

City of Fortuna, California



Comprehensive Annual Financial Report
For The Fiscal Year Ended
June 30, 2010

CITY OF FORTUNA, CALIFORNIA
Comprehensive Annual Financial Report
for the
Fiscal Year Ended June30, 2010

Prepared By the Department of Finance

INTRODUCTORY SECTION

CITY OF FORTUNA, CALIFORNIA
Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2010

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	i
Letter of Transmittal	v
List of Principal Officials	viii
Organization chart	ix
FINANCIAL SECTION	
Report of Independent Accountant	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	16
Statement of Net Assets- Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds	18
Statement of Cash Flows-Proprietary Funds	19
Statement of Fiduciary Net Assets	21
Notes to the Basic Financial Statements	22

**CITY OF FORTUNA , CALIFORNIA
Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2010**

Table of Contents

REQUIRED SUPPLEMENTAL INFORMATION SECTION

Budgetary Comparison Schedule - General Fund	41
Note to RSI: Note A - Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	42
Budgetary Comparison Schedule-Redevelopment Administration Fund	43
Budgetary Comparison Schedule- HOME Grants Fund	44

SUPPLEMENTAL SECTION

Combining Statements and Individual Fund Schedules-Nonmajor Funds:

Combining Balance Sheet Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds	47
Schedules of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Budgetary Basis) Nonmajor Governmental Funds	49

**CITY OF FORTUNA, CALIFORNIA
Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2010**

Table of Contents

	<u>Schedule</u>	<u>Page</u>
STATISTICAL SECTION		
FINANCIAL TRENDS INFORMATION:		
Schedule of Net Assets by Component -Last Five Fiscal Years	1	72
Schedule of Changes in Net Assets - Last Five Fiscal Years	2	73
Schedule of Fund Balances All Governmental Funds - Last Five Fiscal Years	3	75
Schedule of Revenues, Expenditures and Changes in Fund Balances and Debt Service Ratio -Last Ten Fiscal Years	4	76
REVENUE CAPACITY INFORMATION:		
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	5	77
Direct and Overlapping Tax Rates- Last Ten Fiscal Years	6	78
Principal Property Tax Payers-Current Year and Nine Years Ago	7	79
Property Tax Levies and Collections-Last Ten Fiscal Years	8	80
Sales Tax Revenue Base Data-Last Ten Fiscal Years	8A	81
Principal Sales Tax Payers - In Alphabetical Order-Current and Nine Years Ago	8B	82
Transient Occupancy Tax Revenue Base Data-Last Ten Fiscal Years	8C	83
Principal Transient Occupancy Tax Payers-In Alphabetical Order-Last Ten Fiscal Years	8D	84
Water and Sewer Rates-Last Ten Fiscal Years	8E	85
Water and Wastewater Revenue Concentration Data-Last Ten Fiscal Years	8F	86

**CITY OF FORTUNA, CALIFORNIA
Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2010**

Table of Contents

	<u>Schedule</u>	<u>Page</u>
STATISTICAL SECTION (Continued)		
DEBT CAPACITY INFORMATION		
Ratio of Outstanding Debt By Type-Last Ten Fiscal Years	9	87
Ratio of general Bonded Debt-Last ten Fiscal years	10	88
Direct and Overlapping Governmental Activities Debt - Current Year	11	89
Legal Debt Margin - Last Ten Fiscal Years	12	90
Pledged Revenue Coverage - Last Ten Fiscal Years	13	91
DEMOGRAPHIC AND ECONOMIC INFORMATION		
Demographic and Economic Statistics - Last ten Fiscal Years	14	92
Principal Employers - Last Four Fiscal Years	15	93
OPERATING INFORMATION		
Number of Full Time Equivalent City Employees - Last Ten Fiscal Years	16	94
Operating Indicators - Last Ten Fiscal Years	17	95
Capital Asset Statistics - Last Ten Fiscal Years	18	96

February 20, 2011

To the Honorable Mayor, Members of
the City Council and Citizens of the City
of Fortuna

The City follows a policy of preparing a complete set of financial statements in conformity with U.S. generally accepted accounting principles after the end of each fiscal year. This report is published to fulfill that policy for the fiscal year ended June 30, 2010.

Management of the City of Fortuna assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that the City has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the City's financial statements are free of material misstatements.

The firm of Terry E. Krieg, Certified Public Accountant, has issued an unqualified independent auditor's report on the City of Fortuna's financial statements for the fiscal year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY AND ITS OPERATIONS

The City of Fortuna was incorporated in 1906. The City is located on the North Coast of California about 260 miles north of San Francisco.

The City is home to about 11,345 individuals, and its boundaries encompass 4.8 square miles. The City's population has been growing by a rate of about 1.5 percent annually over the last ten years. About 500 new homes have been built in the City over the last ten years, although this trend has slowed somewhat.

Educational, health and social services is the largest employment category, followed by manufacturing and retail trade. The timber and agriculture industries remain pillars of the local economy.

The City operates under a council-manager form of government. Policy making and legislative authority are vested in the City Council consisting of the Mayor and four other elected Council members. The Council is responsible, among other matters, for passing ordinances, adopting the City budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the daily operations of the City, and for appointing other employees and otherwise managing daily operations of the City. The Council is elected to four year staggered terms, with two members elected every two years. The Mayor is elected to serve at the pleasure of the Council, as no set term is specified.

City Hall
(707) 725-7600
Fax (707) 725-7610
621 11th Street

Police Department
(707) 725-7550
Fax (707) 725-7574
621 11th Street

Parks and Recreation
(707) 725-7620
Fax (707) 725-7576
5 Park Street

Public Works
(707) 725-7650
Fax (707) 725-7651
180 Dinsmore Drive

The City provides a full range of municipal services including police protection, construction and maintenance of City streets, storm drains, and similar infrastructure type assets; park maintenance; and community recreation activities. In terms of business type activities, the City operates its water, wastewater, and transit systems in a fashion similar to that used by private businesses.

The City's annual budget serves as the foundation for the City of Fortuna's financial planning and control system. All departments of the City submit requests for appropriations to the City Manager annually. The Manager uses these requests as a starting point for developing a proposed budget. The Manager presents a proposed budget to the City Council. The Council holds public hearings on the proposed budget and then ultimately adopts a formal budget. The budget is adopted by fund, function, department and object. The Council periodically reviews during the fiscal year the City's actual financial activity in relationship to the original budget, and, as necessary, amends the original budget to reflect changing conditions.

Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. The general fund's comparison, deemed to be the City's major fund under the new reporting standards, is presented as required supplementary information in a separate section of this report immediately following the notes to the financial statements. For the City's other governmental-type funds, a budget to actual comparison schedule is presented as optional information in the section of this report containing combining financial statements and individual fund schedules.

Local Economy

The unemployment rate for Humboldt County for December 2010 was 11.9 percent, compared to 12.5 percent for the State. This was an increase of 3 percent from the preceding year. The County labor force decreased during the year by 1,785 to 61,285.

About 49 percent of the City's general fund revenues come from the local transit occupancy tax, sales tax revenues, franchise fees, and local property taxes. In fiscal 2010, revenues from these types of taxes in the aggregate decreased by about 16 percent. The sales tax, the City's single most significant revenue source, decreased about 18 percent.

The City expects that transit occupancy tax and sales tax revenues will not grow significantly in the 2010 fiscal year; but we do expect that these revenues will remain stable with only a slight decline. The City plans to monitor closely these revenue sources in 2011 given recent economic and national events in order to evaluate the viability of the City's 2011 financial plan.

Long-Term Financial Planning

The City, in fiscal year 2011, expects the local economy to remain stable, but given the uncertainty in both the state and national economies, the City continues to monitor the situation daily in order to deal with this in the most fiscally prudent manner. Planned capital improvements in the Water and Wastewater funds will continue, but other projects will be evaluated on a case by case basis as to funding availability, given the current State Budget crisis.

Major Initiatives

The State Budget situation was such in fiscal 2010 that the City did experience a reduction in property tax revenues as a result of mandated State reductions. There were additional reductions to our local sales tax and motor vehicle in lieu fee revenues in fiscal 2010. However, these reductions were offset by State mandated sales tax in lieu payments and motor in lieu payments. In addition to these, the City's Redevelopment Agency experienced a takeaway by the State for the Supplemental Educational Revenue Augmentation Fund (SERAF) causing an adverse impact to reserves. The impact of these State mandated reductions, offsets and takeaway reduced the Redevelopment reserves by \$459,546 or 12% and the State will take another \$94,613 for SERAF in the 2011 fiscal year. However, the extent to which they may affect the 2011 fiscal year is of concern to the City and will be monitored closely as part of the budget review process.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the Members of the City Council, and the City Manager for their continued support for maintaining the highest standards of professionalism in the management of the City of Fortuna's financial affairs.

Respectfully submitted,



Gary Lee Chapman
Finance Director

CITY OF FORTUNA, CALIFORNIA
List of Principal Officials
June 30, 2010

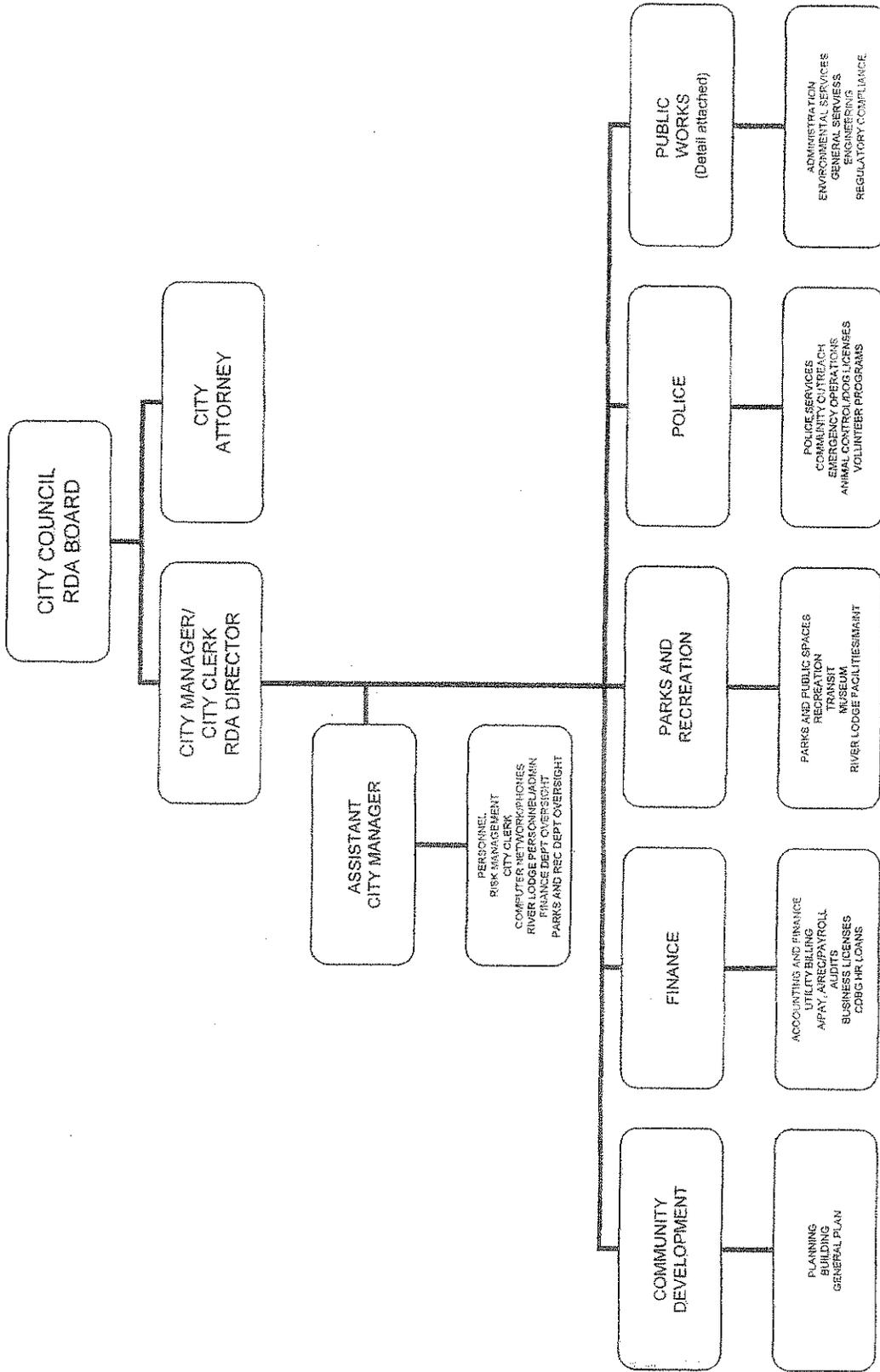
City Council

Mayor	Doug Strehl
Mayor Pro Tem	Ken Zanzi
Council Member	Sue Long
Council Member	Dean Glaser
Council Member	Mike Losey

Appointed Officials

City Manager/City Clerk	Duane Rigge
Community Development Director	Duane Rigge
Deputy Director of Community Development	Liz Shorey
Finance Director	Gary Lee Chapman
City Planner	Liz Shorey
Police Chief	Kris Kitna
Director of Parks and Recreation	John Crotty
Public Works Director	Dennis Ryan
Assistant City Manager	Cheryl Nicholson

CITY OF FORTUNA ORGANIZATIONAL CHART 2009-2010



FINANCIAL SECTION
MANAGEMENT'S DISCUSSION AND ANALYSIS,
BASIC FINANCIAL STATEMENTS
AND
NOTES TO THE FINANCIAL STATEMENTS



Terry E. Krieg, CPA
Certified Public Accountant

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Fortuna
Fortuna, California

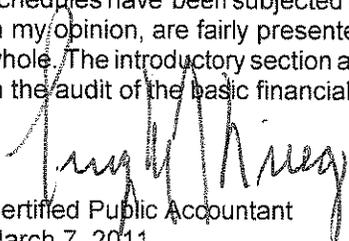
I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fortuna, California, (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Fortuna's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fortuna, California, as of June 30, 2010, and the respective changes 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.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 2 through 11 and pages 41 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Fortuna's basic financial statements. The accompanying introductory section, combining nonmajor fund financial statements and schedules, and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.


Certified Public Accountant
March 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Fortuna's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by about \$1.7 million over the course of this year's operations. The net assets of our business-type activities increased to about \$31.7 million at the end of 2010, and there was about a 1 percent decrease in the net assets of our governmental activities to about \$26.3 million.
- During the year, the City's expenses for governmental activities were funded by \$2.6 million in charges for services, grants, and contributions from other governments and by about \$5.2 million generated in taxes and other revenues for governmental programs.
- In the City's business-type activities, revenues decreased about 3 percent to \$ 6.1 million while expenses increased about 20 percent to \$4.1 million.
- The general fund reported a year end fund balance of about \$9.7 million, a decrease of about \$41,000 over the 2009 fiscal year.
- The City also ended the year with \$12.4 million reported in the proprietary enterprise funds (the amount of net assets available for use both restricted and unrestricted but excluding the investment of capital assets net of related debt).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts – an *introductory section*, a *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and comparative statements for the City's enterprise funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and wastewater system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor funds, each of which are added together and presented in single columns in the basic financial statements. We have also included comparative financial statements for our water and wastewater funds' business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

	Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds
<u>Scope</u>	Entire city government	The activities of the City that are not proprietary or fiduciary, such as police and parks	Activities the City operates similar to private businesses: the water, sewer, and transit systems.
<u>Required financial statements</u>	<ul style="list-style-type: none"> ◦ Statement of net assets ◦ Statement of activities 	<ul style="list-style-type: none"> ◦ Balance sheet ◦ Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> ◦ Statement of net assets ◦ Statement of revenues, expenses, and changes in net assets ◦ Statement of cash flows
<u>Accounting basis and measurement focus</u>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<u>Type of asset/liability information</u>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<u>Type of inflow/outflow information</u>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The two government-wide statements report the City's *net assets* and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities* – Most of the City's basic services are included here, such as general government, police, streets, public works, parks and recreation and redevelopment. Property taxes, sales taxes, transient occupancy taxes, other taxes, user charges and fees, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water, wastewater, and transit systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law such as the State Gas Tax Funds and Redevelopment Low and Moderate Income Housing Fund.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants (such as the City's HOME Grant Fund, CDBG Grant Fund, and Supplemental COPS Fund). Other funds are maintained to demonstrate the City's ability to repay its long-term debt obligations such as the Redevelopment Agency Debt Service Fund.

The City has two kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term view* that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets. The City's *combined* net assets increased about \$1.7 million between fiscal years 2009 and 2010. (See Table A-1.)

Table A-1
City of Fortuna's Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
Current and other assets	\$ 39.2	\$ 38.7	\$ 20.8	\$ 21.6	\$ 60.0	\$ 60.3	0.5%
Capital assets	5.7	5.6	31.6	32.3	37.3	37.9	1.6%
Total assets	44.9	44.3	52.4	53.9	97.3	98.2	0.9%
Long-term debt outstanding	17.3	16.9	21.5	21.4	38.8	38.3	-1.2%
Other liabilities	1.1	1.1	1.2	0.9	2.3	2.0	-13.0%
Total liabilities	18.4	18.0	22.7	22.3	41.1	40.3	-1.9%
Net assets							
Invested in capital assets	(7.3)	(7.3)	19.6	19.3	12.3	12.0	-2.4%
Restricted	27.8	27.2	4.3	3.7	32.1	30.9	-3.7%
Unrestricted	6.1	6.4	5.8	8.7	11.9	15.1	26.9%
Total net assets	\$ 26.6	\$ 26.3	\$ 29.7	\$ 31.7	\$ 56.3	\$ 58.0	3.0%

Net assets of the City's governmental activities decreased 1 percent to \$26.3 million. About 126% of the net assets relating to governmental activities is represented by cash and other assets. The City has \$16.9 million in long-term debt relating to assets used in its governmental activities. The City's net capital assets at year end represent the other (26%) of net assets.

The main reason for the decrease in net assets of the City's governmental activities in fiscal year 2009-10 was the payment to the State of \$459,546 for the Supplemental Educational Revenue Augmentation Fund (SERAF), combined with a decrease in charges for services and grant revenues, increases in general government, public safety, Redevelopment/housing expenses and long-term debt, while other revenues and expense remained relatively stable.

The net assets of our business-type activities increased to \$31.7 million, these resources cannot be used for governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, wastewater and transit systems.

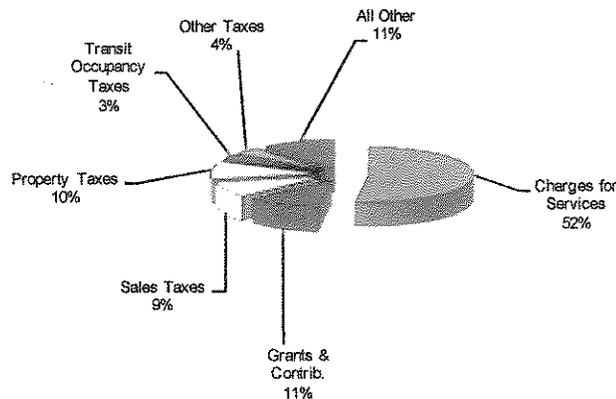
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

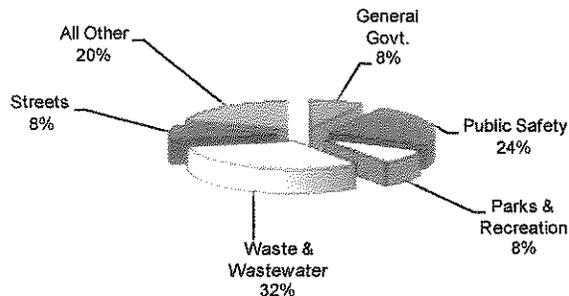
Changes in net assets. The City's total revenues decreased 5.8 percent to about \$13.9 million. (See Table A-2.) 22 percent of the City's revenue comes from transient occupancy, property and sales taxes, and other taxes. Another 52 percent comes from fees charged for services, and the remaining 26 percent is from local, state and federal aid and other general revenues such as unrestricted investment earnings.

The total cost of all programs and services increased to about \$12.2 million in 2010. The City's expenses cover a range of services, with about 34 percent related to business type activities and the remaining 66 percent relating to general government, public safety, streets, parks and recreation, redevelopment and housing, and other programs and expenditures.

Sources of Revenue for Fiscal Year 2010



Functional Expenses for 2010



Governmental Activities

Revenues for the City's governmental activities decreased by about \$600,000 in fiscal 2010, primarily as a result of a decrease in sales tax revenues and charges for services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

There was a modest increase in City property tax while revenues from transient occupancy taxes remained stable having a slight decrease, with sales tax down about 19% due primarily to a continuing stagnant economy. The City in fiscal year 2009-2010 received \$358,643 in Community Development Block Grant revenues for housing rehabilitation loans and grants.

Table A-2
Changes in the City of Fortuna's Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	
Revenues							
Program revenues							
Charges for services	\$2.1	\$1.4	\$6.0	\$5.8	\$8.1	\$7.2	-11.1%
Grants and contributions	1.0	1.2	0.3	0.3	1.3	1.5	11.5%
General revenues						0.0	
Sales taxes	1.6	1.3	0.0	0.0	1.6	1.3	-18.8%
Property and other taxes	2.4	2.4	0.0	0.0	2.4	2.4	0.0%
Other	1.3	1.5	0.0	0.0	1.3	1.5	15.4%
Total revenues	8.4	7.8	6.3	6.1	14.7	13.9	-5.8%
Expenses							
General government	1.0	1.0	0.0	0.0	1.0	1.0	0.0%
Public safety	2.8	2.9	0.0	0.0	2.8	2.9	3.6%
Streets	1.0	1.0	0.0	0.0	1.0	1.0	0.0%
Parks and recreation	1.1	1.0	0.0	0.0	1.1	1.0	-9.1%
Sanitation	0.0	0.1	0.0	0.0	0.0	0.1	0.0%
Redevelopment and housing	0.7	1.1	0.0	0.0	0.7	1.1	57.1%
Water	0.0	0.0	1.3	1.3	1.3	1.3	0.0%
Wastewater	0.0	0.0	1.8	2.6	1.8	2.6	44.4%
Transit	0.0	0.0	0.2	0.2	0.2	0.2	0.0%
Other	0.8	1.0	0.0	0.0	0.8	1.0	25.0%
Total expenses	7.4	8.1	3.3	4.1	10.7	12.2	14.0%
Excess (deficiency) before	1.0	-0.3	3.0	2.0	4.0	1.7	-58.8%
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	
Increase (decrease) in net	\$1.0	-\$0.3	\$3.0	\$2.0	\$4.0	\$1.7	-58.8%
Net Assets, beginning of year	25.6	26.6	26.7	29.7	52.3	56.3	
Net Assets, end of year	<u>26.6</u>	<u>26.3</u>	<u>29.7</u>	<u>31.7</u>	<u>56.3</u>	<u>58.0</u>	

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets from Governmental activities decreased modestly compared to 2009 in which there was a slight increase. However, net assets increased more sharply in the Business-type activities, due primarily to the increase in Water and Wastewater buildings, structures and systems placed into service.

Table A-3 presents the cost of each of the City's five largest programs – administration or general government, public safety, streets, parks and recreation, redevelopment and housing, and other programs –

- The cost of all *governmental* activities this year was \$8.1 million, an increase of about \$ 700,000 compared to fiscal 2009.
- However, the amount that taxpayers paid for these activities through City taxes was about \$ 5.5 million. Some of the cost was paid by:
 - Those who directly benefited from the programs (\$1.4 million), or
 - Other governments and organizations that subsidized certain programs with grants and contributions (about \$1.2 million).
- The City paid for the \$5.5 million “public benefit” portion out of the \$5.2 million in general revenues such as property taxes, transit occupancy taxes, sales taxes, incremental property taxes, other tax revenues, and investment earnings and fund reserves.

Table A-3
Cost of City of Fortuna's Programs
(in millions of dollars)

	Total Cost of Services		Percentage Change
	2009	2010	2009-2010
General Government	\$1.0	\$1.0	0.0%
Public Safety	2.8	2.9	3.6%
Streets	1.0	1.0	0.0%
Parks and recreation	1.1	1.0	-9.1%
Redevelopment & Housing	0.7	1.1	57.1%
All Other	0.8	1.1	37.5%
Total	\$7.4	\$8.1	9.5%

The increase in the costs of Public Safety, in addition to normal cost increases, were also caused by an increase in the City's share of pension payments made to the PERS as well as increased health care costs. The increase in redevelopment & housing costs are due to increased activity in the CDBG programs including senior services and housing rehabilitation programs and the HOME program.

Business-type Activities

Revenues of the City's business-type activities decreased to \$6.0 million. Operating revenues decreased about \$166,000, due primarily to lower interest rates and the increased base consumption approved with the rate increases to pay for the debt service issued in October 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Operating expenses increased by about \$ 800,000 in fiscal 2010 as a result of normal cost increases.

As the City completed the year, its governmental funds reported a *combined* fund balance of \$26.7million, about \$954,000 less than the last fiscal year.

Major Funds-Governmental

The City's general fund expenditures exceeded revenues by about \$205,000, primarily due to spending on budgeted capital outlay items. The general fund started the 2010 fiscal year with a fund balance of \$9.7 million.

After operations, the City's general fund ended the year with a \$9.7 million fund balance. Of this amount, about \$4.8 million was reserved for advances to other funds, notes receivable and encumbrances leaving really only about \$4.8 million available to start the 2011 fiscal year.

The City's Redevelopment Agency Administration Fund ended 2010 with a \$3.0 million fund balance. During the 2010 fiscal year, this fund received about \$1.1 million in incremental property tax revenues and expended about \$146,000 for economic development and redevelopment activities. In addition, the Agency also paid \$459,546 to the State for the Supplemental Educational Revenue Augmentation Fund (SERAF).

The City's Redevelopment Agency Bond Debt Service Fund ended the year with a \$4.2 million fund balance. During the 2010 fiscal year, this fund received about \$12,500 in interest revenues, and expended about \$541,000 for debt service.

The City's Redevelopment Agency City Loan Debt Service Fund ended the year with a \$5.7 million dollar fund deficit, a increase of about \$300,000.

The City's HOME Grant Fund ended 2010 with a \$25 thousand fund balance. There were no expenditure from the fund in 2010, and the fund received about \$200 in interest revenues.

Nonmajor Funds- Governmental

In addition, the City's nonmajor governmental funds ended the 2010 fiscal year with a combined fund balance of about \$16 million. Of this net fund balance, about \$3.4 million is available only for redevelopment housing setaside activities, \$1.5 million is restricted for housing and business revolving loans, \$3.3 million is in the City's Economic Development fund (this fund is locally established and subject to City management decisions on its use). There is about a 3.7 million fund balance in 2007 Bond Capital Projects fund, which is available to fund capital projects. The remaining \$4.1 million can only be used for specific projects or activities.

General Fund Budgetary Highlights

The City Council approved the fiscal 2009-2010 budget on June 15, 2009. There were no budgetary revisions over the course of the year. Actual general fund expenditures (not including transfers) were \$1,266,588 less than budget amounts. Actual general fund revenues (not including transfers) were \$97,550 less than budget amounts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Funds

The City's water enterprise ended 2010 with an unrestricted cash position of about \$2.7 million and about \$9 million set aside as debt service reserves and for capital projects. This fund also generated about \$898,000 in operating income for the year.

The wastewater enterprise ended 2010 with an unrestricted cash position of about \$4.3 million and about \$4.5 million set aside as debt service reserves and for capital projects. This fund also generated about \$897,000 in operating income for the year.

The transit fund ended 2010 with about \$10,000 in cash available for operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City had invested \$37.9 million (net of accumulated depreciation) in a broad range of capital assets, including land, equipment, vehicles, buildings, park facilities, and water and sewer systems. (See Table A-4.) This amount represents a net increase (including additions and deductions) of about \$800,000, or 1.6 percent more than last year.

Table A-4
Fortuna's Capital Assets
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2009	2010	2009	2010	2009	2010	2009-10
Land	\$1.1	\$1.1	\$0.2	\$0.2	\$1.3	\$1.3	0.0%
Construction in progress	0.1	0.2	3.4	4.0	3.5	4.2	20.0%
Buildings, structures & systems	1.9	1.8	27.7	27.8	29.6	29.6	0.0%
Machinery and equipment	0.3	0.2	0.2	0.3	0.5	0.5	0.0%
Vehicles	0.2	0.2	0.1	0.1	0.3	0.3	0.0%
Infrastructure	1.5	1.4	0.0	0.0	1.5	1.4	-6.7%
Improvements	0.6	0.6	0.0	0.0	0.6	0.6	0.0%
Total	\$5.7	\$5.5	\$31.6	\$32.4	\$37.3	\$37.9	1.6%

Assets have been restated net of depreciation.

This year's major capital assets additions included:

- This fiscal year, there was a major increase in buildings, structures and systems, as the Wastewater Treatment Plant Expansion was completed and placed into service.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information about the City's capital assets can be found on pages 30 through 31 of the notes to the basic financial statements.

Long – Term Debt

At the end of fiscal 2010, the City had \$38,130,000 in revenue bonds outstanding. Debt outstanding on those bond issues was reduced by \$615,000 during the fiscal year. The revenue bonds are paid from the water, wastewater, and debt service funds. The City also retired the note payable for the Campton Heights Water System with the final payment in June 2010 for a total paid of \$47,352 during the year.

Additional information about the City's long-term debt obligations can be found on pages 33 through 36 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the 2011 fiscal year, the City's adopted budget contains the following financial assumptions and structure:

- Any reduction in Vehicle License Fees or Sales Tax revenue from implementation of the "triple flip" will continue to be fully backfilled by the State through the County of Humboldt.
- The amounts allocated to the City by other governmental agencies will not be changed significantly, and funding levels in other governmental type funds will remain at the same levels as they were in fiscal year 2010.
- General fund total revenues will remain about the same excluding any one-time grant allocations from other governments.
- Total appropriations for the 2009-2010 fiscal year for all funds is set at \$25.7 million, which is a 2 percent decrease compared to the adopted 2009-2010 fiscal year budget.

General fund 2011 budgeted appropriations are set at about \$6.9 million, which is about an 11 percent increase compared to 2010 appropriations. In fiscal 2011, the City expects that the employer's share of retirement contributions to the PERS will increase by about \$26,000, as the PERS investment returns have declined in recent years and the employer contribution rates are being raised to offset the decline. The City also expects the employer share of health insurance premiums to increase by about \$112,000 in fiscal 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, City of Fortuna, 621 Eleventh Street, P.O. Box 545, Fortuna, California 95540.

CITY OF FORTUNA
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 18,989,842	\$ 7,084,830	\$ 26,074,672
Net receivables	1,285,641	562,281	1,847,922
Prepayments	26,281	22,730	49,011
Inventory	13,505	111,666	125,171
Total current assets	<u>20,315,269</u>	<u>7,781,507</u>	<u>28,096,776</u>
Noncurrent assets:			
Restricted cash and cash equivalents	6,465,746	13,228,979	19,694,725
Proposition 1A receivable	139,506	-	139,506
Receivables-long term	9,838,723	-	9,838,723
Lease receivable-long term	1,453,070	-	1,453,070
Bond issuance costs	560,963	549,604	1,110,567
Capital assets not being depreciated	1,258,242	4,137,523	5,395,765
Capital assets being depreciated, net	4,295,954	28,222,715	32,518,669
Total noncurrent assets	<u>24,012,204</u>	<u>46,138,821</u>	<u>70,151,025</u>
Total assets	<u>\$ 44,327,473</u>	<u>\$ 53,920,328</u>	<u>\$ 98,247,801</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 298,775	\$ 143,993	\$ 442,768
Accrued liabilities	157,175	62,700	219,875
Compensated absences	50,739	5,299	56,038
Deposits	154,825	61,979	216,804
Accrued interest payable	140,257	241,365	381,622
Bonds, certificates, and notes	280,000	405,000	685,000
Total current liabilities	<u>1,081,771</u>	<u>920,336</u>	<u>2,002,107</u>
Noncurrent liabilities:			
Compensated absences	169,676	17,721	187,397
Bonds, certificates, and notes	16,710,000	20,735,000	37,445,000
Premium from sale of bonds, net	71,093	587,768	658,861
Total noncurrent liabilities	<u>16,950,769</u>	<u>21,340,489</u>	<u>38,291,258</u>
Total liabilities	<u>18,032,540</u>	<u>22,260,825</u>	<u>40,293,365</u>
NET ASSETS			
Invested in capital assets, net of related debt	(7,255,550)	19,270,829	12,015,279
Restricted for:			
Debt service	4,075,670	1,408,207	5,483,877
Capital projects	-	2,075,144	2,075,144
Economic development and other purposes	23,063,131	171,544	23,234,675
Unrestricted	6,411,682	8,733,779	15,145,461
Total net assets	<u>26,294,933</u>	<u>31,659,503</u>	<u>57,954,436</u>
Total liabilities and net assets	<u>\$ 44,327,473</u>	<u>\$ 53,920,328</u>	<u>\$ 98,247,801</u>

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Statement of Activities
For The Fiscal Year Ended June 30, 2010

Functions/Programs City government	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services		City Government		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 1,081,614	\$ 31,585	\$ -	\$ (1,050,029)	\$ -	\$ (1,050,029)
Public safety	2,872,182	318,174	55,705	(2,248,750)	-	(2,248,750)
Streets	893,034	96,956	356,087	(238,852)	-	(238,852)
Parks and recreation	1,040,284	511,478	-	(518,806)	-	(518,806)
Sanitation	49,573	17,988	-	(31,585)	-	(31,585)
Redevelopment and housing	1,116,676	381,903	-	(376,130)	-	(376,130)
Interest on long-term debt	1,037,797	-	-	(1,037,797)	-	(1,037,797)
Total governmental activities	8,091,160	1,358,084	411,792	(5,501,949)	-	(5,501,949)
Business-Type Activities:						
Water	1,326,579	2,258,251	10,560	-	942,232	942,232
Wastewater	2,589,391	3,531,553	50,066	-	992,228	992,228
Transit	206,978	10,198	-	-	(8,451)	(8,451)
Total business-type activities	4,122,948	5,800,002	60,626	-	1,926,009	1,926,009
Total City government	\$ 12,214,108	\$ 7,158,086	\$ 472,418	(5,501,949)	1,926,009	(3,575,940)
General revenues and transfers:						
Taxes:						
Property taxes				363,001	-	363,001
Incremental property taxes				1,146,316	-	1,146,316
Sales taxes				1,310,196	-	1,310,196
Transient occupancy taxes				443,975	-	443,975
Other taxes				415,237	-	415,237
Other general revenues:						
Motor vehicle in lieu fees not restricted to a specific program				1,012,706	-	1,012,706
Unrestricted investment earnings				210,656	-	210,656
Other general revenues				312,157	-	312,157
Transfers				9,297	(9,297)	-
Total general revenues and transfers				5,223,541	(9,297)	5,214,244
Change in net assets				(278,408)	1,916,712	1,638,304
Net assets, beginning				26,573,341	29,742,791	56,316,132
Net assets, ending				\$ 26,294,933	\$ 31,659,503	\$ 57,954,436

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Redevelopment Agency Administration	Redevelopment Agency Bond Debt Service	Redevelopment Agency City Loan Debt Service	HOME Grants	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 4,068,353	\$ 2,978,491	\$ 4,202,029	\$ -	\$ 25,030	\$ 14,181,685	\$ 25,455,588
Accounts receivable	2,329	1,300	-	-	-	13,760	17,389
Taxes receivable	1,133,746	5,205	-	-	-	1,734	1,140,685
Due from other governments	139,506	-	-	-	-	82,551	222,057
Accrued interest receivable	45,016	-	-	-	-	-	45,016
Inventory	13,505	-	-	-	-	-	13,505
Prepayments	26,281	-	-	-	-	-	26,281
Due from other funds	135,735	-	-	-	-	-	135,735
Advances to other funds	4,809,675	-	-	-	-	692,623	5,702,298
Notes receivable	1,320	-	-	-	7,722,902	2,114,501	9,838,723
Lease receivable	-	-	-	-	-	1,453,070	1,453,070
Land held for resale	-	-	-	-	-	593,084	593,084
Total assets	\$ 10,375,466	\$ 2,984,996	\$ 4,202,029	\$ -	\$ 7,747,932	\$ 19,333,008	\$ 44,643,431
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 203,191	\$ 30,123	\$ -	\$ -	\$ -	\$ 65,461	\$ 298,775
Accrued liabilities	140,850	3,055	-	-	-	13,270	157,175
Compensated absences	50,739	-	-	-	-	-	50,739
Deposits	154,825	-	-	-	-	-	154,825
Due to other funds	-	-	-	-	-	135,735	135,735
Advances from other funds	-	-	-	5,702,298	-	-	5,702,298
Deferred revenue	141,488	-	-	-	7,722,902	3,567,571	11,431,961
Total liabilities	691,093	33,178	-	5,702,298	7,722,902	3,782,037	17,931,508
Fund balances:							
Reserved	4,849,460	-	-	-	-	1,485,707	6,335,167
Unreserved, designated for:							
Other purposes	580,253	-	-	-	-	-	580,253
Unreserved, undesignated	4,254,660	2,951,818	4,202,029	-	-	-	11,408,507
Unreserved reported in nonmajor:							
Debt service funds	-	-	-	(5,702,298)	-	390,076	(5,312,222)
Capital project funds	-	-	-	-	-	3,719,209	3,719,209
Special revenue funds	-	-	-	-	25,030	9,955,979	9,981,009
Total fund balances	9,684,373	2,951,818	4,202,029	(5,702,298)	25,030	15,550,971	26,711,923
Total liabilities and fund balances	\$ 10,375,466	\$ 2,984,996	\$ 4,202,029	\$ -	\$ 7,747,932	\$ 19,333,008	\$ 44,643,431
Total Governmental Fund Balances							\$ 26,711,923
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds							
							4,961,113
Bond issuance costs are not current financial resources and are not reported as fund assets							
							560,963
Long-term receivables used in governmental activities are not current financial resources and are therefore are deferred in the funds							
							11,431,961
Some liabilities, including bonds, leases, compensated absences, and accrued interest are not due and payable in the current period and are therefore not reported in the funds							
							(17,371,027)
Net Assets of Governmental Activities							\$ 26,294,933

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Statements of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General Fund	Redevelopment Agency Administration	Redevelopment Agency Bond Debt Service	Redevelopment Agency City Loan Debt Service	HOME Grants	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 223,495	\$ 1,146,316	\$ -	\$ -	\$ -	\$ -	\$ 1,369,811
Sales taxes	1,310,196	-	-	-	-	-	1,310,196
Other taxes	859,212	-	-	-	-	-	859,212
Special assessments	-	-	-	-	-	50,411	50,411
Licenses and permits	83,998	-	-	-	-	-	83,998
Fines and forfeits	78,532	-	-	-	-	-	78,532
Intergovernmental	1,028,827	-	-	-	-	1,147,529	2,176,356
Interest	210,656	31,146	12,570	-	174	117,130	371,676
Charges for services	693,542	1,300	-	-	-	68,735	763,577
Miscellaneous	380,959	-	-	-	-	289,267	670,236
Total revenues	4,869,427	1,178,762	12,570	-	174	1,673,072	7,734,005
EXPENDITURES							
Current:							
General government	941,986	-	-	-	-	-	941,986
Public safety	2,939,006	-	-	-	-	-	2,939,006
Highway and streets	196,994	-	-	-	-	585,776	782,770
Parks and recreation	963,596	-	-	-	-	-	963,596
Health and welfare	-	-	-	-	-	49,573	49,573
Economic development and redevelopment	-	145,730	-	-	-	697,285	843,015
Education SERAF payments	-	459,546	-	-	-	-	459,546
Capital outlay	33,198	-	-	-	-	377,849	411,047
Debt service:							
Principal	-	-	71,250	-	-	213,750	285,000
Interest	-	-	469,912	216,522	-	335,481	1,021,915
Total expenditures	5,074,780	605,276	541,162	216,522	-	2,259,714	8,697,454
Excess (deficiency) of revenues over expenditures	(205,353)	573,486	(528,592)	(216,522)	174	(586,642)	(963,449)
OTHER FINANCING SOURCES (USES)							
Transfers in	292,319	-	528,592	533,746	-	1,560,870	2,915,527
Transfers out	(127,650)	(1,347,305)	-	-	-	(1,431,275)	(2,906,230)
Total other financing sources (uses)	164,669	(1,347,305)	528,592	533,746	-	129,595	9,297
Net change in fund balances	(40,684)	(773,819)	-	317,224	174	(457,047)	(954,152)
Fund balances, July 1	9,725,057	3,725,637	4,202,029	(6,019,522)	24,856	16,008,018	27,666,075
Fund balances, June 30	\$ 9,684,373	\$ 2,951,818	\$ 4,202,029	\$ (5,702,298)	\$ 25,030	\$ 15,550,971	\$ 26,711,923

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (954,152)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$279,664) exceed depreciation (\$ 452,036) in the current period.	
	(172,372)
Losses on disposals of capital assets do not use current financial resources and are therefore not reported in the funds	(12,880)
Repayments of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets.	285,000
Amortization of bond issuance costs are not a use of current financial resources and are not reported in the funds	(20,215)
Amortization of premiums from the sale of bonds do not provide current financial resources and are not reported in the funds	1,562
Governmental funds report interest expenditures when due, but these costs are accrued as an expense in the statement of net assets	2,771
Governmental funds report compensated absences when payments are made or are immediately due. However, in the statement of activities these costs are recorded when incurred.	(7,572)
Long-term receivables related to the Proposition 1 A borrowing of tax revenues by the State are not current financial resources and are deferred in the funds	\$ 139,506
Governmental funds report as expenditures funds disbursed for long-term loans, but in the statement of activities such payments are not recorded as expenses but instead are recorded as assets in the statement of net assets	530,000
Interest earned on long-term receivables, payable at maturity, are not current financial resources and are deferred in the funds	206,946
Long-term receivables are deferred in the funds until collected and available for use. In the statement of activities, no revenues are recognized from the collection of receivables	<u>(277,002)</u>
Net differences	<u>675,744</u>
Change in Net Assets of Governmental Activities	<u>\$ (278,408)</u>

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds			
	Water	Wastewater	Nonmajor Transit Fund	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,698,415	\$ 4,333,164	\$ 53,251	\$ 7,084,830
Receivables(net)	233,255	329,026	-	562,281
Inventory	111,666	-	-	111,666
Prepayments	-	22,730	-	22,730
Total current assets	3,043,336	4,684,920	53,251	7,781,507
Noncurrent assets:				
Other assets:				
Restricted cash and cash equivalents	8,694,935	4,534,044	-	13,228,979
Bond issuance costs, net	230,438	319,166	-	549,604
Total other noncurrent assets	8,925,373	4,853,210	-	13,778,583
Capital assets:				
Capital assets not being depreciated:				
Land	26,996	126,695	-	153,691
Construction in progress	2,625,198	1,358,634	-	3,983,832
Total capital assets not being depreciated	2,652,194	1,485,329	-	4,137,523
Capital assets being depreciated				
Collection system	-	7,256,959	-	7,256,959
Pumping system	-	926,318	-	926,318
Treatment plant	-	21,295,517	-	21,295,517
Distribution and treatment system	8,740,440	-	-	8,740,440
Equipment	505,589	547,822	-	1,053,411
Vehicles	298,777	436,556	145,548	880,881
Less accumulated depreciation	(3,999,807)	(7,802,711)	(128,293)	(11,930,811)
Total capital assets being depreciated	5,544,999	22,660,461	17,255	28,222,715
Total noncurrent assets	17,122,566	28,999,000	17,255	46,138,821
Total assets	\$ 20,165,902	\$ 33,683,920	\$ 70,506	\$ 53,920,328
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 58,359	\$ 85,216	\$ 418	\$ 143,993
Compensated absences	2,253	2,157	889	5,299
Other current liabilities	27,372	31,007	4,321	62,700
Deposits	61,979	-	-	61,979
Interest	91,582	149,783	-	241,365
Bonds and Notes due within one year	135,000	270,000	-	405,000
Total current liabilities	376,545	538,163	5,628	920,336
Noncurrent liabilities:				
Compensated absences	7,536	7,212	2,973	17,721
Revenue bonds and notes	7,880,000	12,855,000	-	20,735,000
Premium from sale of bonds, net	219,067	368,701	-	587,768
Total noncurrent liabilities	8,106,603	13,230,913	2,973	21,340,489
Total liabilities	8,483,148	13,769,076	8,601	22,260,825
NET ASSETS				
Invested in capital assets, net of related debt	7,758,093	11,495,481	17,255	19,270,829
Restricted	1,130,406	2,524,489	-	3,654,895
Unrestricted	2,794,255	5,894,874	44,650	8,733,779
Total net assets	\$ 11,682,754	\$ 19,914,844	\$ 61,905	\$ 31,659,503

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds			Totals
	Water	Wastewater	Nonmajor Transit Fund	
OPERATING REVENUES				
Sales of water	\$ 2,166,639	\$ -	\$ -	\$ 2,166,639
Service fees	-	3,447,009	10,198	3,457,207
Miscellaneous	55,236	40,806	-	96,042
Total operating revenues	<u>2,221,875</u>	<u>3,487,815</u>	<u>10,198</u>	<u>5,719,888</u>
OPERATING EXPENSES				
Employee services	636,486	725,719	89,805	1,452,010
Contract services	-	-	84,077	84,077
Purchased power	149,796	204,249	-	354,045
Supplies and materials	288,136	955,781	19,075	1,262,992
Depreciation and amortization	249,522	703,642	14,021	967,185
Total operating expenses	<u>1,323,940</u>	<u>2,589,391</u>	<u>206,978</u>	<u>4,120,309</u>
Operating income (loss)	<u>897,935</u>	<u>898,424</u>	<u>(196,780)</u>	<u>1,599,579</u>
NON-OPERATING REVENUES (EXPENSES)				
Operating subsidies	-	-	188,329	188,329
Forgiveness of fines	-	-	-	-
Interest and investment revenue	36,376	43,738	-	80,114
Interest expense	(2,639)	-	-	(2,639)
Net nonoperating revenues (expenses)	<u>33,737</u>	<u>43,738</u>	<u>188,329</u>	<u>265,804</u>
Income (loss) before contributions and transfers	<u>931,672</u>	<u>942,162</u>	<u>(8,451)</u>	<u>1,865,383</u>
Contributions and transfers:				
Capital contributions	10,560	50,066	-	60,626
Transfers in	-	-	-	-
Transfers out	(4,132)	(5,165)	-	(9,297)
Net contributions and transfers	<u>6,428</u>	<u>44,901</u>	<u>-</u>	<u>51,329</u>
Change in net assets	<u>938,100</u>	<u>987,063</u>	<u>(8,451)</u>	<u>1,916,712</u>
Total net assets, July 1	<u>10,744,654</u>	<u>18,927,781</u>	<u>70,356</u>	<u>29,742,791</u>
Total net assets, June 30	<u>\$ 11,682,754</u>	<u>\$ 19,914,844</u>	<u>\$ 61,905</u>	<u>\$ 31,659,503</u>

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds			Totals
	Water	Wastewater	Nonmajor Transit Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 2,168,437	\$ 3,474,087	\$ 10,198	\$ 5,652,722
Payments to suppliers	(534,527)	(1,127,798)	(104,176)	(1,766,501)
Payments to employees for services	(638,378)	(737,781)	(90,275)	(1,466,434)
Other operating receipts	55,236	40,806	-	96,042
Net cash provided by (used for) operating activities	<u>1,050,768</u>	<u>1,649,314</u>	<u>(184,253)</u>	<u>2,515,829</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies	-	-	188,329	188,329
Transfers to other funds	(4,132)	(5,165)	-	(9,297)
Net cash provided by noncapital financing activities	<u>(4,132)</u>	<u>(5,165)</u>	<u>188,329</u>	<u>179,032</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	10,560	50,066	-	60,626
Payments on long-term debt principal	(117,352)	(260,000)	-	(377,352)
Interest paid on long-term debt	(370,718)	(605,635)	-	(976,353)
Purchases of capital assets	(481,321)	(289,310)	-	(770,631)
Net cash provided by (used for) capital and related financing activities	<u>(958,831)</u>	<u>(1,104,879)</u>	<u>-</u>	<u>(2,063,710)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest receipts	36,376	43,738	-	80,114
Net cash provided by investing activities	<u>36,376</u>	<u>43,738</u>	<u>-</u>	<u>80,114</u>
Net increase (decrease) in cash and cash equivalents	124,181	583,008	4,076	711,265
Balances-beginning of the year	<u>11,269,169</u>	<u>8,284,200</u>	<u>49,175</u>	<u>19,602,544</u>
Balances-end of the year	<u>\$ 11,393,350</u>	<u>\$ 8,867,208</u>	<u>\$ 53,251</u>	<u>\$ 20,313,809</u>

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

Enterprise Funds				
	Water	Wastewater	Nonmajor Transit Fund	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 897,935	\$ 898,424	\$ (196,780)	\$ 1,599,579
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	249,522	703,642	14,021	967,185
Change in assets and liabilities:				
Decrease(increase) in accounts receivable	(9,411)	27,078	-	17,667
Decrease(increase) in inventory	(24,699)	-	-	(24,699)
Decrease(increase) in prepayments	-	(5,115)	-	(5,115)
Increase(decrease) in accounts payable	(71,926)	37,347	(1,024)	(35,603)
Increase(decrease) in other liabilities	9,347	(12,062)	(470)	(3,185)
	<u>\$ 1,050,768</u>	<u>\$ 1,649,314</u>	<u>\$ (184,253)</u>	<u>\$ 2,515,829</u>
Net cash provided by (used for) operating activities				
	<u>\$ 1,050,768</u>	<u>\$ 1,649,314</u>	<u>\$ (184,253)</u>	<u>\$ 2,515,829</u>
Noncash capital financing activities:				
None				

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Statement of Fiduciary Net Assets
June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 52,316
Accounts receivable	<u>20,119</u>
Total assets	<u>\$ 72,435</u>
LIABILITIES	
Accounts payable	\$ 1,203
Deposits	<u>71,232</u>
Total liabilities	<u>\$ 72,435</u>

See accompanying notes to the basic financial statements

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Fortuna is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the City is considered to be financially accountable. *Blended Component Units* - The Fortuna Redevelopment Agency and Fortuna Public Financing Authority are separate legal entities created for the purpose of improving the economic conditions of the City, making public improvements and providing financing for these purposes. These entities are governed by the City Council of the City of Fortuna, and are therefore reported as if they were part of the City. The Agency and the Authority are reported as part of the City's special revenue, capital projects and debt service funds. Component unit financial statements may be obtained at the City's offices at 621 11th Street, Fortuna, California.

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 on all of the nonfiduciary activities of the City. 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 charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are 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 financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 fund financial statements. Revenues are recorded when earned and expenses are recorded when a 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Redevelopment Administration special revenue fund* accounts for tax increment revenues allocated to the Agency. The *Agency's Bond Debt Service Fund* is used to account for the proceeds from the sale of the 2007 revenue bonds and related bond reserve, escrow and debt payment funds. The *Agency's City Loan Debt Service Fund* is used to account for long-term loan transactions between the City and its component unit Redevelopment Agency. The *HOME* grant fund is used to account for grants and loans related to multi-family affordable housing projects.

The government reports the following major proprietary funds:

The *water and wastewater funds* account for the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and wastewater enterprise funds are charges to the customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees, connection fees and impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, the State Treasurer's Investment Pool, the Humboldt County Treasurer's Pool and other permitted investments

Investments for the City are reported at fair value. The State Treasurer's Investment Pool and the Humboldt County Treasurer's Pool operate in accordance with appropriate state laws and regulations. The reported value in the pools is the same as the fair value of the pool shares.

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 as 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 business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are not shown net of an allowance for uncollectibles.

Expenditures for long-term notes receivable are reported in the fund statements when made; and the related receivable is recorded as an asset in the fund statements but is offset by deferred revenue accounts until the receivables are realized by the funds. Long-term receivables are recorded as assets in the statement of net assets when the transaction is consummated by the City and are not offset by deferred revenue accounts.

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate be limited generally to one percent of market value, be levied by only the County, and be shared by applicable jurisdictions. The County of Humboldt collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues in the fiscal year in which they are due to the City.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

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

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for equipment and vehicles and \$10,000 for other capital assets having an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Under the GASB 34 Implementation Rules, the City was not required to record infrastructure assets existing or acquired prior to July 1, 2003; and the City has not recorded such assets. The City may elect to record such infrastructure assets in the future. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25
Public domain infrastructure	20
System infrastructure	15-50
Vehicles and equipment	5

5. Compensated Absences and Other Post Employment Benefits (OPEB)

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for a portion of unpaid accumulated sick leave since the City does have a policy to pay certain amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The unpaid sick leave is considered a general fund obligation, and it is recorded in the general fund only when current financial resources will be required. The entire liability is reported in the statement of net assets for governmental activities in the government-wide financial statements. The City provides no post employment benefits other than its participation in the Public Employees Retirement System (PERS).

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the 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 net assets.

7. Fund Equity

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

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that “capital assets are not financial resources and are not reported in the funds.” The details of this \$4,961,113 difference are as follows:

Capital assets	\$	9,698,352
Less: Accumulated depreciation		<u>(4,737,239)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>		<u>\$ 4,961,113</u>

Another element of the reconciliation explains that “long-term liabilities” are not due and payable in the current period and are therefore not reported in the funds. The details of this \$17,371,027 difference are as follows:

Long-Term Debt Obligations:		
Revenue bonds, series 2007	\$	16,990,000
Premium from sale 2007 revenue bonds		71,093
Accrued interest payable		140,257
Unpaid vacation and sick leave		<u>169,677</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net assets - governmental activities		<u>\$ (17,371,027)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 536,238 difference and other significant components of the difference are as follows:

Capital outlay	\$	279,664
Depreciation expense		(452,036)
Repayment of long-term debt principal		285,000
Long-term notes receivable		459,944
Other items		<u>103,172</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>		<u>\$ 675,744</u>

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis of consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. On or before the end of each fiscal year, all agencies of the City submit requests for appropriations to the City Manager so that a budget may be prepared. By May 15 of each year, the proposed budget is presented to the council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The council made no supplemental budgetary appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds.

B. Budgetary Stewardship

One nonmajor governmental fund exceeded its approved expenditure budgets for the fiscal year ended June 30, 2009. Expenditures budgets (excluding transfers) were exceeded by the CDBG Open Grant fund (\$71,095). These excess expenditures were funded from available resources.

The redevelopment agency city debt service fund had a \$6,019,522 fund deficit. The Agency's debt service fund deficit exists because of advances from other City funds for redevelopment purposes. The Agency plans to cure the deficit from future tax increment revenues.

4. Detailed Notes on All Funds

A. Deposits and Investments

Deposits and investments consisted of the following at June 30, 2010:

Demand deposits and savings	\$ 2,945,446
Investments	<u>42,823,951</u>
Total	<u>\$ 45,769,397</u>

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is that they will be made in institutions in California, and that they shall be insured or fully collateralized with government securities. At June 30, 2010, \$2,457,374 of the City's bank balances of \$2,957,374 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's agent But not in the City's name:	<u>\$2,457,374</u>
---	--------------------

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

A. Deposits and Investments(Continued)

As of June 30, 2010, the City had the following investments:

<u>Type Investment</u>	<u>Average Weighted Maturity</u>	<u>Fair Value</u>
Local Agency Investment Fund	203 Days	\$ 17,548,620
JP Morgan Institutional Prime Money Market	48 Days	20,419,857
Humboldt County Treasurer's Pool	633 Days	4,855,474
 Total Investments		 <u>\$ 42,823,951</u>

Interest Rate Risk- As a means of limiting its exposure to fair value losses arising from rising interest rates, the City has a formal policy which limits City purchased investments to securities having a remaining maturity date from time of purchases to five years or less.

Credit Risk- The City's investment policy limits investments in mutual and money market funds to the top two ratings issued by nationally recognized statistical ratings organizations. Investments in obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require the disclosure of credit quality. The Local Agency Investment Fund and Humboldt County Treasurer's Investment Pool are unrated. The JP Morgan Money Markey Fund was rated AAA.

Concentration of Credit Risk- Investments explicitly guaranteed by the U.S. government and investments in mutual funds, and external investment pools such as those held by the City are excluded from concentration of credit risk disclosures.

Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or the collateral securities that are in the possession of an outside party. Investments in mutual funds and external investment pools are not subject to custodial credit risk because these investments are not evidenced by specific securities.

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

B. Receivables

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Redevelopment Administration and HOME grant	Nonmajor Funds	Total Governmental	Water Enterprise	Wastewater Enterprise
Receivables:						
Taxes	\$ 1,133,746	\$ 5,205	\$ 1,734	\$ 1,140,685	\$ -	\$ -
Accounts	2,329	1,300	13,760	17,389	233,255	329,206
Governments	-		82,551	82,551	-	-
Interest	45,016	-	-	45,016	-	-
Subtotal current	1,181,091	6,5050	98,045	1,285,641	233,255	329,206
Leases	-	-	1,453,070	1,453,070	-	-
Notes receivable	1,320	7,722,902	2,114,501	9,838,723	-	-
Net total receivables	<u>\$ 1,182,411</u>	<u>\$ 7,729,407</u>	<u>\$ 3,665,616</u>	<u>\$ 12,577,434</u>	<u>\$ 233,255</u>	<u>\$ 329,206</u>

Revenues of the water and wastewater enterprises are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are not material at year-end.

Long-term notes receivable of \$9,838,723 consists of two notes relating to affordable housing projects for \$7,722,902 (with accumulated and unpaid interest) and various other notes for \$2,115,821 relating to business development and redevelopment projects. The notes for \$7,722,902 bear interest at 3 percent per annum, mature in 55 years, and are repayable annually to the extent that the housing projects have residual receipts with the unpaid balance due at maturity. The notes are secured by a deed of trust on the housing projects. The other notes are generally repayable in monthly installments of principal and interest at various rates and terms. The other notes of \$2,115,821 consists of one note for \$500,000, bearing interest at 4 percent, maturing in 10 years and repayable in monthly installments of \$3,000.

The lease receivable of \$1,453,070 represents the net present value of lease rents receivable under an agreement with the State of California pursuant to a sublease arrangement of the California Conservation Corps Facility. The lease expires June 30, 2018. Upon expiration, the facility passes to the State of California. The lease payments are due in annual installments of \$245,000.

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,047,371	\$ -	\$ -	\$ 1,047,371
Construction in progress	102,930	119,913	(11,972)	210,871
Total capital assets, not being depreciated	<u>1,150,301</u>	<u>119,913</u>	<u>(11,972)</u>	<u>1,258,242</u>
Capital assets, being depreciated:				
Buildings	3,610,831	-	-	3,610,831
Improvements	1,297,381	-	-	1,297,381
Equipment	1,357,759	43,967	-	1,401,726
Vehicles	751,377	127,755	(163,190)	715,942
Infrastructure - primarily street systems	2,007,314	-	-	2,007,314
Total capital assets being depreciated	<u>9,024,662</u>	<u>171,722</u>	<u>(163,190)</u>	<u>9,033,194</u>
Less accumulated depreciation for:				
Buildings	(1,678,817)	(127,983)	-	(1,806,800)
Improvements	(649,968)	(39,537)	-	(689,505)
Equipment	(1,056,743)	(106,758)	-	(1,163,501)
Vehicles	(566,149)	(63,998)	150,310	(479,837)
Infrastructure	(483,837)	(113,760)	-	(597,597)
Total accumulated depreciation	<u>(4,435,514)</u>	<u>(452,036)</u>	<u>150,310</u>	<u>(4,737,240)</u>
Total capital assets, being depreciated, net	<u>4,589,148</u>	<u>(280,314)</u>	<u>(12,880)</u>	<u>4,295,954</u>
Governmental activities capital assets, net	<u>\$ 5,739,449</u>	<u>\$ (160,401)</u>	<u>\$ (24,852)</u>	<u>\$ 5,554,196</u>

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 153,691	\$ -	\$ -	\$ 153,691
Construction in progress	3,365,969	1,491,783	(873,920)	3,983,832
Total capital assets, not being depreciated	3,519,660	1,491,783	(873,920)	4,137,523
Capital assets, being depreciated:				
Wastewater collection system	7,256,959	-	-	7,256,959
Wastewater pumping	926,318	-	-	926,318
Wastewater treatment plant	21,295,517	-	-	21,295,517
Water treatment and distribution	7,845,897	894,543	-	8,740,440
Equipment	940,050	113,361	-	1,053,411
Vehicles	785,212	95,669	-	880,881
Total capital assets, being depreciated	39,049,953	1,103,573	-	40,153,526
Less accumulated depreciation for:				
Wastewater system	(7,114,952)	(687,759)	-	(7,802,711)
Water system	(3,751,758)	(248,049)	-	(3,999,807)
Transit system	(114,272)	(14,021)	-	(128,293)
Total accumulated depreciation	(10,980,982)	(949,829)	-	(11,930,811)
Total capital assets, being depreciated, net	28,068,971	153,744	-	28,222,715
Business-type activities capital assets, net	\$31,588,631	\$1,645,527	\$ (873,920)	\$32,360,238

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	Amounts
General government	\$144,476
Public safety	59,981
Streets	176,769
Parks and recreation	70,810
Total depreciation expense-governmental activities	\$452,036
Business-Type Activities:	
Wastewater	\$687,759
Water	248,049
Transit	14,021
Total depreciation expense-business-type activities	\$949,829

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables, and Transfers

1. The composition of interfund balances of June 30, 2010, is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to other funds:		
General fund	CCC project	\$ 1,712
General fund	Gas tax 2107.5	304
General fund	Gas tax 2105 fund	6,023
General fund	Integrated waste fund	<u>101,799</u>
	Total due to/due from	<u>\$ 109,838</u>
General fund	<i>Grants fund</i>	<u>25,897</u>
		<u>\$ 25,897</u>
 <i>Loan to Redevelopment Agency:</i>		
General Fund	Redevelopment City Debt Service	\$ 4,809,675
Drainage Facility	Redevelopment City Debt Service	<u>892,623</u>
	Total loan to redevelopment agency	<u>\$ 5,702,298</u>

The due from other funds represents primarily cash flow advances made by the City's general fund to other funds in order to conduct operations and projects pending reimbursement and payments of entitlements by grantor agencies and other governments. The \$5,702,298 in advances represents amounts loaned to the City's Redevelopment Agency to commence operations and startup projects. The loan is repayable in annual installments of about \$773,949 from Agency tax increment revenues commencing in fiscal year 2010 and concluding in 2024 using an interest rate of 10 percent as of June 30, 2010. During the 2010 fiscal year, the Agency increased the interest rate on this loan from about 2.5 percent to 10 percent per annum.

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables, and Transfers(Continued)

2. Interfund transfers at June 30, 2010 were as follows:

Transfers out:	Transfer in:				Total Transfers Out All Funds
	Redevelopment Agency Bond Debt Service	Redevelopment Low & Moderate Income Housing	City Loan Debt Service	All Other Funds	
Redevelopment administration	\$ 526,980	\$ 286,579	\$ 533,746	\$ -	\$ 1,347,305
General fund				127,650	127,650
Grants fund				626,185	626,185
Lease fund				140,194	140,194
Water/wastewater				9,297	9,297
All Other Funds	1,612	-		663,284	664,896
Totals	\$528,592	\$ 286,579	\$ 533,746	\$1,566,610	\$2,915,527

Interfund transfers were made primarily to transfer tax increment revenues to the low and moderate income housing fund of the City's redevelopment agency and to transfers funds to pay debt service on the City and Agency's long-term debt obligations.

E. Long-Term Debt

Water Revenue Bonds

During the 2007 fiscal year, the City's Public Financing Authority issued \$8,085,000 in water revenue bonds, series 2006 for the purpose of providing long-term financing for the water treatment plant project of the City. The Fortuna Public Financing Authority entered into an installment sale agreement with the City whereby the City agreed to pay the debt service on the bonds in exchange for the financing. The installment sale agreement between the City and its Public Financing Authority have been eliminated from these financial statements. The revenue bonds bear interest at rates from 3.375% to 5.0%, are payable each April 1 and October 1 through 2037. The bonds are secured by a pledge of the water system net revenues. Future debts service on the bonds is:

Fiscal Years	Principal	Interest	Total
2011	\$ 135,000	\$ 364,050	\$ 499,050
2012	170,000	358,797	528,797
2013	175,000	352,760	527,760
2014	185,000	345,998	530,998
2015	190,000	337,547	527,547
2016-2020	1,090,000	1,551,030	2,641,030
2021-2025	1,330,000	1,304,356	2,634,356
2026-2030	1,645,000	982,204	2,627,204
2031-2035	2,100,000	521,250	2,621,250
2036-2037	995,000	50,375	1,045,375
	\$ 8,015,000	\$ 6,168,367	\$ 14,183,367

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Annual principal and interest payments on the bonds are expected to require less than 54 percent of system net revenues as defined. Total interest and principal remaining to be paid is \$14,183,367. Principal and interest paid for the current fiscal year and total system net revenues as defined were \$438,078 and \$1,194,393, respectively.

Wastewater Revenue Bonds

During the 2007 fiscal year, the City's Public Financing Authority issued \$13,820,000 in wastewater revenue bonds, series 2006 for the purpose of providing long-term financing for the wastewater treatment plant project of the City. The Fortuna Public Financing Authority entered into an installment sale agreement with the City whereby the City agreed to pay the debt service on the bonds in exchange for the financing. The installment sale agreement between the City and its Public Financing Authority have been eliminated from these financial statements. The revenue bonds bear interest at rates from 3.25% to 5.0%, are payable each April 1 and October 1 through 2037. Future debts service on the bonds is:

Fiscal Years	Principal	Interest	Total
2011	\$ 270,000	\$ 594,580	\$ 864,580
2012	280,000	585,122	865,122
2013	290,000	575,147	865,147
2014	300,000	564,072	864,072
2015	310,000	550,322	860,322
2016-2020	1,775,000	2,529,460	4,304,460
2021-2025	2,180,000	2,125,708	4,305,708
2026-2030	2,685,000	1,599,301	4,284,301
2031-2035	3,415,000	848,125	4,263,125
2035-2037	1,620,000	83,620	1,703,620
	<u>\$ 13,125,000</u>	<u>\$ 10,055,457</u>	<u>\$ 23,180,457</u>

The bonds are secured by a pledge of the wastewater system net revenues. Annual principal and interest payments on the bonds are expected to require less than 51 percent of system net revenues as defined. Total interest and principal remaining to be paid on the bonds is \$23,180,457. Principal and interest paid for the current fiscal year and total system net revenues as defined were \$865,635 and \$1,695,870, respectively.

2007 Revenue Bonds – Governmental Activities

The City and its component unit redevelopment agency entered into a loan agreement with the Fortuna Public Financing Authority (also a component unit of the City), dated October 1, 2007, wherein the Authority sold \$17,500,000 in its revenue bonds, series 2007. From the sale of the Authority's Revenue bonds, \$13,280,000 was loaned to the component unit redevelopment agency and \$4, 220,000 was loaned to the City. The loans receivable and payable between the City and the City's redevelopment agency and the City's component unit Financing Authority have been eliminated from the accompanying financial statements.

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

From the bond proceeds, the redevelopment agency deposited \$2,525,000 into an Escrowed Project Fund Account until October 15, 2010, of the escrow bonds which bonds are defined as the bonds maturing November 1, 2038 with an interest rate of 4.9 percent. On October 15, 2010 the Trustee shall transfer all amounts then on deposit in the Escrowed Project Fund to the Principal Fund, to be applied to the mandatory redemption on November 1, 2010 of Escrow Bonds pursuant to Section 4.07 of the Trust Agreement. Notwithstanding the foregoing, the Agency may postpone such redemption to any later date identified in a certificate of the Agency which sets forth the new date for the transfer of amounts in the Escrowed Project Fund to the Principal Fund to be used to redeem Escrow Bonds pursuant to Section 4.07 of the Trust Agreement and which is accompanied by cash in an amount which is certified by the Agency as sufficient, together with the earnings thereon, to pay interest on the portion of the Escrow Bonds which represent the funds then on deposit in the Escrowed Project Fund from November 1, 2010 to the redemption date as identified in such certificate of the Agency. The Agency exercised its option to postpone this redemption until November 1, 2011. At June 30, 2010, there was \$2,525,000 on deposit in the escrow account.

The 2007 revenue bonds mature each November 1 commencing November 1, 2008 through 2038, bear interest at rates from 3.75 to 5.0 percent and consist of \$5,365,000 in serial bonds, \$4,110,000 in term bonds due November 2031, \$2,525,000 in term bonds due November 1, 2038 (the escrow bonds), and \$5,500,000 in term bonds due November 1, 2038. The bonds are subject to early redemptions from certain prepayments, bonds maturing on or after November 1, 2018 are subject to optional early redemption, the escrow bonds are subject to mandatory early redemption on November 1, 2010 and the term bonds maturing November 1, 2031 and 2038 are subject to mandatory sinking fund redemptions on or after November 1, 2024 and 2032, respectively.

2007 Revenue Bonds – Governmental Activities

Fiscal Years	Principal	Interest	Total
2011	\$ 280,000	\$ 791,006	\$ 1,071,006
2012	305,000	777,406	1,082,406
2013	320,000	764,405	1,084,405
2014	350,000	750,980	1,100,980
2015	385,000	736,683	1,121,683
2016-2020	1,955,000	3,411,185	5,366,185
2021-2025	2,105,000	2,992,895	5,097,895
2026-2030	3,025,000	2,410,001	5,435,001
2031-2035	4,210,000	1,552,320	5,762,320
2036-2039	4,055,000	405,108	4,460,108
	<u>\$ 16,990,000</u>	<u>\$ 14,591,989</u>	<u>\$ 31,581,989</u>

The City's component unit redevelopment agency has pledged future incremental property tax revenues to repay its \$13,280,000 share of the 2007 revenue bonds. The agency's share of the revenue bonds is payable solely from the pledged tax increment revenues and from certain trust accounts held by the bond trustee. Total principal and interest remaining on the agency's share of the bonds is \$25,533,978. For the current fiscal year, principal and interest paid by the agency and total tax increment revenues were \$721,199 and \$1,146,316, respectively.

The City has not pledged a specific revenue source as security to repay its \$4,220,000 share of the 2007 revenue bonds, although it has agreed to appropriate monies to make such scheduled debt service payments.

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

4. Detailed Notes on All Funds (Continued)

E. Long-Term Debt (Continued)

Changes in Long-term liabilities

Long-term debt activity for the 2010 fiscal year was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due In One Year
<i>Governmental-Type</i>					
2007 Revenue bonds	\$ 17,275,000	\$ -	\$ 285,000	\$ 16,990,000	\$280,000
Compensated absences	162,104	7,572	-	169,676	-
Totals	\$17,437,104	\$ 7,572	\$ 285,000	\$17,159,676	\$ 280,000
<i>Business-Type</i>					
Revenue bonds	\$21,470,000	\$ -	\$ 330,000	\$21,140,000	\$ 405,000
Claims	-	-	-	-	-
Notes	47,352	-	47,352	-	-
Totals	\$ 21,517,352	\$ -	\$ 377,352	\$ 21,140,000	\$ 405,000

5. 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; and natural disasters for which the City carries insurance.

The City is a member of the Redwood Empire Municipal Insurance Fund a joint powers authority, which provides joint protection programs for public entities covering automobile, general liability, errors and omission losses, property and workers compensation claims. Under the program, the City has a \$ 10,000 general liability retention limit similar to a deductible with the Fund being responsible for losses above that amount up to \$ 500,000. The Fund carries excess liability coverage to a total of \$40 million in excess of its \$ 500,000 retention limit per occurrence through the California Joint Powers Risk Management Authority and its excess insurers.

The Fund covers workers compensation claims up to its self-insurance limit of \$ 1 million. A purchased excess policy insures the Fund for an additional \$ 1 million to provide aggregate coverage of up to \$ 2 million per claim. The City pays an annual premium to the Fund; the City may share in any surplus revenues or may be required to pay additional assessments based upon the Fund's operating results. The Fund also provides property coverage up to \$300 million per occurrence.

The City paid no material uninsured losses during the 2009-2010 fiscal year. Financial statements of the JPA Fund may be obtained from their administrative offices located at 414 W. Napa Street, Sonoma, California 95476.

Liabilities of the City are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

5. Other Information

A. Risk Management (Continued)

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverage for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 6/30/2010	Year Ended 6/30/2009
Unpaid claims, beginning of fiscal year	\$ -	\$ 65,000
Incurred claims (including IBNRs)	-	-
Forgiveness of claims	-	(65,000)
Claim payments	-	-
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

B. Contingencies and Commitments

Litigation. The City is involved in litigation incurred in the normal course of conducting City business. City management believes that, based upon consultation with its counsel, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City.

C. Jointly Governed Organizations

Jointly governed organizations are legal entities or other organizations that result from a contractual arrangement and that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. The City is a participant in the following organizations:

Redwood Empire Municipal Insurance Fund . The City is a member of Insurance Fund. The Fund, under the terms of a Joint Powers Agreement with the City and several other cities and governmental agencies, provides insurance coverage for general liability, automobile liability, and workers compensation claims.

Under the arrangement, the Fund purchases liability, automobile liability, and workers compensation insurance and charges participating cities and governmental agencies in amounts planned to match expenses of insurance premiums, estimated payments resulting from self-insurance programs, and operating expenses. The City's obligations are limited to contributions to pay for related insurance premiums.

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

5. Other Information (Continued)

D. Other Post Employment Benefits

The City provides no post employment benefits other than those associated with the Public Employees Retirement System.

E. Public Employees Retirement System

Plan Description. The City of Fortuna contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer, public employee, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by the State statute and City ordinance. The PERS issues publicly available financial reports that includes the financial statements and required supplementary information for the PERS. Copies of PERS annual financial report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

Funding Policy and Annual Pension Cost. The contribution requirements of plan members and the City are established by and may be amended by PERS. Regular plan members are required to contribute 7.0 percent of their annual covered salary and safety members are required to contribute 9.0 percent. The city is required to contribute at an actuarially determined rate. The current rate for regular employees is 12.57 percent of covered payroll and is 19.41 percent for safety personnel. The City's annual pension cost for the most recent year and related information for each plan is as follows

Three-year Trend of Information

Plan	Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
Regular employees	6/30/08	\$ 263,685	100%	\$ -
	6/30/09	\$ 297,333	100%	\$ -
	6/30/10	\$ 302,039	100%	\$ -
Safety employees	6/30/08	\$ 137,276	100%	\$ -
	6/30/09	\$ 152,655	100%	\$ -
	6/30/10	\$ 169,244	100%	\$ -

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

5. Other Information (Continued)

F. Restricted Net Assets and Designated Fund Balances

Restricted Net Assets

The \$ 27,138,801 restricted amount for debt service, capital projects and economic development in the governmental activities statement of net assets represent amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments and primarily relate to redevelopment funds restricted by law to only certain specified uses. The \$3,654,895 restricted for business-type activities represents spendable net assets in the wastewater and water funds restricted for use in making capital improvements

Reserved Fund Balances

The reserved fund balances in the governmental fund types represent amounts not available for appropriation and consists of:

<u>Purpose of Reservation</u>	<u>General Fund</u>	<u>Redevelopment Administration</u>	<u>Nonmajor Funds</u>
Inventory	\$ 13,505	\$ -	\$ -
Prepayments	26,281	-	-
Advances to other funds	4,809,675	-	892,623
Land held for resale	-	-	593,084
Totals	\$ 4,849,460	\$ -	\$ 1,485,707

Designated Fund Balances

Designated fund balances represent tentative management spending plans. These plans may be changed or modified. At June 30, 2010, amounts were designated as follows:

<u>Purpose of Designation</u>	<u>General Fund</u>
Development review and planning	\$ -
City-wide traffic	707,825
Home Avenue traffic	(12,486)
Hillside traffic	16,046
Riverlodge operations	(163,653)
Bocce ball court	2,500
Museum	10,543
Youth recreation	8,240
Public safety	11,238
Totals	\$ 580,253

CITY OF FORTUNA
Notes to the Basic Financial Statements
June 30, 2010

5. Other Information (Continued)

G. Proposition 1A Receivable

Under the provisions of Proposition 1A and as part of the 2009-2010 budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including property taxes associated with the in lieu motor license fee, the triple flip in lieu sales tax, and the supplemental property tax apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of the initial borrowing, the California legislature may consider only one additional borrowing within a ten year period. The amount of the borrowing pertaining to the City was \$139,506.

The borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal 2012-2013). In the government wide financial statements, the tax revenues were recognized in the fiscal year for which they levied (fiscal year 2009-2010).

H. Supplemental Educational Revenue Augmentation Fund (SERAF)

Chapter 21, Statutes of 2009, requires redevelopment agencies to collectively shift \$1.7 billion in property tax revenues to K-12 schools during the 2009-2010 fiscal year via the SERAF that the Chapter created in each County. The amount required to be paid by the City's redevelopment agency in fiscal 2010 was \$459,546.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
CITY OF FORTUNA
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Fund Balance, July 1	\$ 9,725,057	\$ 9,725,057	\$ 9,725,057	\$ -
Resources (inflows):				
Property taxes	186,566	186,566	223,495	36,929
Sales taxes	1,293,000	1,293,000	1,310,196	17,196
Other taxes	927,843	927,843	859,212	(68,631)
License permits	95,020	95,020	83,998	(11,022)
Fines and forfeits	72,550	72,550	78,532	5,982
Interest	295,518	295,518	210,656	(84,862)
Intergovernmental	984,395	984,395	1,028,827	44,432
Charges for services	741,819	741,819	693,542	(48,277)
Miscellaneous	370,266	370,266	380,969	10,703
Transfers in	100,000	100,000	292,319	192,319
Amounts available for charges to appropriations	<u>14,792,034</u>	<u>14,792,034</u>	<u>14,886,803</u>	<u>94,769</u>
Charges to appropriations:				
<i>General government:</i>				
City council	31,821	31,821	25,807	6,014
City manager	76,025	76,025	75,513	512
Finance	97,360	97,360	101,256	(3,896)
Legal	50,000	50,000	55,873	(5,873)
Nondepartmental	110,767	110,767	126,677	(15,910)
General building	32,947	32,947	53,320	(20,373)
Risk management	246,314	246,314	260,239	(13,925)
Public works administration	31,364	31,364	31,927	(563)
Engineering	23,536	23,536	13,776	9,760
Planning	71,433	71,433	61,072	10,361
Tourism	139,467	139,467	136,526	2,941
<i>Public safety:</i>				
Police	2,097,866	2,097,866	2,119,790	(21,924)
Detective	94,918	94,918	104,633	(9,715)
Police federal	-	-	103,874	(103,874)
Youth	104,732	104,732	85,386	19,346
Community oriented policing	90,058	90,058	38,261	51,797
DUI	-	-	400	(400)
Office traffic safety	-	-	29,108	(29,108)
K9	19,390	19,390	21,653	(2,263)
Animal control	32,535	32,535	23,032	9,503
Building inspections	210,440	210,440	159,725	50,715
Development reviews	523,786	523,786	253,144	270,642
<i>Highways and streets:</i>				
Street maintenance	393,321	393,321	196,994	196,327
<i>Parks and Recreation:</i>				
Recreation programs	383,030	383,030	279,114	103,916
Park maintenance	420,018	420,018	395,374	24,644
Library	23,916	23,916	23,859	57
Railroad museum	25,935	25,935	12,903	13,032
Riverlodge operations	282,389	282,389	252,346	30,043
<i>Capital outlays</i>	728,000	728,000	33,198	694,802
<i>Transfers out</i>	1,291	1,291	127,650	(126,359)
Total charges to appropriations	<u>6,342,659</u>	<u>6,342,659</u>	<u>5,202,430</u>	<u>1,140,229</u>
Fund Balance, June 30	<u>\$ 8,449,375</u>	<u>\$ 8,449,375</u>	<u>\$ 9,684,373</u>	<u>\$ 1,234,998</u>

CITY OF FORTUNA

Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2010

Note A. Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and expenditures:

Sources/inflows resources:

Actual amounts "available for appropriation" from budgetary comparison schedule:	\$ 14,886,803
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(9,725,057)
Transfers in from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(292,319)</u>

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds \$ 4,869,427

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 5,202,430
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(127,650)

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds \$ 5,074,780

Required Supplementary Information
CITY OF FORTUNA
Budgetary Comparison Schedule - Redevelopment Agency Administration Special Revenue Fund
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 3,725,637	\$ 3,725,637	\$ 3,725,637	\$ -
Resources (inflows):				
Incremental property taxes	1,178,000	1,178,000	1,146,316	(31,684)
Charges for services	1,300	1,300	1,300	-
Interest	55,293	55,293	31,146	(24,147)
Amounts available for charges to appropriations	<u>4,960,230</u>	<u>4,960,230</u>	<u>4,904,399</u>	<u>(55,831)</u>
Charges to appropriations:				
Community development	222,526	222,526	145,730	76,796
SERAF payments	-	-	459,546	(459,546)
Transfers	1,335,297	1,335,297	1,347,305	(12,008)
Total charges to appropriations	<u>1,557,823</u>	<u>1,557,823</u>	<u>1,952,581</u>	<u>(394,758)</u>
Fund Balance, June 30	<u>\$ 3,402,407</u>	<u>\$ 3,402,407</u>	<u>\$ 2,951,818</u>	<u>\$ (450,589)</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources of outflows of resources:

Actual charges to appropriations from budgetary data above:	\$ 1,952,581
Differences-budget to GAAP:	
Transfers out are a budgetary use but are not considered to be expenditures for financial reporting purposes	<u>(1,347,305)</u>
Total expenditures as reported in the statement of revenues, expenditures , and changes in fund balances	<u>\$ 605,276</u>

Sources of inflows of resources:

Amounts available for charges to appropriations:	\$ 4,904,399
Differences budhet to GAAP:	
Beginning fund balances are a budgetary resources but but are not a current year revenue for financial reporting purposes	<u>(3,725,637)</u>

Total revenues are reported in the statement of revenues, expenditures and changes in fund balances	<u>\$ 1,178,762</u>
---	---------------------

Required Supplementary Information
CITY OF FORTUNA
Budgetary Comparison Schedule - HOME Grants Special Revenue Fund
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 24,856	\$ 24,856	\$ 24,856	\$ -
Resources (inflows):				
Interest	-	-	174	174
Miscellaneous - loan repayments	-	-	-	-
Amounts available for charges to appropriations	<u>24,856</u>	<u>24,856</u>	<u>25,030</u>	<u>174</u>
Charges to appropriations:				
Community development :				
<i>Loan administration</i>	-	-	-	-
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 24,856</u>	<u>\$ 24,856</u>	<u>\$ 25,030</u>	<u>\$ 174</u>

**Explanation of Differences between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures:**

Sources of inflows of resources:	
Actual amounts available for appropriations from budgetary data above:	\$ 25,030
Differences-budget to GAAP:	
Beginning fund balances are financial resources for budgetary purposes, but are not considered as revenues for financial reporting purposes	<u>(24,856)</u>
Total revenues as reported in the statement of revenues, expenditures , and changes in fund balances	<u>\$ 174</u>

OPTIONAL SUPPLEMENTARY INFORMATION
NONMAJOR FUNDS' COMBINING FINANCIAL STATEMENTS AND SCHEDULES

CITY OF FORTUNA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

Special Revenue Funds													
	Integrated Waste	Storm Drain Maintenance	Drainage Facility	Transportation Fund SB325	Gas Tax 2105	Gas Tax 2107.5	Regional Surface Transportation	Business Improvement	Housing Set Aside	Housing Revolving Loan	Unrestricted Business Revolving Loan	Economic Development	CDBG Business
Assets													
Cash and investments	\$ -	\$ 102,175	\$ 644,375	\$ 1,142,125	\$ -	\$ -	\$ 603,729	\$ 308	\$ 2,793,296	\$ 460,235	\$ 397,631	\$ 3,331,286	\$ 369,260
Receivables:													
Accounts		4,306	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental		-	-	8,000	17,195	3,000	28,459	-	-	-	-	-	-
Taxes receivable		-	-	-	-	-	-	-	1,734	-	-	-	-
Notes receivable, long-term		-	-	36,706	-	-	-	-	258,903	1,140,498	500,000	-	13,079
Due from other funds		-	-	-	-	-	-	-	-	-	-	-	-
Advances to other funds		-	892,623	-	-	-	-	-	-	-	-	-	-
Lease receivable		-	-	-	-	-	-	-	-	-	-	-	-
Prepayments		-	-	-	-	-	-	-	-	-	-	-	-
Land held for resale		-	-	-	-	-	-	-	593,084	-	-	-	-
Total assets	\$ -	\$ 106,481	\$ 1,536,998	\$ 1,186,832	\$ 17,195	\$ 3,000	\$ 632,188	\$ 308	\$ 3,647,017	\$ 1,600,733	\$ 897,631	\$ 3,331,286	\$ 381,339
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ 223	\$ 1,482	\$ -	\$ 44,368	\$ 5,440	\$ -	\$ -	\$ -	\$ 12,711	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	1,775	1,410	-	4,715	4,793	42	-	-	-	-	-	-	-
Due to other funds	101,799	-	-	-	6,023	304	-	-	-	-	-	-	-
Deferred revenue	-	-	-	36,706	-	-	-	-	258,903	1,140,498	500,000	-	13,079
Total liabilities	103,797	2,892	-	85,789	16,256	346	-	-	271,614	1,140,498	500,000	-	13,079
Fund balances:													
Reserved	-	-	892,623	-	-	-	-	-	593,084	-	-	-	-
Unreserved:													
Undesignated	(103,797)	103,589	644,375	1,101,043	939	2,654	632,188	308	2,782,319	460,235	397,631	3,331,286	368,260
Total fund balances	(103,797)	103,589	1,536,998	1,101,043	939	2,654	632,188	308	3,375,403	460,235	397,631	3,331,286	368,260
Total liabilities and fund balances	\$ -	\$ 106,481	\$ 1,536,998	\$ 1,186,832	\$ 17,195	\$ 3,000	\$ 632,188	\$ 308	\$ 3,647,017	\$ 1,600,733	\$ 897,631	\$ 3,331,286	\$ 381,339

CITY OF FORTUNA
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds				Debt Service Funds				Capital Projects Funds				Totals
	CDBG Unrestricted	Parking In Lieu	CDBG Open Grant	Grants Fund	Lease Payment and Reserve	City Hall COP Debt Service	City 2007 Bond Service	Public Infrastructure	2007 Bond Capital Projects	CCC Project	2010		
Assets													
Cash and investments	\$ 234,690	\$ 87	\$ 707	\$ -	\$ 360,376	\$ 29,700	\$ -	\$ 22,320	\$ 3,690,384	\$ -	\$ 14,181,685		
Receivables:													
Accounts	-	-	-	-	-	-	-	-	9,454	-	13,760		
Intergovernmental	-	-	-	25,897	-	-	-	-	-	-	82,551		
Taxes	-	-	-	-	-	-	-	-	-	-	1,734		
Notes receivable, long-term	165,315	-	-	-	-	-	-	-	-	-	2,114,501		
Due from other funds	-	-	-	-	-	-	-	-	-	-	-		
Advances to other funds	-	-	-	-	-	-	-	-	-	-	892,623		
Lease receivable	-	-	-	-	1,453,070	-	-	-	-	-	1,453,070		
Prepayments	-	-	-	-	-	-	-	-	-	-	-		
Land held for resale	-	-	-	-	-	-	-	-	-	-	593,084		
Total assets	\$ 400,005	\$ 87	\$ 707	\$ 25,897	\$ 1,813,446	\$ 29,700	\$ -	\$ 22,320	\$ 3,690,384	\$ 9,454	\$ 19,833,008		
Liabilities and Fund Balances													
Liabilities:													
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,237	\$ -	\$ -	\$ 65,461		
Accrued liabilities	-	-	535	-	-	-	-	-	-	-	13,270		
Due to other funds	-	-	-	25,897	-	-	-	-	-	1,712	135,735		
Deferred revenue	165,315	-	-	-	1,453,070	-	-	-	-	-	3,567,571		
Total liabilities	165,315	-	535	25,897	1,453,070	-	-	1,237	-	1,712	3,782,037		
Fund balances:													
Reserved	-	-	-	-	-	-	-	-	-	-	1,485,707		
Unreserved:													
Undesignated	234,690	87	172	-	360,376	29,700	-	21,083	3,690,384	7,742	14,065,264		
Total fund balances	234,690	87	172	-	360,376	29,700	-	21,083	3,690,384	7,742	15,550,971		
Total liabilities and fund balances	\$ 400,005	\$ 87	\$ 707	\$ 25,897	\$ 1,813,446	\$ 29,700	\$ -	\$ 22,320	\$ 3,690,384	\$ 9,454	\$ 19,833,008		

CITY OF FORTUNA
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Fiscal Year Ended June 30, 2010

Special Revenue Funds												
	Integrated Waste	Storm Drain Maintenance	Drainage Facility	Transportation Fund SB325	Gas Tax 2105	Gas Tax 2107.5	Regional Surface Transportation	Business Improvement	Housing Setaside	Housing Revolving Loan	Unrestricted Business Revolving Loan	CDBG Business
Revenues:												
Intergovernmental												
Charges for services	17,033	42,103	9,599	\$ 155,307	\$ 198,139	\$ 3,000	\$ 155,444	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-	50,411	-	-	-	-
Interest	-	708	37,990	9,374	-	-	4,343	125	18,464	1,486	6,161	23,172
Miscellaneous	955	417	1,259	4,447	-	-	-	-	-	1,435	6,356	4,269
Total revenues	17,988	43,228	48,848	169,128	198,139	3,000	159,787	50,536	18,464	2,921	12,517	23,172
Expenditures:												
Current:												
Highways and streets	-	46,414	-	172,452	199,843	1,007	166,060	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	50,228	-	-	500,000	-
Redevelopment and housing	-	-	-	-	-	-	-	-	-	227	-	-
Sanitation and recycling	49,573	-	-	-	-	-	-	-	51,861	-	-	-
Capital outlay	-	-	44,277	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	23,750	-	-	-
Principal	-	-	-	-	-	-	-	-	156,550	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	49,573	46,414	44,277	172,452	199,843	1,007	166,060	50,228	232,161	227	500,000	-
Excess (deficiency) of revenues over expenditures	(31,585)	(3,186)	4,571	(3,324)	(1,704)	1,993	(6,273)	308	(213,697)	2,694	(487,483)	23,172
Other Financing Sources (Uses)												
Transfers in	-	-	-	-	-	-	27,172	-	286,579	300,000	9,452	-
Transfers out	-	-	-	(51,949)	-	-	-	-	-	(2,921)	-	(309,452)
Total other financing sources (uses)	-	-	-	(51,949)	-	-	27,172	-	286,579	297,079	9,452	(309,452)
Net change in fund balances	(31,585)	(3,186)	4,571	(55,273)	(1,704)	1,993	20,899	308	72,882	299,773	(478,031)	23,172
Fund balances, July 1	(72,212)	106,775	1,532,427	1,156,316	2,643	661	611,289	-	3,302,521	160,462	875,662	3,308,114
Fund balances, June 30	\$ (103,797)	\$ 103,589	\$ 1,536,998	\$ 1,101,043	\$ 939	\$ 2,654	\$ 632,188	\$ 308	\$ 3,375,403	\$ 460,235	\$ 397,631	\$ 3,331,286

CITY OF FORTUMA
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds					Debt Service Funds			Capital Projects			Totals
	CDBG Unrestricted	Parking in Lieu	CDBG Open Grant	Grants fund	Lease Payment and Reserve	City Hall COP Debt Service	2007 Bond Debt Service	Public Infrastructure	2007 Bond Capital Projects	CCC Project	2010	
Revenues:												
Intergovernmental	-	\$ -	\$ -	\$ 626,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,454	\$ 1,147,529	
Charges for services	-	-	-	-	-	-	-	-	-	-	68,735	
Special assessments	-	-	-	-	-	-	-	-	-	-	50,411	
Interest	1,569	-	507	3,083	207	4,102	1,498	-	-	52	117,130	
Miscellaneous	24,215	-	-	245,000	-	-	-	-	-	-	289,267	
Total revenues	25,804	-	507	626,185	248,083	4,102	1,498	-	-	9,506	1,673,072	
Expenditures:												
Current:												
Highways and streets	-	-	-	-	-	-	-	-	-	-	585,776	
Economic development	-	-	-	-	-	-	-	-	-	9,454	559,682	
Redevelopment and housing	1,500	-	84,015	-	-	-	-	-	-	-	137,603	
Sanitation and recycling	-	-	-	-	-	-	-	-	-	-	49,573	
Capital outlay	-	-	-	-	-	-	333,572	-	-	-	377,849	
Debt service:												
Principal	-	-	-	-	-	190,000	-	-	-	-	213,750	
Interest	-	-	-	-	-	178,931	-	-	-	-	335,481	
Total expenditures	1,500	-	84,015	-	-	368,931	333,572	-	-	9,454	2,259,714	
Excess (deficiency) of revenues over expenditures	24,304	-	(83,508)	626,185	248,083	(364,829)	(332,074)	-	-	52	(586,642)	
Other Financing Sources (Uses)												
Transfers in	2,921	-	358,643	-	-	278,432	297,671	-	-	-	1,560,870	
Transfers out	-	-	(297,671)	(626,185)	(140,194)	(2,903)	-	-	-	-	(1,431,275)	
Total other financing sources (uses)	2,921	-	60,972	(626,185)	(140,194)	275,529	297,671	-	-	-	129,595	
Net change in fund balances	27,225	-	(22,536)	-	107,889	(89,300)	(34,403)	-	-	52	(457,047)	
Fund balances, July 1	207,465	87	22,708	-	252,487	89,300	55,486	3,690,384	7,690	7,742	16,008,018	
Fund balances, June 30	\$ 234,690	\$ 87	\$ 172	\$ -	\$ 360,376	\$ 29,700	\$ 21,083	\$ 3,690,384	\$ 7,742	\$ -	\$ 15,550,971	

CITY OF FORTUNA
Integrated Waste Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services:				
Transfer station fees	\$ 21,000	\$ 21,000	\$ 17,033	\$ (3,967)
Miscellaneous	14,000	14,000	955	(13,045)
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>17,988</u>	<u>(17,012)</u>
Expenditures:				
Current:				
Sanitation:				
Recycling	71,657	71,657	49,573	22,084
Capital outlay	-	-	-	-
Total expenditures	<u>71,657</u>	<u>71,657</u>	<u>49,573</u>	<u>22,084</u>
Excess(deficiency) of revenues over expenditures	<u>(36,657)</u>	<u>(36,657)</u>	<u>(31,585)</u>	<u>5,072</u>
Other Financing Source Transfers in	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net change in fund balances	(31,657)	(31,657)	(31,585)	
Fund balance, July 1	<u>(72,212)</u>	<u>(72,212)</u>	<u>(72,212)</u>	<u>-</u>
Fund balance, June 30	<u>\$ (103,869)</u>	<u>\$ (103,869)</u>	<u>\$ (103,797)</u>	<u>\$ 72</u>

CITY OF FORTUNA
Storm Drain Maintenance Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services:				
Maintenance fees	\$ 42,000	\$ 42,000	\$ 42,103	\$ 103
Interest	\$ 530	\$ 530	\$ 708	\$ 178
Miscellaneous	-	-	417	417
Total revenues	<u>42,530</u>	<u>42,530</u>	<u>43,228</u>	<u>698</u>
Expenditures:				
Current:				
Highways and streets:				
Storm drain maintenance	74,874	74,874	46,414	28,460
Capital outlay	-	-	-	-
Total expenditures	<u>74,874</u>	<u>74,874</u>	<u>46,414</u>	<u>28,460</u>
Excess (deficiency) of revenues over expenditures	<u>(32,344)</u>	<u>(32,344)</u>	<u>(3,186)</u>	<u>29,158</u>
Net change in fund balances	(32,344)	(32,344)	(3,186)	29,158
Fund balance, July 1	<u>106,775</u>	<u>106,775</u>	<u>106,775</u>	<u>-</u>
Fund balance, June 30	<u>\$ 74,431</u>	<u>\$ 74,431</u>	<u>\$ 103,589</u>	<u>\$ 29,158</u>

CITY OF FORTUNA
Drainage Facility Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services:				
Facility fees	\$ 50,000	\$ 50,000	\$ 9,599	\$ (40,401)
Interest	93,564	93,564	37,990	(55,574)
Miscellaneous	-	-	1,259	1,259
Total revenues	<u>143,564</u>	<u>143,564</u>	<u>48,848</u>	<u>(94,716)</u>
Expenditures:				
Capital outlay:				
Storm drain improvements	118,490	118,490	44,277	74,213
Total expenditures	<u>118,490</u>	<u>118,490</u>	<u>44,277</u>	<u>74,213</u>
Excess(deficiency) of revenues over expenditures	<u>25,074</u>	<u>25,074</u>	<u>4,571</u>	<u>(20,503)</u>
Other financing uses:				
Transfers out	-	-	-	-
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25,074	25,074	4,571	(20,503)
Fund balance, July 1	<u>1,532,427</u>	<u>1,532,427</u>	<u>1,532,427</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,557,501</u>	<u>\$ 1,557,501</u>	<u>\$ 1,536,998</u>	<u>\$ (20,503)</u>

CITY OF FORTUNA
Transportation SB325 Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
TDA allocation-streets and bike	\$ 155,317	\$ 155,317	\$ 155,307	\$ (10)
Interest	11,842	11,842	9,374	(2,468)
Miscellaneous	3,528	3,528	4,447	919
Total revenues	<u>170,687</u>	<u>170,687</u>	<u>169,128</u>	<u>(1,559)</u>
Expenditures:				
Highways and streets:				
Maintenance	-	-	-	-
Capital outlay	970,000	970,000	172,452	797,548
Total expenditures	<u>970,000</u>	<u>970,000</u>	<u>172,452</u>	<u>797,548</u>
Excess(deficiency) of revenues over expenditures	<u>(799,313)</u>	<u>(799,313)</u>	<u>(3,324)</u>	<u>795,989</u>
Other financing Sources(Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(51,949)	(51,949)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(51,949)</u>	<u>(51,949)</u>
Net change in fund balances	(799,313)	(799,313)	(55,273)	744,040
Fund balance, July 1	<u>1,156,316</u>	<u>1,156,316</u>	<u>1,156,316</u>	<u>-</u>
Fund balance, June 30	<u>\$ 357,003</u>	<u>\$ 357,003</u>	<u>\$ 1,101,043</u>	<u>\$ 744,040</u>

CITY OF FORTUNA
Gas Tax 2105 Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
State allocations:				
Gas tax 2105	\$ 61,350	\$ 61,350	\$ 62,018	\$ 668
Gas tax 2106	50,700	50,700	53,464	2,764
Gas tax 2107	80,310	80,310	82,657	2,347
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>192,360</u>	<u>192,360</u>	<u>198,139</u>	<u>5,779</u>
Expenditures:				
Current:				
Highways and streets:				
Traffic control	217,308	217,308	199,843	17,465
Capital outlay:				
Equipment	<u>27,000</u>	<u>27,000</u>	<u>-</u>	<u>27,000</u>
Total expenditures	<u>244,308</u>	<u>244,308</u>	<u>199,843</u>	<u>44,465</u>
Excess(deficiency) of revenues over expenditures	(51,948)	(51,948)	(1,704)	50,244
Other Financing Sources				
Transfers in	-	-	-	-
Net change in fund balances	(51,948)	(51,948)	(1,704)	50,244
Fund balance, July 1	<u>2,643</u>	<u>2,643</u>	<u>2,643</u>	<u>-</u>
Fund balance, June 30	<u>\$ (49,305)</u>	<u>\$ (49,305)</u>	<u>\$ 939</u>	<u>\$ 50,244</u>

CITY OF FORTUNA
Gas Tax 2107.5 Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental- Gas tax 2107.5	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Interest income	27	27	-	(27)
Total revenues	<u>3,027</u>	<u>3,027</u>	<u>3,000</u>	<u>(27)</u>
Expenditures:				
Current:				
Highways and streets	1,259	1,259	1,007	252
Total expenditures	<u>1,259</u>	<u>1,259</u>	<u>1,007</u>	<u>252</u>
Excess(deficiency) of revenues over expenditures	<u>1,768</u>	<u>1,768</u>	<u>1,993</u>	<u>225</u>
Other Financing Sources				
Transfers in	-	-	-	-
Net change in fund balances	1,768	1,768	1,993	225
Fund balance, July 1	<u>661</u>	<u>661</u>	<u>661</u>	<u>-</u>
Fund balance, June 30	<u>\$ 2,429</u>	<u>\$ 2,429</u>	<u>\$ 2,654</u>	<u>\$ 225</u>

CITY OF FORTUNA
Regional Surface Transportation Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,203,243	\$ 1,203,243	\$ 155,444	\$ (1,047,799)
Interest	35,155	35,155	4,343	(30,812)
Miscellaneous	-	-	-	-
Total revenues	<u>1,238,398</u>	<u>1,238,398</u>	<u>159,787</u>	<u>(1,078,611)</u>
Expenditures:				
Current:				
Other street purposes	<u>398,000</u>	<u>398,000</u>	<u>166,060</u>	<u>231,940</u>
Total expenditures	<u>398,000</u>	<u>398,000</u>	<u>166,060</u>	<u>231,940</u>
Excess(deficiency) of revenues over expenditures	<u>840,398</u>	<u>840,398</u>	<u>(6,273)</u>	<u>(846,671)</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>27,172</u>	<u>27,172</u>
Net change in fund balances	840,398	840,398	20,899	(819,499)
Fund balance, July 1	<u>611,289</u>	<u>611,289</u>	<u>611,289</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,451,687</u>	<u>\$ 1,451,687</u>	<u>\$ 632,188</u>	<u>\$ (819,499)</u>

CITY OF FORTUNA
Business Improvement Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			<u>Variance With final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services				
Special assessments	\$ 52,188	\$ 52,188	\$ 50,411	\$ (1,777)
Interest	500	500	125	(375)
Total revenues	<u>52,688</u>	<u>52,688</u>	<u>50,536</u>	<u>(2,152)</u>
Expenditures:				
Current:				
Economic development	<u>52,688</u>	<u>52,688</u>	<u>50,228</u>	<u>2,460</u>
Total expenditures	<u>52,688</u>	<u>52,688</u>	<u>50,228</u>	<u>2,460</u>
Net change in fund balances	-	-	308	308
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 308</u>

CITY OF FORTUNA
Housing Set Aside Special Revenue Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 21,647	\$ 21,647	\$ 18,464	\$ (3,183)
Miscellaneous	-	-	-	-
Total revenues	<u>21,647</u>	<u>21,647</u>	<u>18,464</u>	<u>(3,183)</u>
Expenditures:				
Current:				
Redevelopment and housing:				
Rehabilitation loans	2,835,016	2,835,016	51,774	2,783,242
Administration	12,587	12,587	87	12,500
Debt service:				
Principal	23,750	23,750	23,750	-
Interest	156,550	156,550	156,550	-
Total expenditures	<u>3,027,903</u>	<u>3,027,903</u>	<u>232,161</u>	<u>2,795,742</u>
Excess(deficiency) of revenues over expenditures	<u>(3,006,256)</u>	<u>(3,006,256)</u>	<u>(213,697)</u>	<u>2,792,559</u>
Other financing sources (uses):				
Transfers in	300,390	300,390	286,579	(13,811)
Transfers out	-	-	-	-
Total other financing sources(uses)	<u>300,390</u>	<u>300,390</u>	<u>286,579</u>	<u>(13,811)</u>
Net changes in fund balances	(2,705,866)	(2,705,866)	72,882	2,778,748
Fund balance, July 1	<u>3,302,521</u>	<u>3,302,521</u>	<u>3,302,521</u>	<u>-</u>
Fund balance, June 30	<u>\$ 596,655</u>	<u>\$ 596,655</u>	<u>\$ 3,375,403</u>	<u>\$ 2,778,748</u>

CITY OF FORTUNA
Housing Revolving Loan Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest	\$ 1,396	\$ 1,396	\$ 1,486	\$ 90
InterestMiscellaneous	1,865	1,865	1,435	(430)
Total revenues	<u>3,261</u>	<u>3,261</u>	<u>2,921</u>	<u>(340)</u>
Expenditures:				
Current				
Redevelopment and housing:				
Administration	42,000	42,000	227	41,773
Housing project loans	135,779	135,779	-	135,779
Total expenditures	<u>177,779</u>	<u>177,779</u>	<u>227</u>	<u>177,552</u>
Excess(deficiency) of revenues over expenditures	<u>(174,518)</u>	<u>(174,518)</u>	<u>2,694</u>	<u>177,212</u>
Other financing sources (uses):				
Transfers in	-	-	300,000	300,000
Transfers out	-	-	(2,921)	(2,921)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>297,079</u>	<u>297,079</u>
Net changes in fund balances	(174,518)	(174,518)	299,773	474,291
Fund balance, July 1	<u>160,462</u>	<u>160,462</u>	<u>160,462</u>	<u>-</u>
Fund balance, June 30	<u>\$ (14,056)</u>	<u>\$ (14,056)</u>	<u>\$ 460,235</u>	<u>\$ 474,291</u>

CITY OF FORTUNA
Unrestricted Business Revolving Loan Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 7,000	\$ 7,000	\$ 6,161	\$ (839)
Miscellaneous	6,356	6,356	6,356	-
Total revenues	<u>13,356</u>	<u>13,356</u>	<u>12,517</u>	<u>(839)</u>
Expenditures:				
Current:				
Redevelopment and housing:				
Economic development loans	888,322	888,322	500,000	388,322
Total expenditures	<u>888,322</u>	<u>888,322</u>	<u>500,000</u>	<u>388,322</u>
Excess(deficiency) of revenues over expenditures	<u>(874,966)</u>	<u>(874,966)</u>	<u>(487,483)</u>	<u>387,483</u>
Other Financing Source:				
Transfers in	-	-	9,452	9,452
Net change in fund balances	(874,966)	(874,966)	(478,031)	396,935
Fund balance, July 1	<u>875,662</u>	<u>875,662</u>	<u>875,662</u>	<u>-</u>
Fund balance, June 30	<u>\$ 696</u>	<u>\$ 696</u>	<u>\$ 397,631</u>	<u>\$ 396,935</u>

CITY OF FORTUNA
Economic Development Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 48,573	\$ 48,573	\$ 23,172	\$ (25,401)
Total revenues	<u>48,573</u>	<u>48,573</u>	<u>23,172</u>	<u>(25,401)</u>
Expenditures:				
Current:				
Economic development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess(deficiency) of revenues over expenditures	<u>48,573</u>	<u>48,573</u>	<u>23,172</u>	<u>(25,401)</u>
Transfers out	<u>(402,400)</u>	<u>(402,400)</u>	<u>-</u>	<u>402,400</u>
Net changes in fund balances	(353,827)	(353,827)	23,172	376,999
Fund balance, July 1	<u>3,308,114</u>	<u>3,308,114</u>	<u>3,308,114</u>	<u>-</u>
Fund balance, June 30	<u>\$ 2,954,287</u>	<u>\$ 2,954,287</u>	<u>\$ 3,331,286</u>	<u>\$ 376,999</u>

REDEVELOPMENT AGENCY OF THE CITY OF FORTUNA
CDBG Business Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 5,300	\$ 5,300	\$ 4,269	\$ (1,031)
Miscellaneous	5,183	5,183	5,183	-
Total revenues	<u>10,483</u>	<u>10,483</u>	<u>9,452</u>	<u>(1,031)</u>
Expenditures:				
Current:				
Redevelopment and housing:				
Economic development loans	-	-	-	-
Administration	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess(deficiency) of revenues over expenditures	<u>10,483</u>	<u>10,483</u>	<u>9,452</u>	<u>(1,031)</u>
Other financing sources:				
Transfers in	-	-	-	-
Transfers out	<u>(38,851)</u>	<u>(38,851)</u>	<u>(309,452)</u>	<u>(270,601)</u>
Total other financing sources(uses)	<u>(38,851)</u>	<u>(38,851)</u>	<u>(309,452)</u>	<u>(270,601)</u>
Net change in fund balances	(28,368)	(28,368)	(300,000)	(271,632)
Fund balance, July 1	<u>668,260</u>	<u>668,260</u>	<u>668,260</u>	<u>-</u>
Fund balance, June 30	<u>\$ 639,892</u>	<u>\$ 639,892</u>	<u>\$ 368,260</u>	<u>\$ (271,632)</u>

CITY OF FORTUNA
CDBG Unrestricted Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest	\$ 1,665	\$ 1,665	\$ 1,589	\$ (76)
Miscellaneous	2,379	2,379	24,215	21,836
Total revenues	<u>4,044</u>	<u>4,044</u>	<u>25,804</u>	<u>21,760</u>
Expenditures:				
Current:				
Redevelopment and housing:				
Housing project loans	212,212	212,212	1,500	210,712
Total expenditures	<u>212,212</u>	<u>212,212</u>	<u>1,500</u>	<u>210,712</u>
Excess(deficiency) of revenues over expenditures	<u>(208,168)</u>	<u>(208,168)</u>	<u>24,304</u>	<u>232,472</u>
Other financing Source:				
Transfers in	-	-	2,921	2,921
Net change in fund balances	(208,168)	(208,168)	27,225	235,393
Fund balance, July 1	<u>207,465</u>	<u>207,465</u>	<u>207,465</u>	<u>-</u>
Fund balance, June 30	<u>\$ (703)</u>	<u>\$ (703)</u>	<u>\$ 234,690</u>	<u>\$ 235,393</u>

CITY OF FORTUNA
Parking in Lieu Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess(deficiency) of revenues over expenditures	-	-	-	-
Fund balance, July 1	87	87	87	-
Fund balance, June 30	<u>\$ 87</u>	<u>\$ 87</u>	<u>\$ 87</u>	<u>\$ -</u>

CITY OF FORTUNA
CDBG OPEN GRANTS Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
CDBG pass through grants	\$ 159,333	\$ 159,333	\$ 358,643	\$ 199,310
Interest	-	-	507	507
Miscellaneous	-	-	-	-
Total revenues	<u>159,333</u>	<u>159,333</u>	<u>359,150</u>	<u>199,817</u>
Expenditures:				
Current:				
Redevelopment and housing:				
Housing loans	16,339	16,339	12,841	3,498
Program administration	12,860	12,860	3,602	9,258
Program delivery	3,999	3,999	27,099	(23,100)
Rehabilitation and grants	-	-	40,473	(40,473)
Total expenditures	<u>33,198</u>	<u>33,198</u>	<u>84,015</u>	<u>(50,817)</u>
Excess(deficiency) of revenues over expenditures	<u>126,135</u>	<u>126,135</u>	<u>275,135</u>	<u>149,000</u>
Other financing sources:				
Transfers out	(25,000)	(25,000)	(297,671)	(272,671)
Transfers in	<u>38,851</u>	<u>38,851</u>	<u>-</u>	<u>(38,851)</u>
Totals	<u>13,851</u>	<u>13,851</u>	<u>(297,671)</u>	<u>(311,522)</u>
Net change in fund balances	139,986	139,986	(22,536)	(162,522)
Fund balance, July 1	<u>22,708</u>	<u>22,708</u>	<u>22,708</u>	<u>-</u>
Fund balance, June 30	<u>\$ 162,694</u>	<u>\$ 162,694</u>	<u>\$ 172</u>	<u>\$ (162,522)</u>

CITY OF FORTUNA
 Grants Special Revenue Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Recycling grant	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
STIP Grant	1,041,000	1,041,000	-	(1,041,000)
COPS grant	100,000	100,000	100,075	75
CalTrans 5310 grant	51,300	51,300	-	(51,300)
Police equipment grant	-	-	55,705	55,705
STF grant	5,700	5,700	-	(5,700)
ARRA Police grant	-	-	62,692	62,692
CDBG Grant	-	-	358,643	358,643
OTS grant	-	-	21,897	21,897
ARRA Street grant	-	-	27,173	27,173
Total revenues	<u>1,203,000</u>	<u>1,203,000</u>	<u>626,185</u>	<u>(576,815)</u>
Expenditures:				
Current:				
Redevelopment and housing				
Housing loans	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess(deficiency) of revenues over expenditures	<u>1,203,000</u>	<u>1,203,000</u>	<u>626,185</u>	<u>(576,815)</u>
Other financing sources(uses):				
Transfers out	<u>(1,203,000)</u>	<u>(1,203,000)</u>	<u>(626,185)</u>	<u>576,815</u>
Net change in fund balances	-	-	-	-
Fund balance, July 1	-	-	-	-
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FORTUNA
Redevelopment Agency Bond Debt Service Fund Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest	\$ 40,000	\$ 40,000	\$ 15,473	\$ (24,527)
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>15,473</u>	<u>(24,527)</u>
Expenditures:				
Debt service:				
Principal	71,250	71,250	71,250	-
Interest and fiscal charges	469,912	469,912	469,912	-
Total expenditures	<u>541,162</u>	<u>541,162</u>	<u>541,162</u>	<u>-</u>
Excess(deficiency) of revenues over expenditures	<u>(501,162)</u>	<u>(501,162)</u>	<u>(525,689)</u>	<u>(24,527)</u>
Other financing sources:				
Transfers in	501,162	501,162	525,689	24,527
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>501,162</u>	<u>501,162</u>	<u>525,689</u>	<u>24,527</u>
Net change in fund balances	-	-	-	-
Fund balance, July 1	<u>4,202,029</u>	<u>4,202,029</u>	<u>4,202,029</u>	<u>-</u>
Fund balance, June 30	<u>\$ 4,202,029</u>	<u>\$ 4,202,029</u>	<u>\$ 4,202,029</u>	<u>\$ -</u>

CITY OF FORTUNA
Lease Payment Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Lease payments	245,000	245,000	245,000	-
Interest	4,850	4,850	3,083	(1,767)
Total revenues	<u>249,850</u>	<u>249,850</u>	<u>248,083</u>	<u>(1,767)</u>
Expenditures:				
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess(deficiency) of revenues over expenditures	<u>249,850</u>	<u>249,850</u>	<u>248,083</u>	<u>(1,767)</u>
Other financing sources (uses)				
Transfers out	(140,194)	(140,409)	(140,194)	215
Total other financing sources(uses)	<u>(140,194)</u>	<u>(140,409)</u>	<u>(140,194)</u>	<u>215</u>
Net change in fund balances	109,656	109,441	107,889	(1,552)
Fund balance, July 1	<u>252,487</u>	<u>252,487</u>	<u>252,487</u>	-
Fund balance, June 30	<u>\$ 362,143</u>	<u>\$ 361,928</u>	<u>\$ 360,376</u>	<u>\$ (1,552)</u>

CITY OF FORTUNA
City Hall COP Debt Service Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest	\$ -	\$ -	\$ 207	\$ 207
Total revenues	-	-	207	207
Expenditures:				
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess(deficiency) of revenues over expenditures	-	-	207	207
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	207	207
Fund balance, July 1	29,493	29,493	29,493	-
Fund balance, June 30	<u>\$ 29,493</u>	<u>\$ 29,493</u>	<u>\$ 29,700</u>	<u>\$ 207</u>

CITY OF FORTUNA
City Bond Debt Service Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest	\$ -	\$ -	\$ 4,102	\$ 4,102
Total revenues	-	-	4,102	4,102
Expenditures:				
Debt service:				
Principal	-	190,000	190,000	-
Interest	-	178,931	178,931	-
Total expenditures	-	368,931	368,931	-
Excess(deficiency) of revenues over expenditures	-	(368,931)	(364,829)	4,102
Other financing sources (uses)				
Transfers out	-	-	(2,903)	(2,903)
Transfers in	-	368,931	278,432	(90,499)
Total other financing sources (uses)	-	368,931	275,529	(93,402)
Net change in fund balances	-	-	(89,300)	(89,300)
Fund balance, July 1	89,300	89,300	89,300	-
Fund balance, June 30	<u>\$ 89,300</u>	<u>\$ 89,300</u>	<u>\$ -</u>	<u>\$ (89,300)</u>

CITY OF FORTUNA
Redevelopment Agency City Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	314,143	314,143	-	314,143
Interest	219,602	219,603	216,522	3,081
Total expenditures	<u>533,745</u>	<u>533,746</u>	<u>216,522</u>	<u>317,224</u>
Excess(deficiency) of revenues over expenditures	<u>(533,745)</u>	<u>(533,746)</u>	<u>(216,522)</u>	<u>317,224</u>
Other financing sources:				
Transfers in	<u>533,745</u>	<u>533,746</u>	<u>533,746</u>	<u>-</u>
Net change in fund balances	-	-	317,224	317,224
Fund balance, July 1	<u>(6,019,522)</u>	<u>(6,019,522)</u>	<u>(6,019,522)</u>	<u>-</u>
Fund balance, June 30	<u>\$ (6,019,522)</u>	<u>\$ (6,019,522)</u>	<u>\$ (5,702,298)</u>	<u>\$ 317,224</u>

CITY OF FORTUNA
Public Infrastructure Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest	\$ 332	\$ 332	\$ 1,498	\$ 1,166
Miscellaneous	-	-	-	-
Total revenues	<u>332</u>	<u>332</u>	<u>1,498</u>	<u>1,166</u>
Expenditures:				
Capital outlay:				
Projects	<u>468,900</u>	<u>468,900</u>	<u>333,572</u>	<u>135,328</u>
Total expenditures	<u>468,900</u>	<u>468,900</u>	<u>333,572</u>	<u>135,328</u>
Excess(deficiency) of revenues over expenditures	<u>(468,568)</u>	<u>(468,568)</u>	<u>(332,074)</u>	<u>136,494</u>
Other financing sources:				
Transfers in	427,400	427,400	297,671	(129,729)
Net change in fund balances	(41,168)	(41,168)	(34,403)	6,765
Fund balance, July 1	<u>55,486</u>	<u>55,486</u>	<u>55,486</u>	<u>-</u>
Fund balance, June 30	<u>\$ 14,318</u>	<u>\$ 14,318</u>	<u>\$ 21,083</u>	<u>\$ 6,765</u>

CITY OF FORTUNA
2007 Bond Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Capital outlay:				
Projects	-	-	-	-
Total expenditures	-	-	-	-
Excess(deficiency) of revenues over expenditures	-	-	-	-
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance, July 1	<u>3,690,384</u>	<u>3,690,384</u>	<u>3,690,384</u>	-
Fund balance, June 30	<u>\$ 3,690,384</u>	<u>\$ 3,690,384</u>	<u>\$ 3,690,384</u>	<u>\$ -</u>

CITY OF FORTUNA
California Conservation Corps (CCC) Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 14,000	\$ 14,000	\$ 9,454	\$ (4,546)
Interest	-	-	52	52
Miscellaneous	-	-	-	-
Total revenues	<u>14,000</u>	<u>14,000</u>	<u>9,506</u>	<u>(4,494)</u>
Expenditures:				
Current:				
Economic development:				
Insurance and taxes	<u>14,000</u>	<u>14,000</u>	<u>9,454</u>	<u>4,546</u>
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>9,454</u>	<u>4,546</u>
Excess(deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>52</u>	<u>52</u>
Net change in fund balances	-	-	52	52
Fund balance, July 1	<u>7,690</u>	<u>7,690</u>	<u>7,690</u>	<u>-</u>
Fund balance, June 30	<u>\$ 7,690</u>	<u>\$ 7,690</u>	<u>\$ 7,742</u>	<u>\$ 52</u>

STATISTICAL SECTION

This part of the City of Fortuna's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Financial Trends	Schedules 1-4
-------------------------	----------------------

These schedules contain trend information to help understand how the city's financial performance and well-being have changed over time.

Revenue Capacity	Schedules 5-8
-------------------------	----------------------

These schedules contain information to help assess the city's most significant local revenue sources, the revenues realized from property tax revenues, sales tax revenues, water enterprise revenues and service fees of its wastewater enterprise.

Debt Capacity	Schedules 9-13
----------------------	-----------------------

These schedules present information to help assess the afford ability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information	Schedules 14-15
---	------------------------

These schedules offer demographic and economic indicators to help understand the environment within which the city's financial activities take place.

Operating Information	Schedules 16-18
------------------------------	------------------------

These schedules contain service and infrastructure data to help understand how the information in the city's financial report relates to services the city provides and the activities it performs.

Schedule 1
City of Fortuna
Net Assets by Component
Last Seven Fiscal Years
(Accrual basis of accounting)

	For The Fiscal Years Ended June 30						
	2004	2005	2006	2007	2008	2009	2010
Governmental activities:							
Invested in capital assets, net of related debt	\$ 1,226,738	\$ 1,419,321	\$ 1,581,792	\$ 1,821,091	\$ (7,493,040)	\$ (7,336,646)	\$ (7,255,550)
Restricted	9,256,792	11,668,561	12,693,202	15,908,465	26,899,519	27,823,102	27,138,801
Unrestricted	2,240,080	3,137,536	2,843,036	4,165,357	6,192,645	6,086,885	6,411,682
Total governmental activities net assets	\$ 12,723,610	\$ 16,225,418	\$ 17,118,030	\$ 21,894,913	\$ 25,599,124	\$ 26,573,341	\$ 26,294,933
Business-type activities:							
Invested in capital assets, net of related debt	\$ 14,989,034	\$ 16,350,258	\$ 17,304,740	\$ 16,407,275	\$ 16,893,024	\$ 19,589,157	\$ 19,270,829
Restricted	1,430,013	1,769,626	1,040,437	2,427,423	6,240,702	4,343,859	3,654,895
Unrestricted	4,138,449	3,330,608	4,044,904	5,158,345	3,582,859	5,809,775	8,733,779
Total business-type activities	\$ 20,557,496	\$ 21,450,492	\$ 22,390,081	\$ 23,993,043	\$ 26,716,585	\$ 29,742,791	\$ 31,659,503
Primary government (City wide totals)							
Invested in capital assets, net of related debt	\$ 16,215,772	\$ 17,769,579	\$ 18,886,532	\$ 18,228,366	\$ 9,399,984	\$ 12,252,511	\$ 12,015,279
Restricted	10,686,805	13,438,187	13,733,639	18,335,888	33,140,221	32,166,961	30,793,696
Unrestricted	6,378,529	6,468,144	6,887,940	9,323,702	9,775,504	11,896,660	15,145,461
Total primary government net assets	\$ 33,281,106	\$ 37,675,910	\$ 39,508,111	\$ 45,887,956	\$ 52,315,709	\$ 56,316,132	\$ 57,954,436

Note: The City implemented GASB Statement Number 34 in the 2004 fiscal year. The information in this schedule is therefore set forth prospectively from the year of implementation.

Schedule 2
City of Fortuna
Changes in Net Assets, Last Seven Fiscal Years
(Accrual Basis of Accounting)

For The Fiscal Years Ended June 30

	2004	2005	2006	2007	2008	2009	2010
Expenses:							
Governmental activities:							
General government	\$ 791,392	\$ 853,480	\$ 831,874	\$ 844,481	\$ 893,768	\$ 959,461	\$ 1,081,614
Public safety	1,715,611	2,097,961	2,610,594	2,683,390	2,636,548	2,783,771	2,872,182
Streets	723,631	655,536	759,820	857,535	895,761	953,443	893,034
Parks and recreation	908,897	910,534	928,591	951,980	1,116,131	1,109,081	1,040,284
Sanitation	16,406	69,616	163,617	64,185	63,986	53,029	49,573
Redevelopment and housing	250,020	179,073	626,080	1,476,328	659,606	731,262	1,116,676
Interest on long-term debt	1,355,628	621,381	579,218	688,406	873,534	790,193	1,037,797
Total governmental activities expenses	5,761,485	5,387,581	6,498,194	7,546,305	7,139,334	7,380,240	8,091,160
Business-type activities:							
Water	1,012,067	990,556	1,017,149	1,095,433	1,192,297	1,301,830	1,326,579
Wastewater	1,138,106	1,282,054	1,281,612	1,439,586	1,547,148	1,781,644	2,569,391
Transit	168,669	172,544	189,890	199,989	203,697	199,999	206,978
Total business-type activities expenses	2,318,842	2,445,154	2,488,651	2,734,417	2,943,142	3,283,473	4,122,948
Total City government expenses	\$ 8,080,327	\$ 7,832,735	\$ 8,986,845	\$ 10,280,722	\$ 10,082,476	\$ 10,663,713	\$ 12,214,108
Program Revenues:							
Governmental activities:							
Charges for services:							
General government	\$ 120,967	\$ 25,470	\$ 35,847	\$ 30,930	\$ 30,875	\$ 38,676	\$ 31,585
Public safety	453,015	509,023	416,707	489,242	388,319	341,207	318,174
Streets	314,141	207,145	203,927	279,010	243,128	131,849	96,956
Parks and recreation	502,491	549,542	556,292	580,748	709,743	579,336	511,478
Sanitation	19,926	29,632	27,853	20,826	39,853	34,421	17,988
Redevelopment and housing	352,027	483,124	524,473	1,041,124	1,324,472	953,869	381,903
Operating grants and contributions	453,125	628,482	811,189	930,531	1,082,365	564,521	819,335
Capital grants and contributions	2,082,317	2,332,921	485,566	3,885,906	1,865,766	442,851	411,792
Total governmental activities program revenues	4,298,009	4,765,339	3,061,884	7,258,317	5,684,521	3,066,730	2,569,211
Business-type activities:							
Charges for services:							
Water	1,624,406	1,430,841	1,494,673	1,650,954	1,850,825	2,324,727	2,258,251
Wastewater	1,545,977	1,524,648	1,554,790	2,298,016	3,468,226	3,629,310	3,531,553
Transit	10,526	9,634	9,643	10,707	13,672	11,843	10,198
Operating grants and contributions	138,403	143,581	161,965	173,388	178,239	250,155	188,329
Capital grants and contributions	714,250	241,841	219,433	225,766	168,039	102,799	60,826
Total business-type activities program revenues	4,033,562	3,350,545	3,440,504	4,358,831	5,679,001	6,318,334	6,048,957
Total City government program revenues	\$ 8,331,571	\$ 8,115,884	\$ 6,502,388	\$ 11,617,148	\$ 11,363,522	\$ 9,405,564	\$ 8,638,168

Schedule 2 -Continued
City of Fortuna
Changes in Net Assets, Last Seven Fiscal Years
(Accrual Basis of Accounting)

For The Fiscal Years Ended June 30

	2004	2005	2006	2007	2008	2009	2010
Net(Expense)Revenue:							
Governmental activities	\$ (1,463,476)	\$ (622,242)	\$ (3,436,310)	\$ (287,989)	\$ (1,454,813)	\$ (4,293,510)	\$ (5,501,949)
Business-type activities	1,714,720	905,391	951,853	1,624,414	2,735,859	3,035,381	1,926,009
Total City government	\$ 251,244	\$ 283,149	\$ (2,484,457)	\$ 1,336,426	\$ 1,281,046	\$ (1,258,149)	\$ (3,575,940)
General Revenues and Other Changes in Net Assets:							
Governmental activities:							
Taxes:							
Property taxes	\$ 235,641	\$ 259,866	\$ 310,342	\$ 343,408	\$ 349,486	\$ 361,047	\$ 363,001
Incremental property taxes	620,253	681,169	898,616	1,011,169	1,064,985	1,164,282	1,146,316
Sales taxes	1,281,163	1,362,098	1,372,614	1,480,367	1,534,032	1,592,423	1,310,196
Transit occupancy taxes	386,430	392,845	405,347	469,567	473,376	447,337	443,975
Other taxes	287,009	306,290	313,242	374,640	346,639	435,311	415,237
Unrestricted grants and contributions	-	-	-	-	-	-	-
Motor vehicle in lieu fees not restricted to a specific program	518,029	849,130	769,183	891,241	930,346	974,570	1,012,706
Unrestricted investment earnings	533,276	180,081	246,560	373,055	344,607	195,433	210,656
Other general revenues	78,806	80,156	89,734	99,972	103,236	88,169	312,157
Transfers	1,874,530	12,395	12,264	21,452	12,317	9,155	9,297
Total governmental activities	5,815,357	4,124,050	4,328,922	5,064,871	5,159,024	5,267,727	5,223,541
Business-type activities:							
Investment earnings	-	-	-	-	-	-	-
Transfers	(1,874,530)	(12,395)	(12,264)	(21,452)	(12,317)	(9,155)	(9,297)
Total business-type activities	(1,874,530)	(12,395)	(12,264)	(21,452)	(12,317)	(9,155)	(9,297)
Total City government	\$ 3,940,827	\$ 4,111,655	\$ 4,316,658	\$ 5,043,419	\$ 5,146,707	\$ 5,258,572	\$ 5,214,244
Change in net assets:							
Governmental activities	\$ 4,351,881	\$ 3,501,808	\$ 892,612	\$ 4,776,883	\$ 3,704,211	\$ 974,217	\$ (278,408)
Business-type activities	(159,810)	892,996	939,589	1,602,962	2,723,542	3,026,206	1,916,712
Total City government	\$ 4,192,071	\$ 4,394,804	\$ 1,832,201	\$ 6,379,845	\$ 6,427,753	\$ 4,000,423	\$ 1,638,304

Note: The city implemented GASB Statement Number 34 in the 2004 fiscal year. The information in this schedule is therefore set forth prospectively from the year of implementation.

**Schedule 3
City of Fortuna
Fund Balances, Governmental Funds
Last Seven Fiscal Years**

Fiscal Year	General Fund			All Other Governmental Funds				
	Reserved	Unreserved	Total General Fund	Unreserved, reported in				
				Reserved	Debt Service	Capital Projects	Special Revenue	Total
2010	\$ 4,849,460	\$ 4,834,913	\$ 9,684,373	\$ 1,485,707	\$ (1,110,193)	\$ 3,719,209	\$ 12,932,827	\$ 17,027,550
2009	\$ 5,117,409	\$ 4,607,648	\$ 9,725,057	\$ 1,535,365	\$ (1,446,213)	\$ 3,753,560	\$ 14,098,306	\$ 17,941,018
2008	\$ 5,023,783	\$ 4,794,894	\$ 9,818,677	\$ 1,515,590	\$ (1,248,859)	\$ 3,766,046	\$ 13,086,865	\$ 17,119,862
2007	4,853,004	4,529,999	9,383,003	1,000,401	(9,191,044)	122,392	9,888,475	1,820,224
2006	6,666,173	1,685,440	8,351,613	5,946,972	(8,742,636)	137,226	3,241,056	582,618
2005	4,480,124	3,477,888	7,958,012	954,176	(6,846,117)	148,608	5,572,237	(171,096)
2004	4,325,320	2,798,927	7,124,247	902,256	(6,915,514)	187,306	5,129,136	(696,816)

Note: The City implemented GASB statement Number 34 in the 2004 fiscal year. The information in this schedule is therefore set forth prospectively from the year of implementation.

Schedule 4
City of Fortuna
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(In Rounded Thousands of Dollars)
(Modified accrual basis of accounting)

	Fiscal Years Ended June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
Taxes	\$ 2,181	\$ 2,362	\$ 2,540	\$ 2,810	3,002	\$ 3,211	\$ 3,679	\$ 3,769	\$ 4,000	\$ 3,539
Licenses and permits	273	232	225	240	197	155	173	104	111	84
Fines and forfeits	36	34	43	59	91	93	98	92	79	79
Charges for services	502	592	777	887	1,007	945	1,059	1,142	883	764
Special assessments				45	48	50	51	54	53	50
Intergovernmental	1,742	1,265	1,803	2,904	2,904	1,899	5,460	2,650	1,825	2,176
Investment earnings	1,033	1,122	1,124	742	388	519	915	1,066	681	372
Other revenues	376	607	223	831	959	936	1,302	918	684	670
Total revenues	6,143	6,214	6,735	8,518	8,596	7,808	12,737	9,795	8,316	7,734
Expenditures:										
General government	419	482	678	715	702	684	704	799	940	942
Public safety	1,293	1,487	1,587	1,657	2,010	2,565	2,652	2,605	2,741	2,939
Parks and recreation	541	573	736	738	814	856	931	1,005	964	963
Highways and streets	1,021	502	1,182	515	479	545	663	739	754	783
Health and welfare	110	264	7	16	70	164	50	64	53	49
Economic development and redevelopment	136	187	151	2,094	2,520	600	4,131	953	478	843
Education SERAF payments										460
Capital outlay	812	962	240	986	618	505	504	679	498	411
Debt service:										
Payment to escrow agent								484	-	-
Costs of issuance								606	-	-
Principal	156	110	121	132	138	148	159	-	225	285
Interest	951	1,209	1,293	1,385	515	606	695	911	944	1,022
Total expenditures	5,439	5,776	5,995	8,238	7,866	6,673	10,489	8,845	7,597	8,697
Excess of revenues over(under) expenditures	704	438	740	280	1,346	1,135	2,248	950	719	(963)
Other Financing Sources(Uses)										
Proceeds from borrowing	3,751	1,061	1,012	-	-	-	-	17,577	-	-
Payment to escrow agent								(2,803)	-	-
Gain on sale of land for resale	-	-	-	-	-	-	-	-	-	-
Purchase of land for resale	-	-	-	-	-	-	-	-	-	-
Transfers in	1,888	1,354	1,260	6,026	2,479	1,032	1,166	16,895	1,448	2,915
Transfers out	(1,879)	(1,342)	(1,248)	(4,151)	(2,466)	(1,020)	(1,145)	(16,884)	(1,439)	(2,906)
Total other financing sources(uses)	3,760	1,073	1,024	1,875	13	12	21	14,785	9	9
Net change in fund balances	\$ 4,464	1,511	1,764	2,165	1,359	1,147	\$ 2,269	\$ 15,735	\$ 728	\$ (954)
Debt service as a percentage of noncapital expenditures	23.92%	27.40%	24.57%	20.92%	9.01%	12.22%	8.55%	24.50%	16.47%	15.77%

Schedule 5
City of Fortuna
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Assessed Taxable Values			Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Secured	Unsecured	Totals			
2000-2001	414,522	23,764	438,286	1.00%	1,070,254	40.95%
2001-2002	444,708	25,818	470,526	1.00%	1,148,653	40.96%
2002-2003	475,779	25,780	501,559	1.00%	1,226,276	40.90%
2003-2004	513,700	28,521	542,221	1.00%	1,324,994	40.92%
2004-2005	556,052	29,536	585,588	1.00%	1,432,324	40.88%
2005-2006	619,836	30,661	650,497	1.00%	1,593,391	40.82%
2006-2007	691,689	31,924	723,613	1.00%	1,774,828	40.77%
2007-2008	747,213	34,982	782,195	1.00%	1,918,007	40.78%
2008-2009	797,594	37,622	835,216	1.00%	2,047,731	40.79%
2009-2010	828,504	39,727	868,231	1.00%	2,128,013	40.80%

Source: Hdl, Coren & Cone, Humboldt County Assessor Combined Tax Rolls.

Note: Property in Humboldt County is assessed at market value in the year in which the property is exchanged pursuant to a sale. In years thereafter, the assessed value is increased by one percent as required by state law. Based upon the frequency of property exchanges, assessed value is estimated to be about 40 percent of actual value for secured property and about 70 percent for unsecured property. Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per \$100 of assessed values.

Schedule 6
City of Fortuna
Direct and Overlapping Property Tax Rates
For The Last Ten Fiscal Years
(Rates per \$100 of assessed value)

10 Year Detail of Rates producing Revenue for City and Associated Redevelopment Agency

Fiscal Year	City General Fund Rates			RDA Incremental Rate		Total Direct Rate
	City Share of 1% Levy per Prop 13	Debt Rates	Total City Rates	Prop. 13 + applicable voter approved debt*		
2000-2001	0.07327%	0.00%	0.07327%	1.00%		0.20441%
2001-2002	0.07327%	0.00%	0.07327%	1.00%		0.20996%
2002-2003	0.07327%	0.00%	0.07327%	1.00%		0.23336%
2003-2004	0.07327%	0.00%	0.07327%	1.00%		0.23784%
2004-2005	0.07327%	0.00%	0.07327%	1.00%		0.24287%
2005-2006	0.07327%	0.00%	0.07327%	1.00%		0.25126%
2006-2007	0.07327%	0.00%	0.07327%	1.00%		0.25549%
2007-2008	0.07327%	0.00%	0.07327%	1.00%		0.23571%
2008-2009	0.07327%	0.00%	0.07327%	1.00%		0.23826%
2009-2010	0.07327%	0.00%	0.07327%	1.00%		0.23916%

Schedule 6
City of Fortuna
Direct and Overlapping Property Tax Rates
For The Last Ten Fiscal Years
(Rates per \$100 of assessed value)

Agency	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
10 Year Detail of all Taxpayer Rates for largest General Fund Tax Rate Area 005-0000 (direct rate agencies in bold)										
City of Fortuna Tax And Fire Trust	0.07327	0.07327	0.07327	0.07327	0.07327	0.07327	0.07327	0.07327	0.07327	0.07327
County Library	0.03020	0.03020	0.03020	0.03020	0.03020	0.03020	0.03020	0.03020	0.03020	0.03020
County School Service	0.01470	0.01470	0.01470	0.01470	0.01470	0.01470	0.01470	0.01470	0.01470	0.01470
Fortuna Cemetery District	0.00409	0.00409	0.00409	0.00409	0.00409	0.00409	0.00409	0.00409	0.00409	0.00409
Fortuna Fire Protection	0.04166	0.04166	0.04166	0.04166	0.04166	0.04166	0.04166	0.04166	0.04166	0.04170
Fortuna Union High School District	0.21344	0.21344	0.21344	0.21344	0.21344	0.21344	0.21344	0.21344	0.21344	0.21340
Fortuna Union School District	0.21961	0.21961	0.21961	0.21961	0.21961	0.21961	0.21961	0.21961	0.21961	0.21961
General	0.32120	0.32120	0.32120	0.32120	0.32120	0.32120	0.32120	0.32120	0.32120	0.32120
Humboldt Bay Harbor Recreation	0.00930	0.00930	0.00930	0.00930	0.00930	0.00930	0.00930	0.00930	0.00930	0.00930
Humboldt Flood Zone 1-1	0.00564	0.00564	0.00564	0.00564	0.00564	0.00564	0.00564	0.00564	0.00564	0.00564
Redwood Junior College District	0.06488	0.06488	0.06488	0.06488	0.06488	0.06488	0.06488	0.06488	0.06488	0.06488
Rohrer Community Park & Recreation Dist.	0.00201	0.00201	0.00201	0.00201	0.00201	0.00201	0.00201	0.00201	0.00201	0.00201
Total Prop. 13 Rate	1.00000									
CR 2005 Go Bond	0.00000	0.00000	0.00000	0.00000	0.00000	0.01300	0.01000	0.01500	0.01200	0.01300
Fortuna High Go Bonds 2000	0.01100	0.01000	0.00800	0.01000	0.00700	0.00700	0.00500	0.00500	0.00500	0.00400
Fortuna Union Elementary Bond - 2006	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02600	0.02500	0.02700
Total Voter Approved Rate	0.01100	0.01000	0.00800	0.01000	0.00700	0.00700	0.01500	0.04600	0.04200	0.04400
Total Tax Rate	1.01100	1.01000	1.00800	1.01000	1.00700	1.02000	1.01500	1.04600	1.04200	1.04400

Notes:
 General fund tax rates are representative and based upon the direct and overlapping rates for the largest General Fund tax rate area (TRA) by net taxable value.
 Total Direct Rate is the weighted average of all individual direct rates applied by the government presupplanting the statistical section information. The percentages presented in the columns above do not sum across rows.
 RDA rate is based on the largest RDA tax rate area (TRA) and includes only rates from indebtedness adopted prior to 1989 per California State Article IV, RDA. Direct and overlapping rates are applied only to the incremental property values.
 In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to this 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: HDL Coren & Cone, and Humboldt County Assessor 2000/01 - 2009/10 Tax Rate Table

Schedule 7
City of Fortuna
Principal Property Tax Payers - Top Ten Payers
Ranked In Order of Gross Assessed Values
Current Year and Nine Years Ago
(Dollar Amounts in Thousands)

2009-2010		2000-2001		Percentage of Total City Taxable Assessed Value	
Taxpayer	Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Assessed Value
Dominic C. Gagliardi Trust	\$ 6,573	Pacific Lumber Company	\$ 19,881	1	4.54%
Peterson Tractor Company	6,393	Humboldt Publishing Company	6,207	2	1.42%
Giffra Ranch Fortuna LLC	5,559	Dominic C. Gagliardi Trust	5,397	3	1.23%
J.H. Fothergill & H.J. Weiner	5,202	Safeway Stores Inc.	4,702	4	1.07%
Safeway Stores Inc.	5,143	C & K Market	4,166	5	0.95%
Fortuna Assisted Living LLC	4,700	Fortuna Communications Corp.	3,337	6	0.76%
Fortuna Loop Inc.	4,675	Carl Marchetti Jr. Trust	2,853	7	0.65%
Carl Marchetti Jr. Trust	4,545	Royal Crest Investors	2,374	8	0.54%
Patrick Odell MS	4,488	Dennis Wendt Trust	2,214	9	0.51%
Fortuna Cottages LLC	4,311	Hazelton Hospitality Company	2,150	10	0.49%
Total	\$ 51,589	Total	\$ 53,281		12.16%

Source: HdL Coren & Cone

**Schedule 8
City of Fortuna
Property Tax Levies and Collections
Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30</u>	<u>Taxes Levied For The Fiscal Year</u>	<u>Collected Within The Fiscal Year of The Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
2001	595,755	\$ 595,755	100%
2002	709,859	\$ 709,859	100%
2003	757,664	\$ 757,664	100%
2004	856,094	\$ 856,094	100%
2005	941,055	\$ 941,055	100%
2006	1,119,958	\$ 1,119,958	100%
2007	1,354,577	\$ 1,354,577	100%
2008	1,414,471	\$ 1,414,471	100%
2009	1,525,329	\$ 1,525,329	100%
2010	1,369,811	\$ 1,369,811	100%

Note: Source is City of Fortuna Tax Collection records and Humboldt County Assessor records. Property taxes are levied and collected pursuant to an arrangement commonly referred to as the Teeter Plan. Under the Teeter Plan, the County allocates and remits to the City the full amount of each years tax levy, and the County then retains any delinquencies as collected by the County

**Schedule 8-A
City of Fortuna
Sales Tax Revenue Base Data
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Revenue Base City-Wide Retail Sales Subject to Tax</u>	<u>Total Retail Sales Tax Rate</u>	<u>City Direct Tax Rate</u>	<u>Revenue Recognized By the City</u>
2001	113,909,000	7.00%	1.00%	1,139,090
2002	116,306,600	7.25%	1.00%	1,163,066
2003	122,601,300	7.25%	1.00%	1,226,013
2004	128,118,300	7.25%	1.00%	1,281,183
2005	136,209,800	7.25%	1.00%	1,362,098
2006	137,261,400	7.25%	1.00%	1,372,614
2007	148,036,700	7.25%	1.00%	1,480,367
2008	153,403,200	7.25%	1.00%	1,534,032
2009	159,242,300	8.25%	1.00%	1,592,423
2010	131,019,600	8.25%	1.00%	1,310,196

Note: The City's direct retail sales tax rate is established pursuant to the City's Municipal Code.
Any increase in the City's direct tax rate requires voter approval

The total sales tax rate rose from 7.25% to 8.25% on April 1, 2009.

Schedule 8-B
City of Fortuna

Top 25 Sales Tax Producers
Current Year and Nine Years Ago
(In Alphabetical Order)

2009-2010		2000-2001	
Business Name	Business Category	Business Name	Business Category
Ace Hardware & Garden	Hardware Stores	Beverage Plus Foods	Grocery Stores Liquor
Beverage Plus Foods	Grocery Stores Liquor	Burger King	Restaurants No Alcohol
Burger King	Restaurants No Alcohol	C Crane Company	Electronics/Appliance Stores
C Crane Company	Electronics/Appliance Stores	Coast To Coast	Hardware Stores
Eel River Brewing	Restaurants Beer and Wine	Dennys Restaurant	Restaurants Beer & Wine
Eel River Hydroponics	Garden/Agricultural Supplies	Forbusco Lumber	Lumber/Building Materials
Forbusco Lumber	Lumber/Building Materials	Fortuna Chevron	Service Stations
Fortuna Chevron	Service Stations	Fortuna Gas 4 Less	Service Stations
Fortuna Gas 4 Less	Service Stations	Fortuna Glass & Paint	Paint/Glass/Wallpaper
Fortuna Motors	New Motor Vehicle Dealers	Fortuna Motors	New Motor Vehicle Dealers
Gary Crivellos Cars	Used Auto Dealers	Gary Crivellos Cars	Used Auto Dealers
Hummel Tire and Wheel	Automotive Supply Stores	Johnson & Carter	Petroleum Prod/Equip
Kragen Auto Parts	Automotive Supply Stores	L & M Renner	Petroleum Prod/Equip
L & M Renner	Petroleum Prod/Equip	Les Schwab Tire Centers	Automotive Supply Stores
Les Schwab Tire Centers	Automotive Supply Stores	Lows Furniture Company	Home Furnishings
McDonalds	Restaurants No Alcohol	McDonalds	Restaurants No Alcohol
Mercer Fraser	Contractors	Mercer Fraser	Contractors
Northcoast Horticulture Supply	Garden/Agricultural Supplies	Rays Food Place	Grocery Stores Liquor
Peterson Tractor	Farm/Construction Equipment	Rite Aid	Drug Stores
Rays Food Place	Grocery Stores Liquor	Rohnerville 76	Service Stations
Rite Aid	Drug Stores	Safeway	Grocery Stores Liquor
Rohnerville 76	Service Stations	Sequoia Gas	Fuel/Ice Dealers
Safeway	Grocery Stores Liquor	Timberland Chev Geo Pontiac Olds	New Motor Vehicle Dealers
Village Sport & Cycle	Sporting Goods/Bike Stores	Village Sport & Cycle	Sporting Goods/Bike Stores
Walgreens	Drug Stores	Western Auto Associate Store	General Merchandise

Percent of Fiscal Year Total Paid By Top 25 Accounts = 70.82%

Period: April 2009 - March 2010

Source: Hinderflier, de Llamas & Associates, State Board of Equalization

Percent of Fiscal Year Total Paid By Top 25 Accounts = 69.05%

Period: April 2000 - March 2001

**Schedule 8-C
City of Fortuna
Transient Occupancy Tax Revenue Base Data
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Revenue Base Room Revenues Subject to Tax</u>	<u>City Direct Tax Rate</u>	<u>Revenue Recognized By the City</u>
2001	\$ 2,769,013	8.00%	221,521
2002	\$ 2,907,988	8.00%	232,639
2003	3,078,188	10.00%	284,198
2004	\$ 3,864,300	10.00%	386,430
2005	\$ 3,928,450	10.00%	392,845
2006	\$ 4,053,470	10.00%	405,347
2007	\$ 4,695,670	10.00%	469,567
2008	\$ 4,733,760	10.00%	473,376
2009	\$ 4,473,370	10.00%	447,337
2010	\$ 4,439,745	10.00%	443,975

Note: The transient occupancy tax can only be changed by approval of the voters, and the rate was increased effective October 1, 2002 by a special election.

Schedule 8 D
City of Fortuna
Principal Transient Occupancy Tax Payers
Last Ten Fiscal Years
(in Alphabetical Order)

Fiscal Years Ended June 30

2010	2009	2008	2007
Best Western Motel	Best Western Motel	Best Western Motel	Best Western Motel
Comfort Inn	Comfort Inn	Comfort Inn	Comfort Inn
Fortuna Travel Inn	Fortuna Travel Inn	Fortuna Motor Lodge	Fortuna Motor Lodge
Holiday Inn Express	Holiday Inn Express	Holiday Inn Express	Holiday Inn Express
National Nine	National Nine	National Nine	National Nine
Riverwalk RV Park	Riverwalk RV Park	Riverwalk RV Park	Riverwalk RV Park
Six Rivers Motel	Six Rivers Motel	Six Rivers Motel	Six Rivers Motel
Super 8 Motel	Super 8 Motel	Super 8 Motel	Super 8 Motel

Fiscal Years Ended June 30

2006	2005	2004	2003
Best Western Motel	Best Western Motel	Best Western Motel	Best Western Motel
Comfort Inn	Comfort Inn	Comfort Inn	Comfort Inn
Fortuna Motor Lodge	Fortuna Motor Lodge	Fortuna Motor Lodge	Fortuna Motor Lodge
Holiday Inn Express	Holiday Inn Express	Holiday Inn Express	Holiday Inn Express
National Nine	National Nine	National Nine	National Nine
Riverwalk RV Park	Riverwalk RV Park	Riverwalk RV Park	Riverwalk RV Park
Six Rivers Motel	Six Rivers Motel	Six Rivers Motel	Six Rivers Motel
Super 8 Motel	Super 8 Motel	Super 8 Motel	Super 8 Motel

Fiscal Year Ended June 30

2002	2001
Best Western Motel	Best Western Motel
Comfort Inn	Fortuna Motor Lodge
Fortuna Motor Lodge	Holiday Inn Express
Holiday Inn Express	National Nine
National Nine	Riverwalk RV Park
Riverwalk RV Park	Six Rivers Motel
Six Rivers Motel	Super 8 Motel
Super 8 Motel	

**Schedule 8-E
City of Fortuna
Water and Sewer Rates
Last Ten Fiscal Years**

Fiscal Year	Water		Sewer	
	Monthly Base Rate	Rate Per 100 Cubic Feet	Monthly Base Rate	Rate Per 100 Cubic Feet
2001	7.60	0.96	13.42	n/a
2002	7.98	1.01	13.83	n/a
2003	10.98	1.39	16.83	n/a
2004	11.58	1.47	19.83	n/a
2005	12.21	1.55	21.81	n/a
2006	12.21	1.55	21.81	n/a
2007	13.42	1.42	21.54	4.79
2008	15.49	1.53	33.14	7.36
2009	22.20	1.64	36.02	8.00
2010	22.60	1.77	37.41	8.31

Schedule B - F
City of Fortuna
Water and Wastewater Principal Payers - Revenue Concentration Data
Last Ten Fiscal Years

Water Revenue Concentration Data

Fiscal Year	Residential		Non-Residential		Totals	
	Revenue In Dollars	Number of Customers	Revenue In Dollars	Number of Customers	Revenue In Dollars	Number of Connections
2001	Not Available	4426	Not Available	435	Not Available	4861
2002	Not Available	4456	Not Available	488	Not Available	4944
2003	\$ 832,207	4541	\$ 167,997	495	\$ 1,000,204	5036
2004	\$ 1,081,929	4593	\$ 212,154	496	\$ 1,294,083	5089
2005	\$ 1,116,851	4716	\$ 219,313	503	\$ 1,336,164	5219
2006	\$ 1,139,049	4794	\$ 202,234	511	\$ 1,341,283	5305
2007	\$ 1,116,416	4872	\$ 326,639	519	\$ 1,443,055	5391
2008	\$ 1,251,548	4925	\$ 423,385	546	\$ 1,674,933	5471
2009	\$ 1,556,172	4949	\$ 700,031	542	\$ 2,256,203	5491
2010	\$ 1,561,030	4958	\$ 715,675	542	\$ 2,276,705	5500

Wastewater Revenue Concentration Data

Fiscal Year	Residential		Non-Residential		Totals	
	Revenue In Dollars	Number of Customers	Revenue In Dollars	Number of Customers	Revenue In Dollars	Number of Connections
2001	Not Available	4160	Not Available	381	Not Available	4541
2002	Not Available	4199	Not Available	437	Not Available	4636
2003	\$ 764,477	4302	\$ 252,867	443	\$ 1,017,344	4745
2004	\$ 962,118	4360	\$ 317,664	448	\$ 1,279,782	4808
2005	\$ 1,076,412	4474	\$ 339,524	455	\$ 1,415,936	4929
2006	\$ 1,076,505	4548	\$ 348,159	462	\$ 1,424,664	5010
2007	\$ 1,591,692	4625	\$ 526,214	474	\$ 2,117,906	5099
2008	\$ 2,506,067	4672	\$ 792,643	495	\$ 3,298,711	5167
2009	\$ 2,672,790	4697	\$ 821,763	494	\$ 3,494,553	5191
2010	\$ 2,599,203	4704	\$ 805,808	494	\$ 3,405,011	5198

Note: Revenue Totals come from subsidiary utility billing journals and do not include year end closing adjustments.

Schedule 9
City of Fortuna
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years
(Dollars in Thousands except for Per Capita)

Fiscal Year	Governmental Activities				Business-type Activities				Total City Debt as Percentage of Personal Income	Total City Debt Per Capita	Population	Per Capita Personal Income	
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Revenue Bonds	Capital Lease Obligations	Loans	Certificates of Participation	Revenue Bonds					
2001	-	1,285	351	-	2,500	294	832	-	5,262	2.98%	\$ 498	10,558	16,700
2002	-	1,260	341	-	2,425	273	795	-	5,094	2.79%	\$ 472	10,784	16,901
2003	-	1,230	331	-	2,345	250	755	-	4,911	2.64%	\$ 447	10,977	16,959
2004	-	1,200	319	-	2,255	224	713	-	4,711	2.44%	\$ 423	11,125	17,347
2005	-	1,170	307	-	2,160	195	668	-	4,500	2.20%	\$ 400	11,255	18,155
2006	-	1,135	294	-	2,060	164	620	-	4,273	1.99%	\$ 377	11,326	18,935
2007	-	1,100	280	-	1,950	129	-	21,905	25,364	11.14%	\$ 377	11,333	20,093
2008	-	-	-	17,500	-	90	-	21,715	39,305	16.63%	\$ 377	11,327	20,863
2009	-	-	-	17,275	-	47	-	21,470	38,792	16.25%	\$ 377	11,345	21,040
2010	-	-	-	16,990	-	-	-	21,140	38,130	16.69%	\$ 377	11,345	20,483 *

*2010 per capita personal income not final - 2009 used in calculation

Population & Per Capita Personal Income Source: HdL Coren & Cone
 In prior years, demographic information was for Humboldt County as a whole. Demographic data provided by HdL Coren & Cone is totaled from Census Block Groups that overlap the City's boundaries.

Schedule 10
City of Fortuna
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Revenue Bonds	Tax Allocation Bonds	Total		
2001	-	-	1,285,000	1,285,000	0.28%	121.12
2002	-	-	1,260,000	1,260,000	0.27%	117.30
2003	-	-	1,230,000	1,230,000	0.25%	113.05
2004	-	-	1,200,000	1,200,000	0.22%	108.35
2005	-	-	1,170,000	1,170,000	0.20%	104.00
2006	-	-	1,135,000	1,135,000	0.17%	100.32
2007	-	-	1,100,000	1,100,000	0.15%	98.15
2008	-	13,280,000	-	13,280,000	1.70%	1,167.58
2009	-	13,235,000	-	13,235,000	1.58%	1,165.98
2010	-	13,140,000	-	13,140,000	1.51%	1,158.22

Note: See schedule 5 for total assessed values of property.

Schedule 11
City of Fortuna
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

CITY OF FORTUNA

2009-10 Assessed Valuation: \$868,231,080
Redevelopment Incremental Valuation: 156,180,202
Adjusted Assessed Valuation: \$712,050,878

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/10	% Applicable (1)	City's Share of Debt 6/30/10
Redwoods Joint Community College District	\$30,895,000	4.963%	\$1,533,319
Fortuna Union High School District	1,240,000	44.561	552,556
Fortuna Union School District	3,850,484	72.183	2,779,395
Humboldt Bay Harbor Recreation and Conservation District	2,615,000	7.183	187,835
City of Fortuna 1915 Act Bonds	250,000	100.	<u>250,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$5,303,105
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Humboldt County Certificates of Participation	\$13,285,000	7.183%	\$ 954,262
Humboldt County Board of Education Certificates of Participation	820,000	7.183	58,901
Redwoods Joint Community College District Certificates of Participation	559,400	4.963	27,763
City of Fortuna General Fund Obligations	3,850,000	100.	<u>3,850,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$4,890,926
COMBINED TOTAL DEBT			\$10,194,031 (2)

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Total Overlapping Tax and Assessment Debt..... 0.61%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt (\$3,850,000) 0.54%
Combined Total Debt 1.43%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

AB:(\$450)

**Schedule 12
City of Fortuna
Legal Debt Margin Information
Last Ten Fiscal Years**

Fiscal Year	Debt Limit	Total Debt Applicable To Limit	Total Debt Applicable To Limit as Percentage of Debt Limit
2001	\$ 68,479,949	-	0%
2002	\$ 70,581,384	-	0%
2003	\$ 75,280,380	-	0%
2004	\$ 81,214,407	-	0%
2005	\$ 87,838,264	-	0%
2006	\$ 97,574,663	-	0%
2007	\$ 108,541,973	-	0%
2008	\$ 117,329,294	-	0%
2009	\$ 125,282,418	-	0%
2010	\$ 130,234,662	-	0%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 868,231,080
Debt limit (15% of assessed value)	130,234,662
Less debt applicable to limit:	
General obligation bonds	-
Total debt applicable to limit	-
Legal debt margin	<u>\$ 130,234,662</u>

Under state finance law, the city's outstanding general obligation bonded debt should not exceed 15 percent of total assessed property value.

Source of Assessed Taxable Values: HdL, Coren and Cone,
Humboldt County Assessor Combined Tax Rolls

Schedule 13
City of Fortuna
Pledged Revenue Coverage
Last Ten Fiscal Years

	Water Certificates of Participation						
	Water Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2001	1,057,199	229,750	492,548	794,401	35,000	60,690	8.30
2002	1,097,068	544,546	551,686	1,089,928	37,000	58,240	11.44
2003	1,334,403	419,479	600,043	1,153,839	40,000	56,750	11.93
2004	1,624,406	445,937	704,928	1,365,415	42,000	51,850	14.55
2005	1,430,841	96,381	687,088	840,134	45,000	49,910	8.85
2006	1,494,673	72,989	733,227	834,415	48,000	46,760	8.81
2007	1,633,751	74,509	848,444	859,816	-	21,700	39.62
2008	1,847,225	65,152	939,052	973,325	-	-	n/a
2009	2,324,727	30,014	1,058,791	1,295,950	-	-	n/a
2010	2,258,251	10,560	1,074,418	1,194,393	-	-	n/a

	Water Revenue Bonds						
	Water Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2007	1,633,751	74,509	848,444	859,816	-	174,641	4.92
2008	1,847,225	65,152	939,052	973,325	-	369,829	2.63
2009	2,324,727	30,014	1,058,791	1,295,950	-	369,829	3.50
2010	2,258,251	10,560	1,074,418	1,194,393	70,000	368,078	2.73

	Wastewater Revenue Bonds						
	Wastewater Service Revenues	Capital Impact Fees	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2007	2,286,744	151,257	1,051,685	1,386,316	-	297,764	4.66
2008	3,468,226	102,887	1,140,051	2,431,062	190,000	627,473	2.97
2009	3,629,310	72,785	1,225,252	2,476,843	245,000	618,260	2.87
2010	3,531,553	50,066	1,685,749	1,695,870	260,000	605,635	1.96

	RDA Tax Allocation Bonds			
	Property Tax Increment	Debt Service		
		Principal	Interest	Coverage
2000	357,419	25,000	82,289	3.33
2001	394,211	25,000	80,945	3.72
2002	509,036	25,000	79,545	4.87
2003	550,614	30,000	77,963	5.10
2004	620,253	30,000	76,208	5.84
2005	681,169	30,000	74,423	6.52
2006	809,816	35,000	72,455	7.53
2007	1,011,169	35,000	70,303	9.60
2008	1,064,985	-	-	n/a
2009	1,164,282	-	-	n/a
2010	2,978,491	-	-	n/a

	RDA Revenue Bonds			
	Property Tax Increment	Debt Service		
		Principal	Interest	Coverage
2008	1,064,985	-	317,164	3.36
2009	1,164,282	45,000	629,699	1.73
2010	2,978,491	95,000	626,199	4.13

Notes: Water & Wastewater revenues include operating revenues, interest revenues, and capital impact fees.
Operating expenses exclude depreciation and amortization

Water Certificates of Participation were refunded in advance with a portion of the proceeds from the 2006 Water Revenue Bonds.

The RDA Tax Allocation Bonds were refunded in advance with a portion of the proceeds from the 2007 Revenue Bonds.

**Schedule 14
City of Fortuna
Demographic and Economic Statistics
For The Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u> ¹	<u>Personal Income</u>	<u>Per Capita Personal Income</u> ¹	<u>Unemployment Rate</u> ¹
2000	10,498	175,316,600	16,700	4.60%
2001	10,558	178,440,758	16,901	4.80%
2002	10,784	182,885,856	16,959	5.30%
2003	10,977	190,418,019	17,347	5.40%
2004	11,125	201,974,375	18,155	5.20%
2005	11,255	213,113,425	18,935	5.40%
2006	11,326	227,573,318	20,093	4.90%
2007	11,333	236,440,379	20,863	5.20%
2008	11,327	238,320,080	21,040	6.40%
2009	11,345	232,379,635	20,483	9.70%

¹ Population, Per Capita Personal Income, & Unemployment Rate: Source: HdL Coren & Cone
 In prior years, demographic information was for Humboldt County as a whole. Demographic data provided by HdL Coren & Cone is totaled from Census Block Groups that overlap the City's boundaries.

Schedule 15
City of Fortuna
Principal Employers (Ten Largest)

(In Alphabetical Order)

Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2009
<u>Employer</u> City of Fortuna Eel River Disposal Fortuna Motors Fortuna Union Elementary School District Fortuna Union High School District Redwood Memorial Hospital Rohnerville School District Safeway St. Luke's Health Care Wendt Construction	<u>Employer</u> City of Fortuna Eel River Disposal Fortuna Motors Fortuna Union Elementary School District Fortuna Union High School District Redwood Memorial Hospital Rohnerville School District Safeway St. Luke's Health Care Wendt Construction	<u>Employer</u> City of Fortuna Eel River Disposal Fortuna Motors Fortuna Union Elementary School District Fortuna Union High School District Redwood Memorial Hospital Rohnerville School District Safeway St. Luke's Health Care Wendt Construction	<u>Employer</u> City of Fortuna Eel River Disposal Fortuna Motors Fortuna Union Elementary School District Fortuna Union High School District Redwood Memorial Hospital Rohnerville School District Safeway St. Luke's Health Care Wendt Construction

Fiscal Year Ended June 30, 2010
<u>Employer</u> City of Fortuna Eel River Disposal Fortuna Motors Fortuna Union Elementary School District Fortuna Union High School District Redwood Memorial Hospital Rohnerville School District Safeway St. Luke's Health Care Wendt Construction

Note: Information about principal employers was not previously provided by the City in the statistical section of its Comprehensive Annual Financial Report. The City implemented GASB Statement Number 44 in the 2006 fiscal year, and therefore information in this schedule is being provided prospectively from the year of implementation. The California Employment Development Department considers the number of employees an employer has to be proprietary information. Thus the City of Fortuna is not providing total number of employees on this schedule.

Sources: Fortuna Business Improvement District, Fortuna Chamber of Commerce, & City of Fortuna.

Schedule 16
City of Fortuna
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	Full-Time Equivalent Employees as of June 30									
Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government:										
City Manager	3.00	3.00	4.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00
Finance	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Police	22.00	23.00	23.00	21.00	23.00	23.00	24.00	24.00	24.00	25.00
Community Development	4.00	4.00	4.00	5.00	6.00	6.00	6.00	6.00	6.75	5.00
Public Works/Environmental Services	19.00	19.00	21.00	24.00	23.00	24.00	24.00	25.00	28.00	30.00
Parks and Recreation	4.00	5.00	5.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00
River Lodge Conference Center	-	-	-	3.00	2.00	2.00	3.00	2.00	2.00	2.00
Transit	-	-	-	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Totals	57.00	59.00	61.00	68.00	69.00	70.00	73.00	74.00	77.75	79.00

Schedule 17
City of Fortuna
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Physical arrest	744	1,027	1,034	1,002	1,074	1,046	1,180	1,240	1,142	1,395
Traffic violations	255	966	781	757	860	1,132	899	950	841	1,864
Planning:										
Building permits issued	241	317	283	388	338	308	317	279	265	200
Public works:										
Miles streets resurfaced	0.25	0.50	0.75	1.00	0.50	1.50	0.50	0.33	0.50	0.50
Riverlodge/Monday Club										
Community Events Held	215	250	312	300	313	354	410	410	382	312
Parks and Recreation:										
Recreation Program Admissions ²	17,770	25,570	29,719	37,869	41,104	40,810	47,368	36,791	6,861	9,753
Water:										
Number new connections	114	83	92	53	130	86	86	80	20	9
Daily average water production in MGD	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.30	1.20	1.20
Daily average water consumption in MGD	1.40	1.30	1.30	1.40	1.30	1.30	1.40	1.30	1.20	1.20
Wastewater:										
Number new connections	92	95	109	63	121	81	89	68	24	7
Daily average treatment in millions gallons(MGD)	1.10	1.10	1.30	1.20	1.30	1.30	1.20	1.20	1.00	1.10

1 Police and Parks & Recreation statistics are reported on a calendar year (January - December) basis.

2 Beginning in 2009, the Excel Program is no longer administered through the City's Parks and Recreation Department

**Schedule 18
City of Fortuna
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	8	9	9	11	12	12	13	15
Public Works:										
Miles of streets	52	52	52	52	52	52	53	54	54	54
Streetlights	600	600	605	610	615	620	620	623	623	623
Traffic signals	3	3	3	3	4	4	4	5	5	5
Riverlodge/Monday Club										
Community centers	2	2	2	2	2	2	2	2	2	2
Parks and Recreation:										
Parks	2	2	2	2	2	2	2	2	2	2
Park acreage	85	85	85	85	85	85	85	85	85	85
Skate Pavilion	1	1	1	1	1	1	1	1	1	1
Museum	1	1	1	1	1	1	1	1	1	1
Water:										
Number connections	4,861	4,944	5,036	5,089	5,219	5,305	5,391	5,471	5,491	5,500
Maximum plant capacity in millions gallons	2.10	2.10	2.70	3.00	3.00	3.00	3.00	3.10	3.10	3.10
Wastewater:										
Miles of sewers	38	38	38	38	42	42	42	42	42	42
Number connections	4,541	4,636	4,745	4,808	4,929	5,010	5,099	5,167	5,191	5,198
Maximum plant capacity in millions gallons	1.20	1.20	1.20	1.20	1.20	1.50	1.50	1.50	1.50	1.50