taxes and assessments	3,263,844	-	3,263,844	2,995,953	-	2,995,953
Transient occupancy taxes	933,985	-	933,985	892,339	-	892,339
Sales and use tax	4,042,282	-	4,042,282	3,501,419	-	3,501,419
Franchise taxes	255,690	-	255,690	261,621	-	261,621
Utility users tax	845,091	-	845,091	866,624	-	866,624
Other taxes	30,902	-	30,902	167,858	-	167,858
Motor vehicle in lieu	1,435,958	-	1,435,958	1,427,267	-	1,427,267
Use of money and property	418,755	34,138	452,893	1,427,435	92,491	1,519,926
Other general	136,870	-	136,870	128,981	-	128,981
Total revenues	21,278,786	8,634,789	29,913,575	16,211,654	10,416,397	26,628,051
Expenses:						
Governmental activities:						
General government	3,958,427	-	3,958,427	983,550	-	983,550
Public safety	5,096,380	-	5,096,380	4,861,226	-	4,861,226
Public works	2,039,105	-	2,039,105	3,136,432	-	3,136,432
Community development	6,127,918	-	6,127,918	3,398,796	-	3,398,796
Parks and recreation	2,541,216	-	2,541,216	1,428,821	-	1,428,821
Interest and fiscal charges	693,572	-	693,572	719,472	-	719,472
Business-type activities						
Water	-	3,149,737	3,149,737	-	3,210,779	3,210,779
Wastewater	-	3,492,520	3,492,520	-	3,315,549	3,315,549
Transit	-	1,084,673	1,084,673	-	1,080,078	1,080,078
Solid Waste	-	320,576	320,576	-	670,144	670,144
Stormwater	-	560,215	560,215	-	1,534,886	1,534,886
Total expenses	20,456,618	8,607,721	29,064,339	14,528,297	9,811,436	24,339,733
Excess (Deficiency) of revenues over expenditures before transfers	822,168	27,068	849,236	1,683,357	604,961	2,288,318
Transfers	(855,065)	855,065	-	(1,490,164)	1,490,164	-
Change in net assets	(32,897)	882,133	849,236	193,193	2,095,125	2,288,318
Net assets:						
Beginning of year	54,204,173	21,316,093	75,520,266	54,010,980	19,220,968	73,231,948
End of year	\$ 54,171,276	\$ 22,198,226	\$ 76,369,502	\$ 54,204,173	\$ 21,316,093	\$ 75,520,266

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011**

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$29,064,339. Governmental activity expenses totaled \$20,456,518 or 70% of total expenses. Business-type activities incurred \$8,607,721 of expenses during the fiscal year. Public safety costs represented 25% of total governmental activities expenses. Public works and community development costs represented the largest, 40%, combined expense for governmental activities.

Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2011, and 2010, are as follows:

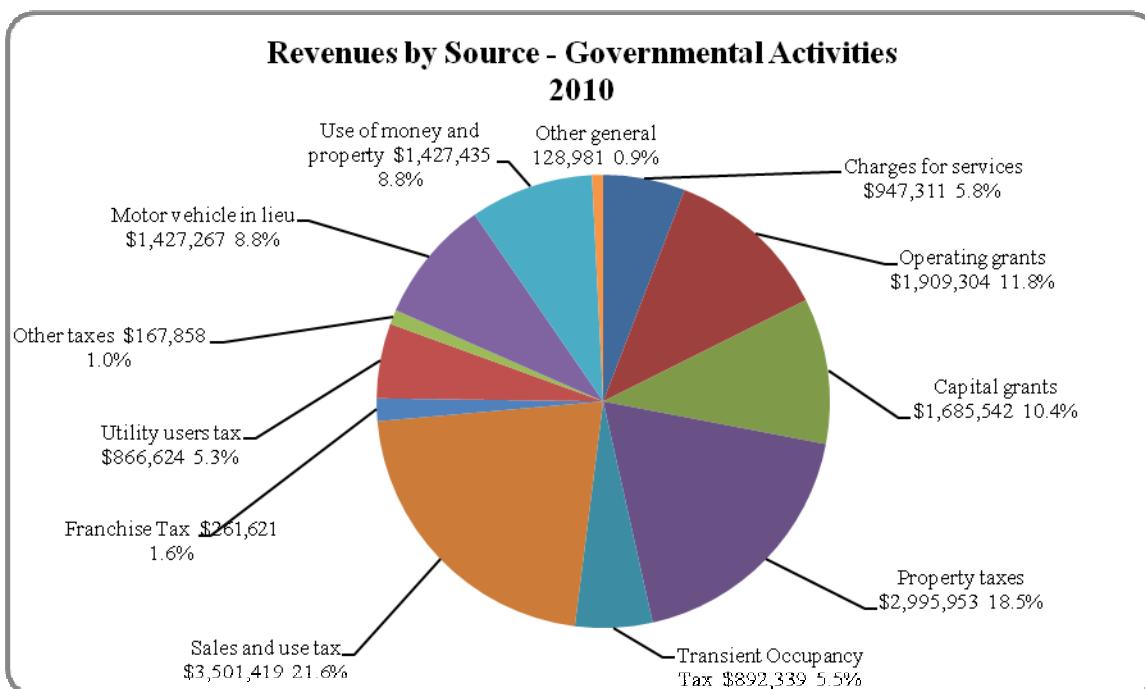
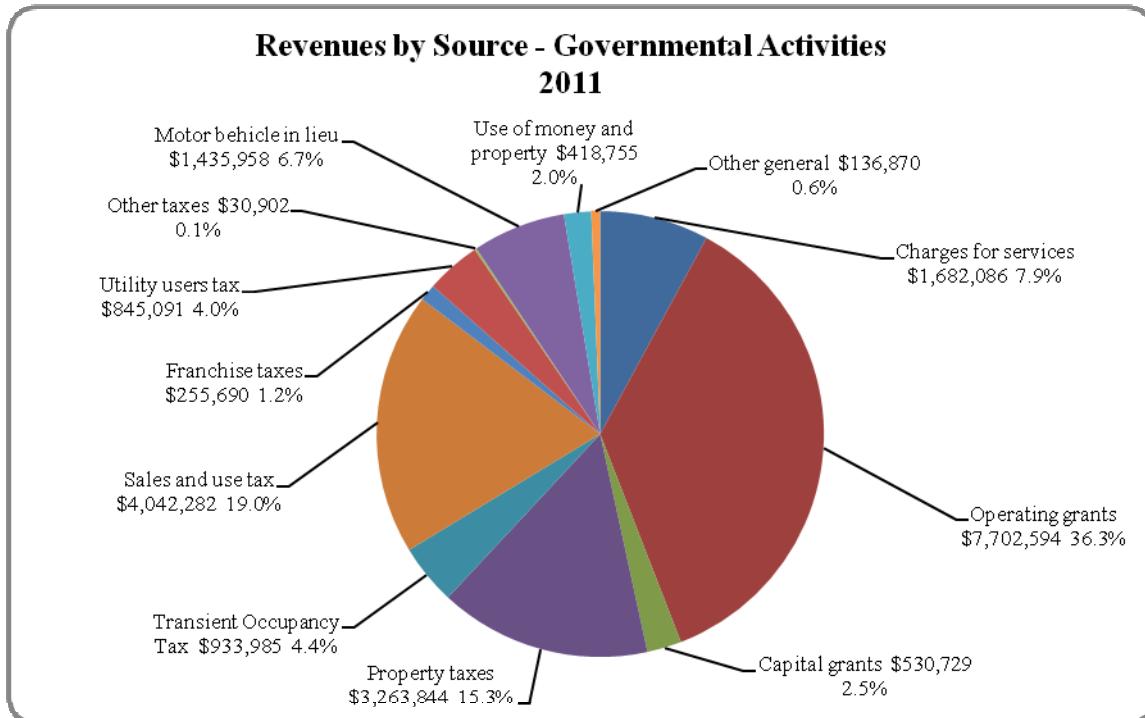
	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 3,958,427	\$ 1,271,135	\$ 983,550	\$ 729,710
Public safety	5,096,380	4,584,059	4,861,226	4,265,157
Public works	2,039,105	(81,910)	3,136,432	867,479
Community development	6,127,918	2,188,586	3,398,796	2,277,056
Parks and recreation	2,541,216	1,885,767	1,428,821	1,127,266
Interest and fiscal charges	693,572	693,572	719,472	719,472
Total	<u>\$ 20,456,618</u>	<u>\$ 10,541,209</u>	<u>\$ 14,528,297</u>	<u>\$ 9,986,140</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues by source for the fiscal years ended June 30, 2011, and 2010, are as follows:

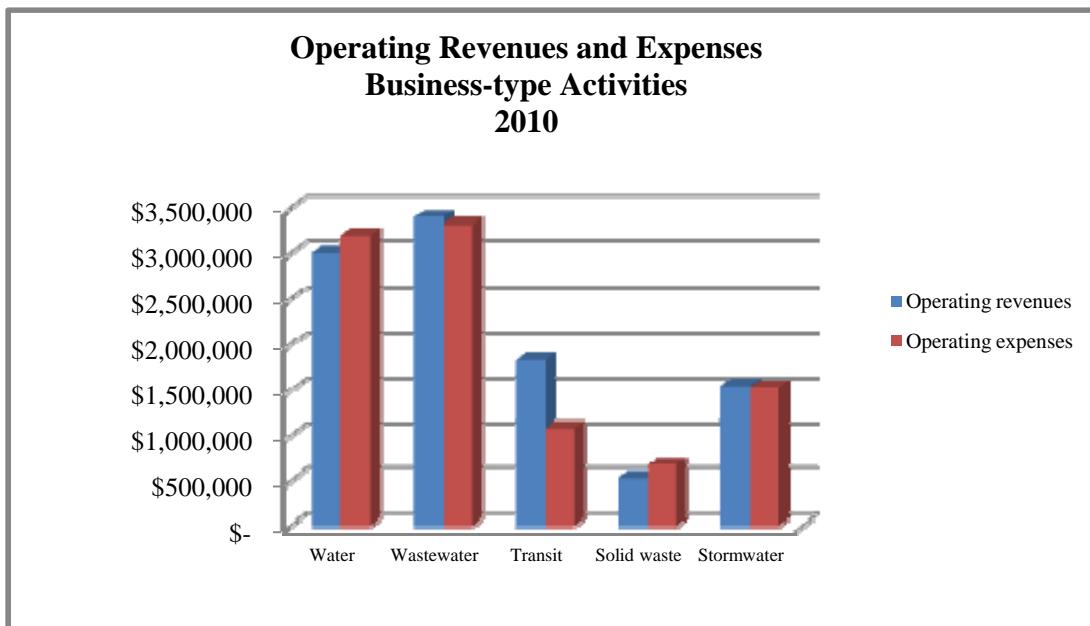
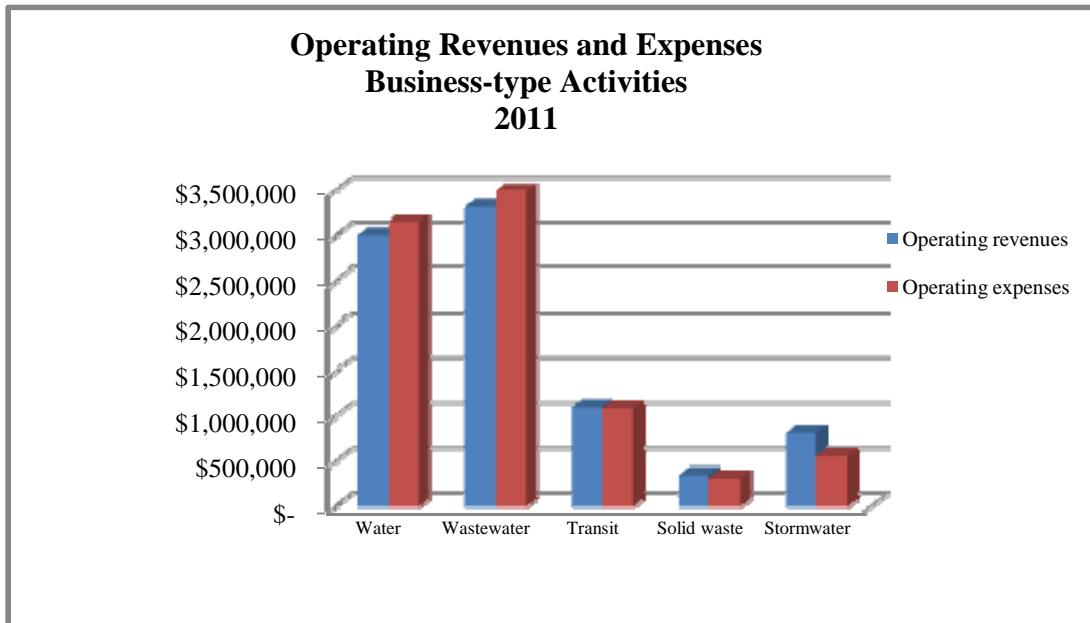


City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-type activities. Business-type activities increased the City's net assets by \$882,133. The City has five business-type activities: Water, Wastewater, Transit, Solid Waste, and Stormwater Operations. The operating revenues and expenses for the business-type activities for the fiscal years ended June 30, 2011, and 2010, are as follows:

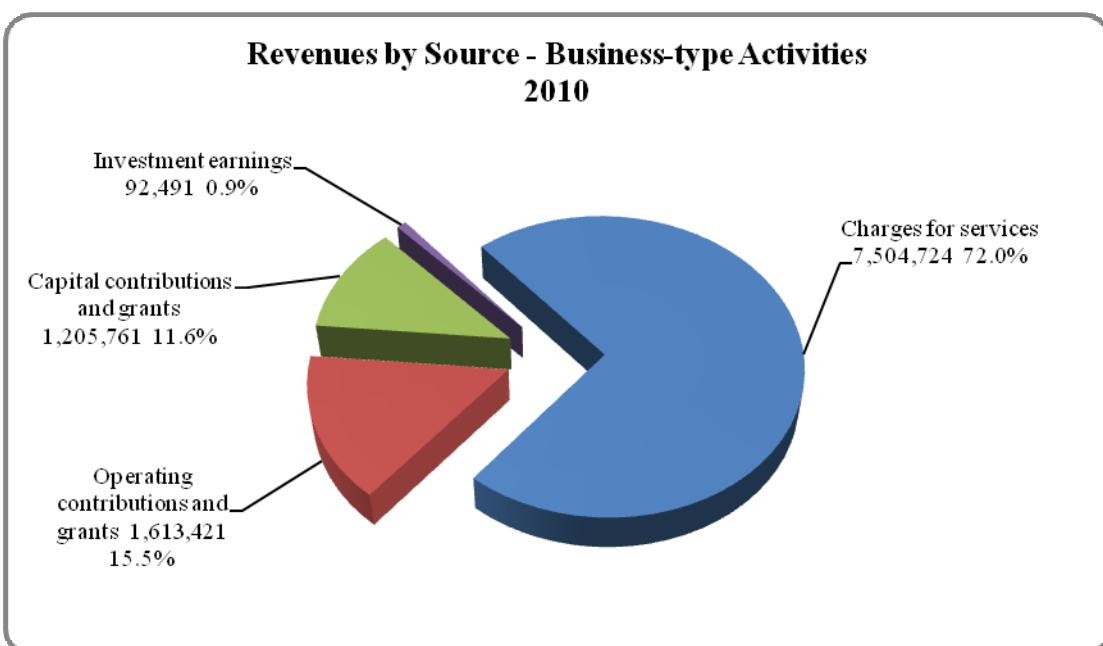
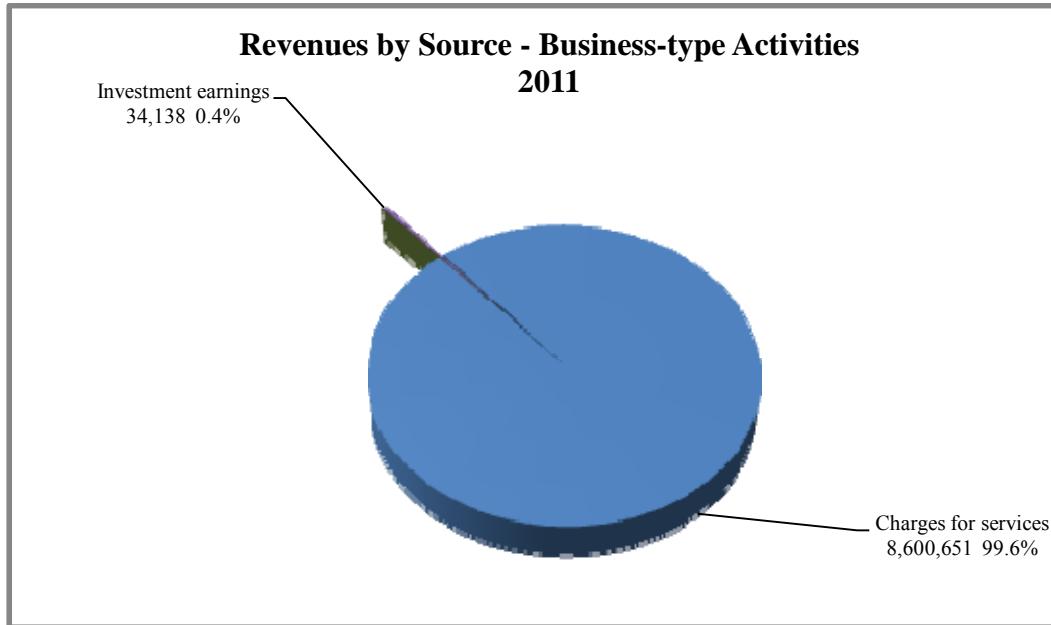


City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2011, and 2010, are as follows:



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government's Funds

The City of Arcata uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.

Governmental funds. The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2011, the City's governmental funds reported combined fund balances of \$19,076,062. This is a decrease of \$692,000 or 3.5% from last year. The decrease was mainly due to expenditures in the Low/Moderate Income Housing Fund for the development of senior housing and other low-income housing units. The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2011, General Fund unassigned fund balance totaled \$4,584,020.

The Community Development Debt Service Fund accounts for the proceeds of specific revenues that are legally restricted for expenditures for debt service. Activity within the redevelopment project area is expanding with a resulting increase in tax increment revenues of \$2,538,000 and an increase in expenditures of \$ 50,000 over the prior fiscal year as a result of redevelopment activities.

In fiscal year 2010/11, the City loaned the Community Development Agency \$550,000 at 7.5% interest for one year. The loaned funds may be used to provide cash flow for administrative expenditures incurred during the year.

Proprietary funds. The City's proprietary funds unrestricted net assets increased slightly by \$4,300 in the fiscal year ended June 30, 2011. This was mainly due to the transfer of FEMA/OES revenue to the Wastewater fund for the reimbursement expenditures for levee repairs.

General Fund Budgetary Highlights

The difference between the final budget and actual revenues reflects a deficit. This was mainly due to grant revenue that was not expended or received during the fiscal year.

There was a \$1,275,051 difference between the total original budget and the total final amended budget. This was due primarily to the carryover of various capital outlay appropriations from fiscal year 2009/10. Actual expenditures were \$2,065,249 under budget (less than 5% of budget). This resulted primarily from unspent capital outlay appropriations related to street projects.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amount to \$49,698,014. This investment in capital assets includes land, construction in progress costs for road and median improvements, buildings and improvements, infrastructure, furniture and equipment, and vehicles.

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 12,299,024	\$ 11,828,047	\$ 5,994,370	\$ 5,647,157	\$ 18,293,394	\$ 17,475,204
Undergrounding facilities	90,025	90,025	4,833,427	4,224,426	4,923,452	4,314,451
Buildings and structuers	5,974,753	6,183,742	3,772,467	4,013,376	9,747,220	10,197,118
Furniture and equipment	562,363	627,772	455,349	551,733	1,017,712	1,179,505
Other Improvements	2,273,784	3,376,441	3,968,902	3,939,166	6,242,686	7,315,607
Infrastructure	7,636,468	8,705,453	-	-	7,636,468	8,705,453
Vehicles	708,260	729,208	1,128,822	1,119,695	1,837,082	1,848,903
Total	<u>\$ 29,544,677</u>	<u>\$ 31,540,688</u>	<u>\$ 20,153,337</u>	<u>\$ 19,495,553</u>	<u>\$ 49,698,014</u>	<u>\$ 51,036,241</u>

Major capital asset events during the year included the acquisition of two pieces of property that are adjacent to the City's forest. Also, the City made substantial improvements to the facilities at Larson Park. The City also made improvements to two sewer lift stations and continued constructing levees and ponds at McDaniel's Slough.

More detail of the capital assets and current activity can be found in the notes to the financial statements on Pages 53 and 54 for significant accounting policies and Note 5 on Page 65 for other capital asset information.

Economic Outlook

Turning the economic corner in fiscal year 2010/11, the national economy grew modestly, officially ending the great recession. Helped by massive government stimulus and aggressive bank bailout programs to support dysfunctional credit markets, along with consumer rebate incentives to induce spending, the US economy grew an average of three percent. The Humboldt Bay Region, though, lagged behind, only to rebound slightly in the final quarter. There is no certainty that economic progress will continue. The local job market remains anemic and real estate prices although somewhat stabilizing, show no sign of lasting recovery. Finally, the state's fiscal crisis will impose many barriers to growth with great challenges in collecting additional revenue and the battle over spending cuts promises to be relentless.

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011**

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Economic Outlook, Continued

The City's major General Fund revenue sources are sales tax and motor vehicle license fees. Both of these revenue sources are affected by the current recession. We are estimating a 1% increase for sales tax revenue in fiscal year 2011/12. Also, in fiscal year 2011/12, we are estimating a 2% decline in motor vehicle license fees, due to the continued decline in automobile purchases in the state.

Requests for Information

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Arcata Finance Department, 736 F Street, Arcata, CA 95521, or visit the City's web page at www.cityofarcata.org.

BASIC FINANCIAL STATEMENTS

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City of Arcata, California
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 16,441,575	\$ 4,242,274	\$ 20,683,849
Restricted cash and investments	3,443,273	-	3,443,273
Receivables:			-
Accounts	3,412,529	1,330,585	4,743,114
Loans/Notes receivable	17,335,232	-	17,335,232
Internal balances	70,868	(70,868)	-
Inventory	136,566	90,173	226,739
Total current assets	40,840,043	5,592,164	46,432,207
Noncurrent assets:			
Deferred charges - net of accumulated amortization	371,162	-	371,162
Prepaid issuance costs	-	31,792	31,792
Capital assets:			
Nondepreciable	12,389,049	5,994,370	18,383,419
Depreciable	17,155,628	14,158,967	31,314,595
Total noncurrent assets	29,915,839	20,185,129	50,100,968
Total assets	\$ 70,755,882	\$ 25,777,293	\$ 96,533,175
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,057,474	\$ 520,814	\$ 2,578,288
Interest payable	267,748	8,450	276,198
Deposits payable	17,998	170,349	188,347
Compensated absences - current portion	113,537	43,376	156,913
Other liabilities	532,693	-	532,693
Total current liabilities	2,989,450	742,989	3,732,439
Noncurrent liabilities:			
Long-term liabilities:			
Compensated absences	340,606	130,128	470,734
Due within one year	374,824	191,600	566,424
Due after one year	12,329,572	2,514,350	14,843,922
Net OPEB obligation	550,154	-	550,154
Total noncurrent liabilities	13,595,156	2,836,078	16,431,234
Total liabilities	16,584,606	3,579,067	20,163,673
NET ASSETS			
Invested in capital assets, net of related debt	16,886,824	17,638,987	34,525,811
Restricted	6,111,033	-	6,111,033
Unrestricted	31,173,419	4,559,239	35,732,658
Total net assets	54,171,276	22,198,226	76,369,502
Total liabilities and net assets	\$ 70,755,882	\$ 25,777,293	\$ 96,533,175

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California
Statement of Activities
For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,958,427	\$ 36,876	\$ 2,600,416	\$ 50,000
Public safety	5,096,380	294,245	218,076	-
Public works	2,039,105	610,512	1,510,503	-
Community development	6,127,918	414,658	3,043,945	480,729
Parks and recreation	2,541,216	325,795	329,654	-
Interest and fiscal charges	693,572	-	-	-
Total governmental activities	<u>20,456,618</u>	<u>1,682,086</u>	<u>7,702,594</u>	<u>530,729</u>
Business-type activities:				
Water	3,149,737	3,009,150	-	-
Wastewater	3,492,520	3,313,689	-	-
Transit	1,084,673	1,098,721	-	-
Solid waste	320,576	352,702	-	-
Stormwater utility	560,215	826,389	-	-
Total business-type activities	<u>8,607,721</u>	<u>8,600,651</u>	<u>-</u>	<u>-</u>
Total primary government	\$ 29,064,339	\$ 10,282,737	\$ 7,702,594	\$ 530,729

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Transient occupancy tax, levied for general purposes
- Sales taxes
- Franchise taxes
- Utility users tax
- Other taxes

Intergovernmental:

State motor vehicle in-lieu tax (MVLF)

Use of money and property

Contributions

Other general revenues

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets:

Beginning of year

End of year

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-Type Activities	Totals
\$ (1,271,135)	\$ -	\$ (1,271,135)
(4,584,059)	-	(4,584,059)
81,910	-	81,910
(2,188,586)	-	(2,188,586)
(1,885,767)	-	(1,885,767)
(693,572)	-	(693,572)
<hr/>	<hr/>	<hr/>
(10,541,209)	-	(10,541,209)
-	(140,587)	(140,587)
-	(178,831)	(178,831)
-	14,048	14,048
-	32,126	32,126
-	266,174	266,174
<hr/>	<hr/>	<hr/>
-	(7,070)	(7,070)
<hr/>	<hr/>	<hr/>
(10,541,209)	(7,070)	(10,548,279)
3,263,844	-	3,263,844
933,985	-	933,985
4,042,282	-	4,042,282
255,690	-	255,690
845,091	-	845,091
30,902	-	30,902
1,435,958	-	1,435,958
418,755	34,138	452,893
-	-	-
136,870	-	136,870
<hr/>	<hr/>	<hr/>
11,363,377	34,138	11,397,515
<hr/>	<hr/>	<hr/>
(855,065)	855,065	-
<hr/>	<hr/>	<hr/>
10,508,312	889,203	11,397,515
<hr/>	<hr/>	<hr/>
(32,897)	882,133	849,236
54,204,173	21,316,093	75,520,266
<hr/>	<hr/>	<hr/>
\$ 54,171,276	\$ 22,198,226	\$ 76,369,502

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FUND FINANCIAL STATEMENTS
MAJOR FUNDS

Fund	Description
Governmental Funds:	
General	Governmental funds are used for taxes and grants.
Community Development Agency Low/Moderate Income Housing	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
Community Development Agency Capital Projects	Accounts for tax increment revenues received and expended for low/moderate income housing purposes.
Community Development Agency Debt Service	Accounts for capital projects in the Agency's single project area.
CDBG Housing Special Revenue	Accounts for debt service for all Agency debt.
Housing Revolving Special Revenue	Accounts for activities related to housing and the related CDBG funding.
	Accounts for activities related to housing and the related funding applicable to the City's loan programs.

City of Arcata, California

Balance Sheet

Governmental Funds

June 30, 2011

	Major Funds				
	Community Development Agency				
	General Fund	Low/Moderate Income Housing Special Revenue	Capital Projects	Debt Service	
ASSETS					
Cash and investments	\$ 4,256,464	\$ 317,200	\$ 7,761	\$ 1,838,871	
Restricted cash and investments	-	-	1,621	960,414	
Receivables:					
Taxes	356,187	-	-	-	
Interest	3,223	-	-	-	
Intergovernmental	1,056,919	5,133	-	20,534	
Loans/Notes receivable	-	-	-	-	
Other receivable	3,648	-	-	-	
Due from other funds	829,264	-	-	-	
Inventory	5,615	-	-	-	
Total assets	\$ 6,511,320	\$ 322,333	\$ 9,382	\$ 2,819,819	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 896,631	\$ 22,287	\$ -	\$ 231,697	
Due to other funds	208,396	-	-	550,000	
Deposits payable	-	-	-	-	
Due to other governments	-	-	-	-	
Deferred revenue	283,965	-	-	-	
Other liabilities	532,693	-	-	-	
Total liabilities	1,921,685	22,287	-	781,697	
Fund balances:					
Nonspendable	5,615	-	-	-	
Restricted	-	300,046	9,382	2,038,122	
Assigned	-	-	-	-	
Unassigned (deficit)	4,584,020	-	-	-	
Total fund balances	4,589,635	300,046	9,382	2,038,122	
Total liabilities and fund balances	\$ 6,511,320	\$ 322,333	\$ 9,382	\$ 2,819,819	

The accompanying notes are an integral part of these basic financial statements.

Major Funds

CDBG Housing Special Revenue	Housing Revolving Special Revenue	Nonmajor Governmental Funds	Totals
\$ 517,309	\$ 341,172	\$ 7,970,778	\$ 15,249,555
-	-	2,481,238	3,443,273
-	-	-	356,187
-	376,413	-	379,636
-	-	1,527,993	2,610,579
4,389,807	9,792,280	3,153,145	17,335,232
36,720	8,823	16,936	66,127
123,403	72,407	315,648	1,340,722
-	-	122,356	127,971
\$ 5,067,239	\$ 10,591,095	\$ 15,588,094	\$ 40,909,282
\$ 1,562	\$ 405,131	\$ 459,757	\$ 2,017,065
-	-	511,458	1,269,854
-	-	17,998	17,998
-	-	-	-
4,389,806	10,168,693	3,153,146	17,995,610
-	-	-	532,693
4,391,368	10,573,824	4,142,359	21,833,220
-	-	2,323	7,938
675,871	17,271	3,070,341	6,111,033
-	-	8,559,491	8,559,491
-	-	(186,420)	4,397,600
675,871	17,271	11,445,735	19,076,062
\$ 5,067,239	\$ 10,591,095	\$ 15,588,094	\$ 40,909,282

City of Arcata, California

Reconciliation of the Governmental Funds Balance Sheet

to the Statement of Net Assets

June 30, 2011

Total fund balances - total governmental funds \$ 19,076,062

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.

28,715,403

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Compensated absences	\$ (436,283)
Due within one year	(346,434)
Due after one year	(12,299,688)
Net OPEB obligation	<u>(550,154)</u> (13,632,559)

Governmental funds notes receivable from various loan programs are deferred under the current financial resources measurement focus. The notes receivable are recognized in the government-wide Statement of Net Assets under the accrual basis of accounting.

17,995,610

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.

(267,748)

Governmental funds report discounts on long-term bonds and debt issuance costs (deferred charges) as expenditures, whereas these amounts are capitalized and amortized in the government-wide Statement of Net Assets.

371,162

Internal services 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 are:

Current assets	1,200,615
Noncurrent assets	829,274
Accounts payable and accrued liabilities	(44,875)
Noncurrent liabilities	<u>(71,668)</u> 1,913,346
Net assets of governmental activities	<u><u>\$ 54,171,276</u></u>

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Assets

Governmental Activities

June 30, 2011

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Internal Services Balances	Statement of Net Assets
ASSETS					
Current assets:					
Cash and investments	\$ 15,249,555	\$ -	\$ -	\$ 1,192,020	\$ 16,441,575
Restricted cash and investments	3,443,273	-	-	-	3,443,273
Receivables:					
Taxes	356,187	-	-	-	356,187
Interest	379,636	-	-	-	379,636
Intergovernmental	2,610,579	-	-	-	2,610,579
Loans/Notes receivable	17,335,232	-	-	-	17,335,232
Other receivable	66,127	-	-	-	66,127
Due from other funds	1,340,722	(1,340,722)	-	-	-
Internal balances	-	70,868	-	-	70,868
Inventory	127,971	-	-	8,595	136,566
Total current assets	40,909,282	(1,269,854)	-	1,200,615	40,840,043
Noncurrent assets:					
Deferred charges - net of accumulated amortization	-	371,162	-	-	371,162
Capital assets, net	-	-	28,715,403	829,274	29,544,677
Total noncurrent assets	-	371,162	28,715,403	829,274	29,915,839
Total assets	\$ 40,909,282	\$ (898,692)	\$ 28,715,403	\$ 2,029,889	\$ 70,755,882
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 2,017,065	\$ -	\$ -	\$ 40,409	\$ 2,057,474
Interest payable	-	-	267,748	-	267,748
Due to other funds	1,269,854	(1,269,854)	-	-	-
Deposits payable	17,998	-	-	-	17,998
Deferred revenue	17,995,610	(17,995,610)	-	-	-
Compensated absences - current portion	-	-	109,071	4,466	113,537
Other liabilities	532,693	-	-	-	532,693
Total current liabilities	21,833,220	(19,265,464)	376,819	44,875	2,989,450
Noncurrent liabilities:					
Long-term liabilities:					
Compensated absences	-	-	327,212	13,394	340,606
Due within one year	-	-	346,434	28,390	374,824
Due after one year	-	-	12,299,688	29,884	12,329,572
Net OPEB obligation	-	-	550,154	-	550,154
Total noncurrent liabilities	-	-	13,523,488	71,668	13,595,156
Total liabilities	21,833,220	(19,265,464)	13,900,307	116,543	16,584,606
FUND BALANCES/NET ASSETS					
Fund balances:					
Nonspendable	7,938	(7,938)	-	-	-
Restricted	6,111,033	(6,111,033)	-	-	-
Assigned	8,559,491	(8,559,491)	-	-	-
Unassigned (deficit)	4,397,600	(4,397,600)	-	-	-
Net assets:					
Invested in capital assets, net of related debt	-	-	16,069,281	817,543	16,886,824
Restricted	-	-	6,111,033	-	6,111,033
Unrestricted	-	37,442,834	(7,365,218)	1,095,803	31,173,419
Total fund balances/ net assets	19,076,062	18,366,772	14,815,096	1,913,346	54,171,276
Total liabilities and net assets	\$ 40,909,282	\$ (898,692)	\$ 28,715,403	\$ 2,029,889	\$ 70,755,882

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2011

	Major Funds			
	Community Development Agency			
	General Fund	Low/Moderate Income Housing Special Revenue	Capital Projects	Debt Service
REVENUES:				
Taxes and assessments	\$ 6,805,599	\$ 507,059	\$ -	\$ 2,028,234
Licenses and permits	334,525	-	-	-
Fines and forfeitures	265,501	-	-	-
Intergovernmental	1,826,318	-	-	-
Use of money and property	229,079	41,483	62,884	30,408
Charges for services	645,540	-	-	-
Reimbursements	1,615,222	-	-	-
Other revenues	39,198	50,000	-	-
Total revenues	11,760,982	598,542	62,884	2,058,642
EXPENDITURES:				
Current:				
General government	2,708,071	-	-	-
Public safety	4,745,592	-	-	-
Public works	442,155	-	-	-
Community development	894,005	1,363,310	508,787	-
Parks and recreation	1,257,905	-	-	-
Capital outlay	1,221,106	-	-	-
Debt service:				
Principal	53,355	-	-	508,825
Interest and fiscal charges	25,118	-	-	659,136
Total expenditures	11,347,307	1,363,310	508,787	1,167,961
REVENUES OVER (UNDER) EXPENDITURES	413,675	(764,768)	(445,903)	890,681
OTHER FINANCING SOURCES (USES):				
Proceeds from sales of assets	50,000	-	-	-
Transfers in	6,000	-	-	-
Transfers out	(243,534)	(1,491,273)	(4,172,020)	(1,180,277)
Total other financing sources (uses)	(187,534)	(1,491,273)	(4,172,020)	(1,180,277)
Net change in fund balances	226,141	(2,256,041)	(4,617,923)	(289,596)
FUND BALANCES:				
Beginning of year	4,363,494	2,556,087	4,627,305	2,327,718
End of year	\$ 4,589,635	\$ 300,046	\$ 9,382	\$ 2,038,122

The accompanying notes are an integral part of these basic financial statements.

Major Funds

CDBG Housing Special Revenue	Housing Revolving Special Revenue	Other Governmental Funds	Totals
\$ -	\$ -	\$ 30,902	\$ 9,371,794
-	-	5,272	339,797
-	-	93,673	359,174
-	-	3,039,605	4,865,923
230,901	105,378	351,457	1,051,590
-	-	-	645,540
-	-	11,306	1,626,528
-	36,382	534,570	660,150
230,901	141,760	4,066,785	18,920,496
-	-	374,198	3,082,269
-	-	312,157	5,057,749
-	-	766,026	1,208,181
37,847	579,916	1,090,062	4,473,927
-	-	234,577	1,492,482
-	-	944,436	2,165,542
-	-	-	562,180
-	-	-	684,254
37,847	579,916	3,721,456	18,726,584
193,054	(438,156)	345,329	193,912
-	-	-	50,000
-	-	7,520,848	7,526,848
-	-	(1,293,809)	(8,380,913)
-	-	6,227,039	(804,065)
193,054	(438,156)	6,572,368	(610,153)
482,817	455,427	4,873,367	19,686,215
\$ 675,871	\$ 17,271	\$ 11,445,735	\$ 19,076,062

City of Arcata, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities For the year ended June 30, 2011

Functions/Programs	Compensated				Capital				Government-wide			
	Absences/				Asset							
	Fund Based	Debt	Internal		(Additions)/	OPEB	Obligation	Amortization	Totals			
Totals	Service	Service	Depreciation	Retirements								
Governmental activities:												
General government	\$ 3,082,269	\$ 60,307	\$ 140,026	\$ 463,197	\$ 31,489	\$ 165,002	\$ 16,137	\$ 3,958,427				
Public safety	5,057,749	-	-	23,832	14,799	-	-	-	5,096,380			
Public works	1,208,181	-	-	61,868	769,056	-	-	-	2,039,105			
Community development	4,473,927	-	-	1,189,926	470,264	-	(6,199)	6,127,918				
Parks and recreation	1,492,482	-	-	128,975	919,759	-	-	-	2,541,216			
Capital outlay	2,165,542	-	-	-	(2,165,542)	-	-	-	-			
Debt service/Interest	1,246,434	(552,862)	-	-	-	-	-	-	693,572			
Total governmental activities	\$ 18,726,584	\$ (492,555)	\$ 140,026	\$ 1,867,798	\$ 39,825	\$ 165,002	\$ 9,938	\$ 20,456,618				

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the year ended June 30, 2011

Net change in fund balances - total governmental funds	\$ (610,153)
--	--------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$ 1,277,473
Capital asset retirements	(1,317,298)
Depreciation expense	<u>(1,867,798)</u> (1,907,623)

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.

2,308,290

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Debt principal payments	562,180
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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.

Amortization of deferred charges	(16,137)
Amortization of bond premium	<u>6,199</u> (9,938)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in interest payable	(9,318)
Change in compensated absences	<u>(60,307)</u> (69,625)

Certain employee benefit obligations are recorded on a pay-as-you-go basis in the governmental funds, but are accrued as liabilities in the Statement of Net Assets:

Net OPEB obligation	(165,002)
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Internal services funds are used by management to charge the costs of certain activities, such as central garage, to individual funds. The change in net assets of the Internal Service Funds \$107,605, which includes transfers of \$1,000 is included in the governmental activities in the government-wide Statement of Net Assets less amounts due depreciation expense of \$247,631 reported above for capital assets.

107,605
(247,631)
<u>(1,000)</u> (141,026)

Change in net assets of governmental activities

\$ (32,897)

City of Arcata, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - Major Funds
For the year ended June 30, 2011

	General Fund				Variance w/Final Positive (Negative)	
	Budgeted Amounts		Actual			
	Original	Final				
REVENUES:						
Taxes and assessments	\$ 6,312,600	\$ 6,597,600	\$ 6,805,599	\$ 207,999		
Licenses and permits	363,875	363,875	334,525	(29,350)		
Fines and forfeitures	230,000	230,000	265,501	35,501		
Intergovernmental	1,943,162	2,038,190	1,826,318	(211,872)		
Use of money and property	320,425	300,425	229,079	(71,346)		
Charges for services	596,590	664,559	645,540	(19,019)		
Reimbursements	1,895,872	1,917,497	1,615,222	(302,275)		
Other revenues	36,500	36,500	39,198	2,698		
Total revenues	11,699,024	12,148,646	11,760,982	(387,664)		
EXPENDITURES:						
Current:						
General government	3,023,826	3,090,367	2,708,071	382,296		
Public safety	4,814,175	4,832,989	4,745,592	87,397		
Public works	366,401	455,305	442,155	13,150		
Community development	919,037	940,566	894,005	46,561		
Parks and recreation	1,247,080	1,300,402	1,257,905	42,497		
Capital outlay	1,688,601	2,714,542	1,221,106	1,493,436		
Debt service:						
Principal	53,385	53,385	53,355	30		
Interest and fiscal charges	25,000	25,000	25,118	(118)		
Total expenditures	12,137,505	13,412,556	11,347,307	2,065,249		
REVENUES OVER (UNDER) EXPENDITURES	(438,481)	(1,263,910)	413,675	1,677,585		
OTHER FINANCING SOURCES (USES):						
Proceeds from sales of assets	-	-	50,000	50,000		
Transfers in	-	-	6,000	6,000		
Transfers out	(62,535)	(112,535)	(243,534)	(130,999)		
Total other financing sources (uses)	(62,535)	(112,535)	(187,534)	(74,999)		
Net change in fund balances	(501,016)	(1,376,445)	226,141	1,602,586		
FUND BALANCES:						
Beginning of year	4,363,494	4,363,494	4,363,494	-		
End of year	\$ 3,862,478	\$ 2,987,049	\$ 4,589,635	\$ 1,602,586		

The accompanying notes are an integral part of these basic financial statements.

Community Development Agency Low/Moderate Income Housing Special Revenue Fund				Community Development Agency Capital Projects Fund			
Budgeted Amounts		Variance w/Final		Budgeted Amounts		Variance w/Final	
Original	Final	Actual	Positive (Negative)	Original	Final	Actual	Positive (Negative)
\$ 527,500	\$ 527,500	\$ 507,059	\$ (20,441)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
75,000	75,000	41,483	(33,517)	290,000	290,000	62,884	(227,116)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	50,000	50,000	-	-	-	-
<u>602,500</u>	<u>602,500</u>	<u>598,542</u>	<u>(3,958)</u>	<u>290,000</u>	<u>290,000</u>	<u>62,884</u>	<u>(227,116)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,582,750	1,712,153	1,363,310	348,843	1,822,900	213,156	508,787	(295,631)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,582,750</u>	<u>1,712,153</u>	<u>1,363,310</u>	<u>348,843</u>	<u>1,822,900</u>	<u>213,156</u>	<u>508,787</u>	<u>(295,631)</u>
(980,250)	(1,109,653)	(764,768)	344,885	(1,532,900)	76,844	(445,903)	(522,747)
-	-	-	-	-	-	-	-
-	-	(1,491,273)	(1,491,273)	(25,000)	(25,000)	(4,172,020)	(4,147,020)
-	-	(1,491,273)	(1,491,273)	(25,000)	(25,000)	(4,172,020)	(4,147,020)
(980,250)	(1,109,653)	(2,256,041)	(1,146,388)	(1,557,900)	51,844	(4,617,923)	(4,669,767)
<u>2,556,087</u>	<u>2,556,087</u>	<u>2,556,087</u>	<u>-</u>	<u>4,627,305</u>	<u>4,627,305</u>	<u>4,627,305</u>	<u>-</u>
<u>\$ 1,575,837</u>	<u>\$ 1,446,434</u>	<u>\$ 300,046</u>	<u>\$ (1,146,388)</u>	<u>\$ 3,069,405</u>	<u>\$ 4,679,149</u>	<u>\$ 9,382</u>	<u>\$ (4,669,767)</u>

(continued)

City of Arcata, California

Statement of Revenues, Expenditures, and Changes in Fund Balances -

Budget to Actual - Major Funds, Continued

For the year ended June 30, 2011

Community Development Agency Debt Service Fund

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes and assessments	\$ 2,110,000	\$ 2,110,000	\$ 2,028,234	\$ (81,766)
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Use of money and property	60,000	60,000	30,408	(29,592)
Charges for services	-	-	-	-
Reimbursements	-	-	-	-
Other revenues	-	-	-	-
Total revenues	2,170,000	2,170,000	2,058,642	(111,358)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	825,500	825,500	508,825	316,675
Interest and fiscal charges	665,250	665,250	659,136	6,114
Total expenditures	1,490,750	1,490,750	1,167,961	322,789
REVENUES OVER (UNDER) EXPENDITURES	679,250	679,250	890,681	211,431
OTHER FINANCING SOURCES (USES):				
Proceeds from sales of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(650,000)	(650,000)	(1,180,277)	(530,277)
Total other financing sources (uses)	(650,000)	(650,000)	(1,180,277)	(530,277)
Net change in fund balances	29,250	29,250	(289,596)	(318,846)
FUND BALANCES:				
Beginning of year	2,327,718	2,327,718	2,327,718	-
End of year	\$ 2,356,968	\$ 2,356,968	\$ 2,038,122	\$ (318,846)

The accompanying notes are an integral part of these basic financial statements.

CDBG Housing Special Revenue Fund				Housing Revolving Special Revenue Fund			
Budgeted Amounts		Variance w/Final		Budgeted Amounts		Variance w/Final	
Original	Final	Actual	Positive (Negative)	Original	Final	Actual	Positive (Negative)
\$		\$		\$		\$	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
180,000	180,000	230,901	50,901	175,000	175,000	105,378	(69,622)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
100,000	100,000	-	(100,000)	150,000	150,000	36,382	(113,618)
280,000	280,000	230,901	(49,099)	325,000	325,000	141,760	(183,240)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
530,500	591,274	37,847	553,427	522,000	528,000	579,916	(51,916)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
530,500	591,274	37,847	553,427	522,000	528,000	579,916	(51,916)
(250,500)	(311,274)	193,054	504,328	(197,000)	(203,000)	(438,156)	(235,156)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(250,500)	(311,274)	193,054	504,328	(197,000)	(203,000)	(438,156)	(235,156)
482,817	482,817	482,817	-	455,427	455,427	455,427	-
\$ 232,317	\$ 171,543	\$ 675,871	\$ 504,328	\$ 258,427	\$ 252,427	\$ 17,271	\$ (235,156)

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ENTERPRISE FUNDS

Fund	Description
Major Funds:	
Water Fund	Accounts for the operation and maintenance of the City's water treatment and distribution system.
Wastewater Fund	Accounts for the operation and maintenance of the City's wastewater treatment plant and collection facilities.
Transit Fund	Accounts for Transportation Development Act revenues restricted for the City's transportation needs and fare revenue for the City's Dial a Ride program.
Solid Waste Fund	Accounts for all activities associated with the operation and maintenance of providing solid waste services.
Stormwater Utility Fund	Accounts for revenues and expenses associated with the administration and coordination of stormwater drainage activities in conjunction with the County of Humboldt.

City of Arcata, California

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Water Fund	Wastewater Fund	Transit Fund
ASSETS			
Current assets:			
Cash and investments	\$ 1,942,120	\$ 898,934	\$ 1,160,777
Receivables:			
Accounts	337,502	339,933	-
Intergovernmental	70,810	103,790	3
Due from other funds	261,934	-	-
Inventory	71,174	14,823	-
Total current assets	2,683,540	1,357,480	1,160,780
Noncurrent assets:			
Prepaid debt issuance costs	12,537	19,255	-
Capital assets, net	3,312,171	8,853,751	1,857,301
Total noncurrent assets	3,324,708	8,873,006	1,857,301
	\$ 6,008,248	\$ 10,230,486	\$ 3,018,081
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 127,906	\$ 83,209	\$ 20,674
Accrued payroll	62,740	68,313	21,168
Due to other funds	-	-	-
Interest payable	-	8,450	-
Deposits payable	167,949	-	-
Compensated absences - current portion	15,121	16,282	4,789
Total current liabilities	373,716	176,254	46,631
Noncurrent liabilities:			
Compensated absences	45,363	48,846	14,365
Due within one year	80,600	111,000	-
Due after one year	909,350	1,605,000	-
Total noncurrent liabilities	1,035,313	1,764,846	14,365
Total liabilities	1,409,029	1,941,100	60,996
Net Assets:			
Invested in capital assets net of related debt	2,402,821	7,248,751	1,857,301
Unrestricted	2,196,398	1,040,635	1,099,784
Total net assets	4,599,219	8,289,386	2,957,085
Total liabilities and net assets	\$ 6,008,248	\$ 10,230,486	\$ 3,018,081

The accompanying notes are an integral part of these basic financial statements.

Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities	
			Internal Service Funds	
\$ 240,443	\$ -	\$ 4,242,274	\$ 1,192,020	
23,364	134,178	834,977	-	
-	321,005	495,608	-	
-	-	261,934	-	
-	4,176	90,173	8,595	
<u>263,807</u>	<u>459,359</u>	<u>5,924,966</u>	<u>1,200,615</u>	
-	-	31,792	-	
<u>15,965</u>	<u>6,114,149</u>	<u>20,153,337</u>	<u>829,274</u>	
<u>15,965</u>	<u>6,114,149</u>	<u>20,185,129</u>	<u>829,274</u>	
<u>\$ 279,772</u>	<u>\$ 6,573,508</u>	<u>\$ 26,110,095</u>	<u>\$ 2,029,889</u>	
\$ 11,097	\$ 101,575	\$ 344,461	\$ 25,208	
8,004	16,128	176,353	15,201	
-	332,802	332,802	-	
-	-	8,450	-	
-	2,400	170,349	-	
<u>2,118</u>	<u>5,066</u>	<u>43,376</u>	<u>4,466</u>	
<u>21,219</u>	<u>457,971</u>	<u>1,075,791</u>	<u>44,875</u>	
6,353	15,201	130,128	13,394	
-	-	191,600	28,390	
-	-	2,514,350	29,884	
<u>6,353</u>	<u>15,201</u>	<u>2,836,078</u>	<u>71,668</u>	
<u>27,572</u>	<u>473,172</u>	<u>3,911,869</u>	<u>116,543</u>	
15,965	6,114,149	17,638,987	817,543	
<u>236,235</u>	<u>(13,813)</u>	<u>4,559,239</u>	<u>1,095,803</u>	
<u>252,200</u>	<u>6,100,336</u>	<u>22,198,226</u>	<u>1,913,346</u>	
<u>\$ 279,772</u>	<u>\$ 6,573,508</u>	<u>\$ 26,110,095</u>	<u>\$ 2,029,889</u>	

City of Arcata, California

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the year ended June 30, 2011

	Water Fund	Wastewater Fund	Transit Fund
OPERATING REVENUES:			
Charges for service	\$ 3,009,150	\$ 3,310,124	\$ 1,098,150
Interdepartmental charges	-	-	-
Other operating revenue	-	3,565	571
Total operating revenues	3,009,150	3,313,689	1,098,721
OPERATING EXPENSES:			
Salaries and benefits	1,237,104	1,336,712	410,649
Contractual services	75,865	441,486	169,630
Materials and supplies	133,771	337,634	15,270
Repairs and maintenance	163,151	110,716	174,490
Purchased water	780,513	-	-
Utilities	63,843	200,625	4,779
Insurance	91,438	91,880	30,066
Taxes and fees	17,916	22,497	324
Allocated overhead	396,290	396,310	72,190
Depreciation	144,796	475,183	204,967
Total operating expenses	3,104,687	3,413,043	1,082,365
OPERATING INCOME	(95,537)	(99,354)	16,356
NONOPERATING REVENUES (EXPENSES):			
Gain (Loss) from the sale of capital assets	-	-	(2,308)
Interest revenue	21,416	-	10,165
Interest expense	(45,050)	(79,477)	-
Total non-operating revenues, net	(23,634)	(79,477)	7,857
NET INCOME BEFORE TRANSFERS	(119,171)	(178,831)	24,213
Transfers in	-	844,205	-
Transfers out	(43,505)	-	(30,000)
Total transfers	(43,505)	844,205	(30,000)
CHANGE IN NET ASSETS	(162,676)	665,374	(5,787)
NET ASSETS:			
Beginning of year	4,761,895	7,624,012	2,962,872
End of year	\$ 4,599,219	\$ 8,289,386	\$ 2,957,085

The accompanying notes are an integral part of these basic financial statements.

Solid Waste Fund	Stormwater		Governmental Activities	
	Utility Fund	Totals	Internal Service Funds	
\$ 339,153	\$ 818,654	\$ 8,575,231	\$ -	
-	-	-	1,053,820	
13,549	7,735	25,420	12,850	
<u>352,702</u>	<u>826,389</u>	<u>8,600,651</u>	<u>1,066,670</u>	
120,639	278,365	3,383,469	302,787	
89,173	89,583	865,737	28,637	
16,846	42,146	545,667	265,199	
1,451	9,169	458,977	21,241	
-	-	780,513	-	
-	137	269,384	-	
3,325	16,626	233,335	49,875	
-	9,800	50,537	26,774	
81,130	87,190	1,033,110	39,010	
8,012	25,056	858,014	247,631	
<u>320,576</u>	<u>558,072</u>	<u>8,478,743</u>	<u>981,154</u>	
<u>32,126</u>	<u>268,317</u>	<u>121,908</u>	<u>85,516</u>	
-	-	(2,308)	11,323	
2,557	-	34,138	11,766	
-	(2,143)	(126,670)	-	
<u>2,557</u>	<u>(2,143)</u>	<u>(94,840)</u>	<u>23,089</u>	
34,683	266,174	27,068	108,605	
-	125,365	969,570	-	
(41,000)	-	(114,505)	(1,000)	
<u>(41,000)</u>	<u>125,365</u>	<u>855,065</u>	<u>(1,000)</u>	
(6,317)	391,539	882,133	107,605	
<u>258,517</u>	<u>5,708,797</u>	<u>21,316,093</u>	<u>1,805,741</u>	
<u>\$ 252,200</u>	<u>\$ 6,100,336</u>	<u>\$ 22,198,226</u>	<u>\$ 1,913,346</u>	

City of Arcata, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2011

	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/users for services provided	\$ 3,036,765	\$ 3,429,279
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(1,749,750)	(1,620,338)
Cash payments to employees for services	(1,219,313)	(1,312,636)
Net cash provided by operating activities	67,702	496,305
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received	43,133	844,207
Transfers paid	(43,505)	-
Net cash used by noncapital financing activities	(372)	844,207
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(17,450)	(912,678)
Principal paid on long term debt	(92,177)	(121,920)
Interest paid on long term debt	(45,050)	(77,929)
Net cash (used) by capital and related financing activities	(154,677)	(1,112,527)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	21,416	-
Net cash provided by investing activities	21,416	-
Net increase (decrease) in cash and cash equivalents	(65,931)	227,985
CASH AND CASH EQUIVALENTS:		
Beginning of year	2,008,051	670,949
End of year	\$ 1,942,120	\$ 898,934
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income	\$ (95,537)	\$ (99,354)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	144,796	475,183
(Increase) decrease in current assets:		
Accounts receivable	(10,268)	11,800
Intergovernmental receivables	70,810	103,790
Inventory	-	-
Increase (decrease) in liabilities:		
Accounts payable	(26,963)	(19,190)
Accrued liabilities	(161)	3,708
Deposits payable	(32,927)	-
Compensated absences	17,952	20,368
Net cash provided by operating activities	\$ 67,702	\$ 496,305

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2011.

The accompanying notes are an integral part of these basic financial statements.

Transit Fund	Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities	
				Internal Service Funds	
\$ 1,146,653	\$ 364,323	\$ 1,143,391	\$ 9,120,411	\$ -	
-	-	-	-	1,066,670	
(471,326)	(196,117)	(625,325)	(4,662,856)	(464,190)	
(409,781)	(115,392)	(273,334)	(3,330,456)	(292,428)	
<u>265,546</u>	<u>52,814</u>	<u>244,732</u>	<u>1,127,099</u>	<u>310,052</u>	
		181,365	1,068,705	-	
(30,000)	(41,000)	-	(114,505)	(1,000)	
<u>(30,000)</u>	<u>(41,000)</u>	<u>181,365</u>	<u>954,200</u>	<u>(1,000)</u>	
(160,544)	-	(424,492)	(1,515,164)	(152,700)	
-	-	-	(214,097)	(29,479)	
-	-	(2,143)	(125,122)	-	
<u>(160,544)</u>	<u>-</u>	<u>(426,635)</u>	<u>(1,854,383)</u>	<u>(182,179)</u>	
10,165	2,557	-	34,138	11,766	
10,165	2,557	-	34,138	11,766	
<u>85,167</u>	<u>14,371</u>	<u>(538)</u>	<u>261,054</u>	<u>138,639</u>	
1,075,610	226,072	538	3,981,220	1,053,381	
<u>\$ 1,160,777</u>	<u>\$ 240,443</u>	<u>\$ -</u>	<u>\$ 4,242,274</u>	<u>\$ 1,192,020</u>	
\$ 16,356	\$ 32,126	\$ 268,317	\$ 121,908	\$ 85,516	
204,967	8,012	25,056	858,014	247,631	
-	11,621	(27,262)	(14,109)	-	
47,932	-	344,264	566,796	-	
-	-	-	-	-	
(4,577)	(4,192)	(370,674)	(425,596)	(33,454)	
(1,411)	2,755	2,843	7,734	20	
-	-	-	(32,927)	-	
<u>2,279</u>	<u>2,492</u>	<u>2,188</u>	<u>45,279</u>	<u>10,339</u>	
<u>\$ 265,546</u>	<u>\$ 52,814</u>	<u>\$ 244,732</u>	<u>\$ 1,127,099</u>	<u>\$ 310,052</u>	

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NOTES TO BASIC FINANCIAL STATEMENTS

**City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2011**

Index to Notes to Basic Financial Statements

	<u>Page</u>
Note 1 - Summary of Significant Accounting Policies	47
Financial Reporting Entity.....	47
Basis of Presentation.....	49
Measurement Focus	51
Basis of Accounting.....	51
Assets, Liabilities, and Equity	52
Revenues, Expenditures, and Expenses.....	57
Budgetary Accounting	58
Note 2 – Cash and Investments	59
Note 3 – Accounts Receivable	63
Note 4 – Loans and Notes Receivable	63
Note 5 – Capital Assets	65
Note 6 – Accounts Payable and Accrued Liabilities	67
Note 7 – Long-term Liabilities	67
Note 8 – Net Assets/Fund Balances	71
Note 9 – Interfund Transactions	74
Note 10 – Risk Management	76
Note 11 – Public Employee Retirement System	78
Plan Description.....	78
Funding Policy.....	78
Note 12 – Other Post-Employment Benefits	78
Note 13 – Commitments and Contingencies	81
Note 14 – New Accounting Pronouncements	81
Note 15 – Subsequent Events	82

City of Arcata, California
Notes to Basic Financial Statements
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Arcata (City) was incorporated in 1858, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public safety (Police), highways and streets, solid waste, storm water utility, public improvements, planning and zoning, and general administration.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Financial Reporting Entity, Continued

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Arcata, Finance Department, 736 F Street, Arcata, CA 95521.

The City's reporting entity includes the following blended component unit:

Arcata Community Development Agency

The Arcata Community Development Agency (Agency) was formed as a separate legal entity under the Community Redevelopment Law. The City Council acts as the governing board of the Agency in concurrent session. The City Manager acts as the Agency's Executive Director. The annual budget is approved by the Agency's Board of Directors. The State's redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area, and the capability to broaden financing capabilities utilizing a variety of public and private sources. The major source of financing to undertake redevelopment is the "tax increment." Tax increment is the additional property taxes that are paid on the value increases of new development or refurbishments within the redevelopment project area. This increment can then be leveraged for financial investments to fund the identified projects. City staff provides management assistance to the Agency. The Agency provides services entirely for the benefit of the City and the governing board consists solely of the members of the City Council. The Agency is treated as a blended component unit. All funds of the Agency have been included in the governmental activities section in the fund financial statements.

The above component unit is included in the City's basic financial statements using the blended method. There are no component units of the City that meet the criteria for discrete presentation.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- Community Development Agency Low/Moderate Income Housing Special Revenue Fund
- Community Development Agency Capital Projects Fund
- Community Development Agency Debt Service Fund
- CDBG Housing Special Revenue Fund
- Housing Revolving Special Revenue Fund

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Project Funds

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Internal Service Funds

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.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net Assets and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net Assets, which serves as an indicator of financial position.

In the fund financial statements, the “current financial resources” measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund equity is classified as net assets.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end, with the exception of grant revenues and Transportation Development Act (TDA) revenues. Grant revenues are considered to be available if collected within 180 days and TDA revenues are considered to be available if collected within 90 days of the end of the current fiscal period.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting, Continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Assets, Liabilities, and Equity

Cash Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money 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 in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, utility user taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, utility user tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements. The City's experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a reservation of fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Capital Assets, Continued

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized, since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	5 – 50 years
Roadway improvements	50 years
Sidewalks, curbs, and gutters	50 years
Storm drain pipes/structures	50 years
Traffic signal devices	5 – 40 years
Landscaping	30 years
Signage	25 years
Leasehold improvements	5 years
Machinery and equipment	3 – 5 years
Vehicles	3 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Compensated Absences

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for up to 40 hours of unused annual leave. However, this is contingent upon the employee using at least 40 hours during the previous year and the employee having a minimum balance of 80 annual leave hours after the payment. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

Deferred and Unearned Revenues

Deferred revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net assets arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

Equity Classification

Government-Wide Statements

Equity is classified as net assets and is displayed in three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net assets* – consists of net assets with constraints placed on the use by external groups such as creditors, grantors, contributors, or bylaws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Equity Classification, Continued

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.

Unassigned Fund Balance –

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenues, Expenditures, and Expenses

Property Tax

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 (County) 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 voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

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

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

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

The County 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. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the City in three installments as follows:

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

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2011. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS

At June 30, 2011, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	Maturities (in years)				Deposits	Fair Market Value
	<1	1 to 3	3 to 5			
<u>Cash equivalents and investments pooled</u>						
Pooled cash, at fair value						
Cash in bank	\$ -	\$ -	\$ -	\$ 6,948,775	\$ 6,948,775	
Petty cash	-	-	-	1,185	1,185	
Total pooled items	-	-	-	6,949,960	6,949,960	
Pooled investments, at fair value						
Interest obligations						
	<u>Par</u>	<u>Rate</u>				
\$ 2,430,000	1.250 - 4.500%	US Treasury Notes	212,311	1,179,810	1,282,190	- 2,674,311
8,790,000	0.375 - 5.375%	Federal Agency Securities	2,030,682	5,248,945	2,510,728	- 9,790,355
1,880,000	1.800 - 2.375%	Corporate notes	1,272,316	645,077	-	- 1,917,393
74,191	0.010%	Money market	74,191	-	-	74,191
State of California Local Agency Investment Fund			2,720,912	-	-	2,720,912
Total pooled investments - interest obligations			6,310,412	7,073,832	3,792,918	- 17,177,162
Total cash equivalents and investments pooled			\$ 6,310,412	\$ 7,073,832	\$ 3,792,918	\$ 24,127,122
<u>Amounts reported in:</u>						
Governmental activities						\$ 16,441,575
Governmental activities - Restricted						3,443,273
Business-type activities						4,242,274
		Total				\$ 24,127,122

Investment Type	Fair Value	Maturity (Years)
U.S. Treasury notes	\$ 1,990,692	3.18
Federal agency securities	7,061,216	2.50
Corporate medium term notes	1,917,393	1.13
Money market funds	43,676	0.00
State investment pool	2,720,912	0.00
Held by bond trustees:		
US. Treasury notes	683,619	1.66
Federal agency securities	2,729,139	1.43
Money market funds	30,515	0.00
Total fair value	\$ 17,177,162	
Portfolio weighted average maturity		1.82

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the City by 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. The 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 of the City’s investment policy. During the year ended June 30, 2011, the City’s permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

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.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

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.

Credit risk – As of June 30, 2011, the City's investments in money market funds were rated AAA by Standard & Poor's and Fitch Ratings, and Aaa by Moody's Investors Service. The State of California Local Agency Investment Fund is not rated.

Concentration of credit risk – The City's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government's total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested 0.76% 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 changes in interest rates.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

Custodial credit risk – deposits. For deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy addresses custodial credit risk, which follows the Government Code.

At June 30, 2011, the carrying amount of the City's deposits was \$6,836,661 and the balances in financial institutions were \$7,089,523. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$6,839,523 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2011, the City's investments were held by the City's custodial agent, but not in the City's name, and were insured up to specified limits by the Securities Investor Protection Corporation (SIPC) and supplemental private insurance up to a limit of \$150 million.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

Investment in LAIF

LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$66,515,727,874 of which the City had a balance of \$2,722,533, which approximated market value and was managed by the State Treasurer. Of the total invested, 99.24% was invested in non-derivative financial products and 0.76% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2011:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities			
Taxes	\$ 356,187	\$ -	\$ 356,187
Interest	379,636	-	379,636
Intergovernmental	2,610,579	-	2,610,579
Other Receivables	67,027	(900)	66,127
	<u>\$ 3,413,429</u>	<u>\$ (900)</u>	<u>\$ 3,412,529</u>
Business-type activities			
Intergovernmental	\$ 495,608	\$ -	\$ 495,608
Other Receivables	1,351,927	(516,950)	834,977
	<u>\$ 1,351,927</u>	<u>\$ (516,950)</u>	<u>\$ 1,330,585</u>

These amounts resulted in the following concentrations in receivables:

Other Governments	73.0%	Financial	8.0%
Individuals/Business	17.6%	Other	1.4%

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

4. LOANS AND NOTES RECEIVABLE

Through the City's various housing rehabilitation funds and first-time home buyer's funds, the City has loaned funds to qualifying individuals and businesses. Interest rates vary depending on the terms of the loan. Interest is accrued on the loans that bear interest.

Loans and notes receivable for the year ended June 30, 2011, consisted of the following:

	<u>Beginning</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>June 30, 2011</u>
Community Development Block Grant	\$ 4,458,185	\$ 75,420	\$ (143,799)	\$ 4,389,806
HOME loans	9,665,116	219,069	(91,906)	9,792,279
Basic business revolving loans	27,865	100,000	(4,186)	123,679
Business loan: Arcata Theatre	310,152	-	(24,306)	285,846
Mobile home park low income housing assistance	374,703	1,249,702	-	1,624,405
First time home buyers	239,316	6,000	(6,099)	239,217
Rehabilitation loans	880,000	-	-	880,000
Total loans/notes receivable	<u>\$ 15,955,337</u>	<u>\$ 1,650,191</u>	<u>\$ (270,296)</u>	<u>\$ 17,335,232</u>

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. LOANS AND NOTES RECEIVABLE, Continued

The following is a summary of the loans and notes receivable outstanding as of June 30, 2011:

Community Development Block Grant – The City participates in a CDBG Revolving loan program. The program is federally funded and provides housing rehabilitation loans to eligible applicants. The City makes loans to resident homeowners who qualify as low income, some of which are deferred and are not repaid until the title to property changes. The balance of these loans at June 30, 2011, was \$3,595,556

HOME Loans – The City participates in a HOME Loan program. The program is federally funded and provides loans for first-time homebuyers to eligible participants. The City makes loans available to resident homeowners who qualify as low income. These loans are deferred and the City maintains an equity sharing agreement with the participant.

Basic Business Revolving Loans – These loans are made from unrestricted program income for the purpose of assisting local business with economic development loans for specifically identified purposes.

Business Loan: Arcata Theatre – During 2008, the City loaned money to the owners of a historic theatre in downtown district for rehabilitation.

Mobile Home Park Low Income Housing Assistance – The City began a program of housing assistance to help low and moderate income individuals with purchases of a mobile home. Qualifying individuals receive down payment assistance with the loan deferred as long as it is an owner-occupied dwelling. Interest and/or principal may be waived if certain terms are met by the borrower.

First-Time Home Buyers – The City maintains loans receivable for Low and Moderate Income Housing. The notes receivable principal balances are recorded in the fund-based statements as loans receivable. Interest on certain loans may be waived by the City if the loan remains outstanding for the full term; therefore, interest income is recorded when received.

Rehabilitation Loan – The City loaned \$880,000 to the Humboldt Bay Housing and Development Corporation for Low and Moderate Income Housing for Janes Creek Meadows. Land purchased by the City was deposited into the Community Land Trust for development purposes. The notes receivable principal balances are recorded in the fund-based statements as loans receivable. Upon development, the principal and interest on the loan may be waived by the City if the loan remains outstanding for the full term and the development is accepted by the City; therefore, interest income is recorded when received.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Governmental activities:</u>					
Nondepreciable assets:					
Land	\$ 11,828,047	\$ 470,977	\$ -	\$ -	\$ 12,299,024
Undergrounding facilities	90,025	-	-	-	90,025
Total nondepreciable assets	11,918,072	470,977	-	-	12,389,049
Depreciable assets:					
Buildings and structures	11,434,854	73,197	-	-	11,508,051
Furniture and equipment	4,023,552	121,592	(24,540)	-	4,120,604
Other improvements	5,835,923	447,684	(1,591,063)	-	4,692,544
Infrastructure	41,748,021	-	(2)	-	41,748,019
Vehicles	3,396,346	164,023	(271,046)	-	3,289,323
Total depreciable assets	66,438,696	806,496	(1,886,651)	-	65,358,541
Total	78,356,768	1,277,473	(1,886,651)	-	77,747,590
Accumulated depreciation:					
Buildings and structures	(5,251,112)	(282,186)	-	-	(5,533,298)
Furniture and equipment	(3,395,780)	(193,058)	30,597	-	(3,558,241)
Other improvements	(2,459,482)	(138,601)	179,323	-	(2,418,760)
Infrastructure	(33,042,568)	(1,068,983)	-	-	(34,111,551)
Vehicles	(2,667,138)	(184,970)	271,045	-	(2,581,063)
Total accumulated depreciation	(46,816,080)	(1,867,798)	480,965	-	(48,202,913)
Net depreciable assets	19,622,616	(1,061,302)	(1,405,686)	-	17,155,628
Total net capital assets	\$ 31,540,688	\$ (590,325)	\$ (1,405,686)	\$ -	\$ 29,544,677

Depreciation expense for capital assets was charged to functions as follows:

General government	\$ 463,197
Public safety	23,832
Public works	61,868
Community development	1,189,926
Parks and recreation	128,975
	\$ 1,867,798

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. CAPITAL ASSETS, Continued

Business-type capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Business-type activities					
Nondepreciable assets:					
Land	\$ 5,647,157	\$ 347,213	\$ -	\$ -	\$ 5,994,370
Total nondepreciable assets	5,647,157	347,213	-	-	5,994,370
Depreciable assets:					
Undergrounding facilities	7,707,688	794,320	-	-	8,502,008
Buildings and structures	9,213,847	-	(221)	-	9,213,626
Furniture and equipment	3,023,768	23,067	-	-	3,046,835
Other improvements	6,066,616	216,248	-	-	6,282,864
Vehicles	2,039,566	141,667	(410,373)	-	1,770,860
Total depreciable assets	28,051,485	1,175,302	(410,594)	-	28,816,193
Total	33,698,642	1,522,515	(410,594)	-	34,810,563
Accumulated depreciation:					
Undergrounding facilities	(3,483,262)	(185,319)	-	-	(3,668,581)
Buildings and structures	(5,200,471)	(240,688)	-	-	(5,441,159)
Furniture and equipment	(2,472,035)	(119,451)	-	-	(2,591,486)
Other improvements	(2,127,450)	(186,512)	-	-	(2,313,962)
Vehicles	(919,871)	(126,044)	403,877	-	(642,038)
Total accumulated depreciation	(14,203,089)	(858,014)	403,877	-	(14,657,226)
Net depreciable assets	13,848,396	317,288	(6,717)	-	14,158,967
Total net capital assets	\$ 19,495,553	\$ 664,501	\$ (6,717)	\$ -	\$ 20,153,337

Depreciation expense for capital assets was charged to functions as follows:

Water	\$ 144,796
Wastewater	475,183
Transit	204,967
Solid Waste	8,012
Stormwater	25,056
	\$ 858,014

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2011:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 1,539,872	\$ 344,461	\$ 1,884,333
Accrued payroll and related liabilities	517,602	176,353	693,955
Total	\$ 2,057,474	\$ 520,814	\$ 2,578,288

These amounts resulted in the following concentrations in payables:

Vendors	73%
Employees	27%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
1994 Loan from the Arcata Joint Powers Financing Authority	\$ 3,065,000	\$ -	\$ (145,000)	\$ 2,920,000	\$ 155,000
2003 Loan from the Arcata Joint Powers Financing Authority	9,145,000	-	(125,000)	9,020,000	130,000
Energy Commission Loan	41,865	-	(11,355)	30,510	11,835
Capital Lease Obligations	85,245	-	(26,971)	58,274	28,390
2008 Municipal Lease - Governmental share	575,050	-	(42,000)	533,050	43,400
Bond premiums	148,761	-	(6,199)	142,562	6,199
Total governmental debt	\$ 13,060,921	\$ -	\$ (356,525)	\$ 12,704,396	\$ 374,824
Compensated absences	375,976	78,167	-	454,143	113,537
Net OPEB obligation	385,152	315,067	(150,065)	550,154	-
Total governmental activities	\$ 13,822,049	\$ 393,234	\$ (506,590)	\$ 13,708,693	\$ 488,361
Business-type activities					
2008 Municipal Lease - Water Enterprise Share	1,067,950	-	(78,000)	989,950	80,600
2008 Municipal Loan	1,823,000	-	(107,000)	1,716,000	111,000
Total business-type activity debt	\$ 2,890,950	\$ -	\$ (185,000)	\$ 2,705,950	\$ 191,600
Compensated absences	157,322	16,182	-	173,504	43,376
Total business-type activities	\$ 3,048,272	\$ 16,182	\$ (185,000)	\$ 2,879,454	\$ 234,976

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM LIABILITIES, Continued

1994 Loan from the Arcata Joint Powers Financing Authority

On March 24, 1994, the City's Joint Powers Financing Authority issued \$7,620,000 of Tax Allocation Revenue Bonds, 1994 Series A, for the purpose of assisting the 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 in which the Agency will repay the debt with tax increment 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 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.

2003 Loan from the Arcata Joint Powers Financing Authority

On December 18, 2003, the City's Joint Powers Financing Authority issued \$9,865,000 of Tax Allocation Revenue Bonds, 2003 Series A, for the purpose of assisting the 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 in which the Agency will repay the debt with tax increment 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 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.

Energy Commission Loan

The California Energy Commission (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, 2011, was \$30,510.

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, 2011, was \$58,274. See *2008 Municipal Lease* for the other capital lease attributable to governmental activities.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM LIABILITIES, Continued

2008 Municipal Lease

On April 22, 2008, the City entered into a lease agreement with Municipal Finance Corporation. The City and the Corporation have agreed to enter into a lease in the principal amount of \$1,894,000 for the purposes of refinancing the 1998 Refunding Certificates of Participation and to lease back the original leased property in the 1998 Refunding Certificates of Participation. The interest rate associated with the lease is 4.25%. Interest is payable semiannually 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, 2011, was \$533,050 for governmental activities and \$989,950 for business-type activities.

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.

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, 2011, was \$1,716,000.

Compensated Absences

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences. Compensated absences had a balance of \$627,647 at June 30, 2011, of that amount \$152,447 is expected to be paid within a year.

Net OPEB Obligation

A net OPEB obligation is the cumulative differences between annual OPEB cost and an employer's contributions to a plan. At June 30, 2011, the City had a Net OPEB Obligation of \$550,154. See Note 12 for further discussion on OPEB.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM LIABILITIES, Continued

Future debt service for Governmental Activities at June 30, 2011, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Governmental Activities						
	1994 Loan from the City of Arcata Joint Powers Financing Authority		2003 Loan from the City of Arcata Joint Powers Financing Authority		Energy Commission Loan		
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 155,000	\$ 170,550	\$ 130,000	\$ 438,099	\$ 11,835	\$ 1,091	
2013	165,000	160,950	130,000	433,711	12,310	617	
2014	175,000	150,750	135,000	428,905	6,365	123	
2015	185,000	139,950	140,000	423,609	-	-	
2016	195,000	128,550	145,000	417,908	-	-	
2017-2021	1,165,000	446,850	840,000	1,988,276	-	-	
2022-2026	880,000	81,300	1,720,000	1,738,187	-	-	
2027-2031	-	-	3,340,000	1,066,197	-	-	
2032-2034	-	-	2,440,000	191,675	-	-	
Total	<u>\$ 2,920,000</u>	<u>\$ 1,278,900</u>	<u>\$ 9,020,000</u>	<u>\$ 7,126,567</u>	<u>\$ 30,510</u>	<u>\$ 1,831</u>	
Due within one year	\$ 155,000	\$ 170,550	\$ 130,000	\$ 438,099	\$ 11,835	\$ 1,091	
Due after one year	<u>2,765,000</u>	<u>1,108,350</u>	<u>8,890,000</u>	<u>6,688,468</u>	<u>18,675</u>	<u>740</u>	
Total	<u>\$ 2,920,000</u>	<u>\$ 1,278,900</u>	<u>\$ 9,020,000</u>	<u>\$ 7,126,567</u>	<u>\$ 30,510</u>	<u>\$ 1,831</u>	
Capital Lease Obligations							
	2008 Municipal Lease - Governmental Share				Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 28,390	\$ 3,059	\$ 43,400	\$ 22,654	\$ 368,625	\$ 635,453	
2013	29,884	1,569	46,550	20,810	383,744	617,657	
2014	-	-	47,950	18,832	364,315	598,610	
2015	-	-	49,000	16,794	374,000	580,353	
2016	-	-	51,800	14,711	391,800	561,169	
2017-2021	-	-	294,350	38,645	2,299,350	2,473,771	
2022-2026	-	-	-	-	2,600,000	1,819,487	
2027-2031	-	-	-	-	3,340,000	1,066,197	
2032-2034	-	-	-	-	2,440,000	191,675	
Total	<u>\$ 58,274</u>	<u>\$ 4,628</u>	<u>\$ 533,050</u>	<u>\$ 132,446</u>	<u>\$ 12,561,834</u>	<u>\$ 8,544,372</u>	
Due within one year	\$ 28,390	\$ 3,059	\$ 43,400	\$ 22,654	\$ 368,625	\$ 635,453	
Due after one year	<u>29,884</u>	<u>1,569</u>	<u>489,650</u>	<u>109,792</u>	<u>12,193,209</u>	<u>7,908,919</u>	
Total	<u>\$ 58,274</u>	<u>\$ 4,628</u>	<u>\$ 533,050</u>	<u>\$ 132,446</u>	<u>\$ 12,561,834</u>	<u>\$ 8,544,372</u>	

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. LONG-TERM LIABILITIES, Continued

Future debt service for Business-type Activities at June 30, 2011, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Business Type Activities						
	2008 Municipal Lease - Water Enterprise share		2008 Municipal Loan			Total	
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 80,600	\$ 42,073	\$ 111,000	\$ 71,402	\$ 191,600	\$ 113,475	
2013	86,450	38,648	119,000	66,457	205,450	105,105	
2014	89,050	34,974	123,000	61,254	212,050	96,228	
2015	91,000	31,188	126,000	55,900	217,000	87,088	
2016-2020	525,200	94,091	724,000	190,791	1,249,200	284,882	
2021-2023	117,650	5,000	513,000	33,604	630,650	38,604	
Total	<u>\$ 989,950</u>	<u>\$ 245,974</u>	<u>\$ 1,716,000</u>	<u>\$ 479,408</u>	<u>\$ 2,705,950</u>	<u>\$ 725,382</u>	
Due within one year	\$ 80,600	\$ 42,073	\$ 111,000	\$ 71,402	\$ 191,600	\$ 113,475	
Due after one year	909,350	203,901	1,605,000	408,006	2,514,350	611,907	
Total	<u>\$ 989,950</u>	<u>\$ 245,974</u>	<u>\$ 1,716,000</u>	<u>\$ 479,408</u>	<u>\$ 2,705,950</u>	<u>\$ 725,382</u>	

8. NET ASSETS/ FUND BALANCES

Net Assets

	Governmental Activities	Business-type Activities	Total
Invested in Capital Assets, net of related debt	\$ 16,882,913	\$ 17,638,987	\$ 34,521,900
Restricted	6,111,033	-	6,111,033
Unrestricted	<u>31,177,330</u>	<u>4,559,239</u>	<u>35,736,569</u>
Total	<u>\$ 54,171,276</u>	<u>\$ 22,198,226</u>	<u>\$ 76,369,502</u>

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. NET ASSETS/ FUND BALANCES, Continued

Fund Balance

Nonspendable and Restricted fund balance consisted of the following at June 30, 2011:

Nonspendable:		
Inventory	\$	7,938
Total Nonspendable	\$	7,938
Restricted:		
Redevelopment	\$	309,428
Debt Service		2,038,122
Housing		693,142
Traffic Safety		120,033
Gas Tax		1,074,755
Federal Grants		1,875,553
Total Restricted	\$	6,111,033

The following describe the purpose of each nonspendable, restricted, and committed category used by the City:

Nonspendable

- **Inventory** – represents nonspendable amounts classified as inventory.

Restricted

- **Redevelopment** – represents amounts restricted for redevelopment activities as required by the California Health and Safety Code.
- **Debt Service** – represents restricted amounts accumulated to pay debt service on obligations as provided by debt official statements.
- **Housing** – represents amounts restricted for the City's HOME revolving loan program and other housing activities as these programs are supported by specific grants requiring the restriction.
- **Traffic Safety** – represents restricted revenue received for the City's programs associated with the maintenance of equipment and supplies for traffic law enforcement and traffic accident prevention as provided by Office of Traffic Safety grant provisions.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. NET ASSETS/ FUND BALANCES, Continued

Restricted, Continued

- **Gas Tax** – represents amounts restricted for street maintenance purposes as defined in Sections 2105, 2106, 2107 and 2107.5 of the Streets and Highway Code.
- **Federal Grants** – represents restricted amounts received from Federal Grants for various city programs.

Fund Balance Deficits

Deficit fund balances consisted of the following:

Nonmajor Special Revenue Funds:

Community Development Agency Administration	\$ (170,078)
HUD Block Grant	(16,342)

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

Excess of Expenditures and Transfers over Appropriations:

Expenditures and transfers exceeded appropriations for the year ended June 30, 2011, for the following funds:

Fund	Final Appropriations	Expenditures and Transfers	Excess
<u>Major Governmental Funds</u>			
Community Development Agency			
Capital Projects	\$ 238,156	\$ 4,680,807	\$ (4,442,651)
Debt Service	2,140,750	2,348,238	(207,488)
Housing Revolving Special Revenue	528,000	579,916	(51,916)
<u>Nonmajor Funds</u>			
<u>Special Revenue Funds:</u>			
Community Development Agency Administration	1,285,995	1,482,179	(196,184)
Gas Tax 2106	75,000	76,209	(1,209)
FEMA/OES Grants	-	947,231	(947,231)

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. INTERFUND TRANSACTIONS

Due to and from balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Due to and due from other funds consisted of the following as of June 30, 2011:

	Due from Other Funds	Due to Other Funds
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 829,264	\$ 208,396
CDA Debt Service	-	550,000
CDBG Housing Revolving Loan	123,403	-
Housing Revolving	72,407	-
Total Major Funds	1,025,074	758,396
Nonmajor Funds:		
Gas Tax 2107 and 2107.5	315,648	-
HUD Block Grant	-	123,403
HOME Grants	-	72,407
ARRA	-	315,648
Total Nonmajor Funds	315,648	511,458
Total Governmental Funds	1,340,722	1,269,854
<u>Proprietary Funds</u>		
Major Enterprise Funds:		
Water	261,934	-
Stormwater	-	332,802
Major Enterprise Funds	261,934	332,802
Total	\$ 1,602,656	\$ 1,602,656

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. INTERFUND TRANSACTIONS, Continued

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers consisted of the following at June 30, 2011:

	Transfers In	Transfers Out
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 6,000	\$ 243,534
Community Development Housing Set Aside	-	1,491,273
Community Development Agency Capital Projects	-	4,172,020
Community Development Agency Debt Service	-	1,180,277
Total Major Funds	6,000	7,087,104
Non-major Funds:		
Special Revenue Funds:		
Forrest Management	1,865	-
Gas Tax 2106	-	76,209
Gas Tax 2107 and 2107.5	630,961	4,000
Traffic Safety	44,452	-
Industrial Park	-	2,500
Gas Tax 2105	-	91,104
FEMA/OES	-	947,231
Housing Improvement Projects	1,495,841	-
Public Improvement Projects	4,697,729	-
Janes Creek Meadows	-	18,500
Windsong	-	24,000
Community Development Agency Adimistration	650,000	-
Capital Projects Funds:		
City Capital Projects	-	130,265
Total Non-major Special Revenue Funds	7,520,848	1,293,809
Total Governmental Funds	7,526,848	8,380,913
<u>Proprietary Funds</u>		
Internal Service Fund:		
Information Technology	-	1,000
Major Enterprise Funds		
Water	-	43,505
Wastewater	844,205	-
Transit	-	30,000
Solid Waste	-	41,000
Stormwater	125,365	-
Total Proprietary Funds	969,570	115,505
Total Transfers	\$ 8,496,418	\$ 8,496,418

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. INTERFUND TRANSACTIONS, Continued

Transfers were made from the Community Development Agency to the Housing Improvement Projects and Public Improvement Projects Funds to account for monies granted by the Agency to the City for specific projects.

The Wastewater Fund transfer in was to provide resources recorded in other funds to wastewater projects.

Other Special Revenue and Capital Projects Funds transfers out were to fund various programs and projects expended out of other funds.

On March 9, 2011, in anticipation to the emergency measure signed by the governor described in Note 15, the Community Development Agency (Agency) and the City of Arcata (City) entered into a contract for the City to adopt the Agency's redevelopment plans for the purpose of economic development, including the elimination of blight. As stated in the agreement, the City agrees to make all findings as required by the Health and Safety Code Section 33445 that: (1) the specific improvement project is of benefit to the Project Area by helping to eliminate blight within the Project Area or providing housing for low- or moderate-income persons; (2) no other reasonable means of financing the specific improvement project is available to the community; and (3) the payment of funds for the specific improvement project is consistent with the Agency's Implementation Plan. In order for the City to carry out redevelopment activities, the Agency transferred various assets to the City, including all funds currently held by the Agency and not previously budgeted or appropriated for other activities, projects, or programs. Transferred assets include: \$6,181,071 in cash and investments, \$1,254,703 in loans receivable, and \$5,665,826 in capital assets.

10. RISK MANAGEMENT

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

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

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

10. RISK MANAGEMENT, Continued

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.

Workers' Compensation

Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City 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, 2011:

Total assets	\$ 17,941,577
Total liabilities	(14,408,878)
Members' equity	<u>\$ 3,532,699</u>
Total revenue	\$ 9,159,160
Total expense	(10,976,106)
Operating income (loss)	<u>\$ (1,816,946)</u>

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Description

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

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 20.15% for nonsafety employees and 30.54% 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 2009, 2010, and 2011, the City's annual pension costs of \$1,250,508, \$1,432,227, and \$1,578,207, 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.

12. OTHER POST EMPLOYMENT BENEFITS

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 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.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

12. OTHER POST EMPLOYMENT BENEFITS, Continued

Funding Policy

The City's policy is to contribute an amount sufficient to pay the current year's premium. For fiscal year 2010-11, the City contributed \$150,065, which covered current premiums, but did not include any additional prefunding of benefits. Currently, there are 15 retirees who are receiving benefits.

Annual OPEB Cost 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	\$315,067
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	\$315,067
Contributions made	(150,065)
Benefit payments made outside of trust	(-)
Increase in net OPEB obligation	\$165,002
Net OPEB obligation – beginning of year	385,152
Net OPEB obligation – end of year	<u>\$550,154</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, 2011 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$ 237,714	39%	\$ 270,169
6/30/10	237,714	52%	385,152
6/30/11	315,067	48%	550,154

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

12. OTHER POST EMPLOYMENT BENEFITS, Continued

Funded Status and Funding Progress.

The funded status of the Plan as of February, 2011, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 2,483,585
Actuarial value of Plan assets	<hr/> -
Unfunded actuarial accrued liability (UAAL)	\$ 2,483,585
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll (active Plan participants)	\$ 6,764,536
UAAL as a percentage of covered payroll	37%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 participants) 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 participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2011, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a five percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of three percent, and an annual healthcare cost trend rate of four 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, 2011, was thirty years.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

13. 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.

Commitments

The City had no significant unexpended contractual commitments as of June 30, 2011.

14. NEW ACCOUNTING PRONOUNCEMENTS

Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The City implemented this Statement in fiscal year 2010-11.

Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, issued in December 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The provisions of this Statement related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Implementation of GASB Statement No. 57 will not have an impact on the City's financial statements for the fiscal year ended June 30, 2012.

Statement No. 59 – Financial Instruments Omnibus, issued in June 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. The City implemented this statement in the 2010-11 fiscal year.

City of Arcata, California
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

15. SUBSEQUENT EVENTS

On June 29, 2011, the Governor signed an emergency measure (AB 26X) that eliminates Redevelopment Agencies in the State of California as they currently operate. The measure was challenged in the California Supreme Court with a decision issued on December 29, 2011, finding that the State has the authority to dissolve Redevelopment Agencies but does not have authority to condition their continued existence on required payments. The City has been appointed as the successor Agency to the Community Development Agency and has filed a Recognized Obligation Payment Schedule (ROPS) with the State on March 1, 2012.

City of Arcata, California
Required Supplementary Information
For the year ended June 30, 2011

Required Supplementary Information
Other Postemployment Benefits
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2/1/2008	\$ -	\$ 2,293,829	\$ 2,293,829	0.0%	\$ 5,391,561	42.5%
2/1/2011	\$ -	\$ 2,483,585	\$ 2,483,585	0.0%	\$ 6,764,536	36.7%

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NON-MAJOR GOVERNMENTAL FUNDS

Fund Type	Description
Special Revenue	These funds account for restricted revenues (for specified purposes).
City Capital Projects Fund	This fund accounts for construction or acquisition of governmental capital assets (capital outlay).

City of Arcata, California
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Governmental Funds			Non-Major Funds Totals
	Special Revenue Funds	City Capital Projects Fund		
ASSETS				
Cash and investments	\$ 7,503,226	\$ 467,552	\$ 7,970,778	
Restricted cash and investments	2,481,238	-	2,481,238	
Receivables:				
Intergovernmental	1,527,993	-	1,527,993	
Loans/Notes receivable	3,153,145	-	3,153,145	
Other receivable	16,936	-	16,936	
Due from other funds	315,648	-	315,648	
Inventory	122,356	-	122,356	
Advances to other funds	-	-	-	
Total assets	\$ 15,120,542	\$ 467,552	\$ 15,588,094	
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 459,757	\$ -	\$ 459,757	
Due to other funds	511,458	-	511,458	
Deposits Payable	17,998	-	17,998	
Deferred revenue	3,153,146	-	3,153,146	
Compensated absences	-	-	-	
Total liabilities	4,142,359	-	4,142,359	
Fund Balances:				
Nonspendable	2,323	-	2,323	
Restricted	3,070,341	-	3,070,341	
Assigned	8,091,939	467,552	8,559,491	
Unassigned (deficit)	(186,420)	-	(186,420)	
Total fund balances	10,978,183	467,552	11,445,735	
Total liabilities and fund balances	\$ 15,120,542	\$ 467,552	\$ 15,588,094	

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the year ended June 30, 2011

	Governmental Funds		
	Special Revenue Funds	City Capital Projects Fund	Non-Major Funds Totals
REVENUES:			
Taxes and assessments	\$ 30,902	\$ -	\$ 30,902
Licenses and permits	5,272	-	5,272
Fines and forfeitures	93,673	-	93,673
Intergovernmental	3,039,605	-	3,039,605
Use of money and property	346,419	5,038	351,457
Reimbursements	11,306	-	11,306
Other revenues	454,013	80,557	534,570
Total revenues	3,981,190	85,595	4,066,785
EXPENDITURES:			
Current:			
General government	374,198	-	374,198
Public safety	312,157	-	312,157
Public works	766,026	-	766,026
Community development	1,090,062	-	1,090,062
Parks and recreation	234,577	-	234,577
Capital outlay	944,436	-	944,436
Total expenditures	3,721,456	-	3,721,456
REVENUES OVER (UNDER) EXPENDITURES	259,734	85,595	345,329
OTHER FINANCING SOURCES (USES):			
Transfers in	7,520,848	-	7,520,848
Transfers out	(1,163,544)	(130,265)	(1,293,809)
Total other financing sources (uses)	6,357,304	(130,265)	6,227,039
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	6,617,038	(44,670)	6,572,368
RESIDUAL EQUITY TRANSFERS IN	-	-	-
FUND BALANCES:			
Beginning of year	4,361,145	512,222	4,873,367
End of year	\$ 10,978,183	\$ 467,552	\$ 11,445,735

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NON-MAJOR SPECIAL REVENUE FUNDS

Fund	Description
Community Development Agency Administration	Accounts for funds received and expended for Community Development Agency administration.
Forest Management	Accounts for funds received and expended for the City's forest management programs.
Traffic Safety	Accounts for revenue received for the City's programs associated with the maintenance of equipment and supplies for traffic law enforcement and traffic accident prevention.
Industrial Park	Accounts for revenues received for the maintenance and rehabilitation of the industrial park.
Basic Business Loan Revolving	Accounts for the City's business loan program.
STIP	Accounts for funds received and expended for the State Transportation Improvement Program.
Gas Tax Funds:	
2105	Accounts for funds received and expended for street maintenance purposes as defined in Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highway Code.
2106	
2107 & 2107.5	
Federal Grant Funds:	
HUD Block Grant	Accounts for activities related to housing and the related Community Development Block Grant funding.
ISTEA	Accounts for activities related to streets and the related Intermodal Surface Transportation Efficiency Act funding.
FEMA/OES	Accounts for revenues and expenditures associated with grants provided from the Federal Emergency Management Agency and Office of Emergency Services.
COPS	Accounts for revenues and expenditures associated with community policing grants.
HOME Grants	Accounts for activities related to housing and the related Home Program funding.

(continued)

NON-MAJOR SPECIAL REVENUE FUNDS, Continued

Fund	Description
ARRA	Accounts for revenues and expenditures associated with the American Recovery and Reinvestment Act Grant.
In Lieu Fee Funds:	
Parkland	Accounts for revenues and expenditures associated with the parkland maintenance.
Parking	Accounts for revenues and expenditures associated with downtown parking programs.
Assessment Districts:	
Curtis Heights	Accounts for funds collected for the assessment districts shown within the City limits for which the City is obligated to maintain.
Janes Creek Meadows	
Windsong	

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City of Arcata, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	Community Development	Forest Management	Traffic Safety	Industrial Park	Basic Business Loan Revolving
	Agency Administration				
ASSETS					
Cash and investments	\$ (146,076)	\$ 144,433	\$ 142,867	\$ 581,228	\$ 588,337
Restricted cash and investments	-	-	-	-	-
Receivables:					
Intergovernmental	-	-	16,089	-	-
Loans/Notes receivable	-	-	-	-	3,153,145
Other receivable	-	-	-	-	16,936
Due from other funds	-	-	-	-	-
Inventory	-	-	120,033	-	-
Total assets	\$ (146,076)	\$ 144,433	\$ 278,989	\$ 581,228	\$ 3,758,418
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 24,002	\$ 8,406	\$ 6,551	\$ 6,568	\$ 515
Due to other funds	-	-	-	-	-
Deposits payable	-	-	-	11,698	-
Deferred revenue	-	-	-	-	3,153,146
Total liabilities	24,002	8,406	6,551	18,266	3,153,661
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	120,033	-	-
Assigned	-	136,027	152,405	562,962	604,757
Unassigned (deficit)	(170,078)	-	-	-	-
Total fund balances	(170,078)	136,027	272,438	562,962	604,757
Total liabilities and fund balances	\$ (146,076)	\$ 144,433	\$ 278,989	\$ 581,228	\$ 3,758,418

STIP	Housing Improvement Projects	Public Improvement Program	Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ 14,004	\$ 1,809,466	\$ 2,160,183 2,481,238	\$ 773,186	\$ 939,794	\$ 466,927	\$ 28,877	\$ 7,503,226 2,481,238
-	-	-	56,171	1,455,252	-	481	1,527,993
-	-	-	-	-	-	-	3,153,145
-	-	-	-	-	-	-	16,936
-	-	-	315,648	-	-	-	315,648
-	-	-	2,323	-	-	-	122,356
\$ 14,004	\$ 1,809,466	\$ 4,641,421	\$ 1,147,328	\$ 2,395,046	\$ 466,927	\$ 29,358	\$ 15,120,542
\$ -	\$ 312,970	\$ 12,418	\$ 63,950	\$ 24,377	\$ -	\$ -	\$ 459,757
-	-	-	-	511,458	-	-	511,458
-	-	-	6,300	-	-	-	17,998
-	-	-	-	-	-	-	3,153,146
-	312,970	12,418	70,250	535,835	-	-	4,142,359
-	-	-	2,323	-	-	-	2,323
-	-	-	1,074,755	1,875,553	-	-	3,070,341
14,004	1,496,496	4,629,003	-	-	466,927	29,358	8,091,939
-	-	-	-	(16,342)	-	-	(186,420)
14,004	1,496,496	4,629,003	1,077,078	1,859,211	466,927	29,358	10,978,183
\$ 14,004	\$ 1,809,466	\$ 4,641,421	\$ 1,147,328	\$ 2,395,046	\$ 466,927	\$ 29,358	\$ 15,120,542

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the year ended June 30, 2011

	Community Development Agency Administration	Forest Management	Traffic Safety	Industrial Park	Basic Business Loan Revolving
REVENUES:					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	93,673	-	-
Intergovernmental	-	350,000	-	-	-
Use of money and property	329	1,977	1,508	150,023	111,026
Reimbursements	-	-	-	-	-
Other revenues	-	452,699	1,314	-	-
Total revenues	329	804,676	96,495	150,023	111,026
EXPENDITURES:					
Current:					
General government	374,198	-	-	-	-
Public safety	-	-	160,512	-	-
Public works	-	-	-	-	-
Community development	457,981	-	-	104,438	102,869
Parks and recreation	-	234,356	-	-	-
Capital outlay	-	423,837	-	73,205	-
Total expenditures	832,179	658,193	160,512	177,643	102,869
REVENUES OVER (UNDER) EXPENDITURES	(831,850)	146,483	(64,017)	(27,620)	8,157
OTHER FINANCING SOURCES (USES):					
Transfers in	650,000	1,865	44,452	-	-
Transfers out	-	-	-	(2,500)	-
Total other financing sources and uses	650,000	1,865	44,452	(2,500)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(181,850)	148,348	(19,565)	(30,120)	8,157
FUND BALANCES (DEFICITS):					
Beginning of year	11,772	(12,321)	292,003	593,082	596,600
End of year	<u>\$ (170,078)</u>	<u>\$ 136,027</u>	<u>\$ 272,438</u>	<u>\$ 562,962</u>	<u>\$ 604,757</u>

STIP	Housing Improvement Projects	Public Improvement Program	Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,902	\$ 30,902
-	-	-	-	-	5,272	-	5,272
-	-	-	-	-	-	-	93,673
-	-	-	828,045	1,861,560	-	-	3,039,605
-	655	52,869	6,440	16,370	4,870	352	346,419
-	-	-	11,306	-	-	-	11,306
-	-	-	-	-	-	-	454,013
-	655	52,869	845,791	1,877,930	10,142	31,254	3,981,190
<hr/>							
-	-	-	-	-	-	-	374,198
-	-	-	-	151,645	-	-	312,157
-	-	-	765,792	234	-	-	766,026
-	-	121,595	-	303,179	-	-	1,090,062
-	-	-	-	-	-	221	234,577
-	-	-	47,906	397,059	2,429	-	944,436
-	-	121,595	813,698	852,117	2,429	221	3,721,456
-	655	(68,726)	32,093	1,025,813	7,713	31,033	259,734
<hr/>							
-	1,495,841	4,697,729	630,961	-	-	-	7,520,848
-	-	-	(171,313)	(947,231)	-	(42,500)	(1,163,544)
-	1,495,841	4,697,729	459,648	(947,231)	-	(42,500)	6,357,304
<hr/>							
-	1,496,496	4,629,003	491,741	78,582	7,713	(11,467)	6,617,038
<hr/>							
14,004	-	-	585,337	1,780,629	459,214	40,825	4,361,145
\$ 14,004	\$ 1,496,496	\$ 4,629,003	\$ 1,077,078	\$ 1,859,211	\$ 466,927	\$ 29,358	\$ 10,978,183

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Community Development Agency Administration Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 329	\$ (1,671)
Total revenues	2,000	2,000	329	(1,671)
EXPENDITURES:				
Current:				
General government	389,850	390,690	374,198	16,492
Community development	243,225	245,305	457,981	(212,676)
Total expenditures	633,075	635,995	832,179	(196,184)
REVENUES OVER (UNDER) EXPENDITURES	(631,075)	(633,995)	(831,850)	(197,855)
OTHER FINANCING SOURCES (USES):				
Transfers in	650,000	650,000	650,000	-
Total other financing sources (uses)	650,000	650,000	650,000	-
Net change in fund balances	18,925	16,005	(181,850)	(197,855)
FUND BALANCES:				
Beginning of year	11,772	11,772	11,772	-
End of year	\$ 30,697	\$ 27,777	\$ (170,078)	\$ (197,855)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Forest Management Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ -	\$ 350,000	\$ 350,000	\$ -
Use of money and property	500	500	1,977	1,477
Other revenues	300,500	445,992	452,699	6,707
Total revenues	301,000	796,492	804,676	8,184
EXPENDITURES:				
Current:				
Parks and recreation	281,530	298,330	234,356	63,974
Capital outlay	4,000	424,492	423,837	655
Total expenditures	285,530	722,822	658,193	64,629
REVENUES OVER (UNDER) EXPENDITURES				
	15,470	73,670	146,483	72,813
OTHER FINANCING SOURCES (USES):				
Transfers in	-	50,000	1,865	(48,135)
Total other financing sources (uses)	-	50,000	1,865	(48,135)
Net change in fund balances	15,470	123,670	148,348	24,678
FUND BALANCES (DEFICIT):				
Beginning of year	(12,321)	(12,321)	(12,321)	-
End of year	\$ 3,149	\$ 111,349	\$ 136,027	\$ 24,678

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Traffic Safety Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Fines and forfeitures	\$ 80,000	\$ 80,000	\$ 93,673	\$ 13,673	
Use of money and property	1,000	1,000	1,508	508	
Total revenues	81,000	81,000	96,495		15,495
EXPENDITURES:					
Current:					
Public safety	175,952	194,840	160,512		34,328
Total expenditures	175,952	194,840	160,512		34,328
REVENUES OVER (UNDER) EXPENDITURES	(94,952)	(113,840)	(64,017)		49,823
OTHER FINANCING SOURCES (USES):					
Transfers in	44,452	44,452	44,452		-
Total other financing sources (uses)	44,452	44,452	44,452		-
Net change in fund balances	(50,500)	(69,388)	(19,565)		49,823
FUND BALANCES:					
Beginning of year	292,003	292,003	292,003		-
End of year	\$ 241,503	\$ 222,615	\$ 272,438		\$ 49,823

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Industrial Park Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ 167,500	\$ 178,500	\$ 150,023	\$ (28,477)
Total revenues	167,500	178,500	150,023	(28,477)
EXPENDITURES:				
Current:				
Community development	94,000	134,000	104,438	29,562
Capital outlay	150,000	150,000	73,205	76,795
Total expenditures	244,000	284,000	177,643	106,357
REVENUES OVER (UNDER) EXPENDITURES	(76,500)	(105,500)	(27,620)	77,880
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,500)	(2,500)	(2,500)	-
Total other financing sources (uses)	(2,500)	(2,500)	(2,500)	-
Net change in fund balances	(79,000)	(108,000)	(30,120)	77,880
FUND BALANCES (DEFICIT):				
Beginning of year	593,082	593,082	593,082	-
End of year	\$ 514,082	\$ 485,082	\$ 562,962	\$ 77,880

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Basic Business Loan Revolving Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Use of money and property	\$ 15,000	\$ 15,000	\$ 111,026	\$ 96,026	
Total revenues	15,000	15,000	111,026	96,026	
EXPENDITURES:					
Current:					
Community development	17,000	117,000	102,869	14,131	
Total expenditures	17,000	117,000	102,869	14,131	
REVENUES OVER (UNDER) EXPENDITURES	(2,000)	(102,000)	8,157	110,157	
Net change in fund balances	(2,000)	(102,000)	8,157	110,157	
FUND BALANCES (DEFICIT):					
Beginning of year	596,600	596,600	596,600		-
End of year	\$ 594,600	\$ 494,600	\$ 604,757	\$ 110,157	

City of Arcata, California**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual****STIP Special Revenue Fund****For the year ended June 30, 2011**

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 110,000	\$ 110,000	\$ -	\$ (110,000)
Total revenues	110,000	110,000	-	(110,000)
EXPENDITURES:				
Current:				
Capital outlay	110,000	110,000	-	110,000
Total expenditures	110,000	110,000	-	110,000
REVENUES OVER (UNDER) EXPENDITURES				
Net change in fund balances	-	-	-	-
FUND BALANCES (DEFICIT):				
Beginning of year	14,004	14,004	14,004	-
End of year	\$ 14,004	\$ 14,004	\$ 14,004	\$ -

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Public Improvement Programs Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 52,869	\$ 52,869
Total revenues	-	-	52,869	52,869
EXPENDITURES:				
Current:				
Community development	-	1,630,496	121,595	1,508,901
Total expenditures	-	1,630,496	121,595	1,508,901
REVENUES OVER (UNDER) EXPENDITURES	-	(1,630,496)	(68,726)	1,561,770
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	4,697,729	4,697,729
Total other financing sources (uses)	-	-	4,697,729	4,697,729
Net change in fund balances	-	(1,630,496)	4,629,003	6,259,499
FUND BALANCES (DEFICIT):				
Beginning of year	-	-	-	-
End of year	\$ -	\$ (1,630,496)	\$ 4,629,003	\$ 6,259,499

City of Arcata, California
Combining Balance Sheet
Gas Tax Special Revenue Funds
June 30, 2011

	2105	2106	2107 & 2107.5	Totals
ASSETS				
Cash and investments	\$ -	\$ -	\$ 773,186	\$ 773,186
Receivables:				
Intergovernmental	8,185	6,814	41,172	56,171
Due from other funds	-	-	315,648	315,648
Inventory	-	-	2,323	2,323
Total assets	\$ 8,185	\$ 6,814	\$ 1,132,329	\$ 1,147,328
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 63,950	\$ 63,950
Deposits payable	-	-	6,300	6,300
Total liabilities	-	-	70,250	70,250
Fund Balances:				
Nonspendable	-	-	2,323	2,323
Restricted	8,185	6,814	1,059,756	1,074,755
Total fund balances	8,185	6,814	1,062,079	1,077,078
Total liabilities and fund balances	\$ 8,185	\$ 6,814	\$ 1,132,329	\$ 1,147,328

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Gas Tax Special Revenue Funds
For the year ended June 30, 2011

	2105	2106	2107.5	Totals
REVENUES:				
Intergovernmental	\$ 90,870	\$ 76,238	\$ 660,937	\$ 828,045
Use of money and property	-	-	6,440	6,440
Reimbursements	-	-	11,306	11,306
Total revenues	90,870	76,238	678,683	845,791
EXPENDITURES:				
Current:				
Public works	-	-	765,792	765,792
Capital outlay	-	-	47,906	47,906
Total expenditures	-	-	813,698	813,698
REVENUES OVER (UNDER) EXPENDITURES	90,870	76,238	(135,015)	32,093
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	630,961	630,961
Transfers out	(91,104)	(76,209)	(4,000)	(171,313)
Total other financing sources and uses	(91,104)	(76,209)	626,961	459,648
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(234)	29	491,946	491,741
FUND BALANCES:				
Beginning of year	8,419	6,785	570,133	585,337
End of year	\$ 8,185	\$ 6,814	\$ 1,062,079	\$ 1,077,078

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax 2105 Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 90,870	\$ (9,130)
Total revenues	100,000	100,000	90,870	(9,130)
EXPENDITURES:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	100,000	100,000	90,870	(9,130)
OTHER FINANCING SOURCES (USES):				
Transfers out	(100,000)	(100,000)	(91,104)	8,896
Total other financing sources (uses)	(100,000)	(100,000)	(91,104)	8,896
Net change in fund balances	-	-	(234)	(234)
FUND BALANCES:				
Beginning of year	8,419	8,419	8,419	-
End of year	\$ 8,419	\$ 8,419	\$ 8,185	\$ (234)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax 2106 Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 76,238	\$ 1,238
Total revenues	75,000	75,000	76,238	1,238
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	75,000	75,000	76,238	1,238
OTHER FINANCING SOURCES (USES):				
Transfers out	(75,000)	(75,000)	(76,209)	(1,209)
Total other financing sources (uses)	(75,000)	(75,000)	(76,209)	(1,209)
Net change in fund balances	-	-	29	29
FUND BALANCES:				
Beginning of year	6,785	6,785	6,785	-
End of year	\$ 6,785	\$ 6,785	\$ 6,814	\$ 29

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax 2107 & 2107.5 Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Intergovernmental	\$ 254,000	\$ 432,000	\$ 660,937	\$ 228,937	
Use of money and property	15,000	15,000	6,440	(8,560)	
Reimbursements	2,500	2,500	11,306	8,806	
Total revenues	271,500	449,500	678,683	229,183	
EXPENDITURES:					
Current:					
Public works	752,337	792,337	765,792	26,545	
Capital outlay	345,000	483,000	47,906	435,094	
Total expenditures	1,097,337	1,275,337	813,698	461,639	
REVENUES OVER (UNDER) EXPENDITURES	(825,837)	(825,837)	(135,015)	690,822	
OTHER FINANCING SOURCES (USES):					
Transfers in	709,837	709,837	630,961	(78,876)	
Transfers out	(4,000)	(4,000)	(4,000)	-	
Total other financing sources (uses)	705,837	705,837	626,961	(78,876)	
Net change in fund balances	(120,000)	(120,000)	491,946	611,946	
FUND BALANCES:					
Beginning of year	570,133	570,133	570,133	-	
End of year	\$ 450,133	\$ 450,133	\$ 1,062,079	\$ 611,946	

City of Arcata, California
Combining Balance Sheet
Federal Grant Special Revenue Funds
June 30, 2011

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
ASSETS				
Cash and investments	\$ -	\$ 803,413	\$ 6,678	\$ 129,703
Receivables:				
Intergovernmental	107,884	179,428	690,367	11,641
Total assets	\$ 107,884	\$ 982,841	\$ 697,045	\$ 141,344
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 823	\$ 66	\$ -	\$ -
Due to other funds	123,403	-	-	-
Total liabilities	124,226	66	-	-
Fund Balances:				
Restricted	-	982,775	697,045	141,344
Unassigned (deficit)	(16,342)	-	-	-
Total fund balances	(16,342)	982,775	697,045	141,344
Total liabilities and fund balances	\$ 107,884	\$ 982,841	\$ 697,045	\$ 141,344

HOME Grants	ARRA	Totals
\$ -	\$ -	\$ 939,794
<u>80,703</u>	<u>385,229</u>	<u>1,455,252</u>
<u><u>\$ 80,703</u></u>	<u><u>\$ 385,229</u></u>	<u><u>\$ 2,395,046</u></u>
1,549	21,939	\$ 24,377
<u>72,407</u>	<u>315,648</u>	<u>511,458</u>
<u><u>73,956</u></u>	<u><u>337,587</u></u>	<u><u>535,835</u></u>
6,747	47,642	1,875,553
<u>-</u>	<u>-</u>	<u>(16,342)</u>
<u><u>6,747</u></u>	<u><u>47,642</u></u>	<u><u>1,859,211</u></u>
<u><u>\$ 80,703</u></u>	<u><u>\$ 385,229</u></u>	<u><u>\$ 2,395,046</u></u>

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Federal Grant Special Revenue Funds

For the year ended June 30, 2011

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
REVENUES:				
Intergovernmental	\$ 382,900	\$ 207,265	\$ 691,194	\$ 100,326
Use of money and property	-	8,245	7,165	1,551
Total revenues	382,900	215,510	698,359	101,877
EXPENDITURES:				
Current:				
Public safety	-	-	-	151,645
Public works	-	234	-	-
Community development	222,505	-	-	-
Capital outlay	-	387	-	-
Total expenditures	222,505	621	-	151,645
REVENUES OVER (UNDER) EXPENDITURES				
	160,395	214,889	698,359	(49,768)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(947,231)	-
Total other financing sources and uses	-	-	(947,231)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)				
	160,395	214,889	(248,872)	(49,768)
FUND BALANCES (DEFICIT):				
Beginning of year	(176,737)	767,886	945,917	191,112
End of year	\$ (16,342)	\$ 982,775	\$ 697,045	\$ 141,344

HOME Grants	ARRA	Totals
\$ 80,703	\$ 399,172	\$ 1,861,560
<u>-</u>	<u>(591)</u>	<u>16,370</u>
<u>80,703</u>	<u>398,581</u>	<u>1,877,930</u>

-	-	151,645
-	-	234
80,674	-	303,179
-	396,672	397,059
<u>80,674</u>	<u>396,672</u>	<u>852,117</u>
<u>29</u>	<u>1,909</u>	<u>1,025,813</u>
<u>-</u>	<u>-</u>	<u>(947,231)</u>
<u>-</u>	<u>-</u>	<u>(947,231)</u>

29	1,909	78,582
<u>6,718</u>	<u>45,733</u>	<u>1,780,629</u>
<u>\$ 6,747</u>	<u>\$ 47,642</u>	<u>\$ 1,859,211</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

HUD Block Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 1,396,128	\$ 2,584,128	\$ 382,900	\$ (2,201,228)
Total revenues	1,396,128	2,584,128	382,900	(2,201,228)
EXPENDITURES:				
Current:				
Community development	1,396,128	3,019,263	222,505	2,796,758
Total expenditures	1,396,128	3,019,263	222,505	2,796,758
REVENUES OVER (UNDER) EXPENDITURES				
	-	(435,135)	160,395	595,530
Net change in fund balances	-	(435,135)	160,395	595,530
FUND BALANCES:				
Beginning of year	(176,737)	(176,737)	(176,737)	-
End of year	\$ (176,737)	\$ (611,872)	\$ (16,342)	\$ 595,530

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

ISTEA Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Intergovernmental	\$ 138,600	\$ 138,600	\$ 207,265	\$ 68,665	
Use of money and property	20,000	20,000	8,245	(11,755)	
 Total revenues	158,600	158,600	215,510		56,910
EXPENDITURES:					
Current:					
Public works	2,500	2,500	234		2,266
Capital outlay	503,600	503,600	387		503,213
 Total expenditures	506,100	506,100	621		505,479
REVENUES OVER (UNDER)					
EXPENDITURES	(347,500)	(347,500)	214,889		562,389
OTHER FINANCING SOURCES (USES):					
Transfers out	(75,000)	(75,000)	-		75,000
 Total other financing sources (uses)	(75,000)	(75,000)	-		75,000
 Net change in fund balances	(422,500)	(422,500)	214,889		637,389
FUND BALANCES:					
Beginning of year	-	-	767,886		767,886
 End of year	\$ (422,500)	\$ (422,500)	\$ 982,775		\$ 1,405,275

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

FEMA/OES Grants - Federal Grant Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Intergovernmental	\$ -	\$ -	\$ 691,194	\$ 691,194	
Use of money and property	<u>5,000</u>	<u>5,000</u>	<u>7,165</u>	<u>2,165</u>	
 Total revenues	<u>5,000</u>	<u>5,000</u>	<u>698,359</u>	<u>693,359</u>	
EXPENDITURES:					
Current:					
Community development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
 Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
REVENUES OVER (UNDER)					
EXPENDITURES	<u>5,000</u>	<u>5,000</u>	<u>698,359</u>	<u>693,359</u>	
OTHER FINANCING SOURCES (USES):					
Transfers out	<u>-</u>	<u>-</u>	<u>(947,231)</u>	<u>(947,231)</u>	
 Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(947,231)</u>	<u>(947,231)</u>	
 Net change in fund balances	<u>5,000</u>	<u>5,000</u>	<u>(248,872)</u>	<u>(253,872)</u>	
FUND BALANCES:					
Beginning of year	<u>945,917</u>	<u>945,917</u>	<u>945,917</u>	<u>-</u>	
 End of year	<u>\$ 950,917</u>	<u>\$ 950,917</u>	<u>\$ 697,045</u>	<u>\$ (253,872)</u>	

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

COPS Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,326	\$ 326	
Use of money and property	3,000	3,000	1,551	(1,449)	
Total revenues	103,000	103,000	101,877	(1,123)	
EXPENDITURES:					
Current:					
Public safety	206,948	206,948	151,645	55,303	
Total expenditures	206,948	206,948	151,645	55,303	
REVENUES OVER (UNDER)					
EXPENDITURES	(103,948)	(103,948)	(49,768)	54,180	
Net change in fund balances	(103,948)	(103,948)	(49,768)	54,180	
FUND BALANCES:					
Beginning of year	191,112	191,112	191,112		-
End of year	\$ 87,164	\$ 87,164	\$ 141,344	\$ 54,180	

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

HOME Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 2,324,166	\$ 2,324,166	\$ 80,703	\$ (2,243,463)
Total revenues	2,324,166	2,324,166	80,703	(2,243,463)
EXPENDITURES:				
Current:				
Community development	2,324,166	2,324,166	80,674	2,243,492
Total expenditures	2,324,166	2,324,166	80,674	2,243,492
REVENUES OVER (UNDER) EXPENDITURES				
	-	-	29	29
FUND BALANCES:				
Beginning of year	6,718	6,718	6,718	-
End of year	\$ 6,718	\$ 6,718	\$ 6,747	\$ 29

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

ARRA Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 1,977,000	\$ 1,977,000	\$ 399,172	\$ (1,577,828)
Use of money and property	-	-	(591)	(591)
Total revenues	1,977,000	1,977,000	398,581	(1,578,419)
EXPENDITURES:				
Capital outlay	2,027,000	2,027,000	396,672	1,630,328
Total expenditures	2,027,000	2,027,000	396,672	1,630,328
REVENUES OVER (UNDER) EXPENDITURES				
	(50,000)	(50,000)	1,909	51,909
Net change in fund balances	(50,000)	(50,000)	1,909	51,909
FUND BALANCES:				
Beginning of year	45,733	45,733	45,733	-
End of year	\$ (4,267)	\$ (4,267)	\$ 47,642	\$ 51,909

City of Arcata, California
Combining Balance Sheet
In Lieu Fee Special Revenue Funds
June 30, 2011

	Parkland In Lieu	Parking In Lieu	Totals
ASSETS			
Cash and investments	\$ 206,095	\$ 260,832	\$ 466,927
Total assets	\$ 206,095	\$ 260,832	\$ 466,927
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
Compensated absences	-	-	-
Total liabilities	-	-	-
Fund Balances:			
Assigned	206,095	260,832	466,927
Total fund balances	206,095	260,832	466,927
Total liabilities and fund balances	\$ 206,095	\$ 260,832	\$ 466,927

City of Arcata, California

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
In Lieu Fee Special Revenue Funds
For the year ended June 30, 2011**

	Parkland In Lieu	Parking In Lieu	Totals
REVENUES:			
Licenses and permits	\$ 5,272	\$ -	\$ 5,272
Use of money and property	2,124	2,746	4,870
Total revenues	7,396	2,746	10,142
EXPENDITURES:			
Capital outlay	-	2,429	2,429
Total expenditures	-	2,429	2,429
REVENUES OVER (UNDER) EXPENDITURES	7,396	317	7,713
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	7,396	317	7,713
FUND BALANCES (DEFICIT):			
Beginning of year	198,699	260,515	459,214
End of year	\$ 206,095	\$ 260,832	\$ 466,927

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Parkland In Lieu - In Lieu Fees Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Licenses and permits	\$ 40,000	\$ 40,000	\$ 5,272	\$ (34,728)	
Use of money and property	5,000	5,000	2,124	(2,876)	
Total revenues	45,000	45,000	7,396	(37,604)	
EXPENDITURES:					
Current:					
General government	-	-	-	-	
Total expenditures	-	-	-	-	
REVENUES OVER (UNDER) EXPENDITURES					
	45,000	45,000	7,396	(37,604)	
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	
Transfers out	(188,119)	(188,119)	-	188,119	
Total other financing sources (uses)	(188,119)	(188,119)	-	188,119	
Net change in fund balances	(143,119)	(143,119)	7,396	150,515	
FUND BALANCES:					
Beginning of year	198,699	198,699	198,699	-	
End of year	\$ 55,580	\$ 55,580	\$ 206,095	\$ 150,515	

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Parking In Lieu - In Lieu Fees Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Use of money and property	\$ 8,000	\$ 8,000	\$ 2,746	\$ (5,254)	
Total revenues	8,000	8,000	2,746	(5,254)	
EXPENDITURES:					
Capital outlay	-	25,000	2,429	22,571	
Total expenditures	-	25,000	2,429	22,571	
REVENUES OVER (UNDER) EXPENDITURES					
	8,000	(17,000)	317	17,317	
Net change in fund balances	8,000	(17,000)	317	17,317	
FUND BALANCES:					
Beginning of year	260,515	260,515	260,515	-	
End of year	\$ 268,515	\$ 243,515	\$ 260,832	\$ 17,317	

City of Arcata, California

Combining Balance Sheet

Assessment District Special Revenue Funds

June 30, 2011

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
ASSETS				
Cash and investments	\$ 1,129	\$ 18,514	\$ 9,234	\$ 28,877
Receivables:				
Intergovernmental	-	408	73	481
Total assets	\$ 1,129	\$ 18,922	\$ 9,307	\$ 29,358
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund Balances:				
Assigned	1,129	18,922	9,307	29,358
Total fund balances	1,129	18,922	9,307	29,358
Total liabilities and fund balances	\$ 1,129	\$ 18,922	\$ 9,307	\$ 29,358

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Assessment District Special Revenue Funds

For the year ended June 30, 2011

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
REVENUES:				
Taxes and assessments	\$ -	\$ 16,090	\$ 14,812	\$ 30,902
Use of money and property	12	201	139	352
Total revenues	12	16,291	14,951	31,254
EXPENDITURES:				
Current:				
Parks and recreation	-	-	221	221
Total expenditures	-	-	221	221
REVENUES OVER (UNDER) EXPENDITURES				
	12	16,291	14,730	31,033
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(18,500)	(24,000)	(42,500)
Total other financing sources and uses	-	(18,500)	(24,000)	(42,500)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)				
	12	(2,209)	(9,270)	(11,467)
FUND BALANCES (DEFICIT) :				
Beginning of year	1,117	21,131	18,577	40,825
End of year	\$ 1,129	\$ 18,922	\$ 9,307	\$ 29,358

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Curtis Heights Assessment District Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	(Negative)
REVENUES:					
Use of money and property	\$ 300	\$ 300	\$ 12	\$	(288)
Total revenues	300	300	12		(288)
EXPENDITURES:					
Current:					
Parks and recreation	-	-	-	-	-
Total expenditures	-	-	-		-
REVENUES OVER (UNDER) EXPENDITURES					
	300	300	12		(288)
Net change in fund balances	300	300	12		(288)
FUND BALANCES:					
Beginning of year	1,117	1,117	1,117		-
End of year	\$ 1,417	\$ 1,417	\$ 1,129	\$	(288)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Janes Creek Meadows Assessment District Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Taxes and assessments	\$ 18,500	\$ 18,500	\$ 16,090	\$ (2,410)	
Use of money and property	500	500	201	(299)	
Total revenues	19,000	19,000	16,291	(2,709)	
EXPENDITURES:					
Capital outlay	-	11,870	-	11,870	
Total expenditures	-	11,870	-	11,870	
REVENUES OVER (UNDER) EXPENDITURES					
	19,000	7,130	16,291	9,161	
OTHER FINANCING SOURCES (USES):					
Transfers out	(18,500)	(18,500)	(18,500)		-
Total other financing sources (uses)	(18,500)	(18,500)	(18,500)		-
Net change in fund balances	500	(11,370)	(2,209)	9,161	
FUND BALANCES (DEFICIT):					
Beginning of year	21,131	21,131	21,131		-
End of year	\$ 21,631	\$ 9,761	\$ 18,922	\$ 9,161	

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Windsong Assessment District Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts			Variance w/Final	
	Original	Final	Actual	Positive	
				(Negative)	
REVENUES:					
Taxes and assessments	\$ 15,000	\$ 15,000	\$ 14,812	\$ (188)	
Use of money and property	750	750	139	(611)	
Total revenues	15,750	15,750	14,951		(799)
EXPENDITURES:					
Current:					
Parks and recreation	700	700	221		479
Total expenditures	700	700	221		479
REVENUES OVER (UNDER)					
EXPENDITURES	15,050	15,050	14,730		(320)
OTHER FINANCING SOURCES (USES):					
Transfers out	(24,000)	(24,000)	(24,000)		-
Total other financing sources (uses)	(24,000)	(24,000)	(24,000)		-
Net change in fund balances	(8,950)	(8,950)	(9,270)		(320)
FUND BALANCES:					
Beginning of year	18,577	18,577	18,577		-
End of year	\$ 9,627	\$ 9,627	\$ 9,307	\$ (320)	

INTERNAL SERVICE FUNDS

Fund Type	Description
Central Garage Fund	Accounts for all activities of the City's central garage operations, the costs of which are distributed among designated user departments.
Information Technology Fund	Accounts for all activities of the City's computer networks, the costs of which are distributed among user departments using equitable formulas.

City of Arcata, California
Combining Statement of Net Assets
Internal Service Funds
For the year ended June 30, 2011

	Central Garage Fund	Information Technology Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 1,171,781	\$ 20,239	\$ 1,192,020
Inventory	8,595	-	8,595
Total current assets	1,180,376	20,239	1,200,615
Noncurrent assets:			
Capital assets, net	829,274	-	829,274
Total noncurrent assets	829,274	-	829,274
Total assets	\$ 2,009,650	\$ 20,239	\$ 2,029,889
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 22,002	\$ 3,206	\$ 25,208
Accrued liabilities	8,383	6,818	15,201
Compensated absences - current portion	3,911	555	4,466
Total current liabilities	34,296	10,579	44,875
Noncurrent liabilities:			
Compensated absences	11,731	1,663	13,394
Capital lease payable	58,274	-	58,274
Total liabilities	104,301	12,242	116,543
Net Assets:			
Invested in capital assets net of related debt	817,543	-	817,543
Unrestricted	1,087,806	7,997	1,095,803
Total net assets	1,905,349	7,997	1,913,346
Total liabilities and net assets	\$ 2,009,650	\$ 20,239	\$ 2,029,889

City of Arcata, California

Combining Statement of Revenues, Expenses, and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2011

	Central Garage Fund	Technology Fund	Information Fund	Totals
OPERATING REVENUES:				
Interdepartmental charges	\$ 893,520	\$ 160,300	\$ 1,053,820	
Other	12,850	-		12,850
Total operating revenues	906,370	160,300		1,066,670
OPERATING EXPENSES:				
Salaries and benefits	177,828	124,959		302,787
Contractual services	12,223	16,414		28,637
Materials and supplies	258,857	6,342		265,199
Repairs and maintenance	18,122	3,119		21,241
Insurance	49,875	-		49,875
Taxes and fees	26,774	-		26,774
Allocated overhead	34,010	5,000		39,010
Depreciation	247,631	-		247,631
Total operating expenses	825,320	155,834		981,154
OPERATING INCOME (LOSS)				
	81,050	4,466		85,516
NONOPERATING REVENUES (EXPENSES):				
Proceeds from the sale of capital assets	11,323	-		11,323
Interest revenue	11,635	131		11,766
Total non-operating revenues (expenses)	22,958	131		23,089
NET INCOME (LOSS) BEFORE TRANSFERS				
Transfers out	(1,000)	-		(1,000)
Total transfers	(1,000)	-		(1,000)
Change in net assets	103,008	4,597		107,605
RESIDUAL EQUITY TRANSFERS OUT				
	-	-		-
NET ASSETS:				
Beginning of year	1,802,341	3,400		1,805,741
End of year	\$ 1,905,349	\$ 7,997		\$ 1,913,346

City of Arcata, California
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2011

	Central Garage Fund	Information Technology Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from interfund services provided	\$ 906,370	\$ 160,300	\$ 1,066,670
Cash paid to suppliers for goods and services	(436,308)	(27,882)	(464,190)
Cash paid to employees for services	(171,286)	(121,142)	(292,428)
Net cash provided (used) by operating activities	298,776	11,276	310,052
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers paid	(1,000)	-	(1,000)
Net cash provided (used) by noncapital financing activities	(1,000)	-	(1,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(152,700)	-	(152,700)
Principal paid on long-term debt	(29,459)	(20)	(29,479)
Net cash (used) by capital and related financing activities	(182,159)	(20)	(182,179)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	11,635	131	11,766
Net cash provided by investing activities	11,635	131	11,766
Net increase (decrease) in cash and cash equivalents	127,252	11,387	138,639
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,044,529	8,852	1,053,381
End of year	\$ 1,171,781	\$ 20,239	\$ 1,192,020
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 81,050	\$ 4,466	\$ 85,516
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	247,631	-	247,631
(Increase) decrease in current assets:			
Inventory	-	-	-
Increase (decrease) in liabilities:			
Accounts payable	(36,447)	2,993	(33,454)
Accrued liabilities	(1,639)	1,659	20
Compensated absences	8,181	2,158	10,339
Net cash provided by operating activities	\$ 298,776	\$ 11,276	\$ 310,052