

CITY OF FORT BRAGG
FINANCIAL STATEMENTS
JUNE 30, 2010

CITY OF FORT BRAGG
Financial Statements
June 30, 2010

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CITY OF FORT BRAGG

**Listing of City Officials
June 30, 2010**

<u>Council Member</u>	<u>Position</u>	<u>Term Expires</u>
Doug Hammerstrom	Mayor	December 2012
Dave Turner	Mayor Pro Tempore	December 2010
Dan Gjerde	Member	December 2010
Meg Courtney	Member	December 2010
Jere Melo	Member	December 2012

City Manager
Linda Ruffing

Finance Manager
Rosana Cimolino

City Clerk
Cynthia VanWormer

FINANCIAL SECTION



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Bragg (City), California, as of and for the fiscal year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basis financial statements, effective July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*; Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, the Postemployment Benefit Plans Other Than Pension Trend Information on page 67, the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund, Coastal Conservancy Grant Special Revenue Fund, Redevelopment Agency Project Area Special Revenue Fund, Redevelopment Agency Low and Moderate Housing Special Revenue Fund, and Special Sales Tax Special Revenue Fund on pages 61 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, California
February 3, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fort Bragg, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements which follow this narrative.

Financial Highlights

City-wide:

- The assets of the City exceeded liabilities at the close of the fiscal year by \$41.4 million (*net assets*). Of the total net assets \$4.8 million was reported as *unrestricted net assets* and may be used to meet the City's ongoing obligations to citizens and creditors. *Restricted net assets* of \$4.5 million may be used for the City's ongoing obligations related to programs with external restrictions. The remaining \$32.1 million represents the City's investment in capital assets, net of related debt.
- The City's total net assets increased by \$10.6 million during the fiscal year. Net capital assets increased 51.7% and current assets increased 1.5%. The increase in net capital assets is primarily due to the acquisition of land on the former Georgia Pacific mill site for the Coastal Trail. Total revenues from all sources were \$27.1 million and total expenses for all functions/programs were \$16.5 million.
- Of total revenues, program revenues (excluding non-cash donations) were \$15.1 million and general revenues were \$6.8 million. Program revenues include Charges for Services, \$7.5 million, Operating Contributions and Grants, \$10.6 million, and Capital Contributions and Grants, \$2.2 million.
- The City's total long-term debt decreased 4.8% to \$12.1 million

Fund Level:

- Governmental Fund balances increased 6.1% from the prior fiscal year to \$7.3 million. Of this amount \$1.7 million is unreserved fund balance and may be used to meet the City's ongoing obligations.
- Governmental fund revenues were \$17.3, an increase of 23.3% over the prior fiscal year, primarily due to grant activity. Governmental fund expenditures were \$16.3 million, an increase of 2.7%. The increase was primarily spending for capital projects.
- At the end of the current fiscal year unreserved, undesignated General Fund Balance was \$2.4 million, versus \$2.5 million as of June 30, 2009. 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. The current reserve level is \$1.03 million.
- Enterprise Fund net assets increased \$0.9 million to \$10.3 million. Of this amount, \$3.0 million is unrestricted net assets.
- Enterprise Fund operating revenues increased \$0.3 million to \$4.2 million. Operating expenditures increased \$0.6 million to \$4.5 million. Net operating loss was \$303,402, an increase in net operating deficit of \$287,118.

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. The two sets of

financial statements provide two different views of the City's financial activities and financial position – long-term and short-term.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business, including the use of accrual-based accounting to recognize revenues and expenses. They provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This information is presented in the Statement of Net Assets and Statement of Activities found on pages 13 - 15.

The Statement of Net Assets presents information about the financial position of the City as a whole. It includes all of the City's assets and liabilities on a full accrual basis, similar to that used by corporations. The difference between the asset and liabilities is reported as *net assets*.

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.

The government-wide financial statements include not only the City of Fort Bragg itself but also a legally separate redevelopment agency for which the City is financially accountable. The redevelopment agency, although legally separate, functions for all practical purposes as a department of the City and therefore is included as an integral part of the primary government.

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 of Fort Bragg, 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. Governmental activities include most of the City's basic services and are principally supported by taxes and intergovernmental revenues. 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. The fund statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. This information may be useful in evaluating a government's short-term financing requirements.

Governmental fund financial statements are prepared on the modified accrual basis which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 19 and 23.

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). Information is presented separately in the governmental funds balance sheet for the following major funds: General Fund, Redevelopment Agency Project Fund, Redevelopment Agency Low & Moderate Housing Fund, Coastal Conservancy Grant Fund, Street Sales Tax Fund and Stimulus Grant Projects Fund. All other funds are grouped together as Non-Major Funds for reporting purposes. Individual fund data for each non-major governmental fund is provided in the form of combining statements found in the supplemental statements and schedules section of this 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. The City of Fort Bragg maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater operations. Enterprise fund financial statements are prepared on the full accrual basis. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of City of Fort Bragg. The City uses internal service funds to account for facilities and technology maintenance and repairs. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 24 - 27.

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. The notes to the financial statements are on pages 30 - 59 of this report.

Required Supplementary Information

This section includes the City's General Fund budgetary comparison schedule. The City of Fort Bragg adopts an annual budget for its General Fund. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City and reflects the decisions of the City Council about which services to provide and how to fund them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. Budgetary comparison schedules for the major funds have been provided on pages 61 - 66 to demonstrate how well the City complied with the adopted budget and whether or not the City succeeded in providing the services as planned. This section also provides information regarding the Actuarial Accrued Liability for Other Postemployment Benefits on page 67.

Combining Fund Financial Statements

The combining statements and schedules referred to earlier in connection with non-major governmental funds and internal service funds can be found on pages 69 – 84.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

This analysis addresses the financial statements of the City as a whole.

The following table represents a comparative analysis of the net assets of governmental and business-type activities as of June 30, 2010 and June 30, 2009.

CITY OF FORT BRAGG
SUMMARY OF NET ASSETS
JUNE 30, 2010 AND JUNE 30, 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$10,072,420	\$9,551,629	\$3,637,590	\$3,939,356	\$13,710,010	\$13,490,985
Noncurrent Assets:						
Deferred Charges	118,098	124,193	136,899	148,444	254,997	272,637
Capital Assets	29,997,245	19,661,997	12,183,195	12,229,477	42,180,440	31,891,474
Total Assets	<u>40,187,763</u>	<u>29,337,819</u>	<u>15,957,684</u>	<u>16,317,277</u>	<u>56,145,447</u>	<u>45,655,096</u>
Current Liabilities	2,275,301	1,955,964	523,052	359,035	2,798,353	2,314,999
Long-term Debt						
Due Within One Year	854,812	269,533	441,672	446,081	1,296,484	715,614
Due in More Than One Year	5,969,373	5,876,706	4,676,941	6,083,090	10,646,314	11,959,796
Total Liabilities	<u>9,099,486</u>	<u>8,102,203</u>	<u>5,641,665</u>	<u>6,888,206</u>	<u>14,741,151</u>	<u>14,990,409</u>
Net Assets:						
Invested in Capital Assets, net of related debt	24,795,388	13,861,506	7,254,718	7,170,430	32,050,106	21,031,936
Restricted for:						
Community Development	857,853				857,853	
Debt Service	280,657	312,935	64,298		344,955	312,935
Housing	1,103,288	1,418,265			1,103,288	1,418,265
Public Safety	542,795				542,795	
Streets	1,665,158				1,665,158	
Other Purposes				35,000		35,000
Unrestricted	<u>1,843,138</u>	<u>5,642,910</u>	<u>2,997,003</u>	<u>2,223,641</u>	<u>4,840,141</u>	<u>7,866,551</u>
Total Net Assets	<u>\$31,088,277</u>	<u>\$21,235,616</u>	<u>\$10,316,019</u>	<u>\$9,429,071</u>	<u>\$41,404,296</u>	<u>\$30,664,687</u>

Net assets represent the difference between the City's resources and obligations. Over time, net assets may serve as a useful indicator of a government's financial position. At the close of the fiscal year ended June 30, 2010 the City's assets exceeded liabilities by \$41.4 million.

A large portion of the City of Fort Bragg's net assets (77.3%) reflects its investment in capital assets (e.g., land, easements, buildings, machinery, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fort Bragg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets (10.9% of total net assets) represent debt service and other purposes requirements. The remaining balance of unrestricted net assets (11.7%) may be used to meet the City's ongoing obligations to citizens and creditors. At June 30, 2010 and June 30, 2009, the City was able to report positive balances in unrestricted net assets for its governmental activities as well as its business-type activities.

The Statement of Net Assets provides a snapshot at a given point in time of the assets and liabilities of the City. The other government-wide statement provided is the Statement of Activities. This statement provides information regarding the revenues, expenses and changes in net assets over the fiscal year.

Generally, all changes to the City's net assets from one fiscal year to the next flow through the Statement of Activities.

The following table indicates the comparative changes in net assets for governmental and business-type activities for fiscal year 2010 and 2009:

CITY OF FORT BRAGG						
CONDENSED COMPARATIVE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS						
FISCAL YEARS ENDING JUNE 30, 2010 AND JUNE 30, 2009						
	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$3,240,454	\$2,677,373	\$4,233,471	\$3,971,128	\$7,473,925	\$6,648,501
Operating grants & Contributions	10,622,356	1,100,565		288,358	10,622,356	1,388,923
Capital grants & Contributions	2,107,975	3,672,692	84,779	1,239,278	2,192,754	4,911,970
General Revenues:						
Taxes:						
Property taxes	1,988,133	2,248,723		3,627	1,988,133	2,252,350
Other taxes	3,990,796	4,918,264			3,990,796	4,918,264
Intergovernmental revenue not restricted to specific programs	26,603				26,603	
Miscellaneous	423,948		321,957		745,905	
Unrestricted Investment Earnings	57,655	41,022	20,534	72,127	78,189	113,149
Total Revenues	22,457,920	14,658,639	4,660,741	5,574,518	27,118,661	20,233,157
Expenses:						
General Government	2,517,826	2,013,277			2,517,826	2,013,277
Public Safety	4,010,950	3,386,609			4,010,950	3,386,609
Public Works	2,285,955	1,845,725			2,285,955	1,845,725
Community Develop.	2,489,009	2,921,909			2,489,009	2,921,909
Interest and Fiscal Charges	311,229	323,089			311,229	323,089
Water			2,401,183	2,049,981	2,401,183	2,049,981
Wastewater			2,465,099	2,233,198	2,465,099	2,233,198
Total Expenses	11,614,969	10,490,609	4,866,282	4,283,179	16,481,251	14,773,788
Increase (decrease) in Net Assets Before Transfers	10,842,951	4,168,030	(205,541)	1,291,339	10,637,410	5,459,369
Transfers	(1,710)	49,193	1,710	(49,193)	-	-
Change in Net Assets	10,841,241	4,217,223	(203,831)	1,242,146	10,637,410	5,459,369
Net Assets, July 1	21,235,616	17,018,393	9,429,071	8,186,925	25,205,318	25,205,318
Prior Period Adjustments	(988,580)		1,090,779			-
Net Assets, July 1, restated	20,247,036	17,018,393	10,519,850	8,186,925	30,766,886	25,205,318
Net Assets, June 30	\$31,088,277	\$21,235,616	\$10,316,019	\$9,429,071	\$41,404,296	\$30,664,687

Revenue

The preceding table reflects totals from the city-wide Statement of Activities on pages 14 and 15. Total governmental activities revenues for the fiscal year ended June 30, 2010 increased 53.2% to \$22.5 million. Charges for services increased \$563,000 primarily due to increases in revenue for grant administration. In addition, operating grants and contributions increased \$9.5 million primarily due to activity related to acquisition of property on the Georgia Pacific mill site for the Coastal Trail. Fifty-seven acres with an assessed value of \$5.2 million were donated to the project by Georgia Pacific and 35 acres were purchased with a \$4.2 million grant.

General revenue from governmental activities decreased 10.6% to \$6.5 million compared to \$7.2 million in fiscal year 2009. Property tax revenue decreased 11.7% due to the reassessment of the Georgia Pacific mill site. Sales tax and transient occupancy tax decreased 18.9% and 7.6% respectively.

Total business-type activities revenues for the fiscal year ended June 30, 2010 decreased \$1.2 million to \$4.3 million. Program revenues from business-type activities decreased 21.5% overall primarily in capital grants and contributions. Charges for services increased 6.7% to \$4.2 million.

Expenses

Total governmental activities expenses, before special items and transfers, were \$11.6 million, an increase of 10.7%, and expenses for business-type activities increased 13.6% to \$4.9 million compared to \$10.5 million and \$4.3 million respectively in the prior fiscal year.

Governmental Activities

Governmental activities increased the City's total net assets \$10.6 million. As shown in the Statement of Revenues, Expenditures and Changes in Fund Balance on pages 20 and 21 as of the end of the current fiscal year the City's governmental funds reported combined ending balances of \$7.3 million, an increase of 6.1% over last fiscal year. Restricted and reserved funds account for more than half of the net assets with a combined total of \$4.5 million (61.6%).

Governmental revenues totaled \$17.3 million, an increase of 23.3%. Taxes and assessments contribute 35.0%, intergovernmental (including grants) 4.9%, and charges for services 15.8%. Total governmental expenses increased 2.7% to \$16.3 million. General Fund operating expenses increased by 1.3%. The remainder of the increase is primarily grant and capital project funded activity.

Business-Type Activities

The City of Fort Bragg maintains two different types of proprietary funds: enterprise funds and internal service funds. The City uses enterprise funds to account for its water and wastewater operations and internal service funds to account for facilities and technology maintenance and repairs. The proprietary fund statements begin on page 24.

Operating revenues of the City's business-type activities totaled \$4.2 million, an increase of 6.6%. Business-type expenses increased approximately 13.8% to \$4.5 million. Unrestricted net assets totaled \$3.0 million, an increase of 34.7%.

The City uses internal service funds to account for facilities and technology maintenance and repairs. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service funds and capital projects funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the unreserved fund balance of the General Fund was \$2.4 million, a decrease of 8.4%. 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. The current reserve level is \$1.03 million.

General Fund revenues decreased 0.8% to \$7.4 million, primarily due to decreases in tax revenue for administrative services. General Fund expenses increased 1.2% to \$7.2 million as compared to the prior fiscal year total of \$7.1 million. The increase was primarily due to an increase in the cost of salaries and benefits.

The Redevelopment Agency Project fund balance decreased 54.4% to \$0.5 million. The Redevelopment Agency Low & Moderate Housing fund balance decreased 28.5% to \$1.0 million. The decreases in fund balance were primarily due to a prior period adjustment for the reassessment of the Georgia Pacific mill site and the State required Supplemental Educational Revenue Augmentation Fund payment in the amount of \$543,774. The reassessment of the mill site also reduced the Agency revenues by 20.9% for the fiscal year ending June 30, 2010.

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. Activities for the internal service funds have been included within governmental activities in the government-wide financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but in greater detail.

The City accounts for the operation, 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. Rates and fees were adjusted by the City Council effective July 1, 2009. The Water Enterprise charges for service decreased 1.1% from \$2.04 million in FY 2008/09 to \$2.02 million. The decrease in revenue is related to an 8.3% decline in consumption and a 1.3% decline in the number of commercial accounts. Operating expenses for the Water Enterprise increased 18.1%, totaling \$2.1 million for the fiscal year. The increase was primarily due to maintenance projects performed during the fiscal year.

Net operating income (loss) for the Water Enterprise was (\$90,592) before non-operating expenses and transfers. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$415,972 net cash provided by operating activities

Financial activities of the Fort Bragg Municipal Improvement District's (MID) sewer system serving the City are reported in the Wastewater Enterprise Fund (see also separate audited financial statements of the MID). 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. Rates and fees were adjusted effective July 1, 2009. Total revenues from charges for service for the Municipal Improvement District were \$2.2 million, an increase of 14.8%. Operating expenses for the District totaled \$2.4 million compared to \$2.2 million in the prior fiscal year.

Net operating income (loss) for the Municipal Improvement District was (\$212,810), a decrease in operating loss of \$59,384. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$153,283 net cash provided by operating activities.

Total unrestricted net assets of the enterprise funds at the end of the year amounted to \$3.0 million. The Water Enterprise unrestricted net assets at June 30, 2009 total \$3.2 million, an increase of 23.7%. The deficit in the unrestricted net assets of the Municipal Improvement District fund decreased 48.5% to (\$174,668).

Capital Asset and Debt Administration

The capital assets of the City are those assets that are used in the performance of the City's functions. At June 30, 2010, the City of Fort Bragg's net capital assets for its governmental and business-type activities totaled \$42.2 million (net of depreciation). The investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress. Net change to capital assets of the City is an increase of \$10.3 million.

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

- Downtown Streetscape, Phase III
- Pine & Harold St. Repair
- Pudding Creek Road Improvements
- Harold & Dana St. Overlay
- Railroad Crossing Rehabilitation

**CITY OF FORT BRAGG
SCHEDULE OF CAPITAL ASSETS (net of depreciation)
JUNE 30, 2010**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and Easements	\$12,291,227	\$2,945,227	\$285,079	\$285,079	\$12,576,306	\$3,230,306
Buildings	2,349,212	1,918,935	2,104,622	2,177,481	4,453,834	4,096,416
Machinery and Equipment	378,985	448,911	1,973,883	1,880,748	2,352,868	2,329,659
Infrastructure	14,486,861	9,287,931	7,477,979	7,763,980	21,964,840	17,051,911
Construction in Progress	490,960	5,060,993	341,632	122,189	832,592	5,183,182
Total Capital Assets, net	\$29,997,245	\$19,661,997	\$12,183,195	\$12,229,477	\$42,180,440	\$31,891,474

Additional information about the City's capital assets is presented in Note 4 on pages 43 through 45.

Long-Term Debt

At June 30, 2010, total City debt outstanding was \$12.1 million, a decrease of \$606,038 (4.8%). Governmental debt increased \$677,946 primarily due to an increase in the Caspar post-closure liability. Business-type debt decreased \$1.3 million. Each of the City's debt issues is discussed in detail in Notes 6 and 7 beginning on page 48.

**CITY OF FORT BRAGG
OUTSTANDING DEBT
JUNE 30, 2010**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Bonds Payable	\$4,228,235	\$4,299,256	\$3,655,209	\$3,849,375	\$7,883,444	\$8,148,631
Loans Payable			640,928	1,801,645	640,928	1,801,645
Capital Leases	1,091,720	1,390,491	769,240	878,150	1,860,960	2,268,641
Other	1,504,230	456,492	179,809		1,684,039	456,492
	\$6,824,185	\$6,146,239	\$5,245,186	\$6,529,170	\$12,069,371	\$12,675,409

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant factor affecting the City of Fort Bragg's current fiscal year and its financial outlook over the next several years is the impact of the budget problems at the State level and the effect on local revenue due to the current economic downturn.

There is still a considerable amount of uncertainty at the national and state level regarding when and to what degree economic conditions will improve. California's unemployment rate averaged 12.3% during the last six months of 2010, and the rate in December for the City of Fort Bragg was 12.9%. In general, unemployment rates affect consumer spending which is a critical driver of economic health, particularly in a tourist based economy like Fort Bragg where restaurants, hotels and small retail outlets comprise the economic base. Economic reports and forecasts indicate that jobless rates will likely remain at double-digits nationally at least until 2012.

The budget problems at the State level continue to be a major concern for the City. While passage of Proposition 22 offered some protection against piecemeal raids on local Redevelopment Agency revenues it provides no safeguards against complete elimination of the Redevelopment Agencies in order to redirect property tax to the State. The General Fund operating reserve makes it possible for the City to maintain an adequate cash flow during those times that the State "borrows" local revenues and defers state allocations and disbursements. However, these reserves can only provide coverage for a limited duration. The elimination of the City's Redevelopment Agency would have a significant effect on City resources and a long-lasting impact on the City's ability to maintain current services.

In preparing the 2011 Budget, management gave careful consideration to the possible impact of the economic climate and the State of California budget problems. The overall approach in the development of the budget was to continue to take a conservative approach in estimating future tax revenues, especially those received from the State, and to contain expenditures to the maximum extent possible while maintaining the existing programs and levels of service. All non-essential equipment purchases or maintenance projects were postponed until mid-year when expenditures and revenue assumptions could be reassessed. A concerted effort was made to fund as much capital outlay and non-routine facility maintenance as possible through outside sources such as grants.

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
Rosana Cimolino,
Finance Director
416 N. Franklin St.
Fort Bragg, CA 95437
707-961-2825

CITY OF FORT BRAGG

**Statement of Net Assets
June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 7,171,876	\$ 3,254,624	\$ 10,426,500
Cash and investments with fiscal agents, restricted	313,509	108,011	421,520
Accounts receivable	1,762,750	408,813	2,171,563
Interest receivable	142,730	3,432	146,162
Loans receivable	467,592		467,592
Inventory	467	76,206	76,673
Internal balances	213,496	(213,496)	
Deferred charges - net of accumulated amortization	118,098	136,899	254,997
Capital assets not being depreciated	12,782,187	626,711	13,408,898
Capital assets, being depreciated, net of accumulated depreciation	<u>17,215,058</u>	<u>11,556,484</u>	<u>28,771,542</u>
 Total assets	 <u>40,187,763</u>	 <u>15,957,684</u>	 <u>56,145,447</u>
LIABILITIES			
Accounts payable	1,730,632	294,120	2,024,752
Accrued payroll and benefits	103,139	15,730	118,869
Accrued interest	42,810	49,967	92,777
Unearned revenue	174,440	36,401	210,841
Deposits payable	224,280	126,834	351,114
Noncurrent liabilities:			
Due within one year	854,812	441,672	1,296,484
Due in more than one year	<u>5,969,373</u>	<u>4,676,941</u>	<u>10,646,314</u>
 Total liabilities	 <u>9,099,486</u>	 <u>5,641,665</u>	 <u>14,741,151</u>
NET ASSETS			
Invested in capital assets, net of related debt	24,795,388	7,254,718	32,050,106
Restricted for:			
Housing	1,103,288		1,103,288
Debt service	280,657	64,298	344,955
Public safety	542,795		542,795
Community development	857,853		857,853
Streets	1,665,158		1,665,158
Unrestricted	<u>1,843,138</u>	<u>2,997,003</u>	<u>4,840,141</u>
 Total net assets	 <u>\$ 31,088,277</u>	 <u>\$ 10,316,019</u>	 <u>\$ 41,404,296</u>

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

CITY OF FORT BRAGG

**Statement of Activities
For the Fiscal Year Ended June 30, 2010**

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 2,517,826	\$ 3,192,682	\$ 3,425	\$ -
Community development	2,489,009	5,243	9,977,237	1,884,360
Public safety	4,010,950	29,789	393,429	
Public works	2,285,955	12,740	248,265	223,615
Interest on long-term debt	311,229			
Total governmental activities	<u>11,614,969</u>	<u>3,240,454</u>	<u>10,622,356</u>	<u>2,107,975</u>
Business-type activities:				
Water	2,401,183	2,017,394		
Sewer	<u>2,465,099</u>	<u>2,216,077</u>		<u>84,779</u>
Total business-type activities	<u>4,866,282</u>	<u>4,233,471</u>		<u>84,779</u>
Total government	<u>\$ 16,481,251</u>	<u>\$ 7,473,925</u>	<u>\$ 10,622,356</u>	<u>\$ 2,192,754</u>

General Revenues

Taxes

Property taxes

Sales and use taxes

Transient occupancy taxes

Franchise taxes

Motor vehicle in lieu - unrestricted

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net Assets, July 1, 2009

Prior Period Adjustments

Net Assets, July 1, 2009, restated

Net Assets, June 30, 2010

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Totals
\$ 678,281	\$ -	\$ 678,281
9,377,831		9,377,831
(3,587,732)		(3,587,732)
(1,801,335)		(1,801,335)
(311,229)		(311,229)
<u>4,355,816</u>		<u>4,355,817</u>
	(383,789)	(383,789)
	(164,243)	(164,243)
	(548,032)	(548,032)
<u>4,355,816</u>	<u>(548,032)</u>	<u>3,807,785</u>
1,988,133		1,988,133
2,154,575		2,154,575
1,379,128		1,379,128
457,093		457,093
26,603		26,603
57,655	20,534	78,189
423,948	321,957	745,905
(1,710)	1,710	
<u>6,485,425</u>	<u>344,201</u>	<u>6,829,626</u>
<u>10,841,241</u>	<u>(203,831)</u>	<u>10,637,410</u>
21,235,616	9,429,071	30,664,687
(988,580)	1,090,779	102,199
<u>20,247,036</u>	<u>10,519,850</u>	<u>30,766,886</u>
<u>\$ 31,088,277</u>	<u>\$ 10,316,019</u>	<u>\$ 41,404,296</u>

CITY OF FORT BRAGG

Governmental Funds
Balance Sheet
June 30, 2010

	Special Revenue Funds			
	General	Coastal Conservancy Grant	Redevelopment Agency Project Area	Redevelopment Agency Low and Moderate Housing
Assets				
Cash and investments	\$ 2,161,953	\$ -	\$ 1,512,393	\$ 628,613
Cash and investments with fiscal agent				
Receivables:				
Accounts	619,547			
Interest	1,934		1,567	856
Loans				232,625
Inventory	467			
Due from other funds	962,378			528,297
Advances to other funds			126,572	
Total Assets	\$ 3,746,279	\$ -	\$ 1,640,532	\$ 1,390,391
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 346,620	\$ -	\$ 586,671	\$ 144,917
Accrued payroll and benefits	103,139			
Deferred loans and revenue	1,284			232,625
Deposits payable	224,280			
Due to other funds			528,297	
Total Liabilities	675,323		1,114,968	377,542
Fund Balances:				
Reserved for petty cash	1,998			
Reserved for inventory	467			
Reserved for litigation	259,356			
Reserved for capital projects	393,498			
Reserved for debt service				
Reserved for low and moderate income housing				996,989
Reserved for long term advances			126,572	
Reserved for encumbrances	51,704		9,670	15,860
Unreserved:				
Undesignated - general fund	2,363,933			
Undesignated - special revenue funds			389,322	
Undesignated - capital projects funds				
Total Fund Balances	3,070,956		525,564	1,012,849
Total Liabilities and Fund Balances	\$ 3,746,279	\$ -	\$ 1,640,532	\$ 1,390,391

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

Special Sales Tax	Capital Projects Fund Stimulus Grant Projects	Other Governmental Funds	Totals
\$ 1,317,549	\$ -	\$ 1,466,506 313,509	\$ 7,087,014 313,509
	228,411	914,792	1,762,750
137,684		689	142,730
1,428		233,539	467,592
			467
			1,490,675
			126,572
\$ 1,456,661	\$ 228,411	\$ 2,929,035	\$ 11,391,309
\$ -	\$ 459,405	\$ 187,100	\$ 1,724,713
			103,139
		407,979	641,888
			224,280
	128,938	746,516	1,403,751
	588,343	1,341,595	4,097,771
			1,998
			467
			259,356
			393,498
		323,467	323,467
			996,989
			126,572
	522,570	1,793,428	2,393,232
			2,363,933
1,456,661		(757,954)	1,088,029
	(882,502)	228,499	(654,003)
1,456,661	(359,932)	1,587,440	7,293,538
\$ 1,456,661	\$ 228,411	\$ 2,929,035	\$ 11,391,309

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CITY OF FORT BRAGG

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2010**

FUND BALANCES - GOVERNMENTAL FUNDS \$ 7,293,538

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.

Capital assets	\$ 34,843,333	
Less: accumulated depreciation	<u>(4,846,088)</u>	29,997,245

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds.

Deferred charges	\$ 147,457	
Less: accumulated amortization	<u>(29,359)</u>	118,098

Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.

(42,810)

In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by deferred revenue.

467,448

The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.

Capital lease payable	\$ (1,091,720)	
2004 Tax Allocation Bond, net	(4,228,235)	
Landfill postclosure costs	(641,067)	
Compensated absences	(410,343)	
Other postemployment benefits	<u>(452,820)</u>	(6,824,185)

Internal service funds are used by management to charge the costs of certain activities, such as maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

78,943

NET ASSETS - GOVERNMENTAL ACTIVITIES

\$ 31,088,277

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

CITY OF FORT BRAGG

**Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds
For the Fiscal Year Ended June 30, 2010**

	Special Revenue Funds			
	General	Coastal Conservancy Grant	Redevelopment Agency Project Area	Redevelopment Agency Low and Moderate Housing
Revenues				
Taxes and assessments	\$ 4,195,217	\$ -	\$ 861,839	\$ 215,460
Intergovernmental	119,364	4,250,451		
Charges for current services	2,675,424	112		
Fines, forfeitures, and penalties	13,840			
Use of money and property	19,804		14,074	7,625
Licenses and permits	305,140			
Other	86,016			
Total Revenues	7,414,805	4,250,563	875,913	223,085
Expenditures				
Current				
General government	1,742,348			
Public safety	3,390,191			
Public works	1,243,044			
Community development	478,125		976,335	303,667
Capital outlay	6,451	4,188,767	974	
Debt service				
Principal	232,900			
Interest	59,098			
Total Expenditures	7,152,157	4,188,767	977,309	303,667
Excess (Deficit) of Revenues over Expenditures	262,648	61,796	(101,396)	(80,582)
Other Financing Sources (Uses)				
Transfers in	502,408		183,332	
Transfers out	(355,702)	(26,177)	(279,028)	(217,099)
Total Other Financing Sources (Uses)	146,706	(26,177)	(95,696)	(217,099)
Net Changes in Fund Balances	409,354	35,619	(197,092)	(297,681)
Fund Balances (Deficits), Beginning of Fiscal Year	2,693,540	(35,619)	1,153,599	1,418,266
Prior Period Adjustments	(31,938)		(430,943)	(107,736)
Fund Balances (Deficits), Beginning of Fiscal Year, Restated	2,661,602	(35,619)	722,656	1,310,530
Fund Balances (Deficits), End of the Fiscal Year	\$ 3,070,956	\$ -	\$ 525,564	\$ 1,012,849

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

Special Sales Tax	Capital Projects Fund Stimulus Grant Projects	Other Governmental Funds	Totals
\$ 733,016	\$ -	\$ 46,570	\$ 6,052,102
	240,268	3,150,353	7,760,436
	1,327	49,022	2,725,885
			13,840
5,566		5,177	52,246
		1,326	306,466
		291,362	377,378
<u>738,582</u>	<u>241,595</u>	<u>3,543,810</u>	<u>17,288,353</u>
			1,742,348
		144,367	3,534,558
		275,639	1,518,683
		676,055	2,434,182
5,000	603,296	1,708,796	6,513,284
		75,000	307,900
		237,795	296,893
<u>5,000</u>	<u>603,296</u>	<u>3,117,652</u>	<u>16,347,848</u>
<u>733,582</u>	<u>(361,701)</u>	<u>426,158</u>	<u>940,505</u>
313,231		1,287,759	2,286,730
(333,112)		(1,055,322)	(2,266,440)
(19,881)		232,437	20,290
<u>713,701</u>	<u>(361,701)</u>	<u>658,595</u>	<u>960,795</u>
742,960	1,769	896,907	6,871,422
		31,938	(538,679)
<u>742,960</u>	<u>1,769</u>	<u>928,845</u>	<u>6,332,743</u>
<u>\$ 1,456,661</u>	<u>\$ (359,932)</u>	<u>\$ 1,587,440</u>	<u>\$ 7,293,538</u>

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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 Fiscal Year Ended June 30, 2010**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES		\$ 960,795
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital assets donated by developers and others	\$ 4,545,609	
Capital outlay expenditures are added back to fund balances	6,645,424	
Book value of disposal of assets	(84,779)	
Depreciation expense not reported in governmental funds	<u>(771,006)</u>	10,335,248
<p>Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay expenditures. Likewise, when the note is collected, it is reflected in revenue. This is the net change in between notes receivable collected and issued.</p>		
		(231,492)
<p>Repayment of long-term receivables is treated as revenue in governmental funds, but the repayment reduces long-term receivables in the Statement of Net Assets. Issuance of long-term receivables is treated as expenditures in the governmental funds, but the issuance increases long-term receivables in the Statement of Net Assets.</p>		
Issuance of loans		5,409
<p>Repayment of long-term debt is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities. Issuance of long term debt is subtracted from the fund balance. Repayment of debt principal is added back to fund balance</p>		
Amortization of deferred charges	\$ (6,095)	
Interest payable, net change	2,380	
Capital lease payable	226,258	
2004 Tax Allocation Bond	71,021	
Landfill postclosure costs	22,273	
Compensated absences, net change	(41,277)	
Other postemployment benefits	<u>(452,820)</u>	(178,260)
<p>Internal service funds are used by management to charge the costs of certain activities, such as maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.</p>		
		<u>(50,459)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 10,841,241</u></u>

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

CITY OF FORT BRAGG

**Proprietary Funds
Statement of Net Assets
For the Fiscal Year Ended June 30, 2010**

Assets	Enterprise Funds			Governmental Activities Internal Service
	Water	Sewer	Total	
Current Assets:				
Cash and investments	\$ 3,254,624	\$ -	\$ 3,254,624	\$ 84,862
Restricted cash and investments, with fiscal agents	108,011		108,011	
Receivables:				
Accounts (net)	202,980	205,833	408,813	
Interest	3,422	10	3,432	
Inventory	67,985	8,221	76,206	
Total Current Assets	<u>3,637,022</u>	<u>214,064</u>	<u>3,851,086</u>	<u>84,862</u>
Noncurrent Assets:				
Debt issuance costs (net)	110,379	26,520	136,899	
Capital assets, not being depreciated	466,785	159,926	626,711	
Capital assets, being depreciated	9,756,883	13,305,188	23,062,071	
Less-accumulated depreciation	<u>(5,623,961)</u>	<u>(5,881,626)</u>	<u>(11,505,587)</u>	
Total Noncurrent Assets	<u>4,710,086</u>	<u>7,610,008</u>	<u>12,320,094</u>	
Total Assets	<u>8,347,108</u>	<u>7,824,072</u>	<u>16,171,180</u>	<u>84,862</u>
Liabilities				
Current Liabilities:				
Accounts payable	187,539	106,581	294,120	5,919
Accrued payroll and benefits		15,730	15,730	
Interest payable	43,713	6,254	49,967	
Deferred revenue	20,607	15,794	36,401	
Deposits payable	126,834		126,834	
Due to other funds		86,924	86,924	
Current portion of long-term liabilities	350,465	91,207	441,672	
Total Current Liabilities	<u>729,158</u>	<u>322,490</u>	<u>1,051,648</u>	<u>5,919</u>
Noncurrent Liabilities:				
Advances from other funds		126,572	126,572	
Leases payable	654,908		654,908	
Loans payable	570,990		570,990	
Bonds payable	<u>3,071,043</u>	<u>380,000</u>	<u>3,451,043</u>	
Total Long-term Liabilities	<u>4,296,941</u>	<u>506,572</u>	<u>4,803,513</u>	
Total Liabilities	<u>5,026,099</u>	<u>829,062</u>	<u>5,855,161</u>	<u>5,919</u>
Net Assets				
Net Assets:				
Invested in capital assets, net of related debt	85,040	7,169,678	7,254,718	
Restricted for debt service	64,298		64,298	
Unrestricted	<u>3,171,671</u>	<u>(174,668)</u>	<u>2,997,003</u>	<u>78,943</u>
Total Net Assets	<u>\$ 3,321,009</u>	<u>\$ 6,995,010</u>	<u>\$ 10,316,019</u>	<u>\$ 78,943</u>

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

CITY OF FORT BRAGG

**Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010**

	Enterprise Funds			Governmental Activities Internal Service
	Water	Sewer	Totals	
Operating Revenues				
Charges for services	\$ 2,017,394	\$ 2,216,077	\$ 4,233,471	\$ 195,650
Total Operating Revenues	<u>2,017,394</u>	<u>2,216,077</u>	<u>4,233,471</u>	<u>195,650</u>
Operating Expenses				
Personnel services	896,448	1,219,585	2,116,033	
Administration	354,293	384,982	739,275	
Supplies and materials	169,979	67,025	237,004	
Insurance	49,794	43,983	93,777	
Outside contractors	156,438	70,933	227,371	
Maintenance	75,314	216,913	292,227	224,109
Utilities	90,024	112,493	202,517	
Depreciation	315,696	312,973	628,669	
Total Operating Expenses	<u>2,107,986</u>	<u>2,428,887</u>	<u>4,536,873</u>	<u>224,109</u>
Operating Income (Loss)	<u>(90,592)</u>	<u>(212,810)</u>	<u>(303,402)</u>	<u>(28,459)</u>
Non-Operating Revenues (Expenses)				
Investment earnings	20,131	403	20,534	
Other revenues	21,558	300,399	321,957	
Interest expenses and other charges	(293,197)	(36,212)	(329,409)	
Total Non-Operating Revenues (Expenses)	<u>(251,508)</u>	<u>264,590</u>	<u>13,082</u>	
Income (Loss) Before Contributions and Transfers	<u>(342,100)</u>	<u>51,780</u>	<u>(290,320)</u>	<u>(28,459)</u>
Capital contributions		84,779	84,779	
Transfers				
Transfers in	45,800	42,220	88,020	
Transfers out	(36,805)	(49,505)	(86,310)	(22,000)
Changes in Net Assets	<u>(333,105)</u>	<u>129,274</u>	<u>(203,831)</u>	<u>(50,459)</u>
Net Assets, Beginning of Fiscal Year	2,563,335	6,865,736	9,429,071	129,402
Prior Period Adjustments	<u>1,090,779</u>		<u>1,090,779</u>	
Net Assets, Beginning of Fiscal Year, restated	<u>3,654,114</u>	<u>6,865,736</u>	<u>10,519,850</u>	<u>129,402</u>
Net Assets, End of Fiscal Year	<u>\$ 3,321,009</u>	<u>\$ 6,995,010</u>	<u>\$ 10,316,019</u>	<u>\$ 78,943</u>

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

CITY OF FORT BRAGG
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds			Totals	Governmental Activities Internal Service
	Water	Sewer	Totals		
Cash Flows from Operating Activities					
Receipts from customers	\$ 2,040,375	\$ 2,219,187	\$ 4,259,562	\$	-
Receipts from interfund services provided	(874,088)	(1,246,563)	(2,120,651)		195,650
Payments to employees	(750,315)	(819,341)	(1,569,656)		(260,601)
Payments to suppliers and users					
Net Cash Provided (Used) by Operating Activities	415,972	153,283	569,255		(64,951)
Cash Flows from Noncapital Financing Activities					
Other revenue	21,558	300,399	321,957		
Intergovernmental	563,554	(476,630)	86,924		
Advances from other funds		83,880	83,880		
Transfers in	45,800	42,220	88,020		
Transfers out	(36,805)	(49,505)	(86,310)		(22,000)
Net Cash Provided (Used) by Noncapital Financing Activities	594,107	(99,636)	494,471		(22,000)
Cash Flows from Capital and Related Financing Activities					
Principal paid	(321,821)	(35,000)	(356,821)		
Purchase of capital assets	(351,120)	(146,488)	(497,608)		
Interest and other charges	(291,400)	(57,038)	(348,438)		
Net Cash Provided (Used) by Capital and Related Financing Activities	(964,341)	(238,526)	(1,202,867)		
Cash Flows from Investing Activities					
Interest received	25,650	789	26,439		
Net Cash Provided (Used) by Investing Activities	25,650	789	26,439		
Net Increase (Decrease) in Cash and Cash Equivalents	71,388	(184,090)	(112,702)		(86,951)
Cash and Cash Equivalents at the Beginning of the Fiscal Year	3,291,247	184,090	3,475,337		171,813
Cash and Cash Equivalents at the End of the Fiscal Year	\$ 3,362,635	\$ -	\$ 3,362,635		\$ 84,862
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:					
Cash and investments	\$ 3,254,624	\$ -	\$ 3,254,624		\$ 84,862
Restricted cash and investments	108,011		108,011		
Total Cash and Cash Equivalents	\$ 3,362,635	\$ -	\$ 3,362,635		\$ 84,862
Noncash Transactions					
Capital Contribution	\$ -	\$ 84,779	\$ 84,779		\$ -
Amortization of deferred charges	8,331	3,214	11,545		

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

(Continued)

CITY OF FORT BRAGG

Proprietary Funds
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds			Totals	Governmental Activities Internal Service
	Water	Sewer			
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (90,592)	\$ (212,810)	\$ (303,402)	\$	(28,459)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	315,696	312,973	628,669		
Amortization	8,331	3,214	11,545		
(Increase) Decrease in Operating Assets:					
Accounts receivable	6,094	(10,454)	(4,360)		
Inventory	12,765	3,950	16,715		
Increase (Decrease) in Operating Liabilities:					
Accounts payable	124,431	69,824	194,255		(36,492)
Accrued payroll and benefits		(965)	(965)		
Deposits payable	3,490		3,490		
Deferred revenue	13,397	13,564	26,961		
Compensated absences	22,360	(26,013)	(3,653)		
Net Cash Provided (Used) by Operating Activities	\$ 415,972	\$ 153,283	\$ 569,255	\$	(64,951)

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

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Fort Bragg (City) have been prepared in conformity with accounting principles (USGAAP) generally accepted in the United States of America 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 the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000). 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 of 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. Basis of Presentation

The accounts of the City are organized and operated on the basis of funds, each of which is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. These funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall city government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the City's governmental activities. Direct expenses are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational need of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are 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.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Internal service funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. These Internal service funds account for charges to other funds and departments for insurance, maintenance, and information services.

Fund Financial Statements

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 payments are due.

Property taxes, franchise taxes, licenses, grants, 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.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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.

Coastal Conservancy Grant Fund – This special revenue fund is used to account for grant funds received for the completion of Promo Bluffs Park.

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.

Redevelopment Agency Low and Moderate Housing Fund – This special revenue fund is used to account for the low and moderate housing general and administrative activities of the Fort Bragg Redevelopment Agency Housing Fund.

Special Sales Tax Fund – This capital projects fund is used to account for revenue received from local sales taxes restricted to street repairs.

Stimulus Grant Project Fund – This capital projects fund is used to account for ARRA fund received for the rehabilitation of Pudding Creek Road and Harold and Dana Street, and pedestrian enhancements on Pine Street.

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 accounts for the activities of the Fort Bragg Municipal Improvement District No. 1 which provides the City’s wastewater collection, treatment, and disposal operations.

Additionally, the government reports the following fund types:

Internal service funds account for maintenance and repair facilities and technology maintenance and repairs provided to other departments or agencies of the City, on a cost reimbursement basis.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term tax allocation bonds of the City’s redevelopment agency.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of 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 non-operating items. Operating revenues and expenses generally result from providing 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 non-operating 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.

C. 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 as "due to/from other funds" (i.e., the current portion of Intefund 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.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

2) Receivables and Payables (Continued)

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.

Mendocino County assesses properties, bills for, and collects secured and unsecured property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

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 or reservation of fund balance. Total balance of loans receivable at June 30, 2010, was \$467,592.

3) Inventory and Prepaid Items

Inventories are valued at lower of cost (First-In, First-Out) or market. Inventory as of June 30, 2010 was \$467.

4) Restricted Assets

Certain cash and investments in the City’s 2004 RDA Bond Debt Service Fund and the Water 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 value on the date received.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

5) Capital Assets (Continued)

As permitted by GASB Statement No. 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 the 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 fiscal year ended June 30, 2010, 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 assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

	Years
Buildings	40 - 75 years
Infrastructure	10 - 50 years
Utility plant	10 - 50 years
Machinery and equipment	3 - 40 years

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 amounts have matured (such as vacation time estimated to be paid upon retirement in the next fiscal year with available expendable financial resources).

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

7) Long-Term Obligations

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs and underwriters' discount are reported as deferred bond issuance costs. Amortization of bond premiums or discounts and issuance costs is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8) 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, including enabling legislation.

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – DESCRIPTION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

10) New Accounting Pronouncements

GASB Statement No. 45 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 45, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.” This Statement is effective for periods beginning after December 15, 2008 for governments with total annual revenues of less than \$10 million. The Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures, related liabilities and assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. See Note 14 for more details on the City’s plan and the effect on the financial statements.

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

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

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

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

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

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

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

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

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 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 budget basis.
- 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 \$8,408,356 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 funds for which budgets were adopted:

General fund

General government:		
City attorney	\$	34,883
Non-departmental		8,013
Community development:		
Community contribution		3,173
Debt service		
Principal		71,999
Coast conservancy grant fund		
Capital outlay		4,102,063
Special sales tax fund		
Capital outlay		5,000

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Deficit Fund Equity

Major Fund:	
Stimulus Grant Projects	\$ 359,932
Nonmajor Funds:	
Safe Routes To School	1,200
ADA Curbs and Gutters	124
Sustainable Comm Grant	66,256
Cal Trans Planning Grant	12,462
Coastal Trail Cal Trans Grant	39,600
CDBG Economic Development Allocation	2,606
Gasoline Tax	983
MCOG 2005 Main Street Merge	1,704

NOTE 3 – CASH AND INVESTMENTS

Cash and investments are reported in the Statement of Net Assets and are held by the City as follows:

Statement of Net assets:	
Cash and Investments	\$ 10,426,500
Restricted cash and investments with fiscal agents	<u>421,520</u>
Total	<u><u>\$ 10,848,020</u></u>

Cash and investments consist of the following:

Cash on hand	\$ 1,998
Deposits with financial institutions	3,291,738
Investments:	
Local Agency Investment Fund	7,132,764
Fiscal agents	<u>421,520</u>
Total Cash and Investments	<u><u>\$ 10,848,020</u></u>

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government code and the City’s Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$50 Million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Repurchase Agreements	90 days	None	None
Bankers Acceptance (must be dollar denominated)	9 months	40%	None
Commercial Paper A Rated Minimum	6 months	15%	None
Time Certificates of Deposit FDIC Insured	5 years	30%	None
General Obligations of any State or Political Subdivision rated AA at a minimum	5 years	30%	None
Money Market Mutual Funds holding cash and US Government Obligations	N/A	None	None

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	270 days	40%	15%
Commercial Paper	180 days	15%	15%
Money Market Mutual Funds	N/A	None	None

Per the City’s investment policy, if special circumstances arise that necessitate the purchase of securities beyond the five year limitation, the requests must be approved by the Council prior to purchase.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – 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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Investment Type	Totals	Remaining Maturity (in Months)				
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months
State Investment Pool (LAIF)	\$ 7,132,764	\$ 7,132,764	\$ -	\$ -	\$ -	\$ -
Held With Fiscal Agent:						
Money Market Funds	421,520	421,520				
Totals	\$ 7,554,284	\$ 7,554,284	\$ -	\$ -	\$ -	\$ -

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments including investments held by bond trustees that are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool (LAIF)	\$ 7,132,764	N/A	\$ -	\$ -	\$ -	\$ -	\$ 7,132,764
Held by Bond Trustees:							
Money Market Funds	421,520	N/A		421,520			
Total	\$ 7,554,284		\$ -	\$ 421,520	\$ -	\$ -	\$ 7,132,764

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

The custodial credit risk for investments 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 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).

As of June 30, 2010, \$533,365 of the City's deposits with financial institutions was covered by federal depository insurance limits or were held in collateralized accounts.

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 \$50 million 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2009	Additions	Deletions	Reclass/ Transfers	Balance June 30, 2010
Governmental Activities					
Nondepreciable capital assets					
Land	\$ 2,945,227	\$ 9,346,000	\$ -	\$ -	\$ 12,291,227
Construction in progress	5,060,993	674,376		(5,244,409)	490,960
Total nondepreciable capital assets	<u>8,006,220</u>	<u>10,020,376</u>		<u>(5,244,409)</u>	<u>12,782,187</u>
Depreciable capital assets:					
Buildings	4,434,920	225,275		334,327	4,994,522
Machinery and equipment	1,143,692	62,121		24,365	1,230,178
Infrastructure	10,152,247	883,261		4,800,938	15,836,446
Total depreciable capital assets	<u>15,730,859</u>	<u>1,170,657</u>		<u>5,159,630</u>	<u>22,061,146</u>
Less accumulated depreciation					
Buildings	(2,515,985)	(129,325)			(2,645,310)
Machinery and equipment	(694,781)	(156,412)			(851,193)
Infrastructure	(864,316)	(485,269)			(1,349,585)
Total accumulated depreciation	<u>(4,075,082)</u>	<u>(771,006)</u>			<u>(4,846,088)</u>
Net depreciable capital assets	<u>11,655,777</u>	<u>399,651</u>		<u>5,159,630</u>	<u>17,215,058</u>
Net capital assets	<u>\$ 19,661,997</u>	<u>\$ 10,420,027</u>	<u>\$ -</u>	<u>\$ (84,779)</u>	<u>\$ 29,997,245</u>

	Balance July 1, 2009	Additions	Deletions	Reclass/ Transfers	Balance June 30, 2010
Business-type Activities					
Water Activity					
Nondepreciable capital assets					
Land	\$ 216,079	\$ -	\$ -	\$ -	\$ 216,079
Construction in progress	78,198	172,508			250,706
Total nondepreciable capital assets	<u>294,277</u>	<u>172,508</u>			<u>466,785</u>
Depreciable capital assets:					
Buildings	700,932				700,932
Infrastructure	4,737,148				4,737,148
Machinery and equipment	4,140,191	178,612			4,318,803
Total depreciable capital assets	<u>9,578,271</u>	<u>178,612</u>			<u>9,756,883</u>
Less accumulated depreciation					
Buildings	(378,944)	(24,213)			(403,157)
Infrastructure		(159,373)		(2,470,473)	(2,629,846)
Machinery and equipment	(4,929,321)	(132,110)		2,470,473	(2,590,958)
Total accumulated depreciation	<u>(5,308,265)</u>	<u>(315,696)</u>			<u>(5,623,961)</u>
Net depreciable capital assets	<u>4,270,006</u>	<u>(137,084)</u>			<u>4,132,922</u>
Net capital assets	<u>\$ 4,564,283</u>	<u>\$ 35,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,599,707</u>

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2010 was as follows (Continued):

	Balance July 1, 2009	Additions	Deletions	Reclass/ Transfers	Balance June 30, 2010
Sewer Activity					
Nondepreciable capital assets					
Land	\$ 69,000	\$ -	\$ -	\$ -	\$ 69,000
Construction in progress	43,991	46,935			90,926
Total nondepreciable capital assets	112,991	46,935		-	159,926
Depreciable capital assets:					
Buildings	3,322,742				3,322,742
Infrastructure	8,557,346			84,779	8,642,125
Machinery and equipment	1,240,768	99,553			1,340,321
Total depreciable capital assets	13,120,856	99,553		84,779	13,305,188
Less accumulated depreciation					
Buildings	(1,467,249)	(48,646)			(1,515,895)
Infrastructure	(3,060,041)	(211,407)			(3,271,448)
Machinery and equipment	(1,041,363)	(52,920)			(1,094,283)
Total accumulated depreciation	(5,568,653)	(312,973)			(5,881,626)
Net depreciable capital assets	7,552,203	(213,420)		84,779	7,423,562
Net capital assets	\$ 7,665,194	\$ (166,485)	\$ -	\$ 84,779	\$ 7,583,488
	Balance July 1, 2009	Additions	Deletions	Reclass/ Transfers	Balance June 30, 2010
Total Business-type Activities					
Nondepreciable capital assets					
Land	\$ 285,079	\$ -	\$ -	\$ -	\$ 285,079
Construction in progress	122,189	219,443			341,632
Total nondepreciable capital assets	407,268	219,443			626,711
Depreciable capital assets:					
Buildings	4,023,674				4,023,674
Infrastructure	13,294,494			84,779	13,379,273
Machinery and equipment	5,380,959	278,165			5,659,124
Total depreciable capital assets	22,699,127	278,165		84,779	23,062,071
Less accumulated depreciation					
Buildings	(1,846,192)	(72,859)			(1,919,051)
Infrastructure	(3,060,041)	(370,780)		(2,470,473)	(5,901,294)
Machinery and equipment	(5,970,685)	(185,030)		2,470,473	(3,685,242)
Total accumulated depreciation	(10,876,918)	(628,669)			(11,505,587)
Net depreciable capital assets	11,822,209	(350,504)		84,779	11,556,484
Net capital assets	\$ 12,229,477	\$ (131,061)	\$ -	\$ 84,779	\$ 12,183,195

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation Allocations

Depreciation expense was charged to function and programs based on their usage of the related assets. The amounts allocated to each functions or program were as follows:

Governmental Activities:

General government	\$	596,555
Public safety		143,580
Public works		30,871
Total Depreciation Expense - Governmental Activities	\$	771,006

Business-type Activities:

Water	\$	315,696
Sewer		312,973
Total Depreciation Expense - Business-type Activities	\$	628,669

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Transfers

	Transfers In	Transfers Out
Major Governmental Funds:		
General	\$ 502,408	\$ 355,702
Coastal Conservancy Grant		26,177
Redevelopment Agency Project Area	183,332	279,028
Redevelopment Agency Low and Moderate Housing		217,099
Special Sales Tax	313,231	333,112
Major Enterprise Funds:		
Water	45,800	36,805
Sewer	42,220	49,505
Nonmajor Governmental Funds:		
General Plan Maintenance Fee		30,000
ADA Curbs and Gutter	28,759	
Clean Beaches Grant		4,720
Air Quality MD Grants		32,712
COPS AB 1913 Allocation		100,000
CDBG Plan and Technology Grant		1,344
CDBG Program Income		304,000
Asset Seizure		11,000
CDBG PT/A	304,000	
Gasoline Taxes	14,642	
MCOG Streets Allocation		48,004
Traffic Congestion Relief		58,314
Proposition 1B Street Fund		200,000
General Capital Projects	78,502	
Bainbridge Park Improvements	27,000	

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

B. Interfund Transfers (Continued)

	Transfers In	Transfers Out
Nonmajor Governmental Funds: (Continued)		
Street Repair Projects	\$ 67,096	\$ -
Franklin Street Reconstruction		265,228
Railroad Crossing Rehabilitation Project	2,137	
Rubberized Chip Seal	5,992	
Downtown Streetscape Phase III	420,629	
Street Rehabilitation Phase III ST-18	26,207	
Internal Service Fund		22,000
2004 Bonds Debt Service Fund	312,795	
Total	\$ 2,374,750	\$ 2,374,750

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

C. Long-Term Interfund Advances

At June 30, 2010, the funds below had made/received advances which were not expected to be repaid within the next fiscal year.

<u>Fund Receiving Advance</u>	<u>Fund Making Advance</u>	<u>Amount</u>
Major Proprietary Fund: Sewer Fund	Major Governmental Fund: Redevelopment Agency Project Area	\$ 126,572
		\$ 126,572

The Redevelopment Agency Project Area Special Revenue Fund advanced \$42,692 to the Sewer Fund 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 principal due of \$2,135 to be paid each quarter.

On June 30, 2010, additional amount of \$76,800 was advanced from the Redevelopment Agency Project Area Special Revenue Fund to the Sewer Fund. The term of the advance is five years with payments of interest due at 0.56% and any and all unencumbered Wastewater enterprise capital fees and revenue available each fiscal year shall be paid quarterly commencing September 30, 2010.

No repayments were made by the District and unpaid interest was \$7,080 at June 30, 2010.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

D. Due To/From

	Due To	Due From
Governmental Funds:		
Major Funds		
General	\$ -	\$ 962,378
Redevelopment Agency		
Project Area	528,297	
Redevelopment Agency		
Low and Moderate Housing		528,297
Stimulus Grant Projects	128,938	
Sewer	86,924	
Nonmajor Funds		
Safe Routes to School	1,200	
ADA Curbs and Gutter	183,101	
Sustainable Comm Grant	118,932	
COPS AB1913 Allocation	43,754	
CalTrans Planning Grant	51,122	
CDBG General Allocation Grants	4,584	
Coastal Trail CalTrans Grant	51,063	
CDBG Economic Development Allocation	2,606	
Micro Enterprise EDBG	33,332	
Gasoline Taxes	11,737	
MCOG 2005 Main Street Merge	1,704	
Bainbridge Park Improvements	79,699	
Downtown Escape Phase III	163,682	
Total	\$ 1,490,675	\$ 1,490,675

Certain funds borrow money from other funds to cover the cash shortages. These borrowings constitute short-term loans because the intent is to repay them within one year from date of borrowing. Redevelopment Agency Project Area fund borrowed \$528,297 from the Redevelopment Agency Low and Moderate Housing fund to help finance the Agency's commitment to SERAF.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – 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, have been recorded at the present value for its future minimum lease payments.

The assets acquired through capital leases are as follows:

	Governmental Activities	Proprietary Funds
Police vehicles	\$ 292,542	\$ -
Sewer-vac truck		185,000
Water Meter Reading Equipment		838,499
Less: Accumulated depreciation	(249,024)	(282,825)
	<u>\$ 43,518</u>	<u>\$ 740,674</u>

The City's future minimum lease payments and the net present value of future minimum lease payments at June 30, 2010, were as follows:

Fiscal Year Ended June 30,	Governmental Activities	Proprietary funds
2011	\$ 164,348	\$ 149,589
2012	150,686	126,566
2013	140,927	126,565
2014	140,927	126,566
2015	140,927	126,565
2016-2020	<u>597,255</u>	<u>253,131</u>
Total Minimum Lease Payments	1,335,070	908,982
Less: Amount representing interest	(243,350)	(139,742)
Present Value of Minimum Lease Payments	<u>\$ 1,091,720</u>	<u>\$ 769,240</u>

NOTE 7 – LONG-TERM DEBT

A. 2004 Tax Allocation Bonds

In 2004 the Fort Bragg Redevelopment Agency issued \$4,830,000 of Tax Allocation Bonds for the purpose of refunding \$1,860,000 of outstanding 1993 Tax Allocation 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 Statement No. 23. Deferred amounts for the loss on refunding, and the original discount and issue costs associated with the issuance of the 2004 Bonds are being amortized over the life of the 2004 issue using the straight line method.

The Bonds bear annual interest at rates varying between 1.8% and 5.5%. The Bonds were issued as a fully registered note in denominations of \$5,000. Interest on the bonds are payable semi-annually each November 1 and May 1. Principal is paid in annual installments each May 1, 2004, through the year 2037 in amounts ranging from \$65,000 through \$295,000. The outstanding principal balance as of June 30, 2010 was \$4,335,000.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

A. 2004 Tax Allocation Bonds (Continued)

The scheduled annual minimum debt service requirement at June 30, 2010 is as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 80,000	\$ 232,005	\$ 312,005
2012	80,000	228,805	308,805
2013	80,000	225,445	305,445
2014	90,000	221,965	311,965
2015	95,000	217,915	312,915
2016-2020	540,000	1,009,810	1,549,810
2021-2025	700,000	851,078	1,551,078
2026-2030	905,000	639,928	1,544,928
2031-2035	1,190,000	361,902	1,551,902
2036-2037	575,000	47,821	622,821
Totals	<u>\$ 4,335,000</u>	<u>\$ 4,036,674</u>	<u>\$ 8,371,674</u>

B. Caspar Landfill Closure and Post-Closure Cost

The Casper 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, 2010, the City's estimated liability for its share of landfill closure and postclosure care costs was \$641,067. This estimated total current cost of the landfill closure and postclosure care is based on the amount what would be paid if all equipment, facilities, and services required to close, monitor, and maintain that landfill were acquired as of June 30, 2010, 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)

C. 2004 California Statewide Communities Development Authority Bonds (CSCDA)

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. The outstanding principal balance as of June 30, 2010 was \$3,710,000.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

C. 2004 California Statewide Communities Development Authority Bonds (CSCDA) (Continued)

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 200,000	\$ 165,486	\$ 365,486
2012	210,000	158,521	368,521
2013	220,000	150,656	370,656
2014	225,000	142,037	367,037
2015	230,000	133,333	363,333
2016-2020	1,330,000	502,334	1,832,334
2021-2024	1,295,000	140,301	1,435,301
Totals	<u>\$ 3,710,000</u>	<u>\$ 1,392,668</u>	<u>\$ 5,102,668</u>

D. 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. The outstanding principal balance as of June 30, 2010 was \$420,000.

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 40,000	\$ 21,140	\$ 61,140
2012	40,000	19,080	59,080
2013	40,000	16,960	56,960
2014	45,000	14,708	59,708
2015	45,000	12,323	57,323
2016-2020	210,000	22,750	232,750
Totals	<u>\$ 420,000</u>	<u>\$ 106,961</u>	<u>\$ 526,961</u>

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

E. Safe Drinking Water Revolving Loan (SDWRL)

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 cannot exceed \$2,325,500, of which the City had borrowed \$2,141,532. At June 30, 2010, the balance of the loan payable was \$1,235,155. Loan principal payments of \$53,538 are required semi-annually on January 1st and July 1st for twenty (20) years commencing January 1, 2007.

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

Fiscal Year Ended June 30,	Principal
2011	\$ 107,077
2012	107,077
2013	107,077
2014	107,077
2015	107,077
2016-2020	535,385
2021-2025	535,385
2026-2027	161,040
Total payments	1,767,195
Less: unamortized discount	(532,040)
Loans payable to State, net	<u>\$ 1,235,155</u>

F. Changes in Long-term Liabilities

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

	Balance July 1, 2009	Prior Period Adjustments	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental activities:						
Bonds payable:						
2004 tax allocation bond	\$ 4,410,000	\$ -	\$ -	\$ 75,000	\$ 4,335,000	\$ 80,000
2004 discount	(89,178)			(3,204)	(85,974)	(3,204)
2004 deferred refunding loss	(21,566)			(775)	(20,791)	(775)
Capital lease	1,390,491			232,900	1,157,591	121,089
Capital lease deferred refunding loss	(72,513)			(6,642)	(65,871)	(6,642)
Landfill post-closure	159,939	503,401		22,273	641,067	22,273
Compensated absences	369,066		440,286	399,009	410,343	410,343
Postemployment benefits			675,936	223,116	452,820	231,728
Governmental activity Long-term liabilities	<u>\$ 6,146,239</u>	<u>\$ 503,401</u>	<u>\$ 1,116,222</u>	<u>\$ 941,677</u>	<u>\$ 6,824,185</u>	<u>\$ 854,812</u>

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – LONG-TERM DEBT (Continued)

F. Changes in Long-term Liabilities (Continued)

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

	Balance July 1, 2009	Prior Period Adjustments	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Business-type activities:						
Bonds payable:						
1998 revenue bond	\$ 455,000	\$ -	\$ -	\$ 35,000	\$ 420,000	\$ 40,000
2004 CSCDA	3,905,000			195,000	3,710,000	200,000
2004 CSCDA premium	55,594			3,901	51,693	3,901
2004 CSCDA deferred refunding loss	(566,219)			(39,735)	(526,484)	(39,735)
Loans payable:						
SDWRL	1,801,645	(459,413)		107,077	1,235,155	107,077
SDWRL discount		(631,366)		(37,139)	(594,227)	(37,139)
Capital leases	878,151			108,911	769,240	114,331
Interfund loans	42,692		83,880		126,572	
Compensated absences	56,890		56,128	59,781	53,237	53,237
	<u>6,628,753</u>	<u>(1,090,779)</u>	<u>140,008</u>	<u>432,796</u>	<u>5,245,186</u>	<u>441,672</u>
Business-type activity Long-term liabilities	<u>\$ 6,628,753</u>	<u>\$ (1,090,779)</u>	<u>\$ 140,008</u>	<u>\$ 432,796</u>	<u>\$ 5,245,186</u>	<u>\$ 441,672</u>

G. Deferred Debt Issuance Costs

Bond issuance costs are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

NOTE 7- FUND EQUITY

Fund balances reserved and unreserved/designated at June 30, 2010, were as follows:

Reservation of Fund Balances

The City has established certain fund balance reserve accounts to report the amounts in the following funds which represent available spendable resources restricted for a specified purpose:

Reserved for	General	Special Revenue	Debt Service	Capital Projects
Petty cash	\$ 1,998	\$ -	\$ -	\$ -
Inventory	467			
Litigation	259,356			
Capital projects	393,498			
Debt service			323,467	
Low and moderate income housing		996,989		
Loans		232,625		
Long-term advances		126,572		
Encumbrances	51,704	1,796,364		545,164
Total	<u>\$ 707,023</u>	<u>\$ 3,152,550</u>	<u>\$ 323,467</u>	<u>\$ 545,164</u>

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8- 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 \$100,000 or 5% of building value for earthquake losses and \$100,000 for flood losses – all per occurrence. The annual premium paid to REMIF for the 2009/10 fiscal year was \$321,558. Claims paid by REMIF favor of the City totaled \$49,887. Participating members of REMIF do not have a refundable deposit, and no dividends are paid.

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

NOTE 9 – 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 No. 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 No. 14. The names and general functions of these joint powers are as follows:

Casper Landfill

The City has joint powers agreement with the County of Mendocino for post-closure maintenance of the Casper 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 2009/10 fiscal year, the City paid the 2008/09 share of cost under the terms of this agreement for an amount of \$22,273. The City also estimated the shared cost of fiscal year 09/10 to be paid during the fiscal year 2010/11 for an amount of \$22,273. Actual amounts had not been calculated at the time these financial statements were prepared.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 – RELATED ORGANIZATIONS (Continued)

Mendocino Solid Waste Management Authority

This authority consists of three Mendocino County cities and the County of Mendocino (Authority). The Authority 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.

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 \$342,829 under the terms of this agreement.

NOTE 10 – CUSTOMER DEPOSITS/OTHER DEPOSITS

Customer deposits and other deposits consist of the following at June 30, 2010

	Governmental Activities	Business-type Activities	Totals
Customer deposits for water services	\$ -	\$ 126,834	\$ 126,834
Deposits held in trust or as an agent for a specific future purpose	224,280		224,280
	\$ 224,280	\$ 126,834	\$ 351,114

NOTE 11 – 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.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12 – DEFINED BENEFIT PENSION PLAN

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 (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.

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 2009/10 was 9.388% for miscellaneous employees, 24.268% 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.

Annual Pension Cost

For fiscal year 2009/10, the City’s annual pension cost was \$494,071 (\$217,726 for Miscellaneous, \$276,345 for Police, and \$0 for Fire) and the City actually contributed \$494,071. In addition, the City paid \$262,427 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 2009/10 was determined as part of the June 30, 2007, 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	3.55% - 14.45%	3.55% - 14.45%	3.55% - 14.45%
Inflation	3.00%	3.00%	3.00%
Payroll growth	3.25%	3.25%	3.25%

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

Annual Pension Cost (Continued)

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, 2007 the remaining average amortization period was 16 years for Miscellaneous, 13 years for Police, and 1 year for Fire.

Three-Year Trend Information			
Fiscal Year Ending June 30,	Combined Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2008	\$ 425,705	100%	\$ -
2009	485,949	100%	-
2010	494,071	100%	-

NOTE 13 – DEFERRED COMPENSATION PLAN

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 provision of GASB No. 32 and, therefore, the assets and liabilities of these plans have been excluded from the accompanying financial statements.

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The City offers its employees a post-retirement health program, which includes medical and dental coverages. Upon retirement for service or disability, employees retiring directly from service at age 50 or over with 10 years of service may continue coverage for themselves and their spouse’s (to whom they are married at retirement). Currently 58 employees meet those eligibility requirements. Expenditures for these post-retirement benefits are recognized as monthly premiums are paid. During the 2009/2010 fiscal year, expenditure of \$223,116 were recognized for the cost of these post-retirement benefits. The City pays portions of the premiums dependent on bargaining group and employee hire date as follows:

Tire 1: For retirees hired before January 1, 1992, the City pays the full cost of medical and dental premium for the former employee. In addition, the City pays a percentage of the spouse’s medical plan premium starting at the retiree’s age 60. The percentage is 10% for each year of service after 10 years, reaching 100% for those retiring with 19 or more years of service. In addition, the spouse may participate in the dental program-but at their own cost.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Plan Description (Continued)

Tier 2: For retirees hired after January 1, 1992 and before July 1, 2003 (July 1, 2004 for Fort Bragg Police Officer Association members), the City pays the full cost of medical and dental premiums for the former employee only. Spouses of Management retirees may participate in the City health plans at their own cost.

Tier 3: For retirees hired after July 1, 2003 (July 1, 2004 for Fort Bragg Police Officer Association members) and before July 1, 2007, the City pays the full cost of medical and dental premiums for the former employee until age 65 when Medicare becomes payable. Thereafter, coverage is limited to a supplemental prescription drug plan, which is paid for by the City. Spouses of management retirees may participate in the City health plans until age 65 at their own cost.

Funding Policy. The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City.

Annual OPEB and Net OPEB Obligation. The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation.

Annual required contribution	\$ 675,936
Annual OPEB cost (expense)	675,936
Contributions made	(223,116)
Increase in net OPEB obligation	452,820
Net OPEB obligation (assets) - beginning of fiscal year	-
Net OPEB obligation (assets) - end of fiscal year	\$ 452,820

The City ‘s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation (Asset)
6/30/2010	\$ 675,936	33%	\$ 452,820

Funded Status and Funding Progress. As of January 1, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$8,562,135, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,562,135. The covered payroll (annual payroll of active employees covered by the plan) was \$3,383,762, and the ratio of the UAAL to the covered payroll was 253 percent.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In the January 1, 2010, actuarial valuation, the level percentage of pay Entry Age Normal Cost Method has been used to calculate contribution levels and the Unfunded Actuarial Accrued Liability. The actuarial assumptions included a 4.5 percent investment rate of return, which is the expected long-term investment returns on plan assets and an annual healthcare cost trend rate starting from 13.25% in 2011 decreasing by .75% each year until 2017 to minimum of 5.75% for Blue Cross premiums and starting from 10.5% in 2011 decreasing to minimum of 5.75% for Hartford premiums. The actuarial value of assets was \$0. The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at January 1, 2010 was thirty years. The amortization period closed for initial UAAL and open for remaining UAAL for thirty years.

NOTE 15 – NET ASSETS-GOVERNMENTAL ACTIVITIES

The government-wide statement of net assets includes three equity categories entitled net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The invested in capital assets, net of related debt category presents the City's equity interest in capital assets less outstanding principal of related debt. The restricted net assets category is designed to reflect net assets that are subject to restrictions beyond the City's control (externally imposed or imposed by law). The unrestricted net assets category equals any remaining balance and can be subdivided into designated and undesignated portions. Designations reflect the City's self-imposed limitations on the use of otherwise available current financial resources.

CITY OF FORT BRAGG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 15 – NET ASSETS-GOVERNMENTAL ACTIVITIES (Continued)

Details of the three categories are as follows:

	Governmental Activities	Business-type Activities
Net Assets		
Invested in capital assets, net of related debt:		
Total capital assets, net of depreciation	\$ 29,997,245	\$ 12,183,195
Less: total capital related debt	(5,201,857)	(4,928,477)
Invested in capital assets, net of related debt	24,795,388	7,254,718
Restricted for:		
Housing	1,103,288	
Debt service	280,657	64,298
Public safety	542,795	
Community development	857,853	
Streets	1,665,158	
Total Restricted	4,449,751	64,298
Unrestricted	1,843,138	2,997,003
Total net assets	\$ 31,088,277	\$ 10,316,019

\$4,449,751 in governmental activities and \$64,298 in business-type activities of the restricted net assets reports in the government-wide statement of net assets are restricted by external creditors, grantors, contributors, or laws or regulations of other governments, including enabling legislation.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

The City received property tax increment through the County in previous years. During these years a major property owner was appealing the assessed value of its property. The property tax owner prevailed and there has been a decrease in the assessed value of the property and all agencies that received property tax revenue in earlier years are now required to refund the portion received pertaining to the decreased reassessment. This amount was \$(538,679).

A prior period adjustment in the amount of \$53,500 was booked in the Statement of Activities to reflect an understatement of interest receivable on notes receivable in the amount of \$3,500 and the principal balance of a note issued in 2007 in the amount of \$50,000.

A prior period adjustment in the amount of \$(503,401) was booked in the Statement of Activities to reflect an understatement of landfill post-closure liability.

A prior period adjustment in the amount of \$1,090,779 was booked in the Statement of Activities to reflect an overstatement of loans payable.

Prior period adjustments in the amount of \$(31,938) in General Fund, \$21,145 in Parking Fund, and \$10,793 in Parking In Lieu Fees Fund due to misclassification funds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FORT BRAGG

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes				
Property taxes	\$ 835,165	\$ 835,165	\$ 937,437	\$ 102,272
Sales and use taxes	1,524,795	1,524,795	1,421,559	(103,236)
Transient occupancy taxes	1,491,560	1,491,560	1,379,128	(112,432)
Franchise taxes	506,400	506,400	457,093	(49,307)
Intergovernmental	208,000	208,000	119,364	(88,636)
Charges for current services	2,293,418	2,293,418	2,675,424	382,006
Fines, forfeitures, and penalties	16,300	16,300	13,840	(2,460)
Use of money and property	45,000	45,000	19,804	(25,196)
Licenses and permits	227,765	227,765	305,140	77,375
Other	83,704	83,704	86,016	2,312
Total Revenues	<u>7,232,107</u>	<u>7,232,107</u>	<u>7,414,805</u>	<u>182,698</u>
Expenditures				
Current				
General Government				
City council	98,864	98,864	93,463	5,401
City attorney	130,000	130,000	164,883	(34,883)
City manager	381,029	381,029	370,944	10,085
City clerk	191,766	191,766	184,200	7,566
Human resources	24,750	24,750	9,207	15,543
Finance	479,239	500,239	427,181	73,058
Non-departmental	478,274	484,457	492,470	(8,013)
Total General Government	<u>1,783,922</u>	<u>1,811,105</u>	<u>1,742,348</u>	<u>68,757</u>
Public Safety				
Operations	2,433,158	2,469,725	2,373,787	95,938
Administration	501,813	501,813	461,273	40,540
Support services	218,595	218,595	200,161	18,434
Fire	376,850	376,850	354,970	21,880
Total Public Safety	<u>3,530,416</u>	<u>3,566,983</u>	<u>3,390,191</u>	<u>176,792</u>
Expenditures				
Current				
Public Works				
Engineering	453,234	483,034	453,983	29,051
Streets-storm drain	15,000	15,000	7,862	7,138
Motor pool	2,400	2,400	919	1,481
Corporation yard	782,922	773,922	756,969	16,953
Parks and facilities	44,115	53,115	49,431	3,684
Caspar landfill and transfer station	65,175	65,175	(26,120)	91,295
Total Public Works	<u>1,362,846</u>	<u>1,392,646</u>	<u>1,243,044</u>	<u>149,602</u>

(Continued)

CITY OF FORT BRAGG

**General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010
(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community Development				
Administration	\$ 470,573	\$ 471,073	\$ 381,872	\$ 89,201
Community organizations	34,515	34,515	37,688	(3,173)
Promotion committee	62,120	72,323	58,565	13,758
Total Community Development	<u>567,208</u>	<u>577,911</u>	<u>478,125</u>	<u>99,786</u>
Capital outlay	<u>22,300</u>	<u>35,725</u>	<u>6,451</u>	<u>29,274</u>
Debt service				
Principal	160,901	160,901	232,900	(71,999)
Interest	60,475	60,475	59,098	1,377
Total Debt Service	<u>221,376</u>	<u>221,376</u>	<u>291,998</u>	<u>(70,622)</u>
Total Expenditures	<u>7,488,068</u>	<u>7,605,746</u>	<u>7,152,157</u>	<u>453,589</u>
Excess (Deficit) of Revenues over Expenditures	<u>(255,961)</u>	<u>(373,639)</u>	<u>262,648</u>	<u>636,287</u>
Other Financing Sources (Uses)				
Transfers in	427,000	495,713	502,408	6,695
Transfers out	<u>(272,200)</u>	<u>(359,500)</u>	<u>(355,702)</u>	<u>3,798</u>
Total Other Financing Sources (Uses)	<u>154,800</u>	<u>136,213</u>	<u>146,706</u>	<u>10,493</u>
Net Changes in Fund Balance	<u>(101,161)</u>	<u>(237,426)</u>	<u>409,354</u>	<u>646,780</u>
Fund Balance, Beginning of Fiscal Year	2,693,540	2,693,540	2,693,540	
Prior period adjustments			<u>(31,938)</u>	<u>(31,938)</u>
Fund Balance, Beginning of Fiscal Year, Restated	<u>2,693,540</u>	<u>2,693,540</u>	<u>2,661,602</u>	<u>(31,938)</u>
Fund Balance, End of Fiscal Year	<u>\$ 2,592,379</u>	<u>\$ 2,456,114</u>	<u>\$ 3,070,956</u>	<u>\$ 614,842</u>

CITY OF FORT BRAGG

Coastal Conservancy Grant

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

For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 42,652	\$ 42,652	\$ 4,250,451	\$ 4,207,799
Charges for current services			112	112
Total Revenues	<u>42,652</u>	<u>42,652</u>	<u>4,250,563</u>	<u>4,207,911</u>
Expenditures				
Capital outlay	<u>79,204</u>	<u>86,704</u>	<u>4,188,767</u>	<u>(4,102,063)</u>
Total Expenditures	<u>79,204</u>	<u>86,704</u>	<u>4,188,767</u>	<u>(4,102,063)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(36,552)</u>	<u>(44,052)</u>	<u>61,796</u>	<u>105,848</u>
Other Financing Sources (Uses)				
Transfers in		7,500		(7,500)
Transfers out			<u>(26,177)</u>	<u>(26,177)</u>
Total Other Financing Sources (Uses)		<u>7,500</u>	<u>(26,177)</u>	<u>(26,177)</u>
Net Changes in Fund Balance	(36,552)	(36,552)	35,619	72,171
Fund Balance (Deficit), Beginning of Fiscal Year	<u>(35,619)</u>	<u>(35,619)</u>	<u>(35,619)</u>	
Fund Balance (Deficit), End of Fiscal Year	<u>\$ (72,171)</u>	<u>\$ (72,171)</u>	<u>\$ -</u>	<u>\$ 72,171</u>

CITY OF FORT BRAGG

**Redevelopment Agency Project Area
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property tax increment revenue	\$ 1,074,845	\$ 1,074,845	\$ 861,839	\$ (213,006)
Use of money and property	15,000	22,080	14,074	(8,006)
Total Revenues	<u>1,089,845</u>	<u>1,096,925</u>	<u>875,913</u>	<u>(221,012)</u>
Expenditures				
Current:				
Community development	1,170,468	1,198,769	976,335	758,345
Capital outlay		17,208	974	16,234
Total Expenditures	<u>1,170,468</u>	<u>1,215,977</u>	<u>977,309</u>	<u>238,668</u>
Excess (Deficit) of Revenues over Expenditures	<u>(80,623)</u>	<u>(119,052)</u>	<u>(101,396)</u>	<u>17,656</u>
Other Financing Sources (Uses)				
Transfers out	(279,028)	(279,028)	(279,028)	
Transfers in		183,332	183,332	
Total Other Financing Sources (Uses)	<u>(279,028)</u>	<u>(95,696)</u>	<u>(95,696)</u>	
Net Changes in Fund Balance	<u>(359,651)</u>	<u>(214,748)</u>	<u>(197,092)</u>	<u>17,656</u>
Fund Balance, Beginning of Fiscal Year	1,153,599	1,153,599	1,153,599	
Prior period adjustments			(430,943)	(430,943)
Fund Balance, Beginning of Fiscal Year, Restated	<u>1,153,599</u>	<u>1,153,599</u>	<u>722,656</u>	<u>(430,943)</u>
Fund Balance (Deficit), End of Fiscal Year	<u>\$ 793,948</u>	<u>\$ 938,851</u>	<u>\$ 525,564</u>	<u>\$ (413,287)</u>

CITY OF FORT BRAGG

**Redevelopment Agency Low and Moderate Housing
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property tax increment revenue	\$ 268,261	\$ 268,261	\$ 215,460	\$ (52,801)
Use of money and property	20,000	20,481	7,625	(12,856)
Total Revenues	<u>288,261</u>	<u>288,742</u>	<u>223,085</u>	<u>(65,657)</u>
Expenditures				
Current:				
Administration	23,113	23,113	23,113	
Community development	441,906	501,906	280,554	221,352
Total Expenditures	<u>465,019</u>	<u>525,019</u>	<u>303,667</u>	<u>221,352</u>
Excess (Deficit) of Revenues over Expenditures	<u>(176,758)</u>	<u>(236,277)</u>	<u>(80,582)</u>	<u>155,695</u>
Other Financing Sources (Uses)				
Transfers in	(217,099)	(217,099)	(217,099)	
Transfers out	183,332			
Total Other Financing Sources(Uses)	<u>(33,767)</u>	<u>(217,099)</u>	<u>(217,099)</u>	
Net Changes in Fund Balance	<u>(210,525)</u>	<u>(453,376)</u>	<u>(297,681)</u>	<u>155,695</u>
Fund Balance, Beginning of Fiscal Year	1,418,266	1,418,266	1,418,266	
Prior period adjustments			(107,736)	(107,736)
Fund Balance, Beginning of Fiscal Year, Restated	<u>1,418,266</u>	<u>1,418,266</u>	<u>1,310,530</u>	<u>(107,736)</u>
Fund Balance, End of Fiscal Year	<u>\$ 1,207,741</u>	<u>\$ 964,890</u>	<u>\$ 1,012,849</u>	<u>\$ 47,959</u>

CITY OF FORT BRAGG

**Special Sales Tax
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property tax increment revenue	\$ 775,000	\$ 775,000	\$ 733,016	\$ (41,984)
Use of money and property	15,000	15,000	5,566	(9,434)
Total Revenues	<u>790,000</u>	<u>790,000</u>	<u>738,582</u>	<u>(51,418)</u>
Expenditures				
Capital outlay			5,000	(5,000)
Total Expenditures			<u>5,000</u>	<u>(5,000)</u>
Excess (Deficit) of Revenues over Expenditures	<u>790,000</u>	<u>790,000</u>	<u>733,582</u>	<u>(56,418)</u>
Other Financing Sources (Uses)				
Transfers in			313,231	313,231
Transfers out	<u>(119,457)</u>	<u>(183,919)</u>	<u>(333,112)</u>	<u>(149,193)</u>
Total Other Financing Sources(Uses)	<u>(119,457)</u>	<u>(183,919)</u>	<u>(19,881)</u>	<u>164,038</u>
Net Changes in Fund Balance	670,543	606,081	713,701	107,620
Fund Balance, Beginning of Fiscal Year	<u>742,960</u>	<u>742,960</u>	<u>742,960</u>	
Fund Balance, End of Fiscal Year	<u>\$ 1,413,503</u>	<u>\$ 1,349,041</u>	<u>\$ 1,456,661</u>	<u>\$ 107,620</u>

CITY OF FORT BRAGG

**Postemployment Benefits Other Than Pension Trend Information
June 30, 2010**

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
01/01/10	\$ 8,562,135	\$ -	\$ 8,562,135	0%	\$ 3,383,762	253%

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OTHER SUPPLEMENTAL INFORMATION

CITY OF FORT BRAGG

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Total Special Revenue Funds	2004 Bonds Debt Service Fund	Total Capital Projects Funds	Totals
Assets				
Cash and investments	\$ 1,074,304	\$ 9,958	\$ 382,244	\$ 1,466,506
Cash and investments with fiscal agent		313,509		313,509
Receivables:				
Accounts	607,658		307,134	914,792
Interest	689			689
Loans	233,539			233,539
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 1,916,190	\$ 323,467	\$ 689,378	\$ 2,929,035
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 166,636	\$ -	\$ 20,464	\$ 187,100
Deferred revenue	233,539		174,440	407,979
Due to other funds	503,135		243,381	746,516
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	903,310		438,285	1,341,595
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances:				
Reserved for debt service		323,467		323,467
Reserved for encumbrances	1,770,834		22,594	1,793,428
Unreserved:				
Undesignated - special revenue funds	(757,954)			(757,954)
Undesignated - capital projects funds			228,499	228,499
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	1,012,880	323,467	251,093	1,587,440
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 1,916,190	\$ 323,467	\$ 689,378	\$ 2,929,035
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CITY OF FORT BRAGG

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Total Special Revenue Funds	2004 Bonds Debt Service Fund	Total Capital Projects Funds	Totals
Revenues				
Taxes and assessments	\$ 2,353	\$ -	\$ 44,217	\$ 46,570
Licenses and permits	1,326			1,326
Use of money and property	4,655	184	338	5,177
Intergovernmental	1,614,287		1,536,066	3,150,353
Charges for current services	48,962		60	49,022
Other	291,240		122	291,362
Total Revenues	1,962,823	184	1,580,803	3,543,810
Expenditures				
Current				
Public safety	62,245		82,122	144,367
Public works	267,610		8,029	275,639
Community development	669,290		6,765	676,055
Capital outlay	417,726		1,291,070	1,708,796
Debt service				
Principal		75,000		75,000
Interest		237,795		237,795
Total Expenditures	1,416,871	312,795	1,387,986	3,117,652
Excess (Deficit) of Revenues over Expenditures	545,952	(312,611)	192,817	426,158
Other Financing Sources (Uses)				
Transfers in	347,401	312,795	627,563	1,287,759
Transfers out	(790,094)		(265,228)	(1,055,322)
Total Other Financing Sources (Uses)	(442,693)	312,795	362,335	232,437
Net Changes in Fund Balances	103,259	184	555,152	658,595
Fund Balances, Beginning of Fiscal Year	877,683	323,283	(304,059)	896,907
Prior Period Adjustments	31,938			31,938
Fund Balances, Beginning of Fiscal Year, Restated	909,621	323,283	(304,059)	928,845
Fund Balances, End of Fiscal Year	\$ 1,012,880	\$ 323,467	\$ 251,093	\$ 1,587,440

CITY OF FORT BRAGG

COMBINING BALANCE SHEET
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Plan Maintenance Fee	Housing Trust Fund	Parking	Parking In Lieu Fees	Parkland Monitoring/ Reporting	Safe Routes To School
Assets						
Cash and investments	\$ 168,692	\$ 90,349	\$ 22,571	\$ 2,832	\$ 120,140	\$ -
Receivables:						
Accounts	157	90	22	3	120	
Interest						
Loans						
Total Assets	\$ 168,849	\$ 90,439	\$ 22,593	\$ 2,835	\$ 120,260	\$ -
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds						1,200
Deferred revenue						
Total Liabilities						1,200
Fund Balances:						
Reserved for encumbrances	168,849	90,439	22,593	2,835	120,260	800
Unreserved, undesignated	168,849	90,439	22,593	2,835	120,260	(2,000)
Total Fund Balances (Deficits)	\$ 168,849	\$ 90,439	\$ 22,593	\$ 2,835	\$ 120,260	\$ (1,200)
Total Liabilities and Fund Balances						\$ -

CITY OF FORT BRAGG

COMBINING BALANCE SHEET
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	ADA Curbs and Gutters	Sustainable Comm Grant	Clean Beaches Grant	Air Quality MD Grants	OWP Grants	COPS AB1913 Allocation
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 2,213	\$ -
Receivables:						
Accounts	183,101	119,487			35,395	43,754
Interest						
Loans						
Total Assets	<u>\$ 183,101</u>	<u>\$ 119,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,608</u>	<u>\$ 43,754</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 124	\$ 66,811	\$ -	\$ -	\$ 19,938	\$ -
Due to other funds	183,101	118,932				43,754
Deferred revenue						
Total Liabilities	<u>183,225</u>	<u>185,743</u>			<u>19,938</u>	<u>43,754</u>
Fund Balances:						
Reserved for encumbrances		266,520			24,922	
Unreserved, undesignated	(124)	(332,776)			(7,252)	
Total Fund Balances (Deficits)	<u>(124)</u>	<u>(66,256)</u>			<u>17,670</u>	
Total Liabilities and Fund Balances	<u>\$ 183,101</u>	<u>\$ 119,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,608</u>	<u>\$ 43,754</u>

CITY OF FORT BRAGG

COMBINING BALANCE SHEET
 SPECIAL REVENUE
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Bulletproof Vest Partnership Grant	CalTrans Planning Grant	CDBG Plan and Technology Grant	Housing Rehabilitation STBG Grant	Waste Water Collection Facilities EDBG 2608	CDBG General Allocation Grants
Assets						
Cash and investments	\$ 751	\$ -	\$ -	\$ 66,846	\$ -	\$ -
Receivables:						
Accounts Interest Loans		52,152				16,823
Total Assets	\$ 751	\$ 52,152	\$ -	\$ 66,846	\$ -	\$ 16,823
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ 13,492	\$ -	\$ -	\$ -	\$ 12,052
Due to other funds		51,122				4,584
Deferred revenue						
Total Liabilities		64,614				16,636
Fund Balances:						
Reserved for encumbrances		18,394				789,500
Unreserved, undesignated	751	(30,856)		66,846		(789,313)
Total Fund Balances (Deficits)	751	(12,462)		66,846		187
Total Liabilities and Fund Balances	\$ 751	\$ 52,152	\$ -	\$ 66,846	\$ -	\$ 16,823

CITY OF FORT BRAGG

COMBINING BALANCE SHEET
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Coastal Trail CalTrans Grant	CDBG Program Income	CDBG Economic Development Allocation	Micro- Enterprise EDBG	Asset Seizure	CDBG PT/A
Assets						
Cash and investments	\$ -	\$ 30,016	\$ -	\$ -	\$ 242,207	\$ 267,190
Receivables:						
Accounts Interest	28,970	88		86,387	209	7,000
Loans		233,539				
Total Assets	\$ 28,970	\$ 263,643	\$ -	\$ 86,387	\$ 242,416	\$ 274,190
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 17,507	\$ -	\$ -	\$ 22,759	\$ 6,000	\$ 472
Due to other funds	51,063		2,606	33,332		
Deferred revenue		233,539				
Total Liabilities	68,570	233,539	2,606	56,091	6,000	472
Fund Balances:						
Reserved for encumbrances	365,460			212,799		10,226
Unreserved, undesignated	(405,060)	30,104	(2,606)	(182,503)	236,416	263,492
Total Fund Balances (Deficits)	(39,600)	30,104	(2,606)	30,296	236,416	273,718
Total Liabilities and Fund Balances	\$ 28,970	\$ 263,643	\$ -	\$ 86,387	\$ 242,416	\$ 274,190

CITY OF FORT BRAGG

COMBINING BALANCE SHEET
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Gasoline Taxes	MCOG Streets Allocation	Traffic Congestion Relief	Proposition 1B Street Fund	Traffic Safety	MCOG 2005 Main Street Merge	Totals
Assets							
Cash and investments	\$ -	\$ -	\$ 44,964	\$ -	\$ 15,533	\$ -	\$ 1,074,304
Receivables:							
Accounts	17,422		17,167				607,658
Interest							689
Loans							233,539
Total Assets	\$ 17,422	\$ -	\$ 62,131	\$ -	\$ 15,533	\$ -	\$ 1,916,190
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 6,668	\$ -	\$ -	\$ -	\$ 813	\$ -	\$ 166,636
Due to other funds	11,737					1,704	503,135
Deferred revenue							233,539
Total Liabilities	18,405				813	1,704	903,310
Fund Balances:							
Reserved for encumbrances	5,502					76,711	1,770,834
Unreserved, undesignated	(6,485)		62,131		14,720	(78,415)	(757,954)
Total Fund Balances (Deficits)	(983)		62,131		14,720	(1,704)	1,012,880
Total Liabilities and Fund Balances	\$ 17,422	\$ -	\$ 62,131	\$ -	\$ 15,533	\$ -	\$ 1,916,190

CITY OF FORT BRAGG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Plan Maintenance Fee	Housing Trust Fund	Parking	Parking In Lieu Fees	Parkland Monitoring/ Reporting	Safe Routes To School
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other						
Licenses and permits			1,326			
Use of money and property	927	439	122	42	260	218,273
Intergovernmental						
Charges for current services	43,831	90,000			120,000	
Other						
Total Revenues	44,758	90,439	1,448	42	120,260	218,273
Expenditures						
Current						
Public safety						
Public works						
Community development				8,000		2,002
Capital outlay						71,762
Total Expenditures				8,000		73,764
Excess (Deficit) of Revenues over Expenditures	44,758	90,439	1,448	(7,958)	120,260	144,509
Other Financing Sources (Uses)						
Transfers in	(30,000)					
Transfers out	(30,000)					
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	14,758	90,439	1,448	(7,958)	120,260	144,509
Fund Balances (Deficits), Beginning of Fiscal Year Prior Period Adjustments	154,091		21,145	10,793		(145,709)
Fund Balances (Deficits), Beginning of Fiscal Year, Restal	154,091		21,145	10,793		(145,709)
Fund Balances (Deficits), End of Fiscal Year	\$ 168,849	\$ 90,439	\$ 22,593	\$ 2,835	\$ 120,260	\$ (1,200)

CITY OF FORT BRAGG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ADA Curbs and Gutters	Sustainable Comm Grant	Clean Beaches Grant	Air Quality MD Grants	OWP Grants	COPS AB1913 Allocation
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other						
Licenses and permits						
Use of money and property						
Intergovernmental	69,709	119,487	51,026		90,395	100,000
Charges for current services						
Other						
Total Revenues	69,709	119,487	51,026		90,395	100,000
Expenditures						
Current						
Public safety						
Public works			6,803			
Community development	17,656	185,743	89,976		72,680	
Capital outlay						
Total Expenditures	17,656	185,743	96,779		72,680	
Excess (Deficit) of Revenues over Expenditures	52,053	(66,256)	(45,753)		17,715	100,000
Other Financing Sources (Uses)						
Transfers in	28,759					
Transfers out			(4,720)	(32,712)		(100,000)
Total Other Financing Sources (Uses)	28,759		(4,720)	(32,712)		(100,000)
Net Change in Fund Balances	80,812	(66,256)	(50,473)	(32,712)	17,715	
Fund Balances (Deficits), Beginning of Fiscal Year Prior Period Adjustments	(80,936)		50,473	32,712	(45)	
Fund Balances (Deficits), Beginning of Fiscal Year, Reste	(80,936)		50,473	32,712	(45)	
Fund Balances (Deficits), End of Fiscal Year	\$ (124)	\$ (66,256)	\$ -	\$ -	\$ 17,670	\$ -

CITY OF FORT BRAGG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Bulletproof Vest Partnership Grant	CalTrans Planning Grant	CDBG Plan and Technology Grant	Housing Rehabilitation STBG Grant	Waste Water Collection Facilities EDBG 2608	CDBG General Allocation Grants
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other						
Licenses and permits						
Use of money and property						
Intergovernmental	432	55,012			240	16,823
Charges for current services						
Other					240	
Total Revenues	432	55,012			240	16,823
Expenditures						
Current						
Public safety	864					
Public works						
Community development		71,592				12,579
Capital outlay		98				
Total Expenditures	864	71,690				12,579
Excess (Deficit) of Revenues over Expenditures	(432)	(16,678)			240	4,244
Other Financing Sources (Uses)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)			(1,344)			
Net Change in Fund Balances			(1,344)			
Fund Balances (Deficits), Beginning of Fiscal Year	1,183	4,216	1,344	66,846	(240)	(4,057)
Prior Period Adjustments						
Fund Balances (Deficits), Beginning of Fiscal Year, Reste	1,183	4,216	1,344	66,846	(240)	(4,057)
Fund Balances (Deficits), End of Fiscal Year	\$ 751	\$ (12,462)	\$ -	\$ 66,846	\$ -	\$ 187

CITY OF FORT BRAGG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Coastal Trail CalTrans Grant	CDBG Program Income	CDBG Economic Development Allocation	Micro- Enterprise EDBG	Asset Seizure	CDBG PT/A
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other						
Licenses and permits						
Use of money and property		1,467			1,082	
Intergovernmental	276,833	8,175	24,463	192,920	116,357	18,774
Charges for current services						477
Other	81,000					
Total Revenues	276,833	90,642	24,463	192,920	117,439	19,251
Expenditures						
Current						
Public safety					61,381	
Public works						
Community development	65,583		26,514	187,599		36,998
Capital outlay	226,504				6,000	5,730
Total Expenditures	292,087		26,514	187,599	67,381	42,728
Excess (Deficit) of Revenues over Expenditures	(15,254)	90,642	(2,051)	5,321	50,058	(23,477)
Other Financing Sources (Uses)						
Transfers in						304,000
Transfers out		(304,000)			(11,000)	
Total Other Financing Sources (Uses)		(304,000)			(11,000)	304,000
Net Change in Fund Balances	(15,254)	(213,358)	(2,051)	5,321	39,058	280,523
Fund Balances (Deficits), Beginning of Fiscal Year	(24,346)	243,462	(555)	24,975	197,358	(6,805)
Prior Period Adjustments						
Fund Balances (Deficits), Beginning of Fiscal Year, Reste	(24,346)	243,462	(555)	24,975	197,358	(6,805)
Fund Balances (Deficits), End of Fiscal Year	\$ (39,600)	\$ 30,104	\$ (2,606)	\$ 30,296	\$ 236,416	\$ 273,718

CITY OF FORT BRAGG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Gasoline Taxes	MCOG Streets Allocation	Traffic Congestion Relief	Proposition 1B Street Fund	Traffic Safety	MCOG 2005 Main Street Merge	Totals
Revenues							
Taxes							
Other	\$ 2,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,353
Licenses and permits							1,326
Use of money and property	2	95	116			103	4,655
Intergovernmental	126,143		62,076		12,582	54,807	1,614,287
Charges for current services	4,654						48,962
Other							291,240
Total Revenues	<u>133,152</u>	<u>95</u>	<u>62,192</u>		<u>12,582</u>	<u>54,910</u>	<u>1,962,823</u>
Expenditures							
Current							
Public safety							62,245
Public works	173,862				30,331	56,614	267,610
Community development							669,290
Capital outlay							417,726
Total Expenditures	<u>173,862</u>				<u>30,331</u>	<u>56,614</u>	<u>1,416,871</u>
Excess (Deficit) of Revenues over Expenditures	<u>(40,710)</u>	<u>95</u>	<u>62,192</u>		<u>(17,749)</u>	<u>(1,704)</u>	<u>545,952</u>
Other Financing Sources (Uses)							
Transfers in	14,642	(48,004)	(58,314)	(200,000)			347,401
Transfers out							(790,094)
Total Other Financing Sources (Uses)	<u>14,642</u>	<u>(48,004)</u>	<u>(58,314)</u>	<u>(200,000)</u>			<u>(442,693)</u>
Net Change in Fund Balances	<u>(26,068)</u>	<u>(47,909)</u>	<u>3,878</u>	<u>(200,000)</u>	<u>(17,749)</u>	<u>(1,704)</u>	<u>103,259</u>
Fund Balances (Deficits), Beginning of Fiscal Year Prior Period Adjustments	<u>25,085</u>	<u>47,909</u>	<u>58,253</u>	<u>200,000</u>	<u>32,469</u>		<u>877,683</u>
Fund Balances (Deficits), Beginning of Fiscal Year, Restated	<u>25,085</u>	<u>47,909</u>	<u>58,253</u>	<u>200,000</u>	<u>32,469</u>		<u>31,938</u>
Fund Balances (Deficits), End of Fiscal Year	<u>\$ (983)</u>	<u>\$ -</u>	<u>\$ 62,131</u>	<u>\$ -</u>	<u>\$ 14,720</u>	<u>\$ (1,704)</u>	<u>\$ 1,012,880</u>

CITY OF FORT BRAGG

COMBINING BALANCE SHEET
 CAPITAL PROJECTS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	General Capital Projects	Bainbridge Park Improvements	Fire Equipment	Street Repair Projects	Franklin Street Reconstruction	Railroad Rehabilitation Project
Assets						
Cash and investments	\$ -	\$ -	\$ 161,140	\$ -	\$ -	\$ -
Receivables: Accounts		111,012				
Total Assets	\$ -	\$ 111,012	\$ 161,140	\$ -	\$ -	\$ -
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ 18,921	\$ -	\$ -	\$ -	\$ -
Due to other funds		79,699				
Deferred revenue						
Total Liabilities		98,620				
Fund Balances:						
Reserved for encumbrances						
Unreserved, undesignated		12,392	161,140			
Total Fund Balances		12,392	161,140			
Total Liabilities and Fund Balances	\$ -	\$ 111,012	\$ 161,140	\$ -	\$ -	\$ -

CITY OF FORT BRAGG

COMBINING BALANCE SHEET
 CAPITAL PROJECTS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Downtown Parking Lots Resurface	Rubberized Chip Seal	Downtown Streetscape Phase III	Street Rehabilitation Phase III ST-18	OTIS Johnson Park Renovations	Totals
Assets						
Cash and investments	\$ 75,018	\$ -	\$ -	\$ -	\$ 146,086	\$ 382,244
Receivables:						
Accounts			163,682		32,440	307,134
Total Assets	\$ 75,018	\$ -	\$ 163,682	\$ -	\$ 178,526	\$ 689,378
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,543	\$ 20,464
Due to other funds			163,682			243,381
Deferred revenue					174,440	174,440
Total Liabilities			163,682		175,983	438,285
Fund Balances:						
Reserved for encumbrances					22,594	22,594
Unreserved, undesignated	75,018				(20,051)	228,499
Total Fund Balances	75,018				2,543	251,093
Total Liabilities and Fund Balances	\$ 75,018	\$ -	\$ 163,682	\$ -	\$ 178,526	\$ 689,378

CITY OF FORT BRAGG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Capital Projects	Bainbridge Park Improvements	Fire Equipment	Street Repair Projects	Franklin Street Reconstruction	Railroad Crossing Rehabilitation Project
Revenues						
Taxes						
Other	\$ -	\$ -	\$ 44,217	\$ -	\$ -	\$ -
Use of money and property			338			
Intergovernmental		223,615			56,569	390,000
Charges for current services				60		
Other						
Total Revenues	207,311	223,615	44,555	60	56,569	390,000
Expenditures						
Current						
Public safety			82,122			
Public works					8,029	
Community development						
Capital outlay	207,311	219,368		67,156	9,462	382,837
Total Expenditures	207,311	219,368	82,122	67,156	17,491	382,837
Excess (Deficit) of Revenues over Expenditures	(207,311)	4,247	(37,567)	(67,096)	39,078	7,163
Other Financing Sources (Uses)						
Transfers in	78,502	27,000		67,096	(265,228)	2,137
Transfers out						
Total Other Financing Sources (Uses)	78,502	27,000		67,096	(265,228)	2,137
Net Change in Fund Balances	(128,809)	31,247	(37,567)		(226,150)	9,300
Fund Balances (Deficits), Beginning of Fiscal Year	128,809	(18,855)	198,707		226,150	(9,300)
Fund Balances (Deficits), End of Fiscal Year	\$ -	\$ 12,392	\$ 161,140	\$ -	\$ -	\$ -

CITY OF FORT BRAGG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Downtown Parking Lots Resurface	Downtown Streetscape Phase III	Rubberized Chip Seal	Downtown Streetscape Phase III	Street Rehabilitation Phase III ST-18	OTIS Johnson Park Renovations	Totals
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,217
Other							338
Use of money and property							
Intergovernmental		781,824			84,058		1,536,066
Charges for current services							60
Other		122					122
Total Revenues		781,824	122	781,824	84,058		1,580,803
Expenditures							
Current							
Public safety							82,122
Public works							8,029
Community development				332,501	72,435	6,765	6,765
Capital outlay							1,291,070
Total Expenditures				332,501	79,200		1,387,986
Excess (Deficit) of Revenues over Expenditures			122	449,323	4,858		192,817
Other Financing Sources (Uses)							
Transfers in			5,992	420,629	26,207		627,563
Transfers out							(265,228)
Total Other Financing Sources (Uses)			5,992	420,629	26,207		362,335
Net Change in Fund Balances			6,114	869,952	26,207	4,858	555,152
Fund Balances (Deficits), Beginning of Fiscal Year	75,018	(869,952)	(6,114)	(26,207)	(2,315)		(304,059)
Fund Balances (Deficits), End of Fiscal Year	\$ 75,018	\$ -	\$ -	\$ -	\$ -	\$ 2,543	\$ 251,093



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Bragg (City), California, as of and for the fiscal year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated February 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial report. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City, in a separate letter dated February 3, 2011.

This report is intended solely for the information and use of the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
February 3, 2011