

CITY OF ARVIN
ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2008

CITY OF ARVIN
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

Independent Auditors' Report.....	1
Basic Financial Statements:	
Statement of Net Assets.....	4
Statement of Activities.....	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	10
Statement of Net Assets – Proprietary Funds.....	12
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	13
Combined Statement of Cash Flows - Proprietary Funds.....	14
Notes to Basic Financial Statements.....	16
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund.....	37
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Redevelopment Agency Fund.....	38
Notes to Required Supplementary Information.....	39
Supplementary Information:	
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	43-46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	47-50



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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Arvin, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Arvin, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Arvin, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Southern California Locations

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The budgetary comparison information and other required supplementary information on pages 38 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Arvin's basic financial statements. The combining nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer Hoffman Mc Corm P.C.

Bakersfield, California
December 8, 2008

BASIC FINANCIAL STATEMENTS

**CITY OF ARVIN
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 2,806,947	\$ 80,350	\$ 2,887,297
Cash with fiscal agent	3,944,651	-	3,944,651
Receivables (net of allowance for uncollectibles):			
Accounts	814,827	47,048	861,875
Taxes	27,371	-	27,371
Due from other funds	223,713	-	223,713
Land held for development	545,286	-	545,286
Bond issuance cost, net	300,164	-	300,164
Restricted assets:			
Restricted cash and cash equivalents	823,868	1,665,351	2,489,219
Capital assets			
Non-depreciable	654,630	906,245	1,560,875
Depreciable, net of accumulated depreciation	6,606,938	7,906,618	14,513,556
Total assets	\$ 16,748,395	\$ 10,605,612	\$ 27,354,007
LIABILITIES			
Accounts payable	\$ 577,740	\$ 137,989	\$ 715,729
Accrued interest payable	76,041	-	76,041
Accrued payroll and benefits	208,668	13,128	221,796
Due to other funds	-	223,713	223,713
Unearned revenues	5,575	-	5,575
Due in one year or less	168,500	92,576	261,076
Due in more than one year	6,093,637	5,249,566	11,343,203
Total liabilities	7,130,161	5,716,972	12,847,133
NET ASSETS			
Invested in capital assets, net related debt	7,261,568	3,470,721	10,732,289
Restricted for:			
Low and moderate income housing	1,484,811	-	1,484,811
Land held for development	545,286	-	545,286
Unrestricted	326,569	1,417,919	1,744,488
Total net assets	\$ 9,618,234	\$ 4,888,640	\$ 14,506,874

The notes to the financial statements are an integral part of this statement.

**CITY OF ARVIN
STATEMENT OF ACTIVITIES
JUNE 30, 2008**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
General administration	\$ 1,860,980	\$ 161,036	\$ 5,000	\$ 65,574	\$ (1,629,370)	\$ -	\$(1,629,370)
Public safety	2,027,498	49,001	100,000	297,596	(1,580,901)	-	(1,580,901)
Public works	893,323	564,323	6,240	356,711	33,951	-	33,951
Community development	1,110,073	-	-	-	(1,110,073)	-	(1,110,073)
Interest on long-term debt	378,022	-	-	-	(378,022)	-	(378,022)
Total governmental activities	6,269,896	774,360	111,240	719,881	(4,664,415)	-	(4,664,415)
Business-type activities:							
Sanitation	1,792,810	1,895,052	-	-	-	102,242	102,242
Transportation Development	474,636	57,539	602,399	-	-	185,302	185,302
Total business-type activities	2,267,446	1,952,591	602,399	-	-	287,544	287,544
Total primary government	\$ 8,537,342	\$ 2,726,951	\$ 713,639	\$ 719,881	\$ (4,664,415)	\$ 287,544	\$ (4,376,871)
General revenues							
Taxes					1,981,042	-	1,981,042
Intergovernmental revenues					405,400	-	405,400
Licenses and permits					1,486,744	-	1,486,744
Fines and penalties					10,192	-	10,192
Revenue from use of money and property					308,957	38,222	347,179
Fees and other revenues					726,978	13,000	739,978
Transfers in (out)					14,493	(14,493)	-
Total general revenues and transfers					4,933,806	36,729	4,970,535
Change in net assets					269,391	324,273	593,664
Net assets - July 1, 2007					9,348,843	4,564,367	13,913,210
Net assets - June 30, 2008					\$ 9,618,234	\$ 4,888,640	\$14,506,874

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**CITY OF ARVIN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Redevelopment Agency	Other Governmental Funds	Total
ASSETS				
Cash and investments				
Unrestricted	\$ 1,026,334	\$ 931,055	\$ 849,558	\$ 2,806,947
Restricted	-	823,868	-	823,868
Cash with fiscal agent	-	3,944,651	-	3,944,651
Receivables				
Accounts	516,961	-	297,866	814,827
Taxes	-	27,371	-	27,371
Land held for development	-	545,286	-	545,286
Due from other funds	223,713	-	118,384	342,097
Advances to other funds	718,352	-	-	718,352
Total assets	<u>\$ 2,485,360</u>	<u>\$ 6,272,231</u>	<u>\$ 1,265,808</u>	<u>\$10,023,399</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 357,155	\$ 134,248	\$ 86,337	\$ 577,740
Accrued payroll and benefits	180,893	5,003	22,772	208,668
Advances from other funds	-	718,352	-	718,352
Due to other funds	-	-	118,384	118,384
Unearned revenue	5,575	-	-	5,575
Total liabilities	<u>543,623</u>	<u>857,603</u>	<u>227,493</u>	<u>1,628,719</u>
Fund balances:				
Reserved for:				
Low and moderate income housing	-	1,484,811	-	1,484,811
Land held for development	-	545,286	-	545,286
Advances	718,352	-	-	718,352
Restricted cash	-	823,868	-	823,868
Unreserved	1,223,385	2,560,663	1,038,315	4,822,363
Total fund balances	<u>1,941,737</u>	<u>5,414,628</u>	<u>1,038,315</u>	<u>8,394,680</u>
Total liabilities and fund balances	<u>\$ 2,485,360</u>	<u>\$ 6,272,231</u>	<u>\$ 1,265,808</u>	<u>\$10,023,399</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARVIN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund balances of governmental funds	\$ 8,394,680
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	7,261,568
Long-term debt, compensated absences and claims payable from the General long-term Debt Account Group that have not been included in the governmental fund activity:	(6,262,137)
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(76,041)
Unamortized issuance costs on revenue bonds payable has not been reported in the governmental funds.	<u>300,164</u>
Net assets of governmental activities	<u><u>\$ 9,618,234</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARVIN
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	General	Redevelopment Agency	Other Governmental Funds	Total Governmental
REVENUES				
Taxes	\$ 925,531	\$ 785,595	\$ 269,916	\$ 1,981,042
Licenses and permits	1,486,744	-	-	1,486,744
Fines and penalties	10,192	-	-	10,192
Revenue from use of money and property	118,228	190,729	-	308,957
Charges for services	774,360	-	-	774,360
Intergovernmental revenues	308,836	-	927,685	1,236,521
Fees and other revenues	249,951	29,278	447,749	726,978
Total revenues	<u>3,873,842</u>	<u>1,005,602</u>	<u>1,645,350</u>	<u>6,524,794</u>
EXPENDITURES				
Current:				
General government	921,464	837,571	38,837	1,797,872
Public safety	1,719,133	-	228,312	1,947,445
Public works	414,723	-	350,142	764,865
Planning/community development	247,485	849,884	-	1,097,369
Capital outlay:				
General government	-	-	65,574	65,574
Public works	-	189,775	496,758	686,533
Public safety	320,987	-	-	320,987
Debt service:				
Principal	58,500	138,520	-	197,020
Interest	5,850	331,081	-	336,931
Total expenditures	<u>3,688,142</u>	<u>2,346,831</u>	<u>1,179,623</u>	<u>7,214,596</u>
Deficiency of revenues over expenditures	<u>185,700</u>	<u>(1,341,229)</u>	<u>465,727</u>	<u>(689,802)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,651	-	226,467	229,118
Transfers out	-	-	(214,625)	(214,625)
Total other financing sources and uses	<u>2,651</u>	<u>-</u>	<u>11,842</u>	<u>14,493</u>
Net change in fund balances	188,351	(1,341,229)	477,569	(675,309)
Fund balances - beginning	<u>1,753,386</u>	<u>6,755,857</u>	<u>560,746</u>	<u>9,069,989</u>
Fund balances - ending	<u>\$ 1,941,737</u>	<u>\$ 5,414,628</u>	<u>\$ 1,038,315</u>	<u>\$ 8,394,680</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARVIN
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, 2008**

Amounts Reported for governmental activities in the statement of activities are different because of the items described below:

Net changes in fund balances - total governmental funds	\$ (675,309)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	1,073,094
Depreciation expense on capital assets is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure on the fund statements.	(322,149)
Compensated absences reported in the statement of activities that do not require the use of current financial resources are not reported on the fund statements, but are reported as an expense in the government-wide statements.	37,826
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets.	197,020
Accrued interest payable is not reported in the governmental funds.	(30,109)
Amortization expense on bond issuance costs is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources. Therefore, amortization expense is not reported as an expenditure on the fund statements.	<u>(10,982)</u>
Change in net assets of governmental activities	<u><u>\$ 269,391</u></u>

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS

**CITY OF ARVIN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	Transportation Development	Sanitation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 80,350	\$ -	\$ 80,350
Receivables (net of allowances)	36,768	10,280	47,048
Total current assets	<u>117,118</u>	<u>10,280</u>	<u>127,398</u>
Restricted Assets:			
Restricted cash, cash equivalents and investment	-	1,665,351	1,665,351
Capital assets:			
Land	-	906,245	906,245
General property and equipment	176,549	10,022,755	10,199,304
Vehicles	603,616	-	603,616
Less accumulated depreciation	<u>(627,590)</u>	<u>(2,268,712)</u>	<u>(2,896,302)</u>
Total capital assets (net of accumulated depreciation)	<u>152,575</u>	<u>8,660,288</u>	<u>8,812,863</u>
Total noncurrent assets	<u>152,575</u>	<u>10,325,639</u>	<u>10,478,214</u>
Total assets	<u>\$ 269,693</u>	<u>\$ 10,335,919</u>	<u>\$ 10,605,612</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 10,733	\$ 127,256	\$ 137,989
Accrued payroll and benefits	13,128	-	13,128
Due to other funds	-	223,713	223,713
Due in one year or less	-	92,576	92,576
Total current liabilities	<u>23,861</u>	<u>443,545</u>	<u>467,406</u>
Non-current liabilities:			
Due in more than one year	-	5,249,566	5,249,566
Total non-current liabilities	<u>-</u>	<u>5,249,566</u>	<u>5,249,566</u>
Total liabilities	<u>23,861</u>	<u>5,693,111</u>	<u>5,716,972</u>
NET ASSETS			
Invested in capital assets, net related debt	152,575	3,318,146	3,470,721
Unrestricted	<u>93,257</u>	<u>1,324,662</u>	<u>1,417,919</u>
Total net assets	<u>\$ 245,832</u>	<u>\$ 4,642,808</u>	<u>\$ 4,888,640</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARVIN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR YEAR ENDED JUNE 30, 2008**

	Transportation Development	Sanitation	Total
Operating revenues:			
Charges for service	\$ 57,539	\$ 1,895,052	\$ 1,952,591
Fees and other revenues	-	13,000	13,000
Total operating revenues	<u>57,539</u>	<u>1,908,052</u>	<u>1,965,591</u>
Operating Expenses:			
Salaries and benefits	243,124	25,912	269,036
Vehicle operations	76,889	-	76,889
Sanitation operations	-	1,054,025	1,054,025
Depreciation expense	20,385	239,686	260,071
General and administrative expense	134,238	171,768	306,006
Total operating expenses	<u>474,636</u>	<u>1,491,391</u>	<u>1,966,027</u>
Operating income (loss)	<u>(417,097)</u>	<u>416,661</u>	<u>(436)</u>
Nonoperating revenues (expenses):			
Intergovernmental	602,399	-	602,399
Interest income	60	38,162	38,222
Interest expense	-	(301,419)	(301,419)
Total nonoperating revenue (expenses)	<u>602,459</u>	<u>(263,257)</u>	<u>339,202</u>
Income before transfers	185,362	153,404	338,766
Transfers out	<u>(14,493)</u>	-	<u>(14,493)</u>
Change in net assets	170,869	153,404	324,273
Total net assets, beginning	<u>74,963</u>	<u>4,489,404</u>	<u>4,564,367</u>
Total net assets, ending	<u>\$ 245,832</u>	<u>\$ 4,642,808</u>	<u>\$ 4,888,640</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARVIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED JUNE 30, 2008**

	Transportation	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Total operating revenues	\$ 58,682	\$ 1,897,772	\$ 1,956,454
Payments to employees	(240,695)	(25,912)	(266,607)
Maintenance and operations	(84,043)	(1,131,187)	(1,215,230)
Net cash provided by operating activities	<u>(266,056)</u>	<u>740,673</u>	<u>474,617</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Operating transfers out	(14,493)	-	(14,493)
Intergovernmental revenue	399,690	-	399,690
Net cash provided by noncapital and related financing activities	<u>385,197</u>	<u>-</u>	<u>385,197</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense (net of discount amortization)	-	(301,419)	(301,419)
Payments on long-term debt	-	(145,120)	(145,120)
Net cash used in capital and related financing activities	<u>-</u>	<u>(446,539)</u>	<u>(446,539)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES			
Purchase of fixed assets	(100,000)	-	(100,000)
Interest income	60	38,162	38,222
Net cash provided by investing activities	<u>(99,940)</u>	<u>38,162</u>	<u>(61,778)</u>
Net increase in cash	19,201	332,296	351,497
Cash, beginning of year	61,149	1,333,055	1,394,204
Cash, end of year	<u>\$ 80,350</u>	<u>\$ 1,665,351</u>	<u>\$ 1,745,701</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (417,097)	\$ 416,661	\$ (436)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	20,385	239,686	260,071
(Increase) decrease in:			
Receivables	1,143	(10,280)	(9,137)
Due from other funds	121,978	-	121,978
Increase (decrease) in:			
Accounts payable	5,106	(7,129)	(2,023)
Due to other funds	-	101,735	101,735
Other current liabilities	2,429	-	2,429
Net cash provided by operating activities	<u>\$ (266,056)</u>	<u>\$ 740,673</u>	<u>\$ 474,617</u>
NONCASH OPERATING ACTIVITIES			
Deferred revenue recognized in current year	(202,709)	-	(202,709)

The notes to the financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(1) Summary of significant accounting policies

A. Reporting Entity

The City of Arvin (City) was incorporated December 21, 1960, as a general law city and as such draws its authority from the Constitution and laws of the State of California. The City has a council/manager form of government and is governed by a five-member elected council. The City Manager is appointed by the City Council. The City provides the following services: police, community services, street construction and maintenance, planning and zoning, street cleaning, transit, sanitation, and general administrative services.

The accompanying basic financial statements include the financial activities of the City and its sole component unit, the Community Redevelopment Agency of the City of Arvin (Agency). Financial information for the City and its component unit is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board.

Blended component unit - *The Community Redevelopment Agency of the City of Arvin* (Agency) was established by the City Council on December 5, 1995, pursuant to California Health and Safety Code Section 33000; the "Community Redevelopment Law." The Agency exists as a separate legal entity whose purpose is to eliminate blight, to help meet low and moderate income housing needs, and to revitalize property, within the Arvin redevelopment project area. The Agency board is comprised solely of the same individuals who comprise the City Council, and the Agency's administrative staff is comprised of City employees. The Agency is reported as a governmental fund.

Separate financial statements are produced by the Agency and may be obtained from the City of Arvin, 200 Campus Drive, Arvin, California 93203.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

B. Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

B. Basis of Accounting/Measurement Focus (Continued)

Government-wide and fund financial statements - The City government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets acquired since July 1, 2003, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated. In the statement of activities, interfund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Governmental Fund Financial Statements - Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No 34.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

B. Basis of Accounting/Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

All governmental funds are accounted for under a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on these balance sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash during the year or within 60 days after year-end. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenue and other forms of tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue source is an ad valorem specially assessed tax override. These governmental functions are not financed with bonded indebtedness.

Redevelopment Agency Fund - The Agency consists of two funds used to account for operational, debt service and low and moderate income projects. Both funds have been combined for presentation in these financial statements.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements - includes a statement of fund net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows for each major proprietary fund and for non-major funds.

The City of Arvin reports the following Proprietary funds:

Transit Fund - accounts for financial activity related to the public transit services provided by the City. This fund is a major fund.

Sanitation Fund - accounts for the financial activity of the waste water services of the City. These services are provided through contracts with independent contractors. This fund is a major fund.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

B. Basis of Accounting/Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Enterprise funds are accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they occur while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the enterprise funds 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments

Under the City's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts and the State of California Local Agency Investment Fund (LAIF). Interest income on pooled investments is allocated on the end of month balance in each fund included in the pools.

For purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the enterprise funds are pooled with the City's pooled cash and investments.

Receivables and Payables

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the non-current portion of interfund loans).

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

B. Basis of Accounting/Measurement Focus (Continued)

Receivables and Payables (Continued)

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

Enterprise fund receivables are shown net of an allowance for uncollectible accounts. All customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

Property taxes are assessed, collected and allocated by Kern County throughout the fiscal year according to the following property tax calendar. The property taxes attach as an enforceable lien on property as of January 1st each year, with other dates of significance being:

Levy Date	July 1 st to June 30 th
Due Dates	November 1 st , 1 st installment; February 1 st , 2 nd installment
Delinquent Dates	December 10 th , 1 st installment, April 10 th , 2 nd installment

City property tax revenues are recognized when received in cash except at year-end when available taxes, or those collected within 60 days of fiscal year end, are accrued pursuant to the modified accrual basis of accounting. Revenue from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year end.

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded in governmental funds when they become available, with the differences recorded as unearned revenue. Enterprise fund revenues are recorded as operating revenues when the receivables are recorded. Some grant and entitlement revenues are not susceptible to accrual, in which case the corresponding revenues are recorded when received.

Restricted Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

B. Basis of Accounting/Measurement Focus (Continued)

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. The City has chosen not to capitalize infrastructure in place prior to the adoption of GASB 34. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	15-40 years
Vehicles	5 years
Machinery and equipment	5-20 years
Infrastructure	35-50 years

The City defines infrastructure as capital assets that are stationary and have expected useful lives significantly in excess of most capital assets. The assets include the street system, sewer collection and treatment system, park and recreation improvements, storm water conveyance system, and permanent monuments and signage.

Compensated Absences Payable

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources is reported as an expenditure and related fund liability of the governmental fund responsible for payment. Amounts of vested or accumulated vacation leave and benefits that are not expected to be liquidated with expendable available resources are reported in the non-current portion of the obligations reported in the government-wide statement of net assets with corresponding changes in account balances reported as expenses in the statement of activities. Vested or accumulated enterprise fund vacation leave and benefits are expensed with a corresponding fund liability for these unpaid accrued employee benefits. Vacation pay accruals generally do not exceed the amount earned for one year; however, an employee may accumulate up to a maximum of 320 hours of earned vacation time after which no further vacation accrues to the employee.

Long-Term Obligations

In the government-wide and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as costs of issuance, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

B. Basis of Accounting/Measurement Focus (Continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This resulting category presents the remaining City net assets and this measure of equity is unrestricted, legally or otherwise.

Stewardship (Budget)

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at year-end. The budget process is briefly summarized as follows:

- In June, the City Manager submits a proposed operating budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and means of financing them.
- The City Council holds public hearings on the proposed operating budget.
- As near as possible to July 1, the budget is legally enacted through passage of an appropriation resolution.
- Supplemental appropriations during the year may be approved by the City Council.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however any change to total expenditures of any fund must be approved by the City Council.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(2) Cash and Investments

The City's investment policy is consistent with guidelines set forth under State of California Government Code Section 53601 and serves to maximize investment income consistent with safe and prudent investment practices. All surplus funds are managed by the Finance Director in compliance with the Statement of Investment Policy adopted by the City Council which delegates to the Finance Director the authority to invest City funds and to deposit securities.

The City follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances.

The City's cash, cash equivalents, and investments consist of the following at June 30, 2008:

Deposits	\$	1,463,553
LAIF		1,424,772
Cash and cash equivalents		<u>2,888,325</u>
Investments with Fiscal Agents		<u>6,432,842</u>
	\$	<u><u>9,321,167</u></u>

The City's deposits and investments are reflected in the accompanying basic financial statements as follows:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 2,806,947	\$ 80,350	\$ -	\$ 2,887,297
Cash with Fiscal Agents	3,944,651	-	-	3,944,651
Restricted Cash	823,868	1,665,351	-	2,489,219
	<u>\$ 7,575,466</u>	<u>\$ 1,745,701</u>	<u>\$ -</u>	<u>\$ 9,321,167</u>

Deposits

The City maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the statement of net assets as cash and cash equivalents at June 30, 2008. The carrying amount of the City's deposits was \$1,463,553 and the bank balance was \$1,585,531 which was either insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus collateral for cash deposits is considered to be held in the City's name. The market value of the pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(2) Cash and Investments (Continued)

Local Agency Investment Fund (LAIF)

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investments 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). As of June 30, 2008, the balance is \$1,424,772. The balance available for withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investments

As of June 30, 2008, the City had the following investments:

Investment Types	Book Value	Maturities in years	
		Less than 1	1 to 5
Money Market Fund	\$ 2,489,219	\$ 2,489,219	\$ -
Local Agency Investment Fund	1,424,772	1,424,772	-
Commercial Paper	3,943,623	3,943,623	-
Total Investments	<u>7,857,614</u>	<u>\$ 7,857,614</u>	<u>\$ -</u>

Authorized Investments

Under provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

Securities of the U.S. Government, or its Agencies	Local agency investment fund deposits (state pool)
Certificates of deposit (or time deposits) placed with commercial banks and/or savings & loan companies	Passbook savings account demand deposits
Negotiable certificates of deposit	Small business administration loans
Bankers' acceptances	Repurchase agreements
	Reverse repurchase agreements

The City's investments by the investments manager are as follows:

City Treasurer	\$ 1,424,772
Fiscal Agents (Bond trustees for the City and its component units)	<u>6,432,842</u>
	<u>\$ 7,857,614</u>

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The City investments are subject to immediate liquidation, therefore, the City is exposed to interest rate risk if interest rates fall.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(2) Cash and Investments (Continued)

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSRO's). It is in the City's policy to limit its investments in these investment types to the top rating issued by NRSRO's, including raters Standard & Poor's and Moody's Investors Services.

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

<u>Investment Type</u>	<u>AAA</u>	<u>A-1+</u>	<u>Total</u>
Commercial Paper	-	3,943,623	3,943,623
Money Market Fund	2,489,219	-	2,489,219
Totals	<u>2,489,219</u>	<u>3,943,623</u>	<u>6,432,842</u>
Not rated:			
California Local Agency Investment Fund			1,424,772
Total Investments			<u>7,857,614</u>

Restricted Cash and Investments

On their respective statement of net assets, the City shows restricted assets as detailed below:

		<u>Funds held By</u>
Governmental Activities		
Redevelopment Agency		
Debt service reserve	<u>823,868</u>	Wells Fargo
Total Governmental Fund Types	<u>823,868</u>	
Business-Type Activities		
Sanitation Fund		
Deposits Veolia water operating account	<u>1,665,351</u>	Union Bank of California
Total restricted cash deposits	<u>2,489,219</u>	

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(3) Interfund Activities

Current interfund balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year.

Long-Term interfund advances

At June 30, 2008 the interfund advances below are expected to be repaid in more than one year.

	Receivable Fund	Payable Fund
Major funds:		
General fund	\$ 718,352	\$
Redevelopment Agency fund		718,352
Total	\$ 718,352	\$ 718,352

The advances bear interest at the rate earned on City pooled investments and are intended to be repaid as tax increments, in excess of redevelopment needs, are received.

Transfers between funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund or to supplement special revenues with general fund revenues.

Transfers in and out consisted of the following as of June 30, 2008:

	Transfers	
	In	Out
Major Funds:		
General Fund	\$ 2,651	\$ -
Non-major funds:		
State Gas Tax		211,974
CDBG fund	136,542	
TEA funds	24,432	
CMAQ Grant fund	14,493	
RSTP funds	51,000	
Recycling Grant fund		2,651
Enterprise Funds:		
Transportation fund		14,493
Total transfers out	\$ 229,118	\$ 229,118

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(4) Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions as of the beginning of the 2003-2004 fiscal year in the government-wide statement of net assets. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

The following table presents summary information on capital assets.

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 563,599	\$ -	\$ -	\$ 563,599
Infrastructure in progress	291,972	91,031	(291,972)	91,031
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>855,571</u>	<u>91,031</u>	<u>(291,972)</u>	<u>654,630</u>
Capital assets, being depreciated:				
Buildings and improvements	5,094,846		-	5,094,846
Machinery and equipment	1,467,361		-	1,467,361
Infrastructure	1,030,615	915,918	-	1,946,533
Vehicles	835,791	358,118	-	1,193,909
Total capital assets being depreciated	<u>8,428,613</u>	<u>1,274,036</u>	<u>-</u>	<u>9,702,649</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,039,695)	(129,943)	-	(1,169,638)
Machinery and equipment	(947,933)	(72,518)	-	(1,020,451)
Infrastructure	(52,845)	(39,177)	-	(92,022)
Vehicles	(733,089)	(80,511)	-	(813,600)
Total accumulated depreciation	<u>(2,773,562)</u>	<u>(322,149)</u>	<u>-</u>	<u>(3,095,711)</u>
Total capital assets, being depreciated, net	<u>5,655,051</u>	<u>951,887</u>	<u>-</u>	<u>6,606,938</u>
Governmental activities capital assets, net	<u>\$ 6,510,622</u>	<u>\$ 1,042,918</u>	<u>\$ (291,972)</u>	<u>\$ 7,261,568</u>

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(4) Capital Assets (Continued)

Business-type activities:	<u>Beginning Balance</u>	<u>Reclassification</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 906,245	\$ -	\$ -	\$ -	\$ 906,245
Capital assets, being depreciated:					
Buildings and improvements	4,216,103	-	-	-	4,216,103
Machinery and equipment	79,739	-	-	-	79,739
Infrastructure	5,903,462	-	-	-	5,903,462
Vehicles	503,616	-	100,000	-	603,616
Total capital assets being depreciated	<u>10,702,920</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>10,802,920</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,067,526)	(89,581)	(103,701)	-	(1,260,808)
Machinery and equipment	(106,462)	89,581	(4,929)	-	(21,810)
Infrastructure	(963,366)	-	(136,703)	-	(1,100,069)
Vehicles	(498,877)	-	(14,738)	-	(513,615)
Total accumulated depreciation	<u>(2,636,231)</u>	<u>-</u>	<u>(260,071)</u>	<u>-</u>	<u>(2,896,302)</u>
Total capital assets, being depreciated, net	<u>8,066,689</u>	<u>-</u>	<u>(160,071)</u>	<u>-</u>	<u>7,906,618</u>
Business-type activities capital assets, net	<u>\$ 8,972,934</u>	<u>\$ -</u>	<u>\$ (160,071)</u>	<u>\$ -</u>	<u>\$ 8,812,863</u>

For the year ended June 30, 2008, depreciation expense on capital assets was charged to the governmental functions as follows:

Governmental activities:	
General government	\$ 100,935
Community Development	12,704
Public Safety	80,052
Public Works	128,458
Total depreciation expense - governmental activities	<u>\$ 322,149</u>
Business-type activities	
Transportation	\$ 20,385
Sanitation	239,686
Total depreciation expense - business-type activities	<u>\$ 260,071</u>

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(5) Compensated Absences

The City's policy relating to compensated absences is described in Note 1. As shown in the table of long-term obligations below, the non-current portion of this debt at fiscal year end was \$153,637, all of which relates to governmental activities. This obligation is expected to be paid in future years from then available resources derived from the respective funds to which the employee services are rendered.

(6) Long-Term Obligations

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2008:

	Beginning Balance	Incurred or Issued	Satisfied or Matured	Ending Balance	Due Within One Year	Due in More than One Year
Governmental Activities:						
Tax allocation bonds						
2005 tax allocation bonds	\$ 6,160,000	\$ -	\$ 110,000	\$ 6,050,000	\$ 110,000	\$ 5,940,000
Notes Payable						
Note payable - State Street Bank	117,000	-	58,500	58,500	58,500	-
Capital leases						
Bank of the West - Street Sweeper	28,520	-	28,520	-	-	-
Governmental compensated absences	<u>191,463</u>	<u>-</u>	<u>37,826</u>	<u>153,637</u>	<u>-</u>	<u>153,637</u>
Governmental activity						
Long-term liabilities	<u>\$ 6,496,983</u>	<u>\$ -</u>	<u>\$ 234,846</u>	<u>\$ 6,262,137</u>	<u>\$ 168,500</u>	<u>\$ 6,093,637</u>
Business-type activities:						
Revenue bonds payable						
1992 sewer revenue bonds Division 3	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ -	\$ -
Contract obligations						
Veolia Water North American Operating Services, LLC	5,429,744	-	87,602	5,342,142	92,576	5,249,566
Notes Payable						
Secured note payable - Rowland	<u>47,518</u>	<u>-</u>	<u>47,518</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activity						
Long-term liabilities	<u>\$ 5,487,262</u>	<u>\$ -</u>	<u>\$ 145,120</u>	<u>\$ 5,342,142</u>	<u>\$ 92,576</u>	<u>\$ 5,249,566</u>

- 1992 Sewer Revenue Bonds – Division 3: Interest is payable semi-annually at rates ranging from 7.25% to 7.3%. Principal is payable at various dates through the year 2007. The two remaining bonds outstanding are held by investors who refused the City's offer of early pay-off in 1998 as part of the transaction with Veolia (formerly U.S. Filter Operating Services, Inc.) for the privatization of the improvement and operation of the City's Sewage Treatment plant. Final pay-off of remaining bonds occurred in August 2007.
- 2005 Tax Allocation Bonds: On October 6, 2005, the Agency issued Tax Allocation Bonds with a face value of \$6,250,000, at a combined original issue discount and underwriter's discount of \$251,088. Issuance costs of \$78,360 were incurred. The bond discount and issuance costs will be amortized ratably over the average 30 year life of the bond issue on a straight-line basis. The Bonds bear interest at the net average rate of 5.18% and are payable semi-annually maturing through September, 2035.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(6) Long-Term Obligations (Continued)

- Note Payable – State Street Bank: On June 30, 1999, the City issued its \$585,000 ten (10) year note payable to State Street Bank and Trust in settlement of litigation. The note's terms require annual payments of \$58,500, plus interest at 5% per annum on the unpaid balance. Both interest and principal are payable annually on September 1st, with all sums due and payable September 1, 2008.
- Secured Note Payable – Rowland: On March 24, 1998, the City issued its \$349,680 note payable to James and Peggy Rowland. The note's terms require monthly installments of \$5,017, which includes interest at 12% per annum. The note is secured by the City's wastewater treatment plant facilities and is all due and payable May 1, 2008. Payment of this obligation is made from the City's sanitation revenues which are pledged to Veolia. Per the agreement between the City and Veolia, Payments to Veolia and the City are subordinated to this indebtedness. Final pay-off of remaining note occurred in April 2008.
- Veolia Water North American Operating Services, LLC: As described in Note 8, in 1998 the City entered into an agreement effectively privatizing the operation of its sewage treatment plant, paying off virtually all of the 1992 Sewer Revenue Bonds, and financing improvements to the existing sewage plant facility. Veolia is entitled to recover its equity (initially \$5,963,560) in the contract over 35 years. Payments amortizing this equity in the sum of \$32,167 per month are made by the City resulting in an implicit interest rate of approximately 5.9% per annum. If the agreement is terminated prematurely, the agreement requires the City to pay decreasing fixed sum (see below), which is higher than the computed balance of the financing when computed using a standard amortization methodology. If the agreement were to terminate prematurely, the City would receive the improvements to the wastewater treatment plant and Veolia's access easement would terminate.

Agreement Year	Buy-out Price	Agreement Year	Buy-out Price	Agreement Year	Buy-out Price
0	\$ 5,963,560	12	\$ 5,306,360	24	\$ 3,652,760
1	5,928,580	13	5,219,440	25	3,433,340
2	5,891,480	14	5,125,100	26	3,196,960
3	5,851,200	15	5,024,400	27	2,940,440
4	5,807,740	16	4,914,160	28	2,663,780
5	5,760,040	17	4,795,440	29	2,365,920
6	5,709,160	18	4,667,180	30	2,042,620
7	5,655,100	19	4,529,380	31	1,694,940
8	5,595,740	20	4,379,920	32	1,318,640
9	5,531,080	21	4,218,800	33	912,660
10	5,462,180	22	4,043,900	34	473,820
11	5,387,980	23	3,856,280	35	-

Each "Agreement Year" ends at 11:59 p.m. on the day before the contract anniversary date

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(6) Long-Term Obligations (Continued)

The amortization tables below show the scheduled payments of interest and principal on all City long-term indebtedness.

<u>Year ending June 30,</u>	<u>Contract Obligation Payable - Veolia, Inc.</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	92,576	293,428	386,004
2010	97,833	288,171	386,004
2011	103,389	282,615	386,004
2012	109,261	276,743	386,004
2013	115,465	270,539	386,004
2014-2018	683,457	1,246,563	1,930,020
2019-2023	900,850	1,029,170	1,930,020
2024-2028	1,187,391	742,629	1,930,020
2029-2033	1,565,074	364,946	1,930,020
2034-2036	486,845	19,010	505,855
	<u>\$ 5,342,141</u>	<u>\$ 4,813,814</u>	<u>\$ 10,155,955</u>

<u>Year ending June 30,</u>	<u>Bond Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	110,000	294,413	404,413
2010	115,000	290,673	405,673
2011	120,000	286,188	406,188
2012	125,000	281,388	406,388
2013	130,000	276,388	406,388
2014-2018	735,000	1,292,135	2,027,135
2019-2023	930,000	1,106,655	2,036,655
2024-2028	1,180,000	852,881	2,032,881
2029-2033	1,505,000	521,469	2,026,469
2034-2036	1,100,000	114,544	1,214,544
	<u>\$ 6,050,000</u>	<u>\$ 5,316,734</u>	<u>\$ 11,366,734</u>

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(7) Conduit Debt Obligations

In 1983 the City issued the 1983-1 Assessment District Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities in the Jewett Square Assessment District. The bonds were issued at interest rates ranging from 9.2% to 9.75%, payable semi-annually, maturing in annual amounts of between \$20,000 and \$145,000 through the year 2000. These bonds are special limited obligations of the City, payable solely from and secured by the pledge of special assessment property taxes levied against real property within the District. The bonds do not constitute a debt or pledge of faith and credit of the City, the County, or the State, and accordingly are not reported in the accompanying financial statements. As of June 30, 2008, the total unpaid principal is \$475,000.

(8) Wastewater Treatment Plant Commitments

In 1998 the City entered into an agreement with U.S. Filter Operating Services, Inc., predecessor in interest to Veolia Water North American Operating Services, LLC (collectively, "Veolia"), under which the City granted Veolia an easement to its existing treatment facilities and retained Veolia to operate all treatment plant sanitation services on behalf of the City for 35 years. As part of the agreement Veolia also made improvements to the existing sewage plant of approximately \$5.1 million dollars and provided cash of \$876,400 for the City to advance refund its then outstanding 1992 Sewer Revenue Bonds.

In order to secure its payment obligations, the City pledged all ad valorem assessments it collects against properties located in the City for the provision of sewage services, and all direct in lieu billings to governmental agencies, and all connection fees. These monies are deposited into a trust account held by Union Bank of California, N.A.. From the amounts deposited disbursements are made in the following priority: (1) Rowland note debt service payments (see Rowland note discussion above); (2) Veolia's monthly sewage treatment plant operating costs; (3) payment to Veolia of any unpaid prior monthly operating costs; and (4) extraordinary operating, maintenance or repair costs associated with the plant.

Twice annually, the City is entitled to receive a sum (initially \$75,000, indexed for inflation) to the extent funds are available in the Union Bank account as its easement fee for the access easement granted to Veolia. Unpaid easement fees (due to fund unavailability) are carried forward until funds are available to pay them.

The balance in the Union bank account at June 30, 2008 was \$1,665,351. Under the terms of the agreement the City is permitted to remove all funds in excess of \$500,000 from the Union bank account beginning in the fiscal year 2009-2010. All funds in the trust account are City property held in pledge toward City obligations under the Veolia agreement, and subject to the terms of the trust account agreement.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(8) Wastewater Treatment Plant Commitments (Continued)

The City makes monthly payments of \$32,167 to amortize, with interest, the improvements and debt service advance financed by Veolia. If the agreement is terminated early, the City must pay a declining lump sum, as described above, to repay Veolia's investment plus an imputed premium for early termination. The amount financed and these payments are reported by the City as long term indebtedness in the business-type activities, and is more fully discussed above in connection with the City's long term indebtedness (see note 6). The transactional activity related to the Veolia contract is reported in the Sanitation fund within the enterprise fund financial statements, and in the business-type activities portions of the government-wide financial statements.

(9) Defined Benefit Pension Plan

A. Plan Description

The City contributes to the Public Agency portion of the California Public Employee Retirement System (CalPERS), a cost sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employee's Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

B. Funding Policy

Active plan members in Miscellaneous and Safety Plans are required to contribute 7% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007/2008 was 3.025% for miscellaneous employees, and 10.453% for police officers, of annual payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The City's contribution to CalPERS for Miscellaneous and Safety Plans for the fiscal years ending June 30, 2008, 2007, 2006, and 2005 was \$200,206, \$254,017, \$0, and \$0, respectively. For both plans the City contributed 100% of the required contributions for each year.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(10) Risk Management

The City is exposed to various risks and losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. Risk of loss is primarily handled through the Central San Joaquin Valley Risk Management Authority (CSJVRMA). CSJVRMA is a consortium of fifty-five (55) cities in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. Central San Joaquin Valley Risk Management Authority is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by CSJVRMA. It is not a component unit of the City.

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$25,000 and workers' compensation losses under \$25,000. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$25,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$500,000 to \$4,500,000 and purchases excess reinsurance above the \$4,500,000 to the statutory limit.

The following is a summary of CSJVRMA's financial information as of, and for the fiscal year ended, June 30, 2007 (latest information available).

Total assets	\$ 50,198,598
Total liabilities	<u>41,675,008</u>
Net assets - restricted for future claims	<u><u>\$ 8,523,590</u></u>
Total Revenue	\$ 24,274,050
Total expenses	<u>25,421,851</u>
Change in net assets	<u><u>\$ (1,147,801)</u></u>

Upon termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with governing documents.

(11) Commitments and Contingencies

General Liability

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

CITY OF ARVIN
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

(11) Commitments and Contingencies (Continued)

Federal Awards and Grants

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

Commitments under a Settlement Agreement with a Developer

The City, in a settlement agreement with a Developer executed on May 15, 2007, agreed to the following:

- The City will reserve sufficient sewer capacity for 750 single family residential homes to be built by the Developer.
- The City agrees to reduce all future developer fees related to a Development Agreement previously signed with the Developer, to \$2300/lot.
- The City agrees to reimburse the Developer \$1,050,000 for certain road improvements.

(12) Deficit Fund Equity

The following special revenue funds had a deficit fund balance as of June 30, 2008:

Cops Program	\$	(80,853)
LLMD District	\$	(866)
Community Development Block Grant	\$	(2,276)
TEA Funds	\$	(1,506)
CMAQ Grant	\$	(7,195)
RSTP Funds	\$	(45,159)

The City expects future revenues, assessments, and general fund transfers to cover the above deficits.

(13) Subsequent Event

In August 2008, the Arvin Community Redevelopment Agency issued Arvin Community Redevelopment Agency Tax Allocation Parity Bonds Series 2008 in the amount of \$3,530,000. These bonds were issued for the purpose of financing redevelopment activities benefitting the Redevelopment Project Area, including amounts that will be deposited into a special escrow fund for future release. Proceeds will also be used to fund the reserve account for the Bonds, and to pay cost of issuance for the Bonds. The Bonds are secured by a pledge of tax revenues. The Bonds will mature on September 1, 2038 and the interest rate ranges between 5.00% to 6.50% over the life of the Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARVIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 794,913	\$ 875,212	\$ 925,531	\$ 50,319
Licenses and permits	1,475,709	1,502,188	1,486,744	(15,444)
Fines and penalties	12,000	10,000	10,192	192
Revenue from use of money and property	100,000	90,000	118,228	28,228
Charges for services	779,443	787,325	774,360	(12,965)
Intergovernmental revenues	10,760	10,760	308,836	298,076
Fees and other revenues	535,967	266,000	249,951	(16,049)
Total revenues	<u>3,708,792</u>	<u>3,541,485</u>	<u>3,873,842</u>	<u>332,357</u>
EXPENDITURES				
Current				
General government	956,569	872,093	921,464	(49,371)
Public safety	2,035,349	1,804,469	1,719,133	85,336
Public works	424,726	440,036	414,723	25,313
Planning/community development	287,933	289,302	247,485	41,817
Capital outlay				
General government	2,000	-	-	-
Public safety	10,000	2,000	320,987	(318,987)
Debt service:				
Principal	58,500	58,500	58,500	-
Interest	6,100	5,850	5,850	-
Total expenditures	<u>3,781,177</u>	<u>3,472,250</u>	<u>3,688,142</u>	<u>(215,892)</u>
Excess (deficiency) of revenues over expenditures	<u>(72,385)</u>	<u>69,235</u>	<u>185,700</u>	<u>116,465</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,651	2,651
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>2,651</u>	<u>2,651</u>
Net change in fund balances	<u>(72,385)</u>	<u>69,235</u>	<u>188,351</u>	<u>119,116</u>
Fund balances - beginning	<u>1,753,386</u>	<u>1,753,386</u>	<u>1,753,386</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,681,001</u>	<u>\$ 1,822,621</u>	<u>\$ 1,941,737</u>	<u>\$ 119,116</u>

CITY OF ARVIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 696,532	\$ 696,532	\$ 785,595	\$ 89,063
Revenue from use of money and property	230,000	230,000	190,729	(39,271)
Fees and other revenues	37,000	37,000	29,278	(7,722)
Total revenues	<u>963,532</u>	<u>963,532</u>	<u>1,005,602</u>	<u>42,070</u>
EXPENDITURES				
Current				
General government	3,202,667	3,157,966	837,571	2,320,395
Planning/community development	950,000	950,000	849,884	100,116
Capital outlay				
Public works	1,745,800	1,685,800	189,775	1,496,025
Debt service:				
Principal	135,000	135,000	138,520	(3,520)
Interest	294,974	294,974	331,081	(36,107)
Total expenditures	<u>6,328,441</u>	<u>6,223,740</u>	<u>2,346,831</u>	<u>3,876,909</u>
Excess (deficiency) of revenues over expenditures	<u>(5,364,909)</u>	<u>(5,260,208)</u>	<u>(1,341,229)</u>	<u>3,918,979</u>
Net change in fund balances	(5,364,909)	(5,260,208)	(1,341,229)	3,918,979
Fund balances - beginning	<u>6,755,857</u>	<u>6,755,857</u>	<u>6,755,857</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,390,948</u>	<u>\$ 1,495,649</u>	<u>\$ 5,414,628</u>	<u>\$ 3,918,979</u>

CITY OF ARVIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

Budgetary Information

The City uses the following procedures annually to establish the budget data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of an ordinance. This budget is reported as Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the adopted budget may be authorized, as follows:
 - a. Items requiring City Council action - appropriation of fund balance reserves; transfers of appropriations between funds; appropriation of any non-departmental revenue; new interfund loans or advances; and creation of new capital projects or increases to existing capital projects.
 - b. Items delegated to the City Manager – transfers between departments within funds; appropriation of unbudgeted departmental revenues; and approval of transfers which increase salary and benefit appropriations.
 - c. Items delegated to department heads – allocation of departmental appropriations to line item level.
5. Formal budgetary integration is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue and enterprise funds. Project length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the information. A debt service payment schedule for the debt service funds is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called “department.” A “department” for legal appropriation purposes may be a single organization, or an entire department having multiple organizations within the same fund, or an entire fund.

OTHER SUPPLEMENTAL INFORMATION

**CITY OF ARVIN
NONMAJOR GOVERNMENTAL FUNDS**

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

State Gas Tax

Accounts for revenues and expenditures apportioned to the City under the Streets and Highway Code, Sections 2105, 2106, 2107, and 2107.5 of the State of California. Expenditures for administration, maintenance and construction must be street related.

Transportation Development Act (TDA) – Non-Transit

Accounts for sales tax monies received from Kern Council of Governments for street and road improvements.

Citizens Option for Public Safety (COPS) Program

Accounts for expenditures made with state grant monies authorized by California Assembly Bill 3229 for “front-line” police related activities.

LLMD District

Accounts for maintenance expenditures made with assessment money received from district property owners.

Community Development Block Grants

Accounts for expenditures for approved projects that have been funded by Federal Community Development Block Grant Funds received through county funding.

Recycling Grants

Accounts for expenditures for projects that have been funded by the State of California Department of Conservation.

TEA Funds

Accounts for the grants received from the Transportation Enhancement Activities (TEA) program for design and construction of improvements which beautify or enhance the interface between transportation systems and adjacent communities. This funding requires matching city funds.

CMAQ Grant

Accounts for Congestion Mitigation and Air Quality grant funds which are used to relieve traffic congestion and improve air quality within the City as well as help the City to meet the SJVAQC guidelines.

RSTP Funds

Accounts for Regional Service Transportation Program (RSTP) funding, which was created by Congress through the Intermodal Surface Transportation Efficiency Act of 1991 and renewed through the transportation Equity Act for the 21st Century in 1998. RSTP funding is intended for the City to address specific transportation issues. This funding requires matching city funds.

Asset Forfeiture Fund

Accounts for proceeds of asset forfeitures seized by law enforcement officials from illicit narcotic activities and the use of such proceeds by the city to help fund its law enforcement activities.

**CITY OF ARVIN
NONMAJOR GOVERNMENTAL FUNDS**

Traffic Offender Fund

Accounts for fees charged to release a vehicle that has been impounded by law enforcement officials and the use of such proceeds by the city to help fund its law enforcement activities.

Prop 1B Funding Fund

Accounts for the grant received from the State of California which has been designated to help pay for a new traffic signal.

Traffic Impact Fund

Separates and accounts for the fees received from builders that have been specifically designated for traffic flow improvements.

Park Fees Fund

Separates and accounts for fees received from builders that have been specifically designated for park improvements.

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008**

	State Gas Tax	Transportation Development (Non-transit)	COPS Program	LLMD District
ASSETS				
Cash and investments				
Unrestricted	\$ 76,814	\$ 344,610	\$ -	\$ 3,837
Receivables				
Accounts	91,872	115,420	-	-
Due from other funds	118,384	-	-	-
Total assets	<u>\$ 287,070</u>	<u>\$ 460,030</u>	<u>\$ -</u>	<u>\$ 3,837</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 11,959	\$ -	\$ 51	\$ 3,773
Accrued payroll and benefits	7,740	528	13,574	930
Due to other funds	-	-	67,228	-
Total liabilities	<u>19,699</u>	<u>528</u>	<u>80,853</u>	<u>4,703</u>
Fund balances:				
Unreserved	<u>267,371</u>	<u>459,502</u>	<u>(80,853)</u>	<u>(866)</u>
Total fund balances	<u>267,371</u>	<u>459,502</u>	<u>(80,853)</u>	<u>(866)</u>
Total liabilities and fund balances	<u>\$ 287,070</u>	<u>\$ 460,030</u>	<u>\$ -</u>	<u>\$ 3,837</u>

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008**

	Community Development Block Grant	TEA Funds	CMAQ Grant	RSTP Funds
ASSETS				
Cash and investments				
Unrestricted	\$ -	\$ -	\$ -	\$ -
Receivables				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,536	\$ -	\$ 591	\$ 2,853
Accrued payroll and benefits	-	-	-	-
Due to other funds	740	1,506	6,604	42,306
Total liabilities	<u>2,276</u>	<u>1,506</u>	<u>7,195</u>	<u>45,159</u>
Fund balances:				
Unreserved	<u>(2,276)</u>	<u>(1,506)</u>	<u>(7,195)</u>	<u>(45,159)</u>
Total fund balances	<u>(2,276)</u>	<u>(1,506)</u>	<u>(7,195)</u>	<u>(45,159)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ARVIN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008**

	Asset Forfeiture Fund	Traffic Offender Funds	Prop 1B Funds	Traffic Impact Fees Funds
ASSETS				
Cash and investments				
Unrestricted	\$ 10,847	\$ 1,750	\$ 400,000	\$ 6,300
Receivables				
Accounts	25,000	-	65,574	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 35,847</u>	<u>\$ 1,750</u>	<u>\$ 465,574</u>	<u>\$ 6,300</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 65,574	\$ -
Accrued payroll and benefits	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>65,574</u>	<u>-</u>
Fund balances:				
Unreserved	<u>35,847</u>	<u>1,750</u>	<u>400,000</u>	<u>6,300</u>
Total fund balances	<u>35,847</u>	<u>1,750</u>	<u>400,000</u>	<u>6,300</u>
Total liabilities and fund balances	<u>\$ 35,847</u>	<u>\$ 1,750</u>	<u>\$ 465,574</u>	<u>\$ 6,300</u>

**CITY OF ARVIN
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008**

	Recycling Grant	Park Fees Funds	Total
ASSETS			
Cash and investments			
Unrestricted	\$ -	\$ 5,400	\$ 849,558
Receivables			
Accounts	-	-	297,866
Due from other funds	-	-	118,384
	<u>-</u>	<u>-</u>	<u>118,384</u>
Total assets	<u>\$ -</u>	<u>\$ 5,400</u>	<u>\$ 1,265,808</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 86,337
Accrued payroll and benefits	-	-	22,772
Due to other funds	-	-	118,384
	<u>-</u>	<u>-</u>	<u>118,384</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>227,493</u>
Fund balances:			
Unreserved	-	5,400	1,038,315
	<u>-</u>	<u>5,400</u>	<u>1,038,315</u>
Total fund balances	<u>-</u>	<u>5,400</u>	<u>1,038,315</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 5,400</u>	<u>\$ 1,265,808</u>

**CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2008**

	State Gas Tax	Transportation Development (Non-transit)	COPS Program	LLMD District
REVENUES				
Taxes	\$ 269,916	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	100,000	-
Fees and other revenues	-	333,378	-	81,321
Total revenues	<u>269,916</u>	<u>333,378</u>	<u>100,000</u>	<u>81,321</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	228,312	-
Public works	259,497	7,321	-	61,021
Capital outlay				
General government	-	-	-	-
Public works	37,131	-	-	-
Total expenditures	<u>296,628</u>	<u>7,321</u>	<u>228,312</u>	<u>61,021</u>
Excess (deficiency) of revenues over expenditures	<u>(26,712)</u>	<u>326,057</u>	<u>(128,312)</u>	<u>20,300</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(211,974)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(211,974)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(238,686)</u>	<u>326,057</u>	<u>(128,312)</u>	<u>20,300</u>
Fund balances- beginning	<u>506,057</u>	<u>133,445</u>	<u>47,459</u>	<u>(21,166)</u>
Fund balances- ending	<u>\$ 267,371</u>	<u>\$ 459,502</u>	<u>\$ (80,853)</u>	<u>\$ (866)</u>

CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2008

	Community Development Block Grant	TEA Funds	CMAQ Grant	RSTP Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	356,711
Fees and other revenues	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>356,711</u>
EXPENDITURES				
Current				
General government	9,662	8,381	7,675	-
Public safety	-	-	-	-
Public works	-	-	-	22,303
Capital outlay				
General government	-	-	-	-
Public works	52,239	14,517	-	392,871
Total expenditures	<u>61,901</u>	<u>22,898</u>	<u>7,675</u>	<u>415,174</u>
Excess (deficiency) of revenues over expenditures	<u>(61,901)</u>	<u>(22,898)</u>	<u>(7,675)</u>	<u>(58,463)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	136,542	24,432	14,493	51,000
Transfers out	-	-	-	-
Total other financing sources and uses	<u>136,542</u>	<u>24,432</u>	<u>14,493</u>	<u>51,000</u>
Net change in fund balances	<u>74,641</u>	<u>1,534</u>	<u>6,818</u>	<u>(7,463)</u>
Fund balances- beginning	<u>(76,917)</u>	<u>(3,040)</u>	<u>(14,013)</u>	<u>(37,696)</u>
Fund balances- ending	<u>\$ (2,276)</u>	<u>\$ (1,506)</u>	<u>\$ (7,195)</u>	<u>\$ (45,159)</u>

**CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2008**

	Asset Forfeiture Fund	Traffic Offender Fund	Prop 1B Fund	Traffic Impact Fees Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	465,574	-
Fees and other revenues	25,000	1,750	-	6,300
Total revenues	<u>25,000</u>	<u>1,750</u>	<u>465,574</u>	<u>6,300</u>
EXPENDITURES				
Current				
General government	13,119	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay				
General government	-	-	65,574	-
Public works	-	-	-	-
Total expenditures	<u>13,119</u>	<u>-</u>	<u>65,574</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>11,881</u>	<u>1,750</u>	<u>400,000</u>	<u>6,300</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>11,881</u>	<u>1,750</u>	<u>400,000</u>	<u>6,300</u>
Fund balances- beginning	<u>23,966</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances- ending	<u>\$ 35,847</u>	<u>\$ 1,750</u>	<u>\$ 400,000</u>	<u>\$ 6,300</u>

**CITY OF ARVIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR YEAR ENDED JUNE 30, 2008**

	Recycling Grant	Park Fees Fund	Total Current Year
REVENUES			
Taxes	\$ -	\$ -	\$ 269,916
Intergovernmental revenues	-	5,400	927,685
Fees and other revenues	-	-	447,749
Total revenues	<u>-</u>	<u>5,400</u>	<u>1,645,350</u>
EXPENDITURES			
Current			
General government	-	-	38,837
Public safety	-	-	228,312
Public works	-	-	350,142
Capital outlay			
General government	-	-	65,574
Public works	-	-	496,758
Total expenditures	<u>-</u>	<u>-</u>	<u>1,179,623</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>5,400</u>	<u>465,727</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	226,467
Transfers out	<u>(2,651)</u>	<u>-</u>	<u>(214,625)</u>
Total other financing sources and uses	<u>(2,651)</u>	<u>-</u>	<u>11,842</u>
Net change in fund balances	<u>(2,651)</u>	<u>5,400</u>	<u>477,569</u>
Fund balances- beginning	<u>2,651</u>	<u>-</u>	<u>560,746</u>
Fund balances- ending	<u>\$ -</u>	<u>\$ 5,400</u>	<u>\$ 1,038,315</u>