

**CITY OF FORT BRAGG
FINANCIAL STATEMENTS**

TOGETHER WITH INDEPENDENT
AUDITORS' REPORTS

FOR THE YEAR ENDED JUNE 30, 2008

CITY OF FORT BRAGG
Table of Contents
June 30, 2008

	Page
City Officials	ii
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Management Discussion and Analysis	3 - 9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Assets - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Notes to Financial Statements	19 - 36
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund	38
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual - Redevelopment Agency Project Area	39
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual - ADA Curbs and Gutters	40
Combining Fund Financial Statements:	
Combining Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	42
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	43
Combining Special Revenue Funds:	
Combining Balance Sheet - Special Revenue Funds	44 - 47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	48 - 51
Combining and Individual Capital Projects Funds:	
Combining Balance Sheet - Capital Projects Funds	52 - 53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Capital Projects Funds	54 - 55
SINGLE AUDIT AND OTHER COMPLIANCE REPORTS	
Single Audit Schedule and Reports:	
Schedule of Expenditures of Federal Awards	57
Notes to the Schedule of Expenditures of Federal Awards	58
Independent Auditors' Report on Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with <i>Government Auditing Standards</i>	59 - 60
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	61 - 62
Schedule of Findings and Questioned Costs	63
Status of Prior Year Findings	64
Other Compliance Reports:	
Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Worksheets	65

CITY OF FORT BRAGG

**Listing of City Officials
June 30, 2008**

<u>Council Member</u>	<u>Position</u>	<u>Term Expires</u>
Doug Hammerstone	Mayor	December 2008
Dave Turner	Mayor Pro Tempore	December 2010
Dan Gjerde	Member	December 2010
Meg Courtney	Member	December 2010
Jere Melo	Member	December 2008

City Manager
Linda Ruffing

Finance Director
Patricia Frost

City Clerk
Cynthia VanWormer

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
Members of the City of Fort Bragg
Fort Bragg, California 95437

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fort Bragg, 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 Fort Bragg'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 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 opinion.

The City has not maintained historical cost records of its capital assets as required by accounting principles generally accepted in the United States of America. Due to the nature of the City's records, we were unable to satisfy ourselves as to the cost of recorded capital assets by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited capital assets, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fort Bragg as of June 30, 2008, and the respective change 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 January 21, 2009, on our consideration of the City of Fort Bragg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and other required supplementary information on pages 3 through 9 and 38 through 40, respectively, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Fort Bragg's basic financial statements. The accompanying combining fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards 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.

Davis Hammon & Co.

January 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is management's discussion and analysis of the City of Fort Bragg's financial activities and performance for the fiscal year ended June 30, 2008. Please read this in conjunction with the City's financial statements, which follow this discussion and analysis.

BASIC FINANCIAL STATEMENTS HIGHLIGHTS

Government-Wide Financial Statements

The Statement of Net Assets shows the City's total assets to be \$39.8 million, total liabilities of \$14.6 million and total net assets to be \$25.2 million.

Expenses for all activities were \$10.8 million. Netting out associated program revenues such as charges for services resulted in net expenses of \$3.2 million. Taxes and other general revenues and transfers were \$7.3 million, thereby resulting in a final increase in net assets of \$4.1 million.

Fund Financial Statements

The Total Governmental Funds balance sheet shows assets of \$10.8 million, liabilities of \$2.1 million, and fund balance of \$8.7 million.

The City's core general governmental operations are accounted for in the General Fund, and the General Fund balance is a key measure of the financial health of the City. As of June 30, 2008, the unreserved, undesignated General Fund balance was \$2.1 million, versus \$2.0 million as of June 30, 2007. The City Council has adopted a budget principal that this unreserved, undesignated General Fund balance must be maintained at a minimum level of 15% of the General Fund operating budget, currently at a level of some \$1.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or diminishing.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event causing the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in this statement for some items that will result in cash flows in future fiscal periods, such as property taxes assessed but not collected by June 30 and interest expenses accrued but not paid.

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 government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of government entities can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 funds financial statements focus on short-term inflows and outflows of spendable resources and balances of these resources available for spending. This information may be useful in evaluating a government's short-term financing requirements.

The City maintains numerous individual governmental funds, which for financial reporting, are grouped according to their type (general fund, special revenue, capital projects, and debt service). Funds whose expenditures exceed 10% of the total expenditures for all governmental funds, or meet other specific criteria for determining their importance to the financial statement user, are designated Major Funds and are reported separately in the governmental funds statements. All other funds are grouped together as Non-Major Funds for reporting purposes. The City's Major governmental funds are:

- General Fund
- Redevelopment Agency Project Area Fund
- ADA Curbs and Gutters Fund
- Franklin Street Reconstruction Fund
- Rubberized Chip Seal Fund

Individual fund data for each non-major governmental fund is provided in combining statements, included in the Combining Fund Financial Statements and Other Supplementary Information section of the report. Reconciliations of Governmental Funds financial statements to Government-Wide Funds financial statements are provided.

Proprietary funds

Proprietary funds generally account for services for which customer fees are intended to finance the costs of operations and can include enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City accounts for the construction and maintenance of City waterworks in the Water Enterprise Fund. Water use rates and fees are set by the City Council to recover actual costs of operating and maintaining the system and generated \$1.9 million. Rates and fees were adjusted by the City Council effective May 1, 2006.

The Water Enterprise Fund's Total Assets were \$9.1 million, Total Liabilities were \$6.6 million and Total Net Assets were \$2.5 million. Net operating income was \$288,569 before non-operating expenses and transfers. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$549,052 net cash provided by operating activities.

Financial activities of the Fort Bragg Municipal Improvement District's sewer system serving the City are reported in the Wastewater Enterprise Fund (see also separate audited financial statements of MID #1). Sewer service rates and fees are set by the City Council sitting as the District's Board of Directors to recover actual costs of operating and maintaining the system and generated \$1.5 million. Rates and fees were adjusted effective May 1, 2006.

The Wastewater Enterprise Fund's Total Assets were \$7.2 million. Total Liabilities were \$1.5 million and Total Net Assets were \$5.7 million. Net Operating Income was a loss of \$327,002 and Non-Operating Income of \$37,502. Net

transfers of \$383,843 resulted in an increase in Net Assets of \$94,343. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$50,874 net cash used by operating activities.

The City did not have any internal service or fiduciary funds for the year ended June 30, 2008.

Notes to the 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.

Required Supplementary Information

This report presents supplementary information concerning the General Fund, Redevelopment Agency Project Area, ADA Curbs and Gutters Special Revenue Fund, and funding status for Public Employees Retirement System.

Actual General Fund Revenues were \$298,211 more than budgeted, a variation of about 5.4%. Actual General Fund Expenditures were \$507,721 less than budgeted, a variation of about 8.2%. Revenues exceeded Expenditures by \$137,746. With transfers from and to other funds, the net change in fund balance was a \$157,225 decrease.

The Redevelopment Agency Project Area Fund Balance increased \$72,687 due mainly to expenditures less than budgeted. The ADA Curbs and Gutters Special Revenue Fund, fund balance decreased by \$134,651.

The City participates in three California Public Employee Retirement System (“PERS”) plans for Safety Police, Safety Fire (one employee) and Miscellaneous for all non-safety personnel (See Note 4 D). There are unfunded actuarial accrued liabilities (UAAL) in each plan as of June 30, 2005, the most recently available data from PERS. A key indicator of overall plan status is the “funded ratio” which measures as a percentage the value of assets to accrued liabilities. The combined contribution rate as a percent of salary consists of an employer portion and an employee portion, which is currently paid by the City.

CALPERS STATUS AS OF JUNE 30, 2005

<u>Plan</u>	<u>UAAL</u>	<u>FUNDED RATIO</u>	<u>CONTRIBUTION RATE</u>
Miscellaneous	\$302,747,651	89.5%	15.984%
Safety Police	\$ 95,888,630	87.1%	34.292%
Safety Fire	\$ 21,551,361	94.2%	22.578%

Combining Fund Financial Statements

Non-major governmental funds include Special Revenue, 2004 RDA Bonds Debt Service and Capital Projects Funds. Special Revenue Fund Balances above \$100,000 were:

- General Plan Maintenance Fee \$150,972
- Asset Seizure \$193,366
- CDBG Program Income \$202,509
- RDA Low & Moderate Income Housing \$1,345,892
- Proposition 1B Street Funding \$400,000

Special Revenue Funds with revenues or expenditures/net transfers above \$100,000 were:

	<u>Revenues</u>	<u>Expenditures/ Net Transfers</u>
Gasoline Taxes	\$149,882	\$412,612
Asset Seizure	\$148,958	
Special Sales Tax (Streets) *	\$837,927	
COPS AB1913 Grant	\$100,750	
MicroEnterprise EDBG	\$142,872	\$131,674
RDA Low & Moderate Housing	\$328,617	\$246,587
Clean Beaches Grant	\$154,289	\$107,633
Proposition 1B Street Fund	\$400,000	

* The City has approved a one-half cent use tax starting in 2005 for 10 years to fund designated street repairs, effectively increasing the combined sales and use tax rate from 7.25% to 7.75%.

Summary of Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Current and other assets	9,873,775	12,506,908	4,159,371	5,960,842	14,033,146	18,467,750
Capital assets	14,546,428	9,542,179	11,276,305	9,967,618	25,822,733	19,509,797
Total Assets	<u>24,420,203</u>	<u>22,049,087</u>	<u>15,435,676</u>	<u>15,928,460</u>	<u>39,855,879</u>	<u>37,977,547</u>
Current and other liabilities	1,069,037	1,531,743	314,462	609,926	1,383,499	2,141,669
Non-current liabilities	6,345,013	6,457,051	6,934,288	7,403,349	13,279,301	13,860,400
Total Liabilities	<u>7,414,050</u>	<u>7,988,794</u>	<u>7,248,750</u>	<u>8,013,275</u>	<u>14,662,800</u>	<u>16,002,069</u>
Net Assets:						
Investment in capital assets, net of related debt	8,521,789	5,356,094	6,030,275	5,460,174	14,552,064	10,816,268
Restricted For:						
Debt Service	313,595	313,531			313,595	313,531
Other Purposes			35,000	35,000	35,000	35,000
Unrestricted	8,170,769	7,390,668	2,121,651	2,420,011	10,292,420	9,810,679
Total Net Assets	<u>17,006,153</u>	<u>13,060,293</u>	<u>8,186,926</u>	<u>7,915,185</u>	<u>25,193,079</u>	<u>20,975,478</u>

Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	1,280,963	1,212,696	3,429,726	3,361,020	4,710,689	4,573,716
Operating grants and Contributions	695,359	410,224			695,359	410,224
Capital grants and Contributions	2,279,124	2,074,631			2,279,124	2,074,631
General Revenues:						
Taxes:						
Property taxes	2,328,377	2,476,511	67,733	54,672	2,396,110	2,531,183
Other taxes	4,690,545	4,491,129			4,690,545	4,491,129
Intergovernmental revenue not restricted to specific programs	0	0	0	481,563	0	481,563
Unrestricted Investment Earnings	105,910	119,452	131,776	156,180	237,686	275,632
Total Revenues	11,380,278	10,784,643	3,629,235	4,053,435	15,009,513	14,838,078
Expenses:						
General Government	1,591,676	1,693,009			1,591,676	1,693,009
Public Safety	3,332,057	3,071,090			3,332,057	3,071,090
Public Works	970,273	912,046			970,273	912,046
Planning	299,947	339,670			299,947	339,670
Community Develop.	567,443	1,134,337			567,443	1,134,337
Shared Expenses	29,122	601,014			29,122	601,014
Interest and Fiscal Charges	324,743	325,831			324,743	325,831
Water			1,898,749	1,793,795	1,898,749	1,793,795
Wastewater			1,864,575	1,791,873	1,864,575	1,791,873
Total Expenses	7,115,261	8,076,997	3,763,324	3,585,668	10,878,585	11,662,665
Increase (decrease) in Net Assets Before Transfers	4,265,017	2,707,646	-134,089	467,767	4,130,928	3,175,413
Transfers	-319,158	(10,824)	319,158	10,824	0	0
Change in Net Assets	3,945,859	2,696,822	185,069	478,591	4,130,928	3,175,413
Net Assets - beginning of year	13,060,294	10,363,471	7,915,185	7,436,594	20,975,479	17,800,065
Prior Period Adjustments			86,672		86,672	
Net Assets, June 30	17,006,153	13,060,293	8,186,926	7,915,185	25,193,079	20,975,478

Schedule of Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	2,945,227	2,945,227	285,079	285,078	3,230,306	3,230,305
Buildings	1,313,187	1,412,754	2,250,340	2,058,796	3,563,527	3,471,550
Equipment and Improvements	491,235	406,149	4,297,136	3,686,775	4,788,371	4,092,924
Utility Plant			4,443,750	3,667,578	4,443,750	3,667,578
Infrastructure	9,626,339	4,200,777			9,626,339	4,200,777
Construction in Progress	170,440	2,542,001	0	269,391	170,440	2,811,392
	<u>14,546,428</u>	<u>11,506,908</u>	<u>11,276,305</u>	<u>9,967,618</u>	<u>25,822,733</u>	<u>21,474,526</u>

Major capital projects completed or nearing completion at fiscal year end include:

- Phase II Franklin Street Improvements
- The Business District Alley Paving Project
- The Headworks Screen Project
- The Municipal Lab at the Treatment Plant
- The ADA Curb, Ramp & Sidewalk Infill Project

Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Bonds Payable	4,365,277	4,431,298	4,043,541	4,287,707	8,408,818	8,719,005
Loans Payable			1,908,722	2,034,456	1,908,722	2,034,456
Capital Leases	1,705,174	1,515,018	1,789,778	1,081,186	3,494,952	2,596,204
Other	510,736	510,736				510,736
	<u>6,581,187</u>	<u>6,457,052</u>	<u>7,742,041</u>	<u>7,403,349</u>	<u>13,812,492</u>	<u>13,860,401</u>

The City refinanced \$1,785,000 of 1995 Certificates of Participation by entering into a \$1,655,035 financing lease with WestAmerica Bank. This financing was structured to reduce future General Fund payments resulting in net savings of \$453,465 with a present value at 4.15% of \$322,037. This financing was obtained by competitive solicitation to three commercial banks and was not rated.

The City also drew down proceeds of a \$2,325,500 twenty year zero interest loan from the State Resources Agency/Department of Water Resources to fund water capital improvements in FY04/05 and FY05/06. Water rates and fees were increased effective May 1, 2006 to cover debt service payments commencing in FY06/07. A utility rate analysis is currently in process in order to provide management with the necessary rate information to maintain debt coverage pledges.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's two largest revenue sources are sales tax (\$1.7 mil.) and the transient occupancy tax (\$1.5 mil.). TOT revenue levels have remained consistent even with the loss of one motel in the area that was forced to close due to a fire. The motel may be reconstructed sometime in the future, but in the meantime it appears that other motels in the area are successfully absorbing the difference. While Sales Tax receipts have spiked upward in prior fiscal years, the current trend of declining receipts follows that of most other regions in northern California.

The City will continue to take a conservative approach in estimating future tax revenues, particularly those received from the State of California, as the current State budget crisis continues.

The Georgia Pacific Corporation closed operations of a major lumber mill in late 2002 and must complete remediation processes prior to resale of the 430 acre site. The mill was formerly the largest property tax payer and employer in the City of Fort Bragg. The City is actively involved in planning efforts for the redevelopment of the site which is expected to continue for the next 8-10 years.

The City's budget process once again continues development with restricted increases in budgeted positions and the use of fiscal restraint in order to attempt to place a hold on increasing expenditures. This is difficult at best, particularly in the area of employee benefits, where multiple factors outside of the City's control continue to cause rising costs. A four year Memorandum of Understanding (MOU) with the Fort Bragg Police Association went into effect January 1, 2008. Additionally, a four year Memorandum of Understanding (MOU) was approved by the Service Employees International Union Local 707 union members and went into effect July 1, 2008.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors and government regulators with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Additional information may be found on our website at www.fortbragg.com. Below is the contact address for questions about the report or requests for additional financial information.

City of Fort Bragg
Patricia Frost, Finance Director
416 N. Franklin St.
Fort Bragg, CA 95437
707-961-2825

CITY OF FORT BRAGG
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business- Type Activities	Total
<u>ASSETS</u>			
Cash and Investments	\$ 6,428,496	\$ 3,241,523	\$ 9,670,019
Cash With Fiscal Agent:			
Restricted	313,595	107,206	420,801
Receivables	2,736,652	606,673	3,343,325
Loans Receivable	222,053		222,053
Internal Balances	42,691	(42,691)	
Inventory		86,672	86,672
Noncurrent Assets:			
Deferred Charges	130,288	159,988	290,276
Capital Assets:			
Nondepreciable	3,115,667	285,079	3,400,746
Depreciable (net of accumulated depreciation)	11,430,761	10,991,226	22,421,987
Total Assets	24,420,203	15,435,676	39,855,879
<u>LIABILITIES</u>			
Liabilities:			
Accounts Payable and Other Current Liabilities	775,608	130,912	906,520
Deposits Payable and Deferred Revenue	28,701	128,274	156,975
Deferred Loans Revenue	222,053		222,053
Accrued Interest Payable	42,675	55,276	97,951
Noncurrent Liabilities:			
Due Within One Year	266,280	444,934	711,214
Due In More Than One Year	6,078,733	6,489,354	12,568,087
Total Liabilities	7,414,050	7,248,750	14,662,800
<u>NET ASSETS</u>			
Invested In Capital Assets (net of related debt)	8,521,789	6,030,275	14,552,064
Restricted For:			
Debt Service	313,595		313,595
Other Purposes		35,000	35,000
Unrestricted	8,170,769	2,121,651	10,292,420
Total Net Assets	\$ 17,006,153	\$ 8,186,926	\$ 25,193,079

**CITY OF FORT BRAGG
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	Program Revenues			Net (Expense) Revenue And Change In Net Assets			
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
General Government	\$ 1,591,676	\$ 724,161			\$ (867,515)		\$ (867,515)
Public Safety	3,332,057	209,690	\$ 250,362		(2,872,005)		(2,872,005)
Public Works	970,273	100,670	134,765	\$ 453	(734,385)		(734,385)
Planning	299,947	139,701	9,955	2,107,204	1,956,913		1,956,913
Community Development	567,443	106,741	300,277	171,467	11,042		11,042
Shared Expenditures	29,122				(29,122)		(29,122)
Interest and Fiscal Charges	324,743				(324,743)		(324,743)
Total Governmental Activities	<u>7,115,261</u>	<u>1,280,963</u>	<u>695,359</u>	<u>2,279,124</u>	<u>(2,859,815)</u>	<u>-</u>	<u>(2,859,815)</u>
Business-Type Activities:							
Water	1,898,749	1,925,005				26,256	26,256
Wastewater	1,864,575	1,504,721				(359,854)	(359,854)
Total Business-Type Activities	<u>3,763,324</u>	<u>3,429,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(333,598)</u>	<u>(333,598)</u>
Total	<u>\$ 10,878,585</u>	<u>\$ 4,710,689</u>	<u>\$ 695,359</u>	<u>\$ 2,279,124</u>	<u>(2,859,815)</u>	<u>(333,598)</u>	<u>(3,193,413)</u>
General Revenues:							
Taxes:							
Property					2,328,377	67,733	2,396,110
Sales					2,544,617		2,544,617
Transient Occupancy					1,552,995		1,552,995
Franchise					278,409		278,409
Business License					206,047		206,047
Other					108,477		108,477
Unrestricted Investment Earnings					105,910	131,776	237,686
Transfers					(319,158)	319,158	
Total General Revenues and Transfers					<u>6,805,674</u>	<u>518,667</u>	<u>7,324,341</u>
Change In Net Assets					3,945,859	185,069	4,130,928
Net Assets, July 1,					13,060,294	7,915,185	20,975,479
Prior Period Adjustment - Understatement of Inventory						86,672	86,672
Net Assets, July 1, as restated					<u>13,060,294</u>	<u>8,001,857</u>	<u>21,062,151</u>
Net Assets, June 30					<u>\$ 17,006,153</u>	<u>\$ 8,186,926</u>	<u>\$ 25,193,079</u>

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

**CITY OF FORT BRAGG
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Redevelopment Agency Project Area	ADA Curbs and Gutters	Franklin Street Reconstruction	Rubberized Chip Seal	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 895,289	\$ 787,892		\$ 284,802	\$ 1,499,999	\$ 2,960,514	\$ 6,428,496
Cash and Investments With Fiscal Agent						313,595	313,595
Receivables:							
Taxes		89,741				54,331	144,072
Accounts	836,526	1,557				517,681	1,355,764
Grants			\$ 953,291			246,614	1,199,905
Interest	5,406	6,699				24,806	36,911
Loans						222,053	222,053
Due From Other Funds	1,059,303	42,692					1,101,995
Total Assets	\$ 2,796,524	\$ 928,581	\$ 953,291	\$ 284,802	\$ 1,499,999	\$ 4,339,594	\$ 10,802,791
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 483,625	\$ 1,160	\$ 75,415	\$ 49,878	\$ 408	\$ 53,164	\$ 663,650
Contract Retentions		6,331	103,143	2,484			111,958
Deposits Payable and Deferred Revenue	28,701						28,701
Deferred Loan Revenue						222,053	222,053
Due To Other Funds			889,104			170,200	1,059,304
Total Liabilities	512,326	7,491	1,067,662	52,362	408	445,417	2,085,666
Fund Balance:							
Reserved	46,376	11,182		7,971		2,139,670	2,205,199
Unreserved:							
Designated	73,112					230,382	303,494
Unreserved - Undesignated, Reported In:							
General Fund	2,164,710						2,164,710
Special Revenue Funds		909,908	(114,371)			907,729	1,703,266
Capital Projects Funds				224,469	1,499,591	616,396	2,340,456
Total Fund Balance	2,284,198	921,090	(114,371)	232,440	1,499,591	3,894,177	8,717,125
Total Liabilities and Fund Balance	\$ 2,796,524	\$ 928,581	\$ 953,291	\$ 284,802	\$ 1,499,999	\$ 4,339,594	\$ 10,802,791

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

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balances	\$	8,717,125
Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures on the current period in the governmental funds:		
2004 Tax Allocation Bonds	\$	98,246
2005 WestAmerica Lease - Landfill Closure		32,042
		<u>130,288</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	\$	18,028,476
Less: Accumulated depreciation		(3,482,048)
		<u>14,546,428</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
2004 Tax Allocation Bonds	\$	(4,480,000)
Less: Original Issue Discount (will be amortized)		92,382
2005 WestAmerica Lease - Landfill Closure		(1,383,705)
Capital Lease Obligations		(160,934)
Refunding Loss (will be amortized):		
2004 Tax Allocation Bonds		22,341
2005 WestAmerica Lease - Landfill Closure		79,155
Liability For Landfill Closure and Post-Closure Costs		(185,059)
Accrued interest payable		(42,675)
Compensated absences		(329,193)
		<u>(6,387,688)</u>
Net Assets Of Governmental Activities	\$	<u>17,006,153</u>

CITY OF FORT BRAGG
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>REVENUES</u>	<u>General</u>	<u>Redevelopment Agency Project Area</u>	<u>ADA Curbs and Gutters</u>	<u>Franklin Street Reconstruction</u>	<u>Rubberized Chip Seal</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes:							
Property	\$ 910,410	\$ 1,134,373				\$ 283,594	\$ 2,328,377
Sales	1,724,749					819,868	2,544,617
Transient Occupancy	1,552,995						1,552,995
Franchise	278,409						278,409
Business License	206,047						206,047
Other						108,477	108,477
Licenses and Permits	25,646					28,599	54,245
Fines and Forfeitures	22,214					163,728	185,942
Use of Money and Property	88,458	31,174		\$ 37,373	\$ 16,741	164,587	338,333
Intergovernmental	186,153		\$ 953,291	686,000		1,137,472	2,962,916
Charges for Services	267,584		490		400	10,788	279,262
Other Revenue	540,648	10					540,658
Total Revenues	5,803,313	1,165,557	953,781	723,373	17,141	2,717,113	11,380,278
<u>EXPENDITURES</u>							
Current:							
General Government	1,558,654			3,000	789		1,562,443
Public Safety	3,099,879					74,406	3,174,285
Public Works	300,109					487,788	787,897
Planning	297,069						297,069
Community Development		270,766				296,677	567,443
Shared Expenditures		29,122					29,122
Debt Service:							
Principal Retirement	140,405					70,000	210,405
Interest and Fiscal Charges	67,663					242,205	309,868
Capital Outlay	201,788	45,291	1,088,432	1,835,980		236,772	3,408,263
Total Expenditures	5,665,567	345,179	1,088,432	1,838,980	789	1,407,848	10,346,795
Excess (Deficiency) of Revenues Over Expenditures	137,746	820,378	(134,651)	(1,115,607)	16,352	1,309,265	1,033,483
<u>OTHER FINANCING SOURCES (USES)</u>							
Proceeds from Capital Lease	84,229						84,229
Transfers In	999,382	25,000		350,000	750,000	2,688,085	4,812,467
Transfers Out	(1,378,582)	(772,691)		(510,000)	(52,287)	(2,418,065)	(5,131,625)
Total Other Financing Sources (Uses)	(294,971)	(747,691)	-	(160,000)	697,713	270,020	(234,929)
Net Change In Fund Balances	(157,225)	72,687	(134,651)	(1,275,607)	714,065	1,579,285	798,554
Fund Balance, July 1	2,441,423	848,403	20,280	1,508,047	785,526	2,314,892	7,918,571
Fund Balance, June 30	\$ 2,284,198	\$ 921,090	\$ (114,371)	\$ 232,440	\$ 1,499,591	\$ 3,894,177	\$ 8,717,125

**CITY OF FORT BRAGG
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:

Net Change in Fund Balances - Total Governmental Funds \$ 798,554

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	\$ 3,408,263	
Depreciation expense	<u>(368,743)</u>	3,039,520

The issuance of long-term debt provides current financial resources to governmental funds, while payment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Proceeds from Capital Lease	\$ (84,229)	
Principal repayments:		
2004 RDA Bonds	70,000	
2005 WestAmerica Lease - Landfill Closure	134,838	
Capital Lease - Police vehicles	<u>52,999</u>	173,608

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:

Compensated absences	\$ (50,948)	
Accrued interest	1,841	
Amortization of issuance costs	(6,095)	
Amortization of bond discount	(3,204)	
Amortization of refunding loss	<u>(7,417)</u>	(65,823)

Change In Net Assets Of Governmental Activities		<u>\$ 3,945,859</u>
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**CITY OF FORT BRAGG
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

<u>ASSETS</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Current Assets:			
Cash and Investments	\$ 2,971,671	\$ 269,852	\$ 3,241,523
Cash With Fiscal Agent	107,189	17	107,206
Receivables:			
Accounts (net)	313,293	266,664	579,957
Interest	26,716		26,716
Due From Other Funds	764,758		764,758
Inventory	74,278	12,394	86,672
Total Current Assets	4,257,905	548,927	4,806,832
Noncurrent Assets:			
Debt Issuance Costs (net)	127,040	32,948	159,988
Total Noncurrent Assets	127,040	32,948	159,988
Capital Assets:			
Nondepreciable	216,079	69,000	285,079
Depreciable	9,497,108	11,785,319	21,282,427
Accumulated Depreciation	(5,015,336)	(5,275,865)	(10,291,201)
Total Capital Assets (Net)	4,697,851	6,578,454	11,276,305
Total Assets	9,082,796	7,160,329	16,243,125
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	35,865	33,252	69,117
Accrued Compensated Absences	913	60,882	61,795
Accrued Interest Payable	46,417	8,859	55,276
Customer Deposits	117,883		117,883
Deferred Revenues	8,160	2,231	10,391
Due To Other Funds		764,758	764,758
Advances From Other Funds		42,691	42,691
Current Portion of Long-Term Debt	391,468	53,466	444,934
Total Current Liabilities	600,706	966,139	1,566,845
Noncurrent Liabilities:			
Capital Lease Obligation	838,356	39,713	878,069
1998A Bonds		455,000	455,000
2004 Water Bonds	3,354,640		3,354,640
DWR Safe Drinking Water Loan	1,801,645		1,801,645
Total Noncurrent Liabilities	5,994,641	494,713	6,489,354
Total Liabilities	6,595,347	1,460,852	8,056,199
<u>NET ASSETS</u>			
Invested in Capital Assets (net of related debt)		6,030,275	6,030,275
Restricted for Wastewater Fine		35,000	35,000
Unrestricted	2,487,449	(365,798)	2,121,651
Total Net Assets	\$ 2,487,449	\$ 5,699,477	\$ 8,186,926

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

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 1,914,095	\$ 1,502,090	\$ 3,416,185
Total Operating Revenues	<u>1,914,095</u>	<u>1,502,090</u>	<u>3,416,185</u>
Operating Expenses:			
Personnel Services	725,943	1,116,407	1,842,350
Administration	228,760	112,149	340,909
Supplies and Materials	181,002	178,276	359,278
Insurance	8,428	22,127	30,555
Outside Contractors	87,460	46,162	133,622
Maintenance	73,689	39,235	112,924
Utilities	35,677	21,473	57,150
Depreciation and Amortization	284,567	293,263	577,830
Total Operating Expenses	<u>1,625,526</u>	<u>1,829,092</u>	<u>3,454,618</u>
Net Operating Income	<u>288,569</u>	<u>(327,002)</u>	<u>(38,433)</u>
Nonoperating Income (Expenses):			
Taxes		67,733	67,733
Investment Earnings	129,155	2,621	131,776
Other Nonoperating Revenue	10,910	2,631	13,541
Interest and Other Charges	(273,223)	(35,483)	(308,706)
Total Nonoperating Revenues (Expenses)	<u>(133,158)</u>	<u>37,502</u>	<u>(95,656)</u>
Income (Loss) Before Operating Transfers	155,411	(289,500)	(134,089)
Transfers In	494,244	636,222	1,130,466
Transfers Out	(558,929)	(252,379)	(811,308)
Change In Net Assets	90,726	94,343	185,069
Net Assets, July 1, as previously reported	2,322,445	5,592,740	7,915,185
Prior Period Adjustment - Understatement of Inventory	74,278	12,394	86,672
Net Assets, July 1, as restated	2,396,723	5,605,134	8,001,857
Net Assets, June 30	<u>\$ 2,487,449</u>	<u>\$ 5,699,477</u>	<u>\$ 8,186,926</u>

CITY OF FORT BRAGG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts From Customers and Users	\$ 1,924,150	\$ 1,474,949	\$ 3,399,099
Payments to Employees	(726,796)	(1,110,536)	(1,837,332)
Payments to Suppliers	(648,302)	(415,287)	(1,063,589)
Net Cash Provided (Used) By Operating Activities	<u>549,052</u>	<u>(50,874)</u>	<u>498,178</u>
Cash Flows From Noncapital Financing Activities:			
Taxes		69,462	69,462
Intergovernmental		232,728	232,728
Other Nonoperating Revenue	10,910	2,631	13,541
Due From Other Funds	1,696,027	438,311	2,134,338
Transfers	(64,685)	383,843	319,158
Net Cash Provided (Used) By Noncapital Financing Activities	<u>1,642,252</u>	<u>1,126,975</u>	<u>2,769,227</u>
Cash Flows From Capital and Related Financing Activities:			
Interest and Other Charges	(272,392)	(35,814)	(308,206)
Principal Payments on Capital Lease	(81,662)	(17,500)	(99,162)
Principal Payments on Safe Drinking Water Loan	(125,734)		(125,734)
Principal Payments on Bonds		(85,000)	(85,000)
Principal Payments on COP's	(195,000)		(195,000)
Capital Expenditures	(1,081,487)	(695,219)	(1,776,706)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(1,756,275)</u>	<u>(833,533)</u>	<u>(2,589,808)</u>
Cash Flows From Investing Activities:			
Interest on Investments	102,439	2,621	105,060
Net Cash Provided (Used) By Investing Activities	<u>102,439</u>	<u>2,621</u>	<u>105,060</u>
Net Increase (Decrease) In Cash	537,468	245,189	782,657
Cash Balance, July 1	2,541,392	24,680	2,566,072
Cash Balance, June 30	<u>\$ 3,078,860</u>	<u>\$ 269,869</u>	<u>\$ 3,348,729</u>
Cash Balances Reported on Statement of Net Assets as:			
Cash and Investments	\$ 2,971,671	\$ 269,852	\$ 3,241,523
Cash With Fiscal Agent	107,189	17	107,206
Cash Balance, June 30	<u>\$ 3,078,860</u>	<u>\$ 269,869</u>	<u>\$ 3,348,729</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 288,569	\$ (327,002)	\$ (38,433)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used):			
Depreciation and Amortization	284,567	293,263	577,830
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	16,184	(27,141)	(10,957)
Increase (Decrease) in Accounts Payable	(11,719)	4,135	(7,584)
Increase (Decrease) in Other Liabilities	(28,549)	5,871	(22,678)
Net Cash Provided (Used) By Operating Activities	<u>\$ 549,052</u>	<u>\$ (50,874)</u>	<u>\$ 498,178</u>
Noncash Transactions:			
Amortized Debt Issues Costs	\$ 8,331	\$ 3,214	\$ 11,545
Amortized Debt Issues Premium	3,901		3,901
Amortized Deferred Refunding Loss	39,735		39,735

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2008

1) Summary of Significant Accounting Policies

The basic financial statements of the City of Fort Bragg (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant principles are described below.

A) **Description of the Reporting Entity**

The City of Fort Bragg was incorporated August 5, 1889, under the applicable laws and regulations of the State of California. The City operates under a Council–City Manager form of government and provides a variety of services including public safety (police and fire); streets and highways; wastewater collection, treatment, and disposal; water treatment; planning and zoning; public improvement and redevelopment; and general administrative services. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations. The City has no component units that require discrete presentation.

Blended Component Units

Fort Bragg Redevelopment Agency (Agency) – The Agency was established under the provisions of Community Redevelopment Law §33000 of California Health and Safety Code. The Agency is governed by a Commission comprised of the members of the Fort Bragg City Council. The Agency's boundaries are within Fort Bragg's city limits and activities of the Agency benefit the citizens of Fort Bragg. The activities of the Agency are reported in the City's special revenue, debt service and capital projects funds.

Fort Bragg Municipal Improvement District No. 1 (District) – The District includes all of the funds and operations for the City's wastewater collection and treatment processes. The District is governed by a Board of Directors comprised of the members to the Fort Bragg City Council. The City of Fort Bragg exercises significant financial and management control over the District. The activities of the District are reported as a major enterprise fund within the City's financial statements.

Complete financial statements of the Agency and District can be obtained directly from the City of Fort Bragg, 416 N. Franklin St., Fort Bragg, CA 95437.

B) **Government-Wide and Fund Financial Statements**

The *government-wide financial statements* (i.e., the statement of net assets and the statement of changes in net assets) report information of all the nonfiduciary activities of the City and its component units. For the most part, the effect of Interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate *fund financial statements* are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City does not have any activities required to be reported in fiduciary funds.

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2008

1) Summary of Significant Accounting Policies (continued)

C) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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 period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Redevelopment Agency Project Area Fund - This special revenue fund is used to account for the general and administrative activities of the Fort Bragg Redevelopment Agency.

ADA Curbs and Gutters Fund - This special revenue fund is used to account for grant funds granted to the City for the installation of ADA compliant curbs and gutters.

Franklin Street Reconstruction Fund - This capital projects fund is used to account for the financing and costs associated with improvements made to Franklin Street.

Rubberized Chip Seal Fund - This capital projects fund is used to account for the financing and costs associated with chip sealing the roads in the City.

The City reports the following major proprietary funds:

Water Fund - This enterprise fund accounts for the activities of the City's water treatment and distribution operations.

Wastewater Fund - This enterprise fund accounts for the activities of the Fort Bragg Municipal Improvement District No. 1 which provides the City's wastewater collection, treatment, and disposal operations.

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

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2008

1) Summary of Significant Accounting Policies (continued)

D) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the City's water and wastewater funds are charges to customers for sales and services. Operating expenses for the water and wastewater funds include the personnel cost; administration; supplies and materials; insurance; outside contractors; maintenance; utilities; and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

E) **Assets, Liabilities, and Net Assets or Equity**

1) Cash and Investments

Investments for the City and its component units are reported at fair value.

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.

2) Receivables and Payables

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

The City has not recorded any allowance for uncollectible accounts. Management has determined that uncollectible receivables, if any, would be immaterial based on an analysis of historical trends.

Property taxes for the current year were attached as an enforceable lien as of January 1, 2007, and were levied on July 1, 2007. Taxes are due in two equal installments on November 1 and February 1. The City relies on the competency of the County of Mendocino Assessor's (County) office to properly assess, collect, and distribute property taxes. The method of allocation used by the County is subject to review by the State of California. The City and the County have adopted the Alternative Method of Tax Apportionment – Teeter Plan.

The City makes economic development, housing rehabilitation, and redevelopment loans to individuals and businesses. These long-term loans are carried as assets of the governmental funds making the loans with a corresponding offset to deferred revenue. Loans receivable at June 30, 2008, were \$222,053.

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

1) Summary of Significant Accounting Policies (continued)

F) Assets, Liabilities, and Net Assets or Equity (continued)

3) Inventory and Prepaid Items

Inventories are valued at lower of cost(first-in, first-out) or market. Inventory for the year ended June 30, 2008 was \$86,672 and was the first year a physical inventory count was conducted.

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.

4) Restricted Assets

Certain cash and investments in the City's 2004 RDA Bond Debt Service Fund, Water Fund, and Wastewater Fund are held by the City's fiscal agents and classified as restricted assets on the statement of net assets because their use is limited by applicable bond or other covenants.

5) Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. However, the City has not maintained detailed historical capital asset records to support the amounts presented on the statement of net assets as required by GAAP.

As permitted by GASB Statement No. 34 (GASB-34), the City has begun prospective reporting of infrastructure assets acquired or constructed during the current fiscal period. During the current fiscal period, infrastructure projects that were incomplete are reported as "construction in progress."

Interest is capitalized on construction of major assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. For the year ended June 30, 2008, there were no projects meeting the criteria for interest capitalization.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Property, plant, and equipment of the City are depreciated using the straight-line method using the following useful lives:

	<u>Years</u>
Buildings	40 - 75 years
Infrastructure	10 - 50 years
Utility plant	10 - 50 years
Machinery and equipment	3 - 40 years

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2008

1) Summary of Significant Accounting Policies (continued)

G) Assets, Liabilities, and Net Assets or Equity (continued)

6) Compensated Absences

Earned vacation and a portion of accumulated sick-leave payable upon termination or retirement are accrued as compensated absences. The accrual includes the City's share of payroll taxes. Regular employees earn vacation hours based on the number of years of continuous service. No more than 240 hours (340 hours after 10 years of continuous service) may be accumulated. Also, regular employees are given credit for eight (8) hours sick-leave for each month of employment with unlimited accumulation. Each employee who has two or more years of service with the City and who separates from City service for any reason, except discharge for cause, is entitled to payment of the monetary equivalent of 30% of unused sick-leave accrued to a maximum of 1,000 hours.

All costs for compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only when the amounts have matured (such as vacation time estimated to be paid upon retirement in the next fiscal year with available expendable financial resources).

7) Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of assets. Long-term debt issue discounts and premiums, as well as issue costs, are deferred and amortized over the life of the debt using the straight-line method, which is not materially different from the effective interest method. Bonds payable and installment obligations are reported net of the unamortized discounts and premiums. Debt issue costs are reported as deferred charges and amortized over the term of the related debt.

8) Fund Equity

The City's government-wide financial statements report net assets consisting of the following components:

Invested in Capital Assets, Net of Related Debt – This amount is comprised of total capital assets net of accumulated depreciation reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of capital assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative management plans for future use of financial resources and are subject to change.

9) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

2) Stewardship, Compliance, and Accountability

A) Budgetary Information

The City Council follows the following procedures in establishing the budgetary data reflected in the required supplementary information:

- Before the end of each fiscal year, the City Manager and Finance Director prepare and submit to the City Council a proposed budget for the subsequent fiscal year. The budget includes proposed expenditures and the means for financing them. Budgets are prepared on a basis consistent with GAAP.
- The City Council reviews the proposed budget in public hearings which provides interested citizens opportunity to comment. The Council may add to, subtract from, or change appropriations, but may not change the form of the budget.
- Prior to July 1, or soon after, the budget is legally adopted by the City Council through resolution.

Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations and transfers totaling \$8,738,832 were necessary citywide.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

B) Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following special revenue funds for which budgets were adopted:

Downtown Revitalization Project	\$	(586)
OJP Vest Partnership Grant		(71)
Police Asset Seizure Revenue		(37,266)

These over-expenditures are expected to be funded by available fund balance.

C) Deficit Fund Equity

The following funds had deficit fund balances as of June 30, 2008. These deficits were primarily caused by expenditures in excess of grant awards or overages in construction projects which will be funded by future revenue flows. Management is monitoring each funds' activities to ensure improved financial position. The deficits do not represent a significant financial burden.

Special Revenue Funds:		
ADA Curbs and Gutters	\$	114,371
Coastal Conservancy Grant		33,956
Skate Park Project		111
Coastal Trail CalTrans Grant		813
CDBG Economic Development Allocation		222

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

3) Detailed Notes on All Funds

A) Cash and Investments

Cash and investments are reported in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 9,670,019
Restricted cash with fiscal agent	<u>420,801</u>
Total Cash and Investments	<u><u>\$ 10,090,820</u></u>

Cash and investments consist of the following:

Cash on hand	\$ 1,998
Deposits with financial institutions	977,500
Investments:	
Local Agency Investment Fund	8,690,521
Fiscal agents	<u>420,801</u>
Total Cash and Investments	<u><u>\$ 10,090,820</u></u>

Interest earned on the City's pooled deposits and investments is allocated to the various funds based upon the average quarterly balances.

Authorized Investments – Investment Policy

The City's investment policy states investments can not have a stated maturity greater than five (5) years beyond the date of purchase. The table below identifies the types of investments that are authorized by the City's investment policy:

Authorized Investment Type

- Local Agency Investment Fund (California State Treasurer)
- Securities of the U.S. Treasury and Government Agencies
- Repurchase agreements and security lending agreements for U.S. Treasury and Government Agency obligations
- Certificates of deposit (FDIC insured)
- Money market mutual funds holding only U.S. Treasury and Government Agency obligations and cash
- Bankers' acceptances
- Commercial paper rated A-1 (S&P), P-1 (Moody's) and F-1 (Fitch)
- General obligations of any State or local political subdivision rated AA/Aa/AA or higher by two of the following: S&P, Moody's or Fitch

Authorized Investments – Debt Trustee Agreements - Investments held by bond fiscal agents (trustees) are governed by the provisions of the underlying indenture agreements rather than the general provisions of the District's investment policy or California Government Code. Investment agreements, guaranteed investment contracts, and similar instruments will require a corporate guaranty from the provider rated at least AA+ by Standard & Poor's or Aa-1 by Moody's.

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

3) Detailed Notes on All Funds (continued)

B) Cash and Investments (continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2008, the District's investments had no significant exposure to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>More Than 60 Months</u>	<u>Weighted Average (Years)</u>
State Investment Pool (LAIF) Held With Fiscal Agent:	\$8,690,521	\$8,690,521		0.42
Money market	107,476	107,476		n/a
Guaranteed investment contract	313,325	313,325	\$313,325	30.83
Total	\$9,111,322	\$9,111,322	\$313,325	1.46

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City does not hold direct investments; therefore, there is no concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows deposits to be secured by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The Local Agency Investment Pool (LAIF) is a special fund of the California State Treasury through which local governments may pool investments. The City may invest up to \$40,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Funds deposited in LAIF are invested in accordance with Government Code Sections 16430 and 16480. Oversight of LAIF is provided by the Pooled Money Investment Board whose members are the California State Treasurer, California Director of Finance, and the California State Controller. For the purpose of these financial statements, the fair value of amounts in LAIF is equivalent to the dollars held.

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

3) Detailed Notes on All Funds (continued)

C) Capital Assets (unaudited)

Governmental capital assets activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Nondepreciable Capital Assets:				
Land	\$ 2,945,227			\$ 2,945,227
Construction in progress	2,542,001	\$ 1,956,535	\$ 4,328,096	170,440
Total Nondepreciable Capital Assets	5,487,228	1,956,535	4,328,096	3,115,667
Depreciable Capital Assets:				
Buildings	3,723,678			3,723,678
Machinery and equipment	835,096	201,788		1,036,884
Infrastructure	4,574,211	5,578,036		10,152,247
Total Depreciable Capital Assets	9,132,985	5,779,824	-	14,912,809
Less: Accumulated Depreciation:				
Buildings	(2,310,924)	(99,567)		(2,410,491)
Equipment and improvements	(428,947)	(116,702)		(545,649)
Infrastructure	(373,434)	(152,474)		(525,908)
Total Accumulated Depreciation	(3,113,305)	(368,743)	-	(3,482,048)
Depreciable Capital Assets, net	6,019,680	5,411,081	-	11,430,761
Governmental Activities Capital Assets, net	\$ 11,506,908	\$ 7,367,616	\$ 4,328,096	\$ 14,546,428

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

General government	\$ 48,870
Public safety	146,949
Public works	172,924
Total Depreciation Expense - Governmental Activities	\$ 368,743

Business-type capital assets activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Nondepreciable Capital Assets:				
Land	\$ 285,079			\$ 285,079
Construction in progress	269,390	\$ 661,139	\$ 930,529	
Total Nondepreciable Capital Assets	554,469	661,139	930,529	285,079
Depreciable Capital Assets:				
Buildings	3,775,571	248,102		4,023,673
Utility plant	6,392,946	930,529		7,323,475
Machinery and equipment	8,958,003	977,276		9,935,279
Total Depreciable Capital Assets	19,126,520	2,155,907	-	21,282,427
Less: Accumulated Depreciation:				
Buildings	(1,716,775)	(56,558)		(1,773,333)
Utility plant	(2,725,368)	(154,357)		(2,879,725)
Machinery and equipment	(5,271,230)	(366,913)		(5,638,143)
Total Accumulated Depreciation	(9,713,373)	(577,828)	-	(10,291,201)
Depreciable Capital Assets, net	9,413,147	1,578,079	-	10,991,226
Business-Type Activities Capital Assets, net	\$ 9,967,616	\$ 2,239,218	\$ 930,529	\$ 11,276,305

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

3) Detailed Notes on All Funds (continued)

C) Capital Assets (unaudited) – (continued)

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Water	\$ 284,566
Wastewater	<u>293,262</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 577,828</u></u>

D) Interfund Receivables, Payables, and Transfers

The composition of Interfund balances and transfers within the City's fund financial statements as of June 30, 2008, is as follows:

<u>Due From(To) Other Funds</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1,059,303	
Redevelopment Agency Project Area	42,692	
ADA Curbs and Gutters		\$ 889,104
Nonmajor special revenue funds:		
Safe Routes To School		25,529
Micro-Enterprise EDBG		7,221
Clean Beaches Grant		56,722
Coastal Conservancy		38,119
CDBG General Allocation Grant		16,980
Coastal Trails CalTrans Grant		812
CDBG Economic Development Allocation Grant		7,662
Nonmajor capital projects funds:		
Bainbridge Park Improvements		17,154
Proprietary Funds:		
Water	764,758	
Waste Water		<u>807,450</u>
Total Due To (From) Other Funds	<u><u>\$ 1,866,753</u></u>	<u><u>\$ 1,866,753</u></u>

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

3) Detailed Notes on All Funds (continued)

D) Interfund Receivables, Payables, and Transfers (continued)

The following table summarizes the operating transfers made between funds for the year ended June 30, 2008:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General Fund	\$ 999,382	\$ 1,378,582
Redevelopment Agency Project Area	25,000	772,691
Franklin Street Reconstruction	350,000	510,000
Rubberized Chip Seal Project	750,000	52,287
Major business-type funds:		
Water	494,244	558,929
Wastewater	636,222	252,379
Nonmajor special revenue funds:		
General Plan Maintenance Fee		16,874
Traffic Congestion	3,375	
Gas Tax	233,350	
Asset Seizure		15,500
Traffic Safety	225,567	
UDAG Boatyard		279,182
Hospitality/Drainage STBG Grant		89,766
TDA Streets and Roads Allocation		384
MCOG OWP Reserve Street Safety	160,020	
Special Sales Tax Street	402,267	1,144,526
CDBG Downtown Plan Grant	279,182	
COPS AB 1913 Allocation		140,245
ADA/RCHDC/P&F STBG		115,537
CDBG Program Income	2,278	
Microenterprise EDBG		11,196
Habitat For Humanity/Food Bank CDBG	49,819	47,801
Wastewater Master Plan/Noyo Center PTAA		78
Housing Rehabilitation STBG Grant		9,189
CDBG General Allocation Grants		15,922
CDBG Economic Development Allocation		2,819
Caspar Closure		141,108
Nonmajor debt service funds:		
2004 RDA Bonds Debt Service	562,142	
Nonmajor capital projects funds:		
2004 RDA Bond Proceeds	63,558	155,000
Laurel/Main Signal Install		10,448
Downtown Parking Lots - Resurface	58,000	23,600
Guesthouse Sprinklers		192,957
Pavement Markings		3,375
Bainbridge Tennis/Basketball Court		337
General Capital Projects	629,707	
RDA Capital Projects	16,599	
Bainbridge Bike and Pedestrian Path	406	
Bainbridge Park Improvements		2,221
City Hall Maintenance and Rehabilitation	1,815	
	<u>\$ 5,942,933</u>	<u>\$ 5,942,933</u>

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

3) Detailed Notes on All Funds (continued)

E) Capital Leases

The City of Fort Bragg has entered into several lease agreements as lessee for financing the acquisition of automatic meter reading equipment, police cars, a sewer-vac truck, and to refinance 1995 Landfill COP's issued to financial landfill closure/post-closure costs. These lease agreements qualify as a capital leases for accounting purposes and, therefore, has been recorded at the present value for its future minimum lease payments.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Water</u>	<u>Wastewater</u>
Police vehicles	\$ 292,542		
Sewer-vac truck		\$ 12,580	\$ 172,420
Water Meter Reading Equipment		838,499	
Less: Accumulated depreciation	<u>(132,007)</u>	<u>(43,325)</u>	<u>(172,420)</u>
	<u>\$ 160,535</u>	<u>\$ 807,754</u>	<u>\$ -</u>

The City's future minimum lease payments and the net present value of future minimum lease payments at June 30, 2008, were as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Water</u>	<u>Wastewater</u>
2009	\$ 217,826	\$ 128,146	\$ 21,443
2010	217,826	128,146	21,443
2011	170,990	128,146	21,443
2012	157,358	126,565	
2013	147,569	126,565	
2014-2018	590,276	506,262	
2019-2022	<u>442,707</u>		
Total Minimum Lease Payments	1,944,552	1,143,830	64,329
Less: Amount representing interest	<u>(399,913)</u>	<u>(219,985)</u>	<u>(6,150)</u>
Present Value Of Minimum Lease Payments	<u>\$ 1,544,639</u>	<u>\$ 923,845</u>	<u>\$ 58,179</u>

F) Long-Term Debt

Additional long-term debt obligations of the City's governmental activities are as follows:

2004 Tax Allocation Bonds. The Fort Bragg Redevelopment Agency issued \$4,830,000 in tax allocation bonds for the purpose of refunding \$1,860,000 of outstanding 1993 Tax Allocation Revenue Bonds and making funds available for future capital projects. The refunding took advantage of lower interest rates which were available. The refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt, which has been deferred in accordance with GASB-23. Deferred amounts for the refunding loss, and the original discount and issue costs associated with the 2004 Tax Allocation Bonds, are being amortized over the life of the 2004 bond issue using the straight-line method.

The 2004 bonds bear annual interest at varying rates between 1.8% and 5.5%. The bonds were issued as a fully registered note in denominations of \$5,000. Interest on bonds became payable commencing May 1, 2004, and semi-annually thereafter each November 1st and May 1st. Principal is paid in annual installments commencing May 1, 2004, through the year 2037 in amounts ranging from \$65,000 through \$295,000.

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

3) Detailed Notes on All Funds (continued)

F) Long-Term Debt (continued)

Debt service requirements to maturity for bonds payable by the 2004 Tax Allocation Bonds are presented on the following schedule:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 70,000	\$ 237,015	\$ 307,015
2010	75,000	234,705	309,705
2011	80,000	232,005	312,005
2012	80,000	228,805	308,805
2013	80,000	225,445	305,445
2014 - 2018	495,000	1,062,620	1,557,620
2019 - 2023	625,000	919,445	1,544,445
2024 - 2028	820,000	732,025	1,552,025
2029 - 2033	1,065,000	482,350	1,547,350
2034 - 2037	1,090,000	154,000	1,244,000
	<u>\$ 4,480,000</u>	<u>\$ 4,508,415</u>	<u>\$ 8,988,415</u>

Caspar Landfill Closure and Post-Closure Cost. The Caspar Landfill site was closed in 1995. State and federal laws and regulations require that the City place a final cover on its landfill when closed, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. These costs are shared equally by the City and County of Mendocino. At June 30, 2008, the City's estimated liability for its share of landfill closure and postclosure care costs was \$185,059 (net of a State of California Integrated Waste Management Board Grant of \$1,114,500). This estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2008, as determined by the last engineering study performed. However, the actual cost of closure and postclosure care may change due to inflation, changes in technology, or changes in landfill laws and regulations.

The City has made a pledge of future user surcharge revenues for anticipated remaining expected costs, future inflation costs, and any additional costs (including debt service) that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example).

Long-term debt obligations of the City's business-type activities include the following:

2004 California Statewide Communities Development Authority Bonds. In 2003, the City entered into an agreement with the California Statewide Communities Development Authority (CSCDA) whereby CSCDA issued \$4,855,000 in revenue bonds to provide resources for the City to refund the outstanding 1993 COP's that were issued for the costs of various capital improvements to the City's water system. The bonds are an obligation of CSCDA and are payable solely from and secured by revenues that consist primarily of payments on an installment obligation of the City. For the purposes of this report, the City has reported its liability under the terms of the installment obligation as 2004 CSCDA Bonds. Annual interest accrues at varying rates between 2.00% and 5.25%. Interest became payable commencing April 1, 2004, and semi-annually thereafter each October 1st and April 1st. Principal is payable in annual installments that commenced October 1, 2004, and continue through the year 2023 in amounts ranging from \$190,000 through \$350,000.

1970 Sewer Revenue Bonds, Series B. In 1987, the City issued \$585,000 in Sewer Revenue Bonds on behalf of the Fort Bragg Municipal Improvement District. The bonds are not a general obligation of the City but are payable solely from revenues derived from taxes levied and collected on properties situated in the District. The bonds pay annual interest at varying rates between 12.0% and 4.80%. Interest on bonds became payable commencing April 1, 1988, and semi-annually thereafter each October 1st and April 1st. Principal is paid in annual installments commencing October 1, 1988, through the year 2007 in amounts ranging from \$15,000 through \$50,000. The final bond payment was made in fiscal year 2007/08.

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

3) Detailed Notes on All Funds (continued)

F) Long-Term Debt (continued)

1998 Wastewater Revenue Bonds. In 1998, the City on behalf of the Fort Bragg Municipal Improvement District entered into an agreement with the Association of Bay Area Governments (ABAG) whereby ABAG issued \$770,000 in revenue bonds to provide resources for the District to acquire and construct capital improvements to the District's wastewater system. The bonds are an obligation of ABAG and are payable solely from and secured by revenues that consist primarily of payments on an installment obligation of the City. For the purposes of this report, the City has reported its liability under the terms of the installment agreement as 1998 Wastewater Revenue Bonds. Annual interest accrues at varying rates between 3.75% and 5.30%. Interest became payable commencing October 1, 1998, and semi-annually thereafter each October 1st and April 1st. Principal is paid in annual installments commencing October 1, 1998, through the year 2019 in amounts ranging from \$25,000 through \$55,000.

Safe Drinking Water Revolving Loan. In fiscal year 2005, the City entered into a loan agreement with the State of California Department of Water Resources to finance the construction of a project to meet safe drinking water standards. The maximum amount of the loan can not exceed \$2,325,500, of which the City had borrowed \$2,141,532. At June 30, 2007, the balance of the loan payable was \$2,141,532. The terms of loan set the interest rate at 0.0%. Loan principal payments of \$58,138 are required semi-annually on January 1st and July 1st for twenty (20) years commencing January 1, 2007.

Debt service requirements to maturity for bonds and loans payable by the City are presented on the following schedule.

Year Ended June 30,	Revenue Bonds		State Loans	
	Principal	Interest	Principal	Interest
2009	\$ 230,000	\$ 201,014	\$ 107,077	\$ -
2010	230,000	194,535	107,077	
2011	240,000	186,625	107,077	
2012	250,000	177,600	107,077	
2013	260,000	167,615	107,077	
2014-2018	1,465,000	661,464	535,385	
2019-2023	1,565,000	297,176	535,385	
2024-2027	350,000	9,187	302,567	
	<u>\$ 4,590,000</u>	<u>\$ 1,895,216</u>	<u>\$ 1,908,722</u>	<u>\$ -</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Governmental Activities				
	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Bonds Payable:					
2004 Tax Allocation	\$ 4,550,000		\$ 70,000	\$ 4,480,000	\$ 70,000
Total Bonds Payable	4,550,000	\$ -	70,000	4,480,000	70,000
Less:					
2004 discount	(95,586)		(3,204)	(92,382)	
2004 deferred refunding	(23,116)		(775)	(22,341)	
Net Bonds Payable	4,431,298	-	66,021	4,365,277	70,000
Other Long-Term Liabilities:					
Capital leases	1,600,814	84,229	140,404	1,544,639	154,174
Less:					
Lease deferred refunding loss	(85,797)		(6,642)	(79,155)	
Landfill closure and post-closure	232,491		47,432	185,059	42,106
Compensated absences	278,245	50,948		329,193	
Total Other Long-Term Liabilities	2,025,753	135,177	181,194	1,979,736	196,280
Total Long-Term Liabilities	<u>\$ 6,457,051</u>	<u>\$ 135,177</u>	<u>\$ 247,215</u>	<u>\$ 6,345,013</u>	<u>\$ 266,280</u>

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

3) Detailed Notes on All Funds (continued)

G) Long-Term Debt (continued)

	Business-Type Activities				
	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Bonds Payable:					
2004 CSCDA Revenue Bonds	\$ 4,295,000		\$ 195,000	\$ 4,100,000	\$ 195,000
1970 Sewer Revenue Bonds	50,000		50,000	-	
1998 Wastewater Revenue Bonds	525,000		35,000	490,000	35,000
Total Bonds Payable	4,870,000	\$ -	280,000	4,590,000	230,000
Add:					
2004 original issue premium	63,396		3,901	59,495	3,901
Less:					
2004 deferred refunding	(645,689)		(39,735)	(605,954)	
Net Bonds Payable	4,287,707	-	244,166	4,043,541	233,901
Other Long-Term Liabilities:					
Capital leases	1,081,186		99,162	982,024	103,956
Safe Drinking Water Revolving Loan	2,034,456		125,733	1,908,723	107,077
Total Other Long-Term Liabilities	3,115,642	-	224,895	2,890,747	211,033
Total Long-Term Liabilities	\$ 7,403,349	\$ -	\$ 469,061	\$ 6,934,288	\$ 444,934

H) Fund Equity

Fund balances reserved and unreserved/designated at June 30, 2008, were as follows:

	Encumbrances	Reserved		Designated
		Other	Total	
Major governmental funds:				
General Fund	\$ 46,376		\$ 46,376	\$ 73,112
Redevelopment Agency Project Area	11,182		11,182	
Franklin Street Reconstruction	7,971		7,971	
Nonmajor special revenue funds:				
General Plan Maintenance Fee		\$ 150,972	150,972	
Oceanview Improvement		54,826	54,826	
Traffic Congestion Relief		55,956	55,956	
Coastal Conservancy Grant	100		100	
Coastal Trail CalTrans Grant	1,040		1,040	
Safe Routes To School Grant	104,565		104,565	
MCOG OWP Reserve Street Safety	91,231		91,231	
Clean Beaches Grant	21,493		21,493	
RDA Low & Moderate Housing		1,345,892	1,345,892	
Nonmajor debt service funds:				
2004 RDA Bonds Debt Service		313,595	313,595	
Nonmajor capital projects funds:				
Fire Equipment				152,542
Downtown Parking Lots Resurface				75,018
Bainbridge Park Improvements				2,822
Total	\$ 283,958	\$ 1,921,241	\$ 2,205,199	\$ 303,494

- The General Fund has reserved fund balances for encumbrances and petty cash.
- Special Revenues Funds have reserved portions of fund balance for noncurrent loans receivable, encumbrances, and restricted grant purposes.
- The Debt Services Funds have reserved fund balance for debt service.
- The Capital Projects Funds have designated fund balance for specific projects yet to be completed.

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2008

3) Detailed Notes on All Funds (continued)

I) **Segment Information**

As discussed previously, the City has issued revenue bonds to finance improvements in its water and wastewater departments, and obtained a state loan to finance improvements in its water and wastewater systems. These departments were all determined to be major funds for financial reporting purposes and required segment information is presented in the proprietary fund financial statements.

4) Other Information

A) **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City provides property, liability, and worker's compensation insurance through the Redwood Empire Municipal Insurance Fund (REMIF), a public entity risk pool currently operating as a common risk management and insurance program for several Northern California municipalities. The City pays quarterly and annual premiums to the REMIF for its general insurance coverage. The joint powers formation agreement of the REMIF provides that the REMIF will be self-sustaining through member premiums for liability insurance and will reinsure through commercial companies for other coverage.

REMIF is a risk sharing, self-funded pool which is a direct purchase program. The REMIF cost sharing pool provides coverage between the City's deductible and \$500,000 (liability program) and \$1,000,000 (workers' compensation program). Losses in excess of the REMIF cost sharing pool limits are covered by REMIF through the California Joint Powers Risk Management Authority and commercial insurance policies. Losses limits are \$25,000,000 (liability), \$200,000,000 (property), \$20,000,000 (boiler and machinery), \$1,500,000 (auto), and \$3,000,000 (workers' compensation) – all per occurrence. Losses exceeding these limits are the responsibility the City.

The City's deductibles are \$5,000 for worker's compensation, liability, auto physical damage, boiler and machinery, and fidelity; \$10,000 for property losses; and \$25,000 or 5% of building value for earthquake and flood losses - all per occurrence. The annual premium paid to REMIF for the 2007/08 fiscal year was \$328,408. Claims paid by REMIF in favor of the City totaled \$145,273. Participating members of REMIF do not have a refundable deposit, and no dividends are paid. However, REMIF made a distribution of surplus funds from the liability program in which the City's share was \$38,756.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

B) **Related Organizations**

The City is a member of various joint powers authorities that provide goods or services to the City and other authority members. Under the criteria established by GASB-14, the City does not have sufficient authority, influence, or accountability over these entities to incorporate them in this annual report. Additionally, the City has determined that it has no ongoing financial interest or responsibility for any of these organizations as defined by GASB-14. The names and general functions of these joint powers are as follows:

Caspar Landfill – The City has a joint powers agreement with the County of Mendocino for post-closure maintenance of the Caspar Landfill and the operations of the Caspar Transfer Station. The City and the County equally share the cost for post-closure maintenance of the landfill. Operational costs of the transfer station are allocated based upon a pro-rata basis as defined in the agreement. For the 2007/08 fiscal year the City's share of costs under the terms of this agreement were actual 2006/07 of \$72,640 and estimated at \$72,640 for fiscal year 2007/08 as actual amounts had not been calculated at the time these financial statements were prepared.

Mendocino Solid Waste Management Authority – This Authority consists of three Mendocino County cities and the County of Mendocino. The Agency was created for the purpose of: (a) siting, licensing, developing, constructing, maintaining, and operating disposal sites and sanitary landfills and (b) preparing and implementing a solid waste management plan. A Commission comprised of one member from each city and two members that are appointed by the Mendocino County Board of Supervisors governs the Authority. The City makes annual contributions based on a pro-rata share of the Authority's combined population.

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2008

4) Other Information (continued)

B) Related Organizations (continued)

Fort Bragg Fire Protection Authority – In March 2005, the City entered into a joint powers agreement with the Fort Bragg Rural Fire District (District) for the purpose of providing fire suppression, fire prevention, and emergency rescue services within territorial limits of the City and the District. The agreement supersedes a former joint powers agreement between the two entities that was established in 1990. The Fort Bragg Fire Protection Authority (Authority) is governed by a five member Board of Directors of which two are appointed by the City, two by the District, and one appointed jointly by the City and the District. Costs for services are shared by the City and District on a pro-rata basis determined by the average number of fire and emergency calls responded to within the City or District during the three previous 12-month periods of July 1st to June 30th. However, in no case will either entity's share drop below 40%. During the current fiscal year, the City paid \$349,675 under the terms of this agreement.

C) Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

There are several pending lawsuits in which the City is involved. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

D) Employee Retirement Systems

Plan Description:

The City has three (3) defined benefit pension plans; the Miscellaneous Plan of the City of Fort Bragg (Miscellaneous Plan), the Safety Police Plan of the City Of Fort Bragg (Police Plan), and the Safety Fire Plan of the City if Fort Bragg (Fire Plan). Each plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employees within the State of California. CalPERS requires plans with less than 100 active members must participate in a risk pool. As such, all three of the City's plans are required to participate in risk pools, with the Fire Plan being part of an Inactive Agency risk pool.

State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City of Fort Bragg selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy:

Active plan members in the Plans are required to contribute 7.0% (9.0% for Police employees) of their annual covered salary. The Fire Plan has no active members. 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 CalPERS Board of Administration. The required employer contribution rate for fiscal 2007/08 was 9.209% for miscellaneous employees, 23.566% for police, and -0% for fire employees. 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.

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2008**

D) Employee Retirement Systems (continued)

Annual Pension Cost:

For fiscal year 2007/08 the City's annual pension cost was \$425,705 (\$197,269 for Miscellaneous, \$216,386 for Police, and \$12,050 for Fire) and the City actually contributed \$425,705. In addition, the City paid \$230,479 representing substantially all of the employees' required contributions under the terms of the City's various employee bargaining unit agreements. The annual required contribution for fiscal year 2007/08 was determined as part of the June 30, 2005, actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions include the following:

	<u>Miscellaneous</u>	<u>Police</u>	<u>Fire</u>
Investment rate of return	7.75%	7.75%	7.75%
Projected salary increases	3.25% - 14.45%	3.25% - 14.45%	3.25% - 14.45%
Inflation	3.00%	3.00%	3.00%
Payroll growth	3.25%	3.25%	3.25%

The actuarial value of the Plan's assets was determined using a three-year smoothed market technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of the investment gains and/or losses. Each Plan's unfunded actuarial liability is being amortized as a level percentage of projected payrolls over a closed period that began on the Plan's date of entry into the CalPERS system. Subsequent Plan amendments are amortized over 20 years. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period on the total unfunded liability may not be lower than 30 years. As of June 30, 2005, the remaining average amortization period was 17 years for Miscellaneous, 15 years for Police, and 4 years for Fire.

<u>Three-Year Trend Information</u>			
<u>Year Ending June 30,</u>	<u>Combined Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2006	398,909	100%	0
2007	403,111	100%	0
2008	425,705	100%	0

E) Other Post-Retirement Benefits

In addition to the pension benefits noted in Note 4(D), the City provides post-retirement health and dental care insurance benefits to employees with ten (10) or more year's consecutive service in accordance with City employee policies. Those employees electing a PERS retirement date with the City are eligible to receive post-retirement health and dental care insurance benefits. Currently 32 employees meet those eligibility requirements. The City reimburses 100% of the monthly health care premiums. Expenditures for these post-retirement benefits are recognized as monthly premiums are paid. During the 2007/08 fiscal year, expenditures of \$201,001 were recognized for the cost of these post-retirement benefits.

F) Deferred Compensation

The City of Fort Bragg offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City has adopted the provisions of GASB-32 and, therefore, the assets and liabilities of these plans have been excluded from the accompanying financial statements.

G) Interfund Advances

The City of Fort Bragg Redevelopment Agency advanced \$42,692 to the Fort Bragg Municipal Improvement District No. 1 on May 29, 2007, for the Wastewater Treatment Plant-Headworks Screen Project. The term of the advance is five years with payments of interest due at 5% and principle due of \$2,135 to be paid each quarter. No repayments were made by the Fort Bragg Municipal Improvement District during the year ended June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF FORT BRAGG REDEVELOPMENT AGENCY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund			Variance With Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 4,512,000	\$ 4,512,000	\$ 4,672,610	\$ 160,610
Licenses and Permits	52,410	52,410	25,646	(26,764)
Fines and Forfeitures	30,000	30,000	22,214	(7,786)
Use of Money and Property	49,000	49,000	88,458	39,458
Intergovernmental	75,100	175,100	186,153	11,053
Current Services	101,600	275,600	267,584	(8,016)
Other Revenues	444,373	410,992	540,648	129,656
Total Revenues	5,264,483	5,505,102	5,803,313	298,211
<u>EXPENDITURES</u>				
Current:				
General Government	1,511,252	1,685,790	1,558,654	127,136
Public Safety	3,144,878	3,308,249	3,099,879	208,370
Public Works	376,843	426,747	300,109	126,638
Planning	371,832	395,612	297,069	98,543
Debt Service:				
Principal Retirement		87,413	140,405	(52,992)
Interest and Fiscal Charges	45,000	60,156	67,663	(7,507)
Capital Outlay	123,550	209,321	201,788	7,533
Total Expenditures	5,573,355	6,173,288	5,665,567	507,721
Excess (Deficiency) of Revenues Over Expenditures	(308,872)	(668,186)	137,746	805,932
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from Capital Lease			84,229	84,229
Transfers In	191,500	158,038	999,382	841,344
Transfers Out	(30,200)	(562,459)	(1,378,582)	(816,123)
Total Other Financing Sources (Uses)	161,300	(404,421)	(294,971)	109,450
Net Change In Fund Balances	(147,572)	(1,072,607)	(157,225)	915,382
Fund Balances, July 1	2,441,423	2,441,423	2,441,423	
Fund Balance, June 30	\$ 2,293,851	\$ 1,368,816	\$ 2,284,198	\$ 915,382

**CITY OF FORT BRAGG REDEVELOPMENT AGENCY
REDEVELOPMENT AGENCY PROJECT AREA
MAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	Redevelopment Agency Project Area Fund			Variance With Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 24,000	\$ 24,000	\$ 1,134,373	\$ 1,110,373
Use of Money and Property			31,174	31,174
Other Revenues			10	10
Total Revenues	<u>24,000</u>	<u>24,000</u>	<u>1,165,557</u>	<u>1,141,557</u>
<u>EXPENDITURES</u>				
Current:				
Community Development	385,552	450,599	270,766	179,833
Shared Expenditures	824,950	824,950	29,122	795,828
Capital Outlay		82,534	45,291	37,243
Total Expenditures	<u>1,210,502</u>	<u>1,358,083</u>	<u>345,179</u>	<u>1,012,904</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,186,502)</u>	<u>(1,334,083)</u>	<u>820,378</u>	<u>2,154,461</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In		25,000	25,000	
Transfers Out	(315,025)	(508,975)	(772,691)	263,716
Total Other Financing Sources (Uses)	<u>(315,025)</u>	<u>(483,975)</u>	<u>(747,691)</u>	<u>263,716</u>
Net Change In Fund Balances	<u>(1,501,527)</u>	<u>(1,818,058)</u>	<u>72,687</u>	<u>1,890,745</u>
Fund Balances, July 1	<u>848,403</u>	<u>848,403</u>	<u>848,403</u>	
Fund Balance, June 30	<u><u>\$ (653,124)</u></u>	<u><u>\$ (969,655)</u></u>	<u><u>\$ 921,090</u></u>	<u><u>\$ 1,890,745</u></u>

**CITY OF FORT BRAGG REDEVELOPMENT AGENCY
 ADA CURBS AND GUTTERS
 MAJOR SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008**

	ADA Curbs and Gutters			Variance With Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Use of Money and Property				
Intergovernmental			\$ 953,291	\$ 953,291
Current Services			490	490
Total Revenues	\$ -	\$ -	953,781	953,781
EXPENDITURES				
Current:				
Capital Outlay		1,025,722	1,088,432	(62,710)
Total Expenditures	-	1,025,722	1,088,432	(62,710)
Excess (Deficiency) of Revenues Over Expenditures	-	(1,025,722)	(134,651)	891,071
OTHER FINANCING SOURCES (USES)				
Transfers Out				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change In Fund Balances	-	(1,025,722)	(134,651)	891,071
Fund Balances, July 1	20,280	20,280	20,280	
Fund Balance, June 30	\$ 20,280	\$ (1,005,442)	\$ (114,371)	\$ 891,071

COMBINING FUND FINANCIAL STATEMENTS

**CITY OF FORT BRAGG
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Total Special Revenue Funds	2004 RDA Bonds Debt Service Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and Investments	\$ 2,103,565		\$ 856,949	\$ 2,960,514
Cash and Investments With Fiscal Agent		\$ 313,595		313,595
Receivables:				
Taxes	51,314		3,017	54,331
Accounts	517,681			517,681
Grants	229,436		17,178	246,614
Interest	23,777		1,029	24,806
Loans Receivable	222,053			222,053
Total Assets	\$ 3,147,826	\$ 313,595	\$ 878,173	\$ 4,339,594
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 38,923		\$ 14,241	\$ 53,164
Deferred Loan Revenue	222,053			222,053
Due To Other Funds	153,046		17,154	170,200
Total Liabilities	414,022	\$ -	31,395	445,417
Fund Balances:				
Reserved	1,826,075	313,595		2,139,670
Unreserved:				
Designated			230,382	230,382
Undesignated	907,729		616,396	1,524,125
Total Fund Balances	2,733,804	313,595	846,778	3,894,177
Total Liabilities and Fund Balances	\$ 3,147,826	\$ 313,595	\$ 878,173	\$ 4,339,594

CITY OF FORT BRAGG
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>REVENUES</u>	<u>Total Special Revenue Funds</u>	<u>2004 RDA Bonds Debt Service Fund</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Taxes:				
Property	\$ 283,594			\$ 283,594
Sales	819,868			819,868
Other	64,819		\$ 43,658	108,477
Licenses and Permits	28,599			28,599
Fines and Forfeitures	163,728			163,728
Use of Money and Property	137,497	\$ 14,977	12,113	164,587
Intergovernmental	1,120,356		17,116	1,137,472
Charges for Services	10,788			10,788
Total Revenues	<u>2,629,249</u>	<u>14,977</u>	<u>72,887</u>	<u>2,717,113</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety	73,922		484	74,406
Public Works	487,788			487,788
Community Development	296,677			296,677
Debt Service:				
Principal Retirement		70,000		70,000
Interest and Fiscal Charges		242,205		242,205
Capital Outlay	166,500		70,272	236,772
Total Expenditures	<u>1,024,887</u>	<u>312,205</u>	<u>70,756</u>	<u>1,407,848</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,604,362</u>	<u>(297,228)</u>	<u>2,131</u>	<u>1,309,265</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	1,355,858	562,142	770,085	2,688,085
Transfers Out	(2,030,127)		(387,938)	(2,418,065)
Total Other Financing Sources (Uses)	<u>(674,269)</u>	<u>562,142</u>	<u>382,147</u>	<u>270,020</u>
Net Change In Fund Balances	930,093	264,914	384,278	1,579,285
Fund Balances, July 1	1,803,711	48,681	462,500	2,314,892
Fund Balances, June 30	<u><u>\$ 2,733,804</u></u>	<u><u>\$ 313,595</u></u>	<u><u>\$ 846,778</u></u>	<u><u>\$ 3,894,177</u></u>

CITY OF FORT BRAGG
 COMBINING BALANCE SHEET
 SPECIAL REVENUE
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	<u>General Plan Maintenance Fee</u>	<u>Oceanview Improvement</u>	<u>Traffic Congestion Relief</u>	<u>Gasoline Taxes</u>	<u>Asset Seizure</u>	<u>Traffic Safety</u>	<u>UDAG Boatyard</u>	<u>Hospitality/ Drainage STBG Grant</u>	<u>TDA Streets and Roads Allocation</u>
<u>ASSETS</u>									
Cash and Investments	\$ 149,880	\$ 54,449	\$ 55,956	\$ 26,334	\$ 144,447	\$ 1,800			
Receivables:									
Taxes									
Accounts				52,925	50,000	14,756			
Grants									
Interest	1,092	377		314	1,145				
Loans Receivable									
Total Assets	\$ 150,972	\$ 54,826	\$ 55,956	\$ 79,573	\$ 195,592	\$ 16,556	\$ -	\$ -	\$ -
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities				\$ 7,832	\$ 2,226	\$ 1,800			
Deferred Loans Revenue									
Due To Other Funds									
Total Liabilities	\$ -	\$ -	\$ -	7,832	2,226	1,800	\$ -	\$ -	\$ -
Fund Balances:									
Reserved	150,972	54,826	55,956						
Unreserved				71,741	193,366	14,756			
Total Fund Balances	150,972	54,826	55,956	71,741	193,366	14,756			
Total Liabilities and Fund Balances	\$ 150,972	\$ 54,826	\$ 55,956	\$ 79,573	\$ 195,592	\$ 16,556	\$ -	\$ -	\$ -

Continued

CITY OF FORT BRAGG
 COMBINING BALANCE SHEET
 SPECIAL REVENUE
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	MCOG OWP Reserve Street Safety	Special Sales Tax Street	Bulletproof Vest Partnership Grant	CDBG Downtown Plan Grant	CDBG Plan and Technology Grant	Coastal Conservancy Grant	COPS AB 1913 Allocation	MCOG Streets Allocation	ADA/ RCHDC/ P&F STBG
<u>ASSETS</u>									
Cash and Investments		\$ 23,029	\$ 243	\$ 12,084	\$ 1,344			\$ 46,754	
Receivables:									
Taxes		33,525							
Accounts Grants						\$ 4,163			
Interest		10,015						324	
Loans Receivable									
Total Assets	\$ -	\$ 66,569	\$ 243	\$ 12,084	\$ 1,344	\$ 4,163	\$ -	\$ 47,078	\$ -
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities									
Deferred Loans Revenue									
Due To Other Funds						\$ 38,119			
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	38,119	\$ -	\$ -	\$ -
Fund Balances:									
Reserved	91,231					100			
Unreserved	(91,231)	66,569	243	12,084	1,344	(34,056)		47,078	
Total Fund Balances		66,569	243	12,084	1,344	(33,956)		47,078	-
Total Liabilities and Fund Balances	\$ -	\$ 66,569	\$ 243	\$ 12,084	\$ 1,344	\$ 4,163	\$ -	\$ 47,078	\$ -

Continued

CITY OF FORT BRAGG
COMBINING BALANCE SHEET
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Safe Routes To School	CDBG Program Income	Micro- Enterprise EDBG	Habitat For Humanity/ Food Bank CDBG	RDA Low and Moderate Housing	Skate Park Project	Wastewater Master Plan/ Noyo Center PTAA	Housing Rehabilitation STBG Grant	Clean Beaches Grant
<u>ASSETS</u>									
Cash and Investments		\$ 201,120			\$ 1,318,982	\$ 55		\$ 66,846	\$ 242
Receivables:									
Taxes					17,789				
Accounts Grants	\$ 27,268		\$ 56,247						104,432
Interest		1,389			9,121				
Loans Receivable		222,053							
Total Assets	\$ 27,268	\$ 424,562	\$ 56,247	\$ -	\$ 1,345,892	\$ 55	\$ -	\$ 66,846	\$ 104,674
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ 35		\$ 22,618			\$ 166			\$ 1,296
Deferred Loans Revenue Due To Other Funds	25,529	\$ 222,053	7,221						56,722
Total Liabilities	25,564	222,053	29,839	\$ -	\$ -	166	\$ -	\$ -	58,018
Fund Balances:									
Reserved	104,565				1,345,892				21,493
Unreserved	(102,861)	202,509	26,408	-		(111)		66,846	25,163
Total Fund Balances	1,704	202,509	26,408	-	1,345,892	(111)		66,846	46,656
Total Liabilities and Fund Balances	\$ 27,268	\$ 424,562	\$ 56,247	\$ -	\$ 1,345,892	\$ 55	\$ -	\$ 66,846	\$ 104,674

Continued

CITY OF FORT BRAGG
COMBINING BALANCE SHEET
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Air Quality MD Grants	CDBG General Allocation Grants	Coastal Trail CalTrans Grant	CDBG Economic Development Allocation	Proposition 1B Street Fund	Caspar Closure	Totals 2008
<u>ASSETS</u>							
Cash and Investments							\$ 2,103,565
Receivables:							
Taxes							51,314
Accounts					\$ 400,000		517,681
Grants	\$ 9,955	\$ 16,981		\$ 10,390			229,436
Interest							23,777
Loans Receivable							222,053
Total Assets	\$ 9,955	\$ 16,981	\$ -	\$ 10,390	\$ 400,000	\$ -	\$ 3,147,826
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts Payable and Accrued Liabilities				\$ 2,950			\$ 38,923
Deferred Loans Revenue							222,053
Due To Other Funds		\$ 16,980	\$ 813	7,662			153,046
Total Liabilities	\$ -	16,980	813	10,612	\$ -	\$ -	414,022
Fund Balances:							
Reserved			1,040				1,826,075
Unreserved	9,955	1	(1,853)	(222)	400,000		907,729
Total Fund Balances	9,955	1	(813)	(222)	400,000		2,733,804
Total Liabilities and Fund Balances	\$ 9,955	\$ 16,981	\$ -	\$ 10,390	\$ 400,000	\$ -	\$ 3,147,826

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

<u>REVENUES</u>	<u>General Plan Maintenance Fee</u>	<u>Oceanview Improvement</u>	<u>Traffic Congestion Relief</u>	<u>Gasoline Taxes</u>	<u>Asset Seizure</u>	<u>Traffic Safety</u>	<u>UDAG Boatyard</u>	<u>Hospitality/ Drainage STBG Grant</u>	<u>TDA Streets and Roads Allocation</u>
Taxes:									
Property									
Sales									
Other				\$ 2,523					
Licenses and Permits	\$ 28,599								
Fines and Forfeitures					\$ 143,254	\$ 20,474			
Use of Money and Property	5,733	\$ 2,053		2,631	5,704		\$ 5,825		\$ 8
Intergovernmental				134,765					
Charges for Services				9,963					
Other Revenue									
Total Revenues	<u>34,332</u>	<u>2,053</u>	<u>\$ -</u>	<u>149,882</u>	<u>148,958</u>	<u>20,474</u>	<u>5,825</u>	<u>\$ -</u>	<u>8</u>
<u>EXPENDITURES</u>									
Current:									
Public Safety					70,851				
Public Works				412,612		59,963			
Community Development									
Capital Outlay									
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>412,612</u>	<u>70,851</u>	<u>59,963</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>34,332</u>	<u>2,053</u>	<u>-</u>	<u>(262,730)</u>	<u>78,107</u>	<u>(39,489)</u>	<u>5,825</u>	<u>-</u>	<u>8</u>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In			3,375	233,350		225,567			
Transfers Out	(16,874)				(15,500)		(279,182)	(89,766)	(384)
Total Other Financing Sources (Uses)	<u>(16,874)</u>	<u>-</u>	<u>3,375</u>	<u>233,350</u>	<u>(15,500)</u>	<u>225,567</u>	<u>(279,182)</u>	<u>(89,766)</u>	<u>(384)</u>
Net Change In Fund Balances	<u>17,458</u>	<u>2,053</u>	<u>3,375</u>	<u>(29,380)</u>	<u>62,607</u>	<u>186,078</u>	<u>(273,357)</u>	<u>(89,766)</u>	<u>(376)</u>
Fund Balances, July 1	<u>133,514</u>	<u>52,773</u>	<u>52,581</u>	<u>101,121</u>	<u>130,759</u>	<u>(171,322)</u>	<u>273,357</u>	<u>89,766</u>	<u>376</u>
Fund Balances, June 30	<u>\$ 150,972</u>	<u>\$ 54,826</u>	<u>\$ 55,956</u>	<u>\$ 71,741</u>	<u>\$ 193,366</u>	<u>\$ 14,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

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

<u>REVENUES</u>	MCOG OWP Reserve Street Safety	Special Sales Tax Street	Bulletproof Vest Partnership Grant	CDBG Downtown Plan Grant	CDBG Plan and Technology Grant	Coastal Conservancy Grant	COPS AB 1913 Allocation	MCOG Streets Allocation	ADA/ RCHDC/ P&F STBG
Taxes:									
Property Sales		\$ 819,868							
Other									
Licenses and Permits									
Fines and Forfeitures									
Use of Money and Property		18,059	\$ 48				\$ 750	\$ 324	
Intergovernmental	\$ 15,193		405			\$ 4,163	100,000	(193)	
Charges for Services									
Other Revenue									
Total Revenues	15,193	837,927	453	\$ -	\$ -	4,163	100,750	131	\$ -
<u>EXPENDITURES</u>									
Current:									
Public Safety			3,071						
Public Works	15,213								
Community Development					1	2,767			
Capital Outlay				53,876		3,889			
Total Expenditures	15,213	-	3,071	53,876	1	6,656	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	(20)	837,927	(2,618)	(53,876)	(1)	(2,493)	100,750	131	-
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	160,020	402,267		279,182					
Transfers Out		(1,144,526)					(140,245)		(115,537)
Total Other Financing Sources (Uses)	160,020	(742,259)	-	279,182	-	-	(140,245)	-	(115,537)
Net Change In Fund Balances	160,000	95,668	(2,618)	225,306	(1)	(2,493)	(39,495)	131	(115,537)
Fund Balances, July 1	(160,000)	(29,099)	2,861	(213,222)	1,345	(31,463)	39,495	46,947	115,537
Fund Balances, June 30	\$ -	\$ 66,569	\$ 243	\$ 12,084	\$ 1,344	\$ (33,956)	\$ -	\$ 47,078	\$ -

Continued

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

<u>REVENUES</u>	<u>Safe Routes To School</u>	<u>CDBG Program Income</u>	<u>Micro- Enterprise EDBG</u>	<u>Habitat For Humanity/ Food Bank CDBG</u>	<u>RDA Low and Moderate Housing</u>	<u>Skate Park Project</u>	<u>Wastewater Master Plan/ Noyo Center PTAA</u>	<u>Housing Rehabilitation STBG Grant</u>	<u>Clean Beaches Grant</u>
Taxes:									
Property					\$ 283,594				
Sales									
Other				\$ 62,296					
Licenses and Permits									
Fines and Forfeitures									
Use of Money and Property		\$ 51,336			45,023	\$ 3			
Intergovernmental	\$ 27,268		\$ 142,872					\$ 94,637	\$ 154,289
Charges for Services	825								
Total Revenues	<u>28,093</u>	<u>51,336</u>	<u>142,872</u>	<u>\$62,296</u>	<u>328,617</u>	<u>3</u>	<u>\$ -</u>	<u>94,637</u>	<u>154,289</u>
<u>EXPENDITURES</u>									
Current:									
Public Safety									
Public Works									
Community Development	241	10	131,674		82,030	247		60,412	
Capital Outlay	1,102								107,633
Total Expenditures	<u>1,343</u>	<u>10</u>	<u>131,674</u>	<u>-</u>	<u>82,030</u>	<u>247</u>	<u>-</u>	<u>60,412</u>	<u>107,633</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>26,750</u>	<u>51,326</u>	<u>11,198</u>	<u>62,296</u>	<u>246,587</u>	<u>(244)</u>	<u>-</u>	<u>34,225</u>	<u>46,656</u>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In		2,278		49,819					
Transfers Out			(11,196)	(47,801)			(78)	(9,189)	
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,278</u>	<u>(11,196)</u>	<u>2,018</u>	<u>-</u>	<u>-</u>	<u>(78)</u>	<u>(9,189)</u>	<u>-</u>
Net Change In Fund Balances	<u>26,750</u>	<u>53,604</u>	<u>2</u>	<u>64,314</u>	<u>246,587</u>	<u>(244)</u>	<u>(78)</u>	<u>25,036</u>	<u>46,656</u>
Fund Balances, July 1	(25,046)	148,905	26,406	(64,314)	1,099,305	133	78	41,810	-
Fund Balances, June 30	<u>\$ 1,704</u>	<u>\$ 202,509</u>	<u>\$ 26,408</u>	<u>\$ -</u>	<u>\$ 1,345,892</u>	<u>\$ (111)</u>	<u>\$ -</u>	<u>\$ 66,846</u>	<u>\$ 46,656</u>

Continued

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

<u>REVENUES</u>	<u>Air Quality MD Grants</u>	<u>CDBG General Allocation Grants</u>	<u>Coastal Trail CalTrans Grant</u>	<u>CDBG Economic Development Allocation</u>	<u>Proposition 1B Street Fund</u>	<u>Caspar Closure</u>	<u>Totals 2008</u>
Taxes:							\$ 283,594
Property							819,868
Sales							64,819
Other							28,599
Licenses and Permits							163,728
Fines and Forfeitures							137,497
Use of Money and Property							1,120,356
Intergovernmental	\$ 9,955	\$ 21,978	\$ 3,592	\$ 11,432	\$ 400,000		10,788
Charges for Services							2,629,249
Total Revenues	<u>9,955</u>	<u>21,978</u>	<u>3,592</u>	<u>11,432</u>	<u>400,000</u>	<u>\$ -</u>	<u>2,629,249</u>
<u>EXPENDITURES</u>							
Current:							
Public Safety							73,922
Public Works							487,788
Community Development		6,055	4,405	8,835			296,677
Capital Outlay							166,500
Total Expenditures	<u>-</u>	<u>6,055</u>	<u>4,405</u>	<u>8,835</u>	<u>-</u>	<u>-</u>	<u>1,024,887</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,955</u>	<u>15,923</u>	<u>(813)</u>	<u>2,597</u>	<u>400,000</u>	<u>-</u>	<u>1,604,362</u>
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In							1,355,858
Transfers Out		(15,922)		(2,819)		(141,108)	(2,030,127)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(15,922)</u>	<u>-</u>	<u>(2,819)</u>	<u>-</u>	<u>(141,108)</u>	<u>(674,269)</u>
Net Change In Fund Balances	<u>9,955</u>	<u>1</u>	<u>(813)</u>	<u>(222)</u>	<u>400,000</u>	<u>(141,108)</u>	<u>930,093</u>
Fund Balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,108</u>	<u>1,803,711</u>
Fund Balances, June 30	<u>\$ 9,955</u>	<u>\$ 1</u>	<u>\$ (813)</u>	<u>\$ (222)</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 2,733,804</u>

CITY OF FORT BRAGG
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Fire Equipment	2004 RDA Bond Proceeds	Laurel/Main Signal Install	Downtown Parking Lots Resurface	Guesthouse Sprinklers	Pavement Markings	Bainbridge Tennis/ Basketball Court	General Capital Projects	RDA Capital Projects
<u>ASSETS</u>									
Cash and Investments	\$ 148,496	\$ 42,581		\$ 75,018				\$ 590,854	
Receivables:									
Taxes	3,017								
Grants									
Interest	1,029								
Total Assets	\$ 152,542	\$ 42,581	\$ -	\$ 75,018	\$ -	\$ -	\$ -	\$ 590,854	\$ -
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities								\$ 14,241	
Due To Other Funds									
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	14,241	\$ -
Fund Balances:									
Unreserved:									
Designated	152,542			75,018					
Undesignated		42,581						576,613	
Total Fund Balances	152,542	42,581	-	75,018	-	-	-	576,613	-
Total Liabilities and Fund Balances	\$ 152,542	\$ 42,581	\$ -	\$ 75,018	\$ -	\$ -	\$ -	\$ 590,854	\$ -

Continued

CITY OF FORT BRAGG
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	<u>Bainbridge Bike and Pedestrian Path</u>	<u>Bainbridge Park Improvements</u>	<u>City Hall Maintenance and Rehabilitation</u>	<u>Totals 2008</u>
<u>ASSETS</u>				
Cash and Investments				\$ 856,949
Receivables:				
Taxes				3,017
Grants		\$ 17,178		17,178
Interest				1,029
Total Assets	\$ -	\$ 17,178	\$ -	\$ 878,173
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable and Accrued Liabilities				\$ 14,241
Due To Other Funds		\$ 17,154		17,154
Total Liabilities	\$ -	17,154	\$ -	31,395
Fund Balances:				
Unreserved:				
Designated		2,822		230,382
Undesignated		(2,798)		616,396
Total Fund Balances	-	24	-	846,778
Total Liabilities and Fund Balances	\$ -	\$ 17,178	\$ -	\$ 878,173

CITY OF FORT BRAGG
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>REVENUES</u>	<u>Fire Equipment</u>	<u>2004 RDA Bond Proceeds</u>	<u>Laurel/Main Signal Install</u>	<u>Downtown Parking Lots Resurface</u>	<u>Guesthouse Sprinklers</u>	<u>Pavement Markings</u>	<u>Bainbridge Tennis/ Basketball Court</u>	<u>General Capital Projects</u>	<u>RDA Capital Projects</u>
Taxes:									
Other	\$ 43,658								
Use of Money and Property	4,628	\$ 2,728	\$ 218	\$ 442	\$ 4,027	\$ 70			
Intergovernmental	(62)								
Total Revenues	<u>48,224</u>	<u>2,728</u>	<u>218</u>	<u>442</u>	<u>4,027</u>	<u>70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>EXPENDITURES</u>									
Current:									
Public Safety	484								
Capital Outlay								53,094	
Total Expenditures	<u>484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,094</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>47,740</u>	<u>2,728</u>	<u>218</u>	<u>442</u>	<u>4,027</u>	<u>70</u>	<u>-</u>	<u>(53,094)</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In		63,558		58,000				629,707	16,599
Transfers Out		(155,000)	(10,448)	(23,600)	(192,957)	(3,375)	(337)		
Total Other Financing Sources (Uses)	<u>-</u>	<u>(91,442)</u>	<u>(10,448)</u>	<u>34,400</u>	<u>(192,957)</u>	<u>(3,375)</u>	<u>(337)</u>	<u>629,707</u>	<u>16,599</u>
Net Change In Fund Balances	47,740	(88,714)	(10,230)	34,842	(188,930)	(3,305)	(337)	576,613	16,599
Fund Balances, July 1	104,802	131,295	10,230	40,176	188,930	3,305	337		(16,599)
Fund Balances, June 30	<u>\$ 152,542</u>	<u>\$ 42,581</u>	<u>\$ -</u>	<u>\$ 75,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 576,613</u>	<u>\$ -</u>

Continued

CITY OF FORT BRAGG
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>REVENUES</u>	<u>Bainbridge Bike and Pedestrian Path</u>	<u>Bainbridge Park Improvements</u>	<u>City Hall Maintenance and Rehabilitation</u>	<u>Totals 2008</u>
Taxes:				
Other				\$ 43,658
Use of Money and Property				12,113
Intergovernmental		\$ 17,178		17,116
Total Revenues	\$ -	17,178	\$ -	72,887
<u>EXPENDITURES</u>				
Current:				
Public Safety				484
Capital Outlay		17,178		70,272
Total Expenditures	-	17,178	-	70,756
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	2,131
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	406		1,815	770,085
Transfers Out		(2,221)		(387,938)
Total Other Financing Sources (Uses)	406	(2,221)	1,815	382,147
Net Change In Fund Balances	406	(2,221)	1,815	384,278
Fund Balances, July 1	(406)	2,245	(1,815)	462,500
Fund Balances, June 30	\$ -	\$ 24	\$ -	\$ 846,778

SINGLE AUDIT AND OTHER COMPLIANCE REPORTS

CITY OF FORT BRAGG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass Through Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through State Department of Housing and Community Development:		
Community Development Block Grants:		
05-EDBG-1962	14.228	\$ 142,869
06-EDBG-2608	14.228	11,432
05-STBG-1521	14.228	69,601
06-STBG-2785	14.228	<u>21,958</u>
Total U.S. Department of Housing and Urban Development		<u>245,860</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program:		
06135751	16.607	<u>1,395</u>
Total U.S. Department of Justice		<u>1,395</u>
<u>U.S. Department of Transportation</u>		
Passed Through State Department of Transportation:		
Highway Planning and Construction		
Project No. RPSTPLE 5088(012)	20.205	300,116
Coastal Trail CalTrans		
001-5088R #004-N	20.205	<u>3,592</u>
Total U.S. Department of Transportation		<u>303,708</u>
Total Federal Expenditures		<u>\$ 550,963</u>

CITY OF FORT BRAGG
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND OTHER AWARDS
JUNE 30, 2008

NOTE A **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is a summary of the activity of the City of Fort Bragg's federal and other award programs and has been prepared on an accounting basis consistent with the governmental fund financial statements of the City of Fort Bragg. Therefore, all of the grants presented on the accompanying schedule have been accounted for using the modified accrual basis of accounting as described in Note 1(c) of the City of Fort Bragg's Notes to Financial Statements.



Davis W. Hammon, Jr., CPA
(1924-1989)

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Kerry A. Webber, CPA
James L. Duckett, CPA

**INDEPENDENT AUDITORS' REPORT ON CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
Members of the City of Fort Bragg
Fort Bragg, CA 95437

We have audited the basic financial statements of the of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fort Bragg, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 21, 2009, which was qualified because the City has not maintained historical cost records of its capital assets as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fort Bragg's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements, but not to provide assurance on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Bragg's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



We noted certain other matters that we reported to management of the City of Fort Bragg in a separate letter dated January 21, 2009.

This report is intended solely for the information and use of the City Council, management, and the Office of the Controller of the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Davis Hammon & Co.

January 21, 2009



Davis W. Hammon, Jr., CPA
(1924-1989)

Stephen B. Norman, CPA • PFS
Stephen J. Herr, CPA
Kerry A. Webber, CPA
James L. Duckett, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
Members of the City of Fort Bragg
Fort Bragg, CA 95437

Compliance

We have audited the compliance of the City of Fort Bragg, California, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The City of Fort Bragg's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Fort Bragg's management. Our responsibility is to express an opinion on the City of Fort Bragg's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Fort Bragg complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of City of Fort Bragg is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fort Bragg's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Bragg's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, and the Office of the Controller of the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Davis Hammon & Co.

January 21, 2009

CITY OF FORT BRAGG

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

A) Summary of Audit Results

- 1) The auditors' report expresses a qualified opinion on the basic financial statements because the City has not maintained historical cost records of its capital assets as required by accounting principles generally accepted in the United States of America.
- 2) No control deficiencies were disclosed related to the audit of the basic financial statements of the City of Fort Bragg.
- 3) No instances of noncompliance material to the basic financial statements of the City of Fort Bragg were disclosed during the audit.
- 4) No control deficiencies were disclosed during the audit of major federal award programs.
- 5) The auditors' report on compliance for major federal award programs for the City of Fort Bragg expresses an unqualified opinion.
- 6) No instances of noncompliance material to major federal award programs of the City of Fort Bragg were disclosed during the audit.
- 7) The programs tested as major programs included:
 - a. U.S. Department of Transportation
Highway Planning and Construction Project
CFDA: 20.205
- 8) The threshold for distinguishing Types A and B programs was \$300,000.
- 9) The City of Fort Bragg was determined to be a low-risk auditee.

B) Findings – Financial Statement Audit

No control deficiencies were noted during the current audit period. There were no findings outstanding from prior year audits.

C) Findings and Questioned Costs – Major Federal Award Programs

No findings or questioned costs noted. There were no findings or questioned costs outstanding from prior year audits.

CITY OF FORT BRAGG
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2008

No findings or questioned costs noted in prior year audit.



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**INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES APPLIED
TO APPROPRIATIONS LIMIT WORKSHEETS**

Honorable Mayor and City Council
Members of the City of Fort Bragg
Fort Bragg, California 95437

We have applied the procedures enumerated below to the Appropriations Limit calculations of the City of Fort Bragg for the year ended June 30, 2008. These procedures, which were agreed to by the City of Fort Bragg and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*) were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures performed and our findings were as follows:

- 1) We obtained the City's completed alternate computation Appropriations Limit worksheets, and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

- 2) Using the City's alternate computational worksheet, we added last year's limit to the total current year limit adjustments, as computed, for this year, and compared the results to this year's limit.

Finding: No exceptions were noted as a result of our procedures.

- 3) We compared the prior year appropriations limit presented in the alternate computational worksheets to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the Appropriations Limit alternate computational worksheets. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication *Article XIII B Appropriations Limitation Uniform Guidelines*.

This report is intended solely for the use of the City of Fort Bragg and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Davis Hammon & Co.

January 21, 2009