

**CITY OF FORT BRAGG
FINANCIAL STATEMENTS**

TOGETHER WITH INDEPENDENT
AUDITORS' REPORTS

FOR THE YEAR ENDED JUNE 30, 2007

CITY OF FORT BRAGG
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CITY OF FORT BRAGG

**Listing of City Officials
June 30, 2007**

<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

Acting Finance Director
Rosana Cimolino

City Clerk
Cynthia VanWormer

FINANCIAL SECTION



DAVIS HAMMON & CO.
Certified Public Accountants

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

Stephen B. Norman, CPA • PFS
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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, 2007, 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, 2007, and the respective change in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2008, 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.

January 28, 2008

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, 2007. 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 \$37.0 million, total liabilities of \$16.0 million and total net assets to be \$21.0 million.

All activities expenses were \$11.7 million. Netting out associated program revenues such as charges for services resulted in net expenses of \$4.4 million. Taxes and other general revenues and transfers were \$7.3 million, thereby resulting in a final increase in net assets of \$3.2 million.

Fund Financial Statements

Total Governmental Funds balance sheet shows assets of \$12.3 million, liabilities of \$4.4 million, and fund balance of \$7.9 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, 2007, the unreserved, undesignated General Fund balance was \$2.0 million, versus \$2.3 million as of June 30, 2006. 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 \$900,000.

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 \$1.9 million. Rates and fees were adjusted by the City Council effective May 1, 2006.

The Water Enterprise Fund's Total Assets were \$9.3 million, Total Liabilities were \$6.4 million, and Total Net Assets were \$2.3 million. Net operating income was \$317,827 before non-operating expenses and transfers. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$658,916 net cash provided by operating activities.

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

The Wastewater Enterprise Fund's Total Assets were \$6.6 million, Total Liabilities were \$0.5 million, and Total Net Assets were \$5.6 million. Net operating income was a loss of \$281,461 but non-operating income of \$518,760 and transfers in of \$55,624 resulted in an increase in Net Assets of \$292,923. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$341,423 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 \$124,090 more than budgeted, a variation of about 2.4%. Actual General Fund Expenditures were \$414,583 less than budgeted, a variation of about 7.2%. Expenditures exceeded Revenues by \$168,723. With transfers from and to other funds, the net change in fund balance was a \$407,752 decrease.

The Redevelopment Agency Project Area Fund Balance increased \$254,417 due mainly to property tax increment being \$148,258 higher than budgeted. The CDBG Program Income Fund balance increased by (\$42,358).

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	\$133,514
• UDAG Boatyard	\$273,357
• ADA/State Block Grant	\$115,537
• RDA Lo/Mod Housing Trust	\$1,099,984

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

	Revenues	Expenditures/ Net Transfers
MCOG	\$1,694,435	
Gasoline Taxes	\$ 147,449	\$ 165,585
Special Sales Tax (Streets)*	\$ 776,786	\$ 782,000
CDBG Downtown Plan Grant		\$ 197,527
COPS AB1913 Grant	\$ 104,304	\$ 126,591
RDA Lo/Mod Housing Trust	\$ 330,017	\$ 181,913
Hospitality Drainage STBG	\$ 274,049	\$ 181,448

*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 Franklin Street Reconstruction Project Phase II. This project included the repaving of North Franklin Street and widening of the sidewalks in the Downtown Business District.

Summary of Statement of Net Assets

	Governmental Activities		Business Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$12,506,908	\$9,024,764	\$5,960,842	\$5,281,416	\$18,467,750	\$14,306,180
Capital assets	9,542,179	9,553,847	9,967,618	9,239,241	19,509,797	18,793,088
Total Assets	<u>22,049,087</u>	<u>18,578,611</u>	<u>15,928,460</u>	<u>14,520,657</u>	<u>37,977,547</u>	<u>33,099,268</u>
Current and other liabilities	1,531,743	1,519,353	609,926	330,031	2,141,669	1,849,384
Non-current liabilities	6,457,051	6,695,787	7,403,349	6,754,032	13,860,400	13,449,819
Total Liabilities	<u>7,988,794</u>	<u>8,215,140</u>	<u>8,013,275</u>	<u>7,084,063</u>	<u>16,002,069</u>	<u>15,299,203</u>
Net Assets:						
Invested in capital assets, net of related debt	5,356,094	3,209,213	5,460,174	4,475,826	10,816,268	7,685,039
Restricted	313,531	313,941	35,000	28,237	348,531	342,178
Unrestricted	7,390,668	6,840,317	2,420,011	2,932,531	9,810,679	9,772,848
Total Net Assets	<u>\$13,060,293</u>	<u>\$10,363,471</u>	<u>\$7,915,185</u>	<u>\$7,436,594</u>	<u>\$20,975,478</u>	<u>\$17,800,065</u>

Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for services	\$1,212,696	\$1,420,059	\$3,361,020	\$3,166,512	\$4,573,716	\$4,586,571
Operating grants and Contributions	410,224	337,033			410,224	337,033
Capital grants and Contributions	2,074,631	1,430,328		240,394	2,074,631	1,670,722
General Revenues:						
Taxes:						
Property taxes	2,476,511	2,127,814	54,672	51,766	2,531,183	2,179,580
Other taxes	4,491,129	4,417,640				4,417,640
Intergovernmental revenue not restricted to specific programs		52,348	481,563			52,348
Unrestricted Investment Earnings	119,452	84,650	156,180	142,071		226,721
Total Revenues	10,784,643	9,869,872	4,053,435	3,600,743	9,589,754	13,470,615
Expenses:						
General Government	1,693,009	1,473,151			1,693,009	1,473,151
Public Safety	3,071,090	2,842,667			3,071,090	2,842,667
Public Works	912,046	1,040,486			912,046	1,040,486
Planning	339,670	268,855			339,670	268,855
Community Development	1,134,337	888,564			1,134,337	888,564
Shared Expenses	601,014	588,401			601,014	588,401
Interest and Fiscal Charges	325,831	453,979			325,831	453,979
Water			1,793,795	1,438,140	1,793,795	1,438,140
Wastewater			1,791,873	1,686,386	1,791,873	1,686,386
Total Expenses	8,076,997	7,556,103	3,585,668	3,124,526	11,662,665	10,680,629
Increase (decrease) in Net Assets Before Transfers	2,707,646	2,313,769	467,767	476,217	3,175,413	2,789,986
Transfers	(10,824)	(283,444)	10,824	283,444		
Change in Net Assets	2,696,822	2,030,325	478,591	759,661	3,175,413	2,789,986
Net Assets-beginning of year	10,363,471	8,355,347	7,436,594	6,676,933	17,800,065	15,032,280
Prior period adjustments		(22,201)				(22,201)
Net Assets, June 30	\$13,060,293	\$10,363,471	\$7,915,185	\$7,436,594	\$20,975,478	\$17,800,065

Schedule of Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$2,945,227	\$2,945,227	\$285,078	\$285,078	\$3,230,305	\$3,230,305
Buildings	1,412,754	1,447,803	2,058,796	2,115,114	3,471,550	3,562,917
Equipment and improvements	406,149	436,060	3,686,775	3,856,954	4,092,924	4,293,014
Utility Plant			3,667,578	2,936,185	3,667,578	2,936,185
Infrastructure	4,200,777	4,272,840			4,200,777	4,272,840
Construction in progress	2,542,001	451,917	269,391	45,910	2,811,392	497,827
	<u>\$11,506,908</u>	<u>\$9,553,847</u>	<u>\$9,967,618</u>	<u>\$9,239,241</u>	<u>\$21,474,526</u>	<u>\$18,793,088</u>

Five major capital projects totaling over \$5 million were completed or were nearing completion:

- Headworks Screen & Washing Press
- Wastewater Secondary Digester Installation
- Franklin Street reconstruction, northern phase
- Wastewater Collection System Inflow & Infiltration Improvements
- Downtown Sprinkler Main

Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Bonds Payable	\$4,431,298	\$4,496,050	\$4,287,707	\$4,513,454	\$8,719,005	\$9,009,504
Loans Payable			2,034,456	2,141,532	2,034,456	2,141,532
Capital Leases	1,515,018	1,631,992	1,081,186	99,046	2,596,204	1,731,038
Other	510,736	567,745			510,736	567,745
	<u>\$6,457,052</u>	<u>\$6,695,787</u>	<u>\$7,403,349</u>	<u>\$6,754,032</u>	<u>\$13,860,401</u>	<u>\$13,449,819</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 in FY04/05 and FY05/06. Water rates and fees were increased effective May 1, 2006 to cover debt service payments commencing in FY06/07.

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.). 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.

Despite State budget reforms prohibiting diversions of local government funds to the State the current budget crisis faced by the State leaves some uncertainty regarding payments by the State to local government. The City will take a conservative approach to estimating tax revenue for the next fiscal year.

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. A new four year Memorandum of Understanding (MOU) with the Fort Bragg Police Association will go into effect January 1, 2008. In 2007 non-safety employees voted to be represented in the future by the Service Employees International Union Local 707. A new four year Memorandum of Understanding (MOU) was approved by union members in 2007 and will go into effect July 1, 2008.

REQUESTS FOR INFORMATION

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

City of Fort Bragg
Rosana Cimolino
Acting Finance Director
416 N. Franklin St.
Fort Bragg, CA 95437
707-961-2825 ext. 103

CITY OF FORT BRAGG
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business- Type Activities	Total
<u>ASSETS</u>			
Cash and Investments	\$ 8,472,937	\$ 2,565,772	\$ 11,038,709
Cash With Fiscal Agent:			
Restricted	313,531	300	313,831
Receivables	2,771,565	805,144	3,576,709
Internal Balances	(2,418,093)	2,418,093	-
Loans Receivable	265,856		265,856
Noncurrent Assets:			
Deferred Charges	136,383	171,533	307,916
Capital Assets:			
Nondepreciable	5,487,228	554,471	6,041,699
Depreciable (net of accumulated depreciation)	<u>6,019,680</u>	<u>9,413,147</u>	<u>15,432,827</u>
Total Assets	<u>21,049,087</u>	<u>15,928,460</u>	<u>36,977,547</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts Payable And Other Current Liabilities	1,132,768	379,185	1,511,953
Deposits Payable and Deferred Revenue	354,458	174,278	528,736
Accrued Interest Payable	44,517	56,463	100,980
Noncurrent Liabilities:			
Due Within One Year	195,400	489,947	685,347
Due In More Than One Year	<u>6,261,651</u>	<u>6,913,402</u>	<u>13,175,053</u>
Total Liabilities	<u>7,988,794</u>	<u>8,013,275</u>	<u>16,002,069</u>
<u>NET ASSETS</u>			
Invested In Capital Assets (net of related debt)	5,356,094	5,460,174	10,816,268
Restricted For:			
Debt Service	313,531		313,531
Other Purposes		35,000	35,000
Unrestricted	<u>7,390,668</u>	<u>2,420,011</u>	<u>9,810,679</u>
Total Net Assets	<u>\$ 13,060,293</u>	<u>\$ 7,915,185</u>	<u>\$ 20,975,478</u>

**CITY OF FORT BRAGG
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

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
Governmental Activities:							
General Government	\$ 1,693,009	\$ 491,728			\$ (1,201,281)		\$ (1,201,281)
Public Safety	3,071,090	147,264	\$ 123,661		(2,800,165)		(2,800,165)
Public Works	912,046	190,745	208,136	\$ 2,460	(510,705)		(510,705)
Planning	339,670	133,921		1,779,542	1,573,793		1,573,793
Community Development	1,134,337	249,038	78,427	292,629	(514,243)		(514,243)
Shared Expenditures	601,014				(601,014)		(601,014)
Interest and Fiscal Charges	325,831				(325,831)		(325,831)
Total Governmental Activities	8,076,997	1,212,696	410,224	2,074,631	(4,379,446)	-	(4,379,446)
Business-Type Activities:							
Water	1,793,795	1,890,884				97,089	97,089
Wastewater	1,791,873	1,470,136		481,563		159,826	159,826
Total Business-Type Activities	3,585,668	3,361,020	-	481,563	-	256,915	256,915
Total	\$ 11,662,665	\$ 4,573,716	\$ 410,224	\$ 2,556,194	(4,379,446)	256,915	(4,122,531)
General Revenues:							
Taxes:							
Property					2,476,511	54,672	2,531,183
Sales					2,524,374		2,524,374
Transient Occupancy					1,503,899		1,503,899
Franchise					230,706		230,706
Business License					185,219		185,219
Other					46,931		46,931
Unrestricted Investment Earnings					119,452	156,180	275,632
Transfers					(10,824)	10,824	-
Total General Revenues And Transfers					7,076,268	221,676	7,297,944
Change In Net Assets					2,696,822	478,591	3,175,413
Net Assets, July 1,					10,363,471	7,436,594	17,800,065
Net Assets, June 30,					\$ 13,060,293	\$ 7,915,185	\$ 20,975,478

**CITY OF FORT BRAGG
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Redevelopment Agency Project Area</u>	<u>CDBG Program Income</u>	<u>Caspar Closure</u>	<u>2004 RDA Bond Proceeds</u>	<u>Franklin Street Reconstruction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>								
Cash and Investments	\$ 1,866,491	\$ 680,121	\$ 148,678	\$ 127,767	\$ 131,295	\$ 2,065,900	\$ 3,452,685	\$ 8,472,937
Cash and Investments With Fiscal Agent							313,531	313,531
Receivables:								
Taxes		72,062					76,955	149,017
Accounts	639,086	1,557		13,341			1,728,665	2,382,649
Grants							95,471	95,471
Interest	144,202		226					144,428
Loans Receivable			265,856					265,856
Due From Other Funds	-	264,850						264,850
Advances To Other Funds	208,250	42,692						250,942
Total Assets	\$ 2,858,029	\$ 1,061,282	\$ 414,760	\$ 141,108	\$ 131,295	\$ 2,065,900	\$ 5,667,307	\$ 12,339,681
<u>LIABILITIES AND FUND BALANCE</u>								
Liabilities:								
Accounts Payable and Accrued Liabilities	\$ 328,004	\$ 2,827				\$ 388,588	\$ 242,282	\$ 961,701
Contract Retentions		1,802				169,265		171,067
Deposits Payable and Deferred Revenue	88,602		\$ 265,856					354,458
Due To Other Funds							2,725,635	2,725,635
Advances From Other Funds		208,250						208,250
Total Liabilities	416,606	212,879	265,856	\$ -	\$ -	557,853	2,967,917	4,421,111
Fund Balance:								
Reserved	410,190	117,262	148,904				1,387,230	2,063,586
Unreserved:								
Designated	62,047			141,108			1,129,688	1,332,843
Unreserved - Undesignated, Reported In:								
General Fund	1,969,186							1,969,186
Special Revenue Funds		731,141					195,429	926,570
Debt Service Funds								
Capital Projects Funds					131,295	1,508,047	(12,957)	1,626,385
Total Fund Balance	2,441,423	848,403	148,904	141,108	131,295	1,508,047	2,699,390	7,918,570
Total Liabilities and Fund Balance	\$ 2,858,029	\$ 1,061,282	\$ 414,760	\$ 141,108	\$ 131,295	\$ 2,065,900	\$ 5,667,307	\$ 12,339,681

**CITY OF FORT BRAGG
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

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

Total Fund Balances		\$ 7,918,570
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	101,653	
2005 WestAmerica Lease - Landfill Closure	<u>34,730</u>	136,383
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	14,620,213	
Less: Accumulated depreciation	<u>(3,113,305)</u>	11,506,908
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	(4,550,000)	
Less: Original Issue Discount (will be amortized)	95,586	
2005 WestAmerica Lease - Landfill Closure	(1,471,111)	
Capital Lease Obligation	(129,703)	
Refunding Loss (will be amortized):		
2004 Tax Allocation Bonds	23,116	
2005 WestAmerica Lease - Landfill Closure	85,797	
Liability For Landfill Closure and Post-Closure Costs	(232,491)	
Accrued interest payable	(44,517)	
Compensated absences	<u>(278,245)</u>	<u>(6,501,568)</u>
Net Assets Of Governmental Activities		<u><u>\$ 13,060,293</u></u>

CITY OF FORT BRAGG
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>REVENUES</u>	<u>General</u>	<u>Redevelopment Agency Project Area</u>	<u>CDBG Program Income</u>	<u>Caspar Closure</u>	<u>2004 RDA Bond Proceeds</u>	<u>Franklin Street Reconstruction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes:								
Property	\$ 822,579	\$ 1,372,058					\$ 281,874	\$ 2,476,511
Sales	1,747,588						776,786	2,524,374
Transient Occupancy	1,503,899							1,503,899
Franchise	230,706							230,706
Business License	185,219							185,219
Other							46,931	46,931
Licenses and Permits	48,523						39,619	88,142
Fines and Forfeitures	12,380						65,910	78,290
Use of Money and Property	95,670	43,617	\$ 10,551		\$ 34,897	\$ 81,067	149,322	415,124
Intergovernmental	66,239		32,418				2,420,984	2,519,641
Charges for Services	189,533	30		\$ 155,792		804	55,040	401,199
Other Revenue	307,567	15,000						322,567
Total Revenues	5,209,903	1,430,705	42,969	155,792	34,897	81,871	3,836,466	10,792,603
 <u>EXPENDITURES</u>								
Current:								
General Government	1,563,148						114,027	1,677,175
Public Safety	2,843,643						14,066	2,857,709
Public Works	480,804						265,674	746,478
Planning	331,379							331,379
Community Development		300,191	611		500,000		262,449	1,063,251
Shared Expenditures		601,014						601,014
Debt Service:								
Principal Retirement	39,867				83,953		70,000	193,820
Interest and Fiscal Charges	6,936				63,616		244,025	314,577
Capital Outlay	112,849					1,867,510	511,831	2,492,190
Total Expenditures	5,378,626	901,205	611	147,569	500,000	1,867,510	1,482,072	10,277,593
Excess (Deficiency) of Revenues Over Expenditures	(168,723)	529,500	42,358	8,223	(465,103)	(1,785,639)	2,354,394	515,010
 <u>OTHER FINANCING SOURCES (USES)</u>								
Transfers In	635,539	68,634		17,600		3,337,000	1,433,984	5,492,757
Transfers Out	(874,568)	(343,687)			(1,400,000)		(2,885,326)	(5,503,581)
Total Other Financing Sources (Uses)	(239,029)	(275,053)	-	17,600	(1,400,000)	3,337,000	(1,451,342)	(10,824)
Net Change In Fund Balances	(407,752)	254,447	42,358	25,823	(1,865,103)	1,551,361	903,052	504,186
Fund Balance, July 1	2,849,175	593,956	106,546	115,285	1,996,398	(43,314)	1,796,338	7,414,384
Fund Balance, June 30	\$ 2,441,423	\$ 848,403	\$ 148,904	\$ 141,108	\$ 131,295	\$ 1,508,047	\$ 2,699,390	\$ 7,918,570

**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, 2007**

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

Net Change in Fund Balances - Total Governmental Funds	\$	504,186
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	\$ 2,307,967	
Depreciation expense	<u>(346,946)</u>	1,961,021
In the statement of activities, only the gain or loss on the disposition of capital assets are reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.		
		(7,960)
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:		
Principal repayments:		
2004 RDA Bonds	70,000	
2005 WestAmerica Lease - Landfill Closure	132,305	
Capital Lease - Police cars	<u>39,867</u>	242,172
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	8,657	
Accrued interest	7,116	
Amortization of issuance costs	(6,276)	
Amortization of bond discount	(3,200)	
Amortization of refunding loss	<u>(8,894)</u>	<u>(2,597)</u>
Change In Net Assets Of Governmental Activities	\$	<u>2,696,822</u>

**CITY OF FORT BRAGG
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

<u>ASSETS</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Current Assets:			
Cash and Investments	\$ 2,541,132	\$ 24,640	\$ 2,565,772
Cash With Fiscal Agent	260	40	300
Receivables:			
Taxes		3,416	3,416
Accounts (net)	329,477	239,523	569,000
Grants		232,728	232,728
Due From Other Funds	2,460,785		2,460,785
Total Current Assets	5,331,654	500,347	5,832,001
Noncurrent Assets:			
Debt Issuance Costs (net)	135,371	36,162	171,533
Total Noncurrent Assets	135,371	36,162	171,533
Capital Assets:			
Nondepreciable	216,079	338,392	554,471
Depreciable	8,371,455	10,755,063	19,126,518
Accumulated Depreciation	(4,730,769)	(4,982,602)	(9,713,371)
Total Capital Assets (Net)	3,856,765	6,110,853	9,967,618
Total Assets	9,323,790	6,647,362	15,971,152
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	47,584	253,038	300,622
Contract Retentions		23,227	23,227
Accrued Compensated Absences	1,766	53,570	55,336
Accrued Interest Payable	45,586	10,877	56,463
Customer Deposits	118,369		118,369
Deferred Revenues	35,370	20,539	55,909
Advances From Other Funds		42,692	42,692
Current Portion of Long-Term Debt	387,463	102,484	489,947
Total Current Liabilities	636,138	506,427	1,142,565
Noncurrent Liabilities:			
Capital Lease Obligation	923,850	58,195	982,045
1998A Bonds		490,000	490,000
2004 Water Bonds	3,513,978		3,513,978
DWR Safe Drinking Water Loan	1,927,379		1,927,379
Total Noncurrent Liabilities	6,365,207	548,195	6,913,402
Total Liabilities	7,001,345	1,054,622	8,055,967
<u>NET ASSETS</u>			
Invested in Capital Assets (net of related debt)		5,460,174	5,460,174
Restricted for Wastewater Fine		35,000	35,000
Unrestricted	2,322,445	97,566	2,420,011
Total Net Assets	\$ 2,322,445	\$ 5,592,740	\$ 7,915,185

CITY OF FORT BRAGG
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 1,884,942	\$ 1,465,495	\$ 3,350,437
Total Operating Revenues	<u>1,884,942</u>	<u>1,465,495</u>	<u>3,350,437</u>
Operating Expenses:			
Personnel Services	687,523	932,057	1,619,580
Administration	118,108	94,223	212,331
Supplies and Materials	258,202	176,529	434,731
Insurance	8,213	21,625	29,838
Outside Contractors	118,924	119,196	238,120
Maintenance	83,963	66,542	150,505
Utilities	38,455	21,317	59,772
Depreciation and Amortization	253,727	315,467	569,194
Total Operating Expenses	<u>1,567,115</u>	<u>1,746,956</u>	<u>3,314,071</u>
Net Operating Income	<u>317,827</u>	<u>(281,461)</u>	<u>36,366</u>
Nonoperating Income (Expenses):			
Taxes		54,672	54,672
Intergovernmental		481,563	481,563
Investment Earnings	133,379	22,801	156,180
Other Nonoperating Revenue	5,942	4,641	10,583
Interest and Other Charges	(226,680)	(44,917)	(271,597)
Total Nonoperating Revenues (Expenses)	<u>(87,359)</u>	<u>518,760</u>	<u>431,401</u>
Income (Loss) Before Operating Transfers	230,468	237,299	467,767
Transfers In		55,624	55,624
Transfers Out	(44,800)		(44,800)
Change In Net Assets	185,668	292,923	478,591
Net Assets, July 1	<u>2,136,777</u>	<u>5,299,817</u>	<u>7,436,594</u>
Net Assets, June 30	<u>\$ 2,322,445</u>	<u>\$ 5,592,740</u>	<u>\$ 7,915,185</u>

**CITY OF FORT BRAGG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts From Customers and Users	\$ 1,925,543	\$ 1,495,408	\$ 3,420,951
Payments to Employees	(688,296)	(918,966)	(1,607,262)
Payments to Suppliers	(578,331)	(235,019)	(813,350)
Net Cash Provided (Used) By Operating Activities	<u>658,916</u>	<u>341,423</u>	<u>1,000,339</u>
Cash Flows From Noncapital Financing Activities:			
Taxes		54,344	54,344
Intergovernmental		274,514	274,514
Other Nonoperating Revenue	19,959	4,641	24,600
Due From Other Funds	(2,460,785)	55,624	(2,405,161)
Transfers Out	(44,800)		(44,800)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(2,485,626)</u>	<u>389,123</u>	<u>(2,096,503)</u>
Cash Flows From Capital And Related Financing Activities:			
Loan Proceeds	1,000,000		1,000,000
Interest and Other Charges	(227,605)	(43,739)	(271,344)
Principal Payments on Capital Lease	(1,228)	(16,632)	(17,860)
Principal Payments on Safe Drinking Water Loan	(107,077)		(107,077)
Principal Payments on Bonds		(75,000)	(75,000)
Principal Payments on COP's	(185,000)		(185,000)
Capital Expenditures	(89,387)	(1,208,182)	(1,297,569)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>389,703</u>	<u>(1,343,553)</u>	<u>(953,850)</u>
Cash Flows From Investing Activities:			
Interest on Investments	174,710	26,454	201,164
Net Cash Provided (Used) By Investing Activities	<u>174,710</u>	<u>26,454</u>	<u>201,164</u>
Net Increase (Decrease) In Cash	(1,262,297)	(586,553)	(1,848,850)
Cash Balance, July 1	3,803,689	611,233	4,414,922
Cash Balance, June 30	<u>\$ 2,541,392</u>	<u>\$ 24,680</u>	<u>\$ 2,566,072</u>
Cash Balances Reported on Statement of Net Assets As:			
Cash and Investments	\$ 2,541,132	\$ 24,640	\$ 2,565,772
Cash With Fiscal Agent	260	40	300
Cash Balance, June 30	<u>\$ 2,541,392</u>	<u>\$ 24,680</u>	<u>\$ 2,566,072</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 317,827	\$ (281,461)	\$ 36,366
Adjustments to Reconcile Operating Income to Net Cash Provided (Used):			
Depreciation and Amortization	253,727	315,467	569,194
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	46,213	23,498	69,711
Decrease (Increase) in Prepays	(278)	0	(278)
Increase (Decrease) in Accounts Payable	19,345	197,152	216,497
Increase (Decrease) in Other Liabilities	22,082	86,767	108,849
Net Cash Provided (Used) By Operating Activities	<u>\$ 658,916</u>	<u>\$ 341,423</u>	<u>\$ 1,000,339</u>
Noncash Transactions:			
Amortized Debt Issues Costs	\$ 7,963	\$ 3,013	\$ 10,976
Amortized Debt Issues Premium	3,729		3,729
Amortized Deferred Refunding Loss	37,982		37,982

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2007

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.

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2007

1) Summary of Significant Accounting Policies (continued)

C) Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

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

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.

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2007

1) Summary of Significant Accounting Policies (continued)

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

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

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

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

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

E) **Assets, Liabilities, And Net Assets Or Equity**

1) Cash and Investments

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

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

2) Receivables and Payables

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

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

Property taxes for the current year were attached as an enforceable lien as of January 1, 2006, and were levied on July 1, 2006. 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, 2007, were \$265,856.

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

1) Summary of Significant Accounting Policies (continued)

F) Assets, Liabilities, And Net Assets Or Equity (continued)

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 require 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.

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, 2007, there were no projects meeting the criteria for interest capitalization.

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

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

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

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2007

1) Summary of Significant Accounting Policies (continued)

G) Assets, Liabilities, And Net Assets Or Equity (continued)

6) Compensated Absences

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

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

7) Long-Term Obligations

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

8) Fund Equity

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

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

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

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

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

9) Use of Estimates

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

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

2) Stewardship, Compliance, and Accountability

A) Budgetary Information

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

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

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

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

B) Excess Of Expenditures Over Appropriations

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

Safe Routes to School Grants	\$ (1,046)
COPS AB1913 Allocation	(26,591)
OJP Vest Partnership Grant	(2,196)
04-PTAA-0317 CDBG Planning & Tech	(7,888)
Police Asset Seizure Revenue	(10,193)
Low and Moderate Income Housing	(95,891)
MCOG	(4,907)
Guesthouse Sprinkler Project	(3,455)
2004 RDA Bond Proceeds	(472,500)
Caspar Closure Capital Project	(49,027)

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

C) Deficit Fund Equity

The following funds had deficit fund balances as of June 30, 2007. 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.

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

Special Revenue Funds:	
Traffic Safety	\$ 171,322
MCOG OWP Reserve	160,000
Special Sales Tax Street	29,099
CDBG Downtown Plan Grant	213,222
Coastal Conservancy Grant	31,463
Safe Routes to School	25,046
Habitat For Humanity/Food Bank CDBG	64,314
Capital Projects Funds:	
RDA Capital Projects	16,599
Bainbridge Bike & Pedestrian Path	406
City Hall Maintenance & Rehabilitation	1,815

3) Detailed Notes On All Funds

A) Cash And Investments

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

Statement of Net Assets:	
Cash and investments	\$ 11,038,709
Restricted cash with fiscal agent	<u>313,831</u>
Total Cash and Investments	<u><u>\$ 11,352,540</u></u>

Cash and investments consist of the following:

Cash on hand	\$ 1,920
Deposits with financial institutions	1,014,671
Investments:	
Local Agency Investment Fund	10,022,118
Fiscal agents	<u>313,831</u>
Total Cash and Investments	<u><u>\$ 11,352,540</u></u>

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

Authorized Investments – Investment Policy

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

Authorized Investment Type

- Local Agency Investment Fund (California State Treasurer)
- Securities of the U.S. Treasury and Government Agencies
- Repurchase agreements and security lending agreements for U.S. Treasury and Government Agency obligations
- Certificates of deposit (FDIC insured)
- Money market mutual funds holding only U.S. Treasury and Government Agency obligations and cash
- Bankers' acceptances
- Commercial paper rated A-1 (S&P), P-1 (Moody's) and F-1 (Finch)
- 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

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

3) Detailed Notes On All Funds (continued)

B) Cash And Investments (continued)

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, 2007, 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)	\$10,022,118	\$10,022,118		0.42
Held With Fiscal Agent:				
Money market	506	506		n/a
Guaranteed investment contract	313,325	313,325	\$313,325	30.83
Total	\$10,335,949	\$10,335,949	\$313,325	1.34

Credit Risk

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

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

3) Detailed Notes On All Funds (continued)

C) Capital Assets (unaudited)

Governmental capital assets activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Nondepreciable Capital Assets:				
Land	\$ 2,945,227			\$ 2,945,227
Construction in progress	451,917	\$ 2,090,084		2,542,001
Total Nondepreciable Capital Assets	<u>3,397,144</u>	<u>2,090,084</u>	\$ -	<u>5,487,228</u>
Depreciable Capital Assets:				
Buildings	3,682,494	41,184		3,723,678
Machinery and equipment	758,708	96,288	19,900	835,096
Infrastructure	4,493,800	80,411		4,574,211
Total Depreciable Capital Assets	<u>8,935,002</u>	<u>217,883</u>	<u>19,900</u>	<u>9,132,985</u>
Less: Accumulated Depreciation:				
Buildings	(2,234,691)	(76,233)		(2,310,924)
Equipment and improvements	(322,648)	(118,239)	11,940	(428,947)
Infrastructure	(220,960)	(152,474)		(373,434)
Total Accumulated Depreciation	<u>(2,778,299)</u>	<u>(346,946)</u>	<u>11,940</u>	<u>(3,113,305)</u>
Depreciable Capital Assets, net	<u>6,156,703</u>	<u>(129,063)</u>	<u>7,960</u>	<u>6,019,680</u>
Governmental Activities Capital Assets, net	<u>\$ 9,553,847</u>	<u>\$ 1,961,021</u>	<u>\$ 7,960</u>	<u>\$ 11,506,908</u>

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

Governmental Activities:	
General government	\$ 22,538
Public safety	171,934
Public works	152,474
Total Depreciation Expense - Governmental Activities	<u>\$ 346,946</u>

Business-type capital assets activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Nondepreciable Capital Assets:				
Land	\$ 285,078			\$ 285,078
Construction in progress	45,910	\$ 1,116,330	\$ 892,849	269,391
Total Nondepreciable Capital Assets	<u>330,988</u>	<u>1,116,330</u>	<u>892,849</u>	<u>554,469</u>
Depreciable Capital Assets:				
Buildings	3,775,571			3,775,571
Utility plant	5,503,496	889,450		6,392,946
Machinery and equipment	8,773,363	184,640		8,958,003
Total Depreciable Capital Assets	<u>18,052,430</u>	<u>1,074,090</u>	<u>-</u>	<u>19,126,520</u>
Less: Accumulated Depreciation:				
Buildings	(1,660,457)	(56,318)		(1,716,775)
Utility plant	(2,567,311)	(158,057)		(2,725,368)
Machinery and equipment	(4,916,409)	(354,821)		(5,271,230)
Total Accumulated Depreciation	<u>(9,144,177)</u>	<u>(569,196)</u>	<u>-</u>	<u>(9,713,373)</u>
Depreciable Capital Assets, net	<u>8,908,253</u>	<u>504,894</u>	<u>-</u>	<u>9,413,147</u>
Business-Type Activities Capital Assets, net	<u>\$ 9,239,241</u>	<u>\$ 1,621,224</u>	<u>\$ 892,849</u>	<u>\$ 9,967,616</u>

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

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

Business-Type Activities:		
Water	\$	253,728
Wastewater		<u>315,468</u>
Total Depreciation Expense - Business-Type Activities	\$	<u><u>569,196</u></u>

D) Interfund Receivables, Payables, and Transfers

The composition of Interfund balances and transfers within the City's fund financial statements as of June 30, 2007, is as follows:

<u>Due From(To) Other Funds</u>	<u>Due From</u>	<u>Due To</u>
General Fund		
Redevelopment Agency Project Area	\$ 264,850	
Nonmajor special revenue funds:		
Safe Routes To School		\$ 25,046
Habitat For Humanity Food Bank		64,314
Wastewater Master Plan		33,686
Downtown Revitalization		203,179
CDBG Plan & Technology		9,212
Coastal Conservancy		45,689
MCOG Streets Allocation		1,645,706
Traffic Safety		170,034
MCOG OWP Reserve		160,000
Special Sales Tax Street		85,099
Nonmajor debt service funds:		
2004 RDA Bonds Debt Service		264,850
Nonmajor capital projects funds:		
Bainbridge Bike & Pedestrian Path		406
City Hall Maintenance & Rehab		1,815
RDA Capital Projects		16,599
Proprietary Funds:		
Water	<u>2,460,785</u>	
Total Due To(From) Other Funds	<u>\$ 2,725,635</u>	<u>\$ 2,725,635</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	42,692	
Wastewater		\$ 42,692
Redevelopment Agency Project Area		<u>208,250</u>
Total Due To From) Other Funds	<u>\$ 250,942</u>	<u>\$ 250,942</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, 2007**

The following table summarizes the operating transfers made between funds for the year ended June 30, 2007:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General Fund	\$ 635,539	\$ 874,568
Redevelopment Agency Project Area	68,634	343,687
Caspar Closure	17,600	
2004 RDA Bond Proceeds		1,400,000
Franklin Street Reconstruction	3,337,000	
Major business-type funds:		
Water		44,800
Wastewater	55,624	
Nonmajor special revenue funds:		
General Plan Maintenance Fee		20,000
Traffic Congestion	52,581	
Gas Tax	23,924	
Asset Seizure		500
MCOG OWP Reserve Street Safety	495	160,000
Special Sales Tax Street		782,000
COPS AB 1913 Allocation		126,591
MCOG Streets Allocation		1,727,000
ADA Curbs & Gutters	20,280	
EDBG Microenterprise	8,750	
Low & Moderate Housing		68,634
Nonmajor debt service funds:		
2004 RDA Bonds Debt Service	315,935	
Nonmajor capital projects funds:		
Street Rehab Phase II		601
Downtown Parking Lots - Resurface	20,000	
Caspar Closure	242,019	
Rubberized Chip Seal Project	750,000	
Total Transfers In(Out)	<u>\$ 5,548,381</u>	<u>\$ 5,548,381</u>

E) Capital Leases

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Water</u>	<u>Wastewater</u>
Police cars	\$ 208,313		
Sewer-vac truck		\$ 12,580	\$ 172,420
Water Meter Reading Equipment		1,000,000	
Less: Accumulated depreciation	<u>(83,325)</u>	<u>(10,783)</u>	<u>(147,788)</u>
	<u>\$ 124,988</u>	<u>\$ 1,001,797</u>	<u>\$ 24,632</u>

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

The City's future minimum lease payments and the net present value of future minimum lease payments at June 30, 2007, were as follows:

Year Ended June 30,	Governmental		
	Activities	Water	Wastewater
2008	\$ 194,405	\$ 126,443	\$ 21,443
2009	194,405	128,148	21,443
2010	194,405	128,148	21,443
2011	147,569	128,148	21,443
2012	147,569	126,566	
2013-2017	590,276	632,821	
2018-2022	590,276		
Total Minimum Lease Payments	2,058,905	1,270,274	85,772
Less: Amount representing interest	(521,707)	(265,119)	(14,904)
Present Value Of Minimum Lease Payments	<u>\$ 1,537,198</u>	<u>\$ 1,005,155</u>	<u>\$ 70,868</u>

F) Long-Term Debt

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

2004 Tax Allocation Bonds. The Fort Bragg Redevelopment Agency issued \$4,830,000 in tax allocation bonds for the purpose of refunding \$1,860,000 of outstanding 1993 Tax Allocation Revenue Bonds and making funds available for future capital projects. The refunding took advantage of lower interest rates which were available. The refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt, which has been deferred in accordance with GASB 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 1st and May 1st. Principal is paid in annual installments commencing May 1, 2004 through the year 2037 in amounts ranging from \$65,000 through \$295,000.

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

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
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	80,000	228,805	308,805
2013-2017	465,000	1,085,785	1,550,785
2018-2022	600,000	951,245	1,551,245
2023-2027	775,000	774,080	1,549,080
2028-2032	1,005,000	534,625	1,539,625
2033-2037	1,330,000	227,150	1,557,150
	<u>\$ 4,550,000</u>	<u>\$ 4,744,530</u>	<u>\$ 9,294,530</u>

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2007

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, 2007, the City's estimated liability for its share of landfill closure and postclosure care costs was \$230,491 (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, 2007, as determined by the last engineering study performed. However, the actual cost of closure and postclosure care may change due to inflation, changes in technology, or changes in landfill laws and regulations.

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

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

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

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

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

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

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

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

Year Ended June 30,	Business-Type Activities			
	Revenue Bonds		State Loans	
	Principal	Interest	Principal	Interest
2008	\$ 280,000	\$ 208,595	\$ 107,077	\$ -
2009	230,000	201,014	107,077	
2010	230,000	194,535	107,077	
2011	240,000	186,625	107,077	
2012	250,000	177,600	107,077	
2013-2017	1,405,000	722,904	535,385	
2018-2022	1,555,000	376,313	535,385	
2023-2027	680,000	36,225	428,301	
	<u>\$ 4,870,000</u>	<u>\$ 2,103,811</u>	<u>\$ 2,034,456</u>	<u>\$ -</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Governmental Activities				
	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Bonds Payable:					
2004 Tax Allocation	\$ 4,620,000		\$ 70,000	\$ 4,550,000	\$ 70,000
Total Bonds Payable	4,620,000	\$ -	70,000	4,550,000	70,000
Less:					
2004 discount	(98,786)		(3,200)	(95,586)	
2004 deferred refunding	(25,164)		(2,048)	(23,116)	
Net Bonds Payable	4,496,050	-	64,752	4,431,298	70,000
Other Long-Term Liabilities:					
Capital leases	1,724,634		123,820	1,600,814	123,762
Less:					
Lease deferred refunding loss	(92,642)		(6,845)	(85,797)	
Landfill closure and post-closure	280,843		48,352	232,491	
Compensated absences	286,902		8,657	278,245	
Total Other Long-Term Liabilities	2,199,737	-	173,984	2,025,753	123,762
Total Long-Term Liabilities	<u>\$ 6,695,787</u>	<u>\$ -</u>	<u>\$ 238,736</u>	<u>\$ 6,457,051</u>	<u>\$ 193,762</u>

	Business-Type Activities				
	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Bonds Payable:					
2004 CSCDA Revenue Bonds	\$ 4,480,000		\$ 185,000	\$ 4,295,000	\$ 195,000
1970 Sewer Revenue Bonds	95,000		45,000	50,000	50,000
1998 Wastewater Revenue Bonds	555,000		30,000	525,000	35,000
Total Bonds Payable	5,130,000	\$ -	260,000	4,870,000	280,000
Add:					
2004 original issue premium	67,125		3,729	63,396	
Less:					
2004 deferred refunding	(683,671)		(37,982)	(645,689)	
Net Bonds Payable	4,513,454	-	225,747	4,287,707	280,000
Other Long-Term Liabilities:					
Capital leases	99,046	1,000,000	17,860	1,081,186	99,141
Safe Drinking Water Revolving Loan	2,141,532		107,076	2,034,456	107,077
Total Other Long-Term Liabilities	2,240,578	1,000,000	124,936	3,115,642	206,218
Total Long-Term Liabilities	<u>\$ 6,754,032</u>	<u>\$ 1,000,000</u>	<u>\$ 350,683</u>	<u>\$ 7,403,349</u>	<u>\$ 486,218</u>

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

G) Fund Equity

Fund balances reserved and unreserved/designated at June 30, 2007, were as follows:

	Encumbrances	Reserved		Designated
		Other	Total	
Major governmental funds:				
General Fund	\$ 410,190		\$ 410,190	\$ 62,047
Redevelopment Agency Project Area	117,262		117,262	
CDBG Program Income		\$ 148,904	148,904	
Caspar Closure				141,108
Franklin Street Reconstruction	2,023,883			
Nonmajor special revenue funds:				
General Plan Maintenance Fee		133,514	133,514	
Oceanview Improvement		52,773	52,773	
Traffic Congestion Relief		52,581	52,581	
Gasoline Taxes	172,025		172,025	
Asset Seizure		130,759	130,759	
UDAG Boatyard		273,357	273,357	
Hospitality/Drainage STBG Grant		89,766	89,766	
TDA Streets & Roads Allocation		376	376	
Bulletproof Vest Partnership Grant		2,861	2,861	
CDBG Plan & Technology Grant		1,345	1,345	
CDBG Downtown Plan Grant	53,290			
COPS AB 1913 Allocation		39,495	39,495	
MCOG Streets Allocation		46,947	46,947	
ADA Curbs & Gutters	2,722	17,558		
ADA/RCHDC/P&F STBG		115,537	115,537	
Housing Rehab 05-STBG-1521	41,810			
01-EDBG-839 Microenterprise	26,406			
RDA Low & Moderate Housing	6,004	1,093,301	1,099,305	
Skate Park Project		133	133	
Waste Water Master Plan		78	78	
Nonmajor debt service funds:				
2004 RDA Bonds Debt Service		48,681	48,681	
Nonmajor capital projects funds:				
Fire Equipment				104,802
Laural/Main Signal Install				10,230
Downtown Parking Lots Resurface				40,176
Guesthouse Sprinklers				188,930
Pavement Markings				3,305
Bainbridge Tennis/Basketball Court				337
Bainbridge Park Improvements				2,245
Rubberized Chip Seal Project				785,526
Total	<u>\$ 2,853,592</u>	<u>\$ 2,247,966</u>	<u>\$ 2,935,889</u>	<u>\$ 1,338,706</u>

- 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.

H) 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.

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2007

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 2006/07 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 2006/07 fiscal year the City's share of costs under the terms of this agreement were actual 05/06 of \$ 88,921 and estimated at \$88,921 for fiscal year 06/07 as actual amounts had not been calculated at the time these financial statements were prepared.

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

CITY OF FORT BRAGG

Notes to Financial Statements June 30, 2007

Fort Bragg Fire Protection Authority – In March 2005, the City entered into a joint powers agreement with the Fort Bragg Rural Fire District (“District”) for the purpose of providing fire suppression, fire prevention, and emergency rescue services within territorial limits of the City and the District. The agreement supersedes a former joint powers agreement between the two entities that was established in 1990. The Fort Bragg Fire Protection Authority (“Authority”) is governed by a five member Board of Directors of which two are appointed by the City, two by the District, and one appointed jointly by the City and the District. Costs for services are shared by the City and District on a pro-rata basis determined by the average number of fire and emergency calls responded to within the City or District during the three previous 12-month periods of July 1st to June 30th. However, in no case will either entity’s share drop below 40%. During the current fiscal year the City paid \$380,748 under the terms of this agreement.

C) Contingencies

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

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

D) Employee Retirement Systems

Plan Description:

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

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

Funding Policy:

Active plan members in the Plans are required to contribute 7.0% (9.0% for Police employees) of their annual covered salary. The Fire Plan has no active members. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by CalPERS Board of Administration. The required employer contribution rate for fiscal 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.

Annual Pension Cost:

For fiscal year 2006/07 the City’s annual pension cost was \$403,111 (\$190,382 for Miscellaneous, \$200,537 for Police, and \$12,192 for Fire) and the City actually contributed \$403,111. In addition, the City paid \$217,369 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 2006/07 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:

CITY OF FORT BRAGG

**Notes to Financial Statements
June 30, 2007**

	<u>Miscellaneous</u>	<u>Police</u>	<u>Fire</u>
Investment rate of return	8.25%	7.75%	7.75%
Projected salary increases	3.75% - 14.20%	3.25% - 14.45%	3.25% - 14.45%
Inflation	3.50%	3.00%	3.00%
Payroll growth	3.75%	3.25%	3.25%

The actuarial value of the Plan's assets was determined using a three-year smoothed market technique that smooths 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			
	<u>Combined</u>		
<u>Year Ending June 30,</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 365,867	100%	0
2006	398,909	100%	0
2007	403,111	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 2006/07 fiscal year, expenditures of \$199,673 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.

G) Interfund Advances

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

In addition, on April 23, 2007, per resolution number 2627-2003, the City of Fort Bragg has authorized an advance of \$550,000 from the General Fund to the Fort Bragg Municipal Improvement District No.1. The purpose of the advance is to finance the cost of the Wastewater Treatment Plant-Headworks Screen Project. The term of the advance is five years with payments of interest due at 4.75% and principle due of \$15,000 to be paid each quarter. At June 30, 2007, the advance was authorized but no amounts had been transferred to the Fort Bragg Municipal Improvement District No. 1.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF FORT BRAGG REDEVELOPMENT AGENCY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund			Variance With Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 4,425,500	\$ 4,425,500	\$ 4,489,991	\$ 64,491
Licenses and Permits	52,410	52,410	48,523	(3,887)
Fines and Forfeitures			12,380	12,380
Use of Money and Property	44,010	44,010	95,670	51,660
Intergovernmental	57,900	57,900	66,239	8,339
Current Services	61,620	61,620	189,533	127,913
Other Revenues	444,373	444,373	307,567	(136,806)
Total Revenues	<u>5,085,813</u>	<u>5,085,813</u>	<u>5,209,903</u>	<u>124,090</u>
<u>EXPENDITURES</u>				
Current:				
General Government	1,402,622	1,589,060	1,563,148	25,912
Public Safety	2,869,364	2,887,654	2,843,643	44,011
Public Works	414,939	427,873	480,804	(52,931)
Planning	331,436	360,369	331,379	28,990
Debt Service:				
Principal Retirement	39,867	39,867	39,867	
Interest and Fiscal Charges	6,969	6,969	6,936	33
Capital Outlay	89,117	481,417	112,849	368,568
Total Expenditures	<u>5,154,314</u>	<u>5,793,209</u>	<u>5,378,626</u>	<u>414,583</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(68,501)</u>	<u>(707,396)</u>	<u>(168,723)</u>	<u>538,673</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	505,500	513,500	635,539	122,039
Transfers Out	(597,800)	(610,650)	(874,568)	(263,918)
Total Other Financing Sources (Uses)	<u>(92,300)</u>	<u>(97,150)</u>	<u>(239,029)</u>	<u>(141,879)</u>
Net Change In Fund Balances	(160,801)	(804,546)	(407,752)	396,794
Fund Balances, July 1	<u>2,849,175</u>	<u>2,849,175</u>	<u>2,849,175</u>	
Fund Balance, June 30	<u><u>\$ 2,688,374</u></u>	<u><u>\$ 2,044,629</u></u>	<u><u>\$ 2,441,423</u></u>	<u><u>\$ 396,794</u></u>

**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, 2007**

	Redevelopment Agency Project Area Fund			Variance With Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 1,223,800	\$ 1,223,800	\$ 1,372,058	\$ 148,258
Use of Money and Property	4,000	4,000	43,617	39,617
Other Revenues			15,000	15,000
Total Revenues	<u>1,227,800</u>	<u>1,227,800</u>	<u>1,430,675</u>	<u>202,875</u>
<u>EXPENDITURES</u>				
Current:				
Community Development	467,902	556,749	300,191	256,558
Shared Expenditures		604,700	601,014	3,686
Total Expenditures	<u>467,902</u>	<u>1,161,449</u>	<u>901,205</u>	<u>260,244</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>759,898</u>	<u>66,351</u>	<u>529,470</u>	<u>463,119</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	20,750	20,750	68,634	(47,884)
Transfers Out	(336,685)	(343,685)	(343,687)	2
Total Other Financing Sources (Uses)	<u>(315,935)</u>	<u>(322,935)</u>	<u>(275,053)</u>	<u>(47,882)</u>
Net Change In Fund Balances	443,963	(256,584)	254,417	511,001
Fund Balances, July 1	<u>593,956</u>	<u>593,956</u>	<u>593,956</u>	
Fund Balance, June 30	<u>\$ 1,037,919</u>	<u>\$ 337,372</u>	<u>\$ 848,373</u>	<u>\$ 511,001</u>

**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, 2007**

	CDBG Program Income Fund			Variance With Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>REVENUES</u>				
Use of Money and Property			\$ 10,551	\$ 10,551
Intergovernmental			32,418	32,418
Total Revenues	\$ -	\$ -	42,969	42,969
<u>EXPENDITURES</u>				
Current:				
Community Development			611	(611)
Total Expenditures	-	-	611	(611)
Excess (Deficiency) of Revenues Over Expenditures	-	-	42,358	42,358
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change In Fund Balances			42,358	42,358
Fund Balances, July 1	106,546	106,546	106,546	
Fund Balance, June 30	\$ 106,546	\$ 106,546	\$ 148,904	\$ 42,358

COMBINING FUND FINANCIAL STATEMENTS

**CITY OF FORT BRAGG
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Total Special Revenue Funds	2004 RDA Bonds Debt Service Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash and Investments	\$ 2,142,231		\$ 1,310,454	\$ 3,452,685
Cash and Investments With Fiscal Agent		\$ 313,531		313,531
Receivables:				
Taxes	74,015		2,940	76,955
Accounts	1,728,665			1,728,665
Grants	95,471			95,471
Total Assets	\$ 4,040,382	\$ 313,531	\$ 1,313,394	\$ 5,667,307
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 64,439		\$ 177,843	\$ 242,282
Due To Other Funds	2,441,965	\$ 264,850	18,820	2,725,635
Total Liabilities	2,506,404	264,850	196,663	2,967,917
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances:				
Reserved	1,338,549	48,681		1,387,230
Unreserved:				
Designated			1,129,688	1,129,688
Undesignated	195,429		(12,957)	182,472
Total Fund Balances	1,533,978	48,681	1,116,731	2,699,390
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ 4,040,382	\$ 313,531	\$ 1,313,394	\$ 5,667,307
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CITY OF FORT BRAGG
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Total Special Revenue Funds</u>	<u>2004 RDA Bonds Debt Service Fund</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>REVENUES</u>				
Taxes:				
Property	\$ 281,874			\$ 281,874
Sales	776,786			776,786
Other	3,119		\$ 43,812	46,931
Licenses and Permits	39,619			39,619
Fines and Forfeitures	65,910			65,910
Use of Money and Property	84,590	\$ 14,609	50,123	149,322
Intergovernmental	2,402,399		18,585	2,420,984
Charges for Services	55,040			55,040
Other Revenue				
Total Revenues	<u>3,709,337</u>	<u>14,609</u>	<u>112,520</u>	<u>3,836,466</u>
<u>EXPENDITURES</u>				
Current:				
General Government			114,027	114,027
Public Safety	13,190		876	14,066
Public Works	265,674			265,674
Community Development	262,449			262,449
Debt Service:				
Principal Retirement		70,000		70,000
Interest and Fiscal Charges		244,025		244,025
Capital Outlay	480,306		31,525	511,831
Total Expenditures	<u>1,021,619</u>	<u>314,025</u>	<u>146,428</u>	<u>1,482,072</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,687,718</u>	<u>(299,416)</u>	<u>(33,908)</u>	<u>2,354,394</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	106,030	315,935	1,012,019	1,433,984
Transfers Out	<u>(2,884,725)</u>		<u>(601)</u>	<u>(2,885,326)</u>
Total Other Financing Sources (Uses)	<u>(2,778,695)</u>	<u>315,935</u>	<u>1,011,418</u>	<u>(1,451,342)</u>
Net Change In Fund Balances	(90,977)	16,519	977,510	903,052
Fund Balances, July 1	<u>1,624,955</u>	<u>32,162</u>	<u>139,221</u>	<u>1,796,338</u>
Fund Balances, June 30	<u>\$ 1,533,978</u>	<u>\$ 48,681</u>	<u>\$ 1,116,731</u>	<u>\$ 2,699,390</u>

CITY OF FORT BRAGG
 COMBINING BALANCE SHEET
 SPECIAL REVENUE
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	<u>General Plan Maintenance Fee</u>	<u>Oceanview Improvement</u>	<u>Traffic Congestion Relief</u>	<u>Gasoline Taxes</u>	<u>Asset Seizure</u>	<u>Traffic Safety</u>	<u>UDAG Boatyard</u>	<u>Hospitality/ Drainage STBG Grant</u>	<u>TDA Streets & Roads Allocation</u>
<u>ASSETS</u>									
Cash and Investments	\$ 133,514	\$ 52,773	\$ 52,581	\$ 103,714	\$ 130,759		\$ 273,357	\$ 89,766	\$ 376
Receivables:									
Taxes									
Accounts				17,059		\$ 2,093			
Grants									
Total Assets	<u>\$ 133,514</u>	<u>\$ 52,773</u>	<u>\$ 52,581</u>	<u>\$ 120,773</u>	<u>\$ 130,759</u>	<u>\$ 2,093</u>	<u>\$ 273,357</u>	<u>\$ 89,766</u>	<u>\$ 376</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities Due To Other Funds				\$ 19,652		\$ 3,381			
						170,034			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>19,652</u>	<u>\$ -</u>	<u>173,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:									
Reserved	133,514	52,773	52,581						376
Unreserved				101,121	130,759	(171,322)	273,357	89,766	
Total Fund Balances	<u>133,514</u>	<u>52,773</u>	<u>52,581</u>	<u>101,121</u>	<u>130,759</u>	<u>(171,322)</u>	<u>273,357</u>	<u>89,766</u>	<u>376</u>
Total Liabilities and Fund Balances	<u>\$ 133,514</u>	<u>\$ 52,773</u>	<u>\$ 52,581</u>	<u>\$ 120,773</u>	<u>\$ 130,759</u>	<u>\$ 2,093</u>	<u>\$ 273,357</u>	<u>\$ 89,766</u>	<u>\$ 376</u>

CITY OF FORT BRAGG
COMBINING BALANCE SHEET
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	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
<u>ASSETS</u>									
Cash and Investments			\$ 2,861				\$ 39,495		\$ 115,537
Receivables:									
Taxes		\$ 56,000							
Accounts					\$ 16,860			\$ 1,692,653	
Grants						\$ 14,226			
Total Assets	\$ -	\$ 56,000	\$ 2,861	\$ -	\$ 16,860	\$ 14,226	\$ 39,495	\$ 1,692,653	\$ 115,537
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities				\$ 10,043	\$ 6,303				
Due To Other Funds	\$ 160,000	\$ 85,099		203,179	9,212	\$ 45,689		\$ 1,645,706	
Total Liabilities	160,000	85,099	\$ -	213,222	15,515	45,689	\$ -	1,645,706	\$ -
Fund Balances:									
Reserved									
Unreserved	(160,000)	(29,099)	2,861	(213,222)	1,345	(31,463)	39,495	46,947	115,537
Total Fund Balances	(160,000)	(29,099)	2,861	(213,222)	1,345	(31,463)	39,495	46,947	115,537
Total Liabilities and Fund Balances	\$ -	\$ 56,000	\$ 2,861	\$ -	\$ 16,860	\$ 14,226	\$ 39,495	\$ 1,692,653	\$ 115,537

CITY OF FORT BRAGG
COMBINING BALANCE SHEET
SPECIAL REVENUE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Safe Routes To School	ADA Curbs & Gutters	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	Totals 2007
<u>ASSETS</u>									
Cash and Investments		\$ 20,280	\$ 5,902		\$ 1,081,969	\$ 133		\$ 39,214	\$ 2,142,231
Receivables:									
Taxes					18,015				74,015
Accounts									1,728,665
Grants			26,422				\$ 47,137	7,686	95,471
Total Assets	\$ -	\$ 20,280	\$ 32,324	\$ -	\$ 1,099,984	\$ 133	\$ 47,137	\$ 46,900	\$ 4,040,382
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities			\$ 5,918		\$ 679		\$ 13,373	\$ 5,090	\$ 64,439
Due To Other Funds	\$ 25,046			\$ 64,314			33,686		2,441,965
Total Liabilities	25,046	\$ -	5,918	64,314	679	\$ -	47,059	5,090	2,506,404
Fund Balances:									
Reserved					1,099,305				1,338,549
Unreserved	(25,046)	20,280	26,406	(64,314)		133	78	41,810	195,429
Total Fund Balances	(25,046)	20,280	26,406	(64,314)	1,099,305	133	78	41,810	1,533,978
Total Liabilities and Fund Balances	\$ -	\$ 20,280	\$ 32,324	\$ -	\$ 1,099,984	\$ 133	\$ 47,137	\$ 46,900	\$ 4,040,382

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, 2007

<u>REVENUES</u>	<u>General Plan Maintenance Fee</u>	<u>Oceanview Improvement</u>	<u>Traffic Congestion Relief</u>	<u>Gasoline Taxes</u>	<u>Asset Seizure</u>	<u>Traffic Safety</u>	<u>UDAG Boatyard</u>	<u>Hospitality/ Drainage STBG Grant</u>	<u>TDA Streets & Roads Allocation</u>
Taxes:									
Property									
Sales									
Other				\$ 3,119					
Licenses and Permits	\$ 39,619								
Fines and Forfeitures					\$ 53,546	\$ 12,364			
Use of Money and Property	4,973	\$ 2,387		5,954	4,541		\$ 12,363		\$ 17
Intergovernmental				138,136				\$ 219,249	
Charges for Services				240				54,800	
Other Revenue									
Total Revenues	<u>44,592</u>	<u>2,387</u>	<u>-</u>	<u>147,449</u>	<u>58,087</u>	<u>12,364</u>	<u>12,363</u>	<u>274,049</u>	<u>17</u>
<u>EXPENDITURES</u>									
Current:									
Public Safety					10,193				
Public Works			31,756	165,585		57,488			
Community Development								4,125	
Capital Outlay								177,323	
Total Expenditures	<u>-</u>	<u>-</u>	<u>31,756</u>	<u>165,585</u>	<u>10,193</u>	<u>57,488</u>	<u>-</u>	<u>181,448</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>44,592</u>	<u>2,387</u>	<u>(31,756)</u>	<u>(18,136)</u>	<u>47,894</u>	<u>(45,124)</u>	<u>12,363</u>	<u>92,601</u>	<u>17</u>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In			52,581	23,924					
Transfers Out	(20,000)				(500)				
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>-</u>	<u>52,581</u>	<u>23,924</u>	<u>(500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	<u>24,592</u>	<u>2,387</u>	<u>20,825</u>	<u>5,788</u>	<u>47,394</u>	<u>(45,124)</u>	<u>12,363</u>	<u>92,601</u>	<u>17</u>
Fund Balances, July 1	108,922	50,386	31,756	95,333	83,365	(126,198)	260,994	(2,835)	359
Fund Balances, June 30	<u>\$ 133,514</u>	<u>\$ 52,773</u>	<u>\$ 52,581</u>	<u>\$ 101,121</u>	<u>\$ 130,759</u>	<u>\$ (171,322)</u>	<u>\$ 273,357</u>	<u>\$ 89,766</u>	<u>\$ 376</u>

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, 2007

<u>REVENUES</u>	<u>MCOG OWP Reserve Street Safety</u>	<u>Special Sales Tax Street</u>	<u>Bulletproof Vest Partnership Grant</u>	<u>CDBG Downtown Plan Grant</u>	<u>CDBG Plan & Technology Grant</u>	<u>Coastal Conservancy Grant</u>	<u>COPS AB 1913 Allocation</u>	<u>MCOG Streets Allocation</u>	<u>ADA/ RCHDC/ P&F STBG</u>
Taxes:									
Property									
Sales		\$ 776,786							
Other									
Licenses and Permits									
Fines and Forfeitures									
Use of Money and Property			\$ 120				\$ 4,304	\$ 1,782	
Intergovernmental	\$ 8,100		2,340		\$ 52,013	\$ 41,481	100,000	1,692,653	
Charges for Services									
Other Revenue									
Total Revenues	<u>8,100</u>	<u>776,786</u>	<u>2,460</u>	<u>\$ -</u>	<u>52,013</u>	<u>41,481</u>	<u>104,304</u>	<u>1,694,435</u>	<u>\$ -</u>
<u>EXPENDITURES</u>									
Current:									
Public Safety			2,997						
Public Works	10,845								
Community Development					56,792				
Capital Outlay				197,527		37,266			
Total Expenditures	<u>10,845</u>	<u>-</u>	<u>2,997</u>	<u>197,527</u>	<u>56,792</u>	<u>37,266</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,745)</u>	<u>776,786</u>	<u>(537)</u>	<u>(197,527)</u>	<u>(4,779)</u>	<u>4,215</u>	<u>104,304</u>	<u>1,694,435</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	495								
Transfers Out	<u>(160,000)</u>	<u>(782,000)</u>					<u>(126,591)</u>	<u>(1,727,000)</u>	
Total Other Financing Sources (Uses)	<u>(159,505)</u>	<u>(782,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,591)</u>	<u>(1,727,000)</u>	<u>-</u>
Net Change In Fund Balances	<u>(162,250)</u>	<u>(5,214)</u>	<u>(537)</u>	<u>(197,527)</u>	<u>(4,779)</u>	<u>4,215</u>	<u>(22,287)</u>	<u>(32,565)</u>	<u>-</u>
Fund Balances, July 1	<u>2,250</u>	<u>(23,885)</u>	<u>3,398</u>	<u>(15,695)</u>	<u>6,124</u>	<u>(35,678)</u>	<u>61,782</u>	<u>79,512</u>	<u>115,537</u>
Fund Balances, June 30	<u>\$ (160,000)</u>	<u>\$ (29,099)</u>	<u>\$ 2,861</u>	<u>\$ (213,222)</u>	<u>\$ 1,345</u>	<u>\$ (31,463)</u>	<u>\$ 39,495</u>	<u>\$ 46,947</u>	<u>\$ 115,537</u>

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, 2007

	<u>Safe Routes To School</u>	<u>ADA Curbs & Gutters</u>	<u>Micro- Enterprise EDBG</u>	<u>Habitat For Humanity/ Food Bank CDBG</u>	<u>RDA Low & Moderate Housing</u>	<u>Skate Park Project</u>	<u>Wastewater Master Plan/ Noyo Center PTAA</u>	<u>Housing Rehabilitation STBG Grant</u>	<u>Totals 2007</u>
REVENUES									
Taxes:									
Property					\$ 281,874				\$ 281,874
Sales									776,786
Other									3,119
Licenses and Permits									39,619
Fines and Forfeitures									65,910
Use of Money and Property					48,143	\$ 6			84,590
Intergovernmental			\$ 26,422				\$ 70,000	\$ 52,005	2,402,399
Charges for Services									55,040
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>26,422</u>	<u>\$0</u>	<u>330,017</u>	<u>6</u>	<u>70,000</u>	<u>52,005</u>	<u>3,709,337</u>
EXPENDITURES									
Current:									
Public Safety									13,190
Public Works									265,674
Community Development			16,656		79,470		91,847	13,559	262,449
Capital Outlay	25,046			43,144					480,306
Total Expenditures	<u>25,046</u>	<u>-</u>	<u>16,656</u>	<u>43,144</u>	<u>79,470</u>	<u>-</u>	<u>91,847</u>	<u>13,559</u>	<u>1,021,619</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,046)</u>	<u>-</u>	<u>9,766</u>	<u>(43,144)</u>	<u>250,547</u>	<u>6</u>	<u>(21,847)</u>	<u>38,446</u>	<u>2,687,718</u>
OTHER FINANCING SOURCES (USES)									
Transfers In		20,280	8,750						106,030
Transfers Out					(68,634)				(2,884,725)
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,280</u>	<u>8,750</u>	<u>-</u>	<u>(68,634)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,778,695)</u>
Net Change In Fund Balances	<u>(25,046)</u>	<u>20,280</u>	<u>18,516</u>	<u>(43,144)</u>	<u>181,913</u>	<u>6</u>	<u>(21,847)</u>	<u>38,446</u>	<u>(90,977)</u>
Fund Balances, July 1	<u>-</u>		7,890	(21,170)	917,392	127	21,925	3,364	1,624,955
Fund Balances, June 30	<u>\$ (25,046)</u>	<u>\$ 20,280</u>	<u>\$ 26,406</u>	<u>\$ (64,314)</u>	<u>\$ 1,099,305</u>	<u>\$ 133</u>	<u>\$ 78</u>	<u>\$ 41,810</u>	<u>\$ 1,533,978</u>

CITY OF FORT BRAGG
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	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
<u>ASSETS</u>									
Cash and Investments	\$ 101,862		\$ 10,230	\$ 40,176	\$ 188,930	\$ 3,305	\$ 337	\$ 177,843	
Receivables:									
Taxes	2,940								
Grants									
Interest									
Total Assets	\$ 104,802	\$ -	\$ 10,230	\$ 40,176	\$ 188,930	\$ 3,305	\$ 337	\$ 177,843	\$ -
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities								\$ 177,843	
Due To Other Funds									\$ 16,599
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	177,843	\$16,599
Fund Balances:									
Unreserved:									
Designated	104,802		10,230	40,176	188,930		337		
Undesignated	-	-	-	-	-	3,305			(16,599)
Total Fund Balances	104,802	-	10,230	40,176	188,930	3,305	337	-	(16,599)
Total Liabilities and Fund Balances	\$ 104,802	\$ -	\$ 10,230	\$ 40,176	\$ 188,930	\$ 3,305	\$ 337	\$ 177,843	\$ -

CITY OF FORT BRAGG
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	<u>Bainbridge Bike & Pedestrian Path</u>	<u>Bainbridge Park Improvements</u>	<u>City Hall Maintenance & Rehabilitation</u>	<u>Rubberized Chip Seal Project</u>	<u>Totals 2007</u>
<u>ASSETS</u>					
Cash and Investments		\$ 2,245		\$ 785,526	\$ 1,310,454
Receivables:					
Taxes					2,940
Total Assets	\$ -	\$ 2,245	\$ -	\$ 785,526	\$ 1,313,394
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable and Accrued					
Liabilities					\$ 177,843
Due To Other Funds	\$ 406		\$ 1,815		18,820
Total Liabilities	406	\$ -	1,815	\$ -	196,663
Fund Balances:					
Unreserved:					
Designated	(406)	2,245	(1,815)	785,526	1,129,688
Undesignated					(12,957)
Total Fund Balances	(406)	2,245	(1,815)	785,526	1,116,731
Total Liabilities and Fund Balances	\$ -	\$ 2,245	\$ -	\$ 785,526	\$ 1,313,394

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, 2007

<u>REVENUES</u>	<u>Fire Equipment</u>	<u>Street Rehab Phase II</u>	<u>Laurel/Main Signal Install</u>	<u>Downtown Parking Lots Resurface</u>	<u>Guesthouse Sprinklers</u>	<u>Pavement Markings</u>	<u>Bainbridge Tennis/ Basketball Court</u>	<u>Caspar Closure</u>	<u>RDA Capital Projects</u>
Taxes:									
Other	\$ 43,812								
Use of Money and Property	3,526		\$ 463	\$ 1,817	\$ 8,641	\$ 150			
Intergovernmental	5								
Total Revenues	47,343	\$ -	463	1,817	8,641	150	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>									
Current:									
General Government								114,027	
Public Safety	876								
Capital Outlay					12,969				
Total Expenditures	876	-	-	-	12,969	-	-	114,027	-
Excess (Deficiency) of Revenues Over Expenditures	46,467	-	463	1,817	(4,328)	150	-	(114,027)	-
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In				20,000				242,019	
Transfers Out		(601)							
Total Other Financing Sources (Uses)	-	(601)	-	20,000	-	-	-	242,019	-
Net Change In Fund Balances	46,467	(601)	463	21,817	(4,328)	150	-	127,992	-
Fund Balances, July 1	58,335	601	9,767	18,359	193,258	3,155	337	(127,992)	(16,599)
Fund Balances, June 30	\$ 104,802	\$ -	\$ 10,230	\$ 40,176	\$ 188,930	\$ 3,305	\$ 337	\$ -	\$ (16,599)

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, 2007

<u>REVENUES</u>	<u>Bainbridge Bike & Pedestrian Path</u>	<u>Bainbridge Park Improvements</u>	<u>City Hall Maintenance & Rehabilitation</u>	<u>Rubberized Chip Seal Project</u>	<u>Totals 2007</u>
Taxes:					
Other					\$ 43,812
Use of Money and Property				\$ 35,526	50,123
Intergovernmental		\$ 18,580			18,585
Total Revenues	\$ -	18,580	\$ -	35,526	112,520
<u>EXPENDITURES</u>					
Current:					
General Government					114,027
Public Safety					876
Capital Outlay	406	16,335	1,815		31,525
Total Expenditures	406	16,335	1,815	-	146,428
Excess (Deficiency) of Revenues Over Expenditures	(406)	2,245	(1,815)	35,526	(33,908)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In				750,000	1,012,019
Transfers Out					(601)
Total Other Financing Sources (Uses)	-	-	-	750,000	1,011,418
Net Change In Fund Balances	(406)	2,245	(1,815)	785,526	977,510
Fund Balances, July 1	-	-	-	-	139,221
Fund Balances, June 30	\$ (406)	\$ 2,245	\$ (1,815)	\$ 785,526	\$ 1,116,731

SINGLE AUDIT AND OTHER COMPLIANCE REPORTS

CITY OF FORT BRAGG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass Through Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through State Department of Housing and Community Development:		
Community Development Block Grants:		
04-PTAA-0317	14.228	\$ 52,012
05-PTAA-1444	14.228	70,000
05-EDBG-1962	14.228	26,422
04-STBG-1897	14.228	219,249
05-STBG-1521	14.228	<u>52,005</u>
Total U.S. Department of Housing and Urban Development		<u>419,688</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program:		
06135751	16.607	<u>816</u>
Total U.S. Department of Justice		<u>816</u>
<u>U.S. Environmental Protection Agency</u>		
Surveys, Studies, Investigations & Special Purpose Grants:		
XP-97989201	66.606	<u>136,635</u>
Total U.S. Environmental Protection Agency		<u>136,635</u>
Total Federal Expenditures		<u>\$ 557,139</u>

**CITY OF FORT BRAGG
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND OTHER AWARDS
JUNE 30, 2007**

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.

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

Honorable Mayor and City Council
Members of the City of Fort Bragg
Fort Bragg, California 95965

We have audited the basic financial statements of the of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fort Bragg, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance

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

We noted certain other matters that we reported to management of the City of Fort Bragg in a separate letter dated January 28, 2008.



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

Davis Hammon & Co.

January 28, 2008



DAVIS HAMMON & CO.
Certified Public Accountants

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

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

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

Honorable Mayor and City Council
Members of the City of Fort Bragg
Fort Bragg, California 95965

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, 2007. The City of Fort Bragg's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Fort Bragg's management. Our responsibility is to express an opinion on the City of Fort Bragg's compliance based on our audit.

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

In our opinion, the City of Fort Bragg complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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



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

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

Davis Hammon & Co.

January 28, 2008

CITY OF FORT BRAGG

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

A) Summary of Audit Results

- 1) The auditors' report expresses an unqualified opinion on the basic financial statements.
- 2) No control deficiencies were disclosed related to the audit of the basic financial statements of the City of Fort Bragg.
- 3) No instances of noncompliance material to the basic financial statements of the City of Fort Bragg were disclosed during the audit.
- 4) No control deficiencies were disclosed during the audit of major federal award programs.
- 5) The auditors' report on compliance for major federal award programs for the City of Fort Bragg expresses an unqualified opinion.
- 6) No instances of noncompliance material to major federal award programs of the City of Fort Bragg were disclosed during the audit.
- 7) The programs tested as major programs included:
 - a. 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 control deficiencies were noted during the current audit period. There were no findings outstanding from prior year audits.

C) Findings and Questioned Costs – Major Federal Award Programs

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

CITY OF FORT BRAGG
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2007

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 95965

We have applied the procedures enumerated below to the Appropriations Limit calculations of the City of Fort Bragg for the year ended June 30, 2007. These procedures, which were agreed to by the City of Fort Bragg and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*) were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution.

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

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

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

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

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

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

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

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

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

Davis Hammon & Co.

January 28, 2008