

**CITY OF FORT BRAGG  
FINANCIAL STATEMENTS**

**TOGETHER WITH INDEPENDENT  
AUDITORS' REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

**ATTACHMENT 1**

**CITY OF FORT BRAGG**  
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**CITY OF FORT BRAGG**

**City Officials  
June 30, 2006**

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

City Manager  
Linda Ruffing

Finance Director  
Mark Johnson

City Clerk  
Cynthia VanWormer

## FINANCIAL SECTION



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

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fort Bragg, California, ("City") as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Fort Bragg's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The City does not maintain inventory records of unused materials and supplies. The amount by which the financial statements of the City would change, while possibly material, could not be determined by means of other auditing procedures. This is a departure from generally accepted accounting principles.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited inventory and capital assets, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fort Bragg as of June 30, 2006, and the respective change in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the City of Fort Bragg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and other required supplementary information on pages 3 through 9 and 39 through 42, respectively, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Fort Bragg's basic financial statements. The accompanying combining fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Davis Hammon & Co.*

October 20, 2006

## 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, 2006. Please read this in conjunction with the City's financial statements, which follow this discussion and analysis.

### BASIC FINANCIAL STATEMENTS HIGHLIGHTS

#### Government-Wide Financial Statements

The Statement of Net Assets shows the City's total assets to be \$33.1 million, total liabilities of \$15.3 million and total net assets to be \$17.8 million.

All activities expenses were \$10.7 million. Netting out associated program revenues such as charges for services resulted in net expenses of \$4.1 million. Taxes and other general revenues and transfers were \$6.9 million, thereby resulting in a final increase in net assets of \$2.8 million.

#### Fund Financial Statements

Total Governmental Funds balance sheet shows assets of \$9.8 million, liabilities of \$2.4 million, and fund balance of \$7.4 million.

The City's core general governmental operations are accounted for in the General Fund, and the General Fund balance is a key measure of the financial health of the City. As of June 30, 2006, the unreserved, undesignated General Fund balance was \$2.3 million, versus \$2.1 million as of June 30, 2005. The City Council has adopted a budget principal that this unreserved, undesignated General Fund balance must be maintained at a minimum level of 15% of the General Fund operating budget, currently a level of some \$800,000.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### **Government-wide Financial Statements**

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

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

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

#### **Fund Financial Statements**

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other government entities, uses fund accounting to ensure and

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

Governmental funds

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

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

- General Fund
- Redevelopment Agency Project Area Fund
- Community Development Block Grant (“CDBG”) Fund
- 2004 RDA Bond Proceeds Fund
- Caspar Closure Fund
- Franklin St. Reconstruction Fund

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

Proprietary funds

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

The City accounts for the construction and maintenance of City waterworks in the Water Enterprise Fund. Water use rates and fees are set by the City Council to recover actual costs of operating and maintaining the system and generated \$1.8 million. Rates and fees were adjusted by the City Council effective May 1, 2006.

The Water Enterprise Fund’s Total Assets were \$8.4 million, Total Liabilities were \$6.2 million and Total Net Assets were \$2.1 million. Net operating income was \$566,850 before non-operating expenses and transfers. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$755,044 net cash provided by operating activities.

Financial activities of the Fort Bragg Municipal Improvement District’s sewer system serving the City are reported in the Wastewater Enterprise Fund (see also separate audited financial statements of MID #1). Sewer service rates and fees are set by the City Council sitting as the District’s Board of Directors to recover actual costs of operating and maintaining the system and generated \$1.4 million. Rates and fees were adjusted effective May 1, 2006.

The Wastewater Enterprise Fund’s Total Assets were \$6.2 million, Total Liabilities were \$0.9 million, and Total Net Assets were \$5.3 million. Net operating income was a loss of \$248,335 but non-operating income of \$256,079 and



transfers in of \$304,494 resulted in an increase in Net Assets of \$304,494. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$23,450 net cash provided by operating activities.

The City does not have any internal service or 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 General Fund, Redevelopment Agency Project Area, Community Development Block Grant (CDBG) Program Income, and funding status for Public Employees Retirement System.

Actual General Fund Revenues were \$163,435 more than budgeted, a variation of about 3.3%. Actual General Fund Expenditures were \$717,630 less than budgeted, a variation of about 12.7%. Revenues exceeded Expenditures by \$129,879. With transfers from and to other funds, the net change in fund balance was a \$244,850 increase.

The Redevelopment Agency Project Area Fund Balance increased \$114,181 due mainly to property tax increment being \$150,531 higher than budgeted. The CDBG Program Income Fund balance decreased by (\$162,636).

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

**CALPERS STATUS AS OF JUNE 30, 2005**

<u>Plan</u>	<u>UAAL</u>	<u>FUNDED RATIO</u>	<u>CONTRIBUTION RATE</u>
Miscellaneous	\$302,747,651	89.5%	15.984%
Safety Police	\$ 95,888,630	87.1%	34.292%
Safety Fire	\$ 21,551,361	94.2%	\$ 22,578

**Combining Fund Financial Statements**

Non-major governmental funds include Special Revenue, 2004 RDA Bond Debt Service and Capital Projects Funds. Special Revenue Fund Balances above \$100,000 or below (\$50,000) were:

- General Plan Maintenance Fee \$108,992
- Traffic Safety (\$126,198)
- UDAG Boatyard \$260,994
- ADA/State Block Grant \$115,537
- RDA Lomod Housing Trust \$917,392

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

	Revenues	Expenditures/ Net Transfers
General Plan Maintenance Fee	\$106,278	\$ 15,000
Gasoline Taxes	\$201,684	\$ 176,332
Special Sales Tax (Streets)*	\$781,502	\$1,100,000
CDBG Downtown Plan Grant	\$ 4,270	\$ 202,232
Coastal Conservancy Grant	\$509,181	\$ 546,301
COPS AB1913 Grant	\$103,437	\$ 98,190
Habitat for Humanity CDBG	\$553,176	\$1,111,274
RDA Lo/Mod Housing Trust	\$251,353	\$ 103,666
Hospitality Drainage STBG	\$280,911	\$ 283,746

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

Capital Projects Funds activity of note included the Fire Equipment Fund which receives parcel taxes to fund equipment purchases for the Fort Bragg Fire Protection Authority. The City contributed \$243,515 for the purchase of a major apparatus vehicle designed for high rise fires. Another significant capital outlay involved renovation and sprinklering of the Guest House museum with 2004 RDA tax allocation bond proceeds.

Summary of Statement of Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$9,024,764	\$10,130,573	\$5,281,416	\$4,394,444	\$14,306,180	\$14,525,017
Capital assets	9,553,847	6,333,675	9,239,241	9,440,182	18,793,088	15,773,857
<b>Total Assets</b>	<b>18,578,611</b>	<b>16,464,248</b>	<b>14,520,657</b>	<b>13,834,626</b>	<b>33,099,268</b>	<b>30,298,874</b>
Current and other liabilities	1,519,353	1,191,894	330,031	573,195	1,849,384	1,765,089
Non-current liabilities	6,695,787	6,917,007	6,754,032	6,584,497	13,449,819	13,501,504
<b>Total Liabilities</b>	<b>8,215,140</b>	<b>8,108,901</b>	<b>7,084,063</b>	<b>7,157,692</b>	<b>15,299,203</b>	<b>15,266,593</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt						
Debt	3,209,213	4,610,354	4,475,826	4,702,995	7,685,039	9,313,349
Restricted	313,941	578,424	28,237	35,000	342,178	613,424
Unrestricted	6,840,317	3,166,569	2,932,531	1,938,939	9,772,848	5,105,508
<b>Total Net Assets</b>	<b>\$10,363,471</b>	<b>\$8,355,347</b>	<b>\$7,436,594</b>	<b>\$6,676,934</b>	<b>\$17,800,065</b>	<b>\$15,032,281</b>

**Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$1,420,059	\$496,118	\$3,166,512	\$2,980,469	\$4,586,571	\$3,476,587
Operating grants and Contributions	337,033	691,054			337,033	691,054
Capital grants and Contributions	1,430,328	381,982	240,394	22,857	1,670,722	404,839
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes	2,127,814	2,216,811	51,766	58,072	2,179,580	2,274,883
Other taxes	4,417,640	3,672,807			4,417,640	3,672,807
Intergovernmental revenue not restricted to specific programs	52,348	517,169			52,348	517,169
Unrestricted Investment Earnings	84,650	203,386	142,071	75,174	226,721	278,560
<b>Total Revenues</b>	<b>9,869,872</b>	<b>8,179,327</b>	<b>3,600,743</b>	<b>3,136,572</b>	<b>13,470,615</b>	<b>11,315,899</b>
<b>Interest and Fiscal Charges</b>	<b>453,979</b>	<b>387,766</b>			<b>453,979</b>	<b>387,766</b>
Water			1,438,140	1,583,645	1,438,140	1,583,645
Wastewater			1,686,386	1,497,570	1,686,386	1,497,570
<b>Total Expenses</b>	<b>7,556,103</b>	<b>6,543,549</b>	<b>3,124,526</b>	<b>3,081,215</b>	<b>10,680,629</b>	<b>9,624,764</b>
<b>Increase (decrease) in Net Assets Before Transfers</b>	<b>2,313,769</b>	<b>1,635,778</b>	<b>476,217</b>	<b>55,357</b>	<b>2,789,986</b>	<b>1,691,135</b>
<b>Transfers</b>	<b>(283,444)</b>	<b>21,234</b>	<b>283,444</b>	<b>(21,234)</b>	<b>0</b>	<b>0</b>
<b>Change in Net Assets</b>	<b>2,030,325</b>	<b>1,657,012</b>	<b>759,661</b>	<b>34,123</b>	<b>2,789,986</b>	<b>1,691,135</b>
<b>Net Assets-beginning of year</b>	<b>8,355,347</b>	<b>5,320,183</b>	<b>6,676,933</b>	<b>6,515,705</b>	<b>15,032,280</b>	<b>11,835,888</b>
<b>Prior period adjustments</b>	<b>(22,201)</b>	<b>1,378,152</b>		<b>127,105</b>	<b>(22,201)</b>	<b>1,505,257</b>
<b>Net Assets, June 30</b>	<b>\$10,363,471</b>	<b>\$8,355,347</b>	<b>\$7,436,594</b>	<b>\$6,676,933</b>	<b>\$17,800,065</b>	<b>\$15,032,280</b>

Schedule of Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$2,945,227	\$2,945,227	\$285,078	\$285,078	\$3,230,305	\$3,230,305
Buildings	1,447,803	1,329,000	2,115,114	2,171,493	3,562,917	3,500,493
Equipment and improvements	436,060	573,712	3,856,954	4,003,644	4,293,014	4,577,356
Utility Plant			2,936,185	2,979,967	2,936,185	2,979,967
Infrastructure	4,272,840	1,485,736			4,272,840	1,485,736
Construction in progress	451,917		45,910		497,827	
	<u>\$9,553,847</u>	<u>\$6,333,675</u>	<u>\$9,239,241</u>	<u>\$9,440,182</u>	<u>\$18,793,088</u>	<u>\$15,773,857</u>

Five major capital projects totaling over \$3.5 million were completed or were nearing completion:

- Dana Street extension in conjunction with Habitat for Humanity housing project
- Oak Street reconstruction
- Pomo Bluffs Park improvements
- Laurel and Main signalization
- Franklin Street reconstruction, southern phase

Outstanding Debt

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Bonds Payable	\$4,620,000	\$6,470,000	\$5,130,000	\$5,390,000	\$9,750,000	\$11,860,000
Loans Payable			2,141,532	2,008,265	2,141,532	2,008,265
Capital Leases	1,724,634	219,513	99,046	116,001	1,823,680	335,514
	<u>\$6,344,634</u>	<u>\$6,689,513</u>	<u>\$7,370,578</u>	<u>\$7,514,266</u>	<u>\$13,715,212</u>	<u>\$14,203,779</u>

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

The City also drew down proceeds of a \$2,325,500 twenty year zero interest loan from the State Resources Agency/Department of Water Resources to fund water capital improvements. Water rates and fees were increased effective May 1, 2006 to cover debt service payments commencing in FY06/07.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's two largest sources of revenue are the sales tax (\$1.8 mil.) and the transient occupancy tax (\$1.4 mil.). Both have rebounded from levels in the early 2000's following negative impacts on tourism from silicon valley economic conditions and the aftermath of September 11<sup>th</sup>. TOT levels have been increasing modestly with increases in occupancy levels and average rental rates. Sales tax receipts spiked upward in FYs 04/05 and 05/06 due to strength in construction/building supplies but recently have reverted to levels more in line with contemporary economic conditions in northern California.

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 which is expected to continue for the next 8-10 years.

Due to State budget reforms the City and RDA are no longer facing diversions of local government funds to the State.

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. As of December 31, 2006, negotiations were underway with the Fort Bragg Police Association for a new Memorandum of Understanding (MOU). Recent negotiations with the Fort Bragg Employees Organization reached impasse resulting in imposition of a one year MOU. These non-safety employees have voted to be represented in the future by the Service Employees International Union Local 707.

### **REQUESTS FOR INFORMATION**

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

City of Fort Bragg  
Mark W. Johnson  
Finance Director  
416 N. Franklin St.  
Fort Bragg, CA 95437  
707-961-1586

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FORT BRAGG  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Governmental</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$7,007,044	\$4,413,829	\$11,420,873
Cash With Fiscal Agent:			
Restricted	313,941	1,093	315,034
Receivables	1,262,206	683,984	1,946,190
Loans Receivable	298,914		298,914
Noncurrent Assets:			
Deferred Charges	142,659	182,510	325,169
Capital Assets:			
Nondepreciable	3,397,144	330,988	3,728,132
Depreciable (net of accumulated depreciation)	6,156,703	8,908,253	15,064,956
<b>Total Assets</b>	<b><u>18,578,611</u></b>	<b><u>14,520,657</u></b>	<b><u>33,099,268</u></b>
<b><u>LIABILITIES</u></b>			
Liabilities:			
Accounts Payable And Other Current Liabilities	868,453	126,876	995,329
Deposits Payable and Deferred Revenue	599,268	143,933	743,201
Accrued Interest Payable	51,632	59,222	110,854
Noncurrent Liabilities:			
Due Within One Year	193,762	335,980	529,742
Due In More Than One Year	6,502,025	6,418,052	12,920,077
<b>Total Liabilities</b>	<b><u>8,215,140</u></b>	<b><u>7,084,063</u></b>	<b><u>15,299,203</u></b>
<b><u>NET ASSETS</u></b>			
Invested In Capital Assets (net of related debt)	3,209,213	4,475,826	7,685,039
Restricted For:			
Debt Service	313,941		313,941
Other Purposes		28,237	28,237
Unrestricted	6,840,317	2,932,531	9,772,848
<b>Total Net Assets</b>	<b><u>\$10,363,471</u></b>	<b><u>\$7,436,594</u></b>	<b><u>\$17,800,065</u></b>

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

**CITY OF FORT BRAGG  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue And Change in Net Assets		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$1,473,151	\$554,686			(\$918,455)		(\$918,455)
Public Safety	2,842,667	128,088	\$110,525	\$990	(2,803,064)		(2,803,064)
Public Works	1,040,486	119,563	222,846	554,129	(144,148)		(144,148)
Planning	268,855	218,416			(50,439)		(50,439)
Community Development	888,584	389,296	3,862	875,209	389,803		389,803
Shared Expenditures	588,401				(588,401)		(588,401)
Interest and Fiscal Charges	453,979				(453,979)		(453,979)
<b>Total Governmental Activities</b>	<b>7,556,103</b>	<b>1,420,059</b>	<b>337,033</b>	<b>1,430,328</b>	<b>(4,368,683)</b>	<b>\$0</b>	<b>(4,368,683)</b>
<b>Business-Type Activities:</b>							
Water	1,438,140	1,774,681				336,541	336,541
Wastewater	1,886,386	1,391,831		240,394		(54,161)	(54,161)
<b>Total Business-Type Activities</b>	<b>3,124,526</b>	<b>3,166,512</b>	<b>0</b>	<b>240,394</b>	<b>0</b>	<b>282,380</b>	<b>282,380</b>
<b>Total</b>	<b>\$10,680,629</b>	<b>\$4,586,571</b>	<b>\$337,033</b>	<b>\$1,670,722</b>	<b>(4,368,683)</b>	<b>282,380</b>	<b>(4,086,303)</b>
<b>General Revenues:</b>							
Taxes							
Property					2,127,614	51,766	2,179,380
Sales					2,550,775		2,550,775
Transient Occupancy					1,395,800		1,395,800
Franchise					248,548		248,548
Business License					175,906		175,906
Other					46,611		46,611
Intergovernmental Not Restricted to Specific Programs					52,348	142,071	194,419
Unrestricted Investment Earnings					84,650		84,650
Transfers					(283,444)	283,444	0
<b>Total General Revenues And Transfers</b>					<b>6,399,008</b>	<b>477,281</b>	<b>6,876,289</b>
<b>Change in Net Assets</b>					<b>2,030,325</b>	<b>759,661</b>	<b>2,789,986</b>
<b>Net Assets, July 1,</b>					<b>8,355,347</b>	<b>6,676,933</b>	<b>15,032,280</b>
<b>Prior Period Adjustment</b>					<b>(22,201)</b>		<b>(22,201)</b>
<b>Net Assets, July 1, as restated</b>					<b>8,333,146</b>	<b>6,676,933</b>	<b>15,010,079</b>
<b>Net Assets, June 30,</b>					<b>\$10,363,471</b>	<b>\$7,436,594</b>	<b>\$17,800,065</b>

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



**CITY OF FORT BRAGG  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<b>General</b>	<b>Redevelopment Agency Project Area</b>	<b>CDBG Program Income</b>	<b>Caspar Closure</b>	<b>2004 RDA Bond Proceeds</b>	<b>Franklin Street Reconstruction</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>								
Cash and Investments	\$2,274,537	\$427,950	\$179,510	\$40,452	\$1,973,566	\$24,369	\$2,086,660	\$7,007,044
Cash and Investments With Fiscal Agent Receivables							313,941	313,941
Taxes		74,799					79,779	154,578
Accounts	591,864	1,557		10,657			78,577	682,655
Grants							344,388	344,388
Interest	18,527	4,509	5,036		22,832	4,227	25,454	80,585
Loans Receivable			298,914					298,914
Due From Other Funds	362,723	298,378		64,176				745,277
Advances To Other Funds	208,250							208,250
<b>Total Assets</b>	<b>\$3,475,901</b>	<b>\$807,193</b>	<b>\$483,460</b>	<b>\$115,285</b>	<b>\$1,996,398</b>	<b>\$28,596</b>	<b>\$2,928,799</b>	<b>\$9,835,632</b>
<b>LIABILITIES AND FUND BALANCE</b>								
Liabilities:								
Accounts Payable and Accrued Liabilities	\$326,372	\$4,987	\$78,000				\$233,579	\$642,938
Contract Retentions						\$71,910	153,605	225,515
Deposits Payable and Deferred Revenue	300,354		298,914					599,268
Due To Other Funds							745,277	745,277
Advances From Other Funds		208,250						208,250
<b>Total Liabilities</b>	<b>626,726</b>	<b>213,237</b>	<b>376,914</b>	<b>\$0</b>	<b>\$0</b>	<b>71,910</b>	<b>1,132,461</b>	<b>2,421,248</b>
Fund Balance:								
Reserved	490,952	86,347	106,546				1,850,514	2,534,359
Unreserved:								
Designated	71,956			115,285			279,643	486,884
Unreserved - Undesignated, Reported In:								
General Fund	2,286,267	507,609			1,996,398	(43,314)	(183,397)	2,286,267
Special Revenue Funds								314,212
Debt Service Funds								0
Capital Projects Funds							(140,422)	1,812,662
<b>Total Fund Balance</b>	<b>2,849,175</b>	<b>593,956</b>	<b>106,546</b>	<b>115,285</b>	<b>1,996,398</b>	<b>(43,314)</b>	<b>1,796,338</b>	<b>7,414,384</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$3,475,901</b>	<b>\$807,193</b>	<b>\$483,460</b>	<b>\$115,285</b>	<b>\$1,996,398</b>	<b>\$28,596</b>	<b>\$2,928,799</b>	<b>\$9,835,632</b>

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

**CITY OF FORT BRAGG  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

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

Total Fund Balances		\$7,414,384
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Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures on the current period in the governmental funds:

2004 Tax Allocation Bonds	\$105,158	
2005 WestAmerica Lease - Landfill Closure	37,501	142,659

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets	\$12,332,146	
Less: Accumulated depreciation	(2,778,299)	9,553,847

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

2004 Tax Allocation Bonds	(\$4,620,000)	
Less: Original Issue Discount (will be amortized)	98,786	
2005 WestAmerica Lease - Landfill Closure	(1,555,064)	
Capital Lease Obligation	(169,570)	
Refunding Loss (will be amortized):		
2004 Tax Allocation Bonds	25,164	
2005 WestAmerica Lease - Landfill Closure	92,642	
Liability For Landfill Closure and Post-Closure Costs	(280,843)	
Accrued interest payable	(51,632)	
Compensated absences	(286,902)	(6,747,419)

<b>Net Assets Of Governmental Activities</b>		<b>\$10,363,471</b>
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The notes to financial statements are an integral part of this statement.

**CITY OF FORT BRAGG**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General	Redevelopment Agency Project Area	CDBG Program Income	Caspar Closure	2004 RDA Bond Proceeds	Franklin Street Reconstruction	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
Taxes:								
Property	\$699,534	\$1,220,581					\$207,699	\$2,127,814
Sales	1,769,274						781,501	2,550,775
Transient Occupancy	1,395,800							1,395,800
Franchise	248,548							248,548
Business License	175,906							175,906
Other							46,611	46,611
Licenses and Permits	76,140						103,994	180,134
Fines and Forfeitures	9,208						41,995	51,201
Use of Money and Property	65,954	11,523	\$26,612	\$14,555	\$75,359	\$25,585	100,536	320,124
Intergovernmental	157,454		122,310				1,789,781	2,049,545
Charges for Services	182,555			151,741			7,352	321,648
Other Revenue	303,859	70		784			97,043	401,766
Total Revenues	5,084,230	1,232,174	148,922	167,090	75,359	25,585	3,156,512	9,869,872

**EXPENDITURES**

Current:								
General Government	1,398,951						64,176	1,463,127
Public Safety	2,711,908						16,683	2,728,591
Public Works	441,598						260,377	701,975
Planning	275,910							275,910
Community Development		316,447	58				159,061	475,568
Shared Expenditures		588,401						588,401
Debt Service:								
Principal Retirement	39,293			1,884,971			65,000	1,988,264
Interest and Fiscal Charges	8,543			147,748			245,585	401,878
Long-Term Debt Issue Costs				38,794				38,794
Capital Outlay	59,148					1,469,425	2,837,403	4,165,976
Total Expenditures	4,934,351	904,848	58	2,071,513	0	1,469,425	3,448,285	12,828,480
Excess (Deficiency) of Revenues Over Expenditures	129,879	327,326	148,864	(1,904,429)	75,359	(1,443,840)	(291,773)	(2,958,608)

**OTHER FINANCING SOURCES (USES)**

Proceeds From Refunding Capital Lease								
Transfers In	376,088	162,000		1,655,035			639,145	1,655,035
Transfers Out	(261,117)	(375,145)	(311,500)	(62,000)	(400,000)		(1,573,915)	(2,983,677)
Total Other Financing Sources (Uses)	114,971	(213,145)	(311,500)	1,716,035	(400,000)		(934,770)	1,371,591
Net Change in Fund Balances	244,850	114,181	(182,636)	(188,388)	(324,641)	(43,840)	(1,226,543)	(1,587,017)
Fund Balance, July 1	2,604,325	479,775	269,182	303,673	2,321,039	528	3,045,082	9,023,802
Prior Period Adjustment							(22,201)	(22,201)
Fund Balances, July 1, As Restated	2,604,325	479,775	269,182	303,673	2,321,039	528	3,022,881	9,001,401
Fund Balance, June 30	\$2,849,175	\$593,956	\$106,546	\$115,285	\$1,996,398	(\$43,314)	\$1,796,336	\$7,414,394

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

**CITY OF FORT BRAGG  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

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

Net Change in Fund Balances - Total Governmental Funds (\$1,587,017)

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

Capital outlay	\$3,704,629	
Depreciation expense	<u>(484,457)</u>	3,220,172

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

Debt issued or incurred:		
2005 WestAmerica Lease - Landfill Closure	(\$1,655,035)	
2005 WestAmerica Lease - Discount	38,794	
2005 WestAmerica Lease - Refunding Loss	95,837	
Principal repayments:		
Bonds	65,000	
Capital Leases	1,934,914	
Capital Leases	<u>25,209</u>	504,719

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	\$40,391	
Accrued interest	(21,273)	
Amortization of issuance costs	(3,505)	
Amortization of bond discount	(66,172)	
Amortization of refunding loss	<u>(56,990)</u>	(107,549)

<b>Change in Net Assets Of Governmental Activities</b>	<b><u>\$2,030,325</u></b>
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The notes to financial statements are an integral part of this statement.

**CITY OF FORT BRAGG  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006**

	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
<b>Current Assets:</b>			
Cash and Investments	\$3,803,381	\$610,448	\$4,413,829
Cash With Fiscal Agent	308	785	1,093
<b>Receivables:</b>			
Taxes		3,088	3,088
Accounts (net)	347,212	263,021	610,233
Grants		25,679	25,679
Interest	41,331	3,653	44,984
<b>Total Current Assets</b>	<b>4,192,232</b>	<b>906,674</b>	<b>5,098,906</b>
<b>Noncurrent Assets:</b>			
Debt Issuance Costs (net)	143,335	39,175	182,510
<b>Total Noncurrent Assets</b>	<b>143,335</b>	<b>39,175</b>	<b>182,510</b>
<b>Capital Assets:</b>			
Nondepreciable	219,479	111,509	330,988
Depreciable	8,278,667	9,773,763	18,052,430
Accumulated Depreciation	(4,477,042)	(4,667,135)	(9,144,177)
<b>Total Capital Assets (Net)</b>	<b>4,021,104</b>	<b>5,218,137</b>	<b>9,239,241</b>
<b>Total Assets</b>	<b>8,356,671</b>	<b>6,163,986</b>	<b>14,520,657</b>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities:</b>			
Accounts Payable	27,972	55,886	83,858
Accrued Compensated Absences	2,539	40,479	43,018
Accrued Interest Payable	46,511	12,711	59,222
Customer Deposits	104,079		104,079
Deferred Revenues	27,072	12,782	39,854
Current Portion of Long-Term Debt	244,351	91,629	335,980
<b>Total Current Liabilities</b>	<b>452,524</b>	<b>213,487</b>	<b>666,011</b>
<b>Noncurrent Liabilities:</b>			
Capital Lease Obligation	5,522	75,682	81,204
1970 Bonds		50,000	50,000
1998A Bonds		525,000	525,000
2004 Water Bonds	3,678,454		3,678,454
DWR Safe Drinking Water Loan	2,083,394		2,083,394
<b>Total Noncurrent Liabilities</b>	<b>5,767,370</b>	<b>650,682</b>	<b>6,418,052</b>
<b>Total Liabilities</b>	<b>6,219,894</b>	<b>864,169</b>	<b>7,084,063</b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets (net of related debt)		4,475,826	4,475,826
Restricted for Wastewater Fine		28,237	28,237
Unrestricted	2,136,777	795,754	2,932,531
<b>Total Net Assets</b>	<b>\$2,136,777</b>	<b>\$5,299,817</b>	<b>\$7,436,594</b>

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

**CITY OF FORT BRAGG**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for Services	\$1,769,702	\$1,386,711	\$3,156,413
Total Operating Revenues	<u>1,769,702</u>	<u>1,386,711</u>	<u>3,156,413</u>
<b>Operating Expenses:</b>			
Personnel Services	557,630	783,357	1,340,987
Administration	74,837	5,956	80,793
Supplies and Materials	77,891	91,995	169,886
Insurance	50,678	40,929	91,607
Outside Contractors	38,438	110,782	149,220
Maintenance	72,101	213,393	285,494
Utilities	85,469	116,797	202,266
Depreciation and Amortization	245,808	271,837	517,645
Total Operating Expenses	<u>1,202,852</u>	<u>1,635,046</u>	<u>2,837,898</u>
<b>Net Operating Income</b>	<u>566,850</u>	<u>(248,335)</u>	<u>318,515</u>
<b>Nonoperating Income (Expenses):</b>			
Taxes		51,766	51,766
Intergovernmental		240,394	240,394
Investment Earnings	131,932	10,139	142,071
Other Nonoperating Revenue	4,979	5,120	10,099
Interest and Other Charges	<u>(235,288)</u>	<u>(51,340)</u>	<u>(286,628)</u>
Total Nonoperating Revenues (Expenses)	<u>(98,377)</u>	<u>256,079</u>	<u>157,702</u>
<b>Income (Loss) Before Operating Transfers</b>	468,473	7,744	476,217
Transfers In		296,750	296,750
Transfers Out	(13,306)		(13,306)
<b>Change In Net Assets</b>	<u>455,167</u>	<u>304,494</u>	<u>759,661</u>
<b>Net Assets, July 1</b>	1,681,610	4,995,323	6,676,933
<b>Net Assets, June 30</b>	<u><b>\$2,136,777</b></u>	<u><b>\$5,299,817</b></u>	<u><b>\$7,436,594</b></u>

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

**CITY OF FORT BRAGG  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Receipts From Customers and Users	\$1,721,326	\$1,348,104	\$3,069,430
Payments to Employees	(563,474)	(776,399)	(1,339,873)
Payments to Suppliers	(402,808)	(548,255)	(951,063)
Net Cash Provided (Used) By Operating Activities	<u>755,044</u>	<u>23,450</u>	<u>778,494</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Taxes		53,341	53,341
Intergovernmental		214,716	214,716
Other Nonoperating Revenue	4,979	5,120	10,099
Transfers In		296,750	296,750
Transfers Out	(13,306)		(13,306)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(8,327)</u>	<u>569,927</u>	<u>561,600</u>
<b>Cash Flows From Capital And Related Financing Activities:</b>			
Loan Proceeds	133,267		133,267
Interest and Other Charges	(192,463)	(41,354)	(233,817)
Principal Payments on Capital Lease	(1,153)	(15,803)	(16,956)
Principal Payments on Bonds		(75,000)	(75,000)
Principal Payments on COP's	(185,000)		(185,000)
Capital Expenditures	(122,485)	(194,219)	(316,704)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(367,834)</u>	<u>(326,376)</u>	<u>(694,210)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest on Investments	110,747	12,040	122,787
Net Cash Provided (Used) By Investing Activities	<u>110,747</u>	<u>12,040</u>	<u>122,787</u>
Net Increase (Decrease) In Cash	489,630	279,041	768,671
Cash Balance, July 1	3,314,059	332,192	3,646,251
<b>Cash Balance, June 30</b>	<b><u>\$3,803,689</u></b>	<b><u>\$611,233</u></b>	<b><u>\$4,414,922</u></b>
<b>Cash Balances Reported on Statement of Net Assets As:</b>			
Cash and Investments	\$3,803,381	\$610,448	\$4,413,829
Cash With Fiscal Agent	308	785	1,093
<b>Cash Balance, June 30</b>	<b><u>\$3,803,689</u></b>	<b><u>\$611,233</u></b>	<b><u>\$4,414,922</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$566,850	(\$248,335)	\$318,515
Adjustments to Reconcile Operating Income to Net Cash Provided (Used):			
Depreciation and Amortization	245,808	271,837	517,645
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	(60,152)	(30,330)	(90,482)
Decrease (Increase) in Prepaids	1,936	1,936	3,872
Increase (Decrease) in Accounts Payable	(1,466)	20,672	19,206
Increase (Decrease) in Other Liabilities	2,068	7,670	9,738
Net Cash Provided (Used) By Operating Activities	<u>\$755,044</u>	<u>\$23,450</u>	<u>\$778,494</u>
<b>Noncash Transactions:</b>			
Amortized Debt Issues Costs	\$8,432	\$3,265	\$11,697
Amortized Debt Issues Premium	3,949		3,949
Amortized Deferred Refunding Loss	40,216		40,216

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

# CITY OF FORT BRAGG

## Notes to Financial Statements June 30, 2006

### 1) Summary of Significant Accounting Policies

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

#### A) **Description of the Reporting Entity**

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

#### Blended Component Units

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

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

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

#### B) **Government-Wide And Fund Financial Statements**

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

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

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

#### C) **Measurement Focus, Basis Of Accounting, And Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are



## CITY OF FORT BRAGG

### Notes to Financial Statements June 30, 2006

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

CDBG Program Income Fund - This special revenue fund is used to account for funds loaned and payments received from eligible residents for housing and small business loans made under the City's Community Development Block Grant Program.

Caspar Closure Fund - This debt service fund is used to account for the refunding and repayment of debt incurred for the closure and post-closure costs for the Caspar Landfill.

2004 RDA Bond Proceeds Fund - This capital projects fund is used to account for Fort Bragg Redevelopment Agency public improvement projects funded by proceeds from the 2004 Tax Allocation Bond issue.

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

The City reports the following major proprietary funds:

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

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

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

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

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

# CITY OF FORT BRAGG

## Notes to Financial Statements June 30, 2006

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

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

### D) **Assets, Liabilities, And Net Assets Or Equity**

#### 1) Cash And Investments

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

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### 2) Receivables And Payables

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

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

Property taxes for the current year were attached as an enforceable lien as of January 1, 2005 and were levied on July 1, 2005. Taxes are due in two equal installments on November 1 and February 1. The City relies on the competency of the County of Mendocino Assessor's ("County") office to properly assess, collect and distribute property taxes. The method of allocation used by the County is subject to review by the State of California. The City and the County have adopted the Alternative Method of Tax Apportionment – Teeter Plan.

The City makes economic development, housing rehabilitation and redevelopment loans to individuals and businesses. These long-term loans are carried as assets of the governmental funds making the loans with a corresponding offset to deferred revenue. Loans receivable at June 30, 2006 were \$298,914.

#### 3) Inventories And Prepaid Items

The City does not account for unused materials and supplies on hand. The entire cost of the purchasing materials and supplies is charged to the acquiring fund at the time of purchase. This is a departure from GAAP that requires government-wide and business-type funds report the cost of unused materials and supplies as inventory on the statement of net assets if material.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 4) Restricted Assets

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

# CITY OF FORT BRAGG

## Notes to Financial Statements June 30, 2006

### 5) Capital Assets

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

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

Interest is capitalized on construction of major assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. For the year ended June 30, 2006, there were no projects meeting the criteria for interest capitalization.

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

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

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

### 6) Compensated Absences

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

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

### 7) Long-Term Obligations

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

# CITY OF FORT BRAGG

## Notes to Financial Statements June 30, 2006

### 8) Fund Equity

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

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

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

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

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

### 9) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

## 2 Stewardship, Compliance And Accountability

### A) **Budgetary Information**

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

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

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

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

### B) **Excess Of Expenditures Over Appropriations**

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

CDBG Program Income	(\$58)
Low and Moderate Income Housing	(22,081)
Police Asset Seizure	(8,374)

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

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2006**

**C) Deficit Fund Equity**

The following funds had deficit fund balances as of June 30, 2006. These deficits were primarily caused by expenditures in excess of grant awards or overages in construction projects which will be funded by future revenue flows. Management is monitoring each fund's activities to ensure improved financial position. The deficits do not represent a significant financial burden.

<b>Special Revenue Funds:</b>	
Franklin Street Reconstruction	(\$43,314)
Traffic Safety	(126,198)
Special Sales Tax Street	(23,885)
CDBG Downtown Plan Grant	(15,695)
Coastal Conservancy Grant	(35,678)
Habitat For Humanity/Food Bank CDBG	(21,170)
Hospitality/Drainage STBG Grant	(2,835)
<b>Capital Projects Funds:</b>	
Caspar Closure	(127,992)
RDA Capital Projects	(16,599)

**3) Detailed Notes On All Funds**

**A) Cash And Investments**

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

<b>Statement of Net Assets:</b>	
Cash and investments	\$11,420,873
Restricted cash with fiscal agent	315,034
<b>Total Cash and Investments</b>	<b>\$11,735,907</b>

Cash and investments consist of the following:

Cash on hand	\$2,000
Deposits with financial institutions	252,967
<b>Investments:</b>	
Local Agency Investment Fund	11,165,906
Fiscal agents	315,034
<b>Total Cash and Investments</b>	<b>\$11,735,907</b>

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

**Authorized Investments – Investment Policy**

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

<u>Authorized Investment Type</u>
<ul style="list-style-type: none"> <li>• Local District Investment Fund (California State Treasurer)</li> <li>• Securities of the U.S. Treasury and Government Agencies</li> <li>• Repurchase agreements and security lending agreements for U.S. Treasury and Government District obligations</li> <li>• Certificates of deposit (FDIC insured)</li> </ul>

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2006**

- Money market mutual funds holding only U.S. Treasury and Government District obligations and cash
- Bankers' acceptances
- Commercial paper rated A-1 (S&P), P-1 (Moody's) and F-1 (Fitch)
- General obligations of any State or local political subdivision rated AA/Aa/AA or higher by two of the following: S&P, Moody's or Fitch

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

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2006, the District's investments had no significant exposure to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>12 Months or Less</u>	<u>More Than 60 Months</u>	<u>Weighted Average (Years)</u>
State Investment Pool (LAIF)	\$11,165,906	\$11,165,906		0.42
Held With Fiscal Agent:				
Money market	1,093	1,093		n/a
Guaranteed investment contract	313,941	313,941	\$313,534	30.83
<b>Total</b>	<b>\$11,480,940</b>	<b>\$11,480,940</b>	<b>\$313,534</b>	<b>1.25</b>

**Credit Risk**

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

**Custodial Credit Risk**

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

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

**Investment in State Investment Pool**

The Local Agency Investment Pool (LAIF) is a special fund of the California State Treasury through which local governments may pool investments. The City may invest up to \$40,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Funds deposited in LAIF are invested in accordance with Government Code Sections 16430 and 16480. Oversight of LAIF is provided by the Pooled Money

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2006**

Investment Board whose members are the California State Treasurer, California Director of Finance and the California State Controller. For the purpose of these financial statements, the fair value of amounts in LAIF is equivalent to the dollars held.

**B) Capital Assets (unaudited)**

Governmental capital assets activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>Nondepreciable Capital Assets:</b>				
Land	\$2,945,227			\$2,945,227
Construction in progress		\$451,917		451,917
Total Nondepreciable Capital Assets	<u>2,945,227</u>	<u>451,917</u>	<u>\$0</u>	<u>3,397,144</u>
<b>Depreciable Capital Assets:</b>				
Buildings	3,446,676	235,818		3,682,494
Machinery and equipment	725,703	33,005		758,708
Infrastructure	1,509,911	2,983,889		4,493,800
Total Depreciable Capital Assets	<u>5,682,290</u>	<u>3,252,712</u>	<u>0</u>	<u>8,935,002</u>
<b>Less: Accumulated Depreciation:</b>				
Buildings	(2,117,676)	(117,015)		(2,234,691)
Equipment and improvements	(151,991)	(170,657)		(322,648)
Infrastructure	(24,175)	(196,785)		(220,960)
Total Accumulated Depreciation	<u>(2,293,842)</u>	<u>(484,457)</u>	<u>0</u>	<u>(2,778,299)</u>
Depreciable Capital Assets, net	<u>3,388,448</u>	<u>2,768,255</u>	<u>0</u>	<u>6,156,703</u>
Governmental Activities Capital Assets, net	<u>\$6,333,675</u>	<u>\$3,220,172</u>	<u>\$0</u>	<u>\$9,553,847</u>

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

<b>Governmental Activities:</b>	
General government	\$6,155
Public safety	162,328
Public works	315,974
Total Depreciation Expense - Governmental Activities	<u>\$484,457</u>

Business-type capital assets activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>Nondepreciable Capital Assets:</b>				
Land	\$285,078			\$285,078
Construction in progress		\$45,910		45,910
Total Nondepreciable Capital Assets	<u>285,078</u>	<u>45,910</u>	<u>\$0</u>	<u>330,988</u>
<b>Depreciable Capital Assets:</b>				
Buildings	3,775,571			3,775,571
Utility plant	5,416,786	86,710		5,503,496
Machinery and equipment	8,589,279	184,084		8,773,363
Total Depreciable Capital Assets	<u>17,781,636</u>	<u>270,794</u>	<u>0</u>	<u>18,052,430</u>
<b>Less: Accumulated Depreciation:</b>				
Buildings	(1,604,078)	(56,379)		(1,660,457)
Utility plant	(2,436,821)	(130,490)		(2,567,311)
Machinery and equipment	(4,585,633)	(330,776)		(4,916,409)
Total Accumulated Depreciation	<u>(8,626,532)</u>	<u>(517,645)</u>	<u>0</u>	<u>(9,144,177)</u>
Depreciable Capital Assets, net	<u>9,155,104</u>	<u>(246,851)</u>	<u>0</u>	<u>8,908,253</u>
Business-Type Activities Capital Assets, net	<u>\$9,440,182</u>	<u>(\$200,941)</u>	<u>\$0</u>	<u>\$9,239,241</u>

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2006**

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

Water	\$245,808
Wastewater	<u>271,837</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$517,645</u></u>

**C) Interfund Receivables, Payables And Transfers**

The composition of Interfund balances and transfers within the City's fund financial statements as of June 30, 2006 is as follows:

<u>Due From(To) Other Funds</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$382,723	
Redevelopment Agency Project Area	298,378	
Caspar Closure Debt Service	64,176	
Nonmajor special revenue funds:		
Downtown Revitalization		\$16,536
Housing Rehabilitation STBG Grant		135
Coastal Conservancy		1,714
Hospital/Drainage STBG Grant		130,264
Traffic Safety		114,141
Special Sales Tax Street		73,885
Nonmajor debt service funds:		
2004 RDA Bonds Debt Service		281,779
Nonmajor capital projects funds:		
Bainbridge Tennis/Basketball Court		46,048
Caspar Closure		64,176
RDA Capital Projects		16,599
Total Due To(From) Other Funds	<u>\$745,277</u>	<u>\$745,277</u>

The outstanding balances between funds noted above were caused by funds over-drawing the allocated share of the City's pooled cash.

<u>Advances Due From(To) Other Funds</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$208,250	
Redevelopment Agency Project Area		\$208,250
Total Due To(From) Other Funds	<u>\$208,250</u>	<u>\$208,250</u>

The long-term advance to the Fort Bragg Redevelopment Agency from the General fund is due upon demand, but is unlikely to be repaid within one year.



**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2006**

The following table summarizes the operating transfers made between fund for the year ended June 30, 2006:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major governmental funds:</b>		
General Fund	\$376,088	\$261,117
Redevelopment Agency Project Area	162,000	375,145
CDBG Program Income		311,500
Caspar Closure	123,000	62,000
2004 RDA Bond Proceeds		400,000
Franklin Street Reconstruction	1,400,000	
<b>Major business-type funds:</b>		
Water		13,306
Wastewater	296,750	
<b>Nonmajor special revenue funds:</b>		
General Plan Maintenance Fee		15,000
Asset Seizure	2,500	500
Special Sales Tax Street	300,000	1,400,000
COPS AB 1913 Allocation		98,190
MCOG Streets Allocation		6,310
ADA/RCHDC/P&F STBG		2,768
Habitat For Humanity/Food Bank CDBG		26,790
Wastewater Master Plan/Noyo Center PTAA	23,500	
Hospitality/Drainage STBG Grant		15,157
<b>Nonmajor debt service funds:</b>		
2004 RDA Bonds Debt Service	313,145	
<b>Nonmajor capital projects funds:</b>		
Fire Equipment		9,200
<b>Total Transfers In(Out)</b>	<b>\$2,996,983</b>	<b>\$2,996,983</b>

**D) Capital Leases**

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Water</u>	<u>Wastewater</u>
Police cars	\$208,313		
Sewer-vac truck		\$12,580	\$172,420
Less: Accumulated depreciation	(41,663)	(8,986)	(123,157)
	<b>\$166,650</b>	<b>\$3,594</b>	<b>\$49,263</b>

The refinancing lease agreement to totaled \$1,655,035 and was used for a current refunding of \$1,785,000 of 1995 Landfill COP's. The refunding took advantage of lower interest rates and reduces the life of the debt issue. The reacquisition price exceeded the net carrying amount of the old debt by \$95,837. This amount is being netted against the new debt and amortized over the life of the new lease. The transaction resulted in an economic gain of \$684,650 reduction of future debt service payments of \$865,560

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2006**

The City's future minimum lease payments and the net present value of future minimum lease payments at June 30, 2006 were as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Water</u>	<u>Wastewater</u>
2007	\$194,405	\$1,580	\$21,443
2008	194,405	1,580	21,443
2009	194,405	1,580	21,443
2010	194,405	1,580	21,443
2011	147,569	1,580	21,443
2012-2016	737,845		
2017-2020	590,276		
Total Minimum Lease Payments	2,253,310	7,900	107,215
Less: Amount representing interest	(528,676)	(1,165)	(14,904)
Present Value Of Minimum Lease Payments	<u>\$1,724,634</u>	<u>\$6,735</u>	<u>\$92,311</u>

**E) Long-Term Debt**

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

**2004 Tax Allocation Bonds.** The Fort Bragg Redevelopment Agency issued \$4,830,000 in tax allocation bonds for the purpose of refunding \$1,860,000 of outstanding 1993 Tax Allocation Revenue Bonds and making funds available for future capital projects. The refunding took advantage of lower interest rates which were available. The refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt, which has been deferred in accordance with GASB Statement No. 23. Deferred amounts for the refunding loss, and the original discount and issue costs associated with the 2004 Tax Allocation Bonds, are being amortized over the life of the 2004 bond issue using the straight-line method.

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

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$70,000	\$240,935	\$310,935
2008	70,000	239,115	309,115
2009	70,000	237,015	307,015
2010	75,000	234,705	309,705
2011	80,000	232,005	312,005
2012-2016	445,000	1,107,010	1,552,010
2017-2011	565,000	981,190	1,546,190
2022-2026	735,000	813,665	1,548,665
2027-2031	955,000	590,150	1,545,150
2032-2036	1,260,000	293,450	1,553,450
2037	295,000	16,225	311,225
	<u>\$4,620,000</u>	<u>\$4,985,465</u>	<u>\$9,605,465</u>

## CITY OF FORT BRAGG

### Notes to Financial Statements June 30, 2006

**Caspar Landfill Closure and Post-Closure Cost.** The Caspar Landfill site was closed in 1995. State and federal laws and regulations require that the City place a final cover on its landfill when closed, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. These costs are shared equally by the City and County of Mendocino. At June 30, 2006 the City's estimated liability for its share of landfill closure and postclosure care costs was \$280,843 (net of a State of California Integrated Waste Management Board Grant of \$1,114,500). This estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2006, as determined by the last engineering study performed. However, the actual cost of closure and postclosure care may change due to inflation, changes in technology, or changes in landfill laws and regulations.

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

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

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

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

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

**Safe Drinking Water Revolving Loan.** In fiscal year 2005, the City entered into a loan agreement with the State of California Department of Water Resources to finance the construction of a project to meet safe drinking water standards. The maximum amount of the loan can not exceed \$2,325,500, of which the City had borrowed \$2,141,532. At June 30, 2006 the balance of the loan payable was \$2,141,532. The terms of loan set the interest rate at 0.0%. Loan principal payments of \$58,138 are required semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> for twenty (20) years commencing January 1, 2007.

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2006**

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

Year Ended June 30,	Revenue Bonds		State Loans	
	Principal	Interest	Principal	Interest
2007	\$260,000	\$217,227	\$58,138	\$0
2008	280,000	208,595	116,275	0
2009	230,000	201,014	116,275	0
2010	230,000	194,535	116,275	0
2011	240,000	186,625	116,275	0
2012-2016	1,350,000	780,754	581,375	0
2017-2021	1,545,000	452,095	581,375	0
2022-2026	995,000	80,194	455,544	0
	<u>\$5,130,000</u>	<u>\$2,321,039</u>	<u>\$2,141,532</u>	<u>\$0</u>

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Governmental Activities				
	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
<b>Bonds Payable:</b>					
1995 COP	\$1,785,000		\$1,785,000	\$0	
2004 Tax Allocation	4,685,000		65,000	4,620,000	\$70,000
<b>Total Bonds Payable</b>	<b>6,470,000</b>	<b>\$0</b>	<b>1,850,000</b>	<b>4,620,000</b>	<b>70,000</b>
<b>Less:</b>					
1995 COP discount	(61,679)		(61,679)	0	
2004 discount	(101,986)		(3,200)	(98,786)	
2004 deferred refunding	(27,212)		(2,048)	(25,164)	
<b>Net Bonds Payable</b>	<b>6,279,123</b>	<b>0</b>	<b>1,783,073</b>	<b>4,496,050</b>	<b>70,000</b>
<b>Other Long-Term Liabilities:</b>					
Capital leases	219,513	1,655,035	149,914	1,724,634	123,762
<b>Less:</b>					
Lease deferred refunding loss	0	(95,837)	(3,195)	(92,642)	
Landfill closure and post-closure	306,052		25,209	280,843	
Compensated absences	327,293		40,391	286,902	
<b>Total Other Long-Term Liabilities</b>	<b>852,858</b>	<b>1,559,198</b>	<b>212,319</b>	<b>2,199,737</b>	<b>123,762</b>
<b>Total Long-Term Liabilities</b>	<b>\$7,131,981</b>	<b>\$1,559,198</b>	<b>\$1,995,392</b>	<b>\$6,695,787</b>	<b>\$193,762</b>

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2006**

	Business-Type Activities				
	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
<b>Bonds Payable:</b>					
2004 CSCDA Revenue Bonds	\$4,665,000		\$185,000	\$4,480,000	\$185,000
1970 Sewer Revenue Bonds	140,000		45,000	95,000	45,000
1998 Wastewater Revenue Bonds	585,000		30,000	555,000	30,000
<b>Total Bonds Payable</b>	<b>5,390,000</b>	<b>\$0</b>	<b>260,000</b>	<b>5,130,000</b>	<b>260,000</b>
<b>Add:</b>					
2004 original issue premium	71,074		3,949	67,125	
<b>Less:</b>					
2004 deferred refunding	(723,887)		(40,216)	(683,671)	
<b>Net Bonds Payable</b>	<b>4,737,187</b>	<b>0</b>	<b>223,733</b>	<b>4,513,454</b>	<b>260,000</b>
<b>Other Long-Term Liabilities:</b>					
Capital leases	116,001		16,955	99,046	17,842
Safe Drinking Water Revolving Loan	2,008,265	133,267		2,141,532	58,138
<b>Total Other Long-Term Liabilities</b>	<b>2,124,266</b>	<b>133,267</b>	<b>16,955</b>	<b>2,240,578</b>	<b>75,980</b>
<b>Total Long-Term Liabilities</b>	<b>\$6,861,453</b>	<b>\$133,267</b>	<b>\$240,688</b>	<b>\$6,754,032</b>	<b>\$335,980</b>

**F) Fund Equity**

Fund balances reserved and unreserved/designated at June 30, 2006 were as follows:

	Reserved			Designated
	Encumbrances	Other	Total	
<b>Major governmental funds:</b>				
General Fund	\$490,407	\$545	\$490,952	\$71,956
Redevelopment Agency Project Area	86,347		86,347	
CDBG Program Income		106,546	106,546	
Caspar Closure				115,285
<b>Nonmajor special revenue funds:</b>				
General Plan Maintenance Fee		108,922	108,922	
Oceanview Improvement		50,386	50,386	
Traffic Congestion Relief		31,756	31,756	
Gasoline Taxes	17,000	78,333	95,333	
Asset Seizure		83,365	83,365	
UDAG Boatyard		260,994	260,994	
TDA Streets & Roads Allocation		359	359	
Bulletproof Vest Partnership Grant	801	2,597	3,398	
CDBG Plan & Technology Grant	6,124	0	6,124	
COPS AB 1913 Allocation		61,782	61,782	
MCOG Streets Allocation		79,513	79,513	
ADA/RCHDC/P&F STBG		115,537	115,537	
RDA Low & Moderate Housing		917,392	917,392	
Skate Park Project		127	127	
Habitat For Humanity/Food Bank CDBG		3,364	3,364	
<b>Nonmajor debt service funds:</b>				
2004 RDA Bonds Debt Service		32,162	32,162	
<b>Nonmajor capital projects funds:</b>				
Fire Equipment				58,335
Street Rehab Phase II				601
Laural/Main Signal Install				9,767
Downtown Parking Lots Resurface				17,682
Guesthouse Sprinklers				193,258
<b>Total</b>	<b>\$600,679</b>	<b>\$1,933,680</b>	<b>\$2,534,359</b>	<b>\$466,884</b>

# CITY OF FORT BRAGG

## Notes to Financial Statements June 30, 2006

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

### G) Segment Information

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

### 4) Other Information

#### A) Risk Management

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

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

The City's deductibles are \$5,000 for worker's compensation, liability, auto physical damage, boiler and machinery, and fidelity; \$10,000 for property losses; and \$25,000 or 5% of building value for earthquake and flood losses - all per occurrence. The annual premium paid to REMIF for the 2005/06 fiscal year was \$314,780. Claims paid by REMIF in favor of the City totaled \$155,463. Participating members of REMIF do not have a refundable deposit, and no dividends are paid. However, REMIF made a distribution of surplus funds from the Liability program in which the City's share was \$16,121.

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

#### B) Related Organizations

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

**Caspar Landfill** – The City has a joint powers agreement with the County of Mendocino for post-closure maintenance of the Caspar Landfill and the operations of the Caspar Transfer Station. The City and the County equally share the cost for post-closure maintenance of the landfill. Operational costs of the transfer station are allocated based upon a pro-rata basis as defined in the agreement. For the 2005/06 fiscal year the City's share of costs under the terms of this agreement were estimated at \$63,816 as actual amounts had not been calculated at the time these financial statements were prepared.

## CITY OF FORT BRAGG

### Notes to Financial Statements June 30, 2006

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

**Fort Bragg Fire Protection Authority** - In March, 2005, the City entered into a joint powers agreement with the Fort Bragg Rural Fire District ("District") for the purpose of providing fire suppression, fire prevention and emergency rescue services within territorial limits of the City and the District. The agreement supersedes a former joint powers agreement between the two entities that was established in 1990. The Fort Bragg Fire Protection Authority ("Authority") is governed by a five member Board of Directors of which two are appointed by the City, two by the District and one appointed jointly by the City and the District. Costs for services are shared by the City and District on a pro-rata basis determined by the average number of fire and emergency calls responded to within the City or District during the three previous 12-month periods of July 1<sup>st</sup> to June 30<sup>th</sup>. However, in no case will either entity's share drop below 40%. During the current fiscal year the City paid \$310,172.17 under the terms of this agreement, and was reimbursed \$10,257 by the District for PERS costs.

#### C) Contingencies

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

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

#### D) Employee Retirement Systems

##### Plan Description:

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

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

##### Funding Policy:

Active plan members in the Plans are required to contribute 7.0% (9.0% for Police employees) of their annual covered salary. The Fire Plan has no active members. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by CalPERS Board of Administration. The required employer contribution rate for fiscal 2005/06 was 8.984% for miscellaneous employees, 25.292% for police, and -0-% for fire employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

## CITY OF FORT BRAGG

### Notes to Financial Statements June 30, 2006

#### Annual Pension Cost:

For fiscal year 2005/06 the City's annual pension cost was \$398,909 (\$161,367 for Miscellaneous, \$215,245 for Police and \$22,297 for Fire) and the City actually contributed \$398,909. In addition, the City paid \$204,352 representing substantially all of the employees' required contributions under the terms of the City's various employee bargaining unit agreements. The annual required contribution for fiscal year 2005/06 was determined as part of the June 30, 2003, actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions include the following:

	Miscellaneous	Police	Fire
Investment rate of return	7.75%	7.75%	7.75%
Projected salary increases	3.25% - 14.45%	3.25% - 13.15%	3.25% - 14.45%
Inflation	3.00%	3.00%	3.00%
Payroll growth	3.25%	3.25%	3.25%

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

Three-Year Trend Information			
	Combined		
Year Ending June 30,	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2004	\$225,035	100%	\$0
2005	365,867	100%	0
2006	398,909	100%	0

#### E) Other Post-Retirement Benefits

In addition to the pension benefits noted in Note 4(D), the City provides post-retirement health and dental care insurance benefits to employees with ten (10) or more year's consecutive service in accordance with City employee policies. Those employees electing a PERS retirement date with the City are eligible to receive post-retirement health and dental care insurance benefits. Currently 32 employees meet those eligibility requirements. The City reimburses 100% of the monthly health care premiums. Expenditures for these post-retirement benefits are recognized as monthly premiums are paid. During the 2005/06 fiscal year, expenditures of \$124,103 were recognized for the cost of these post-retirement benefits.

#### F) Deferred Compensation

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



**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2006**

**G) Prior Period Adjustments**

Beginning net assets of the City were decreased by (\$22,201) comprised of an increase to prior year gas tax revenues - \$13,947, and a decrease in EDBG revenues -- (\$36,148).

<u>Governmental Funds</u>		
	<u>Revolving Loan EDBG 664</u>	<u>Gasoline Taxes</u>
Beginning Fund Balances as Previously Reported	\$36,148	\$56,024
Delete accrued receivable	(36,148)	
Additional receivable		13,947
Beginning Fund Balances as Restated	<u>\$0</u>	<u>\$69,971</u>

## REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF FORT BRAGG REDEVELOPMENT AGENCY  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

General Fund				
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b><u>REVENUES</u></b>				
Taxes	\$4,157,802	\$4,157,802	\$4,289,062	\$131,260
Licenses and Permits	27,410	27,410	76,140	48,730
Fines and Forfeitures			9,206	9,206
Use of Money and Property	39,010	39,010	65,954	26,944
Intergovernmental	202,800	202,800	157,454	(45,346)
Current Services	59,400	59,400	162,555	103,155
Other Revenues	414,373	414,373	303,859	(110,514)
<b>Total Revenues</b>	<b>4,900,795</b>	<b>4,900,795</b>	<b>5,064,230</b>	<b>163,435</b>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	1,452,087	1,511,543	1,398,951	112,592
Public Safety	2,702,452	2,739,440	2,711,908	27,532
Public Works	533,661	568,830	441,598	127,232
Planning	340,100	353,211	275,910	77,301
Debt Service:				
Principal Retirement	40,400	40,400	38,293	2,107
Interest and Fiscal Charges	8,500	8,500	8,543	(43)
Capital Outlay	375,500	430,057	59,148	370,909
<b>Total Expenditures</b>	<b>5,452,700</b>	<b>5,651,981</b>	<b>4,934,351</b>	<b>717,630</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(551,905)</b>	<b>(751,186)</b>	<b>129,879</b>	<b>881,065</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	394,050	394,050	376,088	(17,962)
Transfers Out	(176,250)	(329,300)	(261,117)	68,183
<b>Total Other Financing Sources (Uses)</b>	<b>217,800</b>	<b>64,750</b>	<b>114,971</b>	<b>50,221</b>
<b>Net Change In Fund Balances</b>	<b>(334,105)</b>	<b>(686,436)</b>	<b>244,850</b>	<b>931,286</b>
Fund Balances, July 1	2,604,325	2,604,325	2,604,325	0
<b>Fund Balance, June 30</b>	<b>\$2,270,220</b>	<b>\$1,917,889</b>	<b>\$2,849,175</b>	<b>\$931,286</b>

**CITY OF FORT BRAGG REDEVELOPMENT AGENCY  
REDEVELOPMENT AGENCY PROJECT AREA  
MAJOR SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Redevelopment Agency Project Area Fund</u>			Variance With Final Budget - Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes	\$1,070,050	\$1,070,050	\$1,220,581	\$150,531
Use of Money and Property	3,000	3,000	11,523	8,523
Other Revenues			70	70
<b>Total Revenues</b>	<b>1,073,050</b>	<b>1,073,050</b>	<b>1,232,174</b>	<b>159,124</b>
<b><u>EXPENDITURES</u></b>				
Current:				
Community Development	477,511	482,807	316,447	166,360
Shared Expenditures		535,646	588,401	(52,755)
<b>Total Expenditures</b>	<b>477,511</b>	<b>1,018,453</b>	<b>904,848</b>	<b>113,605</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>595,539</b>	<b>54,597</b>	<b>327,326</b>	<b>272,729</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	308,250	308,250	162,000	146,250
Transfers Out	(375,145)	(375,145)	(375,145)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(66,895)</b>	<b>(66,895)</b>	<b>(213,145)</b>	<b>146,250</b>
<b>Net Change In Fund Balances</b>	<b>528,644</b>	<b>(12,298)</b>	<b>114,181</b>	<b>126,479</b>
Fund Balances, July 1	479,775	479,775	479,775	0
<b>Fund Balance, June 30</b>	<b>\$1,008,419</b>	<b>\$467,477</b>	<b>\$593,956</b>	<b>\$126,479</b>

**CITY OF FORT BRAGG REDEVELOPMENT AGENCY  
CDBG PROGRAM INCOME  
MAJOR SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>CDBG Program Income Fund</u>			Variance With Final Budget - Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Use of Money and Property			\$26,612	\$26,612
Intergovernmental			122,310	122,310
<b>Total Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>148,922</b>	<b>148,922</b>
<b><u>EXPENDITURES</u></b>				
Current:				
Community Development			58	(58)
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>(58)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>0</b>	<b>0</b>	<b>148,864</b>	<b>148,864</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers Out	0	(311,500)	(311,500)	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(311,500)</b>	<b>(311,500)</b>	<b>0</b>
<b>Net Change In Fund Balances</b>	<b>0</b>	<b>(311,500)</b>	<b>(162,636)</b>	<b>148,864</b>
Fund Balances, July 1	269,182	269,182	269,182	0
<b>Fund Balance, June 30</b>	<b>\$269,182</b>	<b>(\$42,318)</b>	<b>\$106,546</b>	<b>\$148,864</b>

**CITY OF FORT BRAGG  
SCHEDULE OF FUNDING PROGRESS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**Miscellaneous Plan Risk Pool (1)**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) - Entry Age (A)	Actuarial Value of Assets (B)	Unfunded AAL (UAAL) (A-B)	Funded Ratio (B/A)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(A-B)/C]
June 30, 2003	\$2,596,966,545	\$2,372,879,034	\$224,087,511	91.4%	\$725,020,458	30.9%
June 30, 2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%
June 30, 2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%

**Safety Police Plan Risk Pool (1)**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) - Entry Age (A)	Actuarial Value of Assets (B)	Unfunded AAL (UAAL) (A-B)	Funded Ratio (B/A)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(A-B)/C]
June 30, 2003	\$1,218,082,935	\$1,083,690,137	\$134,392,798	89.0%	\$184,098,257	73.0%
June 30, 2004	996,203,370	885,549,650	110,653,720	88.9%	149,407,703	74.1%
June 30, 2005	742,247,338	646,358,708	95,888,630	87.1%	115,062,820	83.3%

**Safety Fire Plan Risk Pool (1) (2)**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) - Entry Age (A)	Actuarial Value of Assets (B)	Unfunded AAL (UAAL) (A-B)	Funded Ratio (B/A)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(A-B)/C]
June 30, 2003	\$319,127,268	\$307,383,212	\$11,744,056	96.3%	\$0	0.0%
June 30, 2004	357,919,985	331,405,998	26,513,987	92.6%	0	0.0%
June 30, 2005	369,091,183	347,539,822	21,551,361	94.2%	0	0.0%

(1) = CalPERS requires individual plans with less than 100 active members to participate in a risk pool. The amounts included in this schedule are for the entire risk pool. Individual employer data is no longer provided by CalPERS.

(1) = This plan is part of an inactive agency pool and has no active members and, therefore, no covered payroll.

## COMBINING FUND FINANCIAL STATEMENTS

**CITY OF FORT BRAGG  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>Total Special Revenue Funds</u>	<u>2004 RDA Bonds Debt Service Funds</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Investments	\$1,812,560		\$274,100	\$2,086,660
Cash and Investments With Fiscal Agent		\$313,941		313,941
Receivables:				
Taxes	76,888		2,891	79,779
Accounts	78,577			78,577
Grants	298,003		46,385	344,388
Interest	19,571		5,883	25,454
<b>Total Assets</b>	<b><u>\$2,285,599</u></b>	<b><u>\$313,941</u></b>	<b><u>\$329,259</u></b>	<b><u>\$2,928,799</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$170,364		\$63,215	\$233,579
Contract Retentions	153,605			153,605
Due To Other Funds	336,675	\$281,779	126,823	745,277
<b>Total Liabilities</b>	<b><u>660,644</u></b>	<b><u>281,779</u></b>	<b><u>190,038</u></b>	<b><u>\$1,132,461</u></b>
Fund Balances:				
Reserved	1,818,352	32,162		1,850,514
Unreserved:				
Designated			279,643	279,643
Undesignated	(193,397)	0	(140,422)	(333,819)
<b>Total Fund Balances</b>	<b><u>1,624,955</u></b>	<b><u>32,162</u></b>	<b><u>139,221</u></b>	<b><u>1,796,338</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$2,285,599</u></b>	<b><u>\$313,941</u></b>	<b><u>\$329,259</u></b>	<b><u>\$2,928,799</u></b>



**CITY OF FORT BRAGG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>REVENUES</u>	<u>Total Special Revenue Funds</u>	<u>2004 RDA Bonds Debt Service Funds</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Taxes:				
Property	\$207,699			\$207,699
Sales	781,501			781,501
Other	3,060		\$43,551	46,611
Licenses and Permits	103,994			103,994
Fines and Forfeitures	41,995			41,995
Use of Money and Property	63,489	\$14,986	22,061	100,536
Intergovernmental	1,723,396		46,385	1,769,781
Charges for Services	7,352			7,352
Other Revenue	97,043			97,043
<b>Total Revenues</b>	<b>3,029,529</b>	<b>14,986</b>	<b>111,997</b>	<b>3,156,512</b>
<u>EXPENDITURES</u>				
Current:				
General Government			64,176	64,176
Public Safety	15,737		946	16,683
Public Works	260,377			260,377
Community Development	159,061			159,061
Debt Service:				
Principal Retirement		65,000		65,000
Interest and Fiscal Charges		245,585		245,585
Capital Outlay	2,188,723		448,680	2,637,403
<b>Total Expenditures</b>	<b>2,623,898</b>	<b>310,585</b>	<b>513,802</b>	<b>3,448,285</b>
Excess (Deficiency) of Revenues Over Expenditures	405,631	(295,599)	(401,805)	(291,773)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	326,000	313,145		639,145
Transfers Out	(1,564,715)		(9,200)	(1,573,915)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,238,715)</b>	<b>313,145</b>	<b>(9,200)</b>	<b>(934,770)</b>
<b>Net Change In Fund Balances</b>	<b>(833,084)</b>	<b>17,546</b>	<b>(411,005)</b>	<b>(1,226,543)</b>
Fund Balances, July 1	2,480,240	14,616	550,226	3,045,082
Prior Period Adjustment	(22,201)			(22,201)
Fund Balances, July 1, As Restated	2,458,039	14,616	550,226	3,022,881
<b>Fund Balances, June 30</b>	<b>\$1,624,955</b>	<b>\$32,162</b>	<b>\$139,221</b>	<b>\$1,796,338</b>

CITY OF FORT BRAGG  
COMBINING BALANCE SHEET  
SPECIAL REVENUE  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General Plan Maintenance Fee	Oceanview Improvement	Traffic Congestion Relief	Gasoline Taxes	Asset Seizure	Traffic Safety	UDAG Boatyard	Revolving Loan EDBG 864	TDA Streets & Roads & Allocation
Cash and Investments	\$108,085	\$48,817	\$22,861	\$45,729	\$82,832		\$258,045		\$355
Receivables:									
Taxes									
Accounts			8,895	69,617					
Grants									
Interest	837	569		670	733		2,949		4
<b>Total Assets</b>	<b>\$108,922</b>	<b>\$50,386</b>	<b>\$31,756</b>	<b>\$116,016</b>	<b>\$83,365</b>	<b>\$0</b>	<b>\$260,994</b>	<b>\$0</b>	<b>\$359</b>

**LIABILITIES AND FUND BALANCES**

Liabilities									
Accounts Payable and Accrued Liabilities				\$20,683		\$12,057			
Contract Retentions						114,141			
Due To Other Funds									
<b>Total Liabilities</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>20,683</b>	<b>\$0</b>	<b>128,198</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Fund Balances:									
Reserved	108,922	50,386	31,756	95,333	83,365		260,994		359
Unreserved	0	0	0	0	0	(126,198)	0	0	0
<b>Total Fund Balances</b>	<b>108,922</b>	<b>50,386</b>	<b>31,756</b>	<b>95,333</b>	<b>83,365</b>	<b>(126,198)</b>	<b>260,994</b>	<b>0</b>	<b>359</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$108,922</b>	<b>\$50,386</b>	<b>\$31,756</b>	<b>\$116,016</b>	<b>\$83,365</b>	<b>\$0</b>	<b>\$260,994</b>	<b>\$0</b>	<b>\$359</b>

Continued

**CITY OF FORT BRAGG**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	MCOG OWP Reserve Street Safety	Special Sales Tax Street	Bulletproof Vest Partnership Grant	CDBG DOWNTOWN Plan Grant	CDBG Plan & Technology Grant	Coastal Conservancy Grant	COPS AB 1913 Allocation	MCOG Streets Allocation	ADA/RCHDC/P&F STBG
Cash and Investments Receivables:			\$3,333		\$1,007		\$60,672	\$78,407	\$116,887
Taxes	8,188	\$50,000							
Accounts			65		7,652	\$28,069			
Grants				\$841			1,110	1,105	
Interest									
<b>Total Assets</b>	<b>\$8,188</b>	<b>\$50,000</b>	<b>\$3,398</b>	<b>\$841</b>	<b>\$8,659</b>	<b>\$28,069</b>	<b>\$61,782</b>	<b>\$79,512</b>	<b>\$116,887</b>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities									
Accounts Payable and Accrued Liabilities	\$5,938				\$2,535	\$36,976			\$1,350
Contract Retentions						25,057			
Due To Other Funds		\$73,885	\$16,536			1,714			
Total Liabilities	5,938	73,885	\$0	16,536	2,535	63,747	\$0	\$0	1,350
Fund Balances:									
Reserved	2,250	(23,885)	3,398	(15,895)	6,124	(35,678)	61,782	79,513	115,537
Unreserved	2,250	(23,885)	3,398	(15,895)	6,124	(35,678)	0	(1)	0
Total Fund Balances	2,250	(23,885)	3,398	(15,895)	6,124	(35,678)	61,782	79,512	115,537
<b>Total Liabilities and Fund Balances</b>	<b>\$8,188</b>	<b>\$50,000</b>	<b>\$3,398</b>	<b>\$841</b>	<b>\$8,659</b>	<b>\$28,069</b>	<b>\$61,782</b>	<b>\$79,512</b>	<b>\$116,887</b>

Continued

**CITY OF FORT BRAGG  
COMBINING BALANCE SHEET  
SPECIAL REVENUE  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Micro- Enterprise EDBG	Habitat For Humanity/ Food Bank CDBG	RDA Low & Moderate Housing	Skate Park Project	Wastewater Master Plan/ Noyo Center PTAA	Housing Rehabilitation STBG Grant	Hospitality/ Drainage STBG Grant	Totals 2006
<b>ASSETS</b>								
Cash and Investments	\$7,801	\$66,849	\$888,029	\$126	\$21,925			\$1,812,560
Receivables:								
Taxes			18,700					78,888
Accounts								78,577
Grants		15,678				\$3,572	\$243,032	298,003
Interest	89		10,663	1				19,571
<b>Total Assets</b>	<b>\$7,890</b>	<b>\$82,527</b>	<b>\$917,392</b>	<b>\$127</b>	<b>\$21,925</b>	<b>\$3,572</b>	<b>\$243,032</b>	<b>\$2,285,599</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts Payable and Accrued Liabilities		\$405				\$73	\$90,347	\$170,364
Contract Retentions		103,292					25,256	153,605
Due To Other Funds							130,264	336,675
<b>Total Liabilities</b>	<b>\$0</b>	<b>103,697</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>208</b>	<b>245,867</b>	<b>660,644</b>
Fund Balances								
Reserved	7,890	(21,170)	917,392	127		3,364		1,818,352
Unreserved			0	0	21,925	0	(2,835)	(193,397)
<b>Total Fund Balances</b>	<b>7,890</b>	<b>(21,170)</b>	<b>917,392</b>	<b>127</b>	<b>21,925</b>	<b>3,364</b>	<b>(2,835)</b>	<b>1,624,955</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,890</b>	<b>\$82,527</b>	<b>\$917,392</b>	<b>\$127</b>	<b>\$21,925</b>	<b>\$3,572</b>	<b>\$243,032</b>	<b>\$2,285,599</b>

**CITY OF FORT BRAGG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

REVENUES	General Plan Maintenance Fee	Oceanview Improvement	Traffic Congestion Relief	Gasoline Taxes	Asset Seizure	Traffic Safety	UDAG Boatyard	Revolving Loan EDBG 664	TDA Streets & Roads & Allocation
Taxes:									
Property Sales	\$103,994			\$3,060					
Other					\$33,075	\$8,920	\$9,614		\$13
Licenses and Permits		\$1,856	\$31,672	2,185	2,167				
Fines and Forfeitures	2,284			190,974					
Use of Money and Property				5,090			1,725		
Intergovernmental				375					
Charges for Services									
Other Revenue									
<b>Total Revenues</b>	<b>106,278</b>	<b>1,856</b>	<b>31,672</b>	<b>201,684</b>	<b>35,242</b>	<b>8,920</b>	<b>11,339</b>	<b>\$0</b>	<b>13</b>
<b>EXPENDITURES</b>									
Current									
Public Safety					8,373	53,555			
Public Works				168,072					
Community Development				8,250		13,506			
Capital Outlay									
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>176,322</b>	<b>8,373</b>	<b>67,061</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess (Deficiency) of Revenues Over Expenditures	106,278	1,856	31,672	25,362	26,869	(58,141)	11,339	0	13
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In					2,500				
Transfers Out	(15,000)				(500)				
<b>Total Other Financing Sources (Uses)</b>	<b>(15,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>91,278</b>	<b>1,856</b>	<b>31,672</b>	<b>25,362</b>	<b>28,869</b>	<b>(58,141)</b>	<b>11,339</b>	<b>0</b>	<b>13</b>
Fund Balances, July 1	17,644	48,530	84	56,024	54,496	(68,057)	249,655	36,148	346
Prior Period Adjustment				13,947				(36,148)	
Fund Balances, July 1, As Restated	17,644	48,530	84	69,971	54,496	(68,057)	249,655	0	346
<b>Fund Balances, June 30</b>	<b>\$108,922</b>	<b>\$50,386</b>	<b>\$31,756</b>	<b>\$95,333</b>	<b>\$83,365</b>	<b>(\$126,198)</b>	<b>\$260,994</b>	<b>\$0</b>	<b>\$359</b>

Continued

**CITY OF FORT BRAGG  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

REVENUES	MCOG OWP Reserve Street Safety	Special Sales Tax Street	Bulletproof Vest Partnership Grant	CDBG Downtown Plan Grant	CDBG Plan & Technology Grant	Coastal Conservancy Grant	COPS AB 1913 Allocation	MCOG Streets Allocation	ADA/ RCHDC/ P&F STBG
Taxes:									
Property Sales		\$781,501							
Other									
Licenses and Permits			\$268						
Fines and Forfeitures			722	\$4,270	\$17,988	\$509,164	\$3,437	\$3,948	\$80,903
Use of Money and Property	\$41,000					17	100,000		
Intergovernmental									
Charges for Services									
Other Revenue									
<b>Total Revenues</b>	<b>41,000</b>	<b>781,501</b>	<b>990</b>	<b>4,270</b>	<b>17,988</b>	<b>509,181</b>	<b>103,437</b>	<b>3,948</b>	<b>80,903</b>
<b>EXPENDITURES</b>									
Current:									
Public Safety			7,364						1,708
Public Works	38,750			202,032	28,964	546,301			86,501
Community Development									
Capital Outlay									
<b>Total Expenditures</b>	<b>38,750</b>	<b>0</b>	<b>7,364</b>	<b>202,032</b>	<b>28,964</b>	<b>546,301</b>	<b>0</b>	<b>0</b>	<b>90,209</b>
Excess (Deficiency) of Revenues Over Expenditures	2,250	781,501	(6,374)	(197,762)	(10,976)	(37,120)	103,437	3,948	(9,306)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In		300,000							
Transfers Out		(1,400,000)							
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(1,100,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(98,190)</b>	<b>(6,310)</b>	<b>(2,768)</b>
Net Change in Fund Balances	2,250	(318,499)	(6,374)	(197,762)	(10,976)	(37,120)	5,247	(6,310)	(2,768)
Fund Balances, July 1	0	294,614	9,772	182,067	17,100	1,442	56,535	81,874	127,611
Prior Period Adjustment									
Fund Balances, July 1, As Restated	0	294,614	9,772	182,067	17,100	1,442	56,535	81,874	127,611
<b>Fund Balances, June 30</b>	<b>\$2,250</b>	<b>(\$23,885)</b>	<b>\$3,398</b>	<b>(\$15,695)</b>	<b>\$6,124</b>	<b>(\$35,678)</b>	<b>\$61,782</b>	<b>\$79,512</b>	<b>\$115,537</b>

Continued

**CITY OF FORT BRAGG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

REVENUES	Micro-Enterprise EDBG	Habitat For Humanity/ Food Bank CDBG	RDA Low & Moderate Housing	Skate Park Project	Wastewater Master Plan/ Noyo Center PTAA	Housing Rehabilitation STBG Grant	Hospitality/ Drainage STBG Grant	Totals 2006
Taxes								
Property Sales			\$207,699					\$207,699
Other								781,501
Licenses and Permits								3,060
Fines and Forfeitures								103,984
Use of Money and Property	\$290	\$468,650	33,152	\$5		\$3,572	\$280,751	63,489
Intergovernmental		360					160	1,723,396
Charges for Services		86,166	10,502					7,352
Other Revenue								97,043
<b>Total Revenues</b>	<b>290</b>	<b>553,176</b>	<b>251,353</b>	<b>5</b>	<b>\$0</b>	<b>3,572</b>	<b>280,911</b>	<b>3,029,529</b>
<b>EXPENDITURES</b>								
Current:								
Public Safety								15,737
Public Works					1,575	208	16,032	280,377
Community Development		6,908	103,666				252,557	159,061
Capital Outlay		1,077,576						2,188,723
<b>Total Expenditures</b>	<b>0</b>	<b>1,084,484</b>	<b>103,666</b>	<b>0</b>	<b>1,575</b>	<b>208</b>	<b>268,589</b>	<b>2,623,898</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>290</b>	<b>(531,308)</b>	<b>147,687</b>	<b>5</b>	<b>(1,575)</b>	<b>3,364</b>	<b>12,322</b>	<b>405,631</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In					23,500			326,000
Transfers Out		(26,790)					(15,157)	(1,564,715)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(26,790)</b>	<b>0</b>	<b>0</b>	<b>23,500</b>	<b>0</b>	<b>(15,157)</b>	<b>(1,238,715)</b>
<b>Net Change in Fund Balances</b>	<b>290</b>	<b>(558,098)</b>	<b>147,687</b>	<b>5</b>	<b>21,925</b>	<b>3,364</b>	<b>(2,835)</b>	<b>(833,084)</b>
Fund Balances, July 1	7,600	536,928	769,705	122	0	0	0	2,480,240
Prior Period Adjustment								(22,201)
Fund Balances, July 1, As Restated	7,600	536,928	769,705	122	0	0	0	2,458,039
<b>Fund Balances, June 30</b>	<b>\$7,890</b>	<b>(\$21,170)</b>	<b>\$917,392</b>	<b>\$127</b>	<b>\$21,925</b>	<b>\$3,364</b>	<b>(\$2,835)</b>	<b>\$1,624,955</b>

CITY OF FORT BRAGG  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	Fire Equipment	Street Rehab Phase II	Laurel/Main Signal Install	Downtown Parking Lots Resurface	Guesthouse Sprinklers	Pavement Markings	Bainbridge Tennis/ Basketball Court	Caspar Closure	RDA Capital Projects	Totals 2006
Cash and Investments	\$52,966		\$9,479	\$18,151	\$190,384	\$3,120				\$274,100
Receivables:										
Taxes	2,891						\$46,385			2,891
Grants			288	208	2,874	35				46,385
Interest	2,478									5,883
<b>Total Assets</b>	<b>\$58,335</b>	<b>\$0</b>	<b>\$9,767</b>	<b>\$18,359</b>	<b>\$193,258</b>	<b>\$3,155</b>	<b>\$46,385</b>	<b>\$0</b>	<b>\$0</b>	<b>\$329,259</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts Payable and Accrued Liabilities										\$63,215
Due To Other Funds									\$16,599	126,823
<b>Total Liabilities</b>	<b>\$0</b>	<b>(\$601)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>46,048</b>	<b>127,992</b>	<b>\$16,599</b>	<b>190,038</b>
Fund Balances:										
Unreserved:										279,643
Designated	58,335	601	9,767	17,682	193,258	3,155	337	(127,992)	(16,599)	(140,422)
Undesignated	0	0	0	677	0					138,221
<b>Total Fund Balances</b>	<b>58,335</b>	<b>601</b>	<b>9,767</b>	<b>18,359</b>	<b>193,258</b>	<b>3,155</b>	<b>337</b>	<b>(127,992)</b>	<b>(16,599)</b>	<b>\$329,259</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$58,335</b>	<b>\$0</b>	<b>\$9,767</b>	<b>\$18,359</b>	<b>\$193,258</b>	<b>\$3,155</b>	<b>\$46,385</b>	<b>\$0</b>	<b>\$0</b>	<b>\$329,259</b>



**CITY OF FORT BRAGG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUNDS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Fire Equipment	Street Rehab Phase II	Laurel/Main Signal Install	Downtown Parking Lots Resurface	Guesthouse Sprinklers	Pavement Markings	Bainbridge Tennis/ Basketball Court	Caspar Closure	RDA Capital Projects	Totals 2006
<b>REVENUES</b>										
Taxes										
Other	\$43,551									\$43,551
Use of Money and Property	9,353		\$1,429	\$677	\$10,486	\$116	\$46,385			22,061
Intergovernmental										46,385
Total Revenues	52,904	\$0	1,429	677	10,486	116	46,385	\$0	\$0	111,997
<b>EXPENDITURES</b>										
Current:										
General Government										64,176
Public Safety	946									946
Capital Outlay	243,515		23,903		170,762	10,500		64,176		448,680
Total Expenditures	244,461	0	23,903	0	170,762	10,500	0	64,176	0	513,802
Excess (Deficiency) of Revenues Over Expenditures	(191,557)	0	(22,474)	677	(160,276)	(10,384)	46,385	(64,176)	0	(401,805)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers Out	(9,200)									(9,200)
Total Other Financing Sources (Uses)	(9,200)	0	0	0	0	0	0	0	0	(9,200)
Net Change in Fund Balances	(200,757)	0	(22,474)	677	(160,276)	(10,384)	46,385	(64,176)	0	(411,005)
Fund Balances, July 1	259,092	601	32,241	17,662	353,534	13,539	(46,048)	(63,816)	(16,599)	550,226
Fund Balances, June 30	\$58,335	\$601	\$9,767	\$18,359	\$193,258	\$3,155	\$337	(\$127,992)	(\$16,599)	\$139,221

**SINGLE AUDIT AND OTHER COMPLIANCE REPORTS**

**CITY OF FORT BRAGG  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/Pass Through Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Passed Through State Department of Housing and Community Development:		
Community Development Block Grants:		
04-PTAA-0317	14.228	\$17,988
02-STBG-1699	14.228	80,903
03-STBG-1820	14.228	499,492
04-STBG-1897	14.228	268,514
05-STBG-1521	14.228	208
Total U.S. Department of Housing and Urban Development		<u>867,105</u>
<b><u>U.S. Department of Justice</u></b>		
Bulletproof Vest Partnership Program:		
06135751	16.607	2,699
Total U.S. Department of Justice		<u>2,699</u>
<b><u>U.S. Environmental Protection Agency</u></b>		
Surveys, Studies, Investigations & Special Purpose Grants:		
XP-97989201	66.606	12,290
Passed Through State Department of Health Services:		
Capitalization Grants for Drinking Water State Revolving Fund:		
231001-01	66.468	3,400
Total U.S. Environmental Protection Agency		<u>15,690</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Passed Through State Governor's Office of Emergency Services:		
FEMA - Public Assistance Grant		
FEMA-1625-DR-CA, OES ID #045-91051	97.036	22,969
Total U.S. Department of Homeland Security		<u>22,969</u>
<b>Total Federal Expenditures</b>		<u><b>\$908,463</b></u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF FORT BRAGG  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AND OTHER AWARDS  
JUNE 30, 2006**

**NOTE A SIGNIFICANT ACCOUNTING POLICIES**

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



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

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

We have audited the financial statements of the City of Fort Bragg, California, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006, which was qualified because we were unable to satisfy ourselves as to the cost of unused inventory and cost of amounts recorded as fixed 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Fort Bragg's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 material weaknesses. 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 caused by error or fraud in amounts material in relation to the 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 operations that we consider to be a material weakness.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a 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*.

We noted certain other matters that we reported to management of the City of Fort Bragg in a separate letter dated December 27, 2006.

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

*Davis Hammon & Co.*

October 20, 2006



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

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

Compliance

We have audited the compliance of the City of Fort Bragg, California, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The City of Fort Bragg's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Fort Bragg's management. Our responsibility is to express an opinion on the City of Fort Bragg's compliance based on our audit.

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

In our opinion, the City of Fort Bragg complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of City of Fort Bragg is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fort Bragg's internal control over compliance with requirements that could have a direct and material effect on a major federal or other program for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operations that we consider to be a material weakness.

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

*Davis Hammon & Co.*

October 20, 2006

## CITY OF FORT BRAGG

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2006

#### A) Summary of Audit Results

- 1) The auditors' report expresses a qualified opinion on the basic financial statements due to inability to determine the cost of unused materials and supplies that should be reported as inventory, and the cost of amounts recorded as fixed assets.
- 2) No reportable conditions related to the audit of the basic financial statements of the City of Fort Bragg.
- 3) No instances of noncompliance material to the basic financial statements of the City of Fort Bragg were disclosed during the audit.
- 4) No reportable conditions were disclosed during the audit of major federal award programs.
- 5) The auditors' report on compliance for major federal award programs for the City of Fort Bragg expresses an unqualified opinion.
- 6) No instances of noncompliance material to major federal award programs of the City of Fort Bragg were disclosed during the audit.
- 7) The programs tested as major programs included:
  - a. Department of Housing and Urban Development  
Community Development Block Grants  
CFDA: 14.228
- 8) The threshold for distinguishing Types A and B programs was \$300,000.
- 9) The City of Fort Bragg was determined to be a low-risk auditee.

#### **B) Findings – Financial Statement Audit**

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

#### **C) Findings and Questioned Costs – Major Federal Award Programs**

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

**CITY OF FORT BRAGG**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2006**

No findings or questioned costs noted in prior year audit.





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

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

We have applied the procedures enumerated below to the Appropriations Limit calculations of the City of Fort Bragg, California, for the year ended June 30, 2006. These procedures, which were agreed to by the City of Fort Bragg and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*) were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution.

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

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

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

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

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

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

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

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

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

*Davis Hammon & Co.*

October 20, 2006