

CITY OF FORT BRAGG
BASIC FINANCIAL STATEMENTS
AND REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT

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JUNE 30, 2005

CITY OF FORT BRAGG, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

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CITY OF FORT BRAGG, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

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January 25, 2006

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the government activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fort Bragg (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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, the business type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005 and the respective changes in financial position thereof 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.

We have also issued a report dated January 25, 2006 on our consideration of the City'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 and PERS schedule of funding progress are not a required part of the basic financial statements but is 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 and budgetary schedules (other special revenue funds), 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.

Odeberg Ollakko Muraiushu & 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, 2005. 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 \$30.3 million, total liabilities of \$15.3 million and total net assets to be \$15.0 million.

Net assets for fiscal 2005 increased \$1.7 million due to an excess of total revenues of \$11.3 million (program revenues-\$4.6 million and general revenues-\$6.7 million) over total expenses of \$9.6 million. In addition, net assets were increased by a prior period adjustment of \$1.5 million, primarily related to adding the cost basis of the Pomo Bluff Park land parcel acquired in a prior year to net assets.

Government Funds Financial Statements

Governmental Fund balances totaled \$9.0 million, an increase of \$0.7 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, 2005, the General Fund balance was \$2,604,325, an increase of \$438,633 from the July 1, 2004 balance of \$2,165,692. As of June 30, 2005, the unreserved General Fund balance was \$2,497,046 of which \$423,580 was designated and \$2,073,466 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
- 2004 RDA Bond Proceeds 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 \$138,289 to \$1.7 million as of June 30, 2005.

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 \$104,166 to \$5 million.

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 \$5,100 less than budgeted, a variation of about 0.1%. Actual General Fund Expenditures were \$284,430 less than budgeted, a variation of about 6%. Revenues exceeded Expenditures by \$249,651. With transfers from and to other funds, the net change in fund balance was a \$438,633, an increase from \$2,165,692 to \$2,604,325.

The Redevelopment Agency Project Area fund balance increased \$403,151, the CDBG Program Income fund balance decreased \$493,182, and the 2004 RDA Bond Proceeds fund balance decreased \$237,286.

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, 2005.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Statement of Net Assets

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 10,130,573	\$ 4,394,444	\$ 14,525,017
Capital assets, net	6,333,675	9,440,182	15,773,857
Total assets	<u>16,464,248</u>	<u>13,834,626</u>	<u>30,298,874</u>
Current and other liabilities	1,191,894	573,195	1,765,089
Long-term liabilities	6,917,007	6,584,497	13,501,504
Total liabilities	<u>8,108,901</u>	<u>7,157,692</u>	<u>15,266,593</u>
Net assets			
Invested in capital assets, net of related debt	4,610,354	4,702,995	9,313,349
Restricted	578,424	35,000	613,424
Unrestricted	3,166,569	1,938,939	5,105,508
Total net assets	<u>\$ 8,355,347</u>	<u>\$ 6,676,934</u>	<u>\$ 15,032,281</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 \$15,032,281 at June 30, 2005.

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$9,313,349 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 \$613,424 represent resources that are subject to external restrictions on how they may be used. The \$578,424 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 \$5,105,508 unrestricted net assets consist mainly of \$2.5 million in 2004 tax allocation bond proceeds, \$1.6 million for activities relating to the water enterprise funds, and \$0.4 million for activities relating to the wastewater enterprise funds, with the balance \$0.6 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.

The City's net assets increased by approximately \$1.4 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

	Governmental Activities
Revenues	
Program revenues:	
Charges for services	\$ 496,118
Operating grants & contributions	691,054
Capital grants & contributions	381,982
General revenues:	
Property taxes	2,216,811
Other taxes	3,672,807
Use of money and property	203,386
Intergovernmental and other revenues	517,169
Total revenues	8,179,327
Program expenses	
General government	1,734,199
Public safety	2,445,926
Public works	650,363
Planning	347,643
Community development	457,639
Shared expenditures	520,013
Interest and fiscal charges	387,766
Total program expenses	6,543,549
Increase/(decrease) in net assets	
before transfers	1,635,778
Transfers	21,234
Change in net assets	1,657,012
Net assets - beginning of year	5,320,183
Prior year adjustments (Note 15)	1,378,152
Net assets - end of year	\$ 8,355,347

CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES

	<u>Business-Type Activities</u>		
	Water	Wastewater	Total
Operating revenues:			
Charges for services	\$ 1,665,478	\$ 1,192,213	\$ 2,857,691
Other operating revenues	-	-	-
Total operating revenues	<u>1,665,478</u>	<u>1,192,213</u>	<u>2,857,691</u>
Operating expenses:			
Personnel services	587,007	646,443	1,233,450
Administration	84,801	134,127	218,928
Supplies and materials	78,066	100,205	178,271
Insurance	50,981	41,408	92,389
Outside contractors	131,413	118,653	250,066
Maintenance	26,052	30,574	56,626
Utilities	96,628	116,452	213,080
Depreciation and amortization	292,838	263,978	556,816
Total operating expenses	<u>1,347,786</u>	<u>1,451,840</u>	<u>2,799,626</u>
Operating income (loss)	<u>317,692</u>	<u>(259,627)</u>	<u>58,065</u>
Nonoperating revenue (expenses):			
Revenue from other agencies	-	80,064	80,064
Installation and annexation	-	122,778	122,778
Investment earnings	51,256	23,918	75,174
Miscellaneous revenue	-	865	865
Interest and other charges	(235,859)	(45,730)	(281,589)
Total nonoperating revenue (expenses)	<u>(184,603)</u>	<u>181,895</u>	<u>(2,708)</u>
Income (loss) before transfers	133,089	(77,732)	55,357
Transfers from other funds	437,088	2,340,033	2,777,121
Transfers to other funds	(431,888)	(2,366,467)	(2,798,355)
Change in net assets	138,289	(104,166)	34,123
Net assets, beginning of year	1,543,321	4,972,385	6,515,706
Prior period adjustments (Note 15)	-	127,105	127,105
Net assets, end of year	<u>\$ 1,681,610</u>	<u>\$ 4,995,324</u>	<u>\$ 6,676,934</u>

Governmental Activities

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

Property Taxes	33.5%
Other Taxes	55.6
Use of Money and Property	03.1
Intergovernmental and Other Revenues	07.8

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

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

General Government	25.5%
Public Safety	36.2
Public Works	13.2
Planning	05.1
Community Development	06.7
Shared Expenditures	07.6
Interest and fiscal charges	05.7

The largest component of Public Safety was Police Department expenditures.

Business-type Activities

The Water Enterprise Fund had Net Revenues of \$138,289 while the Wastewater Enterprise Fund had Net (Expenses) of \$(104,166). A prior period adjustment of \$127,105 was made to correct for the accounting of capital outlays in the Wastewater Funds which were expensed instead of capitalized in the prior year.

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, 2005, the City's combined fund balances were \$9,023,602, an increase of \$693,905 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 \$2,604,325, an increase of \$438,633 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 \$833,092 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 \$110,364 were made up of loan repayments. Expenditures were \$13,546.

2004 RDA Bond Proceeds Fund: This fund accounts for the accumulation of resources for the payments of the 2004 tax allocation bond principal and interest. Revenues of \$55,264 were primarily related to interest earnings.

Proprietary Funds

In the Water Enterprise Fund, net operating income was \$317,692. Operating revenues from water services charges amounted to \$1.7 million, while expenses were \$1.4 million. \$.6 million consisted of salaries and benefits to employees, while \$292,838 was recorded in depreciation expense. Interest payments on debt obligations came to \$235,859, and net transfers in were \$5,200. Net assets increased by \$138,289 and ended the year at \$1,681,610.

In the Wastewater Enterprise Fund, net operating (loss) was (\$259,627). Net assets decreased by \$(104,166) and ended the year at \$4,995,323. Sewer service charges received were \$1.2 million and were offset by operating expenses of \$1.5 million, largely consisting of \$.6 million in salary and benefits to employees, \$263,978 recorded in depreciation expense, and \$118,653 paid to outside contractors. Interest payments on debt obligations totaled \$45,730, and \$26,434 was transferred out to other funds. A prior period adjustment in the amount of \$127,150 was recorded to correct for the accounting of a capital asset which was expensed in the prior year. Net assets at year-end totaled \$4,995,324.

GENERAL FUND BUDGETARY HIGHLIGHTS

**General Fund Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance
Beginning Fund Balances, July 1, 2004	\$2,165,692	\$2,165,692	\$2,165,692	
Revenues	5,054,142	5,054,142	5,049,042	\$(5,100)
Expenditures	4,727,898	5,083,821	4,799,391	284,430
Revenues Over Under Expenditures	326,244	(29,679)	249,651	279,330
Other Sources (Uses)	683,333	188,982	188,982	
Ending Fund Balance June 30, 2005			\$2,604,325	

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.

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.

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, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 7,739,217	\$ 3,646,234	\$ 11,385,451
Cash with fiscal agents	578,424	17	578,441
Receivables:			
Taxes receivable	931,823	-	931,823
Accounts receivable, net	277,118	524,273	801,391
Interest receivable	55,417	25,700	81,117
Prepaid items	2,106	3,872	5,978
Total current assets	<u>9,584,105</u>	<u>4,200,096</u>	<u>13,784,202</u>
Loans receivable, net	386,058	-	386,058
Issuance costs, net	160,410	194,348	354,758
Total other assets	<u>546,468</u>	<u>194,348</u>	<u>740,816</u>
Capital assets:			
Nondepreciable	2,945,227	285,078	3,230,305
Depreciable, net	3,388,448	9,155,104	12,543,552
Total capital assets	<u>6,333,675</u>	<u>9,440,182</u>	<u>15,773,857</u>
Total assets	<u>16,464,248</u>	<u>13,834,626</u>	<u>30,298,875</u>
LIABILITIES			
Current liabilities:			
Accounts payable	480,877	58,459	539,336
Accrued interest payable	30,359	60,388	90,747
Current portion of leases payable	9,974	16,956	26,930
Current portion of long-term debt	205,000	260,000	465,000
Compensated absences	-	36,960	36,960
Deposits payable	-	104,370	104,370
Deferred revenue	465,684	36,063	501,747
Total current liabilities	<u>1,191,894</u>	<u>573,196</u>	<u>1,765,090</u>
Long-term liabilities:			
Leases payable, net	209,539	99,045	308,584
Compensated absences	327,293	-	327,293
Loan payable	-	2,008,265	2,008,265
Liability for landfill closure costs	306,052	-	306,052
Long-term debt, net	6,074,123	4,477,187	10,551,310
Total liabilities	<u>8,108,901</u>	<u>7,157,693</u>	<u>15,266,594</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,610,354	4,702,995	9,313,349
Restricted for:			
Debt service	578,424	-	578,424
Other purposes	-	35,000	35,000
Unrestricted	<u>3,166,569</u>	<u>1,938,938</u>	<u>5,105,507</u>
Total net assets	<u>\$ 8,355,347</u>	<u>\$ 6,676,933</u>	<u>\$ 15,032,280</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, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>
Primary government:					
Governmental Activities:					
General government	\$ 1,734,199	\$ 207,429	\$ -	\$ -	\$ (1,526,770)
Public safety	2,445,926	134,578	118,315	-	(2,193,033)
Public works	650,363	7,008	-	381,982	(261,373)
Planning	347,643	60,565	-	-	(287,078)
Community Development	457,639	86,538	572,739	-	201,638
Shared expenditures	520,013	-	-	-	(520,013)
Interest and fiscal charges	387,766	-	-	-	(387,766)
Total governmental activities	<u>6,543,549</u>	<u>496,118</u>	<u>691,054</u>	<u>381,982</u>	<u>(4,974,395)</u>
Business-type activities:					
Water	1,583,645	1,665,478	-	-	81,833
Sewer	1,497,570	1,314,991	-	22,857	(159,722)
Total business-type activities	<u>3,081,215</u>	<u>2,980,469</u>	<u>-</u>	<u>22,857</u>	<u>(77,889)</u>
Change in net assets:					
Net (expense) revenue	<u>\$ 9,624,764</u>	<u>\$ 3,476,587</u>	<u>\$ 691,054</u>	<u>\$ 404,839</u>	<u>\$ (5,052,284)</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, 2005

<u>Functions/Programs</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Change in net assets:			
Net (expense) revenue	<u>\$ (4,974,395)</u>	<u>\$ (77,889)</u>	<u>\$ (5,052,284)</u>
General revenues:			
Taxes:			
Property taxes	2,216,811	-	2,216,811
Other taxes	3,672,807	-	3,672,807
Use of money/property	203,386	75,174	278,560
Intergovernmental revenues	-	57,207	57,207
Other revenues	517,169	865	518,034
Total general revenues	<u>6,610,173</u>	<u>133,246</u>	<u>6,743,419</u>
Transfers	<u>21,234</u>	<u>(21,234)</u>	<u>-</u>
Change in net assets	1,657,012	34,123	1,691,135
Net assets, beginning of year	5,320,183	6,515,705	11,835,888
Prior period adjustments (Note 15)	1,378,152	127,105	1,505,257
Net assets - end of year	<u>\$ 8,355,347</u>	<u>\$ 6,676,933</u>	<u>\$ 15,032,280</u>

See accompanying notes to basic financial statements.

GOVERNMENTAL FUNDS

FINANCIAL STATEMENTS

* * * * *

CITY OF FORT BRAGG
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Major Funds			Non-Major Funds		Total Governmental Funds
	General	Redevelopment Agency Project Area Fund	CDBG Program	2004 RDA Bond Proceeds	Other Funds	
ASSETS						
Cash and investments	\$ 2,335,272	\$ 370,175	\$ 294,171	\$ 2,302,753	\$ 2,436,846	\$ 7,739,217
Cash and investments with fiscal agent	-	-	-	-	578,424	578,424
Receivables:						
Taxes	600,680	110,992	-	-	220,151	931,823
Accounts	18,102	-	-	-	259,016	277,118
Interest	13,632	831	2,754	18,286	19,914	55,417
Loans, net	5,410	-	380,648	-	-	386,058
Prepays and other assets	2,106	-	-	-	-	2,106
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 2,975,202</u>	<u>\$ 481,998</u>	<u>\$ 677,573</u>	<u>\$ 2,321,039</u>	<u>\$ 3,514,351</u>	<u>\$ 9,970,163</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 313,584	\$ 2,223	\$ -	\$ -	\$ 165,070	\$ 480,877
Deposits payable and deferred revenue	57,293	-	408,391	-	-	465,684
Interest payable	-	-	-	-	-	-
Compensated absences payable	-	-	-	-	-	-
Claims payable	-	-	-	-	-	-
Leases payable	-	-	-	-	-	-
Bonds payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>370,877</u>	<u>2,223</u>	<u>408,391</u>	<u>-</u>	<u>165,070</u>	<u>946,561</u>
FUND BALANCES						
Reserved, reported in:						
General fund	107,279	-	-	-	-	107,279
Special revenue funds	-	11,336	269,182	-	2,522,155	2,802,673
Capital projects funds	-	-	-	-	131,507	131,507
Debt service funds	-	-	-	-	14,616	14,616
Unreserved, reported in:						
General fund:						
Designated	423,580	-	-	-	-	423,580
Undesignated	2,073,466	468,439	-	-	-	2,541,905
Special Revenue funds:						
Designated	-	-	-	-	-	-
Undesignated	-	-	-	-	(41,915)	(41,915)
Debt Service funds:						
Designated	-	-	-	2,321,039	303,673	2,624,712
Undesignated	-	-	-	-	-	-
Capital Projects funds:						
Designated	-	-	-	-	545,708	545,708
Undesignated	-	-	-	-	(126,463)	(126,463)
Total fund balances	<u>2,604,325</u>	<u>479,775</u>	<u>269,182</u>	<u>2,321,039</u>	<u>3,349,281</u>	<u>9,023,602</u>
Total liabilities and fund balances	<u>\$ 2,975,202</u>	<u>\$ 481,998</u>	<u>\$ 677,573</u>	<u>\$ 2,321,039</u>	<u>\$ 3,514,351</u>	<u>\$ 9,970,163</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, 2005

Total Fund Balances - Total Governmental Funds **\$ 9,023,602**

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	108,663	
1995 COPS Landfill	<u>51,747</u>	160,410

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

Nondepreciable	2,945,227	
Depreciable	5,682,290	
Less accumulated depreciation	<u>(2,293,842)</u>	
Construction in progress	-	6,333,675

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.

(30,359)

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	(1,723,321)	
2004 Tax Allocation Bonds, net	(4,555,802)	
Leases payable, net	(219,513)	
Compensated absences	(327,293)	
Liability for landfill closure and post-closure costs	<u>(306,052)</u>	(7,131,981)

Net Assets of Governmental Activities **\$ 8,355,347**

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2005

REVENUES	Major Funds			Non-Major Funds		Total Governmental Funds
	General	Redevelopment Agency Project Area Fund	CDBG Program	2004 RDA Bond Proceeds	Other Funds	
Taxes and assessments	\$ 4,206,671	\$ 1,080,252	\$ -	\$ -	\$ 602,695	\$ 5,889,618
Licenses and permits	85,709	-	-	-	12,845	98,554
Fines and forfeitures	8,380	-	-	-	14,954	23,334
Use of money and property	46,310	2,383	32,174	55,264	67,255	203,386
Intergovernmental	96,866	-	35,240	-	940,930	1,073,036
Charges for services	141,528	-	-	-	232,702	374,230
Other revenue	463,578	10,028	42,950	-	613	517,169
Total revenues	5,049,042	1,092,663	110,364	55,264	1,871,994	8,179,327
EXPENDITURES						
General government	1,538,110	-	-	-	64,428	1,602,538
Public safety	2,198,663	-	-	-	121,058	2,319,721
Public works	413,081	-	13,546	-	191,969	618,596
Planning	347,643	-	-	-	-	347,643
Community development	-	313,079	-	-	144,560	457,639
Shared expenditures	-	520,013	-	-	-	520,013
Capital outlay	301,893	-	-	-	962,887	1,264,780
Debt service:						
Principal retirement	-	-	-	-	195,000	195,000
Interest and fiscal charges	-	-	-	-	388,589	388,589
Total expenditures	4,799,391	833,092	13,546	-	2,068,491	7,714,520
REVENUES OVER/ (UNDER) EXPENDITURES	249,651	259,571	96,818	55,264	(196,497)	464,807
OTHER FINANCING SOURCES (USES)						
Capital lease	207,863	-	-	-	-	207,863
Transfers from other funds	734,674	223,080	-	-	1,356,288	2,314,042
Transfers to other funds	(753,555)	(79,500)	(590,000)	(292,550)	(577,202)	(2,292,807)
Total other financing sources (uses)	188,982	143,580	(590,000)	(292,550)	779,086	229,098
Net change in fund balances	438,633	403,151	(493,182)	(237,286)	582,589	693,905
Fund balances, beginning of year	2,165,692	111,398	762,364	2,558,325	2,780,249	8,378,028
Prior period adjustment (Note 15)	-	(34,774)	-	-	(13,557)	(48,331)
Fund balances, end of year	\$ 2,604,325	\$ 479,775	\$ 269,182	\$ 2,321,039	\$ 3,349,281	\$ 9,023,602

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, 2005

Net changes in fund balances - total governmental funds **\$ 693,905**

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	1,172,768	
Depreciation expense	<u>(157,972)</u>	1,014,796

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.

Capital leases - other sources	(207,863)	
Principal payments on capital leases	18,717	
Principal repayments on long-term debt	<u>195,000</u>	5,854

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	(6,010)	
Change in compensated absences	(52,356)	
Change in accrued interest payable	<u>823</u>	(57,543)

Total changes in net assets of governmental activities **\$ 1,657,012**

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Enterprise Funds		
	Water	Wastewater	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 3,314,059	\$ 332,175	\$ 3,646,234
Cash with fiscal agent	-	17	17
Accounts receivable, net	286,919	237,354	524,273
Interest receivable	20,147	5,553	25,700
Prepaid expenses	1,936	1,936	3,872
Total current assets	3,623,061	577,035	4,200,096
Noncurrent assets:			
Issuance costs, net	151,907	42,441	194,348
Capital assets:			
Nondepreciable	216,078	69,000	285,078
Depreciable, net	3,928,349	5,226,755	9,155,104
Capital assets (net)	4,144,427	5,295,755	9,440,182
Total assets	7,919,395	5,915,231	13,834,626
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	34,794	23,665	58,459
Accrued interest payable	48,387	12,001	60,388
Deferred revenue	15,004	21,059	36,063
Leases payable - current	1,153	15,803	16,956
Bonds payable - current	185,000	75,000	260,000
Compensated absences	6,890	30,070	36,960
Refundable deposits	104,370	-	104,370
Total current liabilities	395,598	177,598	573,196
Noncurrent liabilities:			
Leases payable - long-term	6,735	92,310	99,045
Loan payable - long-term	2,008,265	-	2,008,265
Bonds payable - long-term	3,827,187	650,000	4,477,187
Total noncurrent liabilities	5,842,187	742,310	6,584,497
Total liabilities	6,237,785	919,908	7,157,693
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	132,240	4,570,755	4,702,995
Restricted for wastewater fine	-	35,000	35,000
Unrestricted	1,549,370	389,568	1,938,938
Total net assets	\$ 1,681,610	\$ 4,995,323	\$ 6,676,933

See accompanying notes to basic financial statements.

CITY OF FORT BRAGG
STATEMENT OF ACTIVITIES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Enterprise Funds		
	Water	Wastewater	Total
Operating revenues:			
Charges for services	\$ 1,665,478	\$ 1,192,213	\$ 2,857,691
Total operating revenues	<u>1,665,478</u>	<u>1,192,213</u>	<u>2,857,691</u>
Operating expenses:			
Personnel services	587,007	646,443	1,233,450
Administration	84,801	134,127	218,928
Supplies and materials	78,066	100,205	178,271
Insurance	50,981	41,408	92,389
Outside contractors	131,413	118,653	250,066
Maintenance	26,052	30,574	56,626
Utilities	96,628	116,452	213,080
Depreciation and amortization	292,838	263,978	556,816
Total operating expenses	<u>1,347,786</u>	<u>1,451,840</u>	<u>2,799,626</u>
Operating income (loss)	<u>317,692</u>	<u>(259,627)</u>	<u>58,065</u>
Nonoperating revenue (expenses):			
Revenue from other agencies	-	80,064	80,064
Installation and annexation	-	122,778	122,778
Investment earnings	51,256	23,918	75,174
Miscellaneous revenue	-	865	865
Interest and other charges	(235,859)	(45,730)	(281,589)
Total nonoperating revenue (expenses)	<u>(184,603)</u>	<u>181,895</u>	<u>(2,708)</u>
Income (loss) before transfers	133,089	(77,732)	55,357
Transfers from other funds	437,088	2,340,033	2,777,121
Transfers to other funds	(431,888)	(2,366,467)	(2,798,355)
Change in net assets	138,289	(104,166)	34,123
Net assets, beginning of year	1,543,321	4,972,384	6,515,705
Prior year adjustments	-	127,105	127,105
Net assets, end of year	<u>\$ 1,681,610</u>	<u>\$ 4,995,323</u>	<u>\$ 6,676,933</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, 2005

	Enterprise Funds		
	Water	Wastewater	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,691,248	\$ 1,155,385	\$ 2,846,633
Cash received from other operating activities	-	-	-
Cash paid to suppliers	(496,209)	(710,306)	(1,206,515)
Cash paid to employees	(587,007)	(638,049)	(1,225,056)
Net cash provided by operating activities	<u>608,032</u>	<u>(192,970)</u>	<u>415,062</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances from other funds	437,088	2,340,033	2,777,121
Transfers out to other funds	(431,888)	(2,366,467)	(2,798,355)
Net cash used for noncapital financing activities	<u>5,200</u>	<u>(26,434)</u>	<u>(21,234)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Loan proceeds	2,008,265	-	2,008,265
Principal payments - bonds	(190,000)	(70,000)	(260,000)
Interest payments/Lease payments	(235,859)	(60,747)	(296,606)
Proceeds from grants/other non-operating	-	203,707	203,707
Capital expenditures	(394,823)	(1,266,104)	(1,660,927)
Net cash used for capital and related financing activities	<u>1,187,583</u>	<u>(1,193,144)</u>	<u>(5,561)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	51,256	23,918	75,174
Change in restricted investments	-	-	-
Net cash provided by investing activities	<u>51,256</u>	<u>23,918</u>	<u>75,174</u>
Net change in cash and cash equivalents	1,852,071	(1,388,630)	463,441
Cash and cash equivalents at beginning of year	<u>1,461,988</u>	<u>1,720,822</u>	<u>3,182,810</u>
Cash and cash equivalents at end of year	<u>\$ 3,314,059</u>	<u>\$ 332,192</u>	<u>\$ 3,646,251</u>
Reconciliation of operating income to net cash provided (used)			
by operating activities:			
Operating income (loss)	\$ 317,692	\$ (259,627)	\$ 58,065
Adjustments to reconcile operating income to net cash provided (used)			
by operating activities:			
Depreciation and amortization expense	292,838	263,978	556,816
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	5,621	(36,828)	(31,207)
Decrease (increase) in other assets	6,322	2,990	9,312
(Decrease) increase in accounts payable and accrued liabilities	(24,110)	(164,749)	(188,859)
(Decrease) increase in other liabilities	9,669	1,266	10,935
Net cash provided by operating activities	<u>\$ 608,032</u>	<u>\$ (192,970)</u>	<u>\$ 415,062</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 2005.

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 Project Area 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.
- **2004 RDA Bond Proceeds Fund** - The fund is used to account for accumulation of resources for the payments of the 2004 tax allocation bond principal and interest.

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 \$613,760 at June 30, 2005.

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 of a reserve of \$13,546 are \$386,058 at June 30, 2005 .

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. 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.

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, 2005, the carrying amount of the City's cash deposits was an overdraft of \$68,969, and the bank balance was \$54,365. The difference primarily relates to outstanding checks. 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.

A summary of the City's cash and investments at June 30, 2005 follows:

	<u>Carrying Value</u>	<u>Market Value</u>
Local Agency Investment Fund (LAIF)	\$ 11,452,423	\$ 11,426,627
Cash in checking accounts	(68,969)	(68,969)
Petty cash	1,997	1,997
	<u>\$ 11,385,451</u>	<u>\$ 11,359,655</u>
 Cash and investments with fiscal agents:		
U.S. Treasury Obligations	\$ 264,907	\$ 264,907
Guarantee of Investment	313,534	313,534
	<u>\$ 578,441</u>	<u>\$ 578,441</u>

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holding in LAIF. The City had a contractual withdrawal value of \$11,452,423 whose pro-rata share of fair value was estimated by the state Treasurer to be \$11,426,627. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

Interest Rate Risk. This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Investment Type	Fair Value	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State investment pool	\$ 11,426,627	\$ 11,426,627	\$ -	\$ -	\$ -
Held by bond trustee:					
U.S. Treasury notes	264,907	264,907	-	-	-
Guarantee of Investments	313,534	-	-	-	313,534
Total	\$ 12,005,068	\$ 11,691,534	\$ -	\$ -	\$ 313,534

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. That is measured by the assignment of a rating by a nationally recognized credit rating organization. Presented below is the actual rating as of year end for each investment type.

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year End	
			AAA	Not Rated
State investment pool	\$ 11,426,627	\$ -	\$ -	\$ 11,426,627
Held by bond trustee:				
U.S. Treasury notes	264,907	264,907	-	-
Guarantee of Investments	313,534	-	-	313,534
Total	\$ 12,005,068	\$ 264,907	\$ -	\$ 11,740,161

The City's general policy is to apply the prudent-investor rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

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

Fair Value of Investments

Accounting pronouncement GASB Statement 31 generally applies to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds, and certain investment pools/agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and records these gains or losses on their income statement.

Methods and assumptions used to estimate fair value: The City maintains investment accounting records on amortized cost, and adjusts those records to "fair value" for external reporting purpose. The Funds investment custodians provide market values on each investment instrument on a monthly basis. The investments held by the Funds are widely traded in the financial markets, and trading values are readily available from numerous published sources. The Funds have elected to report their money market investments (those investments with maturities of less than one year) at amortized cost adjusted to fair value. Unrealized gains and losses are recorded and the carrying value of their investments is considered "fair value".

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).

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

	Restated June 30, 2004	Increases	Decreases	June 30, 2005
Capital assets not being depreciated:				
Land	\$ 2,945,227	\$ -	\$ -	\$ 2,945,227
	<u>2,945,227</u>	<u>-</u>	<u>-</u>	<u>2,945,227</u>
Depreciable capital assets:				
Building	3,446,676	-	-	3,446,676
Equipment and improvements	354,348	371,355	-	725,703
Infrastructure	725,250	784,661	-	1,509,911
Total	<u>4,526,274</u>	<u>1,156,016</u>	<u>-</u>	<u>5,682,290</u>
Less accumulated depreciation for:				
Building	2,043,084	74,592	-	2,117,676
Equipment and improvements	92,786	59,205	-	151,991
Infrastructure	-	24,175	-	24,175
	<u>2,135,870</u>	<u>157,972</u>	<u>-</u>	<u>2,293,842</u>
Depreciable capital assets, net	<u>2,390,404</u>	<u>998,044</u>	<u>-</u>	<u>3,388,448</u>
Total capital assets, net	<u>\$ 5,335,631</u>	<u>\$ 998,044</u>	<u>\$ -</u>	<u>\$ 6,333,675</u>

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

Governmental activities:	
Public safety	126,205
Public works	31,767
	<u>\$ 157,972</u>

The following is a summary of capital assets (unaudited) for business-type activities as of June 30, 2005:

	Water	Municipal Improvement Dist. No. 1	Total
Capital assets not being depreciated:			
Land and easements	\$ 216,078	\$ 69,000	\$ 285,078
	<u>216,078</u>	<u>69,000</u>	<u>285,078</u>
Depreciable capital assets:			
Building	452,829	3,322,742	3,775,571
Utility plant	-	5,416,788	5,416,788
Equipment and improvements	7,706,752	882,525	8,589,277
Total	<u>8,159,581</u>	<u>9,622,055</u>	<u>17,781,636</u>
Less accumulated depreciation for:			
Building	331,411	1,272,667	1,604,078
Utility plant	-	2,436,821	2,436,821
Equipment and improvements	3,899,823	685,810	4,585,633
	<u>4,231,234</u>	<u>4,395,298</u>	<u>8,626,532</u>
Depreciable capital assets, net	<u>3,928,347</u>	<u>5,226,757</u>	<u>9,155,104</u>
Total capital assets, net	<u>\$ 4,144,425</u>	<u>\$ 5,295,757</u>	<u>\$ 9,440,182</u>

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

	Restated			
	June 30, 2004	Increases	Decreases	June 30, 2005
Capital assets not being depreciated:				
Land and easements	\$ 285,078	\$ -	\$ -	\$ 285,078
	<u>285,078</u>	<u>-</u>	<u>-</u>	<u>285,078</u>
Depreciable capital assets:				
Buildings	3,775,571	-	-	3,775,571
Utility plant	4,150,684	1,266,104	-	5,416,788
Equipment and improvements	8,195,691	393,586	-	8,589,277
Total	<u>16,121,946</u>	<u>1,659,690</u>	<u>-</u>	<u>17,781,636</u>
Less accumulated depreciation for:				
Buildings	1,547,759	56,319		1,604,078
Utility plant	2,307,441	129,380		2,436,821
Equipment and improvements	4,273,641	311,992		4,585,633
	<u>8,128,841</u>	<u>497,691</u>	<u>-</u>	<u>8,626,532</u>
Depreciable capital assets, net	<u>7,993,105</u>	<u>1,161,999</u>	<u>-</u>	<u>9,155,104</u>
Total capital assets, net	<u>\$ 8,278,183</u>	<u>\$ 1,161,999</u>	<u>\$ -</u>	<u>\$ 9,440,182</u>

NOTE 4 - Long-term obligations:

Changes in long-term obligations and debt for the fiscal year ended June 30, 2005 are as follows:

	June 30, 2004	Additions	Reductions	June 30, 2005	Due in one year
Governmental activities:					
Bonds payable:					
1995 Certificates of participation	\$ 1,915,000	\$ -	\$ 130,000	\$ 1,785,000	\$ 140,000
2004 Tax allocation bonds	4,750,000	-	65,000	4,685,000	65,000
Total bonds payable	6,665,000	-	195,000	6,470,000	205,000
1995 COP discount, net	(64,763)		3,084	(61,679)	
2004 deferred refunding, net	(29,260)	-	2,048	(27,212)	
2004 discount, net	(105,312)	-	3,326	(101,986)	
Net total bonds payable	6,465,665	-	203,458	6,279,123	205,000
Other long-term liabilities:					
Capital leases	30,367	207,863	18,717	219,513	9,974
Landfill closure and post-closure costs	331,261	-	25,209	306,052	-
Compensated absences	274,937	67,307	14,951	327,293	-
Total other long term liabilities	636,565	275,170	58,877	852,858	9,974
Total long term liabilities	\$ 7,102,230	\$ 275,170	\$ 262,335	\$ 7,131,981	\$ 214,974
Business-type activities:					
Safe Drinking Water Revolving Fund	\$ -	\$ 2,008,265	\$ -	\$ 2,008,265	\$ -
2004 CSCDA bonds	4,855,000	-	190,000	4,665,000	185,000
Original issue premium, net	75,023	-	(3,949)	71,074	
Deferred refunding, net	(764,103)	-	40,216	(723,887)	
	4,165,920	2,008,265	226,267	6,020,452	185,000
1998 Wastewater revenue bonds	615,000	-	30,000	585,000	30,000
1970 Sewer bonds	180,000	-	40,000	140,000	45,000
	795,000	-	70,000	725,000	75,000
Total bonds payable, net	4,960,920	2,008,265	296,267	6,745,452	260,000
Capital leases	132,114	-	(16,113)	116,001	16,956
Total long-term debt	\$ 5,093,034	\$ 2,008,265	\$ 280,154	\$ 6,861,453	\$ 276,956

Long-term governmental activities obligations at June 30, 2005, 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 -	\$ 1,785,000
Less unamortized bond discount	<u>61,679</u>
	1,723,321
Less current portion	<u>140,000</u>
	<u>\$ 1,583,321</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 -	\$ 4,685,000
Less unamortized bond discount	101,986
Less deferred loss on defeasance of debt	<u>27,212</u>
	4,555,802
Less current portion	<u>65,000</u>
	<u>\$ 4,490,802</u>
Capital leases: The City leases a truck, six police interceptors 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 \$381,302	\$ 219,513
Less current portion	<u>9,974</u>
	<u>\$ 209,539</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 -	\$ 306,052

Annual requirements to amortize all bonds and special assessment debt obligations outstanding as of June 30, 2005 are as follows:

Fiscal years ending June 30:	1995 COPS			2004 Tax Allocation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	50,000	88,665	138,665	75,000	234,704	309,704
2011-2015	300,000	388,815	688,815	425,000	1,126,135	1,551,135
2016-2020	395,000	270,480	665,480	540,000	1,009,810	1,549,810
2021-2025	540,000	116,955	656,955	700,000	851,075	1,551,075
2026-2030	-	-	-	905,000	639,925	1,544,925
2031-2035	-	-	-	1,190,000	361,900	1,551,900
2036-2037	-	-	-	575,000	47,850	622,850
	<u>\$ 1,785,000</u>	<u>\$ 1,294,096</u>	<u>\$ 3,079,096</u>	<u>\$ 4,685,000</u>	<u>\$ 5,230,959</u>	<u>\$ 9,915,959</u>

Fiscal years ending June 30:	Capital Leases
2006	\$ 51,198
2007	51,092
2008	48,569
2009	48,569
2010	48,566
	<u>247,994</u>
Less interest	<u>28,481</u>
	<u>\$ 219,513</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 \$306,052 is reported as of June 30, 2005. 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 \$64,176 in 2005.

Long-term obligations for the business-type activities at June 30, 2005 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 -	\$ 4,665,000
Plus original issue premium	71,074
Less deferred loss on defeasance of debt	723,887
	<u>4,012,187</u>
Less current portion	185,000
	<u>\$ 3,827,187</u>
Safe Drinking Water Revolving Fund- (Water Fund): In fiscal 2005, the City received funds in the amount of \$2,008,265 from the California Department of Health Services, at zero percent interest. The loans are payable over twenty years-	 \$ 2,008,265
	<u><u>2,008,265</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 -	 \$ 585,000
Less current portion	30,000
	<u>\$ 555,000</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 -	 \$ 140,000
Less current portion	45,000
	<u>\$ 95,000</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%. -	 \$ 116,001
Less current portion	16,956
	<u>\$ 99,045</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
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	195,000	171,520	366,520	35,000	23,015	-
2011-2015	1,085,000	750,028	1,835,028	210,000	84,210	294,210
2016-2020	1,330,000	502,333	1,832,333	210,000	22,790	232,790
2021-2024	1,295,000	140,306	1,435,306	-	-	-
	4,665,000	2,292,913	6,957,913	585,000	238,985	765,970
Plus original issue premium, net	71,074	-	-	-	-	-
Less deferred loss on defeasance, net	723,887	-	-	-	-	-
	<u>\$ 4,012,187</u>	<u>\$ 2,292,913</u>	<u>\$ 6,957,913</u>	<u>\$ 585,000</u>	<u>\$ 238,985</u>	<u>\$ 765,970</u>

	1970 Sewer Revenue Bonds			Capital leases		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	20,792	2,231	23,023
2011-2014	-	-	-	21,876	1,144	23,020
	<u>\$ 140,000</u>	<u>\$ 4,714</u>	<u>\$ 144,714</u>	<u>\$ 116,001</u>	<u>\$ 22,134</u>	<u>\$ 138,135</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 was 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 City began to draw down on the loan in fiscal 2005. The loan is 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, 2005, \$2,008,265 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, 2005 are as follows:

	Reserved- Encumbrances	Reserved- Other	Total Reserved	Designated
Major funds:				
General fund	\$ 107,279	\$ -	\$ 107,279	\$ 423,580
Redevelopment	-	-	-	-
CDBG Program Income	-	269,182	269,182	-
2004 RDA Bonds Proceeds	-	-	-	2,321,039
Redevelopment Agency Project Area	5,296	6,040	11,336	-
	<u>112,575</u>	<u>275,222</u>	<u>387,797</u>	<u>2,744,619</u>
Other Special revenue funds:				
General Plan Maintenance Fee	-	17,644	17,644	-
Oceanview Improvement	-	48,530	48,530	-
Traffic Congestion Relief	-	84	84	-
Gas tax	-	56,024	56,024	-
Asset seizure	-	54,496	54,496	-
UDAG Boatyard	-	249,655	249,655	-
EDBG 664 Loans	-	36,148	36,148	-
TDA Streets and roads	-	346	346	-
Special Sales Tax Street	-	294,614	294,614	-
Bulletproof vest partnership grant	-	9,772	9,772	-
CDBG Downtown Plan grant	182,067	-	182,067	-
COPS AB1913 Allocation	-	56,535	56,535	-
MCOG Streets Allocation	-	81,874	81,874	-
Habitat Food Bank CDBG	-	536,928	536,928	-
Redevelopment Housing	60,000	709,705	769,705	-
Skate Park project	-	122	122	-
STBG-1699	127,611	-	127,611	-
	<u>369,678</u>	<u>2,152,477</u>	<u>2,522,155</u>	<u>-</u>
Other Capital projects funds:				
Fire equipment	-	-	-	259,092
Street rehab Phase II	-	-	-	601
Laurel & Main Signal	30,775	-	30,775	1,466
Franklin Street Reconstruction	-	-	-	526
Downtown Parking Lots	-	-	-	17,682
Guesthouse Sprinklers	87,193	-	87,193	266,341
Pavement Marking	13,539	-	13,539	-
	<u>131,507</u>	<u>-</u>	<u>131,507</u>	<u>545,708</u>
Other Debt service funds:				
2004 RDA Bonds Debt Service Fund	-	14,616	14,616	-
Caspar Closure	-	-	-	303,673
	<u>-</u>	<u>14,616</u>	<u>14,616</u>	<u>303,673</u>
Total	<u>\$ 613,760</u>	<u>\$ 2,442,315</u>	<u>\$ 3,056,075</u>	<u>\$ 3,594,000</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, 2005:

Other Special revenue funds:

Traffic Safety	\$ (68,057)
	<u>\$ (68,057)</u>

Other Capital project funds:

Bainbridge Park	\$ (46,048)
Redevelopment	(16,599)
Carspar Closure	(63,816)
	<u>\$ (126,463)</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, 2005.

Operating transfers

The following schedule summarizes the operating transfers in and out for the fiscal year ended June 30, 2005:

	<u>Transfers in</u>	<u>Transfers out</u>
Major funds:		
General Fund	\$ 734,674	\$ 733,555
Redevelopment	223,080	79,500
2004 RDA Bond Proceeds	-	292,550
CDBG Program	-	590,000
	<u>957,754</u>	<u>1,715,605</u>
Other Special Revenue Funds:		
Police asset seizure	-	27,500
Redevelopment Housing	-	84,598
Bainbridge Park	4,409	-
I&I Study Fund	-	103
Native American Fund	26,578	-
04-PTAA-0317 CDBG Plan & Tec	17,500	-
General Plan Maintenance Fee Fund	4,767	-
02-STBG-1699 ADA/RCHDC/P&F	10,502	3,200
01-EDBG-839 Microenterprise	10,970	3,215
EDBG-664 Revolving Loan Fund	-	6,720
EDBG-530 Business Loan Prog	-	16,985
03-STBG-1820 HI-I/Food Brik/Oak St	500,000	17,150
USDA Furniture Fund	571	1,142
Public service supervision	-	14,873
CDBG Project Sanctuary Allocation	-	4,890
Tri-Level Fund	1,042	-
COPS AB1913 allocation	-	111,983
CCJP Tech Fund	-	279
Spath Guesthouse/Fort Buildings	-	1,133
LTF ADA planning grant	-	11,891
LCP Update Fund	-	42,340
Gas Tax	95,000	-
Traffic & Safety	-	-
State Transport Prog d-1	-	125,000
AB2928 Traffic Cong Relief	7,078	75,000
	<u>678,416</u>	<u>548,001</u>
Other Capital Projects Funds:		
Fire Equipment Fund	-	12,000
Tank Removal Fund	17,894	-
Pavement Markings & Delineation	75,000	-
Caspar Closure Capital Project	170,843	-
City Hall Rehab	-	17,200
Guesthouse Sprinklers	291,133	-
	<u>554,870</u>	<u>29,200</u>
Other Debt Service Funds:		
Caspar Landfill closure	123,000	-
	<u>123,000</u>	<u>-</u>
Enterprise Funds:		
Water Fund	437,088	431,887
Wastewater Fund	2,340,033	2,366,467
	<u>2,777,121</u>	<u>2,798,354</u>
Totals	<u>\$ 5,091,160</u>	<u>\$ 5,091,160</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 \$317,696 during the fiscal year ended June 30, 2005. 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, 2005 was 17.330% for police employees and 3.061% for miscellaneous employees, and a required contribution of \$42,876 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, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: a) an 7.75% expected long-term investment rate of return (net of administrative expenses) and b) projected salary increases of 3.25%. Both a) and b) include an inflation component of 3.0%. 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, 2025 for police employees, June 30, 2025 for miscellaneous employees, and June 30, 2010 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.

<u>Fiscal Year</u>	<u>Combined Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$172,267	100%	-
6/30/04	\$225,035	100%	-
6/30/05	\$365,867	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 25 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 2005, expenditures of \$138,063 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 (69%-County and 31%-City for fiscal 2005).

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, 2005, general government expenditures exceeded appropriations by \$179,695 in the General fund. The public works expenditures exceeded appropriations by \$13,546 in the CDBG Program Income fund. In addition, the shared expenditures exceeded appropriations by \$39,238 in the Redevelopment 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:

Beginning net assets of the City have been increased by \$1,378,152, comprised of corrections to beginning capital assets of \$1,426,483 (primarily related to a prior year land acquisition of \$1,448,583), offset by \$48,331 to correct an error relating to the double booking of property tax revenues in the prior year.

Beginning fund equity of the Fort Bragg Municipal Water District No. 1 have been increased by \$127,105 as of June 30, 2004 to correct for an error in accounting relating to expensing rather than capitalizing capital outlay in the prior year.

CITY OF FORT BRAGG

OTHER SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FORT BRAGG

Required Supplementary Information
Budgetary Comparison Schedule, General Fund
For Fiscal Year Ended June 30, 2005

	GENERAL FUND			
	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final- Positive (Negative)
REVENUES				
Taxes and assessments	\$ 3,290,100	\$ 3,878,100	\$ 4,206,671	\$ 328,571
Licenses and permits	89,450	89,450	85,709	(3,741)
Fines and forfeitures	-	-	8,380	8,380
Use of money and property	39,000	39,000	46,310	7,310
Intergovernmental	660,700	72,700	96,866	24,166
Charges for services	132,600	132,600	141,528	8,928
Other revenue	842,292	842,292	463,578	(378,714)
Total revenues	<u>5,054,142</u>	<u>5,054,142</u>	<u>5,049,042</u>	<u>(5,100)</u>
EXPENDITURES				
General government	1,229,645	1,358,415	1,538,110	(179,695)
Public safety	2,499,238	2,499,238	2,198,663	300,575
Public works	499,389	499,389	413,081	86,308
Planning	387,363	424,886	347,643	77,243
Community development			-	-
Shared expenditures			-	-
Capital outlay	112,263	301,893	301,893	(0)
Debt service:			-	-
Principal retirement			-	-
Interest and fiscal charges			-	-
Total expenditures	<u>4,727,898</u>	<u>5,083,821</u>	<u>4,799,391</u>	<u>284,430</u>
REVENUES OVER/ (UNDER) EXPENDITURES	<u>326,244</u>	<u>(29,679)</u>	<u>249,651</u>	<u>279,330</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	207,863	207,863	207,863	-
Transfers from other funds	544,770	734,674	734,674	-
Transfers to other funds	(69,300)	(753,555)	(753,555)	-
Total other financing sources (uses)	<u>683,333</u>	<u>188,982</u>	<u>188,982</u>	<u>-</u>
Net change in fund balances	<u>\$ 614,033</u>	<u>\$ 159,303</u>	438,633	<u>\$ 279,330</u>
Fund balances, beginning of year			2,165,692	
Fund balances, end of year			<u>\$ 2,604,325</u>	

CITY OF FORT BRAGG
Required Supplementary Information
Budgetary Comparison Schedule, Redevelopment Fund
For Fiscal Year Ended June 30, 2005

	REDEVELOPMENT AGENCY PROJECT AREA FUND			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final- Positive (Negative)
REVENUES				
Taxes and assessments	\$ 1,060,000	\$ 1,060,000	\$ 1,080,252	\$ 20,252
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	3,000	3,000	2,383	(617)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenue	-	-	10,028	10,028
Total revenues	<u>1,063,000</u>	<u>1,063,000</u>	<u>1,092,663</u>	<u>29,663</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Community development	705,298	714,508	313,079	401,429
Shared expenditures	478,000	480,775	520,013	(39,238)
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,183,298</u>	<u>1,195,283</u>	<u>833,092</u>	<u>362,191</u>
REVENUES OVER/ (UNDER) EXPENDITURES	<u>(120,298)</u>	<u>(132,283)</u>	<u>259,571</u>	<u>391,854</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	223,080	223,080	-
Transfers to other funds	(393,295)	(393,295)	(79,500)	313,795
Total other financing sources (uses)	<u>(393,295)</u>	<u>(170,215)</u>	<u>143,580</u>	<u>313,795</u>
Net change in fund balances	<u>\$ (786,590)</u>	<u>\$ (302,498)</u>	403,151	<u>\$ 705,649</u>
Fund balances, beginning of year			111,398	
Prior period adjustment (Note 15)			(34,774)	
Fund balances, end of year			<u>\$ 479,775</u>	

CITY OF FORT BRAGG

**Required Supplementary Information
Budgetary Comparison Schedule, CDBG Program Income Fund
For Fiscal Year Ended June 30, 2005**

	CDBG PROGRAM INCOME FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final- Positive (Negative)
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	32,174	32,174
Intergovernmental	-	-	35,240	35,240
Charges for services	-	-	-	-
Other revenue	-	-	42,950	42,950
Total revenues	<u>-</u>	<u>-</u>	<u>110,364</u>	<u>110,364</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	13,546	(13,546)
Planning	-	-	-	-
Community development	-	-	-	-
Shared expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>13,546</u>	<u>(13,546)</u>
REVENUES OVER/ (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>96,818</u>	<u>123,910</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(590,000)	(590,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(590,000)</u>	<u>(590,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (590,000)</u>	<u>(493,182)</u>	<u>\$ 123,910</u>
Fund balances, beginning of year			762,364	
Fund balances, end of year			<u>\$ 269,182</u>	

CITY OF FORT BRAGG

**Required Supplementary Information
Budgetary Comparison Schedule, 2004 RDA Bond Proceeds Fund
For Fiscal Year Ended June 30, 2005**

	2004 RDA BOND PROCEEDS			Variance with Final- Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	55,264	55,264
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>55,264</u>	<u>55,264</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>55,264</u>	<u>55,264</u>
 OTHER FINANCING SOURCES (USES)				
Transfers from other funds			-	-
Transfers to other funds	-	(292,550)	(292,550)	-
Total other financing sources (uses)	<u>-</u>	<u>(292,550)</u>	<u>(292,550)</u>	<u>-</u>
 Net change in fund balances	<u>\$ -</u>	<u>\$ (292,550)</u>	<u>(237,286)</u>	<u>\$ 55,264</u>
 Fund balances, beginning of year			2,558,325	
Fund balances, end of year			<u>\$ 2,321,039</u>	

CITY OF FORT BRAGG
PERS SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Unaudited)

Miscellaneous Plan:

Valuation Date	Entry Age	Actuarial Value of Assets (B)	Unfunded	Funded Status (B)/(A)	Annual Covered Payroll (C)	UAAL as a % of Payroll [(A)-(B)]/(C)
	Normal Accrued Liability (A)		Liability/ (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***			
6/30/2005			***Unavailable***			

Safety Police Plan:

Valuation Date	Entry Age	Actuarial Value of Assets (B)	Unfunded	Funded Status (B)/(A)	Annual Covered Payroll (C)	UAAL as a % of Payroll [(A)-(B)]/(C)
	Normal Accrued Liability (A)		Liability/ (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***			
6/30/2005			***Unavailable***			

Safety Fire Plan:

Valuation Date	Entry Age	Actuarial Value of Assets (B)	Unfunded	Funded Status (B)/(A)	Annual Covered Payroll (C)	UAAL as a % of Payroll [(A)-(B)]/(C)
	Normal Accrued Liability (A)		Liability/ (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***			
6/30/2005			***Unavailable***			

OTHER SUPPLEMENTARY INFORMATION

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CITY OF FORT BRAGG
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

ASSETS	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Cash and investments	\$ 2,243,270	\$ 464,074	\$ (270,498)	\$ 2,436,846
Cash and investments with fiscal agent	-	-	578,424	578,424
Receivables:				
Taxes	220,151	-	-	220,151
Accounts	63,230	185,423	10,363	259,016
Interest	15,204	4,710	-	19,914
Loans, net	-	-	-	-
Prepays and other assets	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 2,541,855</u>	<u>\$ 654,207</u>	<u>\$ 318,289</u>	<u>\$ 3,514,351</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 61,615	\$ 103,455	\$ -	\$ 165,070
Deposits payable and deferred revenue	-	-	-	-
Interest payable	-	-	-	-
Compensated absences payable	-	-	-	-
Claims payable	-	-	-	-
Leases payable	-	-	-	-
Bonds payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>61,615</u>	<u>103,455</u>	<u>-</u>	<u>165,070</u>
FUND BALANCES				
Reserved	2,522,155	131,507	14,616	2,668,278
Unreserved, designated	-	545,708	303,673	849,381
Unreserved, undesignated	(41,915)	(126,463)	-	(168,378)
Total fund balance	<u>2,480,240</u>	<u>550,752</u>	<u>318,289</u>	<u>3,349,281</u>
Total liabilities and fund balances	<u>\$ 2,541,855</u>	<u>\$ 654,207</u>	<u>\$ 318,289</u>	<u>\$ 3,514,351</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, 2005

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and assessments	\$ 566,605	\$ 36,090	\$ -	\$ 602,695
Licenses and permits	12,845	-	-	12,845
Fines and forfeitures	14,954	-	-	14,954
Use of money and property	38,042	14,155	15,058	67,255
Intergovernmental	757,930	183,000	-	940,930
Charges for services	42,636	725	189,341	232,702
Other revenue	328	285	-	613
Total Revenues	<u>1,433,340</u>	<u>234,255</u>	<u>204,399</u>	<u>1,871,994</u>
EXPENDITURES				
Current:				
General government	-	64,428	-	64,428
Public safety	71,520	49,538	-	121,058
Public works	191,969	-	-	191,969
Community development	144,560	-	-	144,560
Shared expenditures	-	-	-	-
Capital outlay	411,848	551,039	-	962,887
Debt service:				
Principal retirement	-	-	195,000	195,000
Interest and fiscal Charges	-	-	388,589	388,589
Total Expenditures	<u>819,897</u>	<u>665,005</u>	<u>583,589</u>	<u>2,068,491</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>613,443</u>	<u>(430,750)</u>	<u>(379,190)</u>	<u>(196,497)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-
Transfers from other funds	678,417	554,871	123,000	1,356,288
Transfers to other funds	(548,002)	(29,200)	-	(577,202)
Total Other Financing Sources (Uses)	<u>130,415</u>	<u>525,671</u>	<u>123,000</u>	<u>779,086</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	743,858	94,921	(256,190)	582,589
Fund balance (deficit) at beginning of fiscal year	1,749,939	455,831	574,479	2,780,249
Prior period adjustment (Note 15)	(13,557)	-	-	(13,557)
Fund balances, end of year	<u>\$ 2,480,240</u>	<u>\$ 550,752</u>	<u>\$ 318,289</u>	<u>\$ 3,349,281</u>

CITY OF FO...RAGG
 COMBINING BALANCE SHEET
 OTHER SPECIAL REVENUE FUNDS

JUNE 30, 2005

	General Plan Maintenance Fee	Oceanview Improvement	Traffic Cong Relief	Gasoline Tax	Asset Seizure	Traffic Safety	UDAG Boatyard	Bainbridge Park	Revolving Loan EDBG 530	Revolving Loan EDBG 664
ASSETS										
Cash & investments	\$ 17,612	\$ 48,181	\$ -	\$ 59,411	\$ 54,727	\$ (72,441)	\$ 249,571	\$ -	\$ -	\$ -
Cash & investments w/ fiscal agent										
Receivables:										
Taxes										
Accounts Interest	32	349	84	4,281	289	6,327	1,809			36,148
Loans										
Due from other funds										
Total Assets	\$ 17,644	\$ 48,530	\$ 84	\$ 64,140	\$ 55,016	\$ (66,114)	\$ 251,380	\$ -	\$ -	\$ 36,148
LIABILITIES & FUND BALANCES										
LIABILITIES										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 8,116	\$ 520	\$ 1,943	\$ 1,725	\$ -	\$ -	\$ -
Deposits payable										
Deferred revenue										
Due to other funds										
Total Liabilities	-	-	-	8,116	520	1,943	1,725	-	-	-
FUND BALANCES										
Reserved	17,644	48,530	84	56,024	54,496		249,655			36,1
Unreserved										
Undesignated						(68,057)				
Total Fund Balance	17,644	48,530	84	56,024	54,496	(68,057)	249,655	-	-	36,148
Total Liabilities and Fund Balance	\$ 17,644	\$ 48,530	\$ 84	\$ 64,140	\$ 55,016	\$ (66,114)	\$ 251,380	\$ -	\$ -	\$ 36,148

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CITY OF FOLK RAGG
 COMBINING BALANCE SHEET
 OTHER SPECIAL REVENUE FUNDS

JUNE 30, 2005

	OC-JP Technology Grant	LCP Update Grant	TDA Streets & roads Allocation	MCOG OWP RES St Safety	Special Sales Tax Street	Public Service Supervision	Bulletproof Vest Partnership Grant	CDBG Downtown Plan Grant	CDBG Sanctuary Allocation
ASSETS									
Cash & investments	\$ -	\$ -	344	(27,793)	239,077	\$ -	9,701	\$ 225,670	\$ -
Cash & investments w/ fiscal agent									
Receivables:									
Taxes				30,576	55,100				
Accounts							71		
Interest			2		437			2,303	
Loans									
Due from other funds									
Total Assets	\$ -	\$ -	\$ 346	\$ 2,783	\$ 294,614	\$ -	\$ 9,772	\$ 227,973	\$ -
LIABILITIES & FUND BALANCES									
LIABILITIES									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	2,783	\$ -	\$ -	\$ -	\$ 45,906	\$ -
Deposits payable									
Deferred revenue									
Due to other funds									
Total Liabilities	\$ -	\$ -	\$ -	\$ 2,783	\$ -	\$ -	\$ -	\$ 45,906	\$ -
FUND BALANCES									
Reserved			346		294,614		9,772	182,067	
Unreserved									
Undesignated									
Total Fund Balance	\$ -	\$ -	\$ 346	\$ -	\$ 294,614	\$ -	\$ 9,772	\$ 182,067	\$ -
Total Liabilities and Fund Balance	\$ -	\$ -	\$ 346	\$ 2,783	\$ 294,614	\$ -	\$ 9,772	\$ 227,973	\$ -

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CITY OF FOULDER
 COMBINING BALANCE SHEET
 OTHER SPECIAL REVENUE FUNDS

JUNE 30, 2005

	Fine Furniture USDA Grant	CDBG Sewer I&J Study Grant	CDBG Native American Allocation	CDBG Plan & Technology	Coastal Conservancy Grant	COPS AB1913 Allocation	MCOG Streets Allocation	ADA/ RCHDC/P&F STBG	Micro- enterprise EDBG
ASSETS									
Cash & investments	\$ -	\$ -	\$ -	\$ 17,069	\$ 1,442	\$ 55,783	\$ 51,292	\$ 120,450	\$ 7,600
Cash & investments w/ fiscal agent									
Receivables:									
Taxes									
Accounts				31				7,297	
Interest						752	582	428	
Loans									
Due from other funds									
Total Assets	\$ -	\$ -	\$ -	\$ 17,100	\$ 1,442	\$ 56,535	\$ 81,874	\$ 128,175	\$ 7,600
LIABILITIES & FUND BALANCES									
LIABILITIES									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits payable									
Deferred revenue									
Due to other funds									
Total Liabilities	-	-	-	-	-	-	-	564	-
FUND BALANCES									
Reserved						56,535	81,874	127,611	
Unreserved									
Undesignated				17,100	1,442				7,600
Total Fund Balance	-	-	-	17,100	1,442	56,535	81,874	127,611	7,600
Total Liabilities and Fund Balance	\$ -	\$ -	\$ -	\$ 17,100	\$ 1,442	\$ 56,535	\$ 81,874	\$ 128,175	\$ 7,600

Continued
on next page

CITY OF FORLAGG
 COMBINING BALANCE SHEET
 OTHER SPECIAL REVENUE FUNDS

JUNE 30, 2005

	Habitat/ Food Bank CDBG	Tri-Level Housing Grant	Spath Gsthsel/Fort Buildings	RDA Low & Mod Housing	Skate Park Proj	LTF ADA Planning Grant	June 30, 2005
ASSETS							
Cash & investments	\$ 448,157	\$ -	\$ -	\$ 737,296	\$ 121	\$ -	\$ 2,243,270
Cash & investments w/ fiscal agent							
Receivables:							
Taxes	77,116			27,359			220,151
Accounts	9,075			-			63,230
Interest	2,638			5,050	1		15,204
Loans							
Due from other funds							
Total Assets	\$ 536,986	\$ -	\$ -	\$ 769,705	\$ 122	\$ -	\$ 2,541,855
LIABILITIES & FUND BALANCES							
LIABILITIES							
Accounts payable and accrued liabilities	\$ 58	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,615
Deposits payable							
Deferred revenue							
Due to other funds							
Total Liabilities	58	-	-	-	-	-	61,615
FUND BALANCES							
Reserved	536,928			769,705	122		2,522,155
Unreserved							
Undesignated							(41,915)
Total Fund Balance	536,928	-	-	769,705	122	-	2,480,240
Total Liabilities and Fund Balance	\$ 536,986	\$ -	\$ -	\$ 769,705	\$ 122	\$ -	\$ 2,541,855

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

AS OF JUNE 30, 2005

	General Plan Maintenance Fee	Oceanview Improvement	AB2928 Traffic Cong	Gasoline Tax	Police Asset Seizure	Traffic Safety	UDAG Boatyard	Bainbridge Park	Revolving Loan EDBG 530	Revolving Loan EDBG 664
REVENUES										
Taxes and assessments	\$ -	\$ -	\$ -	\$ 4,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	12,845	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	14,954	-	-	-	-
Use of money and property	32	1,046	606	1,460	785	-	5,419	-	-	-
Intergovernmental	-	-	-	134,819	-	-	-	-	-	-
Charges for services	-	-	-	5,282	36,314	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	-
Total Revenues	12,877	1,046	606	145,841	37,099	14,954	5,419			
EXPENDITURES										
Current:										
General government	-	-	-	-	14,091	-	-	-	-	-
Public safety	-	-	-	141,967	-	49,932	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-
Shared expenditures	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	115,452	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures				257,419	14,091	49,932				
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,877	1,046	606	(111,578)	23,008	(34,978)	5,419			
OTHER FINANCING SOURCES (USES)										
Proceeds from capital leases	4,767	-	7,078	95,000	-	-	-	4,409	-	-
Transfers from other funds	-	-	(75,000)	-	(27,500)	-	-	(16,985)	(6,720)	-
Transfers to other funds	4,767	-	(67,922)	95,000	(27,500)	-	-	(16,985)	(6,720)	-
Total Other Financing Sources (Uses)								4,409	(16,985)	(6,720)
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	17,644	1,046	(67,316)	(16,578)	(4,492)	(34,978)	5,419	4,409	(16,985)	(6,720)
Fund Balance (deficit) at beginning of fiscal year		47,484		72,602	58,988	(33,079)	244,236	(4,409)	16,985	42,868
Prior period adjustment (Note 15)										
Fund Balance (deficit) at end of fiscal year	\$ 17,644	\$ 48,530	\$ 84	\$ 56,024	\$ 54,496	\$ (68,057)	\$ 249,655	\$ -	\$ -	\$ 36,148

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next page

CITY OF FOI AGG
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (DEFICIT)
 OTHER SPECIAL REVENUE FUNDS**

AS OF JUNE 30, 2005

	OJCP Technology Grant	LCP Update Grant	TDA Streets & roads Allocation	MCOG OWP RES St Safety	Special Sales Tax Street	Public Service Supervision	#146 Bulletproof Vest Partnership Grant
REVENUES							
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 294,177	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Use of money and property	4	440	8	-	437	215	71
Intergovernmental	-	-	-	56,648	-	-	391
Charges for services	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
Total Revenues	4	440	8	56,648	294,614	215	462
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	56,648	-	-	781
Public works	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Shared expenditures	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Total Expenditures	-	-	-	56,648	-	-	781
Excess (Deficiency) of Revenues Over (Under) Expenditures	4	440	8	-	294,614	215	(319)
OTHER FINANCING SOURCES (USES)							
Proceeds from capital leases	-	-	-	-	-	-	-
Transfers from other funds	(279)	(42,340)	-	-	-	(14,873)	-
Transfers to other funds	(279)	(42,340)	-	-	-	(14,873)	-
Total Other Financing Sources (Uses)	(558)	(84,680)	-	-	-	(14,873)	-
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(275)	(41,900)	8	-	294,614	(14,658)	(319)
Fund Balance (deficit) at beginning of fiscal year	275	41,900	338	-	-	14,658	10,091
Prior period adjustment (Note 15)	-	-	-	-	-	-	-
Fund Balance (deficit) at end of fiscal year	-	-	346	\$ -	\$ 294,614	\$ -	\$ 9,772

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CITY OF FOK, .AGG
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (DEFICIT)
 OTHER SPECIAL REVENUE FUNDS**

AS OF JUNE 30, 2005

	CDBG Downtown Plan Grant	CDBG Sanctuary Allocation	Fine Furniture USDA Grant	CDBG Sewer I&I Study Grant	CDBG Native American Allocation	CDBG Plan & Technology	Coastal Conservancy Grant
REVENUES							
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Use of money and property	7,464	60	-	-	-	-	-
Intergovernmental	-	1,274	-	-	-	-	190,458
Charges for services	-	-	-	200	-	-	840
Other revenue	-	-	-	-	-	-	-
Total Revenues	7,464	1,334	-	200	-	-	191,298
EXPENDITURES							
Current:							
General government							
Public safety							
Public works	428	-	-	70	-	400	101,774
Community development							
Shared expenditures							
Capital outlay	228,833						22,501
Debt service:							
Interest and Fiscal Charges							
Total Expenditures	229,261	-	-	70	-	400	124,275
Excess (Deficiency) of Revenues Over (Under) Expenditures	(221,797)	1,334	-	130	-	(400)	67,023
OTHER FINANCING SOURCES (USES)							
Proceeds from capital leases							
Transfers from other funds	-	-	571	-	26,578	17,500	-
Transfers to other funds	-	(4,890)	(1,142)	(103)	-	-	-
Total Other Financing Sources (Uses)	-	(4,890)	(571)	(103)	26,578	17,500	-
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(221,797)	(3,556)	(571)	27	26,578	17,100	67,023
Fund Balance (deficit) at beginning of fiscal year	403,864	3,556	571	(27)	(26,578)	-	(65,581)
Prior period adjustment (Note 15)	-	-	-	-	-	-	-
Fund Balance (deficit) at end of fiscal year	\$ 182,067	\$ -	\$ -	\$ -	\$ -	\$ 17,100	\$ 1,442

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CITY OF FOI .AGG
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (DEFICIT)**
OTHER SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2005

	COPS Allocation	AB1913 Allocation	MCOG Streets Allocation	ADAF RCHDC/P&F STBG	Micro- enterprise EDBG	Habitat/ Food Bank CDBG	TRI-Level Housing Grant	Spaith Gsths/Fort Buildings	RDA Low & Mod Housing	Skate Park Proj	LTF ADA Planning Grant	Totals June 30, 2005
REVENUES												
Taxes and assessments												\$ 566,605
Licenses and permits												12,845
Fines and forfeitures												14,954
Use of money and property	2,027		2,641								172	38,042
Intergovernmental	100,000		30,000	128,097	14,977	101,266		16	15,137	2		757,930
Charges for services												42,636
Other revenue			58						270			328
Total Revenues	102,027	32,699	32,699	128,097	14,977	101,266	16	16	283,555	2	172	1,433,340
EXPENDITURES												
Current:												
General government												\$ -
Public safety												71,520
Public works												191,969
Community development				6,146	15,035	544			20,233			144,560
Shared expenditures												-
Capital outlay						45,062						411,848
Debt service:												-
Interest and Fiscal Charges												-
Total Expenditures	-	-	-	6,146	15,035	45,606	-	-	20,233	-	-	819,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	102,027	32,699	32,699	121,951	(58)	55,660	16	16	263,322	2	172	613,443
OTHER FINANCING SOURCES (USES)												
Proceeds from capital leases												-
Transfers from other funds				10,502	10,970	500,000	1,042					678,417
Transfers to other funds	(111,983)		(125,000)	(3,200)	(3,215)	(17,150)		(1,133)	(84,598)		(11,891)	(548,002)
Total Other Financing Sources (Uses)	(111,983)	(125,000)	(125,000)	7,302	7,755	482,850	1,042	(1,133)	(84,598)	-	(11,891)	130,415
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,956)	(92,301)	(92,301)	129,253	7,697	538,510	1,042	(1,117)	178,724	2	(11,719)	743,858
Fund Balance (deficit) at beginning of fiscal year	66,491	174,175	174,175	(1,642)	(97)	(1,582)	(1,042)	1,117	604,538	120	11,719	1,749,939
Prior period adjustment (Note 15)									(13,557)			(13,557)
Fund Balance (deficit) at end of fiscal year	\$ 56,535	\$ 81,874	\$ 81,874	\$ 127,611	\$ 7,600	\$ 536,928	\$ -	\$ -	\$ 769,705	\$ 122	\$ -	\$ 2,480,240

CITY OF FORT BRAGG
Capital Projects Funds
Combining Balance Sheet
June 30, 2005

	Fire Equipment	St. Rehab Phase II	Laurel/Main Signal Install	Franklin Street Reconstruction	Dwight Pking Lots Resurf	Guesthouse Sprinklers	Pavement Markings	Bainbridge Tennis/Basketball Court	City Hall Facade	Underground Tank	Caspar Closure	Redevelopment	Total Capital Projects Fund
ASSETS													
Cash and Investments	\$ 254,897	\$ -	\$ 70,655	\$ 525	\$ 17,565	\$ 352,550	\$ (169,461)	\$ (46,048)	\$ -	\$ -	\$ -	\$ (16,599)	\$ 484,074
Cash and Investments with fiscal agent													
Receivables:													
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Interest	2,423	-	-	-	-	-	183,000	-	-	-	-	-	185,423
Loans	1,772	1,826	1	127	984	-	-	-	-	-	-	-	4,710
Prepays and other assets													
Due from other funds													
	\$ 259,092	\$ -	\$ 72,481	\$ 526	\$ 17,682	\$ 353,534	\$ 13,539	\$ (46,048)	\$ -	\$ -	\$ -	\$ (16,599)	\$ 654,207
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable and accrued liabilities	\$ -	\$ (601)	\$ 40,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,816	\$ -	\$ 103,455
Deposits payable and deferred revenue													
Interest payable													
Compensated absences payable													
Claims payable													
Leases payable													
Bonds payable													
Due to other funds													
Total liabilities		(601)	40,240	-	-	-	-	-	-	-	63,816	-	103,455
Fund balances:													
Reserved			30,775			87,193	13,539						131,507
Unreserved:													
Designated	259,092	601	1,466	526	17,682	266,341	-	(46,048)	-	-	(63,816)	(16,599)	545,708
Unreserved	259,092	601	32,241	526	17,682	353,534	13,539	(46,048)	-	-	(63,816)	(16,599)	550,752
Total fund balances	\$ 259,092	\$ -	\$ 72,481	\$ 526	\$ 17,682	\$ 353,534	\$ 13,539	\$ (46,048)	\$ -	\$ -	\$ -	\$ (16,599)	\$ 654,207
Total liabilities and fund balances													

CITY OF FORT BRAGG
Capital Projects Funds
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2005

	Fire Equipment	St. Rehab Phase II	Laura/Main Signal Install	Franklin Street Reconstruction	Dwntwn Pkng Lots Resurf	Guesthouse Sprinklers	Pavement Markings	Bainbrdge Tennis/Basketball Court	City Hall Façade	Underground Tank	Caspar Closure	Redevelopment	Total Capital Projects Fund
REVENUES													
Taxes and assessments	\$ 36,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,090
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	5,252	-	6,358	1	381	1,873	41	-	249	-	-	-	14,155
Intergovernmental	-	-	-	-	-	-	183,000	-	-	-	-	-	183,000
Charges for services	-	-	-	525	-	-	200	-	-	-	-	-	725
Other revenue	-	-	285	-	-	-	-	-	-	-	-	-	285
Total revenues	41,342	-	6,643	526	381	1,873	183,241	-	249	-	-	-	234,255
EXPENDITURES													
Current:													
General government	-	-	-	-	-	252	-	-	-	-	64,176	-	64,428
Public safety	49,538	-	-	-	-	-	-	-	-	-	-	-	49,538
Public works	-	-	-	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-
Shared expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	283,850	-	-	-	221,141	46,048	-	-	-	-	551,039
Debt service:													
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	49,538	-	283,850	-	-	252	221,141	46,048	-	-	64,176	-	665,005
Excess of revenues over (under) expenditures	(8,196)	-	(277,207)	526	381	1,821	(37,900)	(46,048)	249	-	(64,176)	-	(439,780)
OTHER FINANCING SOURCES (USES)													
Capital lease agreements	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	(12,000)	-	-	-	-	291,133	75,000	-	-	17,894	170,844	-	554,871
Transfers out	(12,000)	-	-	-	-	(291,133)	(75,000)	-	(17,200)	(17,894)	(170,844)	-	(292,000)
Total other financing sources (uses)	(20,196)	-	(277,207)	526	381	292,754	37,100	(46,048)	(16,951)	17,894	108,668	-	94,921
Net change in fund balances	279,288	601	309,448	-	17,301	60,780	(23,561)	-	16,951	(17,894)	(170,484)	(16,599)	455,831
Fund balances, beginning of year	\$ 259,092	\$ 601	\$ 32,241	\$ 526	\$ 17,682	\$ 353,534	\$ 13,539	\$ (46,048)	\$ -	\$ -	\$ (63,816)	\$ (16,599)	\$ 550,752
Fund balances, end of year													

CITY OF FORT BRAGG
Debt Service Funds
Combining Balance Sheet
June 30, 2005

	2004 RDA Bonds Debt Service Fund	Caspar Closure	Total Debt Service Funds
ASSETS			
Cash and investments	\$ (298,918)	\$ 28,420	\$ (270,498)
Cash and investments with fiscal agent	313,534	264,890	578,424
Receivables:			
Taxes			
Accounts	-	10,363	10,363
Interest	-	-	-
Loans	-	-	-
Prepays and other assets	-	-	-
Due from other funds	-	-	-
	<u>\$ 14,616</u>	<u>\$ 303,673</u>	<u>\$ 318,289</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
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>-</u>	<u>-</u>
Fund balances:			
Reserved	14,616	-	14,616
Unreserved:			
Designated	-	303,673	303,673
Unreserved	-	-	-
Total fund balances	<u>14,616</u>	<u>303,673</u>	<u>318,289</u>
 Total liabilities and fund balances	 <u>\$ 14,616</u>	 <u>\$ 303,673</u>	 <u>\$ 318,289</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, 2005

	2004 RDA Bonds Debt Service Fund	Caspar Closure	Total Debt Service Funds
REVENUES			
Use of money and property	\$ 13,138	\$ 1,920	\$ 15,058
Charges for services		189,341	189,341
Total revenues	13,138	191,261	204,399
EXPENDITURES			
Debt service:			
Principal retirement	65,000	130,000	195,000
Interest and fiscal charges	257,190	131,399	388,589
Total expenditures	322,190	261,399	583,589
Excess of revenues over (under) expenditures	(309,052)	(70,138)	(379,190)
OTHER FINANCING SOURCES (USES)			
Proceeds of bond, net	-	-	-
Payment to refunded debt escrow agent	-	-	-
Transfers in	-	123,000	123,000
Transfers out	-	-	-
Total other financing sources (uses)	-	123,000	123,000
Net change in fund balances	(309,052)	52,862	(256,190)
Fund balances, beginning of year	323,668	250,811	574,479
Fund balances, end of year	\$ 14,616	\$ 303,673	\$ 318,289

CITY OF FORT BRAGG

ORGANIZATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<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, 2005

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

January 25, 2006

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, 2005, and have issued our report thereon dated January 25, 2006, 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 January 25, 2006.

This report is intended solely for the information and use of the City Council, management and regulatory agencies and is not intended to be and should not be used by anyone other than the specified parties.

Odeberg Ullakko Muramishu & Co LLP

CITY OF FORT BRAGG

FISCAL 2005 REPORT TO CITY COUNCIL

January 25, 2006

To the Honorable Mayor and

Members of the City Council of the

City of Fort Bragg, California

REPORT OF INDEPENDENT ACCOUNTANTS

In planning and performing our audit of the financial statements of the City of Fort Bragg (the "City") for the fiscal year ended June 30, 2005, we considered the City's internal control structure in order to determine our auditing procedures. Although our audit was not designed to provide assurance on the internal control structure, we noted certain matters involving the internal control structure and its operation, and are submitting for your consideration related recommendations designed to help the City make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to the City.

Additionally, we have included a statement on Required Communications with the City Council as required by professional standards.

The accompanying comments and recommendations are intended solely for the information and use of the management of the City, the City Council, and others within the organization.

Please do not hesitate to contact Chris Millias at (415) 434-3744 should you have any questions regarding this report, or any other matters.

Very truly yours,

Odenberg Ullakko Muranishi & Co LLP

CITY OF FORT BRAGG

FISCAL 2005 REPORT TO CITY COUNCIL

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SECTION II - Observations and Recommendations	3

CITY OF FORT BRAGG

FISCAL 2005 REPORT TO CITY COUNCIL

I. REQUIRED COMMUNICATIONS

Professional auditing standards require auditors to communicate with the City Council on a number of subjects. The following information satisfies these requirements, and is solely for use of management and the City Council.

A. The auditor's responsibility under Generally Accepted Auditing Standards

The audit of the City's financial statements as of and for the fiscal year ended June 30, 2005 was conducted in accordance with auditing standards generally accepted in the United States of America. The objective of an audit is the expression of an opinion concerning whether the financial statements present fairly, in all material respects, the financial position and the results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

As part of our audit, we considered the City's internal control structure, as required by generally accepted auditing standards, for the purpose of establishing a basis for determining the nature, timing, and extent of auditing procedures necessary for expressing our opinion on the financial statements.

Our audit included procedures designed to provide reasonable assurance that errors and irregularities material to the financial statements are detected. However, there are inherent limitations in the auditing process. For example, audits are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that such matters, if they exist, may not be detected. Also, because of the characteristics of irregularities, including attempts at concealment through collusion and forgery, a properly designed and executed audit may not detect a material irregularity.

It should be recognized that our audit provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected.

Financial statements and the establishment and maintenance of an internal control structure are the responsibility of management. Appropriate supervisory control procedures are necessary to provide reasonable assurance that adopted policies and procedures are adhered to and that errors and irregularities or illegal acts are identified. We did not note any illegal acts or material errors or irregularities during the course of our audit.

B. Significant changes in accounting policies and unusual transactions

- There were no such changes or unusual transactions.

C. Management judgments and accounting estimates

The financial position and results of operations of the City at any date or for any period of time are dependent on estimates. Significant sensitive estimates that are based on subjective and objective factors include:

- Accrued self-insurance losses;
- Collectibility of accounts and loans receivable;
- Legal claims payable;
- Liability for landfill closure and post closure costs.

Management has indicated that the estimates included in the financial statements at June 30, 2005 are reasonable. However, current conditions could change, and revisions to these estimates may impact future financial statements.

D. Consultation with other accountants

- To our knowledge, no such consultations were held by management.

E. Major accounting issues discussed with management prior to our retention

- None.

F. Difficulties in performing the audit

- As the City has not maintained historical cost records of its governmental-owned or business-type activities owned capital assets, we were unable to satisfy ourselves as to the cost of the recorded capital assets at June 30, 2005; accordingly, we have noted the foregoing in our opinion on the basic financial statements.

G. Audit adjustments

Finding: Several adjustments were made to the trial balance that was presented to us at the beginning of the audit. These adjustments included recording a capital lease, capital asset true-ups based on existing detail records, correcting interfund transfers, and various other items.

II. OBSERVATIONS AND RECOMMENDATIONS

CURRENT YEAR FINDINGS

2005-1 - Capital assets:

Recommendations:

We recommend the City perform (either internally, or with the assistance of an outside consultant) a complete physical inventory of all City-held capital assets, comprised of governmental owned and business-type activities owned capital assets, to ensure the City has a complete and accurate listing of its capital assets. The City maintains its detailed fixed asset records and depreciation records using Microsoft's Excel software; however, there is no evidence that assets acquired in prior years still exists and is in the City's possession. Additionally, we have also suggested in the past that the City investigate whether there are any fixed asset software packages available to better control fixed assets in the long-term. The Excel spreadsheet is susceptible to user errors in calculating depreciation, as the calculations are based on cell formulas that may be inadvertently corrupted, deleted or incorrect.

Observations:

The City has not conducted a physical inventory of its capital assets, and the existence of historical assets acquired in prior years included on its detailed records has not been substantiated.

Management's response:

The City has authorized the installation of new financial software including a fixed assets module to replace existing excel spreadsheets, thereby improving financial reporting. Inputting of additional data on historic infrastructure acquisition/construction costs and depreciation is expected after installation is completed.

2005-2-Redevelopment agency:

Recommendation:

The City should review an update timely the five-year implementation plans related to the City's redevelopment agency project areas.

Observation:

The Fort Bragg project areas' Five-Year Implementation Plans expired November 1997.

Management's response:

On February 28, 2006, a new five year implementation plan was filed and a public hearing was conducted on April 10, 2006 in accordance with State statutory requirements.

2005-3. Grant compliance:

Recommendation:

As mentioned in prior years, the City should continue to improve its control procedures related to the accounting and reporting of its grants. We recommend that the City develop and maintain a master list of all grants for control purposes. The list should include specific elements of the grants and can be supported by narrative summaries for complex grants (e.g., cost sharing, multi-year, etc.) and a copy of the original grant and any amendments. This master list should be maintained by the finance department and used as a tool to facilitate the exchange of information by all departments and ensure the proper accounting for all grants and proper monitoring of grants receivable. In addition, regular meetings with the public works department would help improve the accuracy of recognizing grant revenues.

Observation:

The City has improved in this area; however, there may be a requirement for a single audit for the fiscal year 2004 and fiscal 2005 related to the Safe Drinking Water Revolving Fund loan, which may involve federal funds passed through from the state. The City is determining if a single audit is required for this loan.

Management's response:

Funding for the State revolving fund loan does require for a federal single audit. Staff will make recommended compliance steps.

2005-4 - Compensated absences:

Recommendation:

The City should establish a reasonable estimate of the current portion of compensated absences based on prior years' experience for governmental and business-type activities.

Observations:

The City doesn't prepare estimates of the current portion of compensated absences. Currently, all governmental activities compensated absences are recorded as non-current; and all business-type activities compensated absences as current.

Management's response:

Management is considering changing budget policies to address this issue.

2005-5 - Human resources:

Recommendation:

When a new City employee is hired, the required Form I-9, *Employment Eligibility Verification*, should be signed by both the employee and employer. The City should conduct an annual review of the personnel records and make sure all the required personnel documentation is properly completed and signed off.

Observations:

During the test of City's payroll system, we noted the Form I-9s for several employees were not signed by the employer.

Management's response:

Human Resources has been notified of the need to sign and file Form I-9 Employment Eligibility Verification for all new employees and annually review personnel records for required documentation.

2005-6 - Invoice cancellation:

Recommendation:

When the City makes payment of invoices, the invoices should be properly cancelled to prevent the accidental double payment or the improper use of the same invoices. The cancellation of the invoices can be accomplished through stamp, signatures, and etc.

Observations:

During our testing of cash disbursements, we noted that several paid invoices were not properly cancelled.

Management's response:

Finance department policy calls for proper cancellation of paid invoices. The audit uncovered several paid but non-cancelled invoices. This may be attributable to staff turnover in the accounts payable area. With newly trained staff in place the incidence of non-cancelled invoices should greatly diminish.

PRIOR YEAR FINDINGS -OPEN

2004-3 - Capital assets:-see 2005-1

CITY OF FORT BRAGG
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

* * * * *

JUNE 30, 2005

January 25, 2005

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

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below related to the Appropriations Limit worksheet No. 6 of the City of Fort Bragg, California for the fiscal year ended June 30, 2005. These procedures, which were agreed to by the City of Fort Bragg, California and the League of California Cities (as presented in the League publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist the City of Fort Bragg, California in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City of Fort Bragg, California management is responsible for the Appropriations Limit worksheet No. 6. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets Nos. 1 through 7 and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.

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

2. For the accompanying Appropriations Limit worksheet No. 6, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

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

3. We compared the current year information presented in the accompanying Appropriations Limit worksheet No. 6 to the other worksheets described in No. 1 above.

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

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet No. 6 to the prior year appropriations limit adopted by the City Council for the prior year.

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

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the City Council and management of the City of Fort Bragg, California and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Odeberg Ollakko Muraiishi & LLP

CITY OF FORT BRAGG

APPROPRIATIONS LIMIT WORKSHEET

FISCAL YEAR 2005

A	Fiscal 2004 Appropriations Limit	\$ 6,044,222
B	Inflation Factor	1.0328
	Population Factor	1.0006
	Adjustment Factor	1.0334
C	Fiscal 2005 Appropriations Limit	<u>\$ 6,246,218</u>