

CITY OF ARCATA, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013



Prepared by:

Janet Luzzi
Finance Director

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

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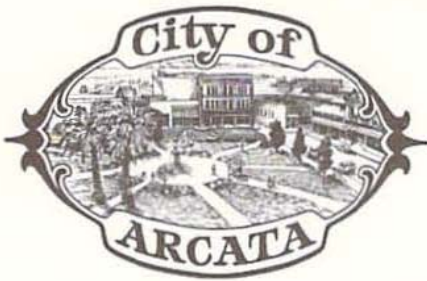
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736 F Street
Arcata, CA 95521

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 10, 2014

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, 2013. It is the policy of the Council that a licensed certified public accountant conducts 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, 2013, 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, 2013, 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 an 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 Successor Agency of 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 2012/13, the City's efforts were focused in the following areas.

Development of Affordable Housing – Development of affordable housing continues to be a priority. During the year, the City expended approximately \$1.5 for the development of affordable housing.

Economic Development – Promoting economic development (recruitment and retention of businesses) continues to be one of the City's key operational priorities. During the year, the City expended considerable amount of funds for capital improvements at the City's Foodworks incubator facility. In addition, the City Manager works closely with staff and the development community to promote the development of key sites. Lastly, 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 2012/13, all these remained stable.

Sales tax is projected to remain steady for FY 2013/14. The City is 85.5% built out and no new significant sales tax generating businesses are anticipated in the near future. Motor Vehicle License Fees are projected to remain steady, also.

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, Taiwo Abugan 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 M. Luzzi
Finance Director

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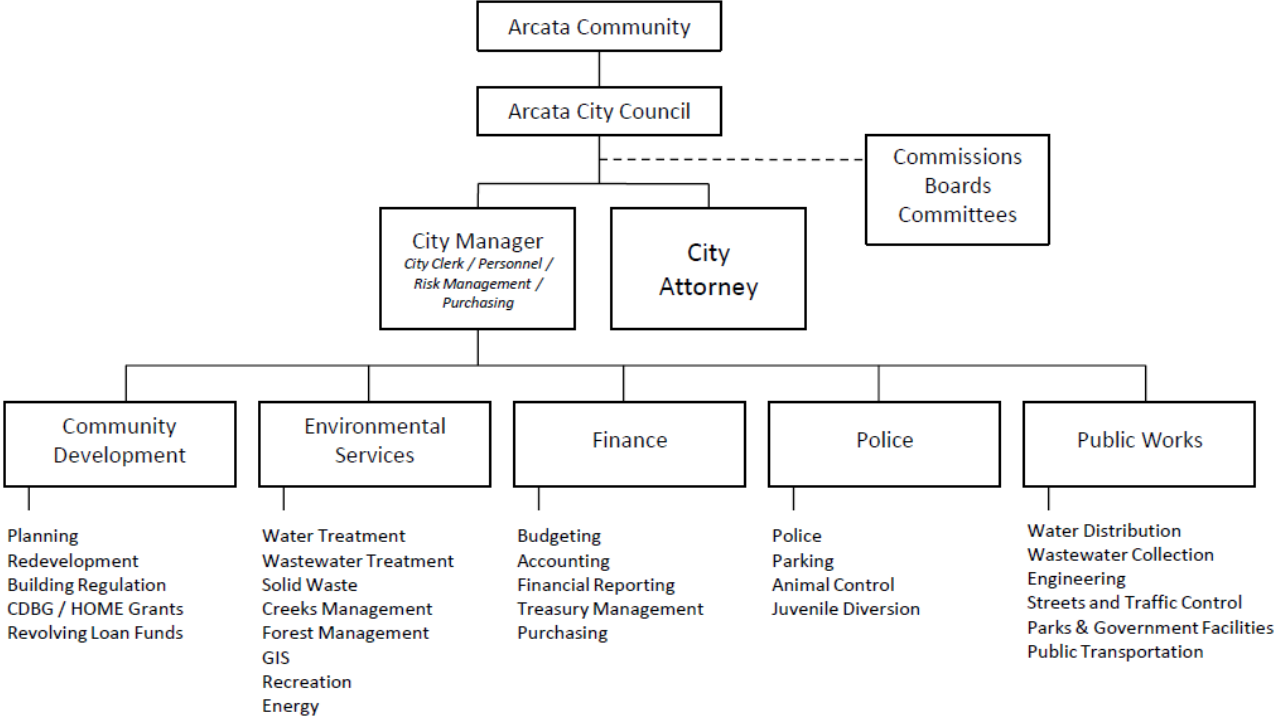


City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

Organization Chart

City of Arcata

Organizational Chart



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

List of Officials

CITY COUNCIL

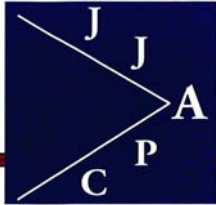
- Shane Brinton, Mayor
- Mark Wheatley, Vice Mayor
- Michael Winkler, Council Member
- Susan Ornelas, Council Member
- Alexandra Stillman, Council Member

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 AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Arcata, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the aggregate remaining fund information, and the budgetary comparison information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3–16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

March 10, 2014

JJACPA, Inc.

JJACPA, Inc.

Dublin, CA

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

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, 2013. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- ◆ The City's total net position increased by about \$4.4 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 \$85.9 million at the end of the 2013 fiscal year. Of that amount, \$32.9 million (the unrestricted net position) may be used to meet the City's ongoing obligations and operating expenses for the next fiscal year.
- ◆ Overall City-wide revenues from all governmental and business-type activities increased by about \$0.6 million compared to the 2012 fiscal year. Most of the increase resulted from increases in program revenues, particularly grants and contributions. The City's total expense of all programs in fiscal 2013 decreased by about \$2.9 million compared to the 2012 fiscal year; a 9.6 percent decrease. This decrease resulted primarily from the decrease of expenditures associated with the former redevelopment agency which was dissolved on January 31, 2012. Prior to this dissolution, the City of Arcata had previously reported the agency within the reporting entity of the City as a blended component unit.
- ◆ The general fund reported a fund balance of \$4.3 million at the end of the 2013 fiscal year, an increase of about \$250,000. This increase resulted from the delay of expenditure of funds for street improvements into the next fiscal year.
- ◆ The City also ended the fiscal year with \$3.7 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is a decrease from 2012 of approximately \$420,000, or 10.0 percent. This decrease is due to the fact that revenues realized fell short of budgetary estimates.

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, 2013

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 position and the Statement of Activities. The Statement of Net position 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 position 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 position 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.
- ◆ **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, 2013

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, 2013, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- ◆ General 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, 2013

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

For the fiscal year ended June 30, 2013, 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 50–89 of this report. Required Supplementary Information follows the notes on page 90.

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 94–140 of this report.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$85,931,224 as of June 30, 2013. The Summary of Net position as of June 30, 2013, and 2012, follows:

	Summary of Net Position					
	2013			2012		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Current and other assets	\$ 36,366,355	\$ 5,734,110	\$ 42,100,465	\$ 37,084,080	\$ 5,268,940	\$ 42,353,020
Noncurrent assets	32,060,915	20,276,208	52,337,123	26,419,023	20,633,306	47,052,329
Total assets	68,427,270	26,010,318	94,437,588	63,503,103	25,902,246	89,405,349
Current and other liabilities	2,776,426	327,112	3,103,538	2,533,928	771,110	3,305,038
Long-term liabilities	1,640,897	2,490,333	4,131,230	1,923,883	2,646,605	4,570,488
Total liabilities	4,417,323	2,817,445	7,234,768	4,457,811	3,417,715	7,875,526
Net position:						
Net invested in						
Capital Assets	31,554,281	17,941,836	49,496,117	25,813,373	18,295,774	44,109,147
Restricted	3,306,646	-	3,306,646	2,756,820	-	2,756,820
Unrestricted	29,149,020	3,979,441	33,128,461	30,475,099	4,188,757	34,663,856
Total net position	\$ 64,009,947	\$ 21,921,277	\$ 85,931,224	\$ 59,045,292	\$ 22,484,531	\$ 81,529,823

Overall, total net position increased by approximately \$4.4 million. Of this amount, net position for governmental activities increased by approximately \$5.0 million and net position for business-type activities decreased by approximately \$600,000. About 57.6 percent of the net position of the City is 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 42.4 percent. About 34 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 position increased by \$549,826 and unrestricted net position decreased by \$1,535,395. The increase in restricted net position is due primarily from increases in the City's CDBG Housing Special Revenue Fund resulting from increased principal collections on loans receivable. The decrease in unrestricted net position results primarily from the expenditure of assigned funds for a housing improvement project, capital improvements at the City's Foodworks incubator facility, and decreased revenue and other supporting transfers in the City's Gas Tax Fund.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Revenues

The City's total revenues for governmental and business-type activities were \$31,392,764 for the fiscal year ended June 30, 2013. Significant revenues for the City for fiscal year 2012-13 were derived from taxes (23%), operating grants and contributions (19%), capital grants and contributions (18%) and State motor vehicle in-lieu tax (5%).

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

1. **Property Tax.** Property taxes decreased by \$952,608, or 48%. This is due primarily to the dissolution of the Arcata Community Development Agency on January 31, 2012. Prior to this dissolution, the City of Arcata had previously reported the agency within the reporting entity of the City as a blended component unit
2. **Sales Tax.** Sales taxes decreased by \$255,647, or 6%. This results from increases in monthly advances by the State of California in fiscal year 2012/13.
3. **Transient Occupancy Tax.** Annual receipts remained steady for fiscal year 2012/13.
4. **State Motor Vehicle In-Lieu Tax.** Annual receipts remained steady for fiscal year 2012/13.
5. **Grants and Contributions – Governmental Activities Operating.** Annual receipts decreased by \$1,955,976, or 25%. The decrease in operating grants and contributions results from one-time capital grant funds which were received in fiscal year 2011/12 for the purpose of acquiring timber properties.
6. **Grants and Contributions – Capital.** Annual receipts increased \$3,736,166, or 196%. The increase results from the transfer of capital assets from the former redevelopment agency.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2013, and 2012, follows:

	Changes in Net Position			2012		
	2013	2012	Total	2013	2012	Total
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,640,120	\$ 8,840,826	\$ 10,480,946	\$ 1,614,423	\$ 9,113,048	\$ 10,727,471
Grants and contributions:						
Operating	5,975,905	8,677	5,984,582	7,940,558	-	7,940,558
Capital	5,646,664	-	5,646,664	1,910,498	-	1,910,498
General revenues:	-	-	-	-	-	-
Property taxes and assessments	1,034,629	-	1,034,629	1,987,237	-	1,987,237
Transient occupancy taxes	1,194,518	-	1,194,518	1,037,968	-	1,037,968
Sales and use tax	4,008,792	-	4,008,792	4,264,439	-	4,264,439
Franchise taxes	240,545	-	240,545	240,008	-	240,008
Utility users tax	854,856	-	854,856	856,012	-	856,012
Other taxes	31,031	-	31,031	30,829	-	30,829
Motor vehicle in lieu	1,415,245	-	1,415,245	1,396,236	-	1,396,236
Use of money and property	211,253	10,185	221,438	364,503	43,149	407,652
Other general	305,283	-	305,283	5,715	-	5,715
Total revenues	<u>22,558,841</u>	<u>8,859,688</u>	<u>31,418,529</u>	<u>21,648,426</u>	<u>9,156,197</u>	<u>30,804,623</u>
Expenses:						
Governmental activities:						
General government	4,761,981	-	4,761,981	2,874,459	-	2,874,459
Public safety	5,303,677	-	5,303,677	5,608,636	-	5,608,636
Public works	1,712,689	-	1,712,689	1,195,250	-	1,195,250
Community development	4,323,198	-	4,323,198	8,971,193	-	8,971,193
Parks and recreation	1,702,671	-	1,702,671	1,696,048	-	1,696,048
Interest and fiscal charges	19,638	-	19,638	586,220	-	586,220
Business-type activities:						
Water	-	3,235,445	3,235,445	-	3,413,625	3,413,625
Wastewater	-	3,802,817	3,802,817	-	3,483,234	3,483,234
Transit	-	1,236,260	1,236,260	-	1,207,174	1,207,174
Solid Waste	-	329,461	329,461	-	329,791	329,791
Stormwater	-	589,291	589,291	-	508,390	508,390
Total expenses	<u>17,823,854</u>	<u>9,193,274</u>	<u>27,017,128</u>	<u>20,931,806</u>	<u>8,942,214</u>	<u>29,874,020</u>
Excess (Deficiency) of revenues over expenditures before transfers	4,734,987	(333,586)	4,401,401	716,620	213,983	930,603
Transfers	229,668	(229,668)	-	(72,322)	72,322	-
Extraordinary item	-	-	-	4,229,718	-	4,229,718
Change in net position	<u>4,964,655</u>	<u>(563,254)</u>	<u>4,401,401</u>	<u>4,874,016</u>	<u>286,305</u>	<u>5,160,321</u>
Net position:						
Beginning of year	59,045,292	22,484,531	81,529,823	54,171,276	22,198,226	76,369,502
End of year	<u>\$ 64,009,947</u>	<u>\$ 21,921,277</u>	<u>\$ 85,931,224</u>	<u>\$ 59,045,292</u>	<u>\$ 22,484,531</u>	<u>\$ 81,529,823</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

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 \$27,017,128. Governmental activity expenses totaled \$17,823,854 or 66% of total expenses. Business-type activities incurred \$9,193,274 of expenses during the fiscal year. Public safety costs represented 30% of total governmental activities expenses. Public safety and community development costs represented the largest, 54%, 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, 2013, and 2012, are as follows:

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 4,761,981	\$ 2,562,180	\$ 2,874,459	\$ (1,276,630)
Public safety	5,303,677	4,735,751	5,608,636	4,747,900
Public works	1,712,689	42,474	1,195,250	(168,868)
Community development	4,323,198	(4,067,005)	8,971,193	4,296,842
Parks and recreation	1,702,671	1,268,127	1,696,048	1,280,863
Interest and fiscal charges	19,638	19,638	586,220	586,220
Total	<u>\$ 17,823,854</u>	<u>\$ 4,561,165</u>	<u>\$ 20,931,806</u>	<u>\$ 9,466,327</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

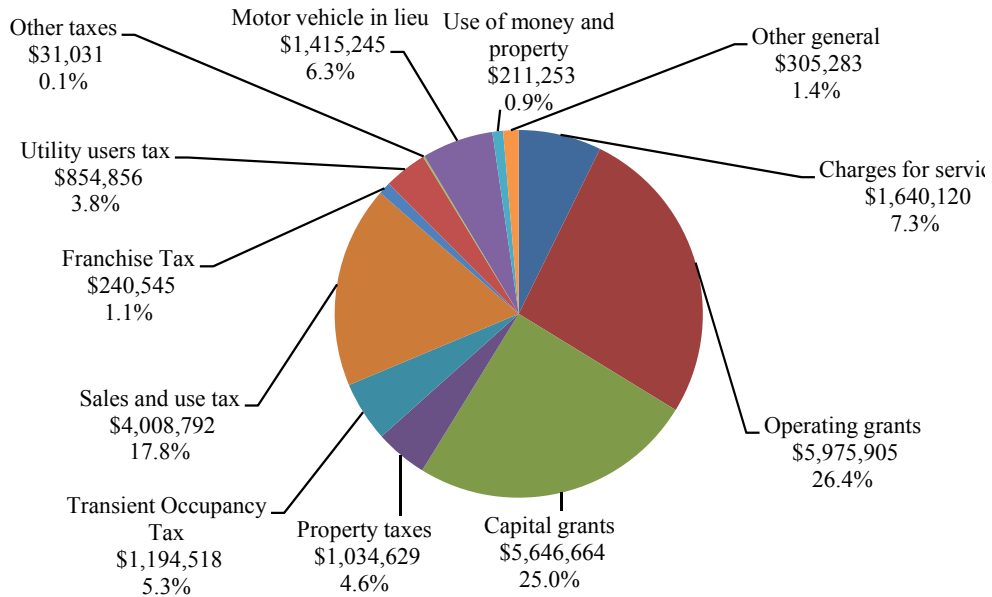
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

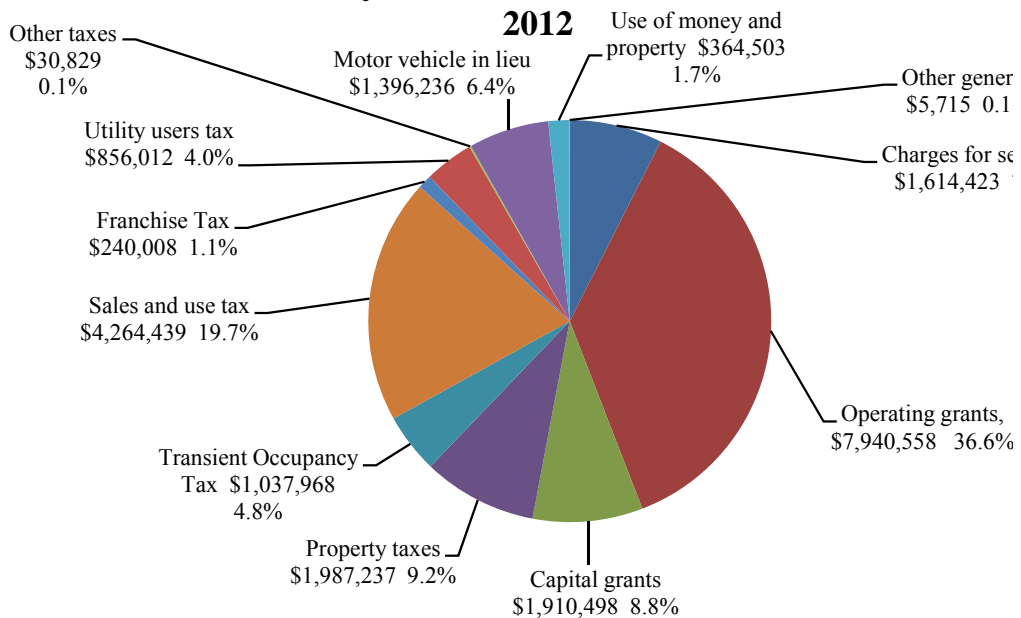
Governmental Activities, continued

Revenues by source for the fiscal years ended June 30, 2013, and 2012, are as follows:

Revenues by Source - Governmental Activities 2013



Revenues by Source - Governmental Activities 2012



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

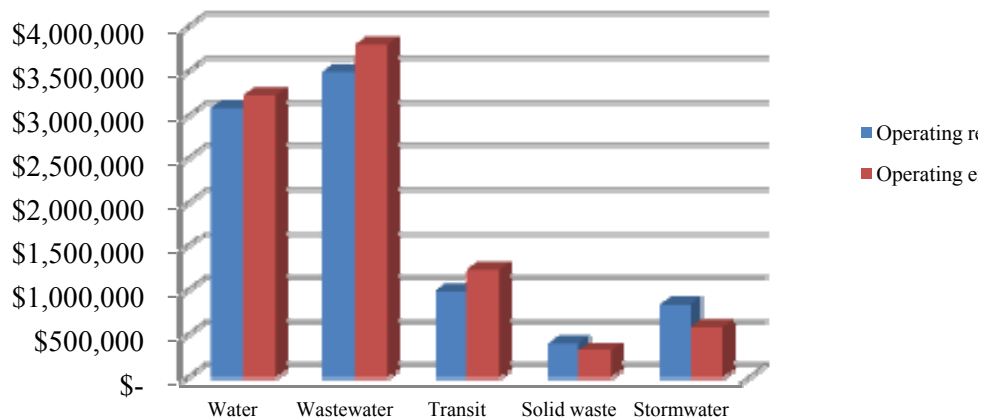
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

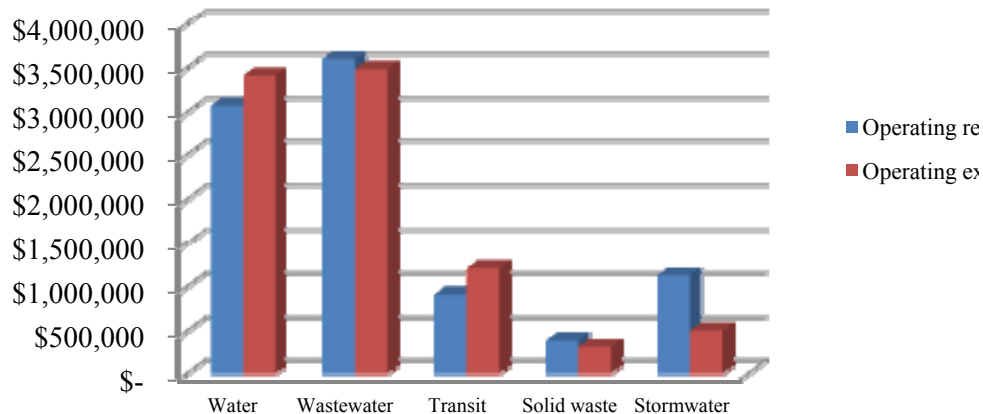
Business-type Activities

Business-type activities decreased the City’s net position by \$563,254. 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, 2013, and 2012, are as follows:

**Operating Revenues and Expenses
 Business-type Activities
 2013**



**Operating Revenues and Expenses
 Business-type Activities
 2012**



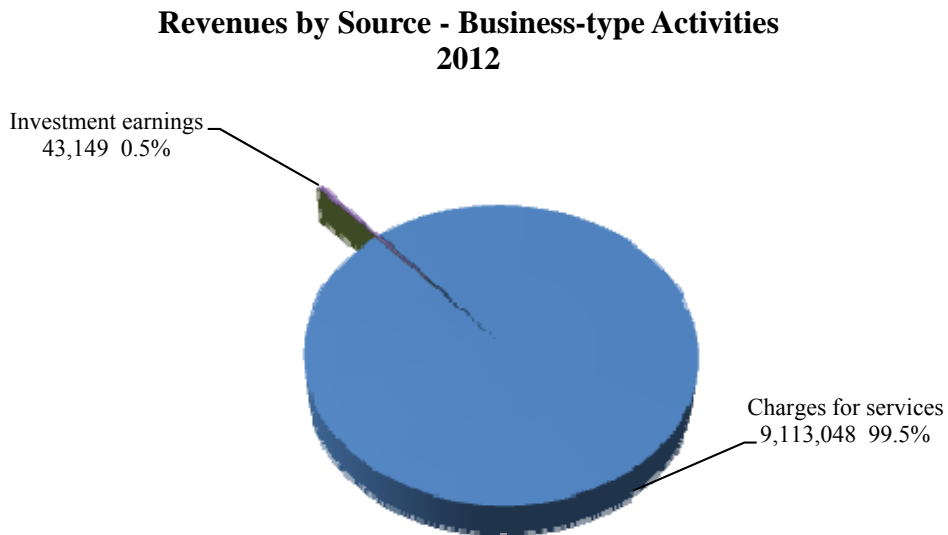
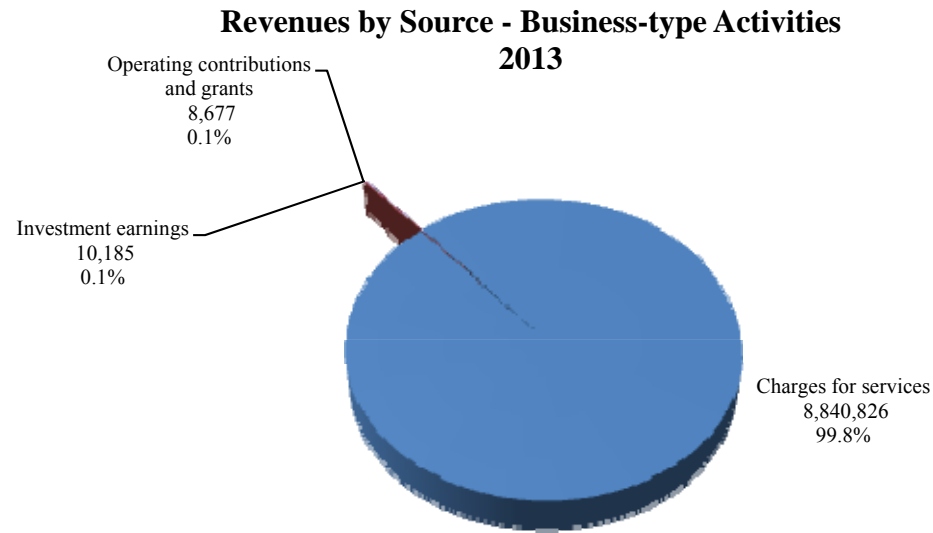
City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-type Activities, continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2013, and 2012, are as follows:



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

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, 2013, the City's governmental funds reported combined fund balances of \$12,894,306. This is a decrease of \$1,003,091 or 7.2% from last year. The decrease results primarily from the expenditure of funds for a housing improvement project, capital improvements to the City's Foodworks incubator facility, and decreased revenue and other supporting transfers in the City's Gas Tax Fund.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2013, General Fund unassigned fund balance totaled \$4,352,781. This is an increase of \$254,864 from the prior year.

The Industrial Park Fund is used to account for activity in the City's Aldergrove Industrial Park in which the City's Foodworks incubator facility is located. During 2012/13, the City expended \$766,789 for significant capital improvements at the facility.

The Housing Improvement Projects and Public Improvement Program funds account for funds that were transferred to the City of Arcata from the former Arcata Community Development Agency in March 2011. The assigned balance of these funds totaled \$459,947 and \$2,898,854 June 30, 2012, respectively. These assets are reserved for the purpose of implementing projects outlined in the Agreement between the City and former agency. The fund balance of these funds decreased \$518,008 and \$955,492, respectively, due to contributions towards the construction of low income housing units.

Proprietary funds. The City's proprietary funds unrestricted net position decreased by \$563,254 in the fiscal year ended June 30, 2013. This decrease is due to the fact that revenues realized fell short of budgetary estimates in the Water and Wastewater Funds

General Fund Budgetary Highlights

The difference between the final budget and actual revenues differs unfavorably by \$553,691, or 4.3% of budget. This was mainly due to an overestimate of sales tax revenues.

There was a \$2,606,621 difference between the total original budget and the total final amended budget. This was due primarily to the carryover of various capital outlay appropriations for street improvements from fiscal year 2011/12, to provide funds for the purchase of property for the City's new corporation yard and payment for professional services for implementation of the City's Excessive Residential Electricity Users Tax. Actual expenditures were \$1,526,062 under budget (11.0% of budget). This resulted primarily from unspent capital outlay appropriations for street projects and professional services.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

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, 2013, amount to \$52,311,651. 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 16,407,838	\$ 11,376,981	\$ 7,184,159	\$ 6,838,447	\$ 23,591,997	\$ 18,215,428
Undergrounding facilities	90,025	90,025	4,520,177	4,705,462	4,610,202	4,795,487
Buildings and structures	6,327,425	4,136,867	3,413,916	3,563,793	9,741,341	7,700,660
Furniture and equipment	722,797	955,078	258,125	352,063	980,922	1,307,141
Other Improvements	2,090,260	2,148,873	3,940,870	4,098,123	6,031,130	6,246,996
Infrastructure	5,498,485	6,567,490	-	-	5,498,485	6,567,490
Vehicles	924,085	1,143,709	933,489	1,046,786	1,857,574	2,190,495
Total	\$ 32,060,915	\$ 26,419,023	\$ 20,250,736	\$ 20,604,674	\$ 52,311,651	\$ 47,023,697

This increase results from the transfer of capital assets from the former redevelopment agency.

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 from prior years, the local and national economy grew slowly. The US economy grew 2.7 percent in fiscal year 2013, as unemployment began to drop and consumer confidence rose. The Humboldt County region lagged behind but made progress. Though the local job market remains anemic, we are seeing local businesses starting to recover from the Great Recession. Foreclosure inventory continue to make its way through the housing market, and home values are starting to return – albeit slowly. Finally, the state’s impact on, and relationship with, local government will continue to impose many barriers to economic growth within the City and in unincorporated Humboldt County as a result of the dissolution of redevelopment, realignment and as it continues to require additional revenue and impose stricter regulatory requirements on local government and small business.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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 Position

June 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and investments	\$ 10,932,418	\$ 3,609,494	\$ 14,541,912
Restricted cash and investments	2,541,111	-	2,541,111
Receivables:			-
Accounts	2,627,575	1,856,464	4,484,039
Loans/Notes receivable	20,309,577	-	20,309,577
Internal balances	(177,264)	177,264	-
Inventory	132,938	90,888	223,826
Total current assets	36,366,355	5,734,110	42,100,465
Noncurrent assets:			
Deferred charges - net of accumulated amortization	-	-	-
Prepaid issuance costs	-	25,472	25,472
Capital assets:			
Nondepreciable	16,407,838	7,184,159	23,591,997
Depreciable	15,653,077	13,066,577	28,719,654
Total noncurrent assets	32,060,915	20,276,208	52,337,123
Total assets	\$ 68,427,270	\$ 26,010,318	\$ 94,437,588
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,676,399	\$ 327,112	\$ 2,003,511
Interest payable	9,416	7,626	17,042
Unearned revenue	-	1,019,006	1,019,006
Deposits payable	22,373	244,964	267,337
Compensated absences - current portion	104,693	45,359	150,052
Other liabilities	804,205	-	804,205
Due within one year	165,708	212,050	377,758
Total current liabilities	2,782,794	1,856,117	4,638,911
Noncurrent liabilities:			
Long-term liabilities:			
Compensated absences	314,077	136,074	450,151
Due after one year	439,153	2,096,850	2,536,003
Net OPEB obligation	881,299	-	881,299
Total noncurrent liabilities	1,634,529	2,232,924	3,867,453
Total liabilities	4,417,323	4,089,041	8,506,364
NET POSITION			
Net invested in capital assets	31,554,281	18,153,886	49,708,167
Restricted	3,308,013	-	3,308,013
Unrestricted	29,147,653	3,767,391	32,915,044
Total net position	64,009,947	21,921,277	85,931,224
Total liabilities and net position	\$ 68,427,270	\$ 26,010,318	\$ 94,437,588

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,761,981	\$ 25,765	\$ 2,174,036	\$ -
Public safety	5,303,677	271,380	296,546	-
Public works	1,712,689	561,323	1,108,892	-
Community development	4,323,198	368,435	2,375,104	5,646,664
Parks and recreation	1,702,671	413,217	21,327	-
Interest and fiscal charges	19,638	-	-	-
Total governmental activities	<u>17,823,854</u>	<u>1,640,120</u>	<u>5,975,905</u>	<u>5,646,664</u>
Business-type activities:				
Water	3,235,445	3,092,677	-	-
Wastewater	3,802,817	3,501,525	8,677	-
Transit	1,236,260	993,201	-	-
Solid waste	329,461	409,640	-	-
Stormwater utility	589,291	843,783	-	-
Total business-type activities	<u>9,193,274</u>	<u>8,840,826</u>	<u>8,677</u>	<u>-</u>
Total primary government	<u>\$ 27,017,128</u>	<u>\$ 10,480,946</u>	<u>\$ 5,984,582</u>	<u>\$ 5,646,664</u>

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 (MVLFF)
- Use of money and property
- Contributions
- Other general revenues

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net position:

- Beginning of year
- End of year

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

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

Governmental Activities	Business-Type Activities	Totals
\$ (2,562,180)	\$ -	\$ (2,562,180)
(4,735,751)	-	(4,735,751)
(42,474)	-	(42,474)
4,067,005	-	4,067,005
(1,268,127)	-	(1,268,127)
(19,638)	-	(19,638)
(4,561,165)	-	(4,561,165)
-	(142,768)	(142,768)
-	(292,615)	(292,615)
-	(243,059)	(243,059)
-	80,179	80,179
-	254,492	254,492
-	(343,771)	(343,771)
(4,561,165)	(343,771)	(4,904,936)
1,034,629	-	1,034,629
1,194,518	-	1,194,518
4,008,792	-	4,008,792
240,545	-	240,545
854,856	-	854,856
31,031	-	31,031
1,415,245	-	1,415,245
211,253	10,185	221,438
-	-	-
305,283	-	305,283
9,296,152	10,185	9,306,337
229,668	(229,668)	-
9,525,820	(219,483)	9,306,337
4,964,655	(563,254)	4,401,401
59,045,292	22,484,531	81,529,823
\$ 64,009,947	\$ 21,921,277	\$ 85,931,224

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FUND FINANCIAL STATEMENTS
MAJOR FUNDS

Fund	Description
Governmental Funds:	Governmental funds are used for taxes and grants.
General	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
CDBG Housing Special Revenue	Accounts for activities related to housing and the related CDBG funding.
Housing Revolving Special Revenue	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, 2013

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
ASSETS			
Cash and investments	\$ 4,923,190	\$ 1,296,791	\$ 68,512
Restricted cash and investments	-	-	-
Receivables:			
Taxes	401,667	-	-
Interest	749	-	-
Intergovernmental	988,436	-	-
Loans/Notes receivable	-	3,542,705	11,650,634
Other receivable	8,020	905,910	8,066
Due from other funds	-	87,646	52,090
Inventory	6,268	-	-
Total assets	\$ 6,328,330	\$ 5,833,052	\$ 11,779,302
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 833,074	\$ 149,702	\$ 5,664
Due to other funds	177,264	-	-
Deposits payable	-	-	-
Other liabilities	804,205	-	-
Total liabilities	1,814,543	149,702	5,664
Deferred inflows of resources:			
Unavailable revenue	161,006	3,542,704	11,650,629
Total deferred inflows of resources:	161,006	3,542,704	11,650,629
Total Liabilities and deferred inflows	1,975,549	3,692,406	11,656,293
Fund balances:			
Nonspendable	6,268	-	-
Restricted	-	2,140,646	123,009
Assigned	-	-	-
Unassigned (deficit)	4,346,513	-	-
Total fund balances	4,352,781	2,140,646	123,009
Total liabilities, deferred inflows and fund balances	\$ 6,328,330	\$ 5,833,052	\$ 11,779,302

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

Nonmajor Governmental Funds		Totals	
\$	4,122,440	\$	10,410,933
	2,541,111		2,541,111
	-		401,667
	-		749
	298,079		1,286,515
	5,116,238		20,309,577
	16,648		938,644
	-		139,736
	117,079		123,347
\$	12,211,595	\$	36,152,279

\$	655,376	\$	1,643,816
	139,736		317,000
	22,373		22,373
	-		804,205
	817,485		2,787,394

	5,116,240		20,470,579
	5,116,240		20,470,579
	5,933,725		23,257,973

	117,079		123,347
	1,044,358		3,308,013
	5,036,078		5,036,078
	80,355		4,426,868
	6,277,870		12,894,306
\$	12,211,595	\$	36,152,279

City of Arcata, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total fund balances - total governmental funds \$ 12,894,306

Amounts reported for governmental activities in the Statement of Net Position 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. 31,095,286

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	\$	(399,204)	
Due within one year		(54,318)	
Due after one year		(439,153)	
Net OPEB obligation		<u>(881,299)</u>	(1,773,974)

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 Position under the accrual basis of accounting. 20,470,579

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (9,416)

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		531,076	
Noncurrent assets		965,629	
Accounts payable and accrued liabilities		(148,865)	
Noncurrent liabilities		<u>(14,674)</u>	1,333,166

Net Position of governmental activities \$ 64,009,947

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 Position

Governmental Activities

June 30, 2013

ASSETS	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Internal Services Balances	Statement of Net Position
Current assets:					
Cash and investments	\$ 10,410,933	\$ -	\$ -	\$ 521,485	\$ 10,932,418
Restricted cash and investments	2,541,111	-	-	-	2,541,111
Receivables:					
Taxes	401,667	-	-	-	401,667
Interest	749	-	-	-	749
Intergovernmental	1,286,515	-	-	-	1,286,515
Loans/Notes receivable	20,309,577	-	-	-	20,309,577
Other receivable	938,644	-	-	-	938,644
Due from other funds	139,736	(139,736)	-	-	-
Internal balances	-	(177,264)	-	-	(177,264)
Inventory	123,347	-	-	9,591	132,938
Total current assets	36,152,279	(317,000)	-	531,076	36,366,355
Noncurrent assets:					
Capital assets, net	-	-	31,095,286	965,629	32,060,915
Total noncurrent assets	-	-	31,095,286	965,629	32,060,915
Total assets	\$ 36,152,279	\$ (317,000)	\$ 31,095,286	\$ 1,496,705	\$ 68,427,270
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,643,816	\$ -	\$ -	\$ 32,583	\$ 1,676,399
Interest payable	-	-	9,416	-	9,416
Due to other funds	317,000	(317,000)	-	-	-
Deposits payable	22,373	-	-	-	22,373
Compensated absences - current portion	-	-	99,801	4,892	104,693
Other liabilities	804,205	-	-	-	804,205
Due within one year	-	-	54,318	111,390	165,708
Total current liabilities	2,787,394	(317,000)	163,535	148,865	2,782,794
Noncurrent liabilities:					
Long-term liabilities:					
Compensated absences	-	-	299,403	14,674	314,077
Due after one year	-	-	439,153	-	439,153
Net OPEB obligation	-	-	881,299	-	881,299
Total noncurrent liabilities	-	-	1,619,855	14,674	1,634,529
Total liabilities	2,787,394	(317,000)	1,783,390	163,539	4,417,323
Deferred inflows: Unavailable revenue	20,470,579	-	(20,470,579)	-	-
Total liabilities and deferred inflows:	23,257,973	(317,000)	(18,687,189)	163,539	4,417,323
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable	123,347	(123,347)	-	-	-
Restricted	3,308,013	(3,308,013)	-	-	-
Assigned	5,036,078	(5,036,078)	-	-	-
Unassigned (deficit)	4,426,868	(4,426,868)	-	-	-
Net position:					
Invested in capital assets, net of related debt	-	-	30,601,815	952,466	31,554,281
Restricted	-	-	3,308,013	-	3,308,013
Unrestricted	-	12,894,306	15,872,647	380,700	29,147,653
Total fund balances/net position	12,894,306	-	49,782,475	1,333,166	64,009,947
Total liabilities, deferred inflows and net position	\$ 36,152,279	\$ (317,000)	\$ 31,095,286	\$ 1,496,705	\$ 68,427,270

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, 2013

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
REVENUES:			
Taxes and assessments	\$ 7,333,340	\$ -	\$ -
Licenses and permits	336,527	-	-
Fines and forfeitures	240,178	-	-
Intergovernmental	1,671,454	-	-
Use of money and property	156,382	1,561,169	146,004
Charges for services	635,934	-	-
Reimbursements	1,609,038	-	-
Other revenues	237,740	-	-
Total revenues	12,220,593	1,561,169	146,004
EXPENDITURES:			
Current:			
General government	2,719,513	-	-
Public safety	4,914,638	-	-
Public works	738,859	-	-
Community development	962,347	156,128	148,062
Parks and recreation	1,307,201	-	-
Capital outlay	1,755,116	-	-
Debt service:			
Principal	58,670	-	-
Interest and fiscal charges	20,627	-	-
Total expenditures	12,476,971	156,128	148,062
REVENUES OVER (UNDER) EXPENDITURES	(256,378)	1,405,041	(2,058)
OTHER FINANCING SOURCES (USES):			
Transfers in	811,242	-	-
Transfers out	(300,000)	-	-
Total other financing sources (uses)	511,242	-	-
Net change in fund balances	254,864	1,405,041	(2,058)
FUND BALANCES:			
Beginning of year	4,097,917	735,605	125,067
End of year	\$ 4,352,781	\$ 2,140,646	\$ 123,009

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

Other Governmental Funds	Totals
\$ 31,031	\$ 7,364,371
-	336,527
99,058	339,236
1,219,327	2,890,781
279,862	2,143,417
-	635,934
36,095	1,645,133
738,785	976,525
2,404,158	16,331,924
-	2,719,513
294,148	5,208,786
684,846	1,423,705
1,910,937	3,177,474
306,184	1,613,385
1,719,099	3,474,215
-	58,670
-	20,627
4,915,214	17,696,375
(2,511,056)	(1,364,451)
1,198,349	2,009,591
(1,348,231)	(1,648,231)
(149,882)	361,360
(2,660,938)	(1,003,091)
8,938,808	13,897,397
\$ 6,277,870	\$ 12,894,306

City of Arcata, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2013

Functions/Programs	Fund Based Totals	Compensated Absences/ Debt		Internal Service	Depreciation	Capital Asset (Additions)/ Retirements		OPEB Obligation	Government- wide Totals
		Service	Service			Retirements	Obligation		
Governmental activities:									
General government	\$ 2,719,513	\$ (55,460)	\$ 128,850	\$ 255,060	\$ 1,544,323	\$ 169,695	\$ 4,761,981		
Public safety	5,208,786	(41,473)	-	136,364	-	-	5,303,677		
Public works	1,423,705	-	-	288,984	-	-	1,712,689		
Community development	3,177,474	-	-	1,145,724	-	-	4,323,198		
Parks and recreation	1,613,385	-	-	89,286	-	-	1,702,671		
Capital outlay	3,474,215	-	-	-	(3,474,215)	-	-		
Debt service/Interest	79,297	(59,659)	-	-	-	-	19,638		
Total governmental activities	\$ 17,696,375	\$ (156,592)	\$ 128,850	\$ 1,915,418	\$ (1,929,892)	\$ 169,695	\$ 17,823,854		

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, 2013

Net change in fund balances - total governmental funds \$ (1,003,091)

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	\$ 1,929,892	
Capital asset transfer from private purpose trust funds	5,603,268	
Depreciation expense	<u>(1,915,418)</u>	5,617,742

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.

623,649

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

Debt principal payments		58,670
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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	989	
Capital lease obligations	41,473	
Change in compensated absences	<u>55,460</u>	97,922

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 Position:

Net OPEB obligation		(169,695)
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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 Position of the Internal Service Funds before transfers (\$439,232) and net transfers out of (\$131,692) are included in the governmental activities in the government-wide Statement of Net Position less amounts due depreciation expense of \$310,382 reported above for capital assets.

(439,232)	
310,382	
<u>(131,692)</u>	<u>(260,542)</u>

Change in Net Position of governmental activities		<u><u>\$ 4,964,655</u></u>
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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 -
Budget to Actual - Major Funds
For the year ended June 30, 2013

	General Fund			Variance w/Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 7,325,000	\$ 7,625,000	\$ 7,333,340	\$ (291,660)
Licenses and permits	377,850	377,850	336,527	(41,323)
Fines and forfeitures	265,000	271,000	240,178	(30,822)
Intergovernmental	1,543,274	1,588,196	1,671,454	83,258
Use of money and property	210,350	210,350	156,382	(53,968)
Charges for services	650,850	665,850	635,934	(29,916)
Reimbursements	1,982,535	1,982,535	1,609,038	(373,497)
Other revenues	47,750	53,503	237,740	184,237
Total revenues	12,402,609	12,774,284	12,220,593	(553,691)
EXPENDITURES:				
Current:				
General government	3,163,153	3,308,359	2,719,513	588,846
Public safety	5,161,840	5,156,186	4,914,638	241,548
Public works	468,415	814,337	738,859	75,478
Community development	968,340	1,053,940	962,347	91,593
Parks and recreation	1,284,321	1,368,884	1,307,201	61,683
Capital outlay	1,297,084	3,248,068	1,755,116	1,492,952
Debt service:				
Principal	57,120	57,308	58,670	(1,362)
Interest and fiscal charges	21,150	20,962	20,627	335
Total expenditures	12,421,423	15,028,044	12,476,971	2,551,073
REVENUES OVER (UNDER)				
EXPENDITURES	(18,814)	(2,253,760)	(256,378)	1,997,382
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	811,242	811,242
Transfers out	179,010	(179,010)	(300,000)	(120,990)
Total other financing sources (uses)	179,010	(179,010)	511,242	690,252
Net change in fund balances	160,196	(2,432,770)	254,864	2,687,634
FUND BALANCES:				
Beginning of year	4,097,917	4,097,917	4,097,917	-
End of year	\$ 4,258,113	\$ 1,665,147	\$ 4,352,781	\$ 2,687,634

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

CDBG Housing Special Revenue Fund				Housing Revolving Special Revenue Fund			
<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance w/Final</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance w/Final</u>
<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
225,000	225,000	1,561,169	1,336,169	75,000	75,000	146,004	71,004
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	25,000	25,000	-	(25,000)
<u>225,000</u>	<u>225,000</u>	<u>1,561,169</u>	<u>1,336,169</u>	<u>100,000</u>	<u>100,000</u>	<u>146,004</u>	<u>46,004</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
545,100	612,887	156,128	456,759	100,439	173,834	148,062	25,772
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>545,100</u>	<u>612,887</u>	<u>156,128</u>	<u>456,759</u>	<u>100,439</u>	<u>173,834</u>	<u>148,062</u>	<u>25,772</u>
<u>(320,100)</u>	<u>(387,887)</u>	<u>1,405,041</u>	<u>1,792,928</u>	<u>(439)</u>	<u>(73,834)</u>	<u>(2,058)</u>	<u>71,776</u>
-	-	-	-	439	439	-	(439)
-	-	-	-	-	-	-	-
-	-	-	-	439	439	-	(439)
<u>(320,100)</u>	<u>(387,887)</u>	<u>1,405,041</u>	<u>1,792,928</u>	<u>-</u>	<u>(73,395)</u>	<u>(2,058)</u>	<u>71,337</u>
<u>735,605</u>	<u>735,605</u>	<u>735,605</u>	<u>-</u>	<u>125,067</u>	<u>125,067</u>	<u>125,067</u>	<u>-</u>
<u>\$ 415,505</u>	<u>\$ 347,718</u>	<u>\$ 2,140,646</u>	<u>\$ 1,792,928</u>	<u>\$ 125,067</u>	<u>\$ 51,672</u>	<u>\$ 123,009</u>	<u>\$ 71,337</u>

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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 Position
Proprietary Funds
June 30, 2013

	Water Fund	Wastewater Fund	Transit Fund
ASSETS			
Current assets:			
Cash and investments	\$ 1,143,998	\$ 1,027,439	\$ 1,128,504
Receivables:			
Accounts	316,378	357,666	-
Intergovernmental	-	4,686	805,508
Due from other funds	201,139	-	-
Inventory	69,884	17,552	-
Total current assets	1,731,399	1,407,343	1,934,012
Noncurrent assets:			
Prepaid debt issuance costs	9,898	15,574	-
Capital assets, net	3,445,903	8,121,883	1,538,555
Total noncurrent assets	3,455,801	8,137,457	1,538,555
Total Assets	\$ 5,187,200	\$ 9,544,800	\$ 3,472,567
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	\$ 110,494	\$ 61,824	\$ 37,163
Accrued payroll	34,304	37,432	9,942
Due to other funds	-	-	-
Interest payable	-	7,626	-
Unearned revenue	-	-	1,019,006
Deposits payable	242,564	-	-
Compensated absences - current portion	15,552	17,527	5,519
Due within one year	89,050	123,000	-
Total current liabilities	491,964	247,409	1,071,630
Noncurrent liabilities:			
Compensated absences	46,657	52,579	16,555
Due after one year	733,850	1,363,000	-
Total noncurrent liabilities	780,507	1,415,579	16,555
Total liabilities	1,272,471	1,662,988	1,088,185
Net Position:			
Invested in capital assets net of related debt	2,712,053	6,758,883	1,538,555
Unrestricted	1,202,676	1,122,929	845,827
Total net position	3,914,729	7,881,812	2,384,382
Total liabilities and net position	\$ 5,187,200	\$ 9,544,800	\$ 3,472,567

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

Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities Internal Service Funds
\$ 309,553	\$ -	\$ 3,609,494	\$ 521,485
23,402	139,384	836,830	-
42,329	167,111	1,019,634	-
-	-	201,139	-
-	3,452	90,888	9,591
<u>375,284</u>	<u>309,947</u>	<u>5,757,985</u>	<u>531,076</u>
-	-	25,472	-
3,235	7,141,160	20,250,736	965,629
<u>3,235</u>	<u>7,141,160</u>	<u>20,276,208</u>	<u>965,629</u>
<u>\$ 378,519</u>	<u>\$ 7,451,107</u>	<u>\$ 26,034,193</u>	<u>\$ 1,496,705</u>
\$ 16,499	\$ 7,532	\$ 233,512	\$ 24,373
3,666	8,256	93,600	8,210
-	23,875	23,875	-
-	-	7,626	-
-	-	1,019,006	-
-	2,400	244,964	-
2,477	4,284	45,359	4,892
-	-	212,050	111,390
<u>22,642</u>	<u>46,347</u>	<u>1,879,992</u>	<u>148,865</u>
7,430	12,853	136,074	14,674
-	-	2,096,850	-
<u>7,430</u>	<u>12,853</u>	<u>2,232,924</u>	<u>14,674</u>
<u>30,072</u>	<u>59,200</u>	<u>4,112,916</u>	<u>163,539</u>
3,235	7,141,160	18,153,886	952,466
<u>345,212</u>	<u>250,747</u>	<u>3,767,391</u>	<u>380,700</u>
<u>348,447</u>	<u>7,391,907</u>	<u>21,921,277</u>	<u>1,333,166</u>
<u>\$ 378,519</u>	<u>\$ 7,451,107</u>	<u>\$ 26,034,193</u>	<u>\$ 1,496,705</u>

City of Arcata, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2013

	Water Fund	Wastewater Fund	Transit Fund
OPERATING REVENUES:			
Charges for service	\$ 3,092,677	\$ 3,501,525	\$ 993,201
Interdepartmental charges	-	-	-
Other operating revenue	-	-	-
Total operating revenues	3,092,677	3,501,525	993,201
OPERATING EXPENSES:			
Salaries and benefits	1,254,220	1,380,507	443,558
Contractual services	87,838	344,111	227,140
Materials and supplies	193,316	828,999	61,205
Repairs and maintenance	86,103	113,965	191,366
Purchased water	829,338	-	-
Utilities	63,959	133,044	5,443
Insurance	93,775	93,775	38,487
Taxes and fees	23,432	45,290	324
Allocated overhead	421,490	421,500	77,420
Depreciation	143,844	374,550	192,064
Total operating expenses	3,197,315	3,735,741	1,237,007
OPERATING INCOME	(104,638)	(234,216)	(243,806)
NONOPERATING REVENUES (EXPENSES):			
Gain (Loss) from the sale of capital assets	-	-	747
Intergovernmental revenues (expenses)	-	8,677	-
Interest revenue	4,088	2,781	2,696
Interest expense	(38,130)	(67,076)	-
Total non-operating revenues, net	(34,042)	(55,618)	3,443
NET INCOME BEFORE TRANSFERS	(138,680)	(289,834)	(240,363)
Transfers in	-	-	-
Transfers out	(198,629)	(213,599)	(28,320)
Total transfers	(198,629)	(213,599)	(28,320)
CHANGE IN NET POSITION	(337,309)	(503,433)	(268,683)
NET POSITION:			
Beginning of year	4,252,038	8,385,245	2,653,065
End of year	\$ 3,914,729	\$ 7,881,812	\$ 2,384,382

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

Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities Internal Service Funds
\$ 397,535	\$ 843,725	\$ 8,828,663	\$ -
-	-	-	628,078
12,105	58	12,163	-
<u>409,640</u>	<u>843,783</u>	<u>8,840,826</u>	<u>628,078</u>
149,355	318,772	3,546,412	313,212
75,294	49,285	783,668	41,387
11,544	61,958	1,157,022	286,477
1,764	13,769	406,967	37,524
-	-	829,338	-
-	220	202,666	-
3,410	17,050	246,497	51,150
-	10,823	79,869	6,581
83,307	91,120	1,094,837	25,790
4,787	25,056	740,301	310,382
<u>329,461</u>	<u>588,053</u>	<u>9,087,577</u>	<u>1,072,503</u>
<u>80,179</u>	<u>255,730</u>	<u>(246,751)</u>	<u>(444,425)</u>
-	-	747	8,816
-	-	8,677	-
620	-	10,185	2,612
-	(1,238)	(106,444)	(6,235)
<u>620</u>	<u>(1,238)</u>	<u>(86,835)</u>	<u>5,193</u>
80,799	254,492	(333,586)	(439,232)
-	238,640	238,640	2,395
(27,760)	-	(468,308)	(134,087)
<u>(27,760)</u>	<u>238,640</u>	<u>(229,668)</u>	<u>(131,692)</u>
53,039	493,132	(563,254)	(570,924)
295,408	6,898,775	22,484,531	1,904,090
<u>\$ 348,447</u>	<u>\$ 7,391,907</u>	<u>\$ 21,921,277</u>	<u>\$ 1,333,166</u>

City of Arcata, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2013

	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/users for services provided	\$ 3,122,377	\$ 3,588,965
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(1,806,314)	(1,984,502)
Cash payments to employees for services	(1,237,325)	(1,360,053)
Net cash provided by operating activities	78,738	244,410
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received	-	-
Transfers paid	(177,187)	(213,599)
Grant income	-	8,677
Net cash used by noncapital financing activities	(177,187)	(204,922)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(40,650)	-
Proceeds from issuance of long-term debt	-	-
Principal paid on long term debt	(86,450)	(119,000)
Interest paid on long term debt	(38,130)	(68,297)
Proceeds from the sale of capital assets	-	-
Net cash (used) by capital and related financing activities	(165,230)	(187,297)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	4,088	2,781
Net cash provided by investing activities	4,088	2,781
Net increase (decrease) in cash and cash equivalents	(259,591)	(145,028)
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,403,589	1,172,467
End of year	<u>\$ 1,143,998</u>	<u>\$ 1,027,439</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income	\$ (104,638)	\$ (234,216)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	143,844	374,550
(Increase) decrease in current assets:		
Accounts receivable	(2,493)	87,691
Intergovernmental receivables	-	(251)
Inventory	(6,885)	(4,395)
Prepaid items	1,319	1,841
Increase (decrease) in liabilities:		
Accounts payable	(1,497)	(1,264)
Accrued liabilities	14,442	15,925
Unearned revenues	-	-
Deposits payable	32,193	-
Compensated absences	2,453	4,529
Net cash provided by operating activities	\$ 78,738	\$ 244,410

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2013.

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
\$ 987,693	\$ 372,680	\$ 900,558	\$ 8,972,273	\$ -
-	-	-	-	628,078
(606,735)	(170,111)	(236,986)	(4,804,648)	(441,042)
(440,121)	(146,613)	(319,453)	(3,503,565)	(314,515)
(59,163)	55,956	344,119	664,060	(127,479)
-	-	2,831	2,831	2,395
(28,320)	(27,760)	-	(446,866)	(134,087)
-	-	-	8,677	-
(28,320)	(27,760)	2,831	(435,358)	(131,692)
-	-	(345,712)	(386,362)	(24,339)
-	-	-	-	-
-	-	-	(205,450)	(139,134)
-	-	(1,238)	(107,665)	(6,235)
747	-	-	747	8,816
747	-	(346,950)	(698,730)	(160,892)
2,696	620	-	10,185	2,612
2,696	620	-	10,185	2,612
(84,040)	28,816	-	(459,843)	(417,451)
1,212,544	280,737	-	4,069,337	938,936
\$ 1,128,504	\$ 309,553	\$ -	\$ 3,609,494	\$ 521,485
\$ (243,806)	\$ 80,179	\$ 255,730	\$ (246,751)	\$ (444,425)
192,064	4,787	25,056	740,301	310,382
-	892	(65,517)	20,573	-
(805,508)	(37,852)	122,292	(721,319)	-
-	-	1,379	(9,901)	(4,214)
-	-	-	3,160	-
(5,350)	5,208	5,860	2,957	12,081
2,242	1,819	3,326	37,754	2,626
800,000	-	-	800,000	-
-	-	-	32,193	-
1,195	923	(4,007)	5,093	(3,929)
\$ (59,163)	\$ 55,956	\$ 344,119	\$ 664,060	\$ (127,479)

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FIDUCIARY ACTIVITIES

Fund	Description
Private Purpose Trust Funds are used for resources held for other individuals and entities in a manner similar to private enterprise.	
Private Purpose Trust Funds	
Successor Agency - Arcata Community Development Agency	Accounts for funds collected and disbursed for the dissolution of the former Arcata Community Development Agency related to Administration and Retirement of enforceable obligations
Housing	Accounts for funds collected and disbursed for the dissolution of the former Arcata Community Development Agency's housing related debts.

City of Arcata, California
Statement of Fiduciary Net Position
Fiduciary Activities
June 30, 2013

	Successor Agency		Totals
	Former Arcata Community Development Agency	Housing	
Current assets:			
Cash and investments	\$ 1,737,908	\$ 36,177	\$ 1,774,085
Cash and investments with trustee/fiscal agent	980,828	-	980,828
Accounts receivable	-	107	107
Loans/notes receivable	-	11,684	11,684
Total current assets	<u>2,718,736</u>	<u>47,968</u>	<u>2,766,704</u>
Other assets:			
Deferred charges	338,886	-	338,886
Total other assets	<u>338,886</u>	<u>-</u>	<u>338,886</u>
Total assets	<u>\$ 3,057,622</u>	<u>\$ 47,968</u>	<u>\$ 3,105,590</u>
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable and accrued liabilities	602,969	742	\$ 603,711
Interest payable	219,765	-	219,765
Due within one year	316,199	-	316,199
Total current liabilities	<u>1,138,933</u>	<u>742</u>	<u>1,139,675</u>
Long-term liabilities:			
Compensated absences	19,554	-	19,554
Due after one year	10,173,965	-	10,173,965
Total long-term liabilities	<u>10,193,519</u>	<u>-</u>	<u>10,193,519</u>
Total liabilities	<u>11,332,452</u>	<u>742</u>	<u>11,333,194</u>
Net Position (Deficit):			
Net invested in capital assets	(10,173,965)	-	(10,173,965)
Net position held in trust for Redevelopment Dissolution	1,899,135	47,226	1,946,361
Total Net Position (deficit)	<u>(8,274,830)</u>	<u>47,226</u>	<u>(8,227,604)</u>
Total liabilities and net position	<u>\$ 3,057,622</u>	<u>\$ 47,968</u>	<u>\$ 3,105,590</u>

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

City of Arcata, California
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2013

	Successor Agency		
	Former Arcata Community Development Agency	Housing	Totals
ADDITIONS:			
Property taxes	\$ 2,318,668	\$ -	\$ 2,318,668
Investment income	3,966	2,282	6,248
Other additions	250,000	-	250,000
Total operating revenues	<u>2,572,634</u>	<u>2,282</u>	<u>2,574,916</u>
DEDUCTIONS:			
Community development	287,434	524,091	811,525
Interest and trustee fees	983,639	-	983,639
Depreciation and amortization	16,138	-	16,138
Transfer to City	1,320,297	4,282,971	5,603,268
Total operating expenses	<u>2,607,508</u>	<u>4,807,062</u>	<u>7,414,570</u>
CHANGE IN FIDUCIARY NET ASSETS	<u>(34,874)</u>	<u>(4,804,780)</u>	<u>(4,839,654)</u>
NET ASSETS (DEFICIT):			
Beginning of year	(8,239,956)	4,852,006	(3,387,950)
End of year	<u>\$ (8,274,830)</u>	<u>\$ 47,226</u>	<u>\$ (8,227,604)</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

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.

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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

Government-Wide Financial Statements

The statement of net position 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
- CDBG Housing Special Revenue Fund
- Housing Revolving Special Revenue Fund

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

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.

Fiduciary Funds

Private Purpose Trust Funds

Private Purpose Trust Funds account for resources held for other individuals or entities in a manner similar to private enterprise.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

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 position 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 position, 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 and private purpose trust 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 and private purpose trust funds equity is classified as net position.

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 position 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
Basic Financial Statements
For the year ended June 30, 2013

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 position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

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.

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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, Continued

Capital Assets, continued

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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 40 to 120 hours of unused annual leave depending upon their length of service. 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.

Unearned Revenues

Unearned 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 position 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 position 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 position* – consists of net position 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 position* – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Assets, Liabilities, and Equity, 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.
- Council resolution is required to be taken to establish, modify or rescind a fund balance commitment

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.
- Assigned amounts for a specific purpose are as authorized by the City's Finance Director through its fund balance policy.

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
Basic Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Equity Classification, 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
Basic Financial Statements
For the year ended June 30, 2013

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, 2013. 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
Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS

At June 30, 2013, 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	\$ -	\$ -	\$ -	\$ 5,794,929	\$ 5,794,929		
Petty cash	-	-	-	1,325	1,325		
Total pooled items	-	-	-	5,796,254	5,796,254		
Pooled investments, at fair value							
<u>Interest obligations</u>							
<u>Par</u>	<u>Rate</u>						
\$ 4,250,000	0.250 - 2.250%	US Treasury Notes	1,987,525	904,185	1,219,788	-	4,246,564
7,159,000	0.250 - 5.300%	Federal Agency Securities	996,927	2,851,942	3,512,695	-	7,226,498
1,335,145	0.010%	Money market	1,335,145	-	-	-	1,335,145
State of California Local Agency Investment Fund			1,233,475	-	-	-	1,233,475
Total pooled investments - interest obligations			5,553,072	3,756,127	4,732,483	-	14,041,682
Total cash equivalents and investments pooled			\$ 5,553,072	\$ 3,756,127	\$ 4,732,483	\$ 5,796,254	\$ 19,837,936
Amounts reported in:							
							\$ 10,932,418
							2,541,111
							3,609,494
							2,754,913
							<u>\$ 19,837,936</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury notes	\$ 3,917,555	1.91
Federal agency securities	6,618,457	2.73
Money market funds	1,291,368	-
State investment pool	1,233,475	-
Held by bond trustees:		
US. Treasury notes	329,009	3.70
Federal agency securities	608,041	2.95
Money market funds	43,777	-
Total fair value	<u>\$ 14,041,682</u>	
Portfolio weighted average maturity		2.49

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

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, 2013, 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
Basic Financial Statements
For the year ended June 30, 2013

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, 2013, 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 1.88% 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
Basic Financial Statements
For the year ended June 30, 2013

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, 2013, the carrying amount of the City's deposits was \$5,770,246 and the balances in financial institutions were \$5,774,405. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$5,524,405 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, 2013, 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

The City is a voluntary participant in California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for day to day administration of LAIF. The total amount invested by all public agencies as of June 30, 2013 was \$21,212,245,833 of which the City had a balance of \$1,233,475. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2013 has a portfolio of \$58,852,094,221. Of the total invested, 98.12% was invested in non-derivative financial products and 1.88% in structured notes and asset-backed securities. 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
Basic Financial Statements
For the year ended June 30, 2013

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2013:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities			
Accounts receivable	\$ 939,544	\$ (900)	\$ 938,644
Intergovernmental	1,286,515	-	1,286,515
Interest	434,464	-	434,464
Taxes	401,667	-	401,667
	<u>\$ 3,062,190</u>	<u>\$ (900)</u>	<u>\$ 3,061,290</u>
Business-type activities			
Accounts receivable	\$ 889,530	\$ (52,700)	\$ 836,830
Intergovernmental	1,019,634	-	1,019,634
	<u>\$ 1,909,164</u>	<u>\$ (52,700)</u>	<u>\$ 1,856,464</u>

These amounts resulted in the following concentrations in receivables:

Other Governments	46.1%	Financial	9.0%
Individuals/Business	8.3%	Other	36.6%

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, 2013, consisted of the following:

	<u>Beginning</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>June 30, 2013</u>
Community Development Block Grant	\$ 4,304,897	\$ 88,186	\$ (850,379)	\$ 3,542,704
HOME loans	11,158,612	2,560,340	(115,317)	13,603,635
Basic business revolving loans	115,714	-	(8,855)	106,859
Business loan: Arcata Theatre	259,875	-	(27,857)	232,018
Mobile home park low income housing assistance	2,207,405	-	(483,000)	1,724,405
First time home buyers	232,839	-	(12,883)	219,956
Rehabilitation loans	880,000	-	-	880,000
Total loans/notes receivable	<u>\$ 19,159,342</u>	<u>\$ 2,648,526</u>	<u>\$ (1,498,291)</u>	<u>\$ 20,309,577</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

4. LOANS AND NOTES RECEIVABLE, Continued

The following is a summary of the loans and notes receivable outstanding as of June 30, 2013:

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, 2013, was \$3,542,704.

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. The balance of these loans at June 30, 2013, was \$13,603,635.

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. The balance of these loans at June 30, 2013, was \$106,859.

Business Loan: Arcata Theatre – During 2008, the City loaned money to the owners of a historic theatre in downtown district for rehabilitation. The balance of these loans at June 30, 2013, was \$232,018.

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. The balance of these loans at June 30, 2013, was \$1,724,405.

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. The balance of these loans at June 30, 2013, was \$219,956.

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. The balance of these loans at June 30, 2013, was \$880,000.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

5. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Governmental activities:					
Nondepreciable assets:					
Land	\$ 11,376,981	\$ 1,098,288	\$ -	\$ 3,932,569	\$ 16,407,838
Undergrounding facilities	90,025	-	-	-	90,025
Total nondepreciable assets	<u>11,467,006</u>	<u>1,098,288</u>	<u>-</u>	<u>3,932,569</u>	<u>16,497,863</u>
Depreciable assets:					
Buildings and structures	9,660,442	766,789	-	1,900,306	12,327,537
Furniture and equipment	4,733,453	6,477	-	-	4,739,930
Improvements	4,692,544	58,147	-	-	4,750,691
Infrastructure	41,748,019	-	-	-	41,748,019
Vehicles	3,933,752	24,341	(221,992)	-	3,736,101
Total depreciable assets	<u>64,768,210</u>	<u>855,754</u>	<u>(221,992)</u>	<u>1,900,306</u>	<u>67,302,278</u>
Total	<u>76,235,216</u>	<u>1,954,042</u>	<u>(221,992)</u>	<u>5,832,875</u>	<u>83,800,141</u>
Accumulated depreciation:					
Buildings and structures	(5,523,575)	(246,930)	-	(229,607)	(6,000,112)
Furniture and equipment	(3,778,375)	(238,758)	-	-	(4,017,133)
Improvements	(2,543,671)	(116,760)	-	-	(2,660,431)
Infrastructure	(35,180,529)	(1,069,005)	-	-	(36,249,534)
Vehicles	(2,790,043)	(243,965)	221,992	-	(2,812,016)
Total accumulated depreciation	<u>(49,816,193)</u>	<u>(1,915,418)</u>	<u>221,992</u>	<u>(229,607)</u>	<u>(51,739,226)</u>
Net depreciable assets	<u>14,952,017</u>	<u>(1,059,664)</u>	<u>-</u>	<u>1,670,699</u>	<u>15,563,052</u>
Total net capital assets	<u>\$ 26,419,023</u>	<u>\$ 38,624</u>	<u>\$ -</u>	<u>\$ 5,603,268</u>	<u>\$ 32,060,915</u>

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

General government	\$ 255,060
Public safety	136,364
Public works	288,984
Community development	1,145,724
Parks and recreation	89,286
	<u>\$ 1,915,418</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

5. CAPITAL ASSETS, Continued

Business-type capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
<u>Business-type activities</u>					
Nondepreciable assets:					
Land	\$ 6,838,447	\$ 345,712	\$ -	\$ -	\$ 7,184,159
Total nondepreciable assets	<u>6,838,447</u>	<u>345,712</u>	<u>-</u>	<u>-</u>	<u>7,184,159</u>
Depreciable assets:					
Undergrounding facilities	8,559,327	-	-	-	8,559,327
Buildings and structures	9,267,306	-	-	-	9,267,306
Furniture and equipment	3,056,457	-	-	-	3,056,457
Other improvements	6,607,454	40,651	-	-	6,648,105
Vehicles	1,799,534	-	(19,968)	-	1,779,566
Total depreciable assets	<u>29,290,078</u>	<u>40,651</u>	<u>(19,968)</u>	<u>-</u>	<u>29,310,761</u>
Total	<u>36,128,525</u>	<u>386,363</u>	<u>(19,968)</u>	<u>-</u>	<u>36,494,920</u>
Accumulated depreciation:					
Undergrounding facilities	(3,853,865)	(185,285)	-	-	(4,039,150)
Buildings and structures	(5,703,513)	(149,877)	-	-	(5,853,390)
Furniture and equipment	(2,704,394)	(93,938)	-	-	(2,798,332)
Other improvements	(2,509,331)	(197,904)	-	-	(2,707,235)
Vehicles	(752,748)	(113,297)	19,968	-	(846,077)
Total accumulated depreciation	<u>(15,523,851)</u>	<u>(740,301)</u>	<u>19,968</u>	<u>-</u>	<u>(16,244,184)</u>
Net depreciable assets	<u>13,766,227</u>	<u>(699,650)</u>	<u>-</u>	<u>-</u>	<u>13,066,577</u>
Total net capital assets	<u>\$ 20,604,674</u>	<u>\$ (353,938)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,250,736</u>

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

Water	\$ 143,844
Wastewater	374,550
Transit	192,064
Solid Waste	4,787
Stormwater	25,056
	<u>\$ 740,301</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2013:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Accounts payable	\$ 1,406,358	\$ 233,512	\$ 598,618	\$ 2,238,488
Accrued payroll and related liabilities	270,041	93,600	5,093	368,734
Total	<u>\$ 1,676,399</u>	<u>\$ 327,112</u>	<u>\$ 603,711</u>	<u>\$ 2,607,222</u>

These amounts resulted in the following concentrations in payables:

Vendors	86%
Employees	14%

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, 2013:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
Energy Commission Loan	\$ 18,677	\$ -	\$ (12,308)	\$ 6,368	\$ 6,368
Capital Lease Obligations	336,003	-	(180,610)	155,393	111,390
2008 Municipal Lease - Governmental share	489,650	-	(46,550)	443,100	47,950
Total governmental debt	<u>\$ 844,330</u>	<u>\$ -</u>	<u>\$ (239,468)</u>	<u>\$ 604,861</u>	<u>\$ 165,708</u>
Compensated absences	478,159		(59,389)	418,770	104,693
Net OPEB obligation	711,604	315,067	(145,372)	881,299	-
Total governmental activities	<u>\$ 2,034,093</u>	<u>\$ 315,067</u>	<u>\$ (444,229)</u>	<u>\$ 1,904,930</u>	<u>\$ 270,401</u>
Business-type activities					
2008 Municipal Lease - Water Enterprise Share	909,350	-	(86,450)	822,900	89,050
2008 Municipal Loan	1,605,000	-	(119,000)	1,486,000	123,000
Total business-type activity debt	<u>2,514,350</u>	<u>-</u>	<u>(205,450)</u>	<u>2,308,900</u>	<u>212,050</u>
Compensated absences	176,340		5,093	181,433	45,359
Total business-type activities	<u>\$ 2,690,690</u>	<u>\$ -</u>	<u>\$ (200,357)</u>	<u>\$ 2,490,333</u>	<u>\$ 257,409</u>
Trust Activities:					
1994 Loan from the Arcata Joint Powers Financing Authority	\$ 2,765,000	\$ -	\$ (1,165,000)	\$ 1,600,000	\$ 175,000
2003 Loan from the Arcata Joint Powers Financing Authority	8,890,000	-	(130,000)	8,760,000	135,000
Bond premiums	136,363	-	(6,199)	130,164	6,199
Total trust fund debt	<u>\$ 11,791,363</u>	<u>\$ -</u>	<u>\$ (1,301,199)</u>	<u>\$ 10,490,164</u>	<u>\$ 316,199</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

7. LONG-TERM LIABILITIES, Continued

Governmental Activities

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, 2013, was \$6,368.

Capital Lease Obligations

The City entered into lease/purchase agreements to purchase a mobile command vehicle, a sweeper and Con Vac truck. These lease obligations are payable through fiscal year 2014, at which time the buyout will be \$1. 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, 2013, was \$155,393. See *2008 Municipal Lease* for the other capital leases attributable to governmental activities.

2008 Municipal Lease

On April 22, 2008, the City entered into a lease agreement with Municipal Finance Corporation for a 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% per annum. 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, 2013, was \$443,100 for governmental activities and \$822,900 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.

Business-type Activities

2008 Municipal Loan

On April 22, 2008, the City entered into a loan agreement with Municipal Finance Corporation for a 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% per annum. 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, 2013, was \$1,486,000.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

7. LONG-TERM LIABILITIES, Continued

Trust Activities

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. On August 1, 2012, the City redeemed \$1,000,000 of the outstanding bonds, reducing the outstanding balance to \$1,600,000 and the maturity date by three years to August 1, 2020.

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 2033. 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 2023.

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 \$600,203 at June 30, 2013, of that amount \$150,052 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, 2013, the City had a Net OPEB Obligation of \$881,299. See Note 12 for further discussion on OPEB.

City of Arcata, California
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7. LONG-TERM LIABILITIES, Continued

Future debt service for Governmental Activities at June 30, 2013, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Governmental Activities					
	Energy Commission Loan		Capital Lease Obligations		2008 Municipal Lease - Governmental Share	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 6,368	\$ 123	\$ 111,390	\$ 5,179	\$ 47,950	\$ 18,832
2015	-	-	44,003	-	49,000	16,794
2016	-	-	-	-	51,800	14,712
2017	-	-	-	-	52,850	12,510
2018	-	-	-	-	57,400	10,264
2019-2022	-	-	-	-	184,100	15,872
Total	\$ 6,368	\$ 123	\$ 155,393	\$ 5,179	\$ 443,100	\$ 88,983
Due within one year	\$ 6,368	\$ 123	\$ 111,390	\$ 5,179	\$ 47,950	\$ 18,832
Due after one year	-	-	44,003	-	395,150	70,151
Total	\$ 6,368	\$ 123	\$ 155,393	\$ 5,179	\$ 443,100	\$ 88,983
	Total					
	Principal	Interest				
2014	\$ 165,708	\$ 24,134				
2015	93,003	16,794				
2016	51,800	14,712				
2017	52,850	12,510				
2018	57,400	10,264				
2019-2022	184,100	15,872				
Total	\$ 604,861	\$ 94,285				
Due within one year	\$ 165,708	\$ 24,134				
Due after one year	439,153	70,151				
Total	\$ 604,861	\$ 94,285				

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7. LONG-TERM LIABILITIES, Continued

Future debt service for Business-type Activities at June 30, 2013, is as follows:

Year Ending June 30,	Business Type Activities					
	2008 Municipal Lease - Water Enterprise share		2008 Municipal Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 89,050	\$ 34,973	\$ 123,000	\$ 61,254	\$ 212,050	\$ 96,228
2015	91,000	31,189	126,000	55,900	217,000	87,088
2016	96,200	27,321	134,000	50,310	230,200	77,631
2017	98,150	23,233	137,000	44,484	235,150	67,716
2018	106,600	19,061	144,000	38,442	250,600	57,503
2019-2023	341,900	29,476	822,000	91,160	1,163,900	120,636
Total	<u>\$ 822,900</u>	<u>\$ 165,253</u>	<u>\$ 1,486,000</u>	<u>\$ 341,549</u>	<u>\$ 2,308,900</u>	<u>\$ 506,802</u>
Due within one year	\$ 89,050	\$ 34,973	\$ 123,000	\$ 61,254	\$ 212,050	\$ 96,228
Due after one year	733,850	130,280	1,363,000	280,296	2,096,850	410,574
Total	<u>\$ 822,900</u>	<u>\$ 165,253</u>	<u>\$ 1,486,000</u>	<u>\$ 341,549</u>	<u>\$ 2,308,900</u>	<u>\$ 506,802</u>

City of Arcata, California
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7. LONG-TERM LIABILITIES, Continued

Future debt service for all debt, except compensated absences and claims liabilities, of Fiduciary Activities at June 30, 2013, is as follows

Year Ending June 30,	Fiduciary Activities					
	1994 Loan from the City of Arcata Joint Powers Financing Authority		2003 Loan from the City of Arcata Joint Powers Financing Authority		Premium	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 175,000	\$ 90,750	\$ 135,000	\$ 428,905	\$ 6,199	\$ -
2015	185,000	79,950	140,000	423,609	6,199	-
2016	195,000	68,550	145,000	417,908	6,199	-
2017	205,000	56,550	155,000	411,755	6,199	-
2018	220,000	43,800	160,000	405,139	6,199	-
2019-2023	620,000	50,100	910,000	1,909,926	30,995	-
2024-2028	-	-	2,575,000	1,526,081	30,995	-
2029-2033	-	-	3,685,000	709,525	30,995	-
2034	-	-	855,000	21,909	6,184	-
Total	<u>\$ 1,600,000</u>	<u>\$ 389,700</u>	<u>\$ 8,760,000</u>	<u>\$ 6,254,757</u>	<u>\$ 130,164</u>	<u>\$ -</u>
Due within one year	\$ 175,000	\$ 90,750	\$ 135,000	\$ 428,905	\$ 6,199	\$ -
Due after one year	1,425,000	298,950	8,625,000	5,825,852	123,965	-
Total	<u>\$ 1,600,000</u>	<u>\$ 389,700</u>	<u>\$ 8,760,000</u>	<u>\$ 6,254,757</u>	<u>\$ 130,164</u>	<u>\$ -</u>

Year Ending June 30,	Total	
	Principal	Interest
2014	\$ 316,199	\$ 519,655
2015	331,199	503,559
2016	346,199	486,458
2017	366,199	468,305
2018	386,199	448,939
2019-2023	1,560,995	1,960,026
2024-2028	2,605,995	1,526,081
2029-2033	3,715,995	709,525
2034	861,184	21,909
Total	<u>\$ 10,490,164</u>	<u>\$ 6,644,457</u>
Due within one year	\$ 316,199	\$ 519,655
Due after one year	10,173,965	6,124,802
Total	<u>\$ 10,490,164</u>	<u>\$ 6,644,457</u>

8. NET POSITION/ FUND BALANCES

Net position

	Governmental Activities	Business-type Activities	Total
Net invested in capital assets	\$ 31,554,281	\$ 18,153,886	\$ 49,708,167
Restricted	3,306,646	-	3,306,646
Unrestricted	29,149,020	3,767,391	32,916,411
Total	<u>\$ 64,009,947</u>	<u>\$ 21,921,277</u>	<u>\$ 85,931,224</u>

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8. NET POSITION/ FUND BALANCES, Continued

Net position, Continued

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

Fund Balance

Nonspendable and Restricted fund balance consisted of the following at June 30, 2013:

Nonspendable:	
Inventory	\$ 123,347
Total Nonspendable	<u>\$ 123,347</u>
Restricted:	
Governmental Funds:	
CDBG Housing	\$ 2,140,646
Housing Revolving	123,009
Traffic Safety	116,819
Gas Tax	511,465
Federal Grants	416,074
Total Restricted	<u>\$ 3,308,013</u>

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

- **Housing** – represents amounts restricted for the City’s HOME revolving loan program and CDBG 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.
- **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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

8. NET POSITION/ FUND BALANCES, Continued

Fund Balance Deficits

Deficit fund balances consisted of the following:

<u>Nonmajor Special Revenue Funds:</u>	<u>As at June 30, 2013</u>
HUD Block Grant	\$ (449)
HOME Grants	(10,077)
	<u>\$ (10,526)</u>

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, 2013, for the following funds:

<u>Fund</u>	<u>Final Appropriations</u>	<u>Expenditures and Transfers</u>	<u>Excess</u>
<u>Nonmajor Funds</u>			
<u>Special Revenue Funds:</u>			
Forest Management	\$ 703,791	\$ 712,474	\$ (8,683)
Basic Business Loan Revolving	21,552	59,899	(38,347)
COPS Grant	99,812	125,678	(25,866)

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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, 2013:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ -	\$ 177,264
CDBG Housing Revolving Loan	87,646	-
Housing Revolving	52,090	-
Total Major Funds	<u>139,736</u>	<u>177,264</u>
Nonmajor Funds:		
HUD Block Grant	-	87,646
ARRA	-	52,090
Total Nonmajor Funds	<u>-</u>	<u>139,736</u>
Total Governmental Funds	<u>139,736</u>	<u>317,000</u>
<u>Proprietary Funds</u>		
Major Enterprise Funds:		
Water	201,139	-
Stormwater	-	23,875
Major Enterprise Funds	<u>201,139</u>	<u>23,875</u>
Total	<u><u>\$ 340,875</u></u>	<u><u>\$ 340,875</u></u>

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.

City of Arcata, California
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9. INTERFUND TRANSACTIONS, Continued

Transfers consisted of the following at June 30, 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 811,242	\$ 300,000
Total Major Funds	<u>811,242</u>	<u>300,000</u>
Non-major Funds:		
Special Revenue Funds:		
Forrest Management	940	-
Traffic Safety	59,825	-
Industrial Park	1,048	-
Housing Improvement Projects	909,921	-
Public Improvement Projects	-	909,921
Gas Tax 2105	-	78,050
Gas Tax 2106	-	74,560
Gas Tax 2107 and 2107.5	226,615	4,000
ISTEA	-	86,758
ARRA	-	88,242
Janes Creek Meadows	-	14,700
Windsong	-	14,000
Capital Projects Fund	-	-
City Capital Projects Fund	-	78,000
Total Non-major Special Revenue Funds	<u>1,198,349</u>	<u>1,348,231</u>
Internal Service Funds		
Central Garage Fund	2,395	-
Information Technology Fund	-	134,087
Total Internal Service Funds	<u>2,395</u>	<u>134,087</u>
Total Governmental Funds	<u>2,011,986</u>	<u>1,782,318</u>
<u>Proprietary Funds</u>		
Major Enterprise Funds		
Water	-	198,629
Wastewater	-	213,599
Transit	-	28,320
Solid Waste	-	27,760
Stormwater	238,640	-
Total Proprietary Funds	<u>238,640</u>	<u>468,308</u>
Total Transfers	<u>\$ 2,250,626</u>	<u>\$ 2,250,626</u>

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

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

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Basic Financial Statements
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10. RISK MANAGEMENT

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

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2012:

Total assets	\$ 18,010,735
Total liabilities	<u>(14,429,297)</u>
Members' equity	<u>\$ 3,581,438</u>
Total revenue	\$ 8,854,620
Total expense	<u>(8,805,881)</u>
Operating income (loss)	<u>\$ 48,739</u>

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
Basic Financial Statements
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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.

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.

City of Arcata, California
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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM, Continued

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 22.905% for nonsafety employees and 34.547% 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 Costs

For fiscal years 2011, 2012 and 2013, the City's annual pension costs of \$1,578,207, \$1,821,913, and \$2,307,739 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.

Funding Policy

The City's policy is to contribute an amount sufficient to pay the current year's premium. For fiscal year 2012-13, the City contributed \$145,372 which covered current premiums, but did not include any additional prefunding of benefits. Currently, there are 16 retirees who are receiving benefits.

City of Arcata, California
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12. OTHER POST EMPLOYMENT BENEFITS, Continued

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	<u>\$ 315,067</u>
Contributions made	(145,372)
Benefit payments made outside of trust	-
Increase in net OPEB obligation	<u>\$ 169,695</u>
Net OPEB obligation - beginning of year	\$ 711,604
Net OPEB obligation - end of year	\$ 881,299

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2013 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	315,067	48%	550,154
6/30/2012	315,067	49%	711,604
6/30/2013	315,067	46%	881,299

Funded Status and Funding Progress.

The funded status of the Plan as of February, 2014, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 3,156,235
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ 3,156,235
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan participants)	\$ 8,235,524
UAAL as a percentage of covered payroll	38.3%

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12. OTHER POST EMPLOYMENT BENEFITS, Continued

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 2014, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 2.75 percent, and an annual healthcare cost trend rate of 4 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at February 1, 2014, was thirty years.

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Arcata that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2013, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 112-10.

After enactment of the law on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

City of Arcata, California
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13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City included in the fund financial statements as Former Redevelopment Agency Special Revenue Fund and Low/Moderate Income Housing Fund.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

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13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

Capital Assets

	Balance July 1, 2012	Additions	Deletions	Transfer	Balance June 30, 2013
<u>Fiduciary activities:</u>					
Nondepreciable assets:					
Land	\$ 1,320,297	\$ -	\$ -	\$ (1,320,297)	\$ -
Total nondepreciable assets	1,320,297	-	-	(1,320,297)	-
Depreciable assets:					
Buildings and structures	4,512,578		-	(4,512,578)	-
Total depreciable assets	4,512,578	-	-	(4,512,578)	-
Total assets	5,832,875	-	-	(5,832,875)	-
Accumulated depreciation:					
Buildings and structures	(229,607)	(62,537)	-	292,144	-
Total accumulated depreciation	(229,607)	(62,537)	-	292,144	-
Net depreciable assets	4,282,971	(62,537)	-	(4,220,434)	-
Total net capital assets	5,603,268	(62,537)	-	(5,540,731)	-

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Basic Financial Statements
For the year ended June 30, 2013

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
Trust Activities:					
1994 Loan from the Arcata Joint Powers Financing Authority	\$ 2,765,000	\$ -	\$ (1,165,000)	\$ 1,600,000	\$ 175,000
2003 Loan from the Arcata Joint Powers Financing Authority	8,890,000	-	(130,000)	8,760,000	135,000
Bond premiums	136,363	-	(6,199)	130,164	6,199
Total trust fund debt	<u>\$ 11,791,363</u>	<u>\$ -</u>	<u>\$ (1,301,199)</u>	<u>\$ 10,490,164</u>	<u>\$ 316,199</u>

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. On August 1, 2012, the City redeemed \$1,000,000 of the outstanding bonds, reducing the outstanding balance to \$1,600,000 and the maturity date by three years to August 1, 2020.

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.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

Long-term Liabilities, continued

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 2033. 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 2023.

Future debt service for Fiduciary Activities at June 30, 2013, is as follows

Year Ending June 30,	Fiduciary Activities					
	1994 Loan from the City of Arcata Joint Powers Financing Authority		2003 Loan from the City of Arcata Joint Powers Financing Authority		Premium	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 175,000	\$ 90,750	\$ 135,000	\$ 428,905	\$ 6,199	\$ -
2015	185,000	79,950	140,000	423,609	6,199	-
2016	195,000	68,550	145,000	417,908	6,199	-
2017	205,000	56,550	155,000	411,755	6,199	-
2018	220,000	43,800	160,000	405,139	6,199	-
2019-2023	620,000	50,100	910,000	1,909,926	30,995	-
2024-2028	-	-	2,575,000	1,526,081	30,995	-
2029-2033	-	-	3,685,000	709,525	30,995	-
2034	-	-	855,000	21,909	6,184	-
Total	\$ 1,600,000	\$ 389,700	\$ 8,760,000	\$ 6,254,757	\$ 130,164	\$ -
Due within one year	\$ 175,000	\$ 90,750	\$ 135,000	\$ 428,905	\$ 6,199	\$ -
Due after one year	1,425,000	298,950	8,625,000	5,825,852	123,965	-
Total	\$ 1,600,000	\$ 389,700	\$ 8,760,000	\$ 6,254,757	\$ 130,164	\$ -

Year Ending June 30,	Total	
	Principal	Interest
2014	\$ 316,199	\$ 519,655
2015	331,199	503,559
2016	346,199	486,458
2017	366,199	468,305
2018	386,199	448,939
2019-2023	1,560,995	1,960,026
2024-2028	2,605,995	1,526,081
2029-2033	3,715,995	709,525
2034	861,184	21,909
Total	\$ 10,490,164	\$ 6,644,457
Due within one year	\$ 316,199	\$ 519,655
Due after one year	10,173,965	6,124,802
Total	\$ 10,490,164	\$ 6,644,457

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

14. 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, 2013.

15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 65, "Item Previously Reported as Assets and Liabilities." This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City implemented this Statement in Fiscal year 2012-13.

The GASB has issued Statement No. 66, "Technical Corrections – 2013". The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this Statement did not have an effect on these financial statements.

The GASB has issued Statement No. 67, "Financial Reporting for Pension Plans". The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50, "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for periods beginning after June 15, 2013. The implementation of this statement will not have an effect on these financial statements.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2013

15. NEW ACCOUNTING PRONOUNCEMENTS, Continued

The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27” The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This Statement will be effective for periods beginning after June 15, 2014. The City will implement this Statement in fiscal year 2014-15.

The GASB has issued Statement No. 69, “Government Combinations and Disposals of Government Operations”. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement will be effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The City will implement this Statement in fiscal year 2014-15, if applicable.

The GASB has issued Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees”. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement will be effective for periods beginning after June 15, 2013. The City will implement this Statement in fiscal year 2014-15, if applicable.

City of Arcata, California
Required Supplementary Information
For the year ended June 30, 2013

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%
2/1/2014	\$ -	\$ 3,156,235	\$ 3,156,235	0.0%	\$ 8,235,524	38.3%

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, 2013

	Governmental Funds		
	Special Revenue Funds	City Capital Projects Fund	Non-Major Funds Totals
ASSETS			
Cash and investments	\$ 3,758,675	\$ 363,765	\$ 4,122,440
Restricted cash and investments	2,541,111	-	2,541,111
Receivables:			
Intergovernmental	298,079	-	298,079
Loans/Notes receivable	5,116,238	-	5,116,238
Other receivable	16,648	-	16,648
Due from other funds	-	-	-
Inventory	117,079	-	117,079
Total assets	<u>\$ 11,847,830</u>	<u>\$ 363,765</u>	<u>\$ 12,211,595</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 655,376	\$ -	\$ 655,376
Due to other funds	139,736	-	139,736
Deposits Payable	22,373	-	22,373
Compensated absences	-	-	-
Total liabilities:	<u>817,485</u>	<u>-</u>	<u>817,485</u>
Deferred inflows of resources:			
Unavailable revenue	5,116,240	-	5,116,240
Total deferred inflows of resources	<u>5,116,240</u>	<u>-</u>	<u>5,116,240</u>
Total liabilities and deferred inflows	<u>5,933,725</u>	<u>-</u>	<u>5,933,725</u>
Fund Balances:			
Nonspendable	117,079	-	117,079
Restricted	1,044,358	-	1,044,358
Assigned	4,672,313	363,765	5,036,078
Unassigned (deficit)	80,355	-	80,355
Total fund balances	<u>5,914,105</u>	<u>363,765</u>	<u>6,277,870</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,847,830</u>	<u>\$ 363,765</u>	<u>\$ 12,211,595</u>

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2013

	Governmental Funds		Non-Major Funds Totals
	Special Revenue Funds	City Capital Projects Fund	
REVENUES:			
Taxes and assessments	\$ 31,031	\$ -	\$ 31,031
Licenses and permits	-	-	-
Fines and forfeitures	99,058	-	99,058
Intergovernmental	1,219,327	-	1,219,327
Use of money and property	279,755	107	279,862
Reimbursements	36,095	-	36,095
Other revenues	663,098	75,687	738,785
Total revenues	2,328,364	75,794	2,404,158
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	294,148	-	294,148
Public works	684,846	-	684,846
Community development	1,910,937	-	1,910,937
Parks and recreation	306,184	-	306,184
Capital outlay	1,719,099	-	1,719,099
Total expenditures	4,915,214	-	4,915,214
REVENUES OVER (UNDER) EXPENDITURES	(2,586,850)	75,794	(2,511,056)
OTHER FINANCING SOURCES (USES):			
Extraordinary loss on dissolution of redevelopment	-	-	-
Transfers in	1,198,349	-	1,198,349
Transfers out	(1,270,231)	(78,000)	(1,348,231)
Total other financing sources (uses)	(71,882)	(78,000)	(149,882)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(2,658,732)	(2,206)	(2,660,938)
RESIDUAL EQUITY TRANSFERS IN	-	-	-
FUND BALANCES:			
Beginning of year	8,572,837	365,971	8,938,808
End of year	\$ 5,914,105	\$ 363,765	\$ 6,277,870

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NON-MAJOR SPECIAL REVENUE FUNDS

Fund	Description
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.
Housing Improvement Projects	Accounts for funds transferred to the City from the former Arcata Community Development Agency for housing improvement projects.
Public Improvement Program	Accounts for funds transferred to the City from the former Arcata Community Development Agency for public improvement projects.
Gas Tax Funds:	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.
2105	
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.

(continued)

NON-MAJOR SPECIAL REVENUE FUNDS, Continued

Fund	Description
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.
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:	Accounts for funds collected for the assessment districts shown within the City limits for which the City is obligated to maintain.
Curtis Heights	
Janes Creek Meadows	
Windsong	

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City of Arcata, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	Forest Management	Traffic Safety	Industrial Park	Basic Business Loan Revolving
ASSETS				
Cash and investments	\$ 99,535	\$ 84,124	\$ 380,050	\$ 621,009
Restricted cash and investments	-	-	-	-
Receivables:				
Intergovernmental	998	36,594	67,729	-
Loans/Notes receivable	-	-	-	3,163,238
Other receivable	-	-	-	16,648
Due from other funds	-	-	-	-
Inventory	-	115,452	-	-
Total assets	<u>\$ 100,533</u>	<u>\$ 236,170</u>	<u>\$ 447,779</u>	<u>\$ 3,800,895</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,652	\$ 3,899	\$ 262,288	\$ 456
Due to other funds	-	-	-	-
Deposits payable	-	-	16,073	-
Compensated absences	-	-	-	-
Total liabilities:	<u>9,652</u>	<u>3,899</u>	<u>278,361</u>	<u>456</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	3,163,240
Total deferred inflows of resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,163,240</u>
Total liabilities and deferred inflows	<u>9,652</u>	<u>3,899</u>	<u>278,361</u>	<u>3,163,696</u>
Fund Balances:				
Nonspendable	-	115,452	-	-
Restricted	-	116,819	-	-
Assigned	-	-	169,418	637,199
Unassigned (deficit)	90,881	-	-	-
Total fund balances	<u>90,881</u>	<u>232,271</u>	<u>169,418</u>	<u>637,199</u>
Total liabilities deferred inflows and fund balances	<u>\$ 100,533</u>	<u>\$ 236,170</u>	<u>\$ 447,779</u>	<u>\$ 3,800,895</u>

STIP	Housing Improvement Projects	Public Improvement Program	Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ 15,346	\$ 817,429	\$ 358,043	\$ 500,984	\$ 391,117	\$ 473,703	\$ 17,335	\$ 3,758,675
-	-	2,541,111	-	-	-	-	2,541,111
-	-	-	38,080	154,167	-	511	298,079
-	1,953,000	-	-	-	-	-	5,116,238
-	-	-	-	-	-	-	16,648
-	-	-	-	-	-	-	-
-	-	-	1,627	-	-	-	117,079
<u>\$ 15,346</u>	<u>\$ 2,770,429</u>	<u>\$ 2,899,154</u>	<u>\$ 540,691</u>	<u>\$ 545,284</u>	<u>\$ 473,703</u>	<u>\$ 17,846</u>	<u>\$ 11,847,830</u>
\$ -	\$ 357,482	\$ 300	\$ 21,299	\$ -	\$ -	\$ -	\$ 655,376
-	-	-	-	139,736	-	-	139,736
-	-	-	6,300	-	-	-	22,373
-	-	-	-	-	-	-	-
-	357,482	300	27,599	139,736	-	-	817,485
-	1,953,000	-	-	-	-	-	5,116,240
-	1,953,000	-	-	-	-	-	5,116,240
-	2,310,482	300	27,599	139,736	-	-	5,933,725
-	-	-	1,627	-	-	-	117,079
-	-	-	511,465	416,074	-	-	1,044,358
15,346	459,947	2,898,854	-	-	473,703	17,846	4,672,313
-	-	-	-	(10,526)	-	-	80,355
15,346	459,947	2,898,854	513,092	405,548	473,703	17,846	5,914,105
<u>\$ 15,346</u>	<u>\$ 2,770,429</u>	<u>\$ 2,899,154</u>	<u>\$ 540,691</u>	<u>\$ 545,284</u>	<u>\$ 473,703</u>	<u>\$ 17,846</u>	<u>\$ 11,847,830</u>

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2013

	Forest Management	Traffic Safety	Industrial Park	Basic Business Loan Revolving
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	99,058	-	-
Intergovernmental	248,128	-	199,389	-
Use of money and property	(82)	317	122,144	152,073
Charges for services	-	-	-	-
Reimbursements	-	-	-	-
Other revenues	603,198	-	-	-
Total revenues	851,244	99,375	321,533	152,073
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	168,470	-	-
Public works	-	-	-	-
Community development	-	-	135,766	59,899
Parks and recreation	306,184	-	-	-
Capital outlay	406,290	-	766,789	-
Total expenditures	712,474	168,470	902,555	59,899
REVENUES OVER (UNDER) EXPENDITURES	138,770	(69,095)	(581,022)	92,174
OTHER FINANCING SOURCES (USES):				
Transfers in	940	59,825	1,048	-
Transfers out	-	-	-	-
Total other financing sources and uses	940	59,825	1,048	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	139,710	(9,270)	(579,974)	92,174
FUND BALANCES (DEFICITS):				
Beginning of year	(48,829)	241,541	749,392	545,025
End of year	<u>\$ 90,881</u>	<u>\$ 232,271</u>	<u>\$ 169,418</u>	<u>\$ 637,199</u>

STIP	Housing Improvement Projects	Public Improvement Program	Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,031	\$ 31,031
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	99,058
1,342	-	-	419,521	350,947	-	-	1,219,327
-	4,263	(203)	1,613	(1,464)	1,054	40	279,755
-	-	-	-	-	-	-	-
-	-	-	36,095	-	-	-	36,095
-	59,900	-	-	-	-	-	663,098
1,342	64,163	(203)	457,229	349,483	1,054	31,071	2,328,364
-	-	-	-	-	-	-	-
-	-	-	-	125,678	-	-	294,148
-	-	-	684,486	360	-	-	684,846
-	1,489,092	45,368	-	180,812	-	-	1,910,937
-	-	-	-	-	-	-	306,184
-	-	-	451,805	93,653	562	-	1,719,099
-	1,489,092	45,368	1,136,291	400,503	562	-	4,915,214
1,342	(1,424,929)	(45,571)	(679,062)	(51,020)	492	31,071	(2,586,850)
-	909,921	-	226,615	-	-	-	1,198,349
-	-	(909,921)	(156,610)	(175,000)	-	(28,700)	(1,270,231)
-	909,921	(909,921)	70,005	(175,000)	-	(28,700)	(71,882)
1,342	(515,008)	(955,492)	(609,057)	(226,020)	492	2,371	(2,658,732)
14,004	974,955	3,854,346	1,122,149	631,568	473,211	15,475	8,572,837
\$ 15,346	\$ 459,947	\$ 2,898,854	\$ 513,092	\$ 405,548	\$ 473,703	\$ 17,846	\$ 5,914,105

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, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 41,000	\$ 223,500	\$ 248,128	\$ 24,628
Use of money and property	1,500	1,500	(82)	(1,582)
Other revenues	360,000	537,045	603,198	66,153
Total revenues	402,500	762,045	851,244	89,199
EXPENDITURES:				
Current:				
Parks and recreation	225,958	301,616	306,184	(4,568)
Capital outlay	86,000	402,175	406,290	(4,115)
Total expenditures	311,958	703,791	712,474	(8,683)
REVENUES OVER (UNDER) EXPENDITURES	90,542	58,254	138,770	80,516
OTHER FINANCING SOURCES (USES):				
Transfers in	940	940	940	-
Total other financing sources (uses)	940	940	940	-
Net change in fund balances	91,482	59,194	139,710	80,516
FUND BALANCES (DEFICIT):				
Beginning of year	(48,829)	(48,829)	(48,829)	-
End of year	\$ 42,653	\$ 10,365	\$ 90,881	\$ 80,516

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 99,058	\$ (942)
Use of money and property	2,000	2,000	317	(1,683)
Total revenues	102,000	102,000	99,375	(2,625)
EXPENDITURES:				
Current:				
Public safety	214,825	\$ 260,825	168,470	92,355
Total expenditures	214,825	260,825	168,470	92,355
REVENUES OVER (UNDER) EXPENDITURES	(112,825)	(158,825)	(69,095)	89,730
OTHER FINANCING SOURCES (USES):				
Transfers in	63,825	63,825	59,825	(4,000)
Total other financing sources (uses)	63,825	63,825	59,825	(4,000)
Net change in fund balances	(49,000)	(95,000)	(9,270)	85,730
FUND BALANCES:				
Beginning of year	241,541	241,541	241,541	-
End of year	\$ 192,541	\$ 146,541	\$ 232,271	\$ 85,730

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, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 672,500	\$ 672,500	\$ 199,389	\$ (473,111)
Use of money and property	177,000	177,000	122,144	(54,856)
Other revenues	9,000	9,000	-	(9,000)
Total revenues	858,500	858,500	321,533	(536,967)
EXPENDITURES:				
Current:				
Community development	159,982	159,982	135,766	24,216
Capital outlay	942,500	\$ 1,033,918	766,789	267,129
Total expenditures	1,102,482	1,193,900	902,555	291,345
REVENUES OVER (UNDER)				
EXPENDITURES	(243,982)	(335,400)	(581,022)	(245,622)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,048	1,048	1,048	-
Total other financing sources (uses)	1,048	1,048	1,048	-
Net change in fund balances	(242,934)	(334,352)	(579,974)	(245,622)
FUND BALANCES (DEFICIT):				
Beginning of year	749,392	749,392	749,392	-
End of year	\$ 506,458	\$ 415,040	\$ 169,418	\$ (245,622)

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 100,000	\$ 100,000	\$ 152,073	\$ 52,073
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>152,073</u>	<u>52,073</u>
EXPENDITURES:				
Current:				
Community development	15,552	\$ 21,552	59,899	(38,347)
Total expenditures	<u>15,552</u>	<u>21,552</u>	<u>59,899</u>	<u>(38,347)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>84,448</u>	<u>78,448</u>	<u>92,174</u>	<u>13,726</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	84,448	78,448	92,174	13,726
FUND BALANCES (DEFICIT):				
Beginning of year	545,025	545,025	545,025	-
End of year	<u>\$ 629,473</u>	<u>\$ 623,473</u>	<u>\$ 637,199</u>	<u>\$ 13,726</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	110,000	\$ 1,342	\$ (108,658)
Total revenues	-	110,000	1,342	(108,658)
EXPENDITURES:				
Current:				
Capital outlay	-	110,000	-	110,000
Total expenditures	-	110,000	-	110,000
REVENUES OVER (UNDER) EXPENDITURES	-	-	1,342	1,342
Net change in fund balances	-	-	1,342	1,342
FUND BALANCES (DEFICIT):				
Beginning of year	14,004	14,004	14,004	-
End of year	\$ 14,004	\$ 14,004	\$ 15,346	\$ 1,342

City of Arcata, California

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

Housing Improvement Projects Special Revenue Fund

For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 4,263	\$ 2,263
Other revenues	-	-	59,900	59,900
Total revenues	2,000	2,000	64,163	62,163
EXPENDITURES:				
Current:				
Community development	1,132,590	2,042,511	1,489,092	553,419
Total expenditures	1,132,590	2,042,511	1,489,092	553,419
REVENUES OVER (UNDER) EXPENDITURES	(1,130,590)	(2,040,511)	(1,424,929)	615,582
OTHER FINANCING SOURCES (USES):				
Transfers in	616	616	909,921	909,305
Total other financing sources (uses)	616	616	909,921	909,305
Net change in fund balances	(1,129,974)	(2,039,895)	(515,008)	1,524,887
FUND BALANCES (DEFICIT):				
Beginning of year	974,955	974,955	974,955	-
End of year	\$ (155,019)	\$ (1,064,940)	\$ 459,947	\$ 1,524,887

City of Arcata, California

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

Public Improvement Program Special Revenue Fund

For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 50,000	\$ 50,000	\$ (203)	\$ (50,203)
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>(203)</u>	<u>(50,203)</u>
EXPENDITURES:				
Current:				
Community development	250,000	414,957	45,368	369,589
Total expenditures	<u>250,000</u>	<u>414,957</u>	<u>45,368</u>	<u>369,589</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(200,000)</u>	<u>(364,957)</u>	<u>(45,571)</u>	<u>319,386</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(909,921)	(909,921)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(909,921)</u>	<u>(909,921)</u>
Net change in fund balances	<u>(200,000)</u>	<u>(364,957)</u>	<u>(955,492)</u>	<u>(590,535)</u>
FUND BALANCES (DEFICIT):				
Beginning of year	3,854,346	3,854,346	3,854,346	-
End of year	<u>\$ 3,654,346</u>	<u>\$ 3,489,389</u>	<u>\$ 2,898,854</u>	<u>\$ (590,535)</u>

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City of Arcata, California
Combining Balance Sheet
Gas Tax Special Revenue Funds
June 30, 2013

	2105	2106	2107 & 2107.5	Totals
ASSETS				
Cash and investments	\$ -	\$ -	\$ 500,984	\$ 500,984
Receivables:				
Intergovernmental	6,120	5,924	26,036	38,080
Due from other funds	-	-	0	-
Inventory	-	-	1,627	1,627
Total assets	<u>\$ 6,120</u>	<u>\$ 5,924</u>	<u>\$ 528,647</u>	<u>\$ 540,691</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 21,299	\$ 21,299
Deposits payable	-	-	6,300	6,300
Total liabilities	<u>-</u>	<u>-</u>	<u>27,599</u>	<u>27,599</u>
Fund Balances:				
Nonspendable	-	-	1,627	1,627
Restricted	6,120	5,924	499,421	511,465
Total fund balances	<u>6,120</u>	<u>5,924</u>	<u>501,048</u>	<u>513,092</u>
Total liabilities and fund balances	<u>\$ 6,120</u>	<u>\$ 5,924</u>	<u>\$ 528,647</u>	<u>\$ 540,691</u>

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, 2013

	2105	2106	2107 & 2107.5	Totals
REVENUES:				
Intergovernmental	\$ 76,808	\$ 73,388	\$ 269,325	\$ 419,521
Use of money and property	-	-	1,613	1,613
Reimbursements	-	-	36,095	36,095
Total revenues	76,808	73,388	307,033	457,229
EXPENDITURES:				
Current:				
Public works	-	-	684,486	684,486
Capital outlay	-	-	451,805	451,805
Total expenditures	-	-	1,136,291	1,136,291
REVENUES OVER (UNDER) EXPENDITURES				
	76,808	73,388	(829,258)	(679,062)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	226,615	226,615
Transfers out	(78,050)	(74,560)	(4,000)	(156,610)
Total other financing sources and uses	(78,050)	(74,560)	222,615	70,005
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)				
	(1,242)	(1,172)	(606,643)	(609,057)
FUND BALANCES:				
Beginning of year	7,362	7,096	1,107,691	1,122,149
End of year	<u>\$ 6,120</u>	<u>\$ 5,924</u>	<u>\$ 501,048</u>	<u>\$ 513,092</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 93,500	\$ 93,500	\$ 76,808	\$ (16,692)
Total revenues	<u>93,500</u>	<u>93,500</u>	<u>76,808</u>	<u>(16,692)</u>
EXPENDITURES:				
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>93,500</u>	<u>93,500</u>	<u>76,808</u>	<u>(16,692)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(93,500)	(93,500)	(78,050)	15,450
Total other financing sources (uses)	<u>(93,500)</u>	<u>(93,500)</u>	<u>(78,050)</u>	<u>15,450</u>
Net change in fund balances	-	-	(1,242)	(1,242)
FUND BALANCES:				
Beginning of year	7,362	7,362	7,362	-
End of year	<u>\$ 7,362</u>	<u>\$ 7,362</u>	<u>\$ 6,120</u>	<u>\$ (1,242)</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 78,500	\$ 78,500	\$ 73,388	\$ (5,112)
Total revenues	<u>78,500</u>	<u>78,500</u>	<u>73,388</u>	<u>(5,112)</u>
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>78,500</u>	<u>78,500</u>	<u>73,388</u>	<u>(5,112)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(78,500)	(78,500)	(74,560)	3,940
Total other financing sources (uses)	<u>(78,500)</u>	<u>(78,500)</u>	<u>(74,560)</u>	<u>3,940</u>
Net change in fund balances	-	-	(1,172)	(1,172)
FUND BALANCES:				
Beginning of year	7,096	7,096	7,096	-
End of year	<u>\$ 7,096</u>	<u>\$ 7,096</u>	<u>\$ 5,924</u>	<u>\$ (1,172)</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 286,000	\$ 464,000	\$ 269,325	\$ (194,675)
Use of money and property	8,000	8,000	1,613	(6,387)
Reimbursements	12,000	42,345	36,095	(6,250)
Total revenues	306,000	514,345	307,033	(207,312)
EXPENDITURES:				
Current:				
Public works	713,505	857,850	684,486	173,364
Capital outlay	315,000	880,853	451,805	429,048
Total expenditures	1,028,505	1,738,703	1,136,291	602,412
REVENUES OVER (UNDER) EXPENDITURES	(722,505)	(1,224,358)	(829,258)	395,100
OTHER FINANCING SOURCES (USES):				
Transfers in	428,505	428,505	226,615	(201,890)
Transfers out	(4,000)	(4,000)	(4,000)	-
Total other financing sources (uses)	424,505	424,505	222,615	(201,890)
Net change in fund balances	(298,000)	(799,853)	(606,643)	193,210
FUND BALANCES:				
Beginning of year	1,107,691	1,107,691	1,107,691	-
End of year	\$ 809,691	\$ 307,838	\$ 501,048	\$ 193,210

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City of Arcata, California
Combining Balance Sheet
Federal Grant Special Revenue Funds
June 30, 2013

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
ASSETS				
Cash and investments	\$ -	\$ 314,569	\$ 6,788	\$ 69,760
Receivables:				
Intergovernmental	87,197	-	-	24,957
Total assets	<u>\$ 87,197</u>	<u>\$ 314,569</u>	<u>\$ 6,788</u>	<u>\$ 94,717</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	87,646	-	-	-
Total liabilities	<u>87,646</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	-	314,569	6,788	94,717
Unassigned (deficit)	(449)	-	-	-
Total fund balances	<u>(449)</u>	<u>314,569</u>	<u>6,788</u>	<u>94,717</u>
Total liabilities and fund balances	<u>\$ 87,197</u>	<u>\$ 314,569</u>	<u>\$ 6,788</u>	<u>\$ 94,717</u>

HOME Grants	ARRA	Totals
\$ -	\$ -	\$ 391,117
<u>42,013</u>	<u>-</u>	<u>154,167</u>
<u><u>\$ 42,013</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 545,284</u></u>
\$ -	\$ -	\$ -
<u>52,090</u>	<u>-</u>	<u>139,736</u>
<u>52,090</u>	<u>-</u>	<u>139,736</u>
-	-	416,074
<u>(10,077)</u>	<u>-</u>	<u>(10,526)</u>
<u>(10,077)</u>	<u>-</u>	<u>405,548</u>
<u><u>\$ 42,013</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 545,284</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, 2013

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
REVENUES:				
Intergovernmental	\$ 177,586	\$ 97,349	\$ -	\$ 91,803
Use of money and property	-	(1,850)	15	371
Total revenues	<u>177,586</u>	<u>95,499</u>	<u>15</u>	<u>92,174</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	125,678
Public works	-	360	-	-
Community development	172,726	-	-	-
Capital outlay	-	23,053	-	-
Total expenditures	<u>172,726</u>	<u>23,413</u>	<u>-</u>	<u>125,678</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,860</u>	<u>72,086</u>	<u>15</u>	<u>(33,504)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(86,758)	-	-
Total other financing sources and uses	<u>-</u>	<u>(86,758)</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>4,860</u>	<u>(14,672)</u>	<u>15</u>	<u>(33,504)</u>
FUND BALANCES (DEFICIT):				
Beginning of year	(5,309)	329,241	6,773	128,221
End of year	<u>\$ (449)</u>	<u>\$ 314,569</u>	<u>\$ 6,788</u>	<u>\$ 94,717</u>

HOME Grants	ARRA	Totals
\$ 16,500	\$ (32,291)	\$ 350,947
-	-	(1,464)
16,500	(32,291)	349,483
-	-	125,678
-	-	360
8,086	-	180,812
-	70,600	93,653
8,086	70,600	400,503
8,414	(102,891)	(51,020)
-	(88,242)	(175,000)
-	(88,242)	(175,000)
8,414	(191,133)	(226,020)
(18,491)	191,133	631,568
\$ (10,077)	\$ -	\$ 405,548

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 2,013,993	\$ 2,013,993	\$ 177,586	\$ (1,836,407)
Total revenues	<u>2,013,993</u>	<u>2,013,993</u>	<u>177,586</u>	<u>(1,836,407)</u>
EXPENDITURES:				
Current:				
Community development	2,013,993	2,013,993	172,726	1,841,267
Total expenditures	<u>2,013,993</u>	<u>2,013,993</u>	<u>172,726</u>	<u>1,841,267</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>4,860</u>	<u>4,860</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	629	629	-	(629)
Total other financing sources (uses)	<u>629</u>	<u>629</u>	<u>-</u>	<u>(629)</u>
Net change in fund balances	<u>629</u>	<u>629</u>	<u>4,860</u>	<u>4,231</u>
FUND BALANCES:				
Beginning of year	(5,309)	(5,309)	(5,309)	-
End of year	<u>\$ (4,680)</u>	<u>\$ (4,680)</u>	<u>\$ (449)</u>	<u>\$ 4,231</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,164,000	\$ 1,164,000	\$ 97,349	\$ (1,066,651)
Use of money and property	15,000	15,000	(1,850)	(16,850)
Total revenues	1,179,000	1,179,000	95,499	(1,083,501)
EXPENDITURES:				
Current:				
Public works	2,000	2,000	360	1,640
Capital outlay	1,142,000	1,142,000	23,053	1,118,947
Total expenditures	1,144,000	1,144,000	23,413	1,120,587
REVENUES OVER (UNDER)				
EXPENDITURES	35,000	35,000	72,086	37,086
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(86,758)	(86,758)
Total other financing sources (uses)	-	-	(86,758)	(86,758)
Net change in fund balances	35,000	35,000	(14,672)	(49,672)
FUND BALANCES:				
Beginning of year	-	-	329,241	329,241
End of year	\$ 35,000	\$ 35,000	\$ 314,569	\$ 279,569

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 250	250	\$ 15	\$ (235)
Total revenues	<u>250</u>	<u>250</u>	<u>15</u>	<u>(235)</u>
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>250</u>	<u>250</u>	<u>15</u>	<u>(235)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>250</u>	<u>250</u>	<u>15</u>	<u>(235)</u>
FUND BALANCES:				
Beginning of year	6,773	6,773	6,773	-
End of year	<u>\$ 7,023</u>	<u>\$ 7,023</u>	<u>\$ 6,788</u>	<u>\$ (235)</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, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 91,803	\$ (8,197)
Use of money and property	1,000	1,000	371	(629)
Total revenues	<u>101,000</u>	<u>101,000</u>	<u>92,174</u>	<u>(8,826)</u>
EXPENDITURES:				
Current:				
Public safety	99,812	99,812	125,678	(25,866)
Total expenditures	<u>99,812</u>	<u>99,812</u>	<u>125,678</u>	<u>(25,866)</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>1,188</u>	<u>1,188</u>	<u>(33,504)</u>	<u>(34,692)</u>
Net change in fund balances	1,188	1,188	(33,504)	(34,692)
FUND BALANCES:				
Beginning of year	128,221	128,221	128,221	-
End of year	<u>\$ 129,409</u>	<u>\$ 129,409</u>	<u>\$ 94,717</u>	<u>\$ (34,692)</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 2,324,166	\$ 2,324,166	\$ 16,500	\$ (2,307,666)
Total revenues	<u>2,324,166</u>	<u>2,324,166</u>	<u>16,500</u>	<u>(2,307,666)</u>
EXPENDITURES:				
Current:				
Community development	<u>2,324,166</u>	<u>2,324,166</u>	<u>8,086</u>	<u>2,316,080</u>
Total expenditures	<u>2,324,166</u>	<u>2,324,166</u>	<u>8,086</u>	<u>2,316,080</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>8,414</u>	<u>8,414</u>
FUND BALANCES:				
Beginning of year	<u>(18,491)</u>	<u>(18,491)</u>	<u>(18,491)</u>	<u>-</u>
End of year	<u>\$ (18,491)</u>	<u>\$ (17,862)</u>	<u>\$ (10,077)</u>	<u>\$ 7,785</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ 159,350	\$ (32,291)	\$ (191,641)
Total revenues	-	159,350	(32,291)	(191,641)
EXPENDITURES:				
Capital outlay	-	159,350	70,600	88,750
Total expenditures	-	159,350	70,600	88,750
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	(102,891)	(102,891)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(88,242)	(88,242)
Total other financing sources (uses)	-	-	(88,242)	(88,242)
Net change in fund balances	-	-	(191,133)	(191,133)
FUND BALANCES:				
Beginning of year	191,133	191,133	191,133	-
End of year	\$ 191,133	\$ 191,133	\$ -	\$ (191,133)

City of Arcata, California
Combining Balance Sheet
In Lieu Fee Special Revenue Funds
June 30, 2013

ASSETS	<u>Parkland In Lieu</u>	<u>Parking In Lieu</u>	<u>Totals</u>
Cash and investments	\$ 209,334	\$ 264,369	\$ 473,703
Total assets	<u>\$ 209,334</u>	<u>\$ 264,369</u>	<u>\$ 473,703</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
Compensated absences	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Assigned	<u>209,334</u>	<u>264,369</u>	<u>473,703</u>
Total fund balances	<u>209,334</u>	<u>264,369</u>	<u>473,703</u>
Total liabilities and fund balances	<u>\$ 209,334</u>	<u>\$ 264,369</u>	<u>\$ 473,703</u>

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, 2013

	Parkland In Lieu	Parking In Lieu	Totals
REVENUES:			
Use of money and property	\$ 465	\$ 589	\$ 1,054
Total revenues	465	589	1,054
EXPENDITURES:			
Capital outlay	-	562	562
Total expenditures	-	562	562
REVENUES OVER (UNDER) EXPENDITURES	465	27	492
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)	465	27	492
FUND BALANCES (DEFICIT):			
Beginning of year	208,869	264,342	473,211
End of year	\$ 209,334	\$ 264,369	\$ 473,703

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Use of money and property	4,500	4,500	465	(4,035)
Total revenues	14,500	14,500	465	(14,035)
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	14,500	14,500	465	(14,035)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	14,500	14,500	465	(14,035)
FUND BALANCES:				
Beginning of year	208,869	208,869	208,869	-
End of year	<u>\$ 223,369</u>	<u>\$ 223,369</u>	<u>\$ 209,334</u>	<u>\$ (14,035)</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 3,500	\$ 3,500	\$ 589	\$ (2,911)
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>589</u>	<u>(2,911)</u>
EXPENDITURES:				
Capital outlay	12,000	12,000	562	11,438
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>562</u>	<u>11,438</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(8,500)</u>	<u>(8,500)</u>	<u>27</u>	<u>8,527</u>
Net change in fund balances	(8,500)	(8,500)	27	8,527
FUND BALANCES:				
Beginning of year	264,342	264,342	264,342	-
End of year	<u>\$ 255,842</u>	<u>\$ 255,842</u>	<u>\$ 264,369</u>	<u>\$ 8,527</u>

City of Arcata, California
Combining Balance Sheet
Assessment District Special Revenue Funds
June 30, 2013

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
ASSETS				
Cash and investments	\$ 1,147	\$ 8,044	\$ 8,144	\$ 17,335
Receivables:				
Intergovernmental	-	440	71	511
Total assets	<u>\$ 1,147</u>	<u>\$ 8,484</u>	<u>\$ 8,215</u>	<u>\$ 17,846</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Assigned	1,147	8,484	8,215	17,846
Total fund balances	<u>1,147</u>	<u>8,484</u>	<u>8,215</u>	<u>17,846</u>
Total liabilities and fund balances	<u>\$ 1,147</u>	<u>\$ 8,484</u>	<u>\$ 8,215</u>	<u>\$ 17,846</u>

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, 2013

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
REVENUES:				
Taxes and assessments	\$ -	\$ 16,248	\$ 14,783	\$ 31,031
Use of money and property	3	18	19	40
Total revenues	3	16,266	14,802	31,071
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	3	16,266	14,802	31,071
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(14,700)	(14,000)	(28,700)
Total other financing sources and uses	-	(14,700)	(14,000)	(28,700)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	3	1,566	802	2,371
FUND BALANCES (DEFICIT) :				
Beginning of year	1,144	6,918	7,413	15,475
End of year	\$ 1,147	\$ 8,484	\$ 8,215	\$ 17,846

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 25	\$ 25	\$ 3	\$ (22)
Total revenues	<u>25</u>	<u>25</u>	<u>3</u>	<u>(22)</u>
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>25</u>	<u>25</u>	<u>3</u>	<u>(22)</u>
Net change in fund balances	25	25	3	(22)
FUND BALANCES:				
Beginning of year	<u>1,144</u>	<u>1,144</u>	<u>1,144</u>	<u>-</u>
End of year	<u>\$ 1,169</u>	<u>\$ 1,169</u>	<u>\$ 1,147</u>	<u>\$ (22)</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 17,000	\$ 17,000	\$ 16,248	\$ (752)
Use of money and property	300	300	18	(282)
Total revenues	17,300	17,300	16,266	(1,034)
EXPENDITURES:				
Capital outlay	-	782	-	782
Total expenditures	-	782	-	782
REVENUES OVER (UNDER) EXPENDITURES	17,300	16,518	16,266	(252)
OTHER FINANCING SOURCES (USES):				
Transfers out	(14,700)	(14,700)	(14,700)	-
Total other financing sources (uses)	(14,700)	(14,700)	(14,700)	-
Net change in fund balances	2,600	1,818	1,566	(252)
FUND BALANCES (DEFICIT):				
Beginning of year	6,918	6,918	6,918	-
End of year	<u>\$ 9,518</u>	<u>\$ 8,736</u>	<u>\$ 8,484</u>	<u>\$ (252)</u>

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, 2013

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 15,000	\$ 15,000	\$ 14,783	\$ (217)
Use of money and property	150	150	19	(131)
Total revenues	15,150	15,150	14,802	(348)
EXPENDITURES:				
Current:				
Parks and recreation	700	700	-	700
Total expenditures	700	700	-	700
REVENUES OVER (UNDER) EXPENDITURES	14,450	14,450	14,802	352
OTHER FINANCING SOURCES (USES):				
Transfers out	(14,000)	(14,000)	(14,000)	-
Total other financing sources (uses)	(14,000)	(14,000)	(14,000)	-
Net change in fund balances	450	450	802	352
FUND BALANCES:				
Beginning of year	7,413	7,413	7,413	-
End of year	<u>\$ 7,863</u>	<u>\$ 7,863</u>	<u>\$ 8,215</u>	<u>\$ 352</u>

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 Position
Internal Service Funds
For the year ended June 30, 2013

ASSETS	Central Garage Fund	Information Technology Fund	Totals
Current assets:			
Cash and investments	\$ 494,873	\$ 26,612	\$ 521,485
Inventory	9,591	-	9,591
Total current assets	<u>504,464</u>	<u>26,612</u>	<u>531,076</u>
Noncurrent assets:			
Capital assets, net	965,629	-	965,629
Total noncurrent assets	<u>965,629</u>	<u>-</u>	<u>965,629</u>
Total assets	<u>\$ 1,470,093</u>	<u>\$ 26,612</u>	<u>\$ 1,496,705</u>
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	\$ 21,106	\$ 3,267	\$ 24,373
Accrued liabilities	4,616	3,594	8,210
Compensated absences - current portion	4,388	504	4,892
Due within one year - capital lease payable	111,390	-	111,390
Total current liabilities	<u>141,500</u>	<u>7,365</u>	<u>148,865</u>
Noncurrent liabilities:			
Compensated absences	13,163	1,511	14,674
Due after one year - capital lease payable	-	-	-
Total liabilities	<u>154,663</u>	<u>8,876</u>	<u>163,539</u>
Net Position:			
Invested in capital assets net of related debt	952,466	-	952,466
Unrestricted	362,964	17,736	380,700
Total net position	<u>1,315,430</u>	<u>17,736</u>	<u>1,333,166</u>
Total liabilities and net position	<u>\$ 1,470,093</u>	<u>\$ 26,612</u>	<u>\$ 1,496,705</u>

City of Arcata, California
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2013

	Central Garage Fund	Information Technology Fund	Totals
OPERATING REVENUES:			
Interdepartmental charges	\$ 446,775	\$ 181,303	\$ 628,078
Total operating revenues	446,775	181,303	628,078
OPERATING EXPENSES:			
Salaries and benefits	181,153	132,059	313,212
Contractual services	25,824	15,563	41,387
Materials and supplies	280,321	6,156	286,477
Repairs and maintenance	31,812	5,712	37,524
Insurance	51,150	-	51,150
Taxes and fees	6,581	-	6,581
Allocated overhead	20,790	5,000	25,790
Depreciation	310,382	-	310,382
Total operating expenses	908,013	164,490	1,072,503
OPERATING INCOME (LOSS)	(461,238)	16,813	(444,425)
NONOPERATING REVENUES (EXPENSES):			
Proceeds from the sale of capital assets	8,816	-	8,816
Interest revenue	2,612	-	2,612
Interest expense	(6,200)	(35)	(6,235)
Total non-operating revenues (expenses)	5,228	(35)	5,193
NET INCOME (LOSS) BEFORE TRANSFERS	(456,010)	16,778	(439,232)
Transfers in	-	2,395	2,395
Transfers out	(134,087)	-	(134,087)
Total transfers	(134,087)	2,395	(131,692)
Change in net position	(590,097)	19,173	(570,924)
NET POSITION (DEFICIT):			
Beginning of year	1,905,527	(1,437)	1,904,090
End of year	<u>\$ 1,315,430</u>	<u>\$ 17,736</u>	<u>\$ 1,333,166</u>

City of Arcata, California
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2013

	Central Garage Fund	Information Technology Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from interfund services provided	\$ 446,775	\$ 181,303	\$ 628,078
Cash paid to suppliers for goods and services	(409,940)	(31,102)	(441,042)
Cash paid to employees for services	(177,447)	(137,068)	(314,515)
Net cash provided (used) by operating activities	(140,612)	13,133	(127,479)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers received	-	2,395	2,395
Transfers paid	(134,087)	-	(134,087)
Net cash provided (used) by noncapital financing activities	(134,087)	2,395	(131,692)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(24,339)	-	(24,339)
Proceeds from the sale of capital assets	8,816	-	8,816
Principal paid on long-term debt	(139,134)	-	(139,134)
Interest paid on long-term debt	(6,200)	(35)	(6,235)
Net cash (used) by capital and related financing activities	(160,857)	(35)	(160,892)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	2,612	-	2,612
Net cash provided by investing activities	2,612	-	2,612
Net increase (decrease) in cash and cash equivalents	(432,944)	15,493	(417,451)
CASH AND CASH EQUIVALENTS:			
Beginning of year	927,817	11,119	938,936
End of year	<u>\$ 494,873</u>	<u>\$ 26,612</u>	<u>\$ 521,485</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (461,238)	\$ 16,813	\$ (444,425)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	310,382	-	310,382
(Increase) decrease in current assets:			
Inventory	(4,214)	-	(4,214)
Increase (decrease) in liabilities:			
Accounts payable	10,752	1,329	12,081
Accrued liabilities	1,950	676	2,626
Compensated absences	1,756	(5,685)	(3,929)
Net cash provided by operating activities	\$ (140,612)	\$ 13,133	\$ (127,479)