

CITY OF FORT BRAGG

BASIC FINANCIAL STATEMENTS
AND REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

WITH INDEPENDENT AUDITORS' REPORT

* * * * *

JUNE 30, 2004

CITY OF FORT BRAGG, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements:	12
Statement of Net Assets	13
Statement of Activities and Changes in Net Assets	14
 Governmental Fund Financial Statements:	16
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Governmental Funds to the Government-Wide Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	20
Proprietary Funds:	
Statement of Net Assets	21
Statement of Activities and Changes in Net Assets	22
Statement of Cash Flows	23
 Notes To Basic Financial Statements	24
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	49
 Budgetary Comparison Schedules:	
General Fund	50
Redevelopment Agency Fund	51
CDBG Program Income Fund	52
PERS-Schedule of Funding Progress	53

CITY OF FORT BRAGG, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

FINANCIAL SECTION (CONTINUED)

<u>OTHER SUPPLEMENTARY INFORMATION</u>	54
COMBINING FUND FINANCIAL INFORMATION	
Other Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	56
Combining Balance Sheet - Other Special Revenue Funds	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Special Revenue Funds	61
Combining Balance Sheet - Other Capital Projects Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Capital Projects Funds	66
Combining Balance Sheet - Other Debt Service Funds	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Debt Service Funds	68
City Organization	69
Summary of Assessed Valuation	70
<u>OTHER REPORTS</u>	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards.	71

February 10, 2005

The Honorable Mayor and Members of the City Council
of the City of Fort Bragg

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the government activities and each major fund of the City of Fort Bragg (the "City"), as of and for the year ended June 30, 2004, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited capital assets, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004 and the respective changes in financial position thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the City adopted statements of the Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments :Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with Governmental Auditing Standards, we have also issued reports dated February 10, 2005 on our consideration of the City of Fort Bragg's internal control structure and on its compliance with laws and regulations and should be read in conjunction with this report in considering results of our audit.

Management's Discussion and Analysis, budgetary comparison schedules and the PERS schedule of funding progress are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

Odenberg Ollakko Murawinski & Co LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is management's discussion and analysis of the City of Fort Bragg's financial activities and performance for the fiscal year ended June 30, 2004. Please read this in conjunction with the transmittal letter which can be found in the introductory section at the front of this report and with the City's financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

The Statement of Net Assets shows the City's total assets to be \$25.7 million, total liabilities of \$13.9 million and total net assets to be \$11.8 million.

Net assets for fiscal 2004 increased \$1,002,394 due to an excess of total revenues of \$10.16 million (program revenues-\$4.33 million and general revenues-\$5.83 million) over total expenses of \$9.16 million. In addition, net assets were decreased by a prior period adjustment of \$(474,703).

Government Funds Financial Statements

Governmental Fund balances totaled \$8.4 million, an increase of \$2.9 million.

The core operations of the General Fund are accounted for in the General Fund, and the General Fund balance is a key measure of the financial health of the City. As of June 30, 2004, the General Fund balance was \$2,165,692, an increase of \$122,361 from the July 1, 2003 balance of \$2,043,331. As of June 30, 2004, the unreserved General Fund balance was \$2,048,980 of which \$423,580 was designated and \$1,625,400 was undesignated.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the

underlying event causing the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in this statement for some items that will result in cash flows in future fiscal periods, such as property taxes assessed but not collected by June 30 and interest expenses accrued but not paid.

Fund Financial Statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on short-term inflows and outflows of spendable resources and balances of these resources available for spending. This information may be useful in evaluating a government's short-term financing requirements.

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

- General Fund
- Redevelopment Agency Project Area Fund
- Community Development Block Grant ("CDBG") Fund

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

Proprietary funds

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

The City accounts for the construction and maintenance of City waterworks in the Water Enterprise Fund. Water use rates and fees are set by the City Council to recover actual costs of operating and maintaining the system. The Water Enterprise Fund's Net Assets increased \$17,221 to \$1.5 million as of June 30, 2004. Cash flows from Capital and Related Financing Activities included issuance of

\$4.7 million in refunding revenue bonds to refinance prior bonded debt and Capital Expenditures of \$1.7 million.

Financial activities of the Fort Bragg Municipal Improvement District's sewer system serving the City are reported in the Wastewater Enterprise Fund. 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. The Wastewater Enterprise Fund's Net Assets decreased \$162,003 to \$5 million. Subsequent to the end of the fiscal year, the City Council approved a sewer service rate increase of approximately 30% intended to eliminate any operating loss in fiscal year 2004/05.

The City does not have any internal service funds.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the reporting government. The City of Fort Bragg has no fiduciary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

This report presents supplementary information concerning the City's obligation to provide pension benefits to its employees. This section also contains combining financial statements and budgetary comparison schedules for the summary fund groups reported in the basic financial statements.

Actual General Fund Revenues were \$107,878 less than budgeted, a variation of about 2.4%. Actual General Fund Expenditures were \$601,909 less than budgeted, a variation of about 12%. Expenditures exceeded Revenues by \$92,415. With transfers from and to other funds, the net change in fund balance was a \$122,361 increase from \$2,043,331 to \$2,165,692.

The Redevelopment Agency Project Area Fund Balance decreased \$41,073. The CDBG Program Income Fund balance increased \$171,202.

The City participates in three California Public Employee Retirement System ("PERS") plans for Safety Police, Safety Fire and Miscellaneous for all non-safety personnel. PERS actuarial data is not available for June 30, 2004.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Statement of Net Assets

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 9,618,384	\$ 3,923,927	\$ 13,542,311
Capital assets	3,909,147	8,151,079	12,060,226
Total assets	<u>13,527,531</u>	<u>12,075,006</u>	<u>25,602,537</u>
Current and other liabilities	1,310,092	746,990	2,057,082
Long-term liabilities	6,897,256	4,812,310	11,709,566
Total liabilities	<u>8,207,348</u>	<u>5,559,300</u>	<u>13,766,648</u>
Net assets			
Invested in capital assets, net of related debt	2,058,910	3,267,213	5,326,123
Restricted	593,261	35,000	628,261
Unrestricted	2,668,012	3,213,493	5,881,505
Total net assets	<u>5,320,183</u>	<u>6,515,706</u>	<u>11,835,889</u>

Analysis of Net Assets

Net assets are a measure of a government's financial position and, over time, a trend of increasing or decreasing net assets is an indicator of the financial health of the organization. The City of Fort Bragg's total assets exceeded total liabilities by \$11,835,889 at June 30, 2004.

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$5,236,123 represent the net book value of these assets less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from other sources than the related assets, because the capital assets themselves cannot be used to pay these debts.

Restricted net assets of \$628,261 represent resources that are subject to external restrictions on how they may be used. The \$593,261 in governmental activities represents total cash held with the City's fiscal agent which is restricted by debt covenant, while the \$35,000 in business-type activities represents a reserve against potential fines which may be levied against the City's wastewater operations.

The \$5,881,505 unrestricted net assets consist mainly of \$2.5 million in 2004 tax allocation bond proceeds, \$1.7 million for activities relating to the water enterprise funds, and \$1.5 million for activities relating to the wastewater enterprise funds, with the balance \$0.1 million used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Analysis of Changes in Net Assets

This analysis focuses on the net assets and changes in net assets at the City-wide level as presented in the statement of net assets and statement of activities. As this is the initial year of implementation for GASB Statement 34, comparative statements for the prior year are not available. However, comparative analysis of City-wide data will be provided in future years when the information is available.

The City's net assets increased by approximately \$1 million during the current fiscal year. Information about changes in net assets is presented in the summary tables on the following pages:

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES

Revenues	Governmental Activities
Program revenues:	
Charges for services	\$ 698,827
Operating grants & contributions	462,653
Capital grants & contributions	200,295
General revenues:	
Property taxes	1,671,815
Other taxes	3,260,374
Use of money and property	252,284
Intergovernmental revenues	524,779
Total revenues	7,071,027
Program expenses	
General government	1,524,505
Public safety	2,350,856
Public works	598,622
Planning	443,072
Community development	390,758
Shared expenditures	508,902
Interest and fiscal charges	342,336
Total program expenses	6,159,051
Increase/(decrease) in net assets before transfers	911,976
Transfers	235,200
Change in net assets	1,147,176
Net assets - beginning of year	4,173,007
Net assets - end of year	5,320,183

CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES

	<u>Business-Type Activities</u>		
	Water	Wastewater	Total
Operating revenues:			
Charges for services	\$ 1,715,625	\$ 1,073,103	\$ 2,788,728
Other operating revenues			-
Total operating revenues	<u>1,715,625</u>	<u>1,073,103</u>	<u>2,788,728</u>
Operating expenses:			
Personnel services	552,946	504,619	1,057,565
Administration	108,517	96,340	204,857
Supplies and materials	62,226	102,197	164,423
Insurance	42,512	35,850	78,362
Outside contractors	57,943	204,923	262,866
Maintenance	20,906	43,199	64,105
Utilities	83,935	110,758	194,693
Depreciation and amortization	333,465	228,622	562,087
Total operating expenses	<u>1,262,450</u>	<u>1,326,508</u>	<u>2,588,958</u>
Operating income (loss)	<u>453,175</u>	<u>(253,405)</u>	<u>199,770</u>
Nonoperating revenue (expenses):			
Revenue from other agencies	44,975	101,184	146,159
Installation and annexation		87,730	87,730
Investment earnings	42,461	20,327	62,788
Miscellaneous revenue	-	5,178	5,178
Interest and other charges	(362,221)	(48,986)	(411,207)
Total nonoperating revenue (expenses)	<u>(274,785)</u>	<u>165,433</u>	<u>(109,352)</u>
Income (loss) before transfers	178,390	(87,972)	90,418
Transfers from other funds	1,770,636	217,413	1,988,049
Transfers to other funds	(1,931,805)	(291,444)	(2,223,249)
Change in net assets	17,221	(162,003)	(144,782)
Net assets, beginning of year	1,873,863	5,261,328	7,135,191
Prior period adjustments (Note 15)	(347,763)	(126,940)	(474,703)
Net assets, end of year	<u>\$ 1,543,321</u>	<u>\$ 4,972,385</u>	<u>\$ 6,515,706</u>

Governmental Activities

**Revenues by Source-Governmental Activities
Percentage Distribution**

Property Taxes	29.3%
Other Taxes	57.1
Use of Money and Property	04.4
Intergovernmental Revenues	09.2

The largest components of Other Taxes were sales and use taxes and transient occupancy taxes.

**Expenses by Function-Governmental Activities
Percentage Distribution**

General Government	24.8%
Public Safety	38.2
Public Works	09.8
Planning	07.2
Community Development	06.4
Shared Expenditures	08.3
Interest and fiscal charges	05.6

The largest component of Public Safety was Police Department expenditures.

Business-type Activities

The Water Enterprise Fund had Net Revenues of \$17,221 while the Wastewater Enterprise Fund had Net (Expenses) of \$(162,003). A prior period adjustment of \$(474,703) was made for accumulated depreciation of capital assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure compliance with finance related legal requirements and restrictions. The fund basis financial statement presented in the report address the need of the City to demonstrate compliance with financial restrictions, and they allow the statements' users to separately analyze individual funds. The City maintains two types of funds: Governmental and Proprietary.

Governmental Funds

The City's Governmental Funds provide information on near-term inflows, outflows, and balances of resources that are available for spending. This information is useful in assessing the City's financing needs. Unreserved fund balances are a useful measure of a government's net resources available for spending at the end of the fiscal year.

A key measure of the effectiveness of financial management of governmental funds is the increase or decrease of the fund balance from operations. As of June 30, 2004, the City's combined fund balances were \$8,378,028, an increase of \$2,885,049 from the beginning of the year.

General Fund: The General Fund is the principal operating fund of the City. The end of year fund balance was \$2,165,692, an increase of \$122,361 from the beginning of the year.

Redevelopment Agency Project Area Fund: The RDA Project Area fund accounts for tax increment revenues to be used in various community development projects designed to eliminate blight and encourage economic growth and quality of life. Revenues were approximately \$1.1 million in tax revenue while expenditures of \$886,519 were largely made up of statutory pass-throughs to various local agencies and administrative expenses incurred in running the Redevelopment program.

Community Development Block Grant Fund: The CDBG fund accounts for loans made between the City and qualifying residents and business owners. Revenues of \$171,202 were made up of loan repayments. There were no expenditures.

Proprietary Funds

In the Water Enterprise Fund, net operating income was \$453,175. Operating revenues from water services charges amounted to \$1.7 million, while expenses were \$1.2 million. \$.5 million consisted of salaries and benefits to employees, while \$333,465 was recorded in depreciation expense. Interest payments on debt obligations came to \$362,221, and net transfers out were (\$161,169). Net assets increased by \$17,221 and ended the year at \$1,543,321.

In the Wastewater Enterprise Fund, net operating (loss) was (\$253,405). Net assets decreased by \$(162,003) and ended the year at \$4,972,385. Sewer service charges received were \$1.1 million and were offset by operating expenses of \$1.3 million, largely consisting of \$.5 million in salary and benefits to employees, \$228,622 recorded in depreciation expense, and \$204,923 paid to outside contractors. Interest payments on debt obligations totaled \$48,986, and \$74,031 was transferred out to other funds. A prior period adjustment to correct net capital assets further reduced net assets to the year-end total of \$4,972,385.

GENERAL FUND BUDGETARY HIGHLIGHTS

**General Fund Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance
Beginning Fund Balances, July 1, 2003	\$2,043,331	\$2,043,331	\$2,043,331	
Revenues	4,390,061	4,496,886	4,389,008	\$(107,878)
Expenditures	4,023,855	5,083,332	4,481,423	601,909
Revenues Over Under Expenditures	366,206	(588,446)	(92,415)	494,031
Other Sources (Uses)	14,300	463,080	214,776	(248,304)
Ending Fund Balance June 30, 2004			2,165,692	245,727

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Historically the City did not record costs of infrastructure assets. With the implementation of GASB 34 the City now is recording costs and depreciation of current infrastructure assets. See Note 3.

Debt Administration

During the fiscal year ended June 30, 2004, the City issued two bond issues. The California Statewide Communities Development Authority, a joint powers authority acting on behalf of the City, issued \$4,855,000 water revenue bonds to refund the City's 1993 Water System Certificates of Participation. The purpose of this refunding was to reduce interest costs on outstanding debt. The Redevelopment Agency issued \$4,830,000 of Tax Allocation Bonds to (1) refund the Agency 1993 Tax Allocation Bonds and (2) provide \$2.5 million of proceeds to fund ongoing redevelopment project activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's two largest sources of revenue are the sales tax and the transient occupancy tax ("hotel bed tax" or TOT). Both have rebounded from levels of the early 2000's following negative impacts on tourism from Silicon Valley economic conditions and the aftermath of September 11th. Recent data suggests continuing good growth in sales tax revenues while TOT growth is modest.

The Georgia Pacific Corporation closed operations of a major lumber mill in late 2002 and has announced plans to sell the 430 acre site. The mill formerly was the largest property tax payer and employer in the City of Fort Bragg. The City is actively involved in planning efforts for the redevelopment of the site.

State budget measures to divert local government revenues continued in FY04 with the City's loss of \$130,000, in Vehicle License Fee revenue and the Redevelopment Agency's loss of \$50,000 to the Educational Revenue Augmentation Fund ("ERAF"). While new constitutional provisions will safeguard future local government revenues, for FY05 the City will lose \$86,943 and the Agency \$105,497 respectively. Additionally, one-quarter of the City's one percent share of Bradley-Burns sales tax revenue will be replaced, on a lagging basis, dollar-for-dollar by ERAF payments pursuant to the so-called "triple flip".

The City's budget process has restricted increases in budgeted positions and taken other steps to restrain increasing expenditures. However, the City is experiencing continuing non-controllable expense increases, particularly in employee benefits such as CalPERS pension contribution rates, medical insurance premiums for current and retired employees, and workers compensation claims.

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. Below is the contact address for questions about the report or requests for additional financial information.

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

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

* * * * *

CITY OF FORT BRAGG
STATEMENT OF NET ASSETS

JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 7,646,456	\$ 2,339,561	\$ 9,986,017
Cash with fiscal agents	593,261	843,249	1,436,510
Receivables:			
Taxes receivables, net	505,296	-	505,296
Accounts receivable, net	254,067	518,766	772,833
Grants receivable, net	-	-	-
Interest receivable	26,823	9,311	36,134
Due from other funds	-	-	-
Prepaid items	2,106	3,872	5,978
Total current assets	<u>9,028,009</u>	<u>3,714,759</u>	<u>12,742,768</u>
Loans receivable, net	423,955		423,955
Issuance costs, net	166,420	209,168	375,588
Total other assets	<u>590,375</u>	<u>209,168</u>	<u>799,543</u>
Capital assets:			
Nondepreciable	1,496,644	285,078	1,781,722
Depreciable, net	2,412,503	7,866,001	10,278,504
Construction in progress	-	-	-
Total capital assets	<u>3,909,147</u>	<u>8,151,079</u>	<u>12,060,226</u>
Total assets	<u>13,527,531</u>	<u>12,075,006</u>	<u>25,602,537</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 621,579	\$ 247,813	\$ 869,392
Accrued interest payable	31,182	60,389	91,571
Current portion of leases payable	9,974	20,724	30,698
Current portion of long-term debt	195,000	260,000	455,000
Compensated absences	-	26,215	26,215
Deposits payable	-	89,489	89,489
Deferred revenue	452,357	42,360	494,717
Due to other funds	-	-	-
Claims payable	-	-	-
Total current liabilities	<u>1,310,092</u>	<u>746,990</u>	<u>2,057,082</u>
Long-term liabilities:			
Leases payable, net	20,393	111,390	131,783
Compensated absences	274,937	-	274,937
Liability for landfill closure costs	331,261	-	331,261
Long-term debt, net	<u>6,270,665</u>	<u>4,700,920</u>	<u>10,971,585</u>
Total liabilities	<u>8,207,348</u>	<u>5,559,300</u>	<u>13,766,648</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,058,910	3,267,213	5,326,123
Restricted for:			
Debt service	593,261	-	593,261
Other purposes	-	35,000	35,000
Unrestricted	<u>2,668,012</u>	<u>3,213,493</u>	<u>5,881,505</u>
Total net assets	<u>\$ 5,320,183</u>	<u>\$ 6,515,706</u>	<u>\$ 11,835,889</u>

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue
					Governmental Activities
Primary government:					
Governmental Activities:					
General government	\$ 1,524,505	\$ 323,994	\$ 320,692	\$ -	\$ (879,819)
Public safety	2,350,856	179,174	112,704	1,273	(2,057,705)
Public works	598,622	23,995		183,832	(390,795)
Planning	443,072	171,664	29,257	15,190	(226,961)
Community Development	390,758				(390,758)
Shared expenditures	508,902	-	-	-	(508,902)
Interest and fiscal charges	342,336				(342,336)
Total governmental activities	<u>6,159,051</u>	<u>698,827</u>	<u>462,653</u>	<u>200,295</u>	<u>(4,797,276)</u>
Business-type activities:					
Water	1,624,671	1,803,355	-	44,975	223,659
Sewer	1,375,494	1,073,103	-	47,022	(255,369)
Total business-type activities	<u>3,000,165</u>	<u>2,876,458</u>	<u>-</u>	<u>91,997</u>	<u>(31,710)</u>
Change in net assets:					
Net (expense) revenue	<u>\$ 9,159,216</u>	<u>\$ 3,575,285</u>	<u>\$ 462,653</u>	<u>\$ 292,292</u>	<u>\$ (4,828,986)</u>

continued
next page

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Functions/Programs	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in net assets:			
Net (expense) revenue	\$ (4,797,276)	\$ (31,710)	\$ (4,828,986)
General revenues:			
Taxes:			
Property taxes	1,671,815	-	1,671,815
Other taxes	3,260,374	-	3,260,374
Use of money/property	252,284	62,788	315,072
Intergovernmental revenues	524,779	54,162	578,941
Other revenues	-	5,178	5,178
Total general revenues	<u>5,709,252</u>	<u>122,128</u>	<u>5,831,380</u>
Transfers	<u>235,200</u>	<u>(235,200)</u>	<u>-</u>
Change in net assets	1,147,176	(144,782)	1,002,394
Net assets, beginning of year	4,173,007	7,135,191	11,308,198
Prior period adjustments (Note 15)		(474,703)	(474,703)
Net assets - end of year	<u>\$ 5,320,183</u>	<u>\$ 6,515,706</u>	<u>\$ 11,835,889</u>

See accompanying notes to basic financial statements.

GOVERNMENTAL FUNDS

FINANCIAL STATEMENTS

* * * * *

CITY OF FORT BRAGG
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	Major Funds			Non-Major Funds	Total Governmental Funds
	General	Redevelopment Agency Project Area Fund	CDBG Program	Other Funds	
ASSETS					
Cash and investments	\$ 2,033,154	\$ 41,240	\$ 774,793	\$ 4,797,269	\$ 7,646,456
Cash and investments with fiscal agent	-	-	-	593,261	593,261
Receivables:					
Taxes	505,296				505,296
Accounts	7,199	96,222	-	150,646	254,067
Interest	5,242	2,661	2,408	16,512	26,823
Loans, net	3,668	3,020	417,267	-	423,955
Prepays and other assets	2,106	-	-	-	2,106
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 2,556,665</u>	<u>\$ 143,143</u>	<u>\$ 1,194,468</u>	<u>\$ 5,557,688</u>	<u>\$ 9,451,964</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 370,720	\$ 31,745	\$ -	\$ 219,114	\$ 621,579
Deposits payable and deferred revenue	20,253	-	432,104	-	452,357
Interest payable	-	-	-	-	-
Compensated absences payable	-	-	-	-	-
Claims payable	-	-	-	-	-
Leases payable	-	-	-	-	-
Bonds payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>390,973</u>	<u>31,745</u>	<u>432,104</u>	<u>219,114</u>	<u>1,073,936</u>
FUND BALANCES					
Reserved, reported in:					
General fund	116,712				116,712
Special revenue funds		111,398	762,364	1,842,076	2,715,838
Capital projects funds				309,058	309,058
Debt service funds				323,668	323,668
Unreserved, reported in:					
General fund:					
Designated	423,580				423,580
Undesignated	1,625,400				1,625,400
Special Revenue funds:					
Designated				-	-
Undesignated				(92,137)	(92,137)
Debt Service funds:					
Designated				2,809,136	2,809,136
Undesignated				-	-
Capital Projects funds:					
Designated				375,311	375,311
Undesignated				(228,538)	(228,538)
Total fund balances	<u>2,165,692</u>	<u>111,398</u>	<u>762,364</u>	<u>5,338,574</u>	<u>8,378,028</u>
Total liabilities and fund balances	<u>\$ 2,556,665</u>	<u>\$ 143,143</u>	<u>\$ 1,194,468</u>	<u>\$ 5,557,688</u>	<u>\$ 9,451,964</u>

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets**

June 30, 2004

Total Fund Balances - Total Governmental Funds **\$ 8,378,028**

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

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

2004 Tax Allocation Bonds	112,076	
1995 COPS Landfill	<u>54,344</u>	166,420

Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the Governmental Funds Balance Sheet.

Nondepreciable	1,496,644	
Depreciable	4,472,373	
Less accumulated depreciation	(2,059,870)	
Construction in progress	<u>-</u>	3,909,147

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.

(31,182)

Long-term liabilities are not due and payable in the current period and, therefore, were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

1995 COPS Landfill, net	(1,850,237)	
2004 Tax Allocation Bonds, net	(4,615,428)	
Leases payable, net	(30,367)	
Compensated absences	(274,937)	
Liability for landfill closure and post-closure costs	<u>(331,261)</u>	(7,102,230)

Net Assets of Governmental Activities **\$ 5,320,183**

CITY OF FORT BRAGG
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2004

REVENUES	Major Funds			Non-Major Funds	Total Governmental Funds
	General	Redevelopment Agency Project Area Fund	CDBG Program	Other Funds	
Taxes and assessments	\$ 3,560,026	\$ 1,063,508	\$ -	\$ 308,655	\$ 4,932,189
Licenses and permits	91,002	-	-	-	91,002
Fines and forfeitures	7,378	-	-	16,661	24,039
Use of money and property	25,386	7,763	171,202	47,934	252,285
Intergovernmental	333,396	-	-	854,331	1,187,727
Charges for services	135,967	10	-	183,084	319,061
Other revenue	235,853	-	-	28,873	264,726
Total revenues	4,389,008	1,071,281	171,202	1,439,538	7,071,029
EXPENDITURES					
General government	1,402,114	-	-	94,458	1,496,572
Public safety	2,211,883	-	-	43,072	2,254,955
Public works	348,140	-	-	237,718	585,858
Planning	443,072	-	-	-	443,072
Community development	-	262,619	-	128,139	390,758
Shared expenditures	-	508,902	-	-	508,902
Capital outlay	76,214	1,500	-	868,789	946,503
Debt service:					
Principal retirement	-	-	-	200,000	200,000
Interest and fiscal charges	-	113,498	-	231,297	344,795
Total expenditures	4,481,423	886,519	-	1,803,473	7,171,415
REVENUES OVER/ (UNDER) EXPENDITURES	(92,415)	184,762	171,202	(363,935)	(100,386)
OTHER FINANCING SOURCES (USES)					
Bond proceeds, net	-	4,688,699	-	-	4,688,699
Payment to refunded debt escrow agent	-	(1,938,463)	-	-	(1,938,463)
Transfers from other funds	450,700	-	-	3,556,406	4,007,106
Transfers to other funds	(235,924)	(2,976,071)	-	(559,912)	(3,771,907)
Total other financing sources (uses)	214,776	(225,835)	-	2,996,494	2,985,435
Net change in fund balances	122,361	(41,073)	171,202	2,632,559	2,885,049
Fund balances, beginning of year	2,043,331	152,471	591,162	2,706,015	5,492,979
Fund balances, end of year	\$ 2,165,692	\$ 111,398	\$ 762,364	\$ 5,338,574	\$ 8,378,028

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of
Activities and Changes in Net Assets**

For the Year Ended June 30, 2004

Net changes in fund balances - total governmental funds **\$ 2,885,049**

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

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

Capital outlay	909,395	
Depreciation expense	<u>(108,665)</u>	800,730

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds.

Issuance of long-term debt	(4,688,699)	
Principal repayments on long-term debt	200,000	
Payment to refunded debt escrow agent	<u>1,938,463</u>	(2,550,236)

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

Amortization of bond issuance costs	(13,832)	
Change in compensated absences	23,006	
Change in accrued interest payable	<u>2,459</u>	11,633

Total changes in net assets of governmental activities **\$ 1,147,176**

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	Enterprise Funds		
	Water	Wastewater	Total
ASSETS			
Current assets:			
Cash and investments	\$ 1,461,988	\$ 877,573	\$ 2,339,561
Cash with fiscal agent	-	843,249	843,249
Accounts receivable, net	312,687	206,079	518,766
Grants receivable, net	-	-	-
Interest receivable	6,321	2,990	9,311
Prepaid expenses	1,936	1,936	3,872
Other assets	-	-	-
Total current assets	1,782,932	1,931,827	3,714,759
Noncurrent assets:			
Issuance costs, net	160,198	48,970	209,168
Capital assets:			
Nondepreciable	216,078	69,000	285,078
Depreciable, net	3,775,004	4,090,997	7,866,001
Capital assets (net)	3,991,082	4,159,997	8,151,079
Total assets	5,934,212	6,140,794	12,075,006
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 51,005	\$ 196,808	\$ 247,813
Accrued interest payable	48,387	12,002	60,389
Accrued liabilities	22,567	19,793	42,360
Bonds payable - current	190,000	70,000	260,000
Leases payable - current	2,370	18,354	20,724
Claims payable	-	-	-
Due to other funds	-	-	-
Compensated absences	4,539	21,676	26,215
Refundable deposits	89,489	-	89,489
Total current liabilities	408,357	338,633	746,990
Noncurrent liabilities:			
Compensated absences	-	-	-
Claims payable	-	-	-
Leases payable - long-term	6,614	104,776	111,390
Bonds payable - long-term	3,975,920	725,000	4,700,920
Total noncurrent liabilities	3,982,534	829,776	4,812,310
Total liabilities	4,390,891	1,168,409	5,559,300
NET ASSETS			
Invested in capital assets, net of related debt	(174,838)	3,364,997	3,190,159
Restricted for wastewater fine	-	35,000	35,000
Unrestricted	1,718,159	1,572,388	3,290,547
Total net assets	\$ 1,543,321	\$ 4,972,385	\$ 6,515,706

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG
STATEMENT OF ACTIVITIES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	Enterprise Funds		
	Water	Wastewater	Total
Operating revenues:			
Charges for services	\$ 1,715,625	\$ 1,073,103	\$ 2,788,728
Other operating revenues			-
Total operating revenues	<u>1,715,625</u>	<u>1,073,103</u>	<u>2,788,728</u>
Operating expenses:			
Personnel services	552,946	504,619	1,057,565
Administration	108,517	96,340	204,857
Supplies and materials	62,226	102,197	164,423
Insurance	42,512	35,850	78,362
Outside contractors	57,943	204,923	262,866
Maintenance	20,906	43,199	64,105
Utilities	83,935	110,758	194,693
Depreciation and amortization	333,465	228,622	562,087
Total operating expenses	<u>1,262,450</u>	<u>1,326,508</u>	<u>2,588,958</u>
Operating income (loss)	<u>453,175</u>	<u>(253,405)</u>	<u>199,770</u>
Nonoperating revenue (expenses):			
Revenue from other agencies	44,975	101,184	146,159
Installation and annexation		87,730	87,730
Investment earnings	42,461	20,327	62,788
Miscellaneous revenue	-	5,178	5,178
Interest and other charges	(362,221)	(48,986)	(411,207)
Total nonoperating revenue (expenses)	<u>(274,785)</u>	<u>165,433</u>	<u>(109,352)</u>
Income (loss) before transfers	178,390	(87,972)	90,418
Transfers from other funds	1,770,636	217,413	1,988,049
Transfers to other funds	(1,931,805)	(291,444)	(2,223,249)
Change in net assets	17,221	(162,003)	(144,782)
Net assets, beginning of year	1,873,863	5,261,328	7,135,191
Prior period adjustments (Note 15)	(347,763)	(126,940)	(474,703)
Net assets, end of year	<u>\$ 1,543,321</u>	<u>\$ 4,972,385</u>	<u>\$ 6,515,706</u>

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG
Statement of Cash Flows
Proprietary Funds

For the fiscal year ended June 30, 2004

	Enterprise Funds		
	Water	Wastewater	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,752,258	\$ 1,041,448	\$ 2,793,706
Cash received from other operating activities	-	-	-
Cash paid to suppliers	(390,609)	(437,655)	(828,264)
Cash paid to employees	(552,946)	(517,311)	(1,070,257)
Net cash provided by operating activities	<u>808,703</u>	<u>86,482</u>	<u>895,185</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	1,770,636	217,413	1,988,049
Transfers out to other funds	(1,931,805)	(291,444)	(2,223,249)
Net cash used for noncapital financing activities	<u>(161,169)</u>	<u>(74,031)</u>	<u>(235,200)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Bonds issued	4,855,000	-	4,855,000
Principal payments - bonds	(5,235,000)	(70,000)	(5,305,000)
Interest payments/Debt costs/Lease payments	(389,324)	(60,938)	(450,262)
Proceeds from grants/other non-operating	44,975	194,092	239,067
Capital expenditures	(1,732,531)	(131,264)	(1,863,795)
Net cash used for capital and related financing activities	<u>(2,456,880)</u>	<u>(68,110)</u>	<u>(2,524,990)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	42,461	20,327	62,788
Change in restricted investments	-	-	-
Net cash provided by investing activities	<u>42,461</u>	<u>20,327</u>	<u>62,788</u>
Net change in cash and cash equivalents	(1,766,885)	(35,332)	(1,802,217)
Cash and cash equivalents at beginning of year	3,228,873	1,756,155	4,985,028
Cash and cash equivalents at end of year	<u>1,461,988</u>	<u>1,720,823</u>	<u>3,182,811</u>
Reconciliation of operating income to net cash provided (used)			
by operating activities:			
Operating income (loss)	\$ 453,175	\$ (253,405)	\$ 199,770
Adjustments to reconcile operating income to net cash provided (used)			-
by operating activities:			-
Depreciation and amortization expense	333,465	228,622	562,087
Changes in assets and liabilities:			-
Decrease (increase) in accounts receivable	(6,975)	(31,655)	(38,630)
Decrease (increase) in other assets	(8,257)	(4,926)	(13,183)
(Decrease) increase in accounts payable and accrued liabilities	14,570	155,612	170,182
(Decrease) increase in other liabilities	22,725	(7,766)	14,959
Net cash provided by operating activities	<u>808,703</u>	<u>86,482</u>	<u>895,185</u>

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – Summary of significant accounting policies:

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

A. Description of financial reporting entity

The City is a general law City incorporated in the State of California. The City is governed by an elected, five-member City Council. The following services are provided by the City to its citizens: public safety (police and fire); highways and streets; drinking water; wastewater collection, treatment and disposal; public improvements, planning and zoning; and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City as the primary government, and the component units for which the City is financially accountable. The component units discussed below are included in the City’s reporting entity because of the significance of their operational and/or financial relationships with the City.

B. Description of blended component units

The following component units, although legally separate entities, are reported as if they were part of the primary government because the City Council of the City is that component unit’s governing body, or appoints the majority of representatives to the unit’s governing board, or the unit provides services entirely to the City. Under the blended method of inclusion, the component units’ balances and transactions are reported in a manner similar to the balances and transactions of the City itself.

As a result, the basic financial statements of the City include the Municipal Improvement District No. 1 (the “District”) and the Redevelopment Agency of the City of Fort Bragg (“Agency”). The District is a separate legal entity formed to provide sewer operations and maintenance services within the City, and the Agency is a separate legal entity established to provide redevelopment activities within the incorporated area. The financial operations of the District and the Agency are closely related, and members of the City Council have continuing oversight responsibility over both entities.

Separate financial statements for these component units may be obtained from Fort Bragg City Hall, 416 North Franklin Street, Fort Bragg, CA 95437.

C. Description of joint powers agreements

The City participates in several joint power agreements (JPAs) as described in Note 11. The financial activities of the JPAs are not included in the accompanying basic financial statements, because JPAs are administered by governing boards which are separate from and independent of the City.

D. Description of Funds

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

E. Government-Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets, and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities and Business-type activities for the City, accompanied by a total column. These financial statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed generally through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities (Water and Wastewater Enterprise Funds) are financed generally through user fees.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* ("GASB No. 34") in regards to inter-fund activities, payables and receivables.

F. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements.

GASB 34 defines major funds and requires that the City's major governmental funds be identified and presented separately in the Fund financial statements. All other governmental funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as governmental funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total or five percent of the grand total. The general fund is always a major fund. The City may select other governmental funds it believes should be presented as major funds, although no such funds were selected in fiscal 2004.

The major governmental funds of the City are:

- **General Fund** - The General Fund is used to account for the resources to carry out basic governmental activities of the City such as general government, public safety, public works, and parks beaches and recreation, which are not required to be accounted for in another fund.
- **Redevelopment Agency Fund** - This fund is used to account for the activities of the Fort Bragg Project Area Redevelopment Agency.
- **CDBG Program Income Fund** - This fund is used to account for funds loaned and payments received from eligible residents for housing and small business assistance loans.

G. Basis of Accounting

The Government-Wide, Proprietary and Fiduciary funds financial statements required by GASB 34 are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

The Governmental fund financial statements are accounted for on a spending or “*current financial resources*” measurement focus, and the modified accrual basis of accounting. Accordingly, only current assets and liabilities (except for long-term advances from the City) are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property taxes, sales taxes, intergovernmental revenues, other taxes and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City’s policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving value in exchange, include taxes, grants, entitlements and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB No. 34.

H. Budgetary policies

The City Council follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- Before the end of the fiscal year, the City Manager and Finance Director submit to the City Council a proposed budget for the fiscal year commencing the following July. The budget includes proposed expenditures and the means for financing them.
- The City Council reviews the proposed budget at specifically scheduled sessions, which are open to the public. The City Council also conducts a public hearing on the proposed budget in early June to obtain comments from interested persons. All meetings are noted to the public, including the time, date and location of the meeting.
- Prior to July 1 or soon afterwards, the budget is legally enacted through passage of a resolution.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- Budgeted amounts are reflected after all applicable amendments and revisions.

I. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed for Governmental Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since the commitments will be honored through subsequent years' budget appropriations. Encumbrances do not constitute expenditures or liabilities. The City's Governmental Fund types had encumbrances totaling \$550,578 at June 30, 2004.

J. Cash and investments

The City follows the practice of pooling cash and investments representing checking, savings and Local Agency Investment Funds. The City also has restricted investments, which are held by

fiscal agents. Interest from savings accounts and investments are allocated to the various funds based on the average quarterly balances of each fund. Investment securities are stated at market value. For purposes of the statement of cash flows, the City considers all short-term interest-bearing investments with original maturities of less than three months to be cash equivalents.

K. Loans receivable, net

The City makes economic development, housing rehabilitation, and redevelopment loans to individuals and businesses. These long-term loans are carried as assets of the governmental funds making the loans with a corresponding offset to deferred revenue. Loans receivable, net at June 30, 2004 are \$423,955 (net of a reserve of \$92,958 for loans receivable that may not be collectable).

L. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value on the date donated. Depreciation of capital assets is charged as an expense each year, and the total amount of accumulated depreciation taken over the years, is reported on the Statement of Net Assets as a reduction in the book value of capital assets. The City does not record depreciation in the year of acquisition and records a full year of depreciation in the year of disposition for capital assets related to governmental activities.

M. Compensated absences

Earned vacation and a portion of accumulated sick leave payable upon termination or retirement are accrued as a compensated absence liability. Regular employees earn vacation hours based on years of continuous service. No more than 320 hours of vacation benefit may be accumulated. Also, regular employees are given credit for eight hours of sick leave each month of employment with unlimited accumulation. Each employee, who separates from the City service for any reason, except discharge for cause, is entitled to payment of the monetary equivalent of 30% of unused sick leave accrued, subject to certain limitations.

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

N. Property tax revenues

All property taxes are collected and allocated by the County of Mendocino (County). Property taxes attach as an enforceable lien as of March 1. Property taxes are levied annually on July 1, and are payable in two (2) installments by December 10 and April 10. All general property taxes are then allocated by the County Auditor's Office to the various taxing entities per state legislation implementing Proposition 13. The method of allocation used by the County is subject to review by the State of California. The City and County have adopted the Alternative Method of Tax Apportionment known as the "Teeter Plan." Under the Plan, the County allocates property taxes when billed.

O. Shared expenditures

Shared expenditures represent RDA tax revenues which are passed through to other governmental agencies, primarily the County of Mendocino and the Fort Bragg Unified School District.

P. Use of estimates

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

Q. Implementation of New GASB Pronouncements

Effective July 1, 2003, the City adopted the provisions of GASB No. 34, issued in June 1999; GASB No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* (“GASB No. 37”) issued in June 2001 and GASB No. 38, *Certain Financial Statement Disclosures* (“GASB No. 38”) issued in June 2001.

GASB No. 34 established new financial reporting requirements for state and local governments. GASB No. 37 amends GASB No. 21, *Accounting for Escheat Property* (“GASB No. 21”), and GASB No. 34. Escheat property that would have been reported in an expendable trust fund under GASB No. 21 generally should be reported in a private-purpose trust fund under GASB No. 34. GASB No. 38 modifies disclosure requirements.

R. Net Assets

Government-Wide Net Assets consist of the following:

Invested in capital assets, net of related debt – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that was attributed to the acquisition, construction or improvement of the assets.

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

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

Governmental Fund Balance include reservations of fund balances which are created to either satisfy legal covenants, including State laws that require a portion of the fund balance to be segregated, or identify the portion of the fund not available for future expenditures.

S. Reclassification of financial statement presentation

Certain prior period amounts have been reclassified in order to conform to the fiscal 2004 financial statement presentation.

NOTE 2 – Cash and investments:

The City maintains a cash and investment pool that is used by all funds. The City also maintains restricted cash and investments that represent funds held by fiscal agents for the payment of various City debts and landfill closure and post-closure costs. The fiscal agents invest these monies in investments authorized by the City.

Deposits

The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 100% of the agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits. The agency may waive collateral requirements for deposits, which are fully insured up to \$100,000 by federal deposit insurance.

At June 30, 2004, the carrying amount of the City's cash deposits was \$1,841 and the bank balance was \$4,359. Of the bank balance, balances up to \$100,000 are covered by federal depository insurance and the remainder, if any, is collateralized by the pledging institutions as required by Section 53652 of the California Government Code.

Investments

Statutes authorize the City to invest in obligations of U.S. Government agencies and in U.S. Government securities, certificates of deposit, bankers' acceptances, mutual funds, repurchase agreements, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, and Local Agency Investment Fund (LAIF) deposits. Investments are stated at fair value.

The City categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk -- the lower the number, the lower the risk. The three levels of risk prescribed by accounting principles generally accepted in the United States of America are described as follows: *Category 1* - Securities instruments in this category are in the City's name and are in the possession of the Trust Department of the bank employed by the City solely for this purpose. The City is the registered owner of securities held in book entry form by the bank's trust department. *Category 2* - Securities instruments and book entry form securities in this category are in the bank's name but are held by its trust department in a separate account in the City's name. *Category 3* - The City's investments in this category include only City-owned securities instruments or book entry form securities which were not in the City's name or which were not held by the bank's trust department. At June 30, 2004, none of the City's investments is subject to categorization.

A summary of the City's cash and investments at June 30, 2004 follows:

	<u>Carrying Value</u>	<u>Market Value</u>
Local Agency Investment Fund (LAIF)	\$ 9,982,108	\$ 9,965,979
Cash in checking accounts	1,841	1,841
Petty cash	2,068	2,068
	<u>\$ 9,986,017</u>	<u>\$ 9,969,888</u>
Cash and investments with fiscal agents:		
U.S. Treasury Obligations	\$ 593,261	\$ 593,261
Provident Institutional Funds	843,249	843,249
	<u>\$ 1,436,510</u>	<u>\$ 1,436,510</u>

The City's investment in LAIF is \$9,982,108 at June 30, 2004, which materially approximates market value. A total of approximately \$58 billion is invested by all public agencies in LAIF, which is managed by the State Treasurer. Of that amount, 100% is invested in non-derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statutes. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's position in the pool.

NOTE 3 - Capital assets (Unaudited):

All capital assets are valued at historical cost or estimated cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

The City has chosen to defer the recording of historical costs of infrastructure assets; GASB 34 allows up to four years to record the costs and depreciation on these assets. With the implementation of GASB 34, the City has begun recording costs and depreciation of current infrastructure assets. The City does not record depreciation in the year of acquisition and records a full year of depreciation in the year of disposition for capital assets related to governmental activities.

GASB 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of the depreciation is to spread the cost of the capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro-rata share of the cost of the capital assets. Depreciation is provided using the straight-line method over its expected useful life. Capital assets with a value over \$5,000 or more are capitalized.

The City has assigned the useful lives listed below to capital assets: Buildings and improvements (10-75 years); Vehicles and Equipment (3-40 years); Infrastructure (10-50 years); and Utility Plant (10-50 years).

The following is a summary of capital assets (unaudited) for governmental activities as of June 30, 2004:

	Governmental Activities	Internal Service	Total
Capital assets not being depreciated:			
Land and improvements	\$ 1,496,644	\$ -	\$ 1,496,644
Construction in progress	-	-	-
	<u>1,496,644</u>	<u>-</u>	<u>1,496,644</u>
Depreciable capital assets:			
Building and improvements	3,387,727	-	3,387,727
Vehicles and equipment	359,396	-	359,396
Infrastructure	725,250	-	725,250
Total	<u>4,472,373</u>	<u>-</u>	<u>4,472,373</u>
Less: accumulated depreciation	<u>2,059,870</u>	<u>-</u>	<u>2,059,870</u>
Depreciable capital assets, net	<u>2,412,503</u>	<u>-</u>	<u>2,412,503</u>
Total capital assets, net	<u>\$ 3,909,147</u>	<u>\$ -</u>	<u>\$ 3,909,147</u>

Combined governmental capital asset activity (unaudited) for the fiscal year was as follows:

	Restated June 30, 2003	Increases	Decreases	June 30, 2004
Capital assets not being depreciated:				
Land and improvements	\$ 1,496,644	\$ -	\$ -	\$ 1,496,644
Construction in progress	-	-	-	-
	<u>1,496,644</u>	<u>-</u>	<u>-</u>	<u>1,496,644</u>
Depreciable capital assets:				
Building and improvements	3,323,084	64,643	-	3,387,727
Vehicles and equipment	260,894	119,502	(21,000)	359,396
Infrastructure		725,250		725,250
Total	<u>3,583,978</u>	<u>909,395</u>	<u>(21,000)</u>	<u>4,472,373</u>
Less accumulated depreciation for:				
Building and improvements	1,900,084	67,000		1,967,084
Vehicles and equipment	51,121	41,665		92,786
Infrastructure	-	-		-
	<u>1,951,205</u>	<u>108,665</u>	<u>-</u>	<u>2,059,870</u>
Depreciable capital assets, net	<u>1,632,773</u>	<u>800,730</u>	<u>(21,000)</u>	<u>2,412,503</u>
Total capital assets, net	<u>\$ 3,129,417</u>	<u>\$ 800,730</u>	<u>\$ (21,000)</u>	<u>\$ 3,909,147</u>

Depreciation expense for governmental activities was charged to functions as follows:

Governmental activities:	
Public safety	95,901
Public works	12,764
	\$ 108,665

The following is a summary of capital assets (unaudited) for business-type activities as of June 30, 2004:

	Water	Municipal Improvement Dist. No. 1	Total
Capital assets not being depreciated:			
Land and easements	\$ 216,078	\$ 69,000	\$ 285,078
Construction in progress	-	-	-
	216,078	69,000	285,078
Depreciable capital assets:			
Building	452,829	3,322,742	3,775,571
Utility plant	-	4,023,580	4,023,580
Vehicles and equipment	7,313,168	882,523	8,195,691
Total	7,765,997	8,228,845	15,994,842
Less accumulated depreciation for:			
Building	323,738	1,224,021	1,547,759
Utility plant	-	2,307,441	2,307,441
Vehicles and equipment	3,667,255	606,386	4,273,641
	3,990,993	4,137,848	8,128,841
Depreciable capital assets, net	3,775,004	4,090,997	7,866,001
Total capital assets, net	\$ 3,991,082	\$ 4,159,997	\$ 8,151,079

Combined business-type capital asset activity (unaudited) for the fiscal year was as follows:

	Restated			
	June 30, 2003	Increases	Decreases	June 30, 2004
Capital assets not being depreciated:				
Land and easements	\$ 274,078	\$ 11,000	\$ -	\$ 285,078
Construction in progress	-	-	-	-
	<u>274,078</u>	<u>11,000</u>	<u>-</u>	<u>285,078</u>
Depreciable capital assets:				
Buildings	3,775,571	-	-	3,775,571
Utility plant	3,905,710	117,870	-	4,023,580
Equipment and improvements	6,495,419	1,700,272	-	8,195,691
Total	<u>14,176,700</u>	<u>1,818,142</u>	<u>-</u>	<u>15,994,842</u>
Less accumulated depreciation for:				
Buildings	1,491,440	56,319		1,547,759
Utility plant	2,213,786	93,655		2,307,441
Equipment and improvements	3,912,735	360,906		4,273,641
	<u>7,617,961</u>	<u>510,880</u>	<u>-</u>	<u>8,128,841</u>
Depreciable capital assets, net	<u>6,558,739</u>	<u>1,307,262</u>	<u>-</u>	<u>7,866,001</u>
Total capital assets, net	<u>\$ 6,832,817</u>	<u>\$ 1,318,262</u>	<u>\$ -</u>	<u>\$ 8,151,079</u>

NOTE 4 - Long-term obligations:

Changes in long-term obligations and debt for the fiscal year ended June 30, 2004 are as follows:

	June 30, 2003	Additions	Reductions	June 30, 2004	Due in one year
Governmental activities:					
Bonds payable:					
1995 Certificates of participation	\$ 2,035,000	\$ -	\$ 120,000	\$ 1,915,000	\$ 130,000
1993 Tax allocation bonds	1,860,000	-	1,860,000	-	-
2004 Tax allocation bonds	-	4,830,000	80,000	4,750,000	65,000
Total bonds payable	3,895,000	4,830,000	2,060,000	6,665,000	195,000
1995 COP discount, net	(67,847)		3,084	(64,763)	
2004 deferred refunding, net	-	(30,723)	1,463	(29,260)	
2004 discount, net	-	(110,578)	5,266	(105,312)	
Net total bonds payable	3,827,153	4,688,699	2,069,813	6,465,665	195,000
Other long-term liabilities:					
Capital leases	38,936	-	8,569	30,367	9,974
Landfill closure and post-closure costs	358,703	-	27,442	331,261	-
Compensated absences	297,943	-	23,006	274,937	-
Total other long term liabilities	695,582	-	59,017	636,565	9,974
Total long term liabilities	\$ 4,522,735	\$ 4,688,699	\$ 2,128,830	\$ 7,102,230	\$ 204,974
Business-type activities:					
1993 Certificates of Participation	\$ 5,235,000	\$ -	\$ (5,235,000)	\$ -	\$ -
Bond discount, net	(116,132)	-	116,132	-	-
Deferred refunding, net	(480,155)	-	480,155	-	-
	4,638,713	-	(4,638,713)	-	-
2004 CSCDA bonds	-	4,855,000		4,855,000	190,000
Original issue premium, net	-	78,972	(3,949)	75,023	
Deferred refunding, net	-	(804,319)	40,216	(764,103)	
	-	4,129,653	36,267	4,165,920	190,000
1998 Wastewater revenue bonds	645,000	-	(30,000)	615,000	30,000
1970 Sewer bonds	220,000	-	(40,000)	180,000	40,000
	865,000	-	(70,000)	795,000	70,000
Total bonds payable, net	5,503,713	4,129,653	(4,672,446)	4,960,920	260,000
Capital leases	149,594		(17,480)	132,114	20,724
Total long-term debt	\$ 5,653,307	\$ 4,129,653	\$ (4,689,926)	\$ 5,093,034	\$ 280,724

Long-term governmental activities obligations at June 30, 2004, by individual issue are as follows:

Certificates of participation (COPS): In 1995, the City issued certificates of participation in the amount of \$2.79 million, with interest rates ranging from 4.5% to 7%. The certificates mature through 2025 -	\$ 1,915,000
Less unamortized bond discount	<u>64,763</u>
	1,850,237
Less current portion	<u>130,000</u>
	<u>\$ 1,720,237</u>
2004 Tax allocation bonds: In 2004, the Redevelopment Agency issued tax allocation bonds in the amount of \$4.8 million, with interest rates ranging from 1.8% to 5.5%. The bonds mature in the year 2037 -	\$ 4,750,000
Less unamortized bond discount	105,312
Less deferred loss on defeasance of debt	<u>29,260</u>
	4,615,428
Less current portion	<u>65,000</u>
	<u>\$ 4,550,428</u>
Capital leases: The City leases a truck and other equipment under various capital lease agreements with interest rates ranging from 6.875% to 14%. The recorded value of the assets subject to lease is \$173,439	\$ 30,367
Less current portion	<u>9,974</u>
	<u>\$ 20,393</u>
Landfill closure and post-closure costs: Following the close of the Caspar Landfill, in 1996 (see discussion below), the City recorded a liability for its share of the future estimated closure and post-closure costs. Total costs, net of a state of California Integrated Waste Management Board Grant of \$1,114,500, are shared equally by the County and the City -	\$ 331,261

Annual requirements to amortize all bonds and special assessment debt obligations outstanding as of June 30, 2004 are as follows:

Fiscal years ending June 30:	1995 COPS			2004 Tax Allocation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 130,000	\$ 130,396	\$ 260,396	\$ 65,000	\$ 243,795	\$ 308,795
2006	140,000	121,816	261,816	65,000	242,495	307,495
2007	150,000	112,575	262,575	70,000	240,935	310,935
2008	160,000	102,675	262,675	70,000	239,115	309,115
2009	50,000	92,115	142,115	70,000	237,015	307,015
2010-2014	275,000	407,789	682,789	405,000	1,142,925	1,547,925
2015-2019	380,000	296,699	676,699	515,000	1,037,105	1,552,105
2020-2024	505,000	151,799	656,799	665,000	886,320	1,551,320
2025-2029	125,000	8,625	133,625	860,000	687,225	1,547,225
2030-2034	-	-	-	1,125,000	423,775	1,548,775
2035-2037	-	-	-	840,000	94,050	934,050
	<u>\$ 1,915,000</u>	<u>\$ 1,424,489</u>	<u>\$ 3,339,489</u>	<u>\$ 4,750,000</u>	<u>\$ 5,474,755</u>	<u>\$ 10,224,755</u>

Fiscal years ending June 30:	Capital Leases
2005	\$ 12,099
2006	9,470
2007	6,947
2008	6,947
2009	1,737
	<u>37,200</u>
Less interest	<u>6,833</u>
	<u>\$ 30,367</u>

In February 2004, the Agency issued \$4,830,000 of 2004 Tax Allocation Bonds for the purpose of refunding the \$1,860,000 of outstanding 1993 Tax Allocation Bonds and financing redevelopment activities of the Agency. The refunding took advantage of lower interest rates which were available and resulted in reductions in debt service requirements over the life of the new debt. The net proceeds of \$1,938,463 from these bonds were transferred to a trustee and placed in an irrevocable trust to redeem the 1993 Tax Allocation Bonds. These funds were invested in U.S. government securities to provide for the redemption price and interest through the call date. The 2004 bond bears annual interest at a variable rate between 1.8% and 5.5%. The bond was issued as a fully registered note in one denomination of \$1,868,600. Interest on the bond became payable commencing May 1, 2004, and semi-annually thereafter on each November 1 and May 1 until maturity.

The Caspar Landfill site was closed in 1995. State and federal laws and regulations require that a final cover be placed on the Caspar Landfill site and that certain maintenance and monitoring functions be performed at the site for thirty years after closure. Although closure and post-closure costs are paid over a period of time, the City is required by GASB Statement No. 18 to recognize those costs as an operating expense in each period based on landfill capacity used at the balance

sheet date. Since the Landfill has been closed, the full estimated closure and post-closure liability of \$331,261 is reported as of June 30, 2004. This amount is based on what it would cost to perform all closure and post-closure care in 1996. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has pledged to pay for debt service related to post-closure costs with a user surcharge on future refuse fees. Landfill closure care expenditures were \$58,031 in 2004.

Long-term obligations for the business-type activities at June 30, 2004 by individual issue are as follows:

2004 California Statewide Communities Development Authority

Bonds (CSCDA)- (Water Fund): In fiscal 2004, the City issued CSCDA bonds in the amount of \$4.855 million, with interest rates ranging from 2.00% to 5.25%. The bonds mature through fiscal 2024 -	\$ 4,855,000
Plus original issue premium	75,023
Less deferred loss on defeasance of debt	764,103
	<u>4,165,920</u>
Less current portion	190,000
	<u><u>\$ 3,975,920</u></u>

1998 Wastewater revenue bonds (Municipal Improvement Dist. No. 1):

In 1998, the District issued wastewater revenue bonds in the amount of \$770,000, with interest rates ranging from 3.75% to 4.4%, payable semiannually on October 1 and April 1. The bonds mature through 2019 -	\$ 615,000
Less current portion	30,000
	<u>\$ 585,000</u>

1970 Sewer revenue bonds (Municipal Improvement Dist. No. 1):

In 1970, the City issued sewer revenue bonds on behalf of the District in the amount of \$585,000, with interest rates ranging from 5.6% to 6.75%, payable semiannually on October 1 and April 1. The bonds mature through 2007 -	\$ 180,000
Less current portion	40,000
	<u>\$ 140,000</u>

Capital leases (Water Fund and Municipal Improvement Dist. No. 1):

The City and District lease equipment under various capital lease agreements, with interest rates ranging from 5.23% to 7.25%. -	\$ 132,114
Less current portion	20,724
	<u>\$ 111,390</u>

Aggregate maturities of enterprise debt for the fiscal years ending June 30 are as follows:

Fiscal Years Ending June 30,	2004 CSCDA Bonds			1998 Wastewater Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 190,000	\$ 191,643	\$ 381,643	\$ 30,000	\$ 30,855	\$ 60,855
2006	185,000	187,892	372,892	30,000	29,550	59,550
2007	185,000	184,193	369,193	30,000	28,140	58,140
2008	195,000	180,392	375,392	35,000	26,515	61,515
2009	195,000	176,249	371,249	35,000	24,765	59,765
2010-2014	1,050,000	788,216	1,838,216	200,000	94,903	294,903
2015-2019	1,270,000	560,428	1,830,428	255,000	35,112	290,112
2020-2024	1,585,000	215,544	1,800,544	-	-	-
	4,855,000	2,484,557	7,339,557	615,000	269,840	884,840
Plus original issue premium, net	75,023	-	-	-	-	-
Less deferred loss on defeasance, net	764,103	-	-	-	-	-
	<u>\$ 4,165,920</u>	<u>\$ 2,484,557</u>	<u>\$ 7,339,557</u>	<u>\$ 615,000</u>	<u>\$ 269,840</u>	<u>\$ 884,840</u>

	1970 Sewer Revenue Bonds			Capital leases		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 40,000	\$ 1,340	\$ 41,340	\$ 16,113	\$ 6,910	\$ 23,023
2006	45,000	1,508	46,508	16,956	6,067	23,023
2007	45,000	1,519	46,519	17,843	5,180	23,023
2008	50,000	1,687	51,687	18,776	4,247	23,023
2009	-	-	-	19,758	3,265	23,023
2010-2014	-	-	-	42,668	3,375	46,043
	<u>\$ 180,000</u>	<u>\$ 6,054</u>	<u>\$ 186,054</u>	<u>\$ 132,114</u>	<u>\$ 29,044</u>	<u>\$ 161,158</u>

In October 2004, the Water Fund issued \$4,855,000 of 2004 California Statewide Communities Development Authority (CSCDA) bonds for the purpose of refunding the \$5,235,000 of outstanding 1993 Certificates of Participation (COPs). The refunding took advantage of lower interest rates which were available and resulted in reductions in debt service requirements over the life of the new debt. Proceeds of \$4,766,458 from the CSCDA bonds were transferred to a trustee and placed in an irrevocable trust to redeem the 1993 COPs. These funds were invested in U.S. government securities to provide for the redemption price and interest through the call date. Accordingly, the 1993 COPs were removed from the balance sheet as of June 30, 2004. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$804,319 which has been deferred in accordance with GASB Statement No. 23.

The deferred amounts on bond refundings are amortized over the life of the new debt on a straight-line basis.

In April 2004, the City entered into an agreement with the California Department of Water Resources, whereby a loan will be provided to the City in the amount of \$2,325,000 under the Safe Drinking Water State Revolving Fund to assist the City in meeting safe drinking water standards for its domestic water supply. The loan will be interest free, payable over twenty years, with the first semi-annual principal payment due January 1, 2007. Semi-annual payments are estimated to be in the amount of \$58,137, with a reserve fund in the amount of \$116,275 to be established. As of June 30, 2004, no amounts had been disbursed to the City under this loan.

NOTE 5 - Fund equity:

Fund balances and retained earnings consist of reserved and unreserved amounts. Reserved fund balances and retained earnings represent amounts that are legally restricted to a specific use or are not available for appropriation of expenditure. The remaining portion is unreserved. Portions of the unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures.

Fund balances and retained earnings reserved and unreserved/designated at June 30, 2004 are as follows:

	Reserved- Encumbrances	Reserved- Other	Total Reserved	Designated
Major funds:				
General fund	\$ 116,712	\$ -	\$ 116,712	\$ 423,580
Redevelopment	11,986	99,412	111,398	-
CDBG Program Income	-	762,364	762,364	-
	<u>128,698</u>	<u>861,776</u>	<u>990,474</u>	<u>423,580</u>
Other Special revenue funds:				
Oceanview Improvement	-	47,484	47,484	-
Traffic Congestion Relief	-	67,400	67,400	-
Gas tax	-	72,602	72,602	-
Asset seizure	-	58,988	58,988	-
UDAG Boatyard	44,663	199,573	244,236	-
Revolving Loan EDBG	-	16,985	16,985	-
EDBG 664 Loans	-	42,868	42,868	-
OCJP Technology grant	-	275	275	-
TDA Streets and roads	-	338	338	-
Public Service Supervision	-	14,658	14,658	-
Bulletproof vest partnership grant	-	10,091	10,091	-
CDBG Downtown Plan grant	16,195	387,669	403,864	-
CDBG Sanctuary Allocation	-	3,556	3,556	-
Fine Furniture USDA grant	-	571	571	-
COPS AB1919 Allocation	-	66,491	66,491	-
MCOG Streets Allocation	-	174,175	174,175	-
Spath Gsthse/Fort Buildings	-	1,117	1,117	-
Redevelopment Housing	50,000	554,538	604,538	-
Skate Park project	-	120	120	-
LTF ADA Planning grant	1,964	9,755	11,719	-
	<u>112,822</u>	<u>1,729,254</u>	<u>1,842,076</u>	<u>-</u>
Other Capital projects funds:				
Fire equipment	-	-	-	279,288
Street rehab Phase II	-	-	-	601
Laurel & Main Signal	309,058	-	309,058	390
Downtown Parking Lots	-	-	-	17,301
Guesthouse Sprinklers	-	-	-	60,780
City Hall Façade	-	-	-	16,951
	<u>309,058</u>	<u>-</u>	<u>309,058</u>	<u>375,311</u>
Other Debt service funds:				
2004 RDA Bonds Debt Service Fund	-	323,668	323,668	-
2004 RDA Bonds Proceeds	-	-	-	2,558,325
Caspar Closure	-	-	-	250,811
	<u>-</u>	<u>323,668</u>	<u>323,668</u>	<u>2,809,136</u>
Total	<u>\$ 550,578</u>	<u>\$ 2,914,698</u>	<u>\$ 3,465,276</u>	<u>\$ 3,608,027</u>

- The General Fund has reserved fund balance for encumbrances.
- Special Revenue Funds have reserved portions of fund balance for noncurrent loans receivable, advances to other funds, encumbrances and restricted grant purposes.
- The Capital Projects Fund has a designated fund balance for specific projects yet to be completed.
- Debt Service Funds have reserved fund balances for debt service.

NOTE 6 - Fund deficits:

The following funds have deficits in fund balances or retained earnings at June 30, 2004:

Other Special revenue funds:

Traffic Safety	\$ (33,079)
Bainbridge Park	(4,409)
CDBG Sewer I&I Study Grant	(27)
CDBG Native American Allocation	(26,578)
Coastal Conservancy Grant	(65,581)
ADA/RCHDC/P&F STBG	(1,642)
Microenterprise EDBG	(97)
Habitat/Food Bank CDBG	(1,582)
Tri-level Housing Grant	(1,042)
	<u>\$ (134,037)</u>

Other Capital project funds:

Pavement Markings	\$ (23,561)
Underground Tank	(17,894)
Caspar Closure	(170,484)
Redevelopment	(16,599)
	<u>\$ (228,538)</u>

The respective Special Revenue Funds are expected to have their deficits eliminated through grant reimbursements for prior year expenditures and transfers from the General Fund. The respective Capital Projects Funds are expected to have their deficits eliminated through state grants and future revenues.

NOTE 7 - Interfund transactions:

Interfund receivables/payables

Due from other funds and due to other funds are current balances expected to be repaid during the following fiscal year.

There were no interfund receivables/payables outstanding at June 30, 2004.

Operating transfers

The following schedule summarizes the operating transfers in and out for the fiscal year ended June 30, 2004:

	<u>Transfers in</u>	<u>Transfers out</u>
Major funds:		
General Fund	\$ 450,700	\$ 235,924
Redevelopment	-	2,976,071
	<u>450,700</u>	<u>3,211,995</u>
Other Special Revenue Funds:		
AB2928 Traffic Congestion Relief	-	20,136
Police asset seizure	-	14,300
UDAG Boatyard	-	310,000
COPS AB3229 Allocation funds	1,509	-
Bulletproof Vest Partnership	1,800	-
CDBG Downtown Plan Grant	310,000	-
FESG Hospitality House	46,575	-
FESG Coast Community Center	42,951	-
Coastal Conservancy Grant	33,000	2,550
COPS AB1913 Allocation		100,472
MCOG Streets Allocation		9,693
ADA/RCHDC/P&F		8,000
EDBG Microenterprise		3,420
Habitat/Food Bank CDBG		10,800
Redevelopment Housing	-	80,540
	<u>435,835</u>	<u>559,911</u>
Other Capital Projects Funds:		
Street Rehabilitation Phase II	125,136	-
Pavement markings	25,399	-
	<u>150,535</u>	<u>-</u>
Other Debt Service Funds:		
2004 RDA Bond Debt	297,063	-
2004 RDA Bond Proceeds	2,549,973	-
Caspar Closure	123,000	-
	<u>2,970,036</u>	<u>-</u>
Enterprise Funds:		
Water Fund	1,770,636	1,931,805
Wastewater Fund	217,413	291,444
	<u>1,988,049</u>	<u>2,223,249</u>
Totals	<u>\$ 5,995,155</u>	<u>\$ 5,995,155</u>

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 participates in the Redwood Empire Municipal Insurance Fund ("REMIF"), a joint power agency (risk-sharing pool) established in May 1976 to provide an independently managed self-insurance program for member cities. The purpose of REMIF is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its costs.

The City's deductibles and maximum coverages are as follows:

	<u>Deductible</u>	<u>REMIF</u>	<u>Excess Liability</u>
General liability	\$ 5,000	\$ 500,000	\$ 14,500,000
Workers' compensation	5,000	1,000,000	Statutory
Property damage	10,000	25,000	300,000,000
Automobile physical damage	5,000	10,000	1,490,000
Fidelity	5,000	25,000	1,975,000
Boiler and machinery	1,000	5,000	19,995,000

The City contributes its pro rata share of anticipated losses to a pool administered by REMIF. Should actual losses among participants be greater than the anticipated losses, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. The City paid REMIF premiums of \$312,949 and received REMIF refunds of \$15,535 during the fiscal year ended June 30, 2004. Settled claims have not exceeded commercial excess liability coverage in any of the past three fiscal years. Earthquake coverage is purchased separate of the REMIF Pool, and covers losses up to \$25,000,000 per year with a deductible of \$25,000 or 5% of the value of the building.

Financial statements may be obtained from REMIF at 414 W. Napa Street, P.O. Box 885, Sonoma, CA 95476.

NOTE 9 - Defined benefit pension plan:

Plan description

All full and part-time permanent City employees and certain extra help employees who have worked over 1,000 hours in a fiscal year are required to participate in the Public Employees' Retirement Fund (the "Fund") of the State of California's Public Employees Retirement System. The Fund is an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and final compensation. Employees' benefits vest after five years of service and employees may receive retirement benefits at age fifty. These benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the Fund's annual financial report may be obtained from their executive office at 400 "P" Street, Sacramento, CA 95814.

Funding policy

Police and miscellaneous employees have an obligation to contribute 9% and 7%, respectively, of their annual covered salary to the Fund. The City has agreed to pay for all of the police employees' required contribution and all of the miscellaneous employees' required contribution. One retired fire employee participates in the Fund; the City pays all of the retired employee's required contribution. The City is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the Fund's Board of Administration. The required employer contribution rate for fiscal year ended June 30, 2004 was 7.906% for police employees and 0.000% for miscellaneous employees, and a required contribution of \$23,153 for the retired fire employee. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by the Fund.

Annual pension cost

The City's annual pension cost for the Fund was equal to the City's required and actual contributions which were determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: a) an 8.25% expected long-term investment rate of return (net of administrative expenses) and b) projected salary increases of 3.75%. Both a) and b) include an inflation component of 3.5%. The actuarial value of the City's assets was determined using a 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 investment gains and/or losses. The Fund's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of any unfunded actuarial liabilities of the City ends on June 30, 2015 for police employees, June 30, 2015 for miscellaneous employees, and June 30, 2006 for the retired fire employee.

Historical trend information

Three-year trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Fiscal Year	Combined Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
6/30/02	\$134,983	100%	-
6/30/03	\$172,267	100%	-
6/30/04	\$225,035	100%	-

NOTE 10 - Other post-retirement benefits:

In addition to the pension benefits described in Note 9, the City provides post-retirement health and dental care benefits to employees with ten or more consecutive years of service in accordance with City employment policies. Those employees electing a PERS retirement date with the City are eligible to receive post-retirement health and dental care benefits. Currently 21 employees meet those eligibility requirements. The City reimburses 100% of monthly health care premiums. Expenditures for post-retirement health care benefits are recognized as monthly premiums are paid. During fiscal 2004, expenditures of \$107,545 were recognized for post-retirement health benefits.

NOTE 11 - Joint powers agreements:

The City participates in the following joint powers agreements:

Caspar Landfill - The City has a joint powers agreement with Mendocino County for the maintenance of the Caspar Landfill and the operation of the Caspar Transfer Station. The Landfill was closed during the fiscal year ended June 30, 1996. The County and City share equally closure and post-closure costs of the landfill and share the costs of the transfer station on a pro-rata basis as defined in the agreement (70%-County and 30%-City for fiscal 2004).

Fire District - In fiscal 1990, the City entered into a joint powers agreement with the Fort Bragg Rural Fire District. The agreement provides for cost sharing between the Fire District and the City according to the average ratio of calls responded to.

Solid Waste Management Authority – The City entered into a joint powers agreement with the Cities of Ukiah and Willits and with the County to form the Mendocino Solid Waste Management Authority. The purpose of the Authority is to operate disposal sites, as well as to prepare and implement solid waste management plans. The City makes annual contributions to the Authority based on its pro rata share of the Authority’s combined population.

NOTE 12 - Contingencies:

The City is a defendant in a number of lawsuits, which have arisen in the normal course of business. Damages are alleged in some of these actions and their outcome cannot be predicted with certainty. However, in the opinion of the City Attorney, the outcome of these actions will not have a material adverse effect on the financial position of the City.

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.

NOTE 13 - Excess of expenditures over fund appropriations:

For the fiscal year ended June 30, 2004, capital outlay expenditures exceeded appropriations by \$1,500, and interest and fiscal charges exceeded appropriations by \$113,498 in the Redevelopment Agency fund.

NOTE 14 - Related party transactions:

The Municipal Improvement District has no employees, and all revenues and expenditures are deposited in and paid from the City’s treasury.

Additionally, the City entered into a cooperative agreement with the Redevelopment Agency on April 28, 1986. Under the agreement, the City provides staff and other services to the Agency. Accordingly, the Agency has no employees and the Agency reimburses the City for services. All revenues and expenditures are deposited in and paid from the City’s treasury.

NOTE 15 - Prior period adjustments:

The Enterprise Funds net assets as of July 1, 2003 were restated as follows:

Water Fund:

True-up capital assets and accumulated depreciation to detail \$ (347,763)

Wastewater Fund (Municipal Improvement District No. 1):

True-up accumulated depreciation to detail (126,940)
\$ (474,703)

As previously noted, the City has not maintained adequate historical cost records of capital assets as required by accounting principles generally accepted in the United States of America. Due to the nature of the City's records, we were unable to satisfy ourselves as to the cost of recorded fixed assets by means of other auditing procedures; therefore, there may be prior period adjustments recorded in the future related to capital assets.

REQUIRED SUPPLEMENTARY INFORMATION

* * * * *

CITY OF FORT BRAGG

**Required Supplementary Information
Budgetary Comparison Schedule, General Fund
For Fiscal Year Ended June 30, 2004**

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with Final- Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 3,464,239	\$ 3,464,239	\$ 3,560,026	\$ 95,787
Licenses and permits	71,300	71,300	91,002	19,702
Fines and forfeitures	-	-	7,378	7,378
Use of money and property	42,001	42,001	25,386	(16,615)
Intergovernmental	432,700	432,700	333,396	(99,304)
Charges for services	118,625	118,625	135,967	17,342
Other revenue	261,196	368,021	235,853	(132,168)
Total revenues	<u>4,390,061</u>	<u>4,496,886</u>	<u>4,389,008</u>	<u>(107,878)</u>
EXPENDITURES				
General government	1,164,120	1,812,018	1,402,114	409,904
Public safety	2,120,735	2,335,610	2,211,883	123,727
Public works	327,317	351,202	348,140	3,062
Planning	295,461	468,280	443,072	25,208
Community development	-	-	-	-
Shared expenditures	-	-	-	-
Capital outlay	116,222	116,222	76,214	40,008
Debt service:			-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>4,023,855</u>	<u>5,083,332</u>	<u>4,481,423</u>	<u>601,909</u>
REVENUES OVER/ (UNDER) EXPENDITURES	<u>366,206</u>	<u>(586,446)</u>	<u>(92,415)</u>	<u>494,031</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds, net			-	-
Payment to refunded debt escrow agent			-	-
Transfers from other funds	19,500	468,280	450,700	(17,580)
Transfers to other funds	(5,200)	(5,200)	(235,924)	(230,724)
Total other financing sources (uses)	<u>14,300</u>	<u>463,080</u>	<u>214,776</u>	<u>(248,304)</u>
Net change in fund balances	<u>\$ 9,100</u>	<u>\$ (123,366)</u>	122,361	<u>\$ 245,727</u>
Fund balances, beginning of year			<u>2,043,331</u>	
Fund balances, end of year			<u>\$ 2,165,692</u>	

CITY OF FORT BRAGG
Required Supplementary Information
Budgetary Comparison Schedule, Redevelopment Fund
For Fiscal Year Ended June 30, 2004

	REDEVELOPMENT AGENCY PROJECT AREA FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final- Positive (Negative)
REVENUES				
Taxes and assessments	\$ 1,032,000	\$ 1,032,000	\$ 1,063,508	\$ 31,508
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	10,000	10,000	7,763	(2,237)
Intergovernmental	-	-	-	-
Charges for services	-	-	10	10
Other revenue	-	-	-	-
Total revenues	<u>1,042,000</u>	<u>1,042,000</u>	<u>1,071,281</u>	<u>29,281</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Community development	181,963	400,638	262,619	138,019
Shared expenditures	524,000	524,000	508,902	15,098
Capital outlay	-	-	1,500	(1,500)
Debt service:			-	
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	113,498	(113,498)
Total expenditures	<u>705,963</u>	<u>924,638</u>	<u>886,519</u>	<u>38,119</u>
REVENUES OVER/ (UNDER) EXPENDITURES	<u>336,037</u>	<u>117,362</u>	<u>184,762</u>	<u>67,400</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds, net	-	-	4,688,699	4,688,699
Payment to refunded debt escrow agent			(1,938,463)	(1,938,463)
Transfers from other funds			-	-
Transfers to other funds	(108,250)	-	(2,976,071)	(2,976,071)
Total other financing sources (uses)	<u>(108,250)</u>	<u>-</u>	<u>(225,835)</u>	<u>(225,835)</u>
Net change in fund balances	<u>\$ (216,500)</u>	<u>\$ 117,362</u>	(41,073)	<u>\$ (158,435)</u>
Fund balances, beginning of year			152,471	
Fund balances, end of year			<u>\$ 111,398</u>	

CITY OF FORT BRAGG

Required Supplementary Information
Budgetary Comparison Schedule, CDBG Program Income Fund
For Fiscal Year Ended June 30, 2004

	CDBG PROGRAM INCOME FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	171,202	171,202
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>171,202</u>	<u>171,202</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Community development	-	-	-	-
Shared expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER/ (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>171,202</u>	<u>171,202</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds, net	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>171,202</u>	<u>\$ 171,202</u>
Fund balances, beginning of year			591,162	
Fund balances, end of year			<u>\$ 762,364</u>	

CITY OF FORT BRAGG

PERS SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(Unaudited)

Miscellaneous Plan:

Valuation Date	Entry Age Normal	Actuarial Value of Assets (B)	Unfunded Liability/	Funded Status (B)/(A)	Annual Covered Payroll (C)	UAAL as a % of Payroll [(A)-(B)]/(C)
	Accrued Liability (A)		(Excess Assets) (A)-(B)			
6/30/2001	\$ 5,345,159	\$ 7,533,796	\$ (2,188,637)	140.9%	1,202,914	-181.94%
6/30/2002	6,264,951	7,221,665	(956,714)	115.3%	1,375,507	-69.55%
6/30/2003	7,230,067	7,379,838	(149,771)	102.1%	1,542,067	-9.71%
6/30/2004			***Unavailable***			

Safety Police Plan:

Valuation Date	Entry Age Normal	Actuarial Value of Assets (B)	Unfunded Liability/	Funded Status (B)/(A)	Annual Covered Payroll (C)	UAAL as a % of Payroll [(A)-(B)]/(C)
	Accrued Liability (A)		(Excess Assets) (A)-(B)			
6/30/2001	\$ 4,041,025	\$ 4,306,662	\$ (265,637)	106.6%	639,368	-41.55%
6/30/2002	4,364,054	4,106,242	257,812	94.1%	625,345	41.23%
6/30/2003	5,023,978	4,076,348	947,630	81.1%	707,337	133.97%
6/30/2004			***Unavailable***			

Safety Fire Plan:

Valuation Date	Entry Age Normal	Actuarial Value of Assets (B)	Unfunded Liability/	Funded Status (B)/(A)	Annual Covered Payroll (C)	UAAL as a % of Payroll [(A)-(B)]/(C)
	Accrued Liability (A)		(Excess Assets) (A)-(B)			
6/30/2001	\$ 264,077	\$ (147,054)	\$ 411,131	-55.7%	-	N/A
6/30/2002	265,419	(8,105)	273,524	-3.1%	-	N/A
6/30/2003	268,432	90,688	177,744	33.8%	-	N/A
6/30/2004			***Unavailable***			

OTHER SUPPLEMENTARY INFORMATION

* * * * *

CITY OF FORT BRAGG
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

ASSETS	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Cash and investments	\$ 1,764,047	\$ 505,717	\$ 2,527,505	\$ 4,797,269
Cash and investments with fiscal agent	-	-	593,261	593,261
Receivables:				
Accounts	88,538	52,422	9,686	150,646
Interest	5,843	2,317	8,352	16,512
Loans	-	-	-	-
Prepays and other assets	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 1,858,428</u>	<u>\$ 560,456</u>	<u>\$ 3,138,804</u>	<u>\$ 5,557,688</u>
 LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 108,489	\$ 104,625	\$ 6,000	\$ 219,114
Deposits payable and deferred revenue	-	-	-	-
Interest payable	-	-	-	-
Compensated absences payable	-	-	-	-
Claims payable	-	-	-	-
Leases payable	-	-	-	-
Bonds payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>108,489</u>	<u>104,625</u>	<u>6,000</u>	<u>219,114</u>
 FUND BALANCES				
Reserved	1,842,076	309,058	323,668	2,474,802
Unreserved, designated	-	375,311	2,809,136	3,184,447
Unreserved, undesignated	(92,137)	(228,538)	-	(320,675)
Total liabilities and fund balances	<u>1,749,939</u>	<u>455,831</u>	<u>3,132,804</u>	<u>5,338,574</u>
	<u>\$ 1,858,428</u>	<u>\$ 560,456</u>	<u>\$ 3,138,804</u>	<u>\$ 5,557,688</u>

CITY OF FORT BRAGG

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

NONMAJOR GOVERNMENTAL FUNDS

For the fiscal year ended June 30, 2004

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and assessments	\$ 272,655	\$ 36,000	\$ -	\$ 308,655
Licenses and permits	-	-	-	-
Fines and forfeitures	16,661	-	-	16,661
Use of money and property	26,073	10,378	11,483	47,934
Intergovernmental	329,552	524,779	-	854,331
Charges for services	50,709	50	132,325	183,084
Other revenue	28,873	-	-	28,873
Total Revenues	<u>724,523</u>	<u>571,207</u>	<u>143,808</u>	<u>1,439,538</u>
EXPENDITURES				
Current:				
General government	36,628	57,830	-	94,458
Public safety	20,669	22,403	-	43,072
Public works	217,443	20,275	-	237,718
Community development	128,139	-	-	128,139
Shared expenditures	-	-	-	-
Capital outlay	78,896	789,893	-	868,789
Debt Service:				
Principal retirement	-	-	200,000	200,000
Interest and fiscal Charges	-	-	231,297	231,297
Total Expenditures	<u>481,775</u>	<u>890,401</u>	<u>431,297</u>	<u>1,803,473</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>242,748</u>	<u>(319,194)</u>	<u>(287,489)</u>	<u>(363,935)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-
Transfers from other funds	435,835	150,535	2,970,036	3,556,406
Transfers to other funds	(559,912)	-	-	(559,912)
Total Other Financing Sources (Uses)	<u>(124,077)</u>	<u>150,535</u>	<u>2,970,036</u>	<u>2,996,494</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	118,671	(168,659)	2,682,547	2,632,559
Fund Balance (deficit) at beginning of fiscal year	<u>1,631,268</u>	<u>624,490</u>	<u>450,257</u>	<u>2,706,015</u>
Fund balances, end of year	<u>\$ 1,749,939</u>	<u>\$ 455,831</u>	<u>\$ 3,132,804</u>	<u>\$ 5,338,574</u>

CITY OF FORT BRAGG
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

JUNE 30, 2004

	Oceanview Improvement	Traffic Cong Relief	Gasoline Tax	Asset Seizure	Traffic Safety	UDAG Boatyard	Bainbridge Park	Revolving Loan EDBG 530	EDBG 664	OCJP Technology Grant
ASSETS										
Cash & investments	\$ 47,484	\$ 67,117	\$ 80,300	\$ 58,734	\$ (38,478)	\$ 263,250	\$ (4,409)	\$ 16,985	\$ 6,720	\$ 1,250
Cash & investments w/ fiscal agent										
Receivables:										
Accounts		-		-	5,399	-			36,148	-
Interest		283	294	254		1,045				19
Loans						-			-	
Due from other funds										
Total Assets	\$ 47,484	\$ 67,400	\$ 80,594	\$ 58,988	\$ (33,079)	\$ 264,295	\$ (4,409)	\$ 16,985	\$ 42,868	\$ 1,269
LIABILITIES & FUND BALANCES										
LIABILITIES										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 7,992	\$ -	\$ -	\$ 20,059	\$ -	\$ -	\$ -	\$ 994
Deposits payable										
Deferred revenue										
Due to other funds										
Total Liabilities	-	-	7,992	-	-	20,059	-	-	-	994
FUND BALANCES										
Reserved	47,484	67,400	72,602	58,988		244,236		16,985	42,868	275
Unreserved										
Undesignated					(33,079)		(4,409)			
Total Equity and Other Credits	47,484	67,400	72,602	58,988	(33,079)	244,236	(4,409)	16,985	42,868	275
Total Liabilities, Equity and Other Credits	\$ 47,484	\$ 67,400	\$ 80,594	\$ 58,988	\$ (33,079)	\$ 264,295	\$ (4,409)	\$ 16,985	\$ 42,868	\$ 1,269

Continued
on next page

CITY OF FORT BRAGG
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

JUNE 30, 2004

	LCP Update Grant	TDA Streets & roads Allocation	COPS AB3229 Grant	Public Service Supervision	Bulletproof Vest Partnership Grant	CDBG Downtown Plan Grant	CDBG Sanctuary Allocation	FESG Hospitality House Grant	FESG Coast Comm Center Grant
ASSETS									
Cash & investments	\$ 41,900	\$ 338	\$ -	\$ 14,610	\$ 10,091	\$ 402,737	\$ 3,544	\$ -	\$ -
Cash & investments w/ fiscal agent									
Receivables:									
Accounts	-	-		-		-		-	-
Interest				48		1,127	12		
Loans									
Due from other funds									
Total Assets	\$ 41,900	\$ 338	\$ -	\$ 14,658	\$ 10,091	\$ 403,864	\$ 3,556	\$ -	\$ -
LIABILITIES & FUND BALANCES									
LIABILITIES									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits payable									
Deferred revenue									
Due to other funds									
Total Liabilities	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Reserved		338		14,658	10,091	403,864	3,556		
Unreserved									
Undesignated	41,900		-					-	-
Total Equity and Other Credits	41,900	338	-	14,658	10,091	403,864	3,556	-	-
Total Liabilities, Equity and Other Credits	\$ 41,900	\$ 338	\$ -	\$ 14,658	\$ 10,091	\$ 403,864	\$ 3,556	\$ -	\$ -

Continued
on next page

CITY OF FORT BRAGG
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

JUNE 30, 2004

	Fine Furniture USDA Grant	CDBG Sewer I&I Study Grant	CDBG Native American Allocation	Coastal Conservancy Grant	COPS AB1913 Allocation	MCOG Streets Allocation	ADA/ RCHDC/P&F STBG	Micro- enterprise EDBG	Habitat/ Food Bank CDBG
ASSETS									
Cash & investments	\$ 571	\$ (27)	\$ (26,578)	\$ 13,805	\$ 66,148	\$ 173,587	\$ (3,191)	\$ (12,050)	\$ (4,590)
Cash & investments w/ fiscal agent									
Receivables:						-			
Accounts				-		-	1,600	11,947	3,000
Interest					343	588	7	6	8
Loans									
Due from other funds									
Total Assets	\$ 571	\$ (27)	\$ (26,578)	\$ 13,805	\$ 66,491	\$ 174,175	\$ (1,584)	\$ (97)	\$ (1,582)
LIABILITIES & FUND BALANCES									
LIABILITIES									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 79,386	\$ -	\$ -	\$ 58	\$ -	\$ -
Deposits payable									
Deferred revenue									
Due to other funds									
Total Liabilities	-	-	-	79,386	-	-	58	-	-
FUND BALANCES									
Reserved	571				66,491	174,175			
Unreserved									
Undesignated		(27)	(26,578)	(65,581)			(1,642)	(97)	(1,582)
Total Equity and Other Credits	571	(27)	(26,578)	(65,581)	66,491	174,175	(1,642)	(97)	(1,582)
Total Liabilities, Equity and Other Credits	\$ 571	\$ (27)	\$ (26,578)	\$ 13,805	\$ 66,491	\$ 174,175	\$ (1,584)	\$ (97)	\$ (1,582)

Continued
on next page

CITY OF FORT BRAGG
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

JUNE 30, 2004

	Tri-Level Housing Grant	Spath Gsthse/Fort Buildings	RDA Low & Mod Housing	Skate Park Proj	LTF ADA Planning Grant	June 30, 2004
ASSETS						
Cash & investments	\$ (1,042)	\$ 1,113	\$ 572,326	\$ 120	\$ 11,682	\$ 1,764,047
Cash & investments w/ fiscal agent						-
Receivables:						
Accounts			30,444	-	-	88,538
Interest		4	1,768		37	5,843
Loans						-
Due from other funds						-
						-
Total Assets	<u>\$ (1,042)</u>	<u>\$ 1,117</u>	<u>\$ 604,538</u>	<u>\$ 120</u>	<u>\$ 11,719</u>	<u>\$ 1,858,428</u>
LIABILITIES & FUND BALANCES						
LIABILITIES						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,489
Deposits payable						-
Deferred revenue						-
Due to other funds						-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,489</u>
FUND BALANCES						
Reserved		1,117	604,538	120	11,719	1,842,076
Unreserved						-
Undesignated	(1,042)					(92,137)
Total Equity and Other Credits	<u>(1,042)</u>	<u>1,117</u>	<u>604,538</u>	<u>120</u>	<u>11,719</u>	<u>1,749,939</u>
Total Liabilities, Equity and Other Credits	<u>\$ (1,042)</u>	<u>\$ 1,117</u>	<u>\$ 604,538</u>	<u>\$ 120</u>	<u>\$ 11,719</u>	<u>\$ 1,858,428</u>

CITY OF FORT BRAGG
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (DEFICIT)
OTHER SPECIAL REVENUE FUNDS

AS OF JUNE 30, 2004

	Oceanview Improvement	AB2928 Traffic Cong	Gasoline Tax	Asset Seizure	Traffic Safety	UDAG Boatyard	Bainbridge Park	Revolving Loan EDBG 530	EDBG 664	OJCP Technology Grant
REVENUES										
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	1,335	-	15,326	-	-	-	-	-
Use of money and property	-	1,243	-	1,321	-	8,186	-	-	-	101
Intergovernmental	-	4,820	169,012	-	-	-	10,000	-	-	-
Charges for services	-	-	5,061	45,648	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	5,000	-	-	-
Total Revenues	-	6,063	175,408	46,969	15,326	8,186	15,000	-	-	101
EXPENDITURES										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	19,719	-	-	-	-	-	950
Public works	-	-	160,607	-	56,836	-	-	-	-	-
Community development	-	-	-	-	-	-	1,222	-	-	-
Shared expenditures	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	51,598	-	-	-	-	-	6,246
Debt service:	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	160,607	71,317	56,836	-	1,222	-	-	7,196
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	6,063	14,801	(24,348)	(41,510)	8,186	13,778	-	-	(7,095)
OTHER FINANCING SOURCES (USES)										
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	-	(20,136)	-	(14,300)	-	(310,000)	-	-	-	-
Total Other Financing Sources (Uses)	-	(20,136)	-	(14,300)	-	(310,000)	-	-	-	-
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(14,073)	14,801	(38,648)	(41,510)	(301,814)	13,778	-	-	(7,095)
Fund Balance (deficit) at beginning of fiscal year	47,484	81,473	57,801	97,636	8,431	546,050	(18,187)	16,985	42,868	7,370
Fund Balance (deficit) at end of fiscal year	\$ 47,484	\$ 67,400	\$ 72,602	\$ 58,988	\$ (33,079)	\$ 244,236	\$ (4,409)	\$ 16,985	\$ 42,868	\$ 275

Continued on
next page

CITY OF FORT BRAGG
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (DEFICIT)
OTHER SPECIAL REVENUE FUNDS

AS OF JUNE 30, 2004

	LCP Update Grant	TDA Streets & roads Allocation	COPS AB3229 Alloc Grant	Public Service Supervision	Bulletproof Vest Partnership Grant	CDBG Downtown Plan Grant	CDBG Sanctuary Allocation	FESG Hospitality House Grant	FESG Coast Comm Center Grant
REVENUES									
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Use of money and property	-	5	-	208	-	3,639	51	-	-
Intergovernmental	11,690	-	-	-	1,273	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Other revenue	23,760	-	-	-	-	-	-	-	-
Total Revenues	35,450	5	-	208	1,273	3,639	51	-	-
EXPENDITURES									
Current:									
General government								22,649	13,979
Public safety			-	-	-				
Public works		-							
Community development	-								
Shared expenditures									
Capital outlay						21,052			
Debt service:									
Interest and Fiscal Charges									
Total Expenditures	-	-	-	-	-	21,052	-	22,649	13,979
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,450	5	-	208	1,273	(17,413)	51	(22,649)	(13,979)
OTHER FINANCING SOURCES (USES)									
Proceeds from capital leases									
Transfers from other funds			1,508		1,800	310,000		46,576	42,951
Transfers to other funds									
Total Other Financing Sources (Uses)	-	-	1,508	-	1,800	310,000	-	46,576	42,951
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	35,450	5	1,508	208	3,073	292,587	51	23,927	28,972
Fund Balance (deficit) at beginning of fiscal year	6,450	333	(1,508)	14,450	7,018	111,277	3,505	(23,927)	(28,972)
Fund Balance (deficit) at end of fiscal year	\$ 41,900	\$ 338	\$ -	\$ 14,658	\$ 10,091	\$ 403,864	\$ 3,556	\$ -	\$ -

Continued on
next page

CITY OF FORT BRAGG
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (DEFICIT)
OTHER SPECIAL REVENUE FUNDS

AS OF JUNE 30, 2004

	Fine Furniture USDA Grant	CDBG Sewer I&I Study Grant	CDBG Native American Allocation	Coastal Conservancy Grant	COPS AB1913 Allocation	MCOG Streets Allocation	ADA/ RCHDC/P&F STBG	Micro- enterprise EDBG	Habitat/ Food Bank CDBG
REVENUES									
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	1,432	2,604	16	6	18
Intergovernmental	-	-	-	-	100,000	-	6,400	13,657	9,200
Charges for services	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	101,432	2,604	6,416	13,663	9,218
EXPENDITURES									
Current:									
General government									
Public safety									
Public works		-							
Community development	-		-	96,535			58	10,340	
Shared expenditures									
Capital outlay									
Debt service:									
Interest and Fiscal Charges									
Total Expenditures	-	-	-	96,535	-	-	58	10,340	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(96,535)	101,432	2,604	6,358	3,323	9,218
OTHER FINANCING SOURCES (USES)									
Proceeds from capital leases									
Transfers from other funds				33,000					
Transfers to other funds				(2,550)	(100,473)	(9,693)	(8,000)	(3,420)	(10,800)
Total Other Financing Sources (Uses)	-	-	-	30,450	(100,473)	(9,693)	(8,000)	(3,420)	(10,800)
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-	(66,085)	959	(7,089)	(1,642)	(97)	(1,582)
Fund Balance (deficit) at beginning of fiscal year	571	(27)	(26,578)	504	65,532	181,264	-	-	-
Fund Balance (deficit) at end of fiscal year	\$ 571	\$ (27)	\$ (26,578)	\$ (65,581)	\$ 66,491	\$ 174,175	\$ (1,642)	\$ (97)	\$ (1,582)

Continued on
next page

CITY OF FORT BRAGG
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (DEFICIT)
OTHER SPECIAL REVENUE FUNDS

AS OF JUNE 30, 2004

	TRI-Level Housing Grant	Spath Gsths/Fort Buildings	RDA Low & Mod Housing	Skate Park Proj	LTF ADA Planning Grant	June 30, 2004
REVENUES						
Taxes and assessments	\$ -	\$ -	\$ 272,655		\$ -	\$ 272,655
Fines and forfeitures	-	-	-		-	16,661
Use of money and property	-	16	7,070	2	155	26,073
Intergovernmental	-	-	-		3,500	329,552
Charges for services	-	-	-			50,709
Other revenue	-	-	-	113		28,873
Total Revenues	-	16	279,725	115	3,655	724,523
EXPENDITURES						
Current:						
General government					\$	36,628
Public safety						20,669
Public works						217,443
Community development		-	17,997	-	1,987	128,139
Shared expenditures						-
Capital outlay						78,896
Debt service:						
Interest and Fiscal Charges						-
Total Expenditures	-	-	17,997	-	1,987	481,775
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	16	261,728	115	1,668	242,748
OTHER FINANCING SOURCES (USES)						
Proceeds from capital leases						-
Transfers from other funds				-		435,835
Transfers to other funds		-	(80,540)			(559,912)
Total Other Financing Sources (Uses)	-	-	(80,540)	-	-	(124,077)
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	16	181,188	115	1,668	118,671
Fund Balance (deficit) at beginning of fiscal year	(1,042)	1,101	423,350	5	10,051	1,631,268
Fund Balance (deficit) at end of fiscal year	\$ (1,042)	\$ 1,117	\$ 604,538	\$ 120	\$ 11,719	\$ 1,749,939

CITY OF FORT BRAGG
Capital Projects Funds
Combining Balance Sheet
June 30, 2004

	Fire Equipment	St. Rehab Phase II	Laurel/Main Signal Install	Dwntwn Prking Lots Resurf	Guesthouse Sprinklers	Pavement Markings	City Hall Façade	Underground Tank	Caspar Closure	Redevelopment	Total Capital Projects Fund
ASSETS											
Cash and investments	\$ 276,021	\$ -	\$ 299,101	\$ 17,245	\$ 60,582	\$ (22,578)	\$ 22,652	\$ (17,894)	\$ (112,813)	\$ (16,599)	\$ 505,717
Cash and investments with fiscal agent											-
Receivables:											-
Accounts	2,415		50,007								52,422
Interest	852		1,099	56	198		112				2,317
Loans											-
Prepays and other assets											-
Due from other funds											-
	<u>\$ 279,288</u>	<u>\$ -</u>	<u>\$ 350,207</u>	<u>\$ 17,301</u>	<u>\$ 60,780</u>	<u>\$ (22,578)</u>	<u>\$ 22,764</u>	<u>\$ (17,894)</u>	<u>\$ (112,813)</u>	<u>\$ (16,599)</u>	<u>\$ 560,456</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable and accrued liabilities		\$ (601)	\$ 40,759			\$ 983	\$ 5,813		\$ 57,671		\$ 104,625
Deposits payable and deferred revenue											-
Interest payable											-
Compensated absences payable											-
Claims payable											-
Leases payable											-
Bonds payable											-
Due to other funds											-
Total liabilities	<u>-</u>	<u>(601)</u>	<u>40,759</u>	<u>-</u>	<u>-</u>	<u>983</u>	<u>5,813</u>	<u>-</u>	<u>57,671</u>	<u>-</u>	<u>104,625</u>
Fund balances:											
Reserved			309,058								309,058
Unreserved:											
Designated	279,288	601	390	17,301	60,780		16,951				375,311
Unreserved						(23,561)		(17,894)	(170,484)	(16,599)	(228,538)
Total fund balances	<u>279,288</u>	<u>601</u>	<u>309,448</u>	<u>17,301</u>	<u>60,780</u>	<u>(23,561)</u>	<u>16,951</u>	<u>(17,894)</u>	<u>(170,484)</u>	<u>(16,599)</u>	<u>455,831</u>
Total liabilities and fund balances	<u>\$ 279,288</u>	<u>\$ -</u>	<u>\$ 350,207</u>	<u>\$ 17,301</u>	<u>\$ 60,780</u>	<u>\$ (22,578)</u>	<u>\$ 22,764</u>	<u>\$ (17,894)</u>	<u>\$ (112,813)</u>	<u>\$ (16,599)</u>	<u>\$ 560,456</u>

CITY OF FORT BRAGG

Capital Projects Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2004

	Fire Equipment	St. Rehab Phase II	Laura/Main Signal Install	Dwntwn Prking Lots Resurf	GP Capital Projects	Pavement Markings	City Hall Façade	Underground Tank	Caspar Closure	Redevelopment	Total Capital Projects Fund
REVENUES											
Taxes and assessments	\$ 36,000	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ 36,000
Licenses and permits	-	-	-	-	-						-
Fines and forfeitures	-	-	-	-	-						-
Use of money and property	3,603	-	4,985	246	864		680				10,378
Intergovernmental		474,772	50,007								524,779
Charges for services					10		40				50
Other revenue											-
Total revenues	39,603	474,772	54,992	246	874	-	720	-	-	-	571,207
EXPENDITURES											
Current:											
General government					159				57,671	-	57,830
Public safety	22,403										22,403
Public works		(18,500)	39,635				(860)				20,275
Community development											-
Intergovernmental											-
Shared expenditures											-
Capital outlay		619,535	56,755			48,960	64,643				789,893
Debt service:											-
Principal retirement											-
Interest and fiscal charges											-
Total expenditures	22,403	601,035	96,390	-	159	48,960	63,783	-	57,671	-	890,401
Excess of revenues over (under) expenditures	17,200	(126,263)	(41,398)	246	715	(48,960)	(63,063)	-	(57,671)	-	(319,194)
OTHER FINANCING SOURCES (USES)											
Capital lease agreements											-
Transfers in		125,136				25,399					150,535
Transfers out		-				-					-
Total other financing sources (uses)	-	125,136	-	-	-	25,399	-	-	-	-	150,535
Net change in fund balances	17,200	(1,127)	(41,398)	246	715	(23,561)	(63,063)	-	(57,671)	-	(168,659)
Fund balances, beginning of year	262,088	1,728	350,846	17,055	60,065	-	80,014	(17,894)	(112,813)	(16,599)	624,490
Fund balances, end of year	\$ 279,288	\$ 601	\$ 309,448	\$ 17,301	\$ 60,780	\$ (23,561)	\$ 16,951	\$ (17,894)	\$ (170,484)	\$ (16,599)	\$ 455,831

CITY OF FORT BRAGG
Debt Service Funds
Combining Balance Sheet
June 30, 2004

	2004 RDA Bonds Debt Service Fund	2004 RDA Bonds Proceeds Fund	Caspar Closure	Total Debt Service Funds
ASSETS				
Cash and investments	\$ -	\$ 2,549,973	\$ (22,468)	\$ 2,527,505
Cash and investments with fiscal agent	329,668		263,593	593,261
Receivables:				-
Accounts			9,686	9,686
Interest		8,352		8,352
Loans				-
Prepays and other assets				-
Due from other funds				-
	<u>\$ 329,668</u>	<u>\$ 2,558,325</u>	<u>\$ 250,811</u>	<u>\$ 3,138,804</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 6,000			\$ 6,000
Deposits payable and deferred revenue				-
Interest payable				-
Compensated absences payable				-
Claims payable				-
Leases payable				-
Bonds payable				-
Due to other funds				-
Total liabilities	<u>6,000</u>		<u>-</u>	<u>6,000</u>
Fund balances:				
Reserved	323,668			323,668
Unreserved:				
Designated		2,558,325	250,811	2,809,136
Unreserved				-
Total fund balances	<u>323,668</u>	<u>2,558,325</u>	<u>250,811</u>	<u>3,132,804</u>
Total liabilities and fund balances	<u>\$ 329,668</u>	<u>\$ 2,558,325</u>	<u>\$ 250,811</u>	<u>\$ 3,138,804</u>

CITY OF FORT BRAGG

Debt Service Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2004

	2004 RDA Bonds Debt Service Fund	2004 RDA Bonds Proceeds Fund	Caspar Closure	Total Debt Service Funds
REVENUES				
Use of money and property	\$ 1,269	\$ 8,352	\$ 1,862	\$ 11,483
Charges for services			132,325	132,325
Total revenues	<u>1,269</u>	<u>8,352</u>	<u>134,187</u>	<u>143,808</u>
EXPENDITURES				
Debt service:				
Principal retirement	80,000		120,000	200,000
Interest and fiscal charges	90,063		141,234	231,297
Total expenditures	<u>170,063</u>		<u>261,234</u>	<u>431,297</u>
Excess of revenues over (under) expenditure	<u>(168,794)</u>	<u>8,352</u>	<u>(127,047)</u>	<u>(287,489)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of bond, net	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-
Transfers in	297,063	2,549,973	123,000	2,970,036
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>297,063</u>	<u>2,549,973</u>	<u>123,000</u>	<u>2,970,036</u>
Net change in fund balances	128,269	2,558,325	(4,047)	2,682,547
Fund balances, beginning of year	195,399	-	254,858	450,257
Fund balances, end of year	<u>\$ 323,668</u>	<u>\$ 2,558,325</u>	<u>\$ 250,811</u>	<u>\$ 3,132,804</u>

CITY OF FORT BRAGG
ORGANIZATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<u>Council Member</u>	<u>Position</u>	<u>Term Expires</u>
Dave Turner	Mayor	November 2006
Dan Gjerde	Mayor-Pro Tempore	November 2006
Brian Baltierra	Member	November 2006
Doug Hammerstrom	Member	November 2008
Jere Melo	Member	November 2008

City Manager
McFerrin "Andy" Whiteman

Finance Director
Mark Johnson

City Clerk
Cynthia M. VanWormer

CITY OF FORT BRAGG
SUMMARY OF ASSESSED VALUATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

The following is a summary of assessed valuations of taxable real and personal property in the City of Fort Bragg for the past ten fiscal years:

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
1992-93	\$ 259,843,634	\$ 16,967,791	\$ 276,811,425
1993-94	269,756,358	17,759,621	287,515,979
1994-95	277,249,878	18,265,914	295,515,792
1995-96	290,473,170	19,553,721	310,026,891
1996-97	302,700,823	20,552,661	323,223,484
1997-98	315,033,150	21,688,989	336,722,139
1998-99	324,019,965	22,719,543	346,739,508
1999-00	343,184,707	24,424,239	367,608,946
2000-01	366,662,369	24,908,894	391,571,263
2001-02	385,867,901	25,575,634	411,443,535
2002-03	426,954,342	24,958,699	451,913,041
2003-04	419,675,003	25,798,640	445,473,643
2004-05	434,259,416	26,519,430	460,778,846

CITY OF FORT BRAGG

OTHER REPORTS

February 10, 2005

The Honorable Mayor and Members of the City Council
of the City of Fort Bragg

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the basic financial statements of the government activities and each major fund of the City of Fort Bragg (the "City") as of and for the fiscal year ended June 30, 2004, and have issued our report thereon dated February 10, 2005, which was qualified because we were unable to satisfy ourselves as to the cost of recorded capital assets. Except as discussed in the preceding sentence, 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.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements of the government activities and each major fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements of the government activities and each major fund financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements of the government activities and each major fund financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have communicated to management of the City in a separate letter dated February 10, 2005.

