

**CITY OF FORT BRAGG  
FINANCIAL STATEMENTS**

TOGETHER WITH INDEPENDENT  
AUDITORS' REPORTS

**FOR THE YEAR ENDED JUNE 30, 2009**

**CITY OF FORT BRAGG**  
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**June 30, 2009**

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**CITY OF FORT BRAGG**

**Listing of City Officials  
June 30, 2009**

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

City Manager  
Linda Ruffing

Finance Manager  
Rosana Cimolino

City Clerk  
Cynthia VanWormer

**FINANCIAL SECTION**



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

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fort Bragg, California, (City) as of and for the year ended June 30, 2009, 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 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 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, 2009, 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 12, 2010, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 11 and 41 through 43, 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 12, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fort Bragg, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements which follow this narrative.

### Financial Highlights

#### City-wide:

- The assets of the City exceeded liabilities at the close of the fiscal year by \$30.6 million (*net assets*). Of the total net assets \$9.2 million was reported as *unrestricted net assets* and may be used to meet the City's ongoing obligations to citizens and creditors. *Restricted net assets* of \$0.4 million may be used for the City's ongoing obligations related to programs with external restrictions. The remaining \$21.0 million represents the City's investment in capital assets, net of related debt.
- The City's total net assets increased by \$5.4 million during the fiscal year. Net capital assets increased 23.5% and current assets decreased 2.0%. The increase in net capital assets is primarily due to the recently completed downtown improvements and the resurfacing of numerous city streets. The remainder is attributable to the City's Wastewater Fund.
- The City's total liabilities decreased by \$0.6 million to \$12.6 million.
- City-wide revenues were \$20.2 million, an increase of 34.8% from the prior year. City-wide expenditures were \$14.7 million, an increase of 35.8%. Increases in both revenues and expenditures are primarily due to capital project activity.

#### Fund Level:

- Governmental fund balances decreased \$1.8 million to \$6.8 million. Of this amount \$1.6 million is unrestricted fund balance and may be used to meet the City's ongoing obligations.
- Governmental fund revenues were \$14.7, an increase of 27.2%. Governmental fund expenditures were \$10.4 million, an increase of 47.4%. The increases are primarily due to capital project and grant activity.
- At the end of the current fiscal year unreserved, undesignated General Fund Balance was \$2.5 million, versus \$2.1 million as of June 30, 2008. The City Council has adopted a budget principal that this unreserved, undesignated General Fund balance must be maintained at a minimum level of 15% of the General Fund operating budget. The current reserve level is \$1.4 million.
- Enterprise Fund net assets increased \$1.2 million to \$9.4 million. Of this amount \$2.2 million is unrestricted net assets.
- Enterprise Fund operating revenues increased \$0.5 million to \$3.9 million. Operating expenditures increased \$0.5 million to \$3.9 million. Net operating income was a loss of \$16,284, a decrease in net operating deficit of 57.6%.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The two sets of financial statements provide two different views of the City's financial activities and financial position – long-term and short-term.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business, including the use of accrual-based accounting to recognize revenues and expenses. They provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This information is presented in the Statement of Net Assets and Statement of Activities found on pages 12 & 13.

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

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

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

## **Fund Financial Statements**

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fort Bragg, like other government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of government entities can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The City has no fiduciary funds.

## **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental activities include most of the City's basic services and are principally supported by taxes and intergovernmental revenues. Unlike the government-wide financial statements, governmental funds financial statements focus on short-term inflows and outflows of spendable resources and balances of these resources available for spending. The fund statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. This information may be useful in evaluating a government's short-term financing requirements.

Governmental fund financial statements are prepared on the modified accrual basis which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so the reader may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 15 and 17.



The City maintains numerous individual governmental funds which, for financial reporting, are grouped according to their type (general fund, special revenue, capital projects, and debt service). Information is presented separately in the governmental funds balance sheet for the General Fund, the Redevelopment Agency Project Fund, the Redevelopment Agency Low & Moderate Income Housing Fund and two capital project funds which are considered to be major funds. All other funds are grouped together as Non-Major Funds for reporting purposes. Individual fund data for each non-major governmental fund is provided in the form of combining statements found in the supplemental statements and schedules section of this report. Reconciliations of Governmental Funds financial statements to Government-Wide Funds financial statements are provided.

### **Proprietary Funds**

Proprietary funds generally account for services for which customer fees are intended to finance the costs of operations and can include enterprise funds and internal service funds. The City of Fort Bragg maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater operations. Enterprise fund financial statements are prepared on the full accrual basis. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of City of Fort Bragg. The City uses internal service funds to account for facilities and technology maintenance and repairs. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 18 through 20.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 21-39 of this report.

### **Required Supplementary Information**

This section includes the City's General Fund budgetary comparison schedule. The City of Fort Bragg adopts an annual budget for its General Fund. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City and the decision of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. A budgetary comparison schedule has been provided on page 41 to demonstrate how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted.

### **Combining Fund Financial Statements**

The combining statements and schedules referred to earlier in connection with non-major governmental funds and internal service funds can be found on pages 45 – 58.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

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

The following table represents a comparative analysis of the net assets of governmental and business-type activities for the years ended June 30, 2009 and June 30, 2008.

**SUMMARY OF NET ASSETS**

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 9,675,822	\$ 9,873,775	\$ 4,087,800	\$ 4,159,371	\$ 13,763,622	\$ 14,033,146
Capital assets	19,661,997	14,546,428	12,229,477	11,276,305	31,891,474	25,822,733
<b>Total Assets</b>	<b>29,337,819</b>	<b>24,420,203</b>	<b>16,317,277</b>	<b>15,435,676</b>	<b>45,655,096</b>	<b>39,855,879</b>
Current and other liabilities	1,955,964	1,069,037	359,035	314,462	2,314,999	1,383,499
Non-current liabilities	6,146,239	6,345,013	6,529,171	6,934,288	12,675,410	13,279,301
<b>Total Liabilities</b>	<b>8,102,203</b>	<b>7,414,050</b>	<b>6,888,206</b>	<b>7,248,750</b>	<b>14,990,409</b>	<b>14,662,800</b>
<b>Net Assets:</b>						
Investment in capital assets, net of related debt	13,861,506	8,521,789	7,170,430	6,030,275	21,031,936	14,552,064
Restricted For:						
Debt Service	312,935	313,595			312,935	313,595
Other Purposes			35,000	35,000	35,000	35,000
Unrestricted	7,061,175	8,170,769	2,223,641	2,121,651	9,284,816	10,292,420
<b>Total Net Assets</b>	<b>\$ 21,235,616</b>	<b>\$ 17,006,153</b>	<b>\$ 9,429,071</b>	<b>\$ 8,186,926</b>	<b>\$ 30,664,687</b>	<b>\$ 25,193,079</b>

Net assets represent the difference between the City's resources and obligations. Over time, net assets may serve as a useful indicator of a government's financial position. Combined net assets of the City increased 21.7% the year, up by \$5.4 million from 2008. This increase is comprised of a 2% decrease in current assets and a 23.5% increase in net capital assets. The decrease in current assets was mainly attributable to the use of restricted cash for capital projects. At the end of the current fiscal year the City is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

A large portion of the City of Fort Bragg's net assets (69 percent) reflects its investment in capital assets (e.g., land, easements, buildings, machinery, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fort Bragg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Statement of Net Assets provides a snapshot at a given point in time of the assets and liabilities of the City. The other government-wide statement provided is the Statement of Activities. This statement provides information regarding the revenues, expenses and changes in net assets over the fiscal year. Generally, all changes to the City's net assets from one fiscal year to the next flows through the Statement of Activities.

The following table indicates the comparative changes in net assets for governmental and business-type activities for fiscal year 2009 and 2008:

<b>CHANGES IN NET ASSETS</b>						
	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	\$ 2,677,373	\$ 1,280,963	\$ 3,971,128	\$ 3,429,726	\$ 6,648,501	\$ 4,710,689
Operating grants & Contribution	1,100,565	695,359	288,358		1,388,923	695,359
Capital grants & Contributions	3,672,692	2,279,124	1,239,278		4,911,970	2,279,124
General Revenues:						
Taxes:						
Property taxes	2,248,723	2,328,377	3,627	67,733	2,252,350	2,396,110
Other taxes	4,918,264	4,690,545			4,918,264	4,690,545
Intergovernmental revenue not restricted to specific programs		-	-	-	-	-
Unrestricted Investment Earning	41,022	105,910	72,127	131,776	113,149	237,686
<b>Total Revenues</b>	<b>14,658,639</b>	<b>11,380,278</b>	<b>5,574,518</b>	<b>3,629,235</b>	<b>20,233,157</b>	<b>15,009,513</b>
Expenses:						
General Government	1,886,173	1,591,676			1,886,173	1,591,676
Public Safety	3,386,609	3,332,057			3,386,609	3,332,057
Public Works	1,845,725	970,273			1,845,725	970,273
Planning	469,796	299,947			469,796	299,947
Community Develop.	2,452,113	567,443			2,452,113	567,443
Shared Expenses	127,104	29,122			127,104	29,122
Interest and Fiscal Charges	323,089	324,743			323,089	324,743
Water			2,049,981	1,898,749	2,049,981	1,898,749
Wastewater			2,233,198	1,864,575	2,233,198	1,864,575
<b>Total Expenses</b>	<b>10,490,609</b>	<b>7,115,261</b>	<b>4,283,179</b>	<b>3,763,324</b>	<b>14,773,788</b>	<b>10,878,585</b>
Increase (decrease) in Net Assets Before Transfers	4,168,030	4,265,017	1,291,339	(134,089)	5,459,369	4,130,928
Transfers	49,193	(319,158)	(49,193)	319,158	-	-
<b>Change in Net Assets</b>	<b>4,217,223</b>	<b>3,945,859</b>	<b>1,242,146</b>	<b>185,069</b>	<b>5,459,369</b>	<b>4,130,928</b>
Net Assets, July 1(restated)	17,018,393	13,060,294	8,186,925	7,915,185	25,205,318	20,975,479
Prior Period Adjustments				86,672		86,672
<b>Net Assets, June 30</b>	<b>\$ 21,235,616</b>	<b>\$ 17,006,153</b>	<b>\$ 9,429,071</b>	<b>\$ 8,186,926</b>	<b>\$ 30,664,687</b>	<b>\$ 25,193,079</b>

July 1 net assets are restated due to a \$12,240 reduction in deferred revenue (a liability) not included in the June 30, 2008 financial statements

## Revenue

Total revenue for the year ended June 30, 2009 increased 34.8% to \$20.2 million. Charges for services increased \$1.9 million due to increases in revenue for administrative services and water and sewer rates. In addition, capital grants and contributions increased \$2.6 million primarily due to grants for the Downtown Streetscape and Pudding Creek Force Main projects.

Operating grants for governmental activities furnished resources to support three of the City's functions: community development (62.4%), public safety (20.9%) and public works (16.5%).

## Expenses

Total expenses, before special items and transfers, were \$14.7 million, an increase of 35.8%. General government increased 18.5% and public safety increased 1.6%. Fiscal year 2008 expenses for Public Works are shown as \$970,273, the audited total for 2008. Due to a change in accounting methods in 2009 the current year end total appears to have increased significantly. To more effectively evaluate the year over year change in Public Works expenses the 2008 total can be recalculated using the new accounting method. This

calculation is similar to using an inflation index to better compare prices from one year to the next. The result allows a comparison based on equal value. Using this method the 2008 Public Works expenses total \$1.7 million. Fiscal year 2009 Public Works expenses were \$1.8 million, an increase of 8.5%. Overall expenses recalculated for 2008 total \$14.0 million, an increase in 2009 of 29.0%.

### **Governmental Activities**

Governmental activities increased the City's net assets \$4.2 million, thereby accounting for 77.2% of the total growth in the net assets. As of the end of the current fiscal year, the City's governmental funds reported combined ending balances of \$6.8 million, a decrease of \$1.8 million. Restricted and reserved funds account for more than half of the net assets with a combined total of \$5.2 million (76.2%).

Governmental revenues totaled \$14.6 million, an increase of 28.8%. The City's largest governmental revenue source, excluding grants, is sales tax which accounts for 18.1% of total revenues. Property tax is the next largest governmental revenue source making up 15.3% of total revenues. Transient occupancy tax (TOT) revenues decreased 3.9% to \$1.49 million. TOT revenues represent 10.1% of the FY2009 revenues.

Total governmental expenses increased 47.4% to \$10.4 million. Operating expenses increased by 8.5%. The remainder of the increase is primarily grant and capital project funded activity.

### **Business-Type Activities**

The City of Fort Bragg maintains two different types of proprietary funds; enterprise funds and internal service funds. The City uses enterprise funds to account for its water and wastewater operations and internal service funds to account for facilities and technology maintenance and repairs

Revenues of the City's business-type activities totaled \$5.4 million, an increase of 60.3%. Grant revenue provided 73.8% of the increase. Business-type expenses increased approximately 13.8% to \$4.2 million. Unrestricted net assets totaled \$2.2 million.

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

## **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

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

### **Governmental funds**

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the undesignated fund balance of the General Fund was \$2.5 million, an increase of \$416,714. 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 to ensure adequate reserves for cash flow purposes. The current operating reserve level is \$1.4 million. In addition, the Council has established a \$500,000 capital reserve and a \$300,000 litigation reserve.

General Fund revenues increased 28.8% to \$7.4 million, primarily due to increases in revenue for administrative services. General Fund expenses increased 24.6% to \$7.0 million. A portion of the increase was related to capital projects and the remainder is primarily due to an increase in the cost of salaries and benefits.

The Redevelopment Agency Project Fund balance increased 5.2% to \$1.1 million. The Redevelopment Agency Low & Moderate Income Housing Fund balance increased 5.3% to \$1.4 million. The Agency revenues were \$1.38 million, a decrease of 2.0%. The decline primarily reflects an increase in the passthrough revenues to the County that began in 2008. Two factors will likely negatively affect future Redevelopment Agency revenues: 1) the anticipated success of Georgia Pacific's appeal for a reassessment of the mill site; and 2) modification to the Unitary Debt Service allocation factors applied by the County Auditor.

### **Proprietary Funds**

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

The City accounts for the construction and maintenance of City waterworks in the Water Enterprise Fund. Water use rates and fees are set by the City Council to recover actual costs of operating and maintaining the system. Rates and fees were adjusted by the City Council effective August 1, 2008. The Water Enterprise revenues charges for service increased 6.6% to \$2.0 million. Operating expenses for the Water Enterprise increased 9.8%, totaling \$1.7 million for the year.

Net operating income for the Water Enterprise was \$255,910 before non-operating expenses and transfers. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$548,839 net cash provided by operating activities

Financial activities of the Fort Bragg Municipal Improvement District's (MID) sewer system serving the City are reported in the Wastewater Enterprise Fund (see also separate audited financial statements of the MID). Sewer service rates and fees are set by the City Council sitting as the District's Board of Directors to recover actual costs of operating and maintaining the system. Rates and fees were adjusted effective August 1, 2008. Total revenues from charges for service for the Municipal Improvement District were \$1.9 million, an increase of 28.4%.

Net operating income for the Municipal Improvement District was a loss of \$272,194. Reconciling operating income to a cash basis (primarily adjusting out non-cash depreciation and amortization) resulted in \$20,594 net cash provided by operating activities.

Capital grants and contributions provided \$1.5 million additional revenues to the Municipal Improvement District, increasing the total revenues to \$3.4 million. The costs of corresponding capital improvements are reported as capital assets in the statement of net assets rather than as expenses in the statement of activities

Total unrestricted net assets of the enterprise funds at the end of the year amounted to \$2.2 million. The Water Enterprise unrestricted net assets at June 30, 2009 total \$2.5 million, an increase of 3.0%. The deficit in the unrestricted net assets of the Municipal Improvement District fund decreased 7.1% to (\$339,694).

### **Capital Asset and Debt Administration**

The capital assets of the City are those assets that are used in the performance of the City's functions. At June 30, 2009, the City of Fort Bragg's net capital assets for its government and business-type activities totaled \$31.8 million (net of depreciation). The investment in capital assets includes land, easements, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress. Net change to capital assets of the City is an increase of \$6.0 million.

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

- Downtown Streetscape, East/West Streets
- City Hall Renovation
- Pudding Creek Force Main
- Safe Routes to School Phase I
- Rubberized Chip Seal
- Street Rehabilitation Phase III

**SCHEDULE OF CAPITAL ASSETS (net of depreciation)**

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,945,227	\$ 2,945,227	\$ 285,079	\$ 285,079	\$ 3,230,306	\$ 3,230,306
Buildings	1,918,935	1,313,187	2,177,481	2,250,340	4,096,416	3,563,527
Equipment and Improvements	448,911	491,235	4,147,423	4,297,136	4,596,334	4,788,371
Utility Plant			5,497,305	4,443,750	5,497,305	4,443,750
Infrastructure	9,287,931	9,626,339			9,287,931	9,626,339
Construction in Progress	5,060,993	170,440	122,189	-	5,183,182	170,440
<b>Total Capital Assets</b>	<b>\$ 19,661,997</b>	<b>\$ 14,546,428</b>	<b>\$ 12,229,477</b>	<b>\$ 11,276,305</b>	<b>\$ 31,891,474</b>	<b>\$ 25,822,733</b>

Additional information about the City's capital assets is presented in Note 3B on pages 29 and 30.

**Long-Term Debt**

At June 30, 2009, total City debt outstanding was \$12.6 million, a decrease of \$603,892 (4.5%). Governmental debt decreased \$198,774 and Business-type debt decreased \$405,118. Each of the City's debt issues is discussed in detail in Note 3E beginning on page 32.

**Outstanding Debt**

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Bonds Payable	\$ 4,299,256	\$ 4,365,277	\$ 3,849,375	\$ 4,043,541	\$ 8,148,631	\$ 8,408,818
Loans Payable			1,801,645	1,908,723	1,801,645	1,908,723
Capital Leases	1,390,491	1,544,639	878,150	982,024	2,268,641	2,526,663
Other	456,492	435,097			456,492	435,097
	<b>\$ 6,146,239</b>	<b>\$ 6,345,013</b>	<b>\$ 6,529,170</b>	<b>\$ 6,934,288</b>	<b>\$ 12,675,409</b>	<b>\$ 13,279,301</b>

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

The most significant factor affecting the City of Fort Bragg's current fiscal year and its financial outlook over the next several years is the impact of the current economic downturn on local revenues. As a tourist destination, two of the City's largest General Fund revenue sources, sales tax and the transient occupancy tax (TOT), are directly impacted by economic swings. Historically, during economic downturns, the City has experienced a more moderate decline in these revenues than other localities. However, first quarter results for fiscal year 2010 show a decline of 26% in the City's sales tax revenues and a 13% decline in TOT compared to the same period in fiscal year 2009.

There is still a fair amount of uncertainty at the national and state level as to when and to what degree economic conditions will return to normal levels. California's unemployment rate rose to 12.5% in October and the rate in November for the City of Fort Bragg was 13.1%. In general, unemployment rates affect consumer

spending which is a critical driver of economic health, particularly in Fort Bragg given the number of restaurants, hotels and small retail outlets making up its economic base. Economic reports and forecasts indicate that jobless rates will likely remain at double-digits nationally through at least the middle of 2010.

The budget problems at the State level continue to be a major concern for the City. While Proposition 1A provides some protection against raids on local revenues, the magnitude of the State's deficit raises the likelihood that the State will look for new and creative ways to redirect local revenues to its benefit. The General Fund operating reserve makes it possible for the City to maintain an adequate cash flow during those times that the State "borrows" local revenues and defers State allocations and disbursements. However, the deficits caused by the State diverting City revenues with no plan for repayment can not be offset with reserve funds.

In preparing the FY 2009-2010 Budget, management gave careful consideration to the possible impact of the economic climate and the State of California budget problems. The overall strategy in the development of the budget was to continue to take a conservative approach in estimating future tax revenues, especially those received from the State, and to contain expenditures to the maximum extent possible while maintaining the existing programs and levels of service. All non-essential equipment purchases or maintenance projects were postponed until mid-year when expenditures and revenue assumptions could be reassessed. A concerted effort was made to fund as much capital outlay and non-routine facility maintenance as possible through outside sources such as grants. However, based on the first quarter results, it is imperative that the revenue projections be revised to reflect the substantial decline and cost containment measures be implemented to ensure the financial stability of the various City funds. By developing budget correction strategies and carefully monitoring both revenues and expenditures, management will be prepared to quickly react to changes in the economy throughout the remainder of fiscal year 2010 and development of the fiscal year 2011 budget.

## **REQUESTS FOR INFORMATION**

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

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

**CITY OF FORT BRAGG**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Investments	\$ 6,114,845	\$ 3,367,272	\$ 9,482,117
Cash With Fiscal Agent:			
Restricted	312,935	108,065	421,000
Receivables	2,896,101	413,790	3,309,891
Loans Receivable	185,056		185,056
Internal Balances	42,692	(42,692)	
Inventory		92,921	92,921
Noncurrent Assets:			
Deferred Charges	124,193	148,444	272,637
Capital Assets:			
Nondepreciable	8,006,220	407,268	8,413,488
Depreciable (net of accumulated depreciation)	<u>11,655,777</u>	<u>11,822,209</u>	<u>23,477,986</u>
Total Assets	<u>29,337,819</u>	<u>16,317,277</u>	<u>45,655,096</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable and Other Current Liabilities	1,650,920	173,450	1,824,370
Deposits Payable and Deferred Revenue	74,798	132,784	207,582
Deferred Loans Revenue	185,056		185,056
Accrued Interest Payable	45,190	52,801	97,991
Noncurrent Liabilities:			
Due Within One Year	269,533	446,081	715,614
Due In More Than One Year	<u>5,876,706</u>	<u>6,083,090</u>	<u>11,959,796</u>
Total Liabilities	<u>8,102,203</u>	<u>6,888,206</u>	<u>14,990,409</u>
<b><u>NET ASSETS</u></b>			
Invested In Capital Assets (net of related debt)	13,861,506	7,170,430	21,031,936
Restricted For:			
Debt Service	312,935		312,935
Other Purposes		35,000	35,000
Unrestricted	<u>7,061,175</u>	<u>2,223,641</u>	<u>9,284,816</u>
Total Net Assets	<u>\$ 21,235,616</u>	<u>\$ 9,429,071</u>	<u>\$ 30,664,687</u>



**CITY OF FORT BRAGG  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>FUNCTIONS/PROGRAMS</u>	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	\$ 1,886,173	\$ 2,306,435			\$ 420,262		\$ 420,262
Public Safety	3,386,609	133,193	\$ 230,950		(3,022,466)		(3,022,466)
Public Works	1,845,725	49,897	182,228	\$ 2,361,373	747,773		747,773
Planning	469,796	97,027	43,049		(329,720)		(329,720)
Community Development	2,452,113	90,821	644,338	1,311,319	(405,635)		(405,635)
Shared Expenditures	127,104				(127,104)		(127,104)
Interest and Fiscal Charges	323,089				(323,089)		(323,089)
Total Governmental Activities	10,490,609	2,677,373	1,100,565	3,672,692	(3,039,979)	-	(3,039,979)
Business-Type Activities:							
Water	2,049,981	2,041,857				(8,124)	(8,124)
Wastewater	2,233,198	1,929,271	288,358	1,239,278		1,223,709	1,223,709
Total Business-Type Activities	4,283,179	3,971,128	288,358	1,239,278	-	1,215,585	1,215,585
Total	\$ 14,773,788	\$ 6,648,501	\$ 1,388,923	\$ 4,911,970	(3,039,979)	1,215,585	(1,824,394)
General Revenues:							
Taxes:							
Property					2,248,723	3,627	2,252,350
Sales					2,656,956		2,656,956
Transient Occupancy					1,492,134		1,492,134
Franchise					494,816		494,816
Business License					227,556		227,556
Other					46,802		46,802
Unrestricted Investment Earnings					41,022	72,127	113,149
Transfers					49,193	(49,193)	
Total General Revenues and Transfers					7,257,202	26,561	7,283,763
Change In Net Assets					4,217,223	1,242,146	5,459,369
Net Assets, July 1, as restated					17,018,393	8,186,925	25,205,318
Net Assets, June 30					\$ 21,235,616	\$ 9,429,071	\$ 30,664,687

**CITY OF FORT BRAGG  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<b>General</b>	<b>Redevelopment Agency Project Area</b>	<b>RDA Low &amp; Moderate Housing</b>	<b>Rubberized Chip Seal</b>	<b>Downtown Streetscape Phase III</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<u>ASSETS</u>							
Cash and Investments	\$ 999,523	\$ 1,039,233	\$ 1,397,464	\$ 195,687		\$ 2,311,125	\$ 5,943,032
Cash and Investments With Fiscal Agent						312,935	312,935
Receivables:							
Taxes		74,726	18,682			130,790	224,198
Accounts	798,723	1,557				72,878	873,158
Grants					\$ 879,769	900,287	1,780,056
Interest	9,343	2,709	3,231			3,406	18,689
Loans						185,056	185,056
Advances To Other Funds		42,692					42,692
Due From Other Funds	1,319,308						1,319,308
<b>Total Assets</b>	<b>\$ 3,126,897</b>	<b>\$ 1,160,917</b>	<b>\$ 1,419,377</b>	<b>\$ 195,687</b>	<b>\$ 879,769</b>	<b>\$ 3,916,477</b>	<b>\$ 10,699,124</b>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 358,559	\$ 208	\$ 1,111	\$ 27,500	\$ 546,831	\$ 312,015	\$ 1,246,224
Contract Retentions		7,110		174,301	164,051	16,823	362,285
Deposits Payable	74,798						74,798
Deferred Loan Revenue						185,056	185,056
Deferred Revenue					392,441	247,590	640,031
Due To Other Funds					646,398	672,910	1,319,308
<b>Total Liabilities</b>	<b>433,357</b>	<b>7,318</b>	<b>1,111</b>	<b>201,801</b>	<b>1,749,721</b>	<b>1,434,394</b>	<b>3,827,702</b>
Fund Balance:							
Reserved	80,178	28,311	1,418,266			573,457	2,100,212
Unreserved:							
Designated	31,938					211,226	243,164
Unreserved - Undesignated, Reported In:							
General Fund	2,581,424						2,581,424
Special Revenue Funds		1,125,288				1,334,850	2,460,138
Capital Projects Funds				(6,114)	(869,952)	362,550	(513,516)
<b>Total Fund Balance</b>	<b>2,693,540</b>	<b>1,153,599</b>	<b>1,418,266</b>	<b>(6,114)</b>	<b>(869,952)</b>	<b>2,482,083</b>	<b>6,871,422</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,126,897</b>	<b>\$ 1,160,917</b>	<b>\$ 1,419,377</b>	<b>\$ 195,687</b>	<b>\$ 879,769</b>	<b>\$ 3,916,477</b>	<b>\$ 10,699,124</b>

**CITY OF FORT BRAGG  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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

Total Fund Balances	\$	6,871,422
Internal service funds are used by management to charge the costs of facilities and technology maintenance and repair. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		129,402
Revenue recognition timing differences between modified accrual basis and accrual basis accounting		640,031
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	\$ 94,839	
2005 WestAmerica Lease - Landfill Closure	<u>29,354</u>	124,193
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	\$ 23,737,079	
Less: Accumulated depreciation	<u>(4,075,082)</u>	19,661,997
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	\$ (4,410,000)	
Less: Original Issue Discount (will be amortized)	89,178	
2005 WestAmerica Lease - Landfill Closure	(1,292,629)	
Capital Lease Obligations	(97,862)	
Refunding Loss (will be amortized):		
2004 Tax Allocation Bonds	21,566	
2005 WestAmerica Lease - Landfill Closure	72,513	
Liability For Landfill Closure and Post-Closure Costs	(159,939)	
Accrued interest payable	(45,190)	
Compensated absences	<u>(369,066)</u>	<u>(6,191,429)</u>
<b>Net Assets Of Governmental Activities</b>	<b>\$</b>	<b><u>21,235,616</u></b>

**CITY OF FORT BRAGG**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<u>REVENUES</u>	<u>General</u>	<u>Redevelopment Agency Project Area</u>	<u>RDA Low &amp; Moderate Housing</u>	<u>Rubberized Chip Seal</u>	<u>Downtown Streetscape Phase III</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes:							
Property	\$ 900,713	\$ 1,078,408	\$ 269,602				\$ 2,248,723
Sales	1,760,347					\$ 896,609	2,656,956
Transient Occupancy	1,492,134						1,492,134
Franchise	494,816						494,816
Business License	227,556						227,556
Other						46,802	46,802
Licenses and Permits	23,853					20,430	44,283
Fines and Forfeitures	12,800					96,517	109,317
Use of Money and Property	41,022	17,485	23,355			75,986	157,848
Intergovernmental	156,481			\$ 110,781	\$ 947,679	2,946,348	4,161,289
Charges for Services	60,060					9,850	69,910
Other Revenue	2,305,814				3,160		2,308,974
<b>Total Revenues</b>	<b>7,475,596</b>	<b>1,095,893</b>	<b>292,957</b>	<b>110,781</b>	<b>950,839</b>	<b>4,092,542</b>	<b>14,018,608</b>
<u>EXPENDITURES</u>							
Current:							
General Government	1,972,638						1,972,638
Public Safety	3,135,113					82,158	3,217,271
Public Works	1,249,673					290,369	1,540,042
Planning	440,897						440,897
Community Development		451,972	154,134			1,846,007	2,452,113
Shared Expenditures		127,104					127,104
Debt Service:							
Principal Retirement	154,148					70,000	224,148
Interest and Fiscal Charges	63,678					240,180	303,858
Capital Outlay	45,880	7,792		1,846,443	1,832,841	1,914,717	5,647,673
<b>Total Expenditures</b>	<b>7,062,027</b>	<b>586,868</b>	<b>154,134</b>	<b>1,846,443</b>	<b>1,832,841</b>	<b>4,443,431</b>	<b>15,925,744</b>
Excess (Deficiency) of Revenues Over Expenditures	413,569	509,025	138,823	(1,735,662)	(882,002)	(350,889)	(1,907,136)
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In	320,957	36,049		285,913	12,050	968,052	1,623,021
Transfers Out	(337,424)	(312,565)	(66,449)	(55,956)		(801,434)	(1,573,828)
<b>Total Other Financing Sources (Uses)</b>	<b>(16,467)</b>	<b>(276,516)</b>	<b>(66,449)</b>	<b>229,957</b>	<b>12,050</b>	<b>166,618</b>	<b>49,193</b>
<b>Net Change In Fund Balances</b>	<b>397,102</b>	<b>232,509</b>	<b>72,374</b>	<b>(1,505,705)</b>	<b>(869,952)</b>	<b>(184,271)</b>	<b>(1,857,943)</b>
Fund Balance, July 1	2,296,438	921,090	1,345,892	1,499,591	-	2,666,354	8,729,365
<b>Fund Balance, June 30</b>	<b>\$ 2,693,540</b>	<b>\$ 1,153,599</b>	<b>\$ 1,418,266</b>	<b>\$ (6,114)</b>	<b>\$ (869,952)</b>	<b>\$ 2,482,083</b>	<b>\$ 6,871,422</b>

**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, 2009**

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

Net Change in Fund Balances - Total Governmental Funds	\$	(1,857,943)
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Internal service funds are used by management to charge the costs of facilities and technology maintenance and repair. The net revenue of certain activities of internal service funds is reported with governmental activities.		129,402
--	--	---------

Revenue recognition timing differences between modified accrual basis and accrual basis accounting		640,031
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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	\$ 5,708,601		
Depreciation expense	<u>(593,034)</u>		5,115,567

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	116,196		
Capital Lease - Police vehicles	<u>63,072</u>		249,268

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	\$ (39,873)		
Accrued interest	(2,513)		
Amortization of issuance costs	(6,095)		
Amortization of bond discount	(3,204)		
Amortization of refunding loss	<u>(7,417)</u>		(59,102)

<b>Change In Net Assets Of Governmental Activities</b>		<b><u>\$ 4,217,223</u></b>
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**CITY OF FORT BRAGG  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009**

	<b>Business-Type Activities Enterprise Funds</b>			<b>Governmental Activities Internal Service Funds</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>	
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and Investments	\$ 3,183,183	\$ 184,089	\$ 3,367,272	\$ 171,813
Cash With Fiscal Agent	108,064	1	108,065	
Receivables:				
Accounts (net)	209,074	195,379	404,453	
Interest	8,941	396	9,337	
Due From Other Funds	563,554		563,554	
Inventory	80,750	12,171	92,921	
<b>Total Current Assets</b>	<b>4,153,566</b>	<b>392,036</b>	<b>4,545,602</b>	<b>171,813</b>
Noncurrent Assets:				
Debt Issuance Costs (net)	118,710	29,734	148,444	
<b>Total Noncurrent Assets</b>	<b>118,710</b>	<b>29,734</b>	<b>148,444</b>	<b>-</b>
Capital Assets:				
Nondepreciable	294,277	112,991	407,268	
Depreciable	9,578,271	13,120,856	22,699,127	
Accumulated Depreciation	(5,308,265)	(5,568,653)	(10,876,918)	
<b>Total Capital Assets (Net)</b>	<b>4,564,283</b>	<b>7,665,194</b>	<b>12,229,477</b>	<b>-</b>
<b>Total Assets</b>	<b>8,836,559</b>	<b>8,086,964</b>	<b>16,923,523</b>	<b>171,813</b>
<b><u>LIABILITIES</u></b>				
Current Liabilities:				
Accounts Payable	60,934	36,757	97,691	42,411
Contract Retentions	2,174		2,174	
Accrued Compensated Absences		73,585	73,585	
Accrued Interest Payable	45,155	7,646	52,801	
Customer Deposits	123,344		123,344	
Deferred Revenues	7,210	2,230	9,440	
Due To Other Funds		563,554	563,554	
Advances From Other Funds		42,692	42,692	
Current Portion of Long-Term Debt	391,582	54,499	446,081	
<b>Total Current Liabilities</b>	<b>630,399</b>	<b>780,963</b>	<b>1,411,362</b>	<b>42,411</b>
Noncurrent Liabilities:				
Capital Lease Obligation	748,882	20,265	769,147	
1998A Bonds		420,000	420,000	
2004 Water Bonds	3,199,375		3,199,375	
DWR Safe Drinking Water Loan	1,694,568		1,694,568	
<b>Total Noncurrent Liabilities</b>	<b>5,642,825</b>	<b>440,265</b>	<b>6,083,090</b>	<b>-</b>
<b>Total Liabilities</b>	<b>6,273,224</b>	<b>1,221,228</b>	<b>7,494,452</b>	<b>42,411</b>
<b><u>NET ASSETS</u></b>				
Invested in Capital Assets (net of related debt)		7,170,430	7,170,430	
Restricted for Wastewater Fine		35,000	35,000	
Unrestricted	2,563,335	(339,694)	2,223,641	129,402
<b>Total Net Assets</b>	<b>\$ 2,563,335</b>	<b>\$ 6,865,736</b>	<b>\$ 9,429,071</b>	<b>\$ 129,402</b>

**CITY OF FORT BRAGG**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Business-Type Activities</b>			<b>Governmental Activities Internal Service Funds</b>
	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>	
Operating Revenues:				
Charges for Services	\$ 2,040,792	\$ 1,929,071	\$ 3,969,863	
Incoming Provisions				\$ 284,555
<b>Total Operating Revenues</b>	<b>2,040,792</b>	<b>1,929,071</b>	<b>3,969,863</b>	<b>284,555</b>
Operating Expenses:				
Personnel Services	854,034	1,488,952	2,342,986	
Administration	307,939	94,907	402,846	
Supplies and Materials	108,851	133,483	242,334	
Insurance	46,555	63,265	109,820	
Outside Contractors	40,806	22,880	63,686	
Maintenance	95,715	94,182	189,897	155,153
Utilities	38,053	10,808	48,861	
Depreciation and Amortization	292,929	292,788	585,717	
<b>Total Operating Expenses</b>	<b>1,784,882</b>	<b>2,201,265</b>	<b>3,986,147</b>	<b>155,153</b>
<b>Net Operating Income</b>	<b>255,910</b>	<b>(272,194)</b>	<b>(16,284)</b>	<b>129,402</b>
Nonoperating Income (Expenses):				
Taxes		3,627	3,627	
Intergovernmental		1,527,636	1,527,636	
Investment Earnings	71,211	916	72,127	
Other Nonoperating Revenue	1,065	200	1,265	
Interest and Other Charges	(265,099)	(31,933)	(297,032)	
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(192,823)</b>	<b>1,500,446</b>	<b>1,307,623</b>	<b>-</b>
Income (Loss) Before Operating Transfers	63,087	1,228,252	1,291,339	129,402
Transfers In	59,000		59,000	
Transfers Out	(46,200)	(61,993)	(108,193)	
<b>Change In Net Assets</b>	<b>75,887</b>	<b>1,166,259</b>	<b>1,242,146</b>	<b>129,402</b>
Net Assets, July 1,	2,487,448	5,699,477	8,186,925	-
<b>Net Assets, June 30</b>	<b>\$ 2,563,335</b>	<b>\$ 6,865,736</b>	<b>\$ 9,429,071</b>	<b>\$ 129,402</b>

**CITY OF FORT BRAGG  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Business-Type Activities Enterprise Funds</b>			<b>Governmental Activities Internal Service Funds</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>	
Cash Flows From Operating Activities:				
Receipts From Customers and Users	\$ 2,149,522	\$ 2,000,356	\$ 4,149,878	
Receipts From Interfund Services Provided				\$ 284,555
Payments to Employees	(854,947)	(1,476,249)	(2,331,196)	
Payments to Suppliers	(617,148)	(415,797)	(1,032,945)	(112,742)
Net Cash Provided (Used) By Operating Activities	<u>677,427</u>	<u>108,310</u>	<u>785,737</u>	<u>171,813</u>
Cash Flows From Noncapital Financing Activities:				
Taxes		3,627	3,627	
Other Nonoperating Revenue	1,065	200	1,265	
Due From (To) Other Funds	201,204	(201,204)	-	
Transfers	12,800	226,365	239,165	
Net Cash Provided (Used) By Noncapital Financing Activities	<u>215,069</u>	<u>28,988</u>	<u>244,057</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:				
Interest and Other Charges	(248,203)	(29,932)	(278,135)	
Principal Payments on Capital Lease	(85,458)	(18,415)	(103,873)	
Principal Payments on Safe Drinking Water Loan	(107,077)		(107,077)	
Principal Payments on Bonds		(35,000)	(35,000)	
Principal Payments on COP's	(195,000)		(195,000)	
Capital Expenditures	(133,357)	(140,250)	(273,607)	
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(769,095)</u>	<u>(223,597)</u>	<u>(992,692)</u>	<u>-</u>
Cash Flows From Investing Activities:				
Interest on Investments	88,986	520	89,506	
Net Cash Provided (Used) By Investing Activities	<u>88,986</u>	<u>520</u>	<u>89,506</u>	<u>-</u>
Net Increase (Decrease) In Cash	212,387	(85,779)	126,608	171,813
Cash Balance, July 1	3,078,860	269,869	3,348,729	-
<b>Cash Balance, June 30</b>	<b><u>\$ 3,291,247</u></b>	<b><u>\$ 184,090</u></b>	<b><u>\$ 3,475,337</u></b>	<b><u>\$ 171,813</u></b>
Cash Balances Reported on Statement of Net Assets as:				
Cash and Investments	\$ 3,183,183	\$ 184,089	\$ 3,367,272	\$ 171,813
Cash With Fiscal Agent	108,064	1	108,065	
<b>Cash Balance, June 30</b>	<b><u>\$ 3,291,247</u></b>	<b><u>\$ 184,090</u></b>	<b><u>\$ 3,475,337</u></b>	<b><u>\$ 171,813</u></b>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 255,910	\$ (272,194)	\$ (16,284)	\$ 129,402
Adjustments to Reconcile Operating Income to Net Cash Provided (Used):				
Depreciation and Amortization	292,929	292,788	585,717	
Changes in Assets and Liabilities:				
Decrease (Increase) in Receivables	104,219	71,285	175,504	
Decrease (Increase) in Inventory	(6,472)	223	(6,249)	
Increase (Decrease) in Accounts Payable	25,069	3,505	28,574	42,411
Increase (Decrease) in Other Liabilities	5,772	12,703	18,475	
Net Cash Provided (Used) By Operating Activities	<u>\$ 677,427</u>	<u>\$ 108,310</u>	<u>\$ 785,737</u>	<u>\$ 171,813</u>
Noncash Transactions:				
Amortized Debt Issues Costs	\$ 8,331	\$ 3,214	\$ 11,545	
Amortized Debt Issues Premium	3,901		3,901	
Amortized Deferred Refunding Loss	39,735		39,735	



# CITY OF FORT BRAGG

## Notes to Financial Statements June 30, 2009

### 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, 416 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, 2009

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

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.

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

Rubberized Chip Seal Fund - This capital projects fund is used to account for the financing and costs associated with chip sealing the roads in the City.

Downtown Streetscape Phase III Project Fund - This capital projects fund is used to account for the financing and costs associated with improvements made to the Downtown Area for Streetscape Projects.

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.

Additionally, the government reports the following fund types:

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

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

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

# CITY OF FORT BRAGG

## Notes to Financial Statements June 30, 2009

### 1) Summary of Significant Accounting Policies (continued)

#### C) **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 *non-operating* 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 non-operating revenues and expenses.

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

#### Change in Financial Statement Presentation

During the year the City established two (2) new non-major internal service funds – the Facilities Maintenance and Repair Fund and the Technology Maintenance and Repair Fund. The new funds were created to account for facilities maintenance and repairs and technology maintenance and repairs provided to other departments or agencies of the City, on a cost reimbursement basis.

#### D) **Assets, Liabilities, and Net Assets or Equity**

##### 1) Cash and Investments

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

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

##### 2) Receivables and Payables

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

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

Property taxes for the current year were attached as an enforceable lien as of January 1, 2008, and were levied on July 1, 2008. 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, 2009, were \$185,056.

CITY OF FORT BRAGG

Notes to Financial Statements  
June 30, 2009

1) Summary of Significant Accounting Policies (continued)

D) Assets, Liabilities, and Net Assets or Equity (continued)

3) Inventory and Prepaid Items

Inventories are valued at lower of cost(first-in, first-out) or market. Inventory for the year ended June 30, 2009 was \$92,921.

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, 2009, 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, 2009

### 1) Summary of Significant Accounting Policies (continued)

#### D) 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, 2009**

**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 \$9,156,375 were necessary citywide.

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

**B) Excess of Expenditures Over Appropriations**

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

Rubberized Chip Seal Project	\$ (37,784)
Todd Point Traffic Enhancement	(957)
Police Asset Seizure Revenue	(50,291)
Street Rehabilitation Phase III	(20,887)

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, 2009. 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 funds' activities to ensure improved financial position. The deficits do not represent a significant financial burden.

Special Revenue Funds:	
ADA Curbs and Gutters	\$ 80,936
OWP Grant	45
Waste Water Collection Facilities EDBG 2608	240
Coastal Conservancy Grant	35,619
Safe Routes to School	145,709
CDBG General Allocations Grant	4,057
CDBG PT/A	6,805
Coastal Trail CalTrans Grant	24,346
CDBG Economic Development Allocation	555
Capital Projects Funds:	
Rubberized Chip Seal Project	6,114
Downtown Streetscape Phase III	869,952
Street Rehabilitation Phase III	26,207
Otis Johnson Park Renovations	2,315
Bainbridge Park Improvements	18,855

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**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	\$ 9,482,117
Restricted cash with fiscal agent	421,000
Total Cash and Investments	<u>\$ 9,903,117</u>

Cash and investments consist of the following:

Cash on hand	\$ 1,998
Deposits with financial institutions	1,608,415
Investments:	
Local Agency Investment Fund	7,871,704
Fiscal agents	421,000
Total Cash and Investments	<u>\$ 9,903,117</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

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.

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**3) Detailed Notes on All Funds (continued)**

**A) Cash and Investments (continued)**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2009, 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) Held With Fiscal Agent:	\$7,871,704	\$7,871,704		0.42
Money market	108,064	108,064		n/a
Guaranteed investment contract	312,936	312,936	\$312,936	30.83
<b>Total</b>	<b>\$8,292,704</b>	<b>\$8,292,704</b>	<b>\$312,936</b>	<b>1.56</b>

**Credit Risk**

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

**Custodial Credit Risk**

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

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

**Investment in State Investment Pool**

The Local Agency Investment Pool (LAIF) is a special fund of the California State Treasury through which local governments may pool investments. The City may invest up to \$40,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Funds deposited in LAIF are invested in accordance with Government Code Sections 16430 and 16480. Oversight of LAIF is provided by the Pooled Money 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, 2009**

**3) Detailed Notes on All Funds (continued)**

**B) Capital Assets (unaudited)**

Governmental capital assets activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 2,945,227			\$ 2,945,227
Construction in progress	170,440	\$ 5,601,795	\$ 711,242	5,060,993
Total Nondepreciable Capital Assets	3,115,667	5,601,795	711,242	8,006,220
<b>Depreciable Capital Assets:</b>				
Buildings	3,723,678	711,242		4,434,920
Machinery and equipment	1,036,884	106,808		1,143,692
Infrastructure	10,152,247			10,152,247
Total Depreciable Capital Assets	14,912,809	818,050	-	15,730,859
<b>Less: Accumulated Depreciation:</b>				
Buildings	(2,410,491)	(105,494)		(2,515,985)
Machinery and equipment	(545,649)	(149,132)		(694,781)
Infrastructure	(525,908)	(338,408)		(864,316)
Total Accumulated Depreciation	(3,482,048)	(593,034)	-	(4,075,082)
Depreciable Capital Assets, net	11,430,761	225,016	-	11,655,777
Governmental Activities Capital Assets, net	\$ 14,546,428	\$ 5,826,811	\$ 711,242	\$ 19,661,997

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

General government	\$ 65,533
Public safety	159,065
Public works	368,436
Total Depreciation Expense - Governmental Activities	\$ 593,034

Business-type capital assets activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 285,079			\$ 285,079
Construction in progress	5,406	\$ 142,788	\$ 26,005	122,189
Total Nondepreciable Capital Assets	290,485	142,788	26,005	407,268
<b>Depreciable Capital Assets:</b>				
Buildings	4,023,673			4,023,673
Utility plant	7,318,069	1,239,277		8,557,346
Machinery and equipment	9,935,279	182,829		10,118,108
Total Depreciable Capital Assets	21,277,021	1,422,106	-	22,699,127
<b>Less: Accumulated Depreciation:</b>				
Buildings	(1,773,333)	(72,859)		(1,846,192)
Utility plant	(2,879,725)	(180,316)		(3,060,041)
Machinery and equipment	(5,638,143)	(332,542)		(5,970,685)
Total Accumulated Depreciation	(10,291,201)	(585,717)	-	(10,876,918)
Depreciable Capital Assets, net	10,985,820	836,389	-	11,822,209
Business-Type Activities Capital Assets, net	\$ 11,276,305	\$ 979,177	\$ 26,005	\$ 12,229,477

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**3) Detailed Notes on All Funds (continued)**

**B) Capital Assets (unaudited) – (continued)**

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

Water	\$ 292,929
Wastewater	<u>292,788</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 585,717</u></u>

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

The composition of Interfund balances and transfers within the City's fund financial statements as of June 30, 2009, is as follows:

<u>Due From(To) Other Funds</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1,319,308	
Downtown Streetscape Phase III		\$ 646,398
Nonmajor special revenue funds:		
Safe Routes To School		27,862
ADA Curbs and Gutters		194,328
OWP Grants		45
Clean Beaches Grant		121,766
Coastal Conservancy		35,619
CDBG General Allocation Grant		12,701
COPS AB 1913 Allocation		46,675
CDBG Economic Development Allocation Grant		20,441
Waste Water Collection Facilities EDBG 2608		36,716
CDBG PT/A		75,840
Nonmajor capital projects funds:		
Bainbridge Park Improvements		18,480
Railroad Crossing Rehabilitation Project		9,300
Street Rehabilitation Phase III ST-18		73,074
Otis Johnson Park Renovations		63
Proprietary Funds:		
Water	563,554	
Waste Water		<u>563,554</u>
Total Due To (From) Other Funds	<u><u>\$ 1,882,862</u></u>	<u><u>\$ 1,882,862</u></u>
<u>Advances To(From) Other Funds</u>	<u>Advances To</u>	<u>Advances From</u>
Redevelopment Agency Project Area	\$ 42,692	
Waste Water		<u>\$ 42,692</u>
Total Advances To(From)	<u><u>\$ 42,692</u></u>	<u><u>\$ 42,692</u></u>

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, 2009.

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**3) Detailed Notes on All Funds (continued)**

**C) Interfund Receivables, Payables, and Transfers (continued)**

The following table summarizes the operating transfers made between funds for the year ended June 30, 2009:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General Fund	\$ 320,957	\$ 337,424
Redevelopment Agency Project Area	36,049	312,565
Redevelopment Agency Low and Moderate Housing		66,449
Rubberized Chip Seal Project	285,913	55,956
Downtown Streetscape Phase III	12,050	
Major business-type funds:		
Water	59,000	46,200
Wastewater		61,993
Nonmajor special revenue funds:		
General Plan Maintenance Fee		20,000
Oceanview Improvement		54,957
Traffic Congestion		55,956
Asset Seizure		500
Traffic Safety	42,507	
ADA Curbs and Gutters	33,435	
Cal Trans Planning Grant	4,216	
Special Sales Tax Street	55,956	293,435
Bulletproof Vest Partnership Grant	1,391	
CDBG Downtown Plan Grant		12,050
COPS AB 1913 Allocation		100,000
Air Quality MD Grants		21,955
CDBG PT/A	30,400	
Proposition 1B Street Fund		200,000
Nonmajor debt service funds:		
2004 RDA Bonds Debt Service	312,565	
Nonmajor capital projects funds:		
2004 RDA Bond Proceeds		42,581
Rehabilitation Phase III ST-18	200,000	
Stimulus Grant Projects	55,000	
General Capital Projects	232,582	
Total Transfers In(Out)	<u>\$ 1,682,021</u>	<u>\$ 1,682,021</u>

**D) 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.

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**3) Detailed Notes on All Funds (continued)**

**D) Capital Leases (continued)**

The assets acquired through capital leases are as follows:

	Governmental Activities	Water	Wastewater
Police vehicles	\$ 292,542		
Sewer-vac truck		\$ 12,580	\$ 172,420
Water Meter Reading Equipment		838,499	
Less: Accumulated depreciation	<u>(190,515)</u>	<u>(76,865)</u>	<u>(172,420)</u>
	<u>\$ 102,027</u>	<u>\$ 774,214</u>	<u>\$ -</u>

The City's future minimum lease payments and the net present value of future minimum lease payments at June 30, 2009, were as follows:

Year Ended June 30,	Governmental Activities	Water	Wastewater
2010	\$ 217,826	\$ 128,146	\$ 21,443
2011	170,990	128,146	21,443
2012	157,328	126,565	
2013	147,569	126,565	
2014	147,569	126,565	
2015-2019	737,845	379,697	
2020-2022	<u>147,569</u>		
Total Minimum Lease Payments	1,726,696	1,015,684	42,886
Less: Amount representing interest	<u>(336,205)</u>	<u>(177,296)</u>	<u>(3,123)</u>
Present Value Of Minimum Lease Payments	<u>\$ 1,390,491</u>	<u>\$ 838,388</u>	<u>\$ 39,763</u>

**E) Long-Term Debt**

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

**2004 Tax Allocation Bonds.** The Fort Bragg Redevelopment Agency issued \$4,830,000 in tax allocation bonds for the purpose of refunding \$1,860,000 of outstanding 1993 Tax Allocation Revenue Bonds and making funds available for future capital projects. The refunding took advantage of lower interest rates which were available. The refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt, which has been deferred in accordance with GASB-23. Deferred amounts for the refunding loss, and the original discount and issue costs associated with the 2004 Tax Allocation Bonds, are being amortized over the life of the 2004 bond issue using the straight-line method.

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

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**3) Detailed Notes on All Funds (continued)**

**E) Long-Term Debt (continued)**

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

Year Ended June 30,	Principal	Interest	Total
2010	\$ 75,000	\$ 234,705	\$ 309,705
2011	80,000	232,005	312,005
2012	80,000	228,805	308,805
2013	80,000	225,445	305,445
2014	90,000	221,965	311,965
2015 - 2019	515,000	1,037,105	1,552,105
2020 - 2024	665,000	886,320	1,551,320
2025 - 2029	860,000	687,225	1,547,225
2030 - 2034	1,125,000	420,775	1,545,775
2035 - 2037	840,000	94,050	934,050
	<u>\$ 4,410,000</u>	<u>\$ 4,268,400</u>	<u>\$ 8,678,400</u>

**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, 2009, the City's estimated liability for its share of landfill closure and postclosure care costs was \$159,939 (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, 2009, as determined by the last engineering study performed. However, the actual cost of closure and postclosure care may change due to inflation, changes in technology, or changes in landfill laws and regulations.

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

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

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

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

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**3) Detailed Notes on All Funds (continued)**

**E) Long-Term Debt (continued)**

**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, 2009, the balance of the loan payable was \$1,801,645. The terms of loan set the interest rate at 0.0%. Loan principal payments of \$58,138 are required semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> for twenty (20) years commencing January 1, 2007.

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
2010	\$ 230,000	\$ 194,535	\$ 107,077	
2011	240,000	186,625	107,077	
2012	250,000	177,600	107,077	
2013	260,000	167,615	107,077	
2014	270,000	156,744	107,077	
2015-2019	1,525,000	595,540	535,383	
2020-2024	1,585,000	215,544	535,383	
2025-2027	-	-	195,494	
	<u>\$ 4,360,000</u>	<u>\$ 1,694,203</u>	<u>\$ 1,801,645</u>	<u>\$ -</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Governmental Activities				
	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
<b>Bonds Payable:</b>					
2004 Tax Allocation	\$ 4,480,000		\$ 70,000	\$ 4,410,000	\$ 75,000
Total Bonds Payable	4,480,000	\$ -	70,000	4,410,000	75,000
<b>Less:</b>					
2004 discount	(92,382)		(3,204)	(89,178)	
2004 deferred refunding	(22,341)		(775)	(21,566)	
Net Bonds Payable	4,365,277	-	66,021	4,299,256	75,000
<b>Other Long-Term Liabilities:</b>					
Capital leases	1,544,639		154,148	1,390,491	160,920
<b>Less:</b>					
Lease deferred refunding loss	(79,155)		(6,642)	(72,513)	
Landfill closure and post-closure	185,059		25,120	159,939	33,613
Compensated absences	329,193	39,873		369,066	
Total Other Long-Term Liabilities	1,979,736	39,873	172,626	1,846,983	194,533
Total Long-Term Liabilities	<u>\$ 6,345,013</u>	<u>\$ 39,873</u>	<u>\$ 238,647</u>	<u>\$ 6,146,239</u>	<u>\$ 269,533</u>

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**3) Detailed Notes on All Funds (continued)**

**E) Long-Term Debt (continued)**

	Business-Type Activities				
	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Bonds Payable:					
2004 CSCDA Revenue Bonds	\$ 4,100,000		\$ 195,000	\$ 3,905,000	\$ 195,000
1998 Wastewater Revenue Bonds	490,000		35,000	455,000	35,000
Total Bonds Payable	4,590,000	\$ -	230,000	4,360,000	230,000
Add:					
2004 original issue premium	59,495		3,901	55,594	
Less:					
2004 deferred refunding	(605,954)		(39,735)	(566,219)	
Net Bonds Payable	4,043,541	-	194,166	3,849,375	230,000
Other Long-Term Liabilities:					
Capital leases	982,024		103,873	878,151	109,004
Safe Drinking Water Revolving Loan	1,908,723		107,078	1,801,645	107,077
Total Other Long-Term Liabilities	2,890,747	-	210,951	2,679,796	216,081
Total Long-Term Liabilities	\$ 6,934,288	\$ -	\$ 405,117	\$ 6,529,171	\$ 446,081

**F) Fund Equity**

Fund balances reserved and unreserved/designated at June 30, 2009, were as follows:

	Encumbrances	Reserved		Designated
		Other	Total	
Major governmental funds:				
General Fund	\$ 80,178		\$ 80,178	\$ 31,938
Redevelopment Agency Project Area	28,311		28,311	
RDA Low & Moderate Housing		\$ 1,418,266	1,418,266	
Nonmajor special revenue funds:				
General Plan Maintenance Fee		154,091	154,091	
Traffic Congestion Relief		58,253	58,253	
Traffic Safety	6,052		6,052	
Micro-Enterprise EDBG	24,975		24,975	
Clean Beaches Grant	6,803		6,803	
Nonmajor debt service funds:				
2004 RDA Bonds Debt Service		323,283	323,283	
Nonmajor capital projects funds:				
Fire Equipment				198,707
Franklin Street Reconstruction				5,000
General Capital Projects				5,750
Stimulus Grant Projects				1,769
Total	\$ 146,319	\$ 1,953,893	\$ 2,100,212	\$ 243,164

- 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.

# CITY OF FORT BRAGG

## Notes to Financial Statements June 30, 2009

### 3) Detailed Notes on All Funds (continued)

#### G) Segment Information

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

### 4) Other Information

#### A) Risk Management

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

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

The City's deductibles are \$5,000 for worker's compensation, liability, auto physical damage, boiler and machinery, and fidelity; \$10,000 for property losses; and \$100,000 or 5% of building value for earthquake losses and \$100,000 for flood losses - all per occurrence. The annual premium paid to REMIF for the 2008/09 fiscal year was \$369,806. Claims paid by REMIF in favor of the City totaled \$248,903. Participating members of REMIF do not have a refundable deposit, and no dividends are paid.

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

#### 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 2008/09 fiscal year the City's share of costs under the terms of this agreement were actual 2007/08 of \$70,543 and estimated at \$70,543 for fiscal year 2008/09 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, 2009

### 4) Other Information (continued)

#### B) **Related Organizations (continued)**

**Fort Bragg Fire Protection Authority** – In March 2005, the City entered into a joint powers agreement with the Fort Bragg Rural Fire District (District) for the purpose of providing fire suppression, fire prevention, and emergency rescue services within territorial limits of the City and the District. The agreement supersedes a former joint powers agreement between the two entities that was established in 1990. The Fort Bragg Fire Protection Authority (Authority) is governed by a five member Board of Directors of which two are appointed by the City, two by the District, and one appointed jointly by the City and the District. Costs for services are shared by the City and District on a pro-rata basis determined by the average number of fire and emergency calls responded to within the City or District during the three previous 12-month periods of July 1<sup>st</sup> to June 30<sup>th</sup>. However, in no case will either entity's share drop below 40%. During the current fiscal year, the City paid \$353,597 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 2008/09 was 9.379% for miscellaneous employees, 24.684% for police, and -0% for fire employees. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**4) Other Information (continued)**

**D) Employee Retirement Systems (continued)**

**Annual Pension Cost:**

For fiscal year 2008/09 the City's annual pension cost was \$485,949 (\$215,708 for Miscellaneous, \$258,388 for Police, and \$11,853 for Fire) and the City actually contributed \$485,949. In addition, the City paid \$252,876 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 2008/09 was determined as part of the June 30, 2007, actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions include the following:

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

The actuarial value of the Plan's assets was determined using a three-year smoothed market technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of the investment gains and/or losses. Each Plan's unfunded actuarial liability is being amortized as a level percentage of projected payrolls over a closed period that began on the Plan's date of entry into the CalPERS system. Subsequent Plan amendments are amortized over 20 years. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period on the total unfunded liability may not be lower than 30 years. As of June 30, 2007, the remaining average amortization period was 16 years for Miscellaneous, 13 years for Police, and 1 year for Fire.

<u>Three-Year Trend Information</u>			
	<u>Combined</u>		
<u>Year Ending June 30,</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2007	403,111	100%	0
2008	425,705	100%	0
2009	485,949	100%	0

**E) Other Post-Employment Benefits (OPEB) – Post-Retirement Health Program**

**Plan Description**

The City of Fort Bragg offers its employees a post-retirement health program, which includes medical and dental coverages. Upon retirement for service or disability, employees retiring directly from service at age 50 or over with 10 years of service may continue coverage for themselves and their spouse's(to whom they are married at retirement). Currently 32 employees meet those eligibility requirements. Expenditures for these post-retirement benefits are recognized as monthly premiums are paid. During the 2008/09 fiscal year, expenditures of \$187,658 were recognized for the cost of these post-retirement benefits. The City pays portions of the premiums dependent on bargaining group and employee hire date as follows:

Tier 1: For future retirees hired before January 1, 1992, and retiring at age 50 with 10 years of service, the City pays the full cost of medical and dental premiums for the former employee. In addition, the City pays a percentage of the spouse's medical plan premium starting at the retiree's age 60. The percentage is 10% for each year of service after 10 years, reaching 100% for those retiring with 20 or more years of service. In addition, the spouse may participate in the dental program, but at their own cost.

Tier 2: For future retirees hired after January 1, 1992 and before July 1, 2003 (July 1, 2004 for Fort Bragg Police Officer Association members) and retiring at age 50 with 10 years of service, the City pays the full cost of medical and dental premiums for the former employee only.

Tier 3: For future retirees hired after July 1, 2003 (July 1, 2004 for Fort Bragg Police Officer Association members) and retiring at age 50 with 10 years of service, the City pays the full cost of medical and dental premiums for the former employee until age 65 when Medicare becomes payable. Thereafter, coverage is limited to a supplemental prescription drug plan, which is paid for by the City.

**CITY OF FORT BRAGG**

**Notes to Financial Statements  
June 30, 2009**

**4) Other Information (continued)**

**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-32 and, therefore, the assets and liabilities of these plans have been excluded from the accompanying financial statements.

**G) Changes in Beginning Net Assets**

The following discloses the restatement of governmental fund balances as of the beginning of the fiscal year:

<u>Governmental Funds</u>	
	<u>General Fund</u>
Net Assets, beginning of year, as previously stated:	\$ 17,006,153
Franklin Street Small Business Loans originally reported as deferred revenue restatement is reporting as revenue.	<u>12,240</u>
Net Assets, beginning of year, as restated	<u>\$ 17,018,393</u>

**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, 2009**

	General Fund			Variance With Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 4,587,185	\$ 4,773,485	\$ 4,875,566	\$ 102,081
Licenses and Permits	234,318	39,130	23,853	(15,277)
Fines and Forfeitures	12,890	12,190	12,800	610
Use of Money and Property	86,133	92,991	41,022	(51,969)
Intergovernmental	165,115	164,815	156,481	(8,334)
Current Services	120,075	50,325	60,060	9,735
Other Revenues	2,435,906	2,331,601	2,305,814	(25,787)
<b>Total Revenues</b>	<b>7,641,622</b>	<b>7,464,537</b>	<b>7,475,596</b>	<b>11,059</b>
<u>EXPENDITURES</u>				
Current:				
General Government	1,956,824	2,088,133	1,972,638	115,495
Public Safety	3,312,070	3,397,670	3,135,113	262,557
Public Works	1,216,228	1,336,637	1,249,673	86,964
Planning	539,970	520,370	440,897	79,473
Debt Service:				
Principal Retirement		165,802	154,148	11,654
Interest and Fiscal Charges	63,652	63,652	63,678	(26)
Capital Outlay	15,000	60,881	45,880	15,001
<b>Total Expenditures</b>	<b>7,103,744</b>	<b>7,633,145</b>	<b>7,062,027</b>	<b>571,118</b>
Excess (Deficiency) of Revenues Over Expenditures	537,878	(168,608)	413,569	582,177
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In		305,634	320,957	15,323
Transfers Out	(224,069)	(462,922)	(337,424)	125,498
<b>Total Other Financing Sources (Uses)</b>	<b>(224,069)</b>	<b>(157,288)</b>	<b>(16,467)</b>	<b>140,821</b>
<b>Net Change In Fund Balances</b>	<b>313,809</b>	<b>(325,896)</b>	<b>397,102</b>	<b>722,998</b>
Fund Balances, July 1	2,296,438	2,296,438	2,296,438	
<b>Fund Balance, June 30</b>	<b>\$ 2,610,247</b>	<b>\$ 1,970,542</b>	<b>\$ 2,693,540</b>	<b>\$ 722,998</b>

**CITY OF FORT BRAGG REDEVELOPMENT AGENCY  
REDEVELOPMENT AGENCY PROJECT AREA  
MAJOR SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009**

	Redevelopment Agency Project Area Fund			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 1,029,605	\$ 1,029,605	\$ 1,078,408	\$ 48,803
Use of Money and Property	29,690	29,690	17,485	(12,205)
Total Revenues	<u>1,059,295</u>	<u>1,059,295</u>	<u>1,095,893</u>	<u>36,598</u>
<u>EXPENDITURES</u>				
Current:				
Community Development	479,491	492,188	451,972	40,216
Shared Expenditures	50,000	146,540	127,104	19,436
Capital Outlay		25,000	7,792	17,208
Total Expenditures	<u>529,491</u>	<u>663,728</u>	<u>586,868</u>	<u>76,860</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>529,804</u>	<u>395,567</u>	<u>509,025</u>	<u>113,458</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In		36,049	36,049	
Transfers Out	(380,565)	(380,565)	(312,565)	(68,000)
Total Other Financing Sources (Uses)	<u>(380,565)</u>	<u>(344,516)</u>	<u>(276,516)</u>	<u>(68,000)</u>
Net Change In Fund Balances	149,239	51,051	232,509	181,458
Fund Balances, July 1	<u>921,090</u>	<u>921,090</u>	<u>921,090</u>	
<b>Fund Balance, June 30</b>	<b><u><u>\$ 1,070,329</u></u></b>	<b><u><u>\$ 972,141</u></u></b>	<b><u><u>\$ 1,153,599</u></u></b>	<b><u><u>\$ 181,458</u></u></b>

**RDA LOW AND MODERATE HOUSING  
MAJOR SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009**

	RDA Low and Moderate Housing			Variance With Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 267,040	\$ 267,040	\$ 269,602	\$ 2,562
Use of Money and Property	38,475	38,475	23,355	(15,120)
Total Revenues	<u>305,515</u>	<u>305,515</u>	<u>292,957</u>	<u>(12,558)</u>
<u>EXPENDITURES</u>				
Current:				
Community Development	122,743	165,114	154,134	10,980
Total Expenditures	<u>122,743</u>	<u>165,114</u>	<u>154,134</u>	<u>10,980</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>182,772</u>	<u>140,401</u>	<u>138,823</u>	<u>(1,578)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out		(66,449)	(66,449)	
Total Other Financing Sources (Uses)	-	(66,449)	(66,449)	-
Net Change In Fund Balances	182,772	73,952	72,374	(1,578)
Fund Balances, July 1	1,345,892	1,345,892	1,345,892	
<b>Fund Balance, June 30</b>	<b><u>\$ 1,528,664</u></b>	<b><u>\$ 1,419,844</u></b>	<b><u>\$ 1,418,266</u></b>	<b><u>\$ (1,578)</u></b>

**COMBINING FUND FINANCIAL STATEMENTS**



**CITY OF FORT BRAGG  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<b>Total Special Revenue Funds</b>	<b>2004 RDA Bonds Debt Service Fund</b>	<b>Total Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<u>ASSETS</u>				
Cash and Investments	\$ 1,644,823	\$ 10,320	\$ 655,982	\$ 2,311,125
Cash and Investments With Fiscal Agent		312,935		312,935
Receivables:				
Taxes	127,811		2,979	130,790
Accounts	71,128		1,750	72,878
Grants	797,687		102,600	900,287
Interest	2,933	28	445	3,406
Loans Receivable	185,056			185,056
<b>Total Assets</b>	<b>\$ 2,829,438</b>	<b>\$ 323,283</b>	<b>\$ 763,756</b>	<b>\$ 3,916,477</b>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 222,952		\$ 89,063	\$ 312,015
Contract Retentions	16,823			16,823
Deferred Loan Revenue	185,056			185,056
Deferred Revenues - Unearned	247,590			247,590
Due To Other Funds	571,993		100,917	672,910
Total Liabilities	1,244,414	\$ -	189,980	1,434,394
Fund Balances:				
Reserved	250,174	323,283		573,457
Unreserved:				
Designated			211,226	211,226
Undesignated	1,334,850		362,550	1,697,400
Total Fund Balances	1,585,024	323,283	573,776	2,482,083
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,829,438</b>	<b>\$ 323,283</b>	<b>\$ 763,756</b>	<b>\$ 3,916,477</b>

**CITY OF FORT BRAGG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<u>REVENUES</u>	<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>
Taxes:				
Sales	\$ 896,609			\$ 896,609
Other	2,647		\$ 44,155	46,802
Licenses and Permits	20,430			20,430
Fines and Forfeitures	96,517			96,517
Use of Money and Property	65,789	\$ 7,303	2,894	75,986
Intergovernmental	2,450,526		495,822	2,946,348
Charges for Services	5,224		4,626	9,850
Total Revenues	<u>3,537,742</u>	<u>7,303</u>	<u>547,497</u>	<u>4,092,542</u>
<u>EXPENDITURES</u>				
Current:				
Public Safety	81,274		884	82,158
Public Works	290,369			290,369
Community Development	1,843,692		2,315	1,846,007
Debt Service:				
Principal Retirement		70,000		70,000
Interest and Fiscal Charges		240,180		240,180
Capital Outlay	419,976		1,494,741	1,914,717
Total Expenditures	<u>2,635,311</u>	<u>310,180</u>	<u>1,497,940</u>	<u>4,443,431</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>902,431</u>	<u>(302,877)</u>	<u>(950,443)</u>	<u>(350,889)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	167,905	312,565	487,582	968,052
Transfers Out	(758,853)		(42,581)	(801,434)
Total Other Financing Sources (Uses)	<u>(590,948)</u>	<u>312,565</u>	<u>445,001</u>	<u>166,618</u>
Net Change In Fund Balances	311,483	9,688	(505,442)	(184,271)
Fund Balances, July 1	1,273,541	313,595	1,079,218	2,666,354
<b>Fund Balances, June 30</b>	<b><u>\$ 1,585,024</u></b>	<b><u>\$ 323,283</u></b>	<b><u>\$ 573,776</u></b>	<b><u>\$ 2,482,083</u></b>

CITY OF FORT BRAGG  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	<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>ADA Curbs and Gutters</u>	<u>OWP Grants</u>	<u>CalTrans Planning Grant</u>
<u>ASSETS</u>									
Cash and Investments	\$ 153,746		\$ 44,413	\$ 7,348	\$ 200,021	\$ 28,381			\$ 4,216
Receivables:									
Taxes									
Accounts				18,318	250	5,885			
Grants			13,840				\$ 183,101		
Interest	345				411				
Loans Receivable									
<b>Total Assets</b>	<b><u>\$ 154,091</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 58,253</u></b>	<b><u>\$ 25,666</u></b>	<b><u>\$ 200,682</u></b>	<b><u>\$ 34,266</u></b>	<b><u>\$ 183,101</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,216</u></b>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities				\$ 581	\$ 3,324	\$ 1,797			
Contract Retentions									
Deferred Loan Revenue							\$ 69,709		
Deferred Revenues - Unearned							194,328		
Due To Other Funds								\$ 45	
<b>Total Liabilities</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>581</u></b>	<b><u>3,324</u></b>	<b><u>1,797</u></b>	<b><u>264,037</u></b>	<b><u>45</u></b>	<b><u>\$ -</u></b>
Fund Balances:									
Reserved	154,091		58,253			6,052			
Unreserved				25,085	197,358	26,417	(80,936)	(45)	4,216
<b>Total Fund Balances</b>	<b><u>154,091</u></b>	<b><u>0</u></b>	<b><u>58,253</u></b>	<b><u>25,085</u></b>	<b><u>197,358</u></b>	<b><u>32,469</u></b>	<b><u>(80,936)</u></b>	<b><u>(45)</u></b>	<b><u>4,216</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 154,091</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 58,253</u></b>	<b><u>\$ 25,666</u></b>	<b><u>\$ 200,682</u></b>	<b><u>\$ 34,266</u></b>	<b><u>\$ 183,101</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,216</u></b>

Continued

CITY OF FORT BRAGG  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Waste Water Collection Facilities EDBG 2608	Special Sales Tax Street	Bulletproof Vest Partnership Grant	CDBG Downtown Plan Grant	CDBG Plan and Technology Grant	Coastal Conservancy Grant	COPS AB 1913 Allocation	MCOG Streets Allocation	MCOG OWP Reserve Street Safety
<u>ASSETS</u>									
Cash and Investments		\$ 613,633			\$ 1,344			\$ 47,800	
Receivables:									
Taxes		127,811							
Accounts							\$ 46,675		
Grants	\$ 69,033		\$ 1,183						
Interest		1,516						109	
Loans Receivable									
<b>Total Assets</b>	<b>\$ 69,033</b>	<b>\$ 742,960</b>	<b>\$ 1,183</b>	<b>\$ -</b>	<b>\$ 1,344</b>	<b>\$ -</b>	<b>\$ 46,675</b>	<b>\$ 47,909</b>	<b>\$ -</b>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ 32,557								
Contract Retentions									
Deferred Loan Revenue									
Deferred Revenues - Unearned									
Due To Other Funds	36,716					\$ 35,619	\$ 46,675		
Total Liabilities	69,273	\$ -	\$ -	\$ -	\$ -	35,619	46,675	\$ -	\$ -
Fund Balances:									
Reserved									
Unreserved	(240)	742,960	1,183		1,344	(35,619)		47,909	
Total Fund Balances	(240)	742,960	1,183		1,344	(35,619)		47,909	-
<b>Total Liabilities and Fund Balances</b>	<b>\$ 69,033</b>	<b>\$ 742,960</b>	<b>\$ 1,183</b>	<b>\$ -</b>	<b>\$ 1,344</b>	<b>\$ -</b>	<b>\$ 46,675</b>	<b>\$ 47,909</b>	<b>\$ -</b>

Continued

CITY OF FORT BRAGG  
COMBINING BALANCE SHEET  
SPECIAL REVENUE  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Safe Routes To School	CDBG Program Income	Micro- Enterprise EDBG	Air Quality MD Grants	CDBG General Allocation Grants	CDBG PT/A	Coastal Trail CalTrans Grant	Housing Rehabilitation STBG Grant	Clean Beaches Grant
<u>ASSETS</u>									
Cash and Investments		\$ 242,910	\$ 15,579				\$ 18,586	\$ 66,846	
Receivables:									
Taxes									
Accounts									
Grants	\$ 123,819		13,821	\$ 32,712	\$ 8,644	\$ 90,927	54,062		\$ 177,436
Interest		552							
Loans Receivable		185,056							
<b>Total Assets</b>	<b>\$ 123,819</b>	<b>\$ 428,518</b>	<b>\$ 29,400</b>	<b>\$ 32,712</b>	<b>\$ 8,644</b>	<b>\$ 90,927</b>	<b>\$ 72,648</b>	<b>\$ 66,846</b>	<b>\$ 177,436</b>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities	\$ 101,024		\$ 4,425			\$ 21,892	\$ 42,932		\$ 5,197
Contract Retentions	16,823								
Deferred Loan Revenue		\$ 185,056							
Deferred Revenues - Unearned	123,819						54,062		
Due To Other Funds	27,862				\$ 12,701	75,840			121,766
Total Liabilities	269,528	185,056	4,425	\$ -	12,701	97,732	96,994	\$ -	126,963
Fund Balances:									
Reserved			24,975						6,803
Unreserved	(145,709)	243,462		32,712	(4,057)	(6,805)	(24,346)	66,846	43,670
Total Fund Balances	(145,709)	243,462	24,975	32,712	(4,057)	(6,805)	(24,346)	66,846	50,473
<b>Total Liabilities and Fund Balances</b>	<b>\$ 123,819</b>	<b>\$ 428,518</b>	<b>\$ 29,400</b>	<b>\$ 32,712</b>	<b>\$ 8,644</b>	<b>\$ 90,927</b>	<b>\$ 72,648</b>	<b>\$ 66,846</b>	<b>\$ 177,436</b>

Continued

CITY OF FORT BRAGG  
COMBINING BALANCE SHEET  
SPECIAL REVENUE  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	CDBG Economic Development Allocation	Proposition 1B Street Fund	Totals 2009
<u>ASSETS</u>			
Cash and Investments		\$ 200,000	\$ 1,644,823
Receivables:			
Taxes			127,811
Accounts			71,128
Grants	\$ 29,109		797,687
Interest			2,933
Loans Receivable			185,056
<b>Total Assets</b>	<b>\$ 29,109</b>	<b>\$ 200,000</b>	<b>\$ 2,829,438</b>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 9,223		\$ 222,952
Contract Retentions			16,823
Deferred Loan Revenue			185,056
Deferred Revenues - Unearned			247,590
Due To Other Funds	20,441		571,993
<b>Total Liabilities</b>	<b>29,664</b>	<b>\$ -</b>	<b>1,244,414</b>
Fund Balances:			
Reserved			250,174
Unreserved	(555)	200,000	1,334,850
<b>Total Fund Balances</b>	<b>(555)</b>	<b>200,000</b>	<b>1,585,024</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 29,109</b>	<b>\$ 200,000</b>	<b>\$ 2,829,438</b>

**CITY OF FORT BRAGG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<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>ADA Curbs and Gutters</u>	<u>OWP Grants</u>	<u>CalTrans Planning Grant</u>
Taxes:									
Sales									
Other				\$ 2,647					
Licenses and Permits	\$ 20,430								
Fines and Forfeitures					\$ 79,413	\$ 17,104			
Use of Money and Property	2,689	\$ 131		554	3,370				
Intergovernmental			\$ 58,253	123,975					
Charges for Services				4,399					
Other Revenue									
Total Revenues	<u>23,119</u>	<u>131</u>	<u>58,253</u>	<u>131,575</u>	<u>82,783</u>	<u>17,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>EXPENDITURES</u>									
Current:									
Public Safety					78,291				
Public Works				178,231		41,898			
Community Development								45	
Capital Outlay									
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,231</u>	<u>78,291</u>	<u>41,898</u>	<u>-</u>	<u>45</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,119</u>	<u>131</u>	<u>58,253</u>	<u>(46,656)</u>	<u>4,492</u>	<u>(24,794)</u>	<u>-</u>	<u>(45)</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In						42,507	33,435		4,216
Transfers Out	(20,000)	(54,957)	(55,956)		(500)				
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(54,957)</u>	<u>(55,956)</u>	<u>-</u>	<u>(500)</u>	<u>42,507</u>	<u>33,435</u>	<u>-</u>	<u>4,216</u>
Net Change In Fund Balances	<u>3,119</u>	<u>(54,826)</u>	<u>2,297</u>	<u>(46,656)</u>	<u>3,992</u>	<u>17,713</u>	<u>33,435</u>	<u>(45)</u>	<u>4,216</u>
Fund Balances, July 1	150,972	54,826	55,956	71,741	193,366	14,756	(114,371)	-	-
<b>Fund Balances, June 30</b>	<b><u>\$ 154,091</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 58,253</u></b>	<b><u>\$ 25,085</u></b>	<b><u>\$ 197,358</u></b>	<b><u>\$ 32,469</u></b>	<b><u>\$ (80,936)</u></b>	<b><u>\$ (45)</u></b>	<b><u>\$ 4,216</u></b>

Continued

CITY OF FORT BRAGG  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

<u>REVENUES</u>	Waste Water Collection Facilities EDBG 2608	Special Sales Tax Street	Bulletproof Vest Partnership Grant	CDBG Downtown Plan Grant	CDBG Plan and Technology Grant	Coastal Conservancy Grant	COPS AB 1913 Allocation	MCOG Streets Allocation	MCOG OWP Reserve Street Safety
Taxes:									
Sales		\$ 896,609							
Other									
Licenses and Permits									
Fines and Forfeitures									
Use of Money and Property		17,261						\$ 831	
Intergovernmental	\$ 70,000		\$ 2,532			\$ (1,663)	\$ 100,000		
Charges for Services									
Other Revenue									
Total Revenues	<u>70,000</u>	<u>913,870</u>	<u>2,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,663)</u>	<u>100,000</u>	<u>831</u>	<u>\$ -</u>
<u>EXPENDITURES</u>									
Current:									
Public Safety			2,983						
Public Works	70,240								
Community Development				34					
Capital Outlay									
Total Expenditures	<u>70,240</u>	<u>-</u>	<u>2,983</u>	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(240)</u>	<u>913,870</u>	<u>(451)</u>	<u>(34)</u>	<u>-</u>	<u>(1,663)</u>	<u>100,000</u>	<u>831</u>	<u>-</u>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In		55,956	1,391						
Transfers Out		(293,435)		(12,050)			(100,000)		
Total Other Financing Sources (Uses)	<u>-</u>	<u>(237,479)</u>	<u>1,391</u>	<u>(12,050)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	<u>(240)</u>	<u>676,391</u>	<u>940</u>	<u>(12,084)</u>	<u>-</u>	<u>(1,663)</u>	<u>-</u>	<u>831</u>	<u>-</u>
Fund Balances, July 1		66,569	243	12,084	1,344	(33,956)	-	47,078	-
<b>Fund Balances, June 30</b>	<b><u>\$ (240)</u></b>	<b><u>\$ 742,960</u></b>	<b><u>\$ 1,183</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,344</u></b>	<b><u>\$ (35,619)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 47,909</u></b>	<b><u>\$ -</u></b>

Continued



CITY OF FORT BRAGG  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

<u>REVENUES</u>	<u>Safe Routes To School</u>	<u>CDBG Program Income</u>	<u>Micro- Enterprise EDBG</u>	<u>Air Quality MD Grants</u>	<u>CDBG General Allocation Grants</u>	<u>CDBG PT/A</u>	<u>Coastal Trail CalTrans Grant</u>	<u>Housing Rehabilitation STBG Grant</u>	<u>Clean Beaches Grant</u>
Taxes:									
Sales									
Other									
Licenses and Permits									
Fines and Forfeitures									
Use of Money and Property									
Intergovernmental	\$ 203,944	\$ 40,953	\$ 134,322	\$ 44,712	\$ 294,503	\$ 86,227	\$ 22,346		\$ 1,242,270
Charges for Services									825
Total Revenues	<u>203,944</u>	<u>40,953</u>	<u>134,322</u>	<u>44,712</u>	<u>294,503</u>	<u>86,227</u>	<u>22,346</u>	<u>\$ -</u>	<u>1,243,095</u>
<u>EXPENDITURES</u>									
Current:									
Public Safety									
Public Works									
Community Development	5,546		135,755		298,561	49,156	45,879		1,239,278
Capital Outlay	345,811					74,165			
Total Expenditures	<u>351,357</u>	<u>-</u>	<u>135,755</u>	<u>-</u>	<u>298,561</u>	<u>123,321</u>	<u>45,879</u>	<u>-</u>	<u>1,239,278</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(147,413)</u>	<u>40,953</u>	<u>(1,433)</u>	<u>44,712</u>	<u>(4,058)</u>	<u>(37,094)</u>	<u>(23,533)</u>	<u>-</u>	<u>3,817</u>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In						30,400			
Transfers Out				(21,955)					
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,955)</u>	<u>-</u>	<u>30,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	<u>(147,413)</u>	<u>40,953</u>	<u>(1,433)</u>	<u>22,757</u>	<u>(4,058)</u>	<u>(6,694)</u>	<u>(23,533)</u>	<u>-</u>	<u>3,817</u>
Fund Balances, July 1	1,704	202,509	26,408	9,955	1	(111)	(813)	66,846	46,656
<b>Fund Balances, June 30</b>	<b><u>\$ (145,709)</u></b>	<b><u>\$ 243,462</u></b>	<b><u>\$ 24,975</u></b>	<b><u>\$ 32,712</u></b>	<b><u>\$ (4,057)</u></b>	<b><u>\$ (6,805)</u></b>	<b><u>\$ (24,346)</u></b>	<b><u>\$ 66,846</u></b>	<b><u>\$ 50,473</u></b>

Continued

CITY OF FORT BRAGG  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

	<b>CDBG Economic Development Allocation</b>	<b>Proposition 1B Street Fund</b>	<b>Totals 2009</b>
<u>REVENUES</u>			
Taxes:			
Sales			\$ 896,609
Other			2,647
Licenses and Permits			20,430
Fines and Forfeitures			96,517
Use of Money and Property			65,789
Intergovernmental	\$ 69,105		2,450,526
Charges for Services			5,224
Total Revenues	<u>69,105</u>	<u>\$ -</u>	<u>3,537,742</u>
<u>EXPENDITURES</u>			
Current:			
Public Safety			81,274
Public Works			290,369
Community Development	69,438		1,843,692
Capital Outlay			419,976
Total Expenditures	<u>69,438</u>	<u>-</u>	<u>2,635,311</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(333)</u>	<u>-</u>	<u>902,431</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			167,905
Transfers Out		(200,000)	(758,853)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(200,000)</u>	<u>(590,948)</u>
Net Change In Fund Balances	<u>(333)</u>	<u>(200,000)</u>	<u>311,483</u>
Fund Balances, July 1	<u>(222)</u>	<u>400,000</u>	<u>1,273,541</u>
<b>Fund Balances, June 30</b>	<b><u>\$ (555)</u></b>	<b><u>\$ 200,000</u></b>	<b><u>\$ 1,585,024</u></b>

CITY OF FORT BRAGG  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUNDS  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Fire Equipment	2004 RDA Bond Proceeds	Franklin Street Reconstruction	Downtown Parking Lots Resurface	Railroad Crossing Rehabilitation Project	Street Rehabilitation Phase III ST-18	Otis Johnson Park Renovations	General Capital Projects	Stimulus Grant Projects
<u>ASSETS</u>									
Cash and Investments	\$ 195,283		\$ 226,150	\$ 75,018				\$ 157,658	\$ 1,873
Receivables:									
Taxes	2,979								
Accounts								1,750	
Grants						\$ 102,600			
Interest	445								
<b>Total Assets</b>	<b>\$ 198,707</b>	<b>\$ -</b>	<b>\$ 226,150</b>	<b>\$ 75,018</b>	<b>\$ -</b>	<b>\$ 102,600</b>	<b>\$ -</b>	<b>\$ 159,408</b>	<b>\$ 1,873</b>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable and Accrued Liabilities						\$ 55,733	\$ 2,252	\$ 30,599	\$ 104
Due To Other Funds					\$ 9,300	73,074	63		
Total Liabilities	\$ -	\$ -	\$ -	\$ -	9,300	128,807	2,315	30,599	104
Fund Balances:									
Unreserved:									
Designated	198,707		5,000					5,750	1,769
Undesignated		-	221,150	75,018	(9,300)	(26,207)	(2,315)	123,059	-
Total Fund Balances	198,707	-	226,150	75,018	(9,300)	(26,207)	(2,315)	128,809	1,769
<b>Total Liabilities and Fund Balances</b>	<b>\$ 198,707</b>	<b>\$ -</b>	<b>\$ 226,150</b>	<b>\$ 75,018</b>	<b>\$ -</b>	<b>\$ 102,600</b>	<b>\$ -</b>	<b>\$ 159,408</b>	<b>\$ 1,873</b>

Continued

CITY OF FORT BRAGG  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	<u>Bainbridge Park Improvements</u>	<u>Totals 2009</u>
<u>ASSETS</u>		
Cash and Investments		\$ 655,982
Receivables:		
Taxes		2,979
Accounts		1,750
Grants		102,600
Interest		445
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 763,756</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts Payable and Accrued		
Liabilities	\$ 375	\$ 89,063
Due To Other Funds	18,480	100,917
Total Liabilities	<u>18,855</u>	<u>189,980</u>
Fund Balances:		
Unreserved:		
Designated		211,226
Undesignated	(18,855)	362,550
Total Fund Balances	<u>(18,855)</u>	<u>573,776</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 763,756</u>

**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, 2009**

	<u>Fire Equipment</u>	<u>2004 RDA Bond Proceeds</u>	<u>Franklin Street Reconstruction</u>	<u>Downtown Parking Lots Resurface</u>	<u>Railroad Crossing Rehabilitation Project</u>	<u>Street Rehabilitation Phase III ST-18</u>	<u>Otis Johnson Park Renovations</u>	<u>General Capital Projects</u>	<u>Stimulus Grant Projects</u>
<u>REVENUES</u>									
Taxes:									
Other	\$ 44,155								
Use of Money and Property	2,894								
Intergovernmental						\$ 513,000			
Charges for Services					\$ 560	680		\$ 2,486	
Total Revenues	<u>47,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>560</u>	<u>513,680</u>	<u>\$ -</u>	<u>2,486</u>	<u>\$ -</u>
<u>EXPENDITURES</u>									
Current:									
Public Safety	884								
Community Development							2,315		
Capital Outlay			6,290		9,860	739,887		682,872	53,231
Total Expenditures	<u>884</u>	<u>-</u>	<u>6,290</u>	<u>-</u>	<u>9,860</u>	<u>739,887</u>	<u>2,315</u>	<u>682,872</u>	<u>53,231</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>46,165</u>	<u>-</u>	<u>(6,290)</u>	<u>-</u>	<u>(9,300)</u>	<u>(226,207)</u>	<u>(2,315)</u>	<u>(680,386)</u>	<u>(53,231)</u>
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In						200,000		232,582	55,000
Transfers Out		(42,581)							
Total Other Financing Sources (Uses)	<u>-</u>	<u>(42,581)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>232,582</u>	<u>55,000</u>
Net Change In Fund Balances	46,165	(42,581)	(6,290)	-	(9,300)	(26,207)	(2,315)	(447,804)	1,769
Fund Balances, July 1	152,542	42,581	232,440	75,018	-	-	-	576,613	-
<b>Fund Balances, June 30</b>	<b><u>\$ 198,707</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 226,150</u></b>	<b><u>\$ 75,018</u></b>	<b><u>\$ (9,300)</u></b>	<b><u>\$ (26,207)</u></b>	<b><u>\$ (2,315)</u></b>	<b><u>\$ 128,809</u></b>	<b><u>\$ 1,769</u></b>

Continued

**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, 2009**

<u>REVENUES</u>	<u>Bainbridge Park Improvements</u>	<u>Totals 2009</u>
Taxes:		
Other		\$ 44,155
Use of Money and Property		2,894
Intergovernmental	\$ (17,178)	495,822
Charges for Services	900	4,626
Total Revenues	<u>(16,278)</u>	<u>547,497</u>
 <u>EXPENDITURES</u>		
Current:		
Public Safety		884
Community Development		2,315
Capital Outlay	2,601	1,494,741
Total Expenditures	<u>2,601</u>	<u>1,497,940</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,879)</u>	<u>(950,443)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In		487,582
Transfers Out		(42,581)
Total Other Financing Sources (Uses)	<u>-</u>	<u>445,001</u>
Net Change In Fund Balances	(18,879)	(505,442)
Fund Balances, July 1	24	1,079,218
<b>Fund Balances, June 30</b>	<b><u>\$ (18,855)</u></b>	<b><u>\$ 573,776</u></b>

**SINGLE AUDIT AND OTHER COMPLIANCE REPORTS**

**CITY OF FORT BRAGG**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor/Pass Through Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through State Department of Housing and Community Development:		
Community Development Block Grants:		
05-EDBG-1962	14.228	\$ 113,706
06-EDBG-2608	14.228	58,568
06-STBG-2785	14.228	294,503
06-STBG-2590	14.228	59,002
07-PTAE-3129	14.228	45,540
07-PTAG-3663	14.228	68,001
07-EDEF-3730	14.228	<u>24,857</u>
Total U.S. Department of Housing and Urban Development		<u>664,177</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program:		
06135751	16.607	<u>107</u>
Total U.S. Department of Justice		<u>107</u>
<u>U.S. Department of Transportation</u>		
Passed Through State Department of Transportation:		
Highway Planning and Construction		
Project No. RPSTPLE 5088(012)	20.205	4,984
Project No. RPSTPLE 5088(015)	20.205	1,217,776
Coastal Trail CalTrans		
001-5088R #004-N	20.205	<u>45,879</u>
Total U.S. Department of Transportation		<u>1,268,639</u>
<b>Total Federal Expenditures</b>		<b><u>\$ 1,932,923</u></b>



**CITY OF FORT BRAGG  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AND OTHER AWARDS  
JUNE 30, 2009**

**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.



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 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, CA 95437

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 12, 2010, which was qualified because 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. 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*.



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 12, 2010

**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, CA 95437

Compliance

We have audited the compliance of the City of Fort Bragg, California, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. 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, 2009.

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 12, 2010

## CITY OF FORT BRAGG

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2009

#### **A) Summary of Audit Results**

- 1) The auditors' report expresses a qualified opinion on the basic financial statements because 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.
- 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. U.S. Department of Transportation  
Highway Planning and Construction Project  
CFDA: 20.205
- 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, 2009**

No findings or questioned costs noted in prior year audit.



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(1924-1989)

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

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

We have applied the procedures enumerated below to the Appropriations Limit calculations of the City of Fort Bragg for the year ended June 30, 2009. 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 12, 2010