

CITY OF HEALDSBURG

Financial Statements

Fiscal Year Ended June 30, 2019

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Independent Auditor's Report

The Members of the City Council of the
City of Healdsburg
Healdsburg, California

Report on the Financial Statements

We 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 Healdsburg, California (City) as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our 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 Healdsburg, California, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, the Schedule of Changes Net OPEB Liability and Related Ratios, and Schedule of OPEB Contributions on pages 81 through 84, and budgetary comparison information on pages 85 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison schedules, and the combining General Fund Activities, Water Fund Activities, Sewer Fund Activities, Electric Fund Activities, Internal Service Funds, and Private-purpose Trust Funds are presented for purposes of additional analysis and are not required parts of the financial statements.

The combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison schedules, and the combining General Fund Activities, Water Fund Activities, Sewer Fund Activities, Electric Fund Activities, Internal Service Funds, and Private-purpose Trust Funds, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison schedules, and the combining General Fund Activities, Water Fund Activities, Sewer Fund Activities, Electric Fund Activities, Internal Service Funds, and Private-purpose Trust Funds are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP
Culver City, California
February 28, 2020

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

As management of the City of Healdsburg (“City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying Independent Auditor’s Report, the financial statements, and the accompanying notes to the financial statements.

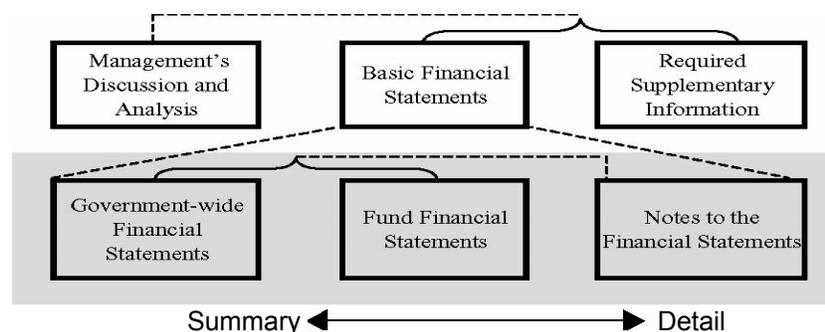
Financial Highlights

- City assets exceeded its liabilities by \$202.7 million (net position) at June 30, 2019. Of this amount, \$6.6 million (total government unrestricted net position on page 7) may be used to meet the government’s ongoing obligations to citizens and creditors. The Net Position table, page 7, details all of the net position categories.
- At the close of fiscal year 2018-19, City governmental funds reported combined ending fund balance of \$21.6 million, an increase of \$1.2 million. The increase is a result of a strong economy generating increased Sales and Use Taxes and Transient Occupancy Taxes.
- City total net position increased by \$2.9 million during the fiscal year, compared to an increase of \$2.6 million in the prior fiscal year. The increase is attributable to the City’s governmental activities decreasing \$305 thousand, while the business type activities increased \$3.2 million.
- At the end of fiscal year 2018-19, unassigned fund balance for the General Fund was \$4.2 million, or 30.5% of total General Fund expenditures.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

Government-wide Financial Statements. The government-wide financial statements are comprised of the Statement of Net Position and Statement of Activities. These two statements are designed to provide readers with a broad overview of the City's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid interest expense).

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development and housing, community services and streets capital projects. The business-type activities of the City include the water, sewer and electric utilities, and other programs.

Fund Financial Statements. The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The City adopts an annual appropriated budget for all governmental and proprietary funds. Budgetary comparison statements for the General Fund and all major special revenue funds are required and included in the basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund on page 89, reflect both the original and final budget figures for the General Fund. Additionally, budgetary schedules for the other governmental funds have been provided as required to demonstrate compliance with the budget.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual method of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

The City maintains sixteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Community Services, and Housing Successor Agency as they are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of supplementary combining statements.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise Funds.** These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of water, sewer, electric, and airport.
- **Internal Service Funds.** These funds are used to report activities that provide internal services for the City. The City uses internal service funds to account for its insurance and benefits, vehicle service and replacement, information systems and equipment, and the maintenance of government buildings. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the government-wide and fund financial statements.

Other Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents combining statements referred to earlier in connection with other governmental funds and the internal service funds. Also included are the budgetary comparison Statement of Revenues, Expenditures, and Changes in Fund Balances for all other special revenue funds, capital project funds and all debt service funds.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed net position for both governmental and business-type activities.

NET POSITION
June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 30,864,969	\$ 32,251,752	\$ 57,468,956	\$ 55,452,861	\$ 88,333,925	\$ 87,704,613
Capital assets	101,039,605	99,746,551	92,267,102	89,358,483	193,306,707	189,105,034
Total assets	<u>131,904,574</u>	<u>131,998,303</u>	<u>149,736,058</u>	<u>144,811,344</u>	<u>281,640,632</u>	<u>276,809,647</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Amounts on Refundings	-	-	875,835	930,575	875,835	930,575
Deferred Pension Related Items	5,203,435	6,547,531	2,038,828	2,722,828	7,242,263	9,270,359
Deferred OPEB Related Items	48,000	-	-	-	48,000	-
Total deferred outflows	<u>5,251,435</u>	<u>6,547,531</u>	<u>2,914,663</u>	<u>3,653,403</u>	<u>8,166,098</u>	<u>10,200,934</u>
LIABILITIES						
Current Liabilities	4,132,848	4,185,278	5,563,290	1,330,293	9,696,138	5,515,571
Long-term liabilities	31,853,459	34,330,352	41,480,714	45,859,456	73,334,173	80,189,808
Total liabilities	<u>35,986,307</u>	<u>38,515,630</u>	<u>47,044,004</u>	<u>47,189,749</u>	<u>83,030,311</u>	<u>85,705,379</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred OPEB Related Items	31,000	35,000	-	-	31,000	35,000
Deferred Pension Related Items	2,391,551	943,399	1,613,203	455,076	4,004,754	1,398,475
Total deferred inflows	<u>2,422,551</u>	<u>978,399</u>	<u>1,613,203</u>	<u>455,076</u>	<u>4,035,754</u>	<u>1,433,475</u>
NET POSITION						
Net Investment						
in Capital Assets	104,544,698	97,723,763	60,067,681	57,802,537	164,612,379	155,526,300
Restricted	17,252,511	15,167,600	2,043,126	11,505,377	19,295,637	26,672,977
Committed	924,682	-	10,934,504	-	11,859,186	-
Assigned	399,124	-	-	-	399,124	-
Unrestricted	(24,373,864)	(13,839,558)	30,948,203	31,512,008	6,574,339	17,672,450
Total net position	<u>\$ 98,747,151</u>	<u>\$ 99,051,805</u>	<u>\$ 103,993,514</u>	<u>\$ 100,819,922</u>	<u>\$ 202,740,665</u>	<u>\$ 199,871,727</u>

By far the largest portion of the City's net position (81.2%) reflects its net investment in capital assets (e.g. land, buildings, utility plant, machinery, equipment, vehicles, and infrastructure), net of any related outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not normally used to liquidate these liabilities.

Another portion of the City's net position (\$31.2 million or 15.4%) represents resources that are subject to external restrictions on how they may be used, noted above as restricted and committed net position. The remaining balance of \$7.0 million net position may be used to meet

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

the government's ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

At the end of the current fiscal year, the City is able to report positive balances in all three categories of total net position, both for the government as a whole, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

The following table reflects the change in net position for both governmental and business-type activities.

CHANGE IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 and 2018

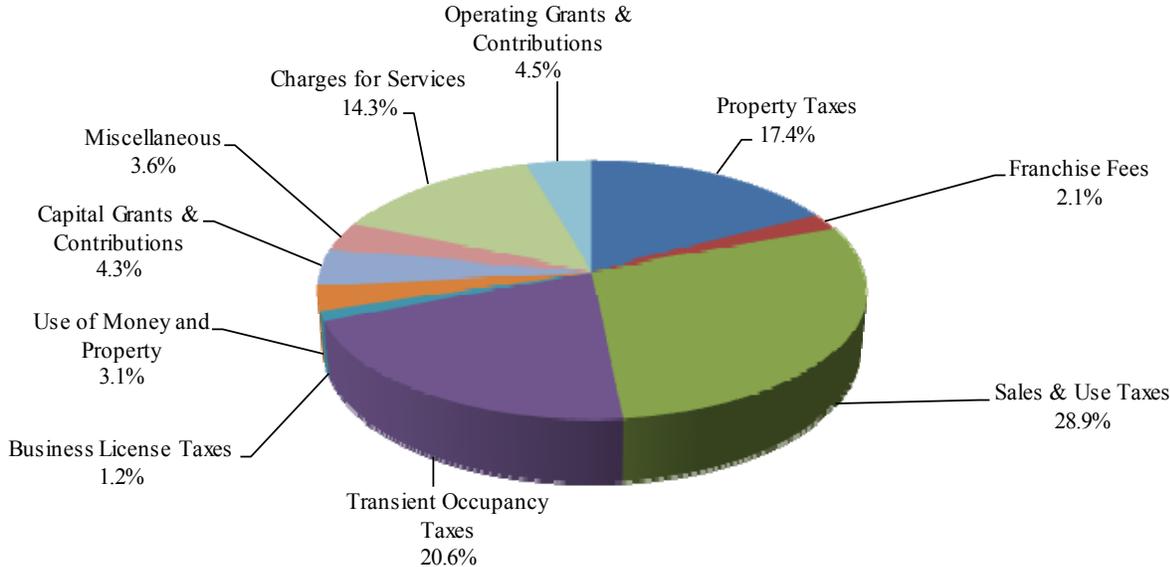
	Government Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
PROGRAM REVENUES						
Charges for Services	\$ 3,560,375	\$ 3,778,328	\$ 29,040,504	\$ 27,259,639	\$ 32,600,879	\$ 31,037,967
Operating Grants	1,126,908	436,620	-	-	1,126,908	436,620
Capital Grants	1,076,442	522,555	328,973	68,271	1,405,415	590,826
GENERAL REVENUES						
Property and Other Taxes	2,930,179	2,247,755	-	-	2,930,179	2,247,755
Sales and Use Taxes	7,217,720	6,784,893	-	-	7,217,720	6,784,893
Motor Vehicle in Lieu	1,397,333	1,283,559	-	-	1,397,333	1,283,559
Franchise Fees	514,011	560,876	-	-	514,011	560,876
Business License Taxes	304,137	197,733	-	-	304,137	197,733
Transient Occupancy Taxes	5,127,964	4,285,556	-	-	5,127,964	4,285,556
Use of Money and Property	786,516	372,800	1,661,045	384,336	2,447,561	757,136
Other Revenues (Misc)	898,621	159,014	-	-	898,621	159,014
TOTAL REVENUES	\$ 24,940,206	\$ 20,629,689	\$ 31,030,522	\$ 27,712,246	\$ 55,970,728	\$ 48,341,935
EXPENSES						
Governmental Activities						
General Government	\$ 2,787,080	\$ 2,915,592	\$ -	\$ -	\$ 2,787,080	\$ 2,915,592
Public Safety	10,149,454	9,785,902	-	-	10,149,454	9,785,902
Community Development	4,408,498	1,985,518	-	-	4,408,498	1,985,518
Community Services	4,401,013	3,698,083	-	-	4,401,013	3,698,083
Streets and Roads	1,857,120	619,155	-	-	1,857,120	619,155
Interest on Long Term Debt	165,332	190,277	-	-	165,332	190,277
Unallocated Depreciation	2,007,212	2,558,349	-	-	2,007,212	2,558,349
Business Type Activities						
Water	-	-	5,195,788	5,172,077	5,195,788	5,172,077
Sewer	-	-	8,513,414	7,322,240	8,513,414	7,322,240
Electric	-	-	13,133,729	11,051,909	13,133,729	11,051,909
Non-Major Enterprise Funds (Airport)	-	-	408,114	445,706	408,114	445,706
TOTAL EXPENSES	\$ 25,775,709	\$ 21,752,876	\$ 27,251,045	\$ 23,991,932	\$ 53,026,754	\$ 45,744,808
EXCESS (DEFICIENCY) OF REVENUES						
OVER EXPENSES BEFORE TRANSFERS	\$ (835,503)	\$ (1,123,187)	\$ 3,779,477	\$ 3,720,314	\$ 2,943,974	\$ 2,597,127
Transfers						
Transfers In (Out)	\$ 298,939	\$ 255,075	\$ (298,939)	\$ (255,075)	\$ -	\$ -
TOTAL TRANSFERS	\$ 298,939	\$ 255,075	\$ (298,939)	\$ (255,075)	\$ -	\$ -
CHANGE IN NET POSITION	\$ (536,564)	\$ (868,112)	\$ 3,480,538	\$ 3,465,239	\$ 2,943,974	\$ 2,597,127
NET POSITION JULY 1	99,051,805	100,324,917	100,819,925	97,354,683	199,871,730	197,679,600
RESTATEMENT OF NET POSITION	231,910	(405,000)	(306,949)	-	(75,039)	(405,000)
NET POSITION JUNE 30	\$ 98,747,151	\$ 99,051,805	\$ 103,993,514	\$ 100,819,922	\$ 202,740,665	\$ 199,871,727

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

The Change in Net Position shows how the government's net position changed during fiscal year 2018-19 as compared to fiscal year 2017-18. The City's current fiscal year change in net position of \$2.9 million, compared to the prior fiscal year change in net position of \$2.6 million, resulted in an increase of \$347 thousand during the current fiscal year.

Governmental Activities. Governmental activities decreased \$537 thousand during the fiscal year ended June 30, 2019. While the revenue increase of \$4.3 million was realized across most revenue categories, the increase in expenses is mainly due to the current fiscal year pension adjustment as required by GASB Statement No. 68 of \$2.8 million and an adjustment to bad debt expense of \$1.8 million. General governmental tax revenue (70.1%) includes property taxes, franchise fees, sales and use taxes, transient occupancy taxes, and business license taxes. Program revenues are 23.1% of the total revenues of the governmental activities, which include charges for services and operating contributions and grants. The chart below reflects information from the Statement of Activities, page 16 and 17, of the Financial Statements.

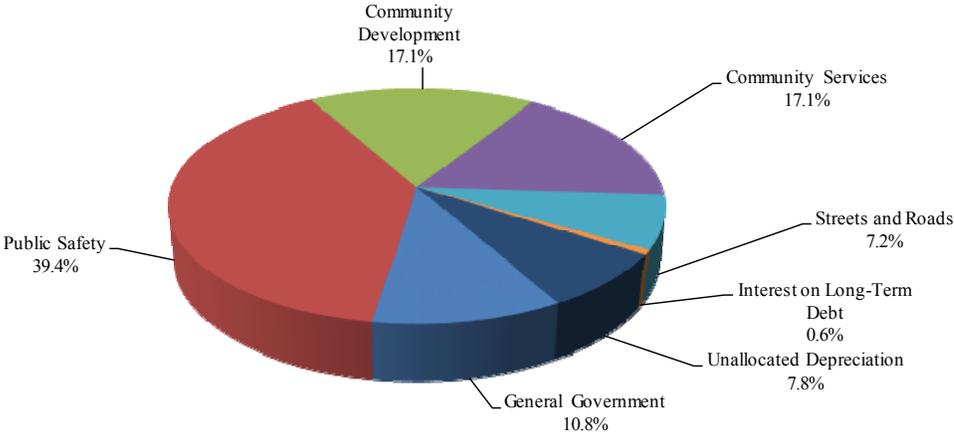
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2019**



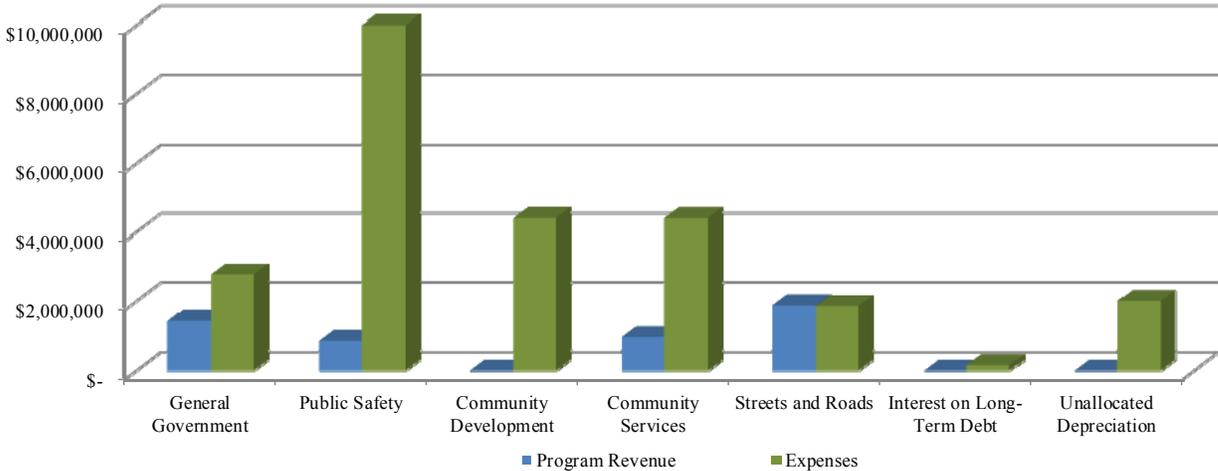
CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

As for expenditures, public safety expenses are the most significant (39%) of all governmental activities expenses, followed by community development (17%), community services (17%), general government (11%), streets and roads (7%), and interest on long-term debt (1%). Depreciation expense is 8% of the total expenses for governmental activities. The chart below reflects information from the Financial Statements, Statement of Activities on page 16.

**EXPENSES BY FUNCTION/PROGRAM – GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2019**



**COMPARISON OF EXPENSES AND PROGRAM REVENUES
 GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2019**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

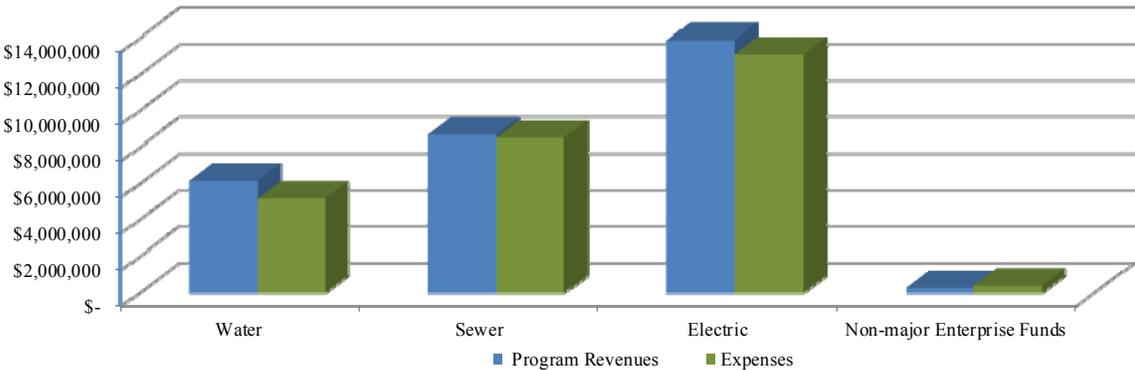
Business-Type Activities. During the fiscal year ended June 30, 2019, business-type activities increased the City's net position by \$3.2 million, similarly the City's fiscal year ended June 30, 2018 net position also increased \$3.3 million. Factors contributing to the current fiscal year increase include:

- Use of Money and Property increased by \$1.3 million, of which \$597 thousand is a market adjustment as required by GASB Statement No. 31.
- Revenue from charges for services of \$29.0 million exceeded operating expenses of \$27.3 million, resulting in a current fiscal year net position increase of \$1.8 million.
- Capital grants and contributions increased by \$261 thousand over prior fiscal year.

**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2019**



**EXPENSES AND PROGRAM REVENUES
BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2019**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

Governmental Funds. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2019, the City's governmental funds Balance Sheet on page 18, reported total ending fund balances of \$21.6 million, an increase of \$1.1 million from the prior fiscal year. This increase is primarily attributed to a \$2.8 million increase in Sales and Other Tax revenue brought on by delayed receipt of prior year revenue and increases in Transient Occupancy Tax revenue. In addition, License and Permits revenues increased \$400 thousand in part from the receipt of a developer's one-time payment of annexation fees and this revenue was offset by \$1.7 million in Bad Debt expenditure related to the accounting for a new low-income housing loan. Approximately 18.5% of the total ending fund balances (\$4.0 million) is unassigned available for spending in the future at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, assigned or committed. The most significant of these reserved fund balances are restricted for pension stabilization, low-income housing, and community services, \$4.8 million, \$6.8 million and \$2.12 million respectively.

General Fund revenues were \$2.1 million (13.9%) more than in the prior fiscal year, and expenditures decreased by \$3.0 million (-17.7%). The increase in revenues was the result of an increase in Sales and Other Taxes of \$2.2 million, combined with a decrease in Capital Outlay expenditures of \$4.0 million.

Proprietary Funds. The City's proprietary funds Revenues, Expenses, and Changes in Net Position, page 23, provide the same type of information found in the government-wide financial statements, but in more detail. The City's major enterprise funds are Water, Sewer, and Electric. The major changes in enterprise net position are an increase of \$1.3 million to \$35.7 million in the Electric Fund, an increase of \$1.2 million to \$15.6 million in the Water Fund, and a \$754 thousand increase to \$49.0 million in the Sewer Fund.

The Internal Service Funds had an increase in net position of \$97 thousand during the fiscal year, ending with a balance of \$8.2 million. This increase is attributable to the gain on the sale of fixed assets. The operating revenue is made up of the service fees charged to each operating fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2019, amounted to \$193.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, infrastructure, and construction in progress. Depreciation expense for the fiscal year totaled \$5.3 million.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

CAPITAL ASSETS

Additional information on the City's capital assets can be found in Note 7 of the basic financial statements.

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Land and Land Rights	\$ 20,185,371	\$ 20,185,371	\$ 1,245,877	\$ 1,245,877
Right of Way	6,681,379	6,681,379	-	-
Construction in Progress	9,403,249	15,061,998	8,667,356	4,666,338
Land Improvements	3,019,329	2,899,418	-	-
Streets	52,688,111	52,258,576	-	-
Buildings	32,716,886	26,939,537	3,071,504	3,019,311
Machinery and Equipment	9,195,883	8,297,552	3,031,390	2,395,127
Infrastructure	1,515,614	912,056	-	-
Utility Systems	-	-	113,131,248	112,513,865
Drainage	-	-	10,470,692	10,246,168
Operations	-	-	3,381,750	3,381,750
Total	<u>\$ 135,405,822</u>	<u>\$ 133,235,887</u>	<u>\$ 142,999,817</u>	<u>\$ 137,468,436</u>
Less Accumulated Depreciation	<u>(34,366,217)</u>	<u>(33,489,336)</u>	<u>(50,732,715)</u>	<u>(48,109,953)</u>
Net Capital Assets	<u>\$ 101,039,605</u>	<u>\$ 99,746,551</u>	<u>\$ 92,267,102</u>	<u>\$ 89,358,483</u>

LONG-TERM LIABILITIES

Long-Term Liabilities. The City's outstanding long-term liabilities, including bonds, loans payable, net pension liability, claims, capital leases, OPEB, and compensated absences totaled \$77.4 million at June 30, 2019. Of this total, \$33.8 million (43.7%) was in governmental activities and \$43.6 million (56.3%) was in business-type activities.

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Pension Obligation Bond	\$ 2,317,497	\$ 2,998,407	\$ 1,295,526	\$ 1,676,192
Net Pension Liability	24,057,115	24,050,572	9,518,825	9,653,413
Certificates of Participation	-	-	1,875,000	1,990,000
HUSD Capital Lease Payable	1,528,507	1,647,007	-	-
Revenue Bonds	-	-	29,029,135	30,496,519
Compensated Absences	1,894,961	1,744,124	-	-
Successor Agency Payable	1,688,348	1,791,647	1,925,520	2,043,330
Capital Leases	596,991	375,781	-	-
Claims Payable	729,370	833,711	-	-
OPEB	1,013,000	889,000	-	-
Total	<u>\$ 33,825,789</u>	<u>\$ 34,330,249</u>	<u>\$ 43,644,006</u>	<u>\$ 45,859,454</u>

Additional information on the City's long-term liabilities can be found in Note 8 of the basic financial statements.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The 2019-20 fiscal year General Fund revenue projections continue to be conservative. Increases have been projected for sales and use tax and property taxes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Elizabeth Garcia, Finance Manager, City of Healdsburg, egarcia@ci.healdsburg.ca.us or at 401 Grove Street, Healdsburg, CA 95448-4723.

CITY OF HEALDSBURG
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 16,021,437	\$ 40,567,323	\$ 56,588,760
Cash and investments with fiscal agents	1,301,947	240	1,302,187
Pension stabilization investments	4,808,487	2,043,126	6,851,613
Investment in NCPA Reserves		5,862,095	5,862,095
Accounts receivable	2,316,909	4,053,299	6,370,208
Notes receivable	8,092,144		8,092,144
Interest receivable	102,822	184,746	287,568
Intergovernmental receivable	1,371,176		1,371,176
Internal balances	(3,187,764)	3,187,764	
Inventory	30,903	1,570,146	1,601,049
Prepaid items	6,908	217	7,125
Total Current Assets	<u>30,864,969</u>	<u>57,468,956</u>	<u>88,333,925</u>
Non-current Assets:			
Capital assets:			
Not being depreciated	36,882,044	9,913,233	46,795,277
Being depreciated, net of accumulated depreciation	64,157,561	82,353,869	146,511,430
Total Non-current Assets	<u>101,039,605</u>	<u>92,267,102</u>	<u>193,306,707</u>
Total Assets	<u>131,904,574</u>	<u>149,736,058</u>	<u>281,640,632</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on debt refunding		875,835	875,835
Pension related	5,203,435	2,038,828	7,242,263
OPEB related	48,000		48,000
Total Deferred Outflows of Resources	<u>5,251,435</u>	<u>2,914,663</u>	<u>8,166,098</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	974,896	2,646,496	3,621,392
Retentions payable	644,429		644,429
Interest payable		296,366	296,366
Claims payable - current	137,942		137,942
Deposits payable	241,358	457,136	698,494
Unearned revenue	299,835		299,835
Compensated absences, due within one year	530,589		530,589
Capital lease, due within one year	465,345		465,345
Other long-term liabilities, due within one year	838,454	2,163,292	3,001,746
Total Current Liabilities	<u>4,132,848</u>	<u>5,563,290</u>	<u>9,696,138</u>
Non-current Liabilities			
Compensated absences, due in more than one year	1,364,372		1,364,372
Claims payable, due in more than one year	591,428		591,428
Net pension liability	24,057,115	9,518,825	33,575,940
Capital lease, due in more than one year	1,660,153		1,660,153
Other long-term liabilities, due in more than one year	3,167,391	31,961,889	35,129,280
Other post-employment benefits liability	1,013,000		1,013,000
Total Non-current Liabilities	<u>31,853,459</u>	<u>41,480,714</u>	<u>73,334,173</u>
Total Liabilities	<u>35,986,307</u>	<u>47,044,004</u>	<u>83,030,311</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	2,391,551	1,613,203	4,004,754
OPEB related	31,000		31,000
Total Deferred Inflows of Resources	<u>2,422,551</u>	<u>1,613,203</u>	<u>4,035,754</u>
NET POSITION			
Net investment in capital assets	104,544,698	60,067,681	164,612,379
Restricted for:			
Lighting and landscaping	277,713		277,713
Pension	4,808,487	2,043,126	6,851,613
Community services	2,188,397		2,188,397
Debt service	268,443		268,443
Streets and roads	1,634,116		1,634,116
Public safety	69,302		69,302
Housing	8,006,053		8,006,053
Unrestricted	(23,050,058)	41,882,707	18,832,649
Total Net Position	<u>\$ 98,747,151</u>	<u>\$ 103,993,514</u>	<u>\$ 202,740,665</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF HEALDSBURG
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,787,080	\$ 754,383	\$ 674,771	\$ -
Public safety	10,149,454	711,920	127,511	
Streets and roads	1,857,120	503,850	292,455	1,076,442
Community development	4,408,498	674,432		
Community services	4,401,013	915,790	32,171	
Interest and fiscal charges	165,332			
Unallocated depreciation	2,007,212			
Total Governmental Activities	25,775,709	3,560,375	1,126,908	1,076,442
Business-type Activities:				
Water	5,195,788	6,177,560		
Sewer	8,513,414	8,677,318		
Electric	13,133,729	13,890,270		
Airport	408,114	295,356		328,973
Total Business-type Activities	27,251,045	29,040,504		328,973
Total Primary Government	\$ 53,026,754	\$ 32,600,879	\$ 1,126,908	\$ 1,405,415

General Revenues:

Taxes:

 Transient occupancy taxes

 Sales taxes

 Property taxes

 Franchise taxes

 Business license

Motor vehicle in lieu, unrestricted

Use of money and property

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Fiscal Year

Prior Period Adjustments

Net Position - Beginning of Fiscal Year, Restated

Net Position - End of Fiscal Year

See Accompanying Notes to Basic Financial Statements

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,357,926)	\$ -	\$ (1,357,926)
(9,310,023)		(9,310,023)
15,627		15,627
(3,734,066)		(3,734,066)
(3,453,052)		(3,453,052)
(165,332)		(165,332)
(2,007,212)		(2,007,212)
<u>(20,011,984)</u>		<u>(20,011,984)</u>
	981,772	981,772
	163,904	163,904
	756,541	756,541
	216,215	216,215
	<u>2,118,432</u>	<u>2,118,432</u>
<u>(20,011,984)</u>	<u>2,118,432</u>	<u>(17,893,552)</u>
5,127,964		5,127,964
7,217,720		7,217,720
2,930,179		2,930,179
514,011		514,011
304,137		304,137
1,397,333		1,397,333
786,516	1,661,045	2,447,561
898,621		898,621
298,939	(298,939)	
<u>19,475,420</u>	<u>1,362,106</u>	<u>20,837,526</u>
<u>(536,564)</u>	<u>3,480,538</u>	<u>2,943,974</u>
99,051,805	100,819,925	199,871,730
231,910	(306,949)	(75,039)
<u>99,283,715</u>	<u>100,512,976</u>	<u>199,796,691</u>
<u>\$ 98,747,151</u>	<u>\$ 103,993,514</u>	<u>\$ 202,740,665</u>

**CITY OF HEALDSBURG
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	Special Revenue Funds				Total Governmental Funds
	General	Community Services	Housing Successor Agency	Nonmajor Governmental Funds	
ASSETS:					
Cash and investments	\$ 5,801,385	\$ 1,550,203	\$ 23,999	\$ 2,728,465	\$ 10,104,052
Cash and investments with fiscal agents				1,301,947	1,301,947
Pension stabilization investments	4,227,864	417,920		162,703	4,808,487
Receivables:					
Accounts and taxes	760,089	723,837	14,934	749,414	2,248,274
Interest	59,782	7,351		10,182	77,315
Intergovernmental	1,277,015	94,161			1,371,176
Due from other funds	473,414				473,414
Loans receivable			7,973,650	108,800	8,082,450
Inventory				10,852	10,852
Prepaid expenditures	3,908	3,000			6,908
Total Assets	\$ 12,603,457	\$ 2,796,472	\$ 8,012,583	\$ 5,072,363	\$ 28,484,875
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 338,226	\$ 193,059	\$ 10,353	\$ 145,864	\$ 687,502
Deposits payable		176,434		64,924	241,358
Due to other funds	3,172,764			488,414	3,661,178
Unearned revenue		299,835			299,835
Retentions payable		2,087		642,342	644,429
Total Liabilities	3,510,990	671,415	10,353	1,341,544	5,534,302
Deferred inflows of resources:					
Unavailable revenue - interest			1,211,150		1,211,150
Unavailable revenue	12,558	41,432		54,600	108,590
Total deferred inflows of resources	12,558	41,432	1,211,150	54,600	1,319,740
Fund balances					
Nonspendable:					
Prepaid expenditures	3,908	3,000			6,908
Inventory				10,852	10,852
Restricted	4,468,355	2,080,625	6,791,080	2,938,792	16,278,852
Committed				924,682	924,682
Assigned	399,124				399,124
Unassigned	4,208,522			(198,107)	4,010,415
Total Fund Balances	9,079,909	2,083,625	6,791,080	3,676,219	21,630,833
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,603,457	\$ 2,796,472	\$ 8,012,583	\$ 5,072,363	\$ 28,484,875

CITY OF HEALDSBURG
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

Fund balances for governmental funds	\$	21,630,833
<p>Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:</p>		
<p>Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.</p>		
Capital assets	\$ 124,936,511	
Less: accumulated depreciation	<u>(29,527,497)</u>	95,409,014
<p>Long-term debt liabilities, including bonds payable and interest payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Pension obligation bond	(2,317,497)	
Capital leases payable	(1,528,507)	
Net pension liability	(24,057,115)	
Loan payable	(1,688,348)	
OPEB liability	<u>(1,013,000)</u>	(30,604,467)
<p>Intergovernmental receivables which are not financial resources but are revenues under the full accrual method.</p>		
		108,590
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>		
		8,163,147
<p>Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.</p>		
Deferred inflows of resources relating to pensions	5,203,435	
Deferred outflows of resources relating to pensions	<u>(2,391,551)</u>	2,811,884
<p>Deferred outflows and inflows of resources relating to OPEB: In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net OPEB, deferred outflows and inflows of resources relating to OPEB are reported.</p>		
Deferred inflows of resources relating to OPEB	(31,000)	
Deferred outflows of resources relating to OPEB	<u>48,000</u>	17,000
<p>Interest on Long-term notes receivable are offset by deferred inflows in the governmental funds as they do not represent financial resources.</p>		
		<u>1,211,150</u>
Net position of governmental activities	\$	<u><u>98,747,151</u></u>

CITY OF HEALDSBURG
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	Special Revenue Funds				Total Governmental Funds
	General	Community Services	Housing Successor Agency	Nonmajor Governmental Funds	
REVENUES					
Property taxes	\$ 2,623,908	\$ -	\$ -	\$ 306,271	\$ 2,930,179
Sales and other taxes	10,896,110	3,665,055			14,561,165
Development fees	343,979	14,310		385,784	744,073
Intergovernmental	782,807	216,213		1,204,330	2,203,350
Fines and forfeitures	130,467				130,467
Licenses and permits	674,432				674,432
Use of money and property	618,697	105,713	163,156	123,952	1,011,518
Charges for services	991,857	848,257		171,289	2,011,403
Other, donations, and reimbursements	76,532	17,078	389,470	294,034	777,114
Total Revenues	17,138,789	4,866,626	552,626	2,485,660	25,043,701
EXPENDITURES					
Current:					
General government	2,742,972			9,800	2,752,772
Public safety	9,099,683			233,566	9,333,249
Streets and roads				1,857,120	1,857,120
Community development	1,901,273		69,546	181,213	2,152,032
Community services	40,386	5,060,541			5,100,927
Debt service:					
Principal retirement				902,709	902,709
Interest and fiscal charges				165,332	165,332
Total Expenditures	13,784,314	5,060,541	69,546	3,349,740	22,264,141
Excess of Revenues over (under) Expenditures	3,354,475	(193,915)	483,080	(864,080)	2,779,560
OTHER FINANCING SOURCES (USES)					
Bad debt expense			(1,790,000)		(1,790,000)
Transfers in	612,998	33,460	1,085,727	1,793,501	3,525,686
Transfers out	(2,274,964)	(382,138)		(623,956)	(3,281,058)
Total Other Financing Sources (Uses)	(1,661,966)	(348,678)	(704,273)	1,169,545	(1,545,372)
Net Change in Fund Balances	1,692,509	(542,593)	(221,193)	305,465	1,234,188
Fund Balances, Beginning of Fiscal Year	7,387,731	2,626,218	7,012,273	3,445,462	20,471,684
Prior Period Adjustments	(331)			(74,708)	(75,039)
Fund Balances (deficit), Beginning of Fiscal Year (restated)	7,387,400	2,626,218	7,012,273	3,370,754	20,396,645
Fund Balances, End of Fiscal Year	\$ 9,079,909	\$ 2,083,625	\$ 6,791,080	\$ 3,676,219	\$ 21,630,833

See Accompanying Notes to Basic Financial Statements

CITY OF HEALDSBURG
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, 2019

Net change in fund balances - total governmental funds \$ 1,234,188

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeded depreciation in the current period as follows:

Capital outlay	\$	2,547,716	
Loss on disposal		(214,958)	
Depreciation		<u>(2,007,212)</u>	325,546

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. 902,709

Other postemployment benefits reported in the governmental funds includes cash payments made into the trust fund and payments on behalf of retirees. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources. (72,000)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 96,786

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was: (2,798,791)

Some revenues reported in the Statement of Activities are not considered available to finance current expenditures and therefore are not reported as revenues in the governmental funds. (225,002)

Change in net position of governmental activities \$ (536,564)

CITY OF HEALDSBURG
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

ASSETS	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Non-major Airport Fund
Current Assets:				
Cash and investments	\$ 5,458,973	\$ 17,405,841	\$ 17,523,475	\$ 179,034
Cash and investments with fiscal agents	44	196		
Pension stabilization investments	488,088	715,563	839,475	
Investment in NCPA Reserves			5,862,095	
Accounts receivable	959,491	1,098,762	1,985,360	9,686
Notes receivable				
Interest receivable	24,537	79,520	79,889	800
Inventory	75,183	21,801	1,438,362	34,800
Due from other funds		2,648,384	1,601,382	
Prepaid items	217			
Total Current Assets	7,006,533	21,970,067	29,330,038	224,320
Noncurrent Assets:				
Capital assets				
Land	310,781	766,902	48,360	119,834
Construction in progress	1,958,470	4,740,773	1,527,140	440,973
Depreciable buildings and improvements, net	348,138	69,909	27,758	560,187
Depreciable utility systems, net	17,003,930	49,005,851	11,654,015	
Depreciable operations, net				2,326,745
Depreciable equipment, net	139,297	729,431	488,608	
Total Noncurrent Assets	19,760,616	55,312,866	13,745,881	3,447,739
Total Assets	26,767,149	77,282,933	43,075,919	3,672,059
Deferred Outflows of Resources:				
Deferred loss on debt refunding		875,835		
Pension related	602,381	602,381	834,066	
Total deferred outflows of resources	602,381	1,478,216	834,066	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	340,708	1,497,681	778,394	29,713
Bonds payable - current	751,435	1,130,147	163,606	
Loan payable - current			118,104	
Capital lease payable - current				
Claims payable - current				
Interest payable	81,613	209,939	4,814	
Deposits payable	6,647	261	434,094	16,134
Compensated absences				
Due to other funds		1,062,002		
Total Current Liabilities	1,180,403	3,900,030	1,499,012	45,847
Noncurrent Liabilities				
Bonds payable	7,259,891	22,542,366	352,216	
Loan payable			1,807,416	
Capital lease payable				
Claims payable				
Net pension liability	2,812,380	2,812,380	3,894,065	
Compensated absences				
Total Noncurrent Liabilities	10,072,271	25,354,746	6,053,697	
Total Liabilities	11,252,674	29,254,776	7,552,709	45,847
Deferred Inflows of Resources:				
Pension related	476,628	476,628	659,947	
Total deferred inflows of resources	476,628	476,628	659,947	
NET POSITION				
Net investment in capital assets	11,749,334	31,640,549	13,230,059	3,447,739
Restricted	488,088	715,563	839,475	
Unrestricted	3,402,806	16,673,633	21,627,795	178,473
Total Net Position	\$ 15,640,228	\$ 49,029,745	\$ 35,697,329	\$ 3,626,212

See Accompanying Notes to Basic Financial Statements

		Governmental Activities
Totals	Internal Service Funds	
\$ 40,567,323	\$	5,917,385
240		
2,043,126		
5,862,095		
4,053,299		68,635
		9,694
184,746		25,507
1,570,146		20,051
4,249,766		
217		
<u>58,530,958</u>		<u>6,041,272</u>
1,245,877		
8,667,356		37,424
1,005,992		1,782,050
77,663,796		
2,326,745		
1,357,336		3,811,117
<u>92,267,102</u>		<u>5,630,591</u>
<u>150,798,060</u>		<u>11,671,863</u>
875,835		
2,038,828		
<u>2,914,663</u>		
2,646,496		287,394
2,045,188		
118,104		
		341,145
		137,942
296,366		
457,136		
		530,589
<u>1,062,002</u>		
<u>6,625,292</u>		<u>1,297,070</u>
30,154,473		
1,807,416		
		255,846
		591,428
9,518,825		
		1,364,372
<u>41,480,714</u>		<u>2,211,646</u>
<u>48,106,006</u>		<u>3,508,716</u>
1,613,203		
<u>1,613,203</u>		
60,067,681		5,033,600
2,043,126		
41,882,707		3,129,547
<u>\$ 103,993,514</u>	<u>\$</u>	<u>8,163,147</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF HEALDSBURG
STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Non-major Airport Fund
OPERATING REVENUES				
Charges for services	\$ 5,516,406	\$ 7,688,198	\$ 12,367,483	\$ 163,689
Development fees	555,846	904,376	352,000	
Rental income				131,407
Other	105,308	84,744	1,170,787	329,233
Total Operating Revenues	<u>6,177,560</u>	<u>8,677,318</u>	<u>13,890,270</u>	<u>624,329</u>
OPERATING EXPENSES				
Purchase of power			4,793,481	
Salaries and benefits	2,343,931	1,733,926	2,793,713	16,768
Maintenance and operations	1,103,510	3,942,031	4,281,458	226,341
Administration	789,177	535,712	692,879	68,969
Depreciation	604,565	1,411,898	510,263	96,036
Total Operating Expenses	<u>4,841,183</u>	<u>7,623,567</u>	<u>13,071,794</u>	<u>408,114</u>
Operating Income (loss)	<u>1,336,377</u>	<u>1,053,751</u>	<u>818,476</u>	<u>216,215</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	208,375	706,956	739,380	6,334
Interest expense	(354,605)	(889,847)	(61,935)	
Gain (loss) on sale of fixed assets				
Total Non-operating Revenue (Expenses)	<u>(146,230)</u>	<u>(182,891)</u>	<u>677,445</u>	<u>6,334</u>
NET INCOME BEFORE TRANSFERS	<u>1,190,147</u>	<u>870,860</u>	<u>1,495,921</u>	<u>222,549</u>
TRANSFERS				
Transfers in	1,455,167	5,504,488	428,111	23,000
Transfers out	(1,455,167)	(5,621,058)	(607,995)	(25,485)
Total Transfers		<u>(116,570)</u>	<u>(179,884)</u>	<u>(2,485)</u>
Change in Net Position	1,190,147	754,290	1,316,037	220,064
Net Position, Beginning of Fiscal Year	<u>14,450,081</u>	<u>48,275,455</u>	<u>34,381,292</u>	<u>3,406,148</u>
Net Position, End of Fiscal Year	<u>\$ 15,640,228</u>	<u>\$ 49,029,745</u>	<u>\$ 35,697,329</u>	<u>\$ 3,626,212</u>

See Accompanying Notes to Basic Financial Statements

Totals	Governmental Activities Internal Service Funds
\$ 25,735,776	\$ 4,036,298
1,812,222	
131,407	272,109
1,690,072	14,201
29,369,477	4,322,608
4,793,481	
6,888,338	1,125,580
9,553,340	2,297,279
2,086,737	425,181
2,622,762	671,044
25,944,658	4,519,084
3,424,819	(196,476)
1,661,045	117,444
(1,306,387)	
	121,507
354,658	238,951
3,779,477	42,475
7,410,766	129,787
(7,709,705)	(75,476)
(298,939)	54,311
3,480,538	96,786
100,512,976	8,066,361
\$ 103,993,514	\$ 8,163,147

See Accompanying Notes to Basic Financial Statements

CITY OF HEALDSBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Non-major Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,545,330	\$ 7,695,124	\$ 12,158,048	\$ 163,064
Receipts from other operating activities	661,154	989,120	1,522,787	460,640
Payments to suppliers	(1,594,154)	(3,090,889)	(9,502,048)	(277,971)
Payments to employees	(1,839,431)	(1,229,426)	(2,095,174)	(16,768)
Net Cash Provided by Operating Activities	<u>2,772,899</u>	<u>4,363,929</u>	<u>2,083,613</u>	<u>328,965</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES				
Interfund borrowing		118,842	118,842	
Transfers in	1,455,167	5,504,488	428,111	23,000
Transfers out	(1,455,167)	(5,621,058)	(607,995)	(25,485)
Principal payment on debt	(114,440)	(114,759)	(269,300)	
Loans repaid (issued)				
Net Cash Provided for (Used by) Non-Capital and Related Financing Activities	<u>(114,440)</u>	<u>(112,487)</u>	<u>(330,342)</u>	<u>(2,485)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital lease				
Payments for capital lease				
Principal payments on debt	(611,000)	(940,000)		
Interest paid	(360,901)	(842,156)	(57,121)	
Cash received (loss) from sale of capital assets				
Acquisition and construction of capital assets	(519,883)	(4,181,575)	(506,708)	(354,513)
Net Cash Used by Capital and Related Financing Activities	<u>(1,491,784)</u>	<u>(5,963,731)</u>	<u>(563,829)</u>	<u>(354,513)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	193,796	678,967	700,194	6,054
Net Cash Provided by Investing Activities	<u>193,796</u>	<u>678,967</u>	<u>700,194</u>	<u>6,054</u>
Increase (Decrease) in cash and cash equivalents	1,360,471	(1,033,322)	1,889,636	(21,979)
Cash and Cash Equivalents, Beginning of Fiscal Year	4,586,634	19,154,922	22,335,409	201,013
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 5,947,105</u>	<u>\$ 18,121,600</u>	<u>\$ 24,225,045</u>	<u>\$ 179,034</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and investments	\$ 5,458,973	\$ 17,405,841	\$ 17,523,475	\$ 179,034
Cash and investments with fiscal agents	44	196		
Pension stabilization investments	488,088	715,563	839,475	
Investment in NCPA Reserves			5,862,095	
Total Cash and Cash Equivalents	<u>\$ 5,947,105</u>	<u>\$ 18,121,600</u>	<u>\$ 24,225,045</u>	<u>\$ 179,034</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,336,377	\$ 1,053,751	\$ 818,476	\$ 216,215
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	604,565	1,411,898	510,263	96,036
Changes in assets and liabilities:				
(Increase) decrease in accounts receivables	30,082	6,796	(154,954)	(643)
(Increase) decrease in prepaid expenses	(217)		2,823	
Increase (decrease) in deposits payable	(1,158)	130	(54,481)	18
Increase (decrease) in compensated absences				
(Increase) decrease in Inventory	1,812	2,426	(170,522)	(1,553)
Increase (decrease) in net pension liability	504,500	504,500	698,539	
Increase (decrease) in claims payable				
Increase (decrease) in accounts payable and accrued liabilities	296,938	1,384,428	433,469	18,892
Net Cash Provided by Operating Activities	<u>\$ 2,772,899</u>	<u>\$ 4,363,929</u>	<u>\$ 2,083,613</u>	<u>\$ 328,965</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization related to deferred loss on debt refunding	\$ -	\$ 54,740	\$ -	\$ -

See Accompanying Notes to Basic Financial Statements

<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 25,561,566	\$ 4,297,890
3,633,701	14,201
(14,465,062)	(2,632,229)
<u>(5,180,799)</u>	<u>(974,743)</u>
9,549,406	705,119
237,684	
7,410,766	129,787
(7,709,705)	(75,476)
(498,499)	
	<u>1,419</u>
<u>(559,754)</u>	<u>55,730</u>
	562,355
	(341,145)
(1,551,000)	
(1,260,178)	
	121,507
<u>(5,562,679)</u>	<u>(1,638,557)</u>
<u>(8,373,857)</u>	<u>(1,295,840)</u>
<u>1,579,011</u>	<u>101,782</u>
<u>1,579,011</u>	<u>101,782</u>
2,194,806	(433,209)
<u>46,277,978</u>	<u>6,350,594</u>
\$ <u><u>48,472,784</u></u>	\$ <u><u>5,917,385</u></u>
\$ 40,567,323	\$ 5,917,385
240	
2,043,126	
<u>5,862,095</u>	
\$ <u><u>48,472,784</u></u>	\$ <u><u>5,917,385</u></u>
\$ 3,424,819	\$ (196,476)
2,622,762	671,044
(118,719)	(10,517)
2,606	234,799
(55,491)	
	150,837
(167,837)	(8,084)
1,707,539	
	(104,441)
<u>2,133,727</u>	<u>(32,043)</u>
\$ <u><u>9,549,406</u></u>	\$ <u><u>705,119</u></u>
\$ -	\$ -

See Accompanying Notes to Basic Financial Statements

CITY OF HEALDSBURG
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Private Purpose Trust Funds
ASSETS	
Cash and investments	\$ 5,570,630
Cash and investments with fiscal agents	2,723,326
Interest receivable	25,480
Notes receivable	3,861,803
Capital assets, net of depreciation	846,549
Total Assets	13,027,788
LIABILITIES	
Accounts payable	2,598
Interest payable	712,993
Noncurrent liabilities	
Due within one year	2,162,921
Due in more than one year	41,717,013
Total Liabilities	44,595,525
NET POSITION	
Net position held in trust	\$ (31,567,737)

CITY OF HEALDSBURG
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year ended June 30, 2019

	Private Purpose Trust Funds
Additions	
Property taxes	\$ 3,597,444
Use of money and property	178,153
Transfers	3,400,000
Other	1,316,211
Total Revenues	8,491,808
 Deductions	
Community development	315,457
Community services	1,000
Depreciation	20,696
Interest expense	1,559,925
Transfers to City of Healdsburg	3,400,000
Total Deductions	5,297,078
Change in Net Position	3,194,730
Net Position, beginning	(34,837,506)
Prior period adjustments	75,039
Net Position, beginning, restated	(34,762,467)
Net Position, ending	\$ (31,567,737)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies**

The financial statements of the City of Healdsburg (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The basic financial statements of the City of Healdsburg (City) include the financial activities of the City and its component unit: the Healdsburg Public Financing Authority (HPFA).

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board Statement (GASB) No.14 as amended by GASB No. 39, No. 61 and No. 80. The City of Healdsburg is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component units' Board or because the component unit will provide a financial benefit or impose a financial burden on the City.

The component unit has been accounted for as a "blended" component unit of the City. Despite being legally separate, the HPFA is so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of this component unit are reported within the funds of the City. HPFA transactions are recorded in the Sewer Enterprise Fund. The following criteria were used in determining that the component unit was blended:

The members of the City Council or other members appointed by the City Council act as governing body of the HPFA. In addition, the HPFA provide services, which benefit the City.

No separate financial statements are issued for HPFA.

The City participates in one joint power activity and a pooled arrangement through formally organized and separate entities. The financial activities of the Northern California Power Agency and the Redwood Empire Municipal Insurance Fund are not included in the accompanying basic financial statements as they are administered by boards separate from and independent of the City.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

B. Government-wide and Fund Financial Statement

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grant 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.

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.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 (i.e., the statement of net position and the statement of activities) report information about the reporting government as a whole except for its fiduciary activities. 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. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

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

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds.

Internal service funds are also presented in these statements. Internal service balances and activities have been allocated between governmental activities and business-type activities in the government-wide financial statements. These internal service funds account for charges to other funds and departments for insurance, maintenance, and information services.

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 and fiduciary fund statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all the eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary 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 HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables.

Under the modified accrual basis of accounting, 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 government 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, except for principal and interest on long-term liabilities, claims payable, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of long-term liabilities are reported as other financing sources.

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

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

Fiduciary funds focus on net position and changes in net position. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. Agency funds also use the accrual basis of accounting, but, since they are custodial in nature and do not involve the measurement of results of operations, they do not have a measurement focus. The City has no agency funds.

Fund Classifications - The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34.

Major Governmental Funds

The General Fund is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

The Community Services Special Revenue Fund accounts for Transient Occupancy Tax funds received that are restricted for community services.

The Housing Successor Agency Special Revenue Fund accounts for housing assets from the former Redevelopment Agency, including notes receivable.

Major Enterprise Funds

The Water Fund accounts for the activities of providing water utilities to the residents of the City.

The Sewer Fund accounts for the activities of providing sewer utilities to the residents of the City.

The Electric Fund accounts for the activities of the electric distribution operations.

The City's fund structure includes the following fund types:

Governmental Fund Types

Special Revenue Funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are required by statute or ordinance to finance particular functions or activities of government.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

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

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on long-term obligations.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Proprietary Fund Types

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Internal Service Funds are used to account for the financing of special activities that provide services within the City. These activities include insurance and benefits, vehicle maintenance, information services, and building maintenance.

Fiduciary Fund Types

Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefits to support private organizations or other governments.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity

Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund.

In compliance with the applicable State statute, the Statement of Investment Policy is adopted annually by the City Council. Investments authorized under the Investment Policy include:

- Local Agency Investment Fund (LAIF) – State of California Investment Pool
- U.S. Treasury Obligations
- U.S. Government Agency Issues
- Certificates of Deposit
- Money Market Funds

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity
(Continued)

Cash and Investments (Continued)

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools", which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

The City's investments are carried at fair value which approximates cost. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of its portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows for the proprietary fund, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables.

Encumbrances

Encumbrance accounting is employed as an extension of the budgetary process. This method records purchase orders, contracts, and other commitments for the expenditure of funds in order to reserve that portion of the applicable appropriation. The City Council honors encumbrances outstanding at fiscal year-end.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Receivables and Payables (continued)

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

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

Inventory

Inventory is valued at cost using the weighted average method. Inventory of the Enterprise Funds consists primarily of materials and supplies for utility operations.

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used: June 30, 2019 Valuation Date, June 30, 2019 Measurement Date, July 1, 2018 through June 30, 2019 Measurement Period.

Property Taxes

Property Tax Levy, Collection and Maximum Rates - The State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Property Taxes (Continued)

Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be adjusted by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts, and other districts.

Sonoma County assesses properties, bills for, and collects secured and unsecured property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates	50% on November 1, 50% on February 1	July 1
Delinquent as of	December 10 (for Nov.), April 10 (for Feb.)	August 31

The term “unsecured” refers to taxes on personal property. These taxes are secured by liens on the property being taxed. The City accrues only those taxes, which are levied for the tax year and received within sixty days after fiscal year-end.

Property Tax Administration Fees – The State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Claims Payable

The City reports its risk activities in the Insurance and Benefit Service Fund for its workers compensation and Building Maintenance Fund for its general liability. When it is probable that a claim liability has been incurred at fiscal year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. Estimated claims losses, if any, include an accrual for IBNR (“incurred but not reported”) claims. Small dollar claims are recorded as expenditures when paid.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Prepaid Items

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

Capital Assets

Capital Assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Donated capital assets received prior to the implementation of GASB Statement No. 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB Statement No. 72 are recorded at acquisition value as of the date received. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of 3 years or more.

Capital assets include additions to public domain (infrastructure) including certain improvements such as pavement, curb and gutter, sidewalks, traffic control devices, bridges, and right-of-way corridors within the City.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-wide Financial Statements and in the Fund Financial Statements of the Proprietary Funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The lives used for depreciation purposes of each capital asset class are:

Buildings	10 - 30 years
Improvements other than buildings	10 years
Water distribution lines	10 - 50 years
Vehicles	3 - 7 years
Machinery and equipment	10 years
Office furniture, computers, and equipment	3 - 10 years
Leased property	5 - 10 years
Infrastructure	50 years

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet of governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has three types of items that qualify for reporting in this category. The first item is the deferred loss on debt refunding which is reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the deferred assets of the City's pension plans investments as determined by California Public Employees' Retirement System (CalPERS) in accordance with GASB Statement No. 68, which is reported in the government-wide statement of net position and the proprietary fund statement of net position. The third item is the deferred inflows/outflows associated with the City's OPEB plan in accordance with GASB Statement No. 75, which is reported in the government-wide statement of net position. Please see the accompanying Notes to the financial statements for more details on these amounts.

In addition to liabilities, the statement of net position and balance sheet of governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Please see the accompanying Notes to the financial statements for more details on these amounts.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Compensated Absences

Vested Vacation and Sick Leave obligations are fully funded and recorded in the Insurance and Benefit Internal Service Fund as accrued compensated absences.

Long-Term Obligations

In the government-wide financial statements, and proprietary type 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 position. Bonds payable are reported net of the applicable bond premium or discount. Amortization of bond premiums and discounts are included in interest expense. Debt from direct placements and direct borrowings are disclosed as such in the notes to the financial statements.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses.

Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position represents the portion of net position that has external constraints placed on it by parties outside of the City, such as creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the City Council, as resolutions and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, Net Position, or Equity (Continued)

Fund Balance (continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the fiscal year.

The City's policy is to apply restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

E. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies (Continued)**

F. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements

Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this Statement are effective for fiscal years beginning after December 15, 2020.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 **Stewardship, Compliance, and Accountability**

A. Budgetary Control and Accounting

General Budget Policies:

The City Council reviews and adopts an annual budget for the General, Special Revenue, Debt Service, and Capital Projects Funds. The City Council holds public hearings and may modify the appropriations by general approval. Budgeted amounts may be transferred between departments with the City Manager's approval. The legal level of expenditure control is at the fund level. Operating appropriations lapse at the end of each fiscal year.

The budget is reported on the same basis as the fund types and on a basis consistent with accounting principles generally accepted in the United States of America. Additional appropriations or other changes during the fiscal year may be submitted by the department for Council review and approval.

B. Excess Expenditures over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

	Final Budget	Expenditures	Excess
Major Funds:			
General fund:			
Current:			
General government	\$ 1,414,970	\$ 2,742,972	\$ 1,328,002
Public safety	7,161,437	9,099,683	1,938,246
Community development	1,638,463	1,901,273	262,810
Housing successor agency special revenue fund	11,152	69,546	58,394
Nonmajor Funds:			
Media center special revenue fund		9,800	9,800

C. Deficit Fund Balances

The North Area special revenue fund has a deficit fund balance of \$14,638 that should be alleviated as additional development contributions and benefit assessments are received. The Media Center special revenue fund has a deficit fund balance of \$804 that should be alleviated by contributions from the General Fund or as other revenue sources become available. The Streets capital projects fund has a deficit fund balance of \$9,110 that should be alleviated as additional resources are made available from various sources both intergovernmental or within the City. The Post RDA Debt Retirement Fund has a negative net position of \$41,245,882 that will be alleviated as tax increment is provided by the State of California for repayment of long term debt held within the fund belonging to the former Redevelopment Agency.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 **Cash and Investments**

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 56,588,760
Restricted cash and investments with fiscal agents	1,302,187
Pension stabilization investments	6,851,613
Fiduciary funds:	
Cash and investments	5,570,630
Restricted cash and investments with fiscal agents	<u>2,723,326</u>
Total cash and investments	<u>\$ 73,036,516</u>

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 1,904
Deposits with financial institutions	7,479,006
Pension stabilization investments	6,851,613
Investments	<u>58,703,993</u>
Total cash and investments	<u>\$ 73,036,516</u>

The table below identifies the investment types that are authorized for the City of Healdsburg by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California government Code or the City's investment policy.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 **Cash and Investments (Continued)**

A. Investments Authorized by the California Government Code and the City's Investment Policy

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer</u>
Bankers Acceptances	180 days	40%	None
Certificates of Deposits	5 years	20%	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	25%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$ 65,000,000
Sonoma County Pooled Fund	N/A	10%	None
Medium Term Notes	5 years	30%	None
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage Pass-through and Asset Backed Securities	5 years	20%	None

* Excluding amounts held by bond trustee and the Pension Stabilization trustee that are not to California Government Code restrictions.

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the Investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored Enterprise Securities	None	None	None
Bankers Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Funds	N/A	None	None
Investment Contracts	30 years	None	None
Sonoma County Pooled Fund	N/A	10%	None

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 **Cash and Investments (Continued)**

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Certificates of Deposit	\$ 3,508,495	\$ 1,503,158	\$ 1,246,260	\$ 759,077	\$ -
Money Market Mutual Funds	163,052	163,052			
Federal Agency Securities	18,401,904	2,983,050	7,085,363	8,333,491	
U.S. Treasury Securities	6,128,319	1,994,060	1,987,660	2,146,599	
State Investment Pool	25,365,819	25,365,819			
Medium Term Notes	1,110,890			1,110,890	
Held by Fiscal Agents:					
County Investment Pool	223,273	223,273			
Money Market Mutual Funds	3,802,241	3,802,241			
	<u>\$ 58,703,993</u>	<u>\$ 36,034,653</u>	<u>\$ 10,319,283</u>	<u>\$ 12,350,057</u>	<u>\$ -</u>

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 **Cash and Investments (Continued)**

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End			
			AAA	AA	A	Not Rated
Certificates of Deposit	\$ 3,508,495	N/A	\$ -	\$ -	\$ -	\$ 3,508,495
Money Market Mutual Funds	163,052	N/A				163,052
Federal Agency Securities	18,401,904	N/A	18,401,904			
U.S. Treasury Securities	6,128,319	N/A	6,128,319			
State Investment Pool	25,365,819	N/A				25,365,819
Medium Term Notes	1,110,890	N/A	1,110,890			
Held by Fiscal Agents:						
County Investment Pool	223,273	N/A				223,273
Money Market Mutual Funds	3,802,241	N/A	3,802,241			
Total	<u>\$ 58,703,993</u>		<u>\$ 29,443,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,260,639</u>

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
FFCB	US Government Agency Securities	\$ 7,949,490
FNMA	US Government Agency Securities	5,477,913
FHLMC	US Government Agency Securities	4,974,500

Since the City pooled all of its investments, there were no investments in any one issuer that represented 5% or more of total investments by reporting unit.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 **Cash and Investments (Continued)**

G. Custodial Credit Risk

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

The City’s deposits with financial institutions in excess of federal depository insurance limits are legally required by the California Government Code, to be collateralized as noted above.

As of June 30, 2019, the City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy securities:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 3,508,495
Federal agency securities	18,401,904
U.S. Treasury securities	6,128,319
Medium term notes	1,110,890
Money market funds	163,052

H. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 **Cash and Investments (Continued)**

I. Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The District has the following recurring fair value measurements as of June 30, 2019:

<u>Investments by fair value</u>	<u>Totals</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Medium term notes	\$ 1,110,890	\$ -	\$ 1,110,890	\$ -
Certificates of deposit	3,508,495		3,508,495	
<u>Debt Securities</u>				
U.S. Treasury securities	6,128,319	6,128,319		
Federal agency securities	18,401,904		18,401,904	
	<u>\$ 29,149,608</u>	<u>\$ 6,128,319</u>	<u>\$ 23,021,289</u>	<u>\$ -</u>

J. Pension Stabilization Investment Program

Investments of funds held in the Pension Stabilization Investment Program are governed by the Investment Guidelines Document for the investment account and by the agreement for administrative services with the Public Agency Retirement Services (PARS), rather than the general provisions of the California Government Code or the City's investment policy. The Pension Stabilization Investment Program's investment policy is established and can be modified by the City. The goal of the Pension's investment program is to provide a reasonable level of growth which, will result in sufficient assets to pay the present and future obligations of the City's retirement Plan. The assets in this program will eventually be used to fund Pension Plan obligations for assets managed in the CalPERS Trust. The assets are also available to mitigate the potential negative impact of future rate hikes from CalPERS. The account's risk tolerance has been rated moderately conservative, which demonstrates that the account can accept some price fluctuations to pursue its investment objectives.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 **Cash and Investments (Continued)**

J. **Pension Stabilization Investment Program (Continued)**

As for duration, the investment manager will maintain the portfolio duration within +/- 25% of the benchmark duration at all times. The benchmark duration is the BC Aggregate Bond benchmark. At June 30, 2019, the benchmark duration was 5.50, and the plan's duration was 4.95. The target asset allocation of the portfolio is 20-40% to equity investments, 50-80% to fixed income investments, and 0-20% to cash. Specifically identifiable investments are recorded by the Trustee in its records. All investments are either held by the counterparty or the counterparty's trust department or agent, but not in the City's name directly.

Pension volatility mitigation-contributions from the Fund can be either transferred to CalPERS or the City at the City's discretion to offset fluctuations in the required annual contributions. Assets can be accessed anytime to fund the City's pension obligations and defray reasonable expenses associated therewith.

The table below identifies the investment types that are authorized for investments held in the pension stabilization investment program. The table also identifies certain provisions of policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Investment
Mortgage-backed Securities	5%
Asset-back Securities	5%
Collateral Mortgage Obligations	5%
Commercial Mortgage-backed Securities	5%
U.S. Government Debt Obligations	None
Corporate Debt Securities - U.S. or Foreign	5%
Eligible Instruments Issued Pursuant to SEC Rule 144(a)	10%
Municipal Bonds	5%

Pension stabilization investments held and the percentage of the pension investment portfolio at June 30, 2019 was as follows:

Pension Stabilization Investments	Fair Value	% of Portfolio
Equity Investments		
iShare S&P Core 500	\$ 612,785	8.94%
iShare S&P 500 Value Fund	240,017	3.50%
iShare S&P 500 Growth Fund	238,210	3.48%
iShare Russell Mid Cap Fund	172,862	2.52%
iShare Russell 2000 Value Fund	153,397	2.24%
iShare Russell 2000 Growth Fund	157,482	2.30%
iShare MSCI EAFE Index Fund	252,140	3.68%
Vanguard FTSE Emerging Markets ETF	176,712	2.58%
Vanguard REIT ETF	92,819	1.35%
Fixed Income		
Highmark Fixed Income Strategy	4,625,978	67.52%
Cash		
First American Prime Obligation Fund	129,211	1.89%
Total Pension Stabilization Investments	\$ 6,851,613	100%

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 **Cash and Investments (Continued)**

J. **Pension Stabilization Investment Program (Continued)**

Information about the sensitivity of the fair values of the City's pension stabilization investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
U.S. Treasury Securities	\$ 1,109,022	\$ 59,846	\$ -	\$ 437,546	\$ 611,630
Money Market Mutual Funds	129,211	129,211			
Federal Agency Securities	1,157,166			17,176	1,139,990
Municipal Bonds	63,242				63,242
Mutual Funds	2,096,424	2,096,424			
Corporate Bonds	2,296,548	109,935	220,403	836,935	1,129,275
	<u>\$ 6,851,613</u>	<u>\$ 2,395,416</u>	<u>\$ 220,403</u>	<u>\$ 1,291,657</u>	<u>\$ 2,944,137</u>

Generally, credit risk is the risk that an issuer of an investment will not fulfil its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the City's pension stabilization investment policy and the actual rating, by Standard and Poor's, as of fiscal year end for each investment type:

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End					Not Rated
			AAA	AA	A	BBB		
U.S. Treasury Securities	\$ 1,109,022	BBB-	\$ 1,109,022	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Mutual Funds	129,211	N/A						129,211
Federal Agency Securities	1,157,166	BBB-	1,157,166					
Municipal Bonds	63,242	BBB-		63,242				
Mutual Funds	2,096,424	N/A						2,096,424
Corporate Bonds	2,296,548	BBB-	300,858	121,466	753,532	1,120,692		
Total	<u>\$ 6,851,613</u>		<u>\$ 2,567,046</u>	<u>\$ 184,708</u>	<u>\$ 753,532</u>	<u>\$ 1,120,692</u>		<u>\$ 2,225,635</u>

The pension stabilization investment policy of the City contains limitations on the amount that can be invested in any one issuer. Pension stabilization investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's pension stabilization investments are as follows:

Issuer	Investment Type	Reported Amount
FNMA	US Government Agency Securities	\$ 920,761

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3 **Cash and Investments (Continued)**

J. **Pension Stabilization Investment Program (Continued)**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's pension stabilization investments have the following recurring fair value measurements as of June 30, 2019:

<u>Investments by fair value</u>	<u>Totals</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Municipal bonds	\$ 63,242	\$ -	\$ 63,242	\$ -
Corporate bonds	2,296,548		2,296,548	
Debt Securities				
U.S. Treasury securities	1,109,022	1,109,022		
Federal agency securities	1,157,166		1,157,166	
	<u>\$ 4,625,978</u>	<u>\$ 1,109,022</u>	<u>\$ 3,516,956</u>	<u>\$ -</u>

Note 4 **Accounts Receivable**

The following is a list of accounts receivable at June 30, 2019:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
Accounts	\$ 2,316,909	\$ -	\$ 2,316,909
Intergovernmental	1,371,176		1,371,176
	<u>\$ 3,688,085</u>	<u>\$ -</u>	<u>\$ 3,688,085</u>
Business-type Activities -			
Accounts	\$ 4,053,299	\$ -	\$ 4,053,299

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 5 **Notes and Loans Receivable**

Notes receivable in the amount of \$8,092,144 consists of the combination of the following:

Notes receivable	Amount
Governmental Activities:	
Individuals	\$ 2,257,895
Riverfield Homes	260,590
Healdsburg Family Limited Partnership	4,177,758
Healdsburg Pacific Associates	1,928,597
Burbank Housing	4,638,168
Subtotal	13,263,008
Less: Allowance for uncollectible loans	(5,289,358)
Mutual Agreement loan	108,800
Employee computer loans	9,694
Total net notes and loans receivable	\$ 8,092,144

Note 6 **Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2019:

A. Due To/ From Other Funds

Current interfund balances arise in the normal course of business and to assist funds with negative cash balance at the fiscal year end. They are expected to be repaid shortly after the end of the fiscal year.

The City allocates negative interest to funds that have a negative cash balance.

	Interfund Receivables	Interfund Payables
Major governmental fund		
General fund	\$ 473,414	\$ 3,172,764
Major enterprise funds		
Sewer fund	2,648,384	1,062,002
Electric fund	1,601,382	
Nonmajor governmental funds		
North Area special revenue fund		15,000
Media Center special revenue fund		10,455
Misc Projects capital projects fund		377,169
Streets capital projects fund		85,790
Totals	\$ 4,723,180	\$ 4,723,180

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 6 **Interfund Activity (Continued)**

B. Transfers

With council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund.

Fund	Transfers-in	Transfers-out
Major governmental funds		
General	\$ 612,998	\$ 2,274,964
Community services special revenue fund	33,460	382,138
Housing successor agency special revenue fund	1,085,727	
Major enterprise funds		
Water fund	1,455,167	1,455,167
Sewer fund	5,504,488	5,621,058
Electric fund	428,111	607,995
Nonmajor governmental funds		
Gas Tax special revenue fund		137,004
Public Safety special revenue fund	211,100	28,470
Area A Lighting and Landscaping special revenue fund		6,082
Media Center special revenue fund		40,000
Misc Projects capital projects fund		377,211
Streets capital projects fund	422,674	35,189
General Debt Service debt service fund	1,159,727	
Nonmajor enterprise fund		
Airport fund	23,000	25,485
Internal service funds		
Vehicle Maintenance	101,756	13,311
Information Services		35,635
Building maintenance	28,031	26,530
Totals	<u>\$ 11,066,239</u>	<u>\$ 11,066,239</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 7 **Capital Assets**

The City has reported all capital assets including infrastructure in the government-wide Statement of Net Position. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructures reporting, whereby depreciation expense and accumulated depreciation have been recorded.

A summary of changes in capital assets for the City's governmental activities for the fiscal year ended June 30, 2019 is as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 20,797,416	\$ -	\$ -	\$ 20,797,416
Right of ways	6,681,379			6,681,379
Construction in progress	15,061,998	1,116,675	(6,775,424)	9,403,249
Total capital assets, not being depreciated	<u>42,540,793</u>	<u>1,116,675</u>	<u>(6,775,424)</u>	<u>36,882,044</u>
Capital assets, being depreciated:				
Land Improvements	2,287,373	119,911		2,407,284
Streets	52,258,576	429,535		52,688,111
Building	26,939,537	6,871,153	(1,093,804)	32,716,886
Machinery and equipment	8,297,552	1,822,384	(924,053)	9,195,883
Infrastructure	912,056	603,558		1,515,614
Total capital assets, being depreciated	<u>90,695,094</u>	<u>9,846,541</u>	<u>(2,017,857)</u>	<u>98,523,778</u>
Less accumulated depreciation for:				
Land Improvements	(831,286)	(336,534)		(1,167,820)
Streets	(13,446,632)	(1,038,115)		(14,484,747)
Building	(13,455,577)	(816,659)	878,846	(13,393,390)
Machinery and equipment	(5,512,939)	(456,964)	922,529	(5,047,374)
Infrastructure	(242,902)	(29,984)		(272,886)
Total accumulated depreciation	<u>(33,489,336)</u>	<u>(2,678,256)</u>	<u>1,801,375</u>	<u>(34,366,217)</u>
Total capital assets, being depreciated, net	<u>57,205,758</u>	<u>7,168,285</u>	<u>(216,482)</u>	<u>64,157,561</u>
Governmental activities capital assets, net	<u>\$ 99,746,551</u>	<u>\$ 8,284,960</u>	<u>\$ (6,991,906)</u>	<u>\$ 101,039,605</u>

Depreciation was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Unallocated	\$ 2,007,212
Internal service funds	671,044
Total	<u>\$ 2,678,256</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 7 **Capital Assets (Continued)**

A summary of changes in property, improvements, and equipment in the Enterprise Funds for the fiscal year ended June 30, 2019 is as follows:

	<u>Balance at</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2019</u>
Business-types activities:				
Capital assets, not being depreciated:				
Land	\$ 1,245,877	\$ -	\$ -	\$ 1,245,877
Construction in progress	4,666,338	4,175,060	(174,042)	8,667,356
Total capital assets, not being depreciated	<u>5,912,215</u>	<u>4,175,060</u>	<u>(174,042)</u>	<u>9,913,233</u>
Capital assets, being depreciated:				
Buildings and improvements	3,019,311	52,193		3,071,504
Utility systems	112,513,865	617,383		113,131,248
Drainage	10,246,168	224,524		10,470,692
Machinery & equipment	2,395,127	636,263		3,031,390
Operations	3,381,750			3,381,750
Total capital assets, being depreciated	<u>131,556,221</u>	<u>1,530,363</u>		<u>133,086,584</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,990,032)	(75,481)		(2,065,513)
Utility systems	(38,992,033)	(2,200,486)		(41,192,519)
Drainage	(4,540,702)	(204,923)		(4,745,625)
Machinery & equipment	(1,594,330)	(79,542)		(1,673,872)
Operations	(992,856)	(62,330)		(1,055,186)
Total accumulated depreciation	<u>(48,109,953)</u>	<u>(2,622,762)</u>		<u>(50,732,715)</u>
Total capital assets, being depreciated, net	<u>83,446,268</u>	<u>(1,092,399)</u>		<u>82,353,869</u>
Business-type activities capital assets, net	<u>\$ 89,358,483</u>	<u>\$ 3,082,661</u>	<u>\$ (174,042)</u>	<u>\$ 92,267,102</u>

Depreciation expense was charged to the following functions:

<u>Business-type Activities</u>	<u>Amount</u>
Water	\$ 604,565
Sewer	1,411,898
Electric	510,263
Airport	96,036
Total	<u>\$ 2,622,762</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 **Long-Term Liability**

A. Changes in Long-term Liability

Summary of changes in long-term liabilities for governmental activities is as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019	Due Within One Year
Governmental activities:					
Pension obligation bonds	\$ 2,998,407	\$ -	\$ (680,910)	\$ 2,317,497	\$ 734,897
Net pension liability	24,050,572	6,543		24,057,115	
Compensated absences	1,744,124	645,952	(495,115)	1,894,961	530,589
HUSD capital lease	1,647,007		(118,500)	1,528,507	124,200
Successor Agency payable	1,791,647		(103,299)	1,688,348	103,557
Capital leases payable	375,781	562,355	(341,145)	596,991	341,145
Claims payable	833,711	86,618	(190,959)	729,370	137,942
Net OPEB liability	889,000	124,000		1,013,000	
Total governmental long-term debt	<u>\$ 34,330,249</u>	<u>\$ 1,425,468</u>	<u>\$ (1,929,928)</u>	<u>\$ 33,825,789</u>	<u>\$ 1,972,330</u>

Summary of changes in long-term liabilities for business-type activities is as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019	Due Within One Year
Business-type activities					
2005D - CSCDA Water/Sewer	\$ 1,990,000	\$ -	\$ (115,000)	\$ 1,875,000	\$ 120,000
2014 Water Refunding Bonds	6,243,000		(496,000)	5,747,000	508,000
2015 Wastewater Refunding Bonds	23,720,000		(940,000)	22,780,000	975,000
Premium on bonds	533,519		(31,384)	502,135	31,384
Successor Agency payable	2,043,330		(117,810)	1,925,520	118,104
Net pension liability	9,653,413		(134,588)	9,518,825	
Pension obligation bonds	1,676,192		(380,666)	1,295,526	410,804
Total long-term debt	<u>\$ 45,859,454</u>	<u>\$ -</u>	<u>\$ (2,215,448)</u>	<u>\$ 43,644,006</u>	<u>\$ 2,163,292</u>

Governmental Activities:

B. Pension Obligation Bonds

On September 7, 2012, the City issued \$2,578,200 Series A and \$6,339,200 Series B of 2012 Taxable Pension Obligation Bonds. The proceeds were used to pay costs of issuance totaling \$108,042 and pay off the CalPERS Side Funds amounting to \$2,546,762 (safety) and \$6,262,596 (miscellaneous). The bonds carry interest rates of 4.25% and 4.37% for Series A and B respectfully. The final maturity is June 30, 2020 and June 30, 2023 for Series A and B respectfully. Semi-annual payments of principal and interest are due each June 30 and December 31 for each issue.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 **Long-Term Liability (Continued)**

B. Pension Obligation Bonds (Continued)

Because the City's enterprise funds are partially responsible for debt service on these bonds, the liability for the bonds is split between the governmental activities and business-type activities as follows: \$2,317,497 in governmental activities, and \$1,295,526 in business-type activities. Future minimum debt service requirements for the Series A and B bonds are as follows:

Pension Obligation Bonds			
Fiscal Year	Principal	Interest	Total
2020	\$ 1,145,700	\$ 137,392	\$ 1,283,092
2021	761,300	94,493	855,793
2022	821,300	62,279	883,579
2023	884,723	27,537	912,260
Totals	\$ 3,613,023	\$ 321,701	\$ 3,934,724

C. HUSD Capital Lease Payable

On February 1, 2014, the Healdsburg Public Financing Authority entered into a lease purchase agreement with the Healdsburg Unified School District (District) to purchase the Foss Creek School Property. As part of the agreement, the District loaned the City \$2,095,007 to be paid over a 15-year period with an interest rate of 2.4%. The book value of the property acquired through this capital lease and accumulated depreciation at June 30, 2019 was \$5,007,245 and \$1,001,449, respectively. The following represents the minimum required lease payments for the HUSD Capital Lease Payable:

HUSD Capital Lease Payable			
Fiscal Year	Principal	Interest	Total
2020	\$ 124,200	\$ 35,947	\$ 160,147
2021	130,100	32,932	163,032
2022	136,400	29,773	166,173
2023	142,900	26,461	169,361
2024	149,800	22,990	172,790
2025-2029	845,107	56,760	901,867
Totals	\$ 1,528,507	\$ 204,863	\$ 1,733,370

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 **Long-Term Liability (Continued)**

D. Capital Lease Payable

In March 2018, the City entered into a lease purchase agreement with Cisco Capital for the purchase and implementation of information technology related capital improvements. As part of the financing agreement, the City borrowed \$536,831, to be paid over a 3-year period with a stated 0% interest rate. The lease matures on May 15, 2021. In July 2018, the City entered into additional lease purchase agreements for additional network backup equipment with Cisco Capital totaling \$562,355, to be paid over 2 and 3 years. The book value of the capital improvements and accumulated depreciation on the assets were \$1,099,186 and \$107,366, respectively, as of June 30, 2019. Future minimum debt service requirements on the lease are as follows:

<u>Capital Leases Payable</u>	
<u>Fiscal Year</u>	<u>Principal</u>
2020	\$ 341,145
2021	233,780
2022	<u>22,066</u>
Totals	<u>\$ 596,991</u>

E. Payable to the Successor Agency

In 2008, the former Redevelopment Agency of the City of Healdsburg (RDA) loaned the City of Healdsburg \$4,495,000 (\$2,395,000 to the Electric Fund for upgrades to Badger Substation and \$2,100,000 to the Community Services Fund for long-term lease of a school facility) in accordance with executed loan agreements. In January 2012, the Board of Directors for the RDA adopted a resolution forgiving the loans between the RDA and the City. In June 2015, the California Department of Finance disallowed the forgiveness of the loans. The Successor Agency to the former RDA is now responsible for the collection of this loan payment. The loans are payable annually over a period of 20 years at an interest rate of .25%. As of June 30, 2019, the amount due from Governmental Activities and the Electric Fund was \$1,688,348 and \$1,925,520, respectively. The Community Services Special Revenue fund is expected to be responsible for principal and interest payments for the portion related to Governmental Activities.

<u>Successor Agency Payable</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 221,661	\$ 9,035	\$ 230,696
2021	222,215	8,481	230,696
2022	222,771	7,925	230,696
2023	223,328	7,368	230,696
2024	223,886	6,810	230,696
2025-2029	1,127,857	25,624	1,153,481
2030-2034	1,142,024	11,455	1,153,479
2035-2039	<u>230,126</u>	<u>575</u>	<u>230,701</u>
Totals	<u>\$ 3,613,868</u>	<u>\$ 77,273</u>	<u>\$ 3,691,141</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 **Long-Term Liability (Continued)**

Business-type Activities:

F. 2005 Series D CSCDA Water/Sewer Revenue Bonds

In October 2005, the City, through the California Statewide Communities Development Authority, issued \$6,505,000 in bonds to provide funds to defease the 1996 Sewer Improvement Certificates and the 2000 Series B Water and Sewer CSCDA Certificates, which were originally issued to finance sewer improvements. The proceeds were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1996 Sewer improvement Certificates and the 2000 Series B Water and Sewer CSCDA Certificates. The refunded bonds are considered to be defeased and the liability has been removed from long-term debt. Interest on the 2005 bonds is payable semiannually, on April 1 and October 1, with the principal payments due annually on October 1 of each year. Net revenues of the water and wastewater utilities are pledged as security for the bonds.

In July 2015, the City issued the 2015 Wastewater Revenue Refunding Bonds, which defeased the remaining Sewer Bonds of the 2005 CSCDA Bonds of \$2,440,000. The 2005 CSCDA Sewer Bonds are considered to be defeased and the liability has been removed from long-term debt. See the 2015 Wastewater Revenue Refunding Bonds, Series A for more information on the refunding.

The following represents the future debt service requirements for the 2005 Series D CSCDA Water Revenue Bonds:

2005 Series D CSCDA Water/Sewer Revenue Bonds			
Fiscal Year	Principal	Interest	Total
2020	\$ 120,000	\$ 85,475	\$ 205,475
2021	125,000	80,375	205,375
2022	130,000	74,988	204,988
2023	135,000	68,850	203,850
2024	145,000	61,850	206,850
2025-2029	830,000	192,169	1,022,169
2030-2034	390,000	18,269	408,269
Totals	\$ 1,875,000	\$ 581,976	\$ 2,456,976

G. 2014 Water Refunding Bonds

In February 2014, the City issued \$7,965,000 in Water Revenue Refunding Bonds, to refund the 2001 A and 2002 C outstanding bonds (current refunding). Proceeds from the 2014 bonds were placed in escrow to refund in full the 2001 A and 2002 C bonds, and to pay costs of issuance. The following represents the future debt service:

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 **Long-Term Liability (Continued)**

G. 2014 Water Refunding Bonds (Continued)

2014 Water Refunding Bonds			
Fiscal Year	Principal	Interest	Total
2020	\$ 508,000	\$ 227,959	\$ 735,959
2021	531,000	206,400	737,400
2022	557,000	183,824	740,824
2023	583,000	160,169	743,169
2024	604,000	135,539	739,539
2025-2029	1,808,000	401,264	2,209,264
2030-2034	1,156,000	98,396	1,254,396
Totals	\$ 5,747,000	\$ 1,413,551	\$ 7,160,551

H. 2015 Wastewater Revenue Refunding Bonds, Series A

In July 2015, the City issued \$26,625,000 in Wastewater Revenue Refunding Bonds, Series A, to refund the 2005 and 2006 Wastewater Revenue bonds (current refunding). Proceeds from the 2015 bonds were placed in escrow to refund in full the 2005 and 2006 bonds, and to pay costs of issuance. The following represents the future minimum debt service requirements for the 2015 Wastewater Revenue Refunding Bonds:

2015 Wastewater Revenue Refunding Bonds, Series A			
Fiscal Year	Principal	Interest	Total
2020	\$ 975,000	\$ 820,250	\$ 1,795,250
2021	1,015,000	780,450	1,795,450
2022	1,055,000	739,050	1,794,050
2023	1,095,000	696,050	1,791,050
2024	1,140,000	651,350	1,791,350
2025-2029	6,425,000	2,545,091	8,970,091
2030-2034	7,620,000	1,354,041	8,974,041
2035-2039	3,455,000	130,781	3,585,781
Totals	\$ 22,780,000	\$ 7,717,063	\$ 30,497,063

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 8 **Long-Term Liability (Continued)**

I. Compensated Absences:

Compensated absences are liquidated by the Insurance and Benefit Internal Service Fund and are reported as a liability of the governmental activities.

Note 9 **Pension Plan**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Pension liabilities are typically liquidated in the General Fund for governmental activities or in the respective enterprise fund.

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the City's Miscellaneous (all other) Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRAs Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Classic Member	Miscellaneous 2nd Tier	Miscellaneous PEPRA
Hire date	Prior to December 16, 2012	On and after December 16, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 62	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of eligible compensation	2.5%	2%	2%
Required employee contribution rates	8%	7%	7%
Required employer contribution rates	10.48% + \$960,683	7.850% + \$35	6.908% + \$233

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 **Pension Plan (Continued)**

A. General Information about the Pension Plan (Continued)

	Safety	Safety PEPRA
	Prior to January 1, 2013	On and after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Monthly benefits, as a % of eligible compensation	3%	2.7%
Required employee contribution rates	9%	11.5%
Required employer contribution rates	19.723% + \$487,226	11.990% + \$449

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal year ended June 30, 2019, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 2,117,298	\$ 1,146,478

B. Pension Liability, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 21,633,696
Safety	11,942,244
Total	<u>\$ 33,575,940</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 **Pension Plan (Continued)**

C. Net Pension Liability

The City's net pension liability for each Plan is measured as the proportionate share of net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

Proportion - June 30, 2017	0.33985%
Proportion - June 30, 2018	0.34843%
Change - Increase (Decrease)	0.00858%

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$2,791,313, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 803,212	\$ -
Changes in assumption	2,875,515	
Net differences between projected and actual earnings on plan investments	187,806	
Change in employer's proportion	111,954	2,976,722
Differences between employer's contributions and the employer's proportionate share of contributions		1,028,032
Pension contributions subsequent to measurement date	3,263,776	
Total	\$ 7,242,263	\$ 4,004,754

\$3,263,776 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2020	\$ 2,614,933
2021	818,937
2022	(3,182,836)
2023	(277,301)
Total	\$ (26,267)

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 **Pension Plan (Continued)**

C. Net Pension Liability (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies By Age & Length of Service (1)
Investment Rate of Return	7.50% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The experience study report can be obtained at CalPERS' website under Forms and Publications.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 9 **Pension Plan (Continued)**

C. Net Pension Liability (Continued)

and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Year 1-10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate— The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Net Pension Liability - Misc	\$ 32,454,459	\$ 21,633,696	\$ 12,701,332
Net Pension Liability - Safety	17,859,167	11,942,244	7,094,385
Net Pension Liability - Total	<u>\$ 50,313,626</u>	<u>\$ 33,575,940</u>	<u>\$ 19,795,717</u>

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 **Risk Management**

The City is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City currently reports all of its risk management activities in its Insurance and Benefit internal service fund.

Redwood Empire Municipal Insurance Fund (REMIF) is a governmental self-insurance cooperative organized under a joint powers agreement by certain California cities to provide liability coverage to its members as allowed under the California Government Code. REMIF is a “risk sharing pool”, which pools risks and funds and which shares in the cost of losses. REMIF provides and administers liability coverage programs for seven member and eight associate member cities. Members and associate members have the option with approval by the Board of Directors, of participating in any or all of seven programs which provide workers’ compensation, general liability, property, auto physical damage, fidelity employee bonding, dental, and vision insurance.

There are a number of programs that are funded on a pass-through basis including, employee assistance plan coverage, life and long-term disability insurance, boiler and machinery coverage, and difference in condition (flood and earthquake) coverage.

The Redwood Empire Municipal Insurance Fund is in turn a member of the California Joint Powers Insurance Authority, a super self-insurance and insurance procurement joint powers authority.

The activities of REMIF include setting and collecting premiums for each program, negotiating excess insurance coverage administering and paying claims and related expenses, and investing each program’s assets. REMIF engages the services of independent actuaries and claims administrators to assist in performing some of these activities.

The City’s general liability and workers’ compensation claims are covered as a member of REMIF. REMIF has a risk sharing arrangement for each insurance program. Each member participating in each program assumes its own losses up to its retention level. The City has a \$5,000 retention level for general liability and workers’ compensation. The excess amounts are presently insured to statutory requirements of the State of California for workers’ compensation and \$10,000,000 for general liability through a pooled program.

Each program’s pool is funded by all of the members participating in that program through cash premiums. Excess losses up to the state limits are covered by commercial carriers or other agencies, which REMIF contracts for that purpose. Losses exceeding these excess coverage limits for each program are the responsibility of the individual member for which the loss or claim originated. Claims have not exceeded insurance coverage amounts over the last three fiscal years and there has been no reduction in insurance coverage since the last fiscal year.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 10 **Risk Management (Continued)**

Changes in the Internal Service Funds claims liabilities amounts in fiscal year 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Balance, beginning of fiscal year	\$ 833,811	\$ 48,581	\$ 43,724
Claims and adjustments	548,853	1,492,394	670,178
Claims payments	<u>(653,294)</u>	<u>(707,164)</u>	<u>(665,321)</u>
Balance, end of fiscal year	<u>\$ 729,370</u>	<u>\$ 833,811</u>	<u>\$ 48,581</u>

In accordance with the REMIF governing documents, REMIF Board has the authority to levy a cash assessment for any pooled coverage program on the Participating member. Due to unfavorable claims development and underfunding, REMIF’s overall audited equity balance reflects a deficit of \$4.23 million.

On March 22, 2018, the REMIF Board approved assessment for the following programs to be collected beginning in the 2018/2019 fiscal year:

- Workers’ Compensation - \$6 million to be collected over 5 years.
- Liability program - \$2.5 million to be collected over 4 years.

The City is liable for \$269,984 and \$459,386 to be paid over 4 and 5 years, for the Workers’ Compensation and Liability program, respectively. The total claims liability of \$729,370 includes the assessments of \$269,984 and \$459,386, Liability and Worker’s Compensation programs, respectively.

Note 11 **North California Power Agency**

Background

The City is a member of the Northern California Power Agency (NCPA), headquartered in Roseville, California. NCPA is a joint exercise of powers agency formed in 1968 under the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”). NCPA’s Members currently consist of twelve cities with publicly owned electric utility distribution systems, a public utility district, a city port department, and a transit district as Members, a water agency and a rural electric cooperative as associate Members. Under the terms of the NCPA Joint Powers Agreement entered into by all Members, NCPA possesses the general powers to acquire, purchase, generate, transmit, distribute and sell electrical capacity and energy. Specific powers include the power to enter into contracts, acquire and construct electric generating facilities, issue revenue bonds and notes and acquire property by eminent domain.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 11 **North California Power Agency (Continued)**

The member Services Agreements, dated as of February 12, 1981, and the Facilities Agreement, dated as of September 22, 1993, provide for the development of projects undertaken by NCPA in three separate phases: (i) the initial phase of general investigation funded by NCPA's general fund; (ii) the second phase whereby Members of NCPA electing to participate in the project execute a project agreement to provide for the cost of development of the project (now referred to as an "NCPA Project"); and (iii) the third phase during which all remaining aspects, including financing, construction and operation of the NCPA Project are undertaken.

Organization and Management

NCPA's governing body (the "Commission") is composed of one representative from each Member, each such representative being designated a Commissioner. The Commission is given the general management of the affairs, property and business of NCPA and is vested with all powers of NCPA. Under the NCPA Joint Powers Agreement, associate Members do not have a voting seat on the Commission, except as may be provided in a project agreement.

The management of NCPA is responsible for various areas of administration and planning of NCPA's operations and affairs. The overall management is under the direction of NCPA's General Manager, who serves at the discretion of the Commission. NCPA is organized into four separate divisions: (i) generation services, (ii) power management, (iii) legislative and regulatory, and (iv) administrative services.

Today, the organization is guided by an ethic of environmental stewardship, fiscal responsibility and community service, coupled with a strong sense of mission to advance the state of the art in renewable energy. Each NCPA Member has agreed to fund a pro rata share of certain assessments by NCPA and enter into power supply contract with NCPA to purchase power in support of bearing the costs of NCPA operations, energy and facilities. While governed by its Members, none of NCPA's obligations are those of its Members unless expressly assumed by them. As computed by NCPA amounts paid by the City to NCPA during the year ending June 30, 2019 were \$4.8 million for electric power acquisition charges and are reported as an expense of the Electric Utility Fund.

Additionally, the NCPA Commission identified and approved the funding of specific reserves for working capital, accumulated employee's post-retirement medical benefits, and billed property taxes for the geothermal project. The Commission also identified a number of contingent liabilities that may or may not be realized, the cost of which in most cases is difficult to estimate at this time. One such contingent liability is the steam filed depletion which will require funding to cover debt service and operational cost in excess of the expected value of the electric power. The General Operating Reserve (the "GOR") is intended to minimize the number and amount of individual reserves needed for each project, protect NCPA's financial condition and maintain its credit worthiness. These funds are available on demand, but the City has left them with NCPA as a reserve against these contingencies identified by NCPA. The City's GOR balance as computed by NCPA was \$5.9 million as of June 30, 2019. The most recent estimated funding recommended by NCPA equaled \$1.14 million.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 11 **North California Power Agency (Continued)**

NCPA Power Pool

The City is a member of a power pool operated by NCPA that also includes the following Members: Alameda, Biggs, Gridley, Lodi, Lompoc, Palo Alto, Plumas Sierra Rural Electric Cooperative, the Port of Oakland and Ukiah (each, an “NCPA Pool Member”). The ten NCPA Pool Members’ service areas are connected to the CAISO-controlled grid. NCPA operates a central dispatch facility at NCPA’s headquarters. The Central Dispatch Center balances loads and resources pursuant to CAISO tariff rules, for the ten NCPA Pool Members, and Santa Clara.

NCPA Geothermal Project

NCPA has developed a geothermal project (the “Geothermal Project”) located on federal land in certain areas of Sonoma and Lake Counties, California (the “Geysers Area”). NCPA formed two not-for-profit corporations controlled by its Members to own the generating plants of the Geothermal Project. NCPA manages the Geothermal Project for the corporations and is entitled to all the capacity and energy generated by the Geothermal Project.

Combustion Turbine Project

The original project consisted of five combustion turbine units, each nominally rated at approximately 25 megawatts. Concurrent with the final project bond maturity, two units located in Roseville were acquired by an Agency member. The remaining project consists of two units in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. The City is obligated to pay 3.5% of the debt service and operating costs.

Lodi Energy Center

The project is a 296 MW base load, combined cycle, natural gas-fired combustion turbine generating station (one gas turbine and one steam turbine) located in Lodi, California, next to the Capital Facilities Project discussed above. Pursuant to the Lodi Energy Center Power Sales Agreement, the Agency agreed to operate the LEC and has sold all of the capacity and energy of the LEC to thirteen participants (including four non-members) in accordance with their respective Generation Entitlements Share (GES). Each participant has agreed to unconditionally provide for its share of the operation and maintenance expenses and all capital improvements based on its GES.

NCPA Financial Information

NCPA’s financial statements are available on their website at www.ncpa.com.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 12 **Other Post-Retirement Plan**

The City reports the following net OPEB liability as of the June 30, 2019 measurement date:

	Governmental Activities
Net OPEB liability:	\$ 1,013,000
Total net OPEB liability	\$ 1,013,000

Description

The City’s defined benefit OPEB plan, (the Plan), provides OPEB for all eligible miscellaneous and public safety employees of the City. The plan is a single-employer defined benefit OPEB plan administered by the City. The benefit terms are defined in the applicable Memorandum’s of Understanding for each bargaining unit and may be amended by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The City funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

At retirement, employees can elect to receive Blue Cross, Sutter or Kaiser medical coverage through the City medical plan at the retiree’s expense. Retirees (service or disability retiring through CalPERS directly through the City who are age 50 or over and who have a minimum of 10 years of service with a REMIF City) are eligible to obtain medical coverage. While the City does not directly contribute towards the cost of insurance premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an ‘implicit subsidy’ under GASB Statement No. 75. Medical coverage is provided for the surviving spouse of retired employees and the surviving spouse of active employees who upon death had attained age 50 and who had a minimum of 10 years of service with a REMIF City. The Plan does not provide a publicly available financial report.

As of June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	132
Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to, but not yet receiving benefits	
Total	143

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 12 **Other Post-Retirement Plan (Continued)**

Contributions

The City’s adopted policy is to contribute an amount sufficient to pay the current fiscal year’s premium. See above section “Description” for more information.

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation dated June 30, 2018.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	June 30, 2019 Measurement Date
Discount Rate	3.50%
Inflation	2.75%
Salary Increases	3% per annum, in aggregate
Investment Rate of Return	3.50%
Mortality Rate	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-17
Medical Participation at Retirement	Currently covered - 50%, Currently waived - 0%
Healthcare Trend Rate	7.5% for 2020, decreasing to an ultimate rate of 4% in 2076

Discount Rate

The discount rate estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates. The discount rate used to measure the total OPEB liability was 3.50 percent.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 12 **Other Post-Retirement Plan (Continued)**

<u>Changes in Net OPEB Liability as of June 30, 2019</u>	
	Net OPEB Liability
Balance at June 30, 2018	\$ 889,000
Service Cost	51,000
Interest	36,000
Assumption Changes	53,000
Benefit Payments	(16,000)
Net Change during 2018-19	124,000
Balance at June 30, 2019	\$ 1,013,000

Sensitivity to the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ending June 30, 2019:

	<u>Discount Rate</u>		
	<u>Discount Rate</u>	<u>Valuation</u>	<u>Discount Rate</u>
	<u>1% Lower</u>	<u>Discount Rate</u>	<u>1% Higher</u>
Net OPEB Liability	\$ 1,171,000	\$ 1,013,000	\$ 880,000

	<u>Healthcare Trend Rate</u>		
	<u>1% Lower</u>	<u>Current Trend</u>	<u>1% Higher</u>
	Net OPEB Liability	\$ 852,000	\$ 1,013,000

Recognition of Deferred Outflows and Deferred Inflows of Resources and OPEB expense

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$88,000. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 48,000	\$ 31,000
Total	\$ 48,000	\$ 31,000

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 12 **Other Post-Retirement Plan (Continued)**

Recognition of Deferred Outflows and Deferred Inflows of Resources and OPEB expense (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized as pension expense as follows:

For the Fiscal Year Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2020	\$ 1,000
2021	1,000
2022	1,000
2023	1,000
2024	1,000
Thereafter	<u>12,000</u>
Total	<u>\$ 17,000</u>

Note 13 **Commitments and Contingencies**

There are pending claims and litigation against the City, which are considered normal to the City's operation. City management is of the opinion that potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City beyond funded reserves.

In addition, the City received a claim seeking \$1 Million in damages related to a complaint for slander of title claim. The probability of loss, if any, from this claim has not been determined and therefore, no accrual for this claim has been made in the City's financial statements.

The City has entered into long-term electric power purchase generation assets and electric transmission contracts. These contracts were entered into by NCPA on behalf of various members (see Note 11) including the City. Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements. The City's estimated share of such debt outstanding at June 30, 2019 was \$12.5 million. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 13 **Commitments and Contingencies (Continued)**

California-Oregon Transmission Project

The City is a member of the Transmission Agency of Northern California (TANC), a California joint powers agency. TANC, a combination of cities, Western Area Power Administration, and four other California Districts and authorities are participants in the California-Oregon Transmission Project (COTP). The COTP is a transmission project between southern Oregon and Central California. COTP provides a transmission path between the electric systems of the Pacific Northwest and those in California. The City's share is 0.2456%. Each member of TANC is responsible for developing its own uses for its share of the COTP transfer capability.

Western Area Power Administration

In addition to commitments for power acquisitions through NCPA, the City has entered into a contract with the Western Area Power Administration (Western). Western is a federal Power Management Agency of the U.S. Department of Energy, which among other things is responsible for marketing electricity generated by the Central Valley Project. The contract with Western was renewed for the period January 1, 2005 through December 31, 2024.

Construction Commitments

The estimated amount of remaining construction contract obligations at fiscal year-end is \$10,332,962.

Note 14 **Net Position and Fund Balances**

GASB Statement No. 34, modified by GASB Statement No. 63, adds the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Position

Net position is divided into three captions under GASB Statement No. 34. These captions apply only to net position as determined at the government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of net position which is not restricted as to use.

The government-wide statement of net position reports \$19,988,024 of restricted net position.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 14 **Net Position and Fund Balances (Continued)**

Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Community Services	Housing Successor Agency	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>					
Prepaid expenditures	\$ 3,908	\$ 3,000	\$ -	\$ -	\$ 6,908
Inventory				10,852	10,852
Total Nonspendable	<u>3,908</u>	<u>3,000</u>		<u>10,852</u>	<u>17,760</u>
<u>Restricted for:</u>					
Lighting and landscaping				277,713	277,713
Community services		1,662,705		522,692	2,185,397
Housing			6,791,080		6,791,080
Public safety	240,491			69,302	309,793
Pension rate stabilization	4,227,864	417,920		162,703	4,808,487
Streets and roads				1,634,116	1,634,116
Strong motion				3,823	3,823
Debt service				268,443	268,443
Total Restricted	<u>4,468,355</u>	<u>2,080,625</u>	<u>6,791,080</u>	<u>2,938,792</u>	<u>16,278,852</u>
<u>Committed for:</u>					
Capital Improvement				924,682	924,682
Total Committed				<u>924,682</u>	<u>924,682</u>
<u>Assigned for:</u>					
General plan update	13,144				13,144
Economic development	385,980				385,980
Total Assigned	<u>399,124</u>				<u>399,124</u>
Unassigned:	4,208,522			(198,107)	4,010,415
Total Fund Balances	<u>\$ 9,079,909</u>	<u>\$ 2,083,625</u>	<u>\$ 6,791,080</u>	<u>\$ 3,676,219</u>	<u>\$ 21,630,833</u>

Note 15 **Successor Agency to the Former Redevelopment Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of El Centro that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 12.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15 **Successor Agency to the Former Redevelopment Agency (Continued)**

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15 **Successor Agency to the Former Redevelopment Agency (Continued)**

Capital asset activities for the fiscal year ended June 30, 2019 were as follows:

Fiduciary Activities:	Balance at			Balance at
	July 1, 2018	Additions	Deletions	June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 528,300	\$ -	\$ -	\$ 528,300
Total capital assets, not being depreciated	<u>528,300</u>			<u>528,300</u>
Capital assets, being depreciated:				
Buildings	620,871			620,871
Total capital assets, being depreciated	<u>620,871</u>			<u>620,871</u>
Less accumulated depreciation for:				
Buildings	(281,926)	(20,696)		(302,622)
Total accumulated depreciation	<u>(281,926)</u>	<u>(20,696)</u>		<u>(302,622)</u>
Total capital assets, being depreciated net	<u>338,945</u>	<u>(20,696)</u>		<u>318,249</u>
Fiduciary activities capital assets, net	<u>\$ 867,245</u>	<u>\$ (20,696)</u>	<u>\$ -</u>	<u>\$ 846,549</u>

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2019:

	Balance at			Balance at	Due Within
	July 1, 2018	Additions	Reductions	June 30, 2019	One Year
Tax Allocation Bonds:					
2002 Series B	\$ 1,200,000	\$ -	\$ (60,000)	\$ 1,140,000	\$ 65,000
2014 Series A	8,896,500		(508,400)	8,388,100	522,700
2014 Series B	3,502,000		(199,000)	3,303,000	206,800
2015 Series A	8,398,000		(424,200)	7,973,800	435,300
2015 Series B	4,127,700		(233,600)	3,894,100	241,500
2017 Refunding	17,150,000		(475,000)	16,675,000	535,000
Unamortized premium	2,662,555		(156,621)	2,505,934	156,621
Total	<u>\$45,936,755</u>	<u>\$ -</u>	<u>\$ (2,056,821)</u>	<u>\$ 43,879,934</u>	<u>\$ 2,162,921</u>

A. 2002 Series B

In August 2004, the Agency issued \$1,800,000 Series B 2002 Tax Allocation Bonds. The Bonds were issued for the purpose of providing funds to finance the construction of the Alliance Medical Clinic, which the Agency determined is a benefit to the Sotoyome Project Area. Interest on the bonds is at 4.75% with semiannual debt service payments due February 1 and August 1, with principal maturing annually August 1, 2005 through 2031. Debt service payments will be made from tax increment revenue received by the Trust. Future debt service on these bonds is as follows:

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15 **Successor Agency to the Form Redevelopment Agency (Continued)**

A. 2002 Series B (Continued)

2002 Tax Allocation Bond Series B			
Fiscal Year	Principal	Interest	Total
2020	\$ 65,000	\$ 52,606	\$ 117,606
2021	70,000	49,400	119,400
2022	70,000	46,075	116,075
2023	75,000	42,631	117,631
2024	80,000	38,950	118,950
2025-2029	450,000	134,187	584,187
2030-2034	330,000	23,988	353,988
	Totals	\$ 387,837	\$ 1,527,837
	\$ 1,140,000	\$ 387,837	\$ 1,527,837

B. 2014 Series A and B

In May 2014, the Successor Agency issued \$10,876,000 in 2014 Tax Allocation Refunding Bonds, Series A, to refund the outstanding 2002 Tax Allocation Bonds, Series A (current refunding). Proceeds from the 2014 Series A bonds were used to refund in full the 2002 Series A bonds, to establish a reserve fund, and to pay costs of issuance. As a result, the 2002 Series A bonds are considered defeased and the liability has been removed from these financial statements.

In May 2014, the Successor Agency issued \$4,279,400 in 2014 Tax Allocation Refunding Bonds, Series B, to refund the outstanding 2002 Tax Allocation Bonds, Series C (current refunding). Proceeds from the 2014 Series B bonds were used to refund in full the 2002 Series C bonds, to establish a reserve fund, and to pay costs of issuance. As a result, the 2002 Series C bonds are considered defeased. Interest on the bonds is set at 3.4% with semi-annual debt service payments due on February 1 and August 1 of each year, with principal maturing annually August 1, 2014 through 2031. Debt service payments will be made from tax increment revenue received by the Trust. The following represents the future minimum debt service requirements:

2014 Tax Allocation Bond Series A			
Fiscal Year	Principal	Interest	Total
2020	\$ 522,700	\$ 276,310	\$ 799,010
2021	541,500	258,218	799,718
2022	559,600	239,499	799,099
2023	577,200	220,174	797,374
2024	599,000	200,178	799,178
2025-2029	3,313,300	675,879	3,989,179
2030-2034	2,274,800	117,802	2,392,602
	Totals	\$ 1,988,060	\$ 10,376,160
	\$ 8,388,100	\$ 1,988,060	\$ 10,376,160

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15 **Successor Agency to the Form Redevelopment Agency (Continued)**

B. 2014 Series A and B (Continued)

2014 Tax Allocation Bond Series B			
Fiscal Year	Principal	Interest	Total
2020	\$ 206,800	\$ 108,786	\$ 315,586
2021	214,300	101,628	315,928
2022	221,600	94,217	315,817
2023	228,600	86,564	315,164
2024	235,400	78,676	314,076
2025-2029	1,303,300	265,593	1,568,893
2030-2034	893,000	46,301	939,301
Totals	\$ 3,303,000	\$ 781,765	\$ 4,084,765

C. 2015 Series A and B

In January 2015, the Successor Agency issued \$9,568,200 in 2015 Tax Allocation Refunding Bonds, Series A, and \$4,750,800 in 2015 Tax Allocation Refunding Bonds, Series B, to refund the outstanding 2003 Tax Allocation Bonds, Series A and B (current refunding). Interest on the 2015 bonds is 4.25% with semi-annual debt service payments due on February 1 and August 1 of each year, with principal maturing annually August 1, 2015 through 2031. Future debt service payments will be made from tax increment revenue received by the Trust, and is as follows:

2015 Tax Allocation Bond Series A			
Fiscal Year	Principal	Interest	Total
2020	\$ 435,300	\$ 329,636	\$ 764,936
2021	441,100	311,013	752,113
2022	455,700	291,956	747,656
2023	464,700	272,397	737,097
2024	468,200	252,573	720,773
2025-2029	3,266,400	903,575	4,169,975
2030-2034	2,442,400	155,589	2,597,989
Totals	\$ 7,973,800	\$ 2,516,739	\$ 10,490,539

2015 Tax Allocation Bond Series B			
Fiscal Year	Principal	Interest	Total
2020	\$ 241,500	\$ 160,367	\$ 401,867
2021	249,000	149,944	398,944
2022	255,900	139,215	395,115
2023	267,500	128,093	395,593
2024	273,700	116,592	390,292
2025-2029	1,536,300	394,960	1,931,260
2030-2034	1,070,200	69,670	1,139,870
Totals	\$ 3,894,100	\$ 1,158,841	\$ 5,052,941

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Note 15 **Successor Agency to the Form Redevelopment Agency (Continued)**

D. 2017 Tax Allocation Refunding Bonds

In December 2017, the Successor Agency issued \$17,150,000 in 2017 Tax Allocation Refunding Bonds to refund the outstanding 2010 Tax Allocation Bonds (advanced refunding). Proceeds from the 2017 Bonds were used to refund in full the 2010 Bonds and to pay issuance costs. As a result, the 2010 bonds are considered defeased and the liability has been removed from these financial statements. As of June 30, 2018, \$21,103,793 was held in escrow to refund the 2010 Bonds. Interest on the 2017 bonds ranges from 2% to 5% with semi-annual debt service payments due on February 1 and August 1 of each year, with principal maturing annually August 1, 2018 through 2034.

The Successor Agency refunded the 2010 Bonds to reduce total debt service by approximately \$3.6 million, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$3 million. Future debt service payments will be made from tax increment revenue received by the Trust, and is as follows:

2017 Tax Allocation Refunding Bond			
Fiscal Year	Principal	Interest	Total
2020	\$ 535,000	\$ 747,125	\$ 1,282,125
2021	605,000	730,025	1,335,025
2022	660,000	707,750	1,367,750
2023	695,000	680,650	1,375,650
2024	740,000	648,250	1,388,250
2025-2029	3,680,000	2,675,750	6,355,750
2030-2034	8,495,000	1,554,250	10,049,250
2035-2039	1,265,000	18,975	1,283,975
Totals	\$ 16,675,000	\$ 7,762,775	\$ 24,437,775

Note 16 **Prior Period Adjustment**

A prior period adjustment of \$306,949 was made on the governmental-wide Statement of Activities due to a reallocation of the internal service funds.

A prior period adjustment of \$(331) was made in the General Fund and in the Colonel L.A. Norton Memorial Trust Private Purpose Trust Fund due to the reclassification of the Colonel L.A. Norton Memorial Trust as a Private Purpose Trust Fund.

A prior period adjustment of \$(74,708) was made in the nonmajor Cultural Center Trust Fund and in the Cultural Center Trust Private Purpose Trust Fund due to the reclassification of the Cultural Center Trust Fund as a Private Purpose Trust Fund.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019

Schedule of the Local Government's Proportionate Share of the Net Pension Liability – Last 10 Years*

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2018	0.34843%	\$ 33,575,940	\$ 11,027,420	304.48%	72.68%
2017	0.33985%	33,703,985	9,958,349	338.45%	71.61%
2016	0.33897%	29,331,189	9,243,834	317.31%	72.92%
2015	0.33530%	23,014,464	8,299,645	277.29%	77.62%
2014	0.28460%	17,713,031	7,808,757	226.84%	82.46%

Notes to the Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: In 2017, the discount rate changed from 7.65% to 7.15%.

*Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019

Schedule of Pension Contributions – Last 10 Years*

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2019	\$ 3,263,776	\$ (3,263,776)	\$ -	\$ 11,027,420	29.60%
2018	2,791,313	(2,791,313)		10,170,288	27.45%
2017	2,494,953	(2,494,953)		9,958,349	25.05%
2016	2,208,239	(2,208,239)		9,243,834	23.89%
2015	1,707,064	(1,707,064)		8,299,645	20.57%

Notes to the Schedule:

Valuation Date: 6/30/2013, 6/30/2014, 6/30/2015, 6/30/2016, and 6/30/2017

*Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

CITY OF HEALDSBURG
OTHER POSTEMPLOYMENT BENEFIT PLAN
JUNE 30, 2019

Schedule of the Change in Net OPEB Liability and Related Ratios - Last 10 Fiscal Years*

MEASUREMENT PERIOD	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service Cost	\$ 51,000	\$ 52,000
Interest on the Total OPEB Liability	36,000	33,000
Changes of Assumptions	53,000	(39,000)
Benefit Payments	<u>(16,000)</u>	<u>(15,000)</u>
Net Change in Total OPEB Liability	124,000	31,000
Total OPEB Liability - Beginning	<u>889,000</u>	<u>858,000</u>
Total OPEB Liability - Ending	<u>\$ 1,013,000</u>	<u>\$ 889,000</u>
 Plan Net OPEB Liability - Ending	 <u>\$ 1,013,000</u>	 <u>\$ 889,000</u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 <u>n/a</u>	 <u>n/a</u>
 Covered Payroll	 \$ 14,438,000	 \$ 13,380,000
 Net OPEB liability as a percentage of covered payroll	 7.02%	 6.64%

Notes to the Schedule:

Change in Assumption: For the fiscal year ended June 30, 2019, the discount rate changed from 3.87% to 3.50%.

*Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

CITY OF HEALDSBURG
OTHER POSTEMPLOYMENT BENEFIT PLAN
JUNE 30, 2019

Schedule of OPEB Contribution - Last 10 Fiscal Years*

Per GASB 75 paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The City does not currently calculate an ADC.

*Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 2,345,079	\$ 2,345,079	\$ 2,623,908	\$ 278,829
Sales and other taxes	10,599,996	10,664,996	10,896,110	231,114
Development fees	50,000	50,000	343,979	293,979
Intergovernmental	723,785	792,616	782,807	(9,809)
Fines and forfeitures	187,500	187,500	130,467	(57,033)
License and permits	1,066,000	1,066,000	674,432	(391,568)
Use of money and property	201,068	201,068	618,697	417,629
Charges for services	916,587	996,587	991,857	(4,730)
Other, donations, and reimbursements	83,700	113,200	76,532	(36,668)
Total Revenues	16,173,715	16,417,046	17,138,789	721,743
EXPENDITURES				
Current:				
General government	1,379,221	1,414,970	2,742,972	(1,328,002)
Public safety	7,162,506	7,161,437	9,099,683	(1,938,246)
Community development	1,648,770	1,638,463	1,901,273	(262,810)
Community services	47,500	47,500	40,386	7,114
Total Expenditures	10,237,997	10,262,370	13,784,314	(3,521,944)
Excess of Revenues over (under) Expenditures	5,935,718	6,154,676	3,354,475	(2,800,201)
OTHER FINANCING SOURCES (USES)				
Transfers in	573,617	583,617	612,998	29,381
Transfers out	(3,447,599)	(4,207,215)	(2,274,964)	1,932,251
Total Other Financing Sources (Uses)	(2,873,982)	(3,623,598)	(1,661,966)	1,961,632
Net Change in Fund Balance	3,061,736	2,531,078	1,692,509	(838,569)
Fund Balance, Beginning of Fiscal Year	7,387,731	7,387,731	7,387,731	
Prior Period Adjustments			(331)	(331)
Fund Balance, Beginning of Fiscal Year (Restated)	7,387,731	7,387,731	7,387,400	(331)
Fund Balance, End of Fiscal Year	\$ 10,449,467	\$ 9,918,809	\$ 9,079,909	\$ (838,900)

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICES SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sales and other taxes	\$ 4,264,261	\$ 4,264,261	\$ 3,665,055	\$ (599,206)
Development fees			14,310	14,310
Intergovernmental	166,000	166,000	216,213	50,213
Use of money and property	25,000	25,000	105,713	80,713
Charges for services	881,965	881,965	848,257	(33,708)
Other, donations, and reimbursements	10,000	10,000	17,078	7,078
Total Revenues	<u>5,347,226</u>	<u>5,347,226</u>	<u>4,866,626</u>	<u>(480,600)</u>
EXPENDITURES				
Current:				
Community services	5,234,104	5,505,952	5,060,541	445,411
Total Expenditures	<u>5,234,104</u>	<u>5,505,952</u>	<u>5,060,541</u>	<u>445,411</u>
Excess of Revenues over (under) Expenditures	<u>113,122</u>	<u>(158,726)</u>	<u>(193,915)</u>	<u>(35,189)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		33,460	33,460	
Transfers out	(335,795)	(369,255)	(382,138)	(12,883)
Total Other Financing Sources (Uses)	<u>(335,795)</u>	<u>(335,795)</u>	<u>(348,678)</u>	<u>(12,883)</u>
Net Change in Fund Balance	<u>(222,673)</u>	<u>(494,521)</u>	<u>(542,593)</u>	<u>(48,072)</u>
Fund Balance, Beginning of Fiscal Year	<u>2,626,218</u>	<u>2,626,218</u>	<u>2,626,218</u>	
Fund Balance, End of Fiscal Year	<u>\$ 2,403,545</u>	<u>\$ 2,131,697</u>	<u>\$ 2,083,625</u>	<u>\$ (48,072)</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING SUCCESSOR AGENCY SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 163,156	\$ 163,156
Other, donations, and reimbursements	32,000	421,273	389,470	(31,803)
Total Revenues	32,000	421,273	552,626	131,353
EXPENDITURES				
Current:				
Community development	11,152	11,152	69,546	(58,394)
Total Expenditures	11,152	11,152	69,546	(58,394)
Excess of Revenues over (under) Expenditures	20,848	410,121	483,080	72,959
OTHER FINANCING SOURCES (USES)				
Bad debt expense			(1,790,000)	(1,790,000)
Transfers in		1,435,727	1,085,727	(350,000)
Total Other Financing Sources (Uses)		1,435,727	(704,273)	(2,140,000)
Net Change in Fund Balance	20,848	1,845,848	(221,193)	(2,067,041)
Fund Balance, Beginning of Fiscal Year	7,012,273	7,012,273	7,012,273	
Fund Balance, End of Fiscal Year	\$ 7,033,121	\$ 8,858,121	\$ 6,791,080	\$ (2,067,041)

CITY OF HEALDSBURG
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Data

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue, Debt Service and Capital Projects funds. All funding sources are kept separate for both reporting and the use of money. The General Fund is where most City services are funded that are not required to be segregated.

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30 of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the City Hall to obtain citizen input.
3. Prior to July 1, the budget is adopted through passage of a resolution and is not included herein but is published separately.

CITY OF HEALDSBURG
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. The City Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revision that increases the total appropriations of any fund must be approved by the City Council. The appropriated budget is prepared by fund, function, and department.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. The City does formally adopt budgets for the North Area, Benjamin Way Maintenance District, Public Safety, Strong Motion Education and Data, Parking Impact Fees, and Misc Projects non-major governmental funds.

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OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Gas Tax Fund – used to account for the expenditures financed by money apportioned under the Streets and Highways Code of the State of California.

North Area Fund – used to account for the activity of an assessment district with the purpose of funding the installation and maintenance of new roads, sewer systems and electrical, etc. when annexing into specific area of the City.

Benjamin Way Maintenance District Fund – used to track the revenue and expenditures for the repair and limited maintenance of Benjamin Way.

Public Safety Fund – used to account for grant revenue and expenditures used for equipment and training specific to police and fire, and to account for monies received by the California Department of Motor Vehicles to be expended on abatement, removal or the disposal of vehicle related public nuisances from private or public property.

Strong Motion Education and Data Fund – used to account for the expenditures funded by fees charged in accordance with the California Department of Conservation.

Area A Lighting and Landscaping Fund – used to account for revenue and expenditures related to the lighting and landscaping districts.

Media Center Fund – used to account for monies received by cable operators to support public education and government (PEG) channel facilities and activities.

Park Development Fees Fund – used to account for revenue and expenditures for the design and construction of park and park improvements required to mitigate the impact of new development.

Parking Impact Fees Fund – used to account for revenue and expenditures related to parking improvements and alternative transportation, including bicycle and pedestrian, improvements designed to reduce parking requirements for which the fees are charged.

CAPITAL PROJECTS FUND

Misc Projects Capital Projects Fund – used to account for the acquisition and construction of miscellaneous major capital projects throughout the City.

Streets Capital Projects Fund – used to account for the acquisition and construction of major streets and roads capital projects throughout the City.

DEBT SERVICE FUND

General Debt Service Fund – used to account for the accumulation of resources for and the payment of principal and interest on long-term debt.

**CITY OF HEALDSBURG
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

	Special Revenue Funds					
	Gas Tax	North Area	Benjamin Way Maintenance District	Public Safety	Strong Motion Education and Data	Area A Lighting and Landscaping
ASSETS						
Cash and investments	\$ 1,506,395	\$ 362	\$ 7,604	\$ 68,788	\$ 3,806	\$ 278,364
Cash and investments with fiscal agents						
Pension stabilization investments						
Receivables:						
Accounts and taxes	39,474	54,600		4,436		3,664
Interest	5,804		34		17	1,244
Loans receivable						
Inventory						
Total Assets	<u>\$ 1,551,673</u>	<u>\$ 54,962</u>	<u>\$ 7,638</u>	<u>\$ 73,224</u>	<u>\$ 3,823</u>	<u>\$ 283,272</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 283	\$ -	\$ 5,559
Due to other funds		15,000				
Deposit payable				3,639		
Retention payable						
Total Liabilities		<u>15,000</u>		<u>3,922</u>		<u>5,559</u>
Deferred inflow of resources:						
Unavailable revenue		<u>54,600</u>				
Fund Balances:						
Nonspendable:						
Inventory						
Restricted	1,551,673		7,638	69,302	3,823	277,713
Committed						
Unassigned		<u>(14,638)</u>				
Total Fund Balances (Deficits)	<u>1,551,673</u>	<u>(14,638)</u>	<u>7,638</u>	<u>69,302</u>	<u>3,823</u>	<u>277,713</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 1,551,673</u>	<u>\$ 54,962</u>	<u>\$ 7,638</u>	<u>\$ 73,224</u>	<u>\$ 3,823</u>	<u>\$ 283,272</u>

Media Center	Special Revenue Funds			Capital Projects Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Park Development Fees	Cultural Trust	Parking Impact Fees	Misc Projects	Streets	General Debt Service	
\$ -	\$ 520,371	\$ -	\$ 74,805	\$ -	\$ -	\$ 267,970	\$ 2,728,465
				1,301,851		96	1,301,947
					162,703		162,703
9,651					637,212	377	749,414
	2,321				762		10,182
					108,800		108,800
					10,852		10,852
<u>\$ 9,651</u>	<u>\$ 522,692</u>	<u>\$ -</u>	<u>\$ 74,805</u>	<u>\$ 1,301,851</u>	<u>\$ 920,329</u>	<u>\$ 268,443</u>	<u>\$ 5,072,363</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,022	\$ -	\$ 145,864
10,455				377,169	85,790		488,414
					61,285		64,924
					642,342		642,342
<u>10,455</u>				<u>377,169</u>	<u>929,439</u>		<u>1,341,544</u>
							54,600
					10,852		10,852
	522,692		74,805		162,703	268,443	2,938,792
				924,682			924,682
(804)					(182,665)		(198,107)
<u>(804)</u>	<u>522,692</u>		<u>74,805</u>	<u>924,682</u>	<u>(9,110)</u>	<u>268,443</u>	<u>3,676,219</u>
<u>\$ 9,651</u>	<u>\$ 522,692</u>	<u>\$ -</u>	<u>\$ 74,805</u>	<u>\$ 1,301,851</u>	<u>\$ 920,329</u>	<u>\$ 268,443</u>	<u>\$ 5,072,363</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019**

	Special Revenue Funds					
	Gas Tax	North Area	Benjamin Way Maintenance District	Public Safety	Strong Motion Education and Data	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,868
Development fees						
Intergovernmental	474,998			18,913		
Use of money and property	42,771		264		121	9,078
Charges for current services						
Other, donations, and reimbursements					582	
Total Revenues	517,769		264	18,913	703	211,946
EXPENDITURES						
Current:						
General government						
Public safety				233,566		
Streets and roads	1,424					
Community development						181,213
Community services						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	1,424			233,566		181,213
Excess of Revenues Over (Under) Expenditures	516,345		264	(214,653)	703	30,733
OTHER FINANCING SOURCES (USES)						
Transfers in				211,100		
Transfers out	(137,004)			(28,470)		(6,082)
Total Other Financing Sources (Uses)	(137,004)			182,630		(6,082)
Net Change in Fund Balances	379,341		264	(32,023)	703	24,651
Fund Balances (deficits), Beginning of Fiscal Year	1,172,332	(14,638)	7,374	101,325	3,120	253,062
Prior Period Adjustments						
Fund Balances (deficits), Beginning of Fiscal Year (restated)	1,172,332	(14,638)	7,374	101,325	3,120	253,062
Fund Balances (deficits), End of Fiscal Year	\$ 1,551,673	\$ (14,638)	\$ 7,638	\$ 69,302	\$ 3,823	\$ 277,713

	Special Revenue Funds			Capital Projects Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Media Center	Park Development Fees	Cultural Trust	Parking Impact Fees	Misc Projects	Streets	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,056	\$ 347	\$ 306,271
	53,223		74,805		257,756		385,784
39,196					671,223		1,204,330
	17,117			28,597	25,924	80	123,952
					171,289		171,289
					293,452		294,034
<u>39,196</u>	<u>70,340</u>		<u>74,805</u>	<u>28,597</u>	<u>1,522,700</u>	<u>427</u>	<u>2,485,660</u>
9,800							9,800
							233,566
					1,855,696		1,857,120
							181,213
							-
						902,709	902,709
						165,332	165,332
<u>9,800</u>					<u>1,855,696</u>	<u>1,068,041</u>	<u>3,349,740</u>
29,396	70,340		74,805	28,597	(332,996)	(1,067,614)	(864,080)
(40,000)				(377,211)	422,674	1,159,727	1,793,501
					(35,189)		(623,956)
<u>(40,000)</u>				<u>(377,211)</u>	<u>387,485</u>	<u>1,159,727</u>	<u>1,169,545</u>
(10,604)	70,340		74,805	(348,614)	54,489	92,113	305,465
9,800	452,352	74,708		1,273,296	(63,599)	176,330	3,445,462
		(74,708)					(74,708)
<u>9,800</u>	<u>452,352</u>			<u>1,273,296</u>	<u>(63,599)</u>	<u>176,330</u>	<u>3,370,754</u>
<u>\$ (804)</u>	<u>\$ 522,692</u>	<u>\$ -</u>	<u>\$ 74,805</u>	<u>\$ 924,682</u>	<u>\$ (9,110)</u>	<u>\$ 268,443</u>	<u>\$ 3,676,219</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 502,710	\$ 474,998	\$ (27,712)
Use of money and property	7,000	42,771	35,771
Total Revenues	509,710	517,769	8,059
EXPENDITURES			
Current:			
Streets and roads	1,500	1,424	76
Total Expenditures	1,500	1,424	76
Excess of Revenues Over (Under) Expenditures	508,210	516,345	8,135
OTHER FINANCING SOURCES (USES)			
Transfers out	(337,010)	(137,004)	200,006
Total Other Financing Sources (Uses)	(337,010)	(137,004)	200,006
Net Change in Fund Balance	171,200	379,341	208,141
Fund Balance - Beginning of Fiscal Year	1,172,332	1,172,332	
Fund Balance - End of Fiscal Year	<u>\$ 1,343,532</u>	<u>\$ 1,551,673</u>	<u>\$ 208,141</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
AREA A LIGHTING AND LANDSCAPING SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Property taxes	\$ 211,287	\$ 202,868	\$ (8,419)
Use of money and property	1,195	9,078	7,883
Total Revenues	<u>212,482</u>	<u>211,946</u>	<u>(536)</u>
EXPENDITURES			
Current:			
Community development	<u>190,238</u>	<u>181,213</u>	<u>9,025</u>
Total Expenditures	<u>190,238</u>	<u>181,213</u>	<u>9,025</u>
Excess of Revenues Over (Under) Expenditures	<u>22,244</u>	<u>30,733</u>	<u>8,489</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(6,082)</u>	<u>(6,082)</u>	
Total Other Financing Sources (Uses)	<u>(6,082)</u>	<u>(6,082)</u>	
Net Change in Fund Balance	16,162	24,651	8,489
Fund Balance - Beginning of Fiscal Year	<u>253,062</u>	<u>253,062</u>	
Fund Balance - End of Fiscal Year	<u>\$ 269,224</u>	<u>\$ 277,713</u>	<u>\$ 8,489</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MEDIA CENTER SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 40,000	\$ 39,196	\$ (804)
Total Revenues	<u>40,000</u>	<u>39,196</u>	<u>(804)</u>
EXPENDITURES			
Current:			
General government		9,800	(9,800)
Total Expenditures		<u>9,800</u>	<u>(9,800)</u>
Excess of Revenues Over (Under) Expenditures	<u>40,000</u>	<u>29,396</u>	<u>(10,604)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	
Net Change in Fund Balance		(10,604)	(10,604)
Fund Balance - Beginning of Fiscal Year	<u>9,800</u>	<u>9,800</u>	
Fund Balance - End of Fiscal Year	<u>\$ 9,800</u>	<u>\$ (804)</u>	<u>\$ (10,604)</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FEES SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Development fees	\$ -	\$ 53,223	\$ 53,223
Use of money and property		17,117	17,117
Total Revenues		70,340	70,340
EXPENDITURES			
Current:			
Community services	20,000		20,000
Total Expenditures	20,000		20,000
Net Change in Fund Balance	(20,000)	70,340	90,340
Fund Balance - Beginning of Fiscal Year	452,352	452,352	
Fund Balance - End of Fiscal Year	\$ 432,352	\$ 522,692	\$ 90,340

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREETS CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Property taxes	\$ 120,000	\$ 103,056	\$ (16,944)
Development fees		257,756	257,756
Intergovernmental		671,223	671,223
Use of money and property		25,924	25,924
Charges for current services	250,000	171,289	(78,711)
Other, donations, and reimbursements	50,000	293,452	243,452
	<u>420,000</u>	<u>1,522,700</u>	<u>1,102,700</u>
EXPENDITURES			
Current:			
Streets and roads	8,430,443	1,855,696	6,574,747
	<u>8,430,443</u>	<u>1,855,696</u>	<u>6,574,747</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,010,443)</u>	<u>(332,996)</u>	<u>7,677,447</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,380,682	422,674	(1,958,008)
Transfers out	(35,189)	(35,189)	
	<u>2,345,493</u>	<u>387,485</u>	<u>(1,958,008)</u>
Net Change in Fund Balance	(5,664,950)	54,489	5,719,439
Fund Balance - Beginning of Fiscal Year	<u>(63,599)</u>	<u>(63,599)</u>	
Fund Balance - End of Fiscal Year	<u><u>\$ (5,728,549)</u></u>	<u><u>\$ (9,110)</u></u>	<u><u>\$ 5,719,439</u></u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Property taxes	\$ -	\$ 347	\$ 347
Use of money and property		80	80
Total Revenues		427	427
EXPENDITURES			
Debt service:			
Principal retirement	985,756	902,709	83,047
Interest and fiscal charges	175,472	165,332	10,140
Total Expenditures	1,161,228	1,068,041	93,187
Excess of Revenues Over (Under) Expenditures	(1,161,228)	(1,067,614)	93,614
OTHER FINANCING SOURCES (USES)			
Transfers in	1,159,727	1,159,727	
Total Other Financing Sources (Uses)	1,159,727	1,159,727	
Net Change in Fund Balance	(1,501)	92,113	93,614
Fund Balance - Beginning of Fiscal Year	176,330	176,330	
Fund Balance - End of Fiscal Year	\$ 174,829	\$ 268,443	\$ 93,614

**CITY OF HEALDSBURG
COMBINING BALANCE SHEET
GENERAL FUND ACTIVITIES
June 30, 2019**

	General	Capital Replacement	Transaction & Use Tax	Economic Development
ASSETS				
Cash and investments	\$ 3,026,047	\$ 198,274	\$ 1,939,848	\$ 384,266
Pension stabilization investments	4,227,864			
Receivables:				
Accounts and taxes	622,124			
Interest	47,234	884	8,882	1,714
Intergovernmental	898,845		378,170	
Due from other funds	473,414			
Prepaid expenditures	3,908			
Total Assets	\$ 9,299,436	\$ 199,158	\$ 2,326,900	\$ 385,980
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 326,951	\$ -	\$ -	\$ -
Due to other funds		3,172,764		
Total Liabilities	326,951	3,172,764		
Deferred inflow of resources:				
Unavailable revenue - accounts receivable	12,558			
Fund Balances:				
Nonspendable:				
Prepaid expenditures	3,908			
Restricted	4,227,864			
Assigned	13,144			385,980
Unassigned	4,715,011	(2,973,606)	2,326,900	
Total Fund Balances (Deficits)	8,959,927	(2,973,606)	2,326,900	385,980
Total Liabilities, Deferred inflows of Resources and Fund Balances	\$ 9,299,436	\$ 199,158	\$ 2,326,900	\$ 385,980

<u>TOT Housing</u>	<u>Fire Facilities Impact Fees</u>	<u>Miscellaneous</u>	<u>Total General Fund</u>
\$ 13,527	\$ 239,423	\$	\$ 5,801,385
			4,227,864
137,965	1,068		760,089
			59,782
			1,277,015
			473,414
			3,908
<u>\$ 151,492</u>	<u>\$ 240,491</u>	<u>\$</u>	<u>\$ 12,603,457</u>
\$ 11,275	\$ -	\$ -	\$ 338,226
			3,172,764
<u>11,275</u>			<u>3,510,990</u>
			12,558
			3,908
	240,491		4,468,355
			399,124
<u>140,217</u>			<u>4,208,522</u>
<u>140,217</u>	<u>240,491</u>		<u>9,079,909</u>
<u>\$ 151,492</u>	<u>\$ 240,491</u>	<u>\$ -</u>	<u>\$ 12,603,457</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2019

	General	Capital Replacement	Transaction & Use Tax	Economic Development
REVENUES				
Property taxes	\$ 2,623,908	\$ -	\$ -	\$ -
Sales and other taxes	8,027,476		2,136,068	
Development fees	321,443			
Intergovernmental	782,807			
Fines and forfeitures	130,467			
License and permits	674,432			
Use of money and property	426,688	125,337	45,453	13,331
Charges for services	991,857			
Other, donations, and reimbursements	46,760			
Total Revenues	14,025,838	125,337	2,181,521	13,331
EXPENDITURES				
Current:				
General government	1,588,351	677,239	100,000	
Public safety	9,099,683			
Community development	1,901,273			
Community services			40,386	
Total Expenditures	12,589,307	677,239	140,386	
Excess of Revenues Over (Under) Expenditures	1,436,531	(551,902)	2,041,135	13,331
OTHER FINANCING SOURCES (USES)				
Transfers in	547,908	55,090		
Transfers out	(872,145)		(694,303)	
Total Other Financing Sources (Uses)	(324,237)	55,090	(694,303)	
Net Change in Fund Balances	1,112,294	(496,812)	1,346,832	13,331
Fund Balances (deficits), Beginning of Fiscal Year	7,847,633	(2,476,794)	980,068	372,649
Prior Period Adjustments				
Fund Balances (deficits), Beginning of Fiscal Year(restated)			980,068	372,649
Fund Balances (deficits), End of Fiscal Year	\$ 8,959,927	\$ (2,973,606)	\$ 2,326,900	\$ 385,980

TOT Housing	Fire Facilities Impact Fees	Miscellaneous	Total General Fund
\$ -	\$ -	\$ -	\$ 2,623,908
732,566	22,536		10,896,110
			343,979
			782,807
			130,467
			674,432
8	7,880		618,697
29,772			991,857
<u>762,346</u>	<u>30,416</u>	<u></u>	<u>76,532</u>
377,382			2,742,972
			9,099,683
			1,901,273
			40,386
<u>377,382</u>	<u></u>	<u></u>	<u>13,784,314</u>
384,964	30,416		3,354,475
10,000			612,998
(708,516)			(2,274,964)
<u>(698,516)</u>	<u></u>	<u></u>	<u>(1,661,966)</u>
(313,552)	30,416		1,692,509
453,769	210,075	331	7,387,731
		(331)	(331)
<u>453,769</u>	<u>210,075</u>	<u></u>	<u>7,387,400</u>
<u>\$ 140,217</u>	<u>\$ 240,491</u>	<u>\$ -</u>	<u>\$ 9,079,909</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
WATER FUND ACTIVITIES
June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water Operations	Water Capital Replacement	Water Capacity	Totals Water Fund
Current Assets:				
Cash and investments	\$ 859,019	\$ 3,177,997	\$ 1,421,957	\$ 5,458,973
Cash and investments with fiscal agents	44			44
Pension stabilization investments	488,088			488,088
Accounts receivable	959,491			959,491
Interest receivable	3,959	14,158	6,420	24,537
Inventory	75,183			75,183
Prepaid items	217			217
	Total Current Assets	3,192,155	1,428,377	7,006,533
Noncurrent Assets:				
Capital assets				
Land	310,781			310,781
Construction in progress	1,958,470			1,958,470
Depreciable buildings and improvements, net	348,138			348,138
Depreciable utility systems, net	17,003,930			17,003,930
Depreciable equipment, net	139,297			139,297
	Total Noncurrent Assets	19,760,616	1,428,377	19,760,616
	Total Assets	3,192,155	1,428,377	26,767,149
Deferred Outflows of Resources:				
Pension related	602,381			602,381
	Total deferred outflows of resources	602,381	602,381	602,381
LIABILITIES AND DEFERRED INFLOW OF RESOURCES				
Current Liabilities:				
Accounts payable and accrued liabilities	59,851	280,857		340,708
Bonds payable - current	751,435			751,435
Interest payable	81,613			81,613
Deposit payable	6,647			6,647
	Total Current Liabilities	280,857	1,180,403	1,180,403
Noncurrent Liabilities				
Bonds payable	7,259,891			7,259,891
Net pension liability	2,812,380			2,812,380
	Total Noncurrent Liabilities	10,072,271	10,072,271	10,072,271
	Total Liabilities	280,857	11,252,674	11,252,674
Deferred Inflows of Resources:				
Pension related	476,628			476,628
	Total deferred inflows of resources	476,628	476,628	476,628
NET POSITION				
Net investment in capital assets	11,749,334			11,749,334
Restricted	488,088			488,088
Unrestricted	(936,869)	2,911,298	1,428,377	3,402,806
	Total Net Position	2,911,298	1,428,377	15,640,228

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
WATER FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2019**

	Water Operations	Water Capital Replacement	Water Capacity	Totals Water Fund
OPERATING REVENUES				
Charges for services	\$ 5,516,406	\$ -	\$ -	\$ 5,516,406
Development fees	5,307		550,539	555,846
Other	105,308			105,308
Total Operating Revenues	<u>5,627,021</u>		<u>550,539</u>	<u>6,177,560</u>
OPERATING EXPENSES				
Salaries and benefits	2,343,931			2,343,931
Maintenance and operations	584,783	518,727		1,103,510
Administration	789,177			789,177
Depreciation	604,565			604,565
Total Operating Expenses	<u>4,322,456</u>	<u>518,727</u>		<u>4,841,183</u>
Operating Income (loss)	<u>1,304,565</u>	<u>(518,727)</u>	<u>550,539</u>	<u>1,336,377</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	75,231	91,422	41,722	208,375
Interest expense	(354,605)			(354,605)
Total Non-operating Revenue (Expenses)	<u>(279,374)</u>	<u>91,422</u>	<u>41,722</u>	<u>(146,230)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>1,025,191</u>	<u>(427,305)</u>	<u>592,261</u>	<u>1,190,147</u>
TRANSFERS				
Transfers in		1,455,167		1,455,167
Transfers out	(1,400,000)		(55,167)	(1,455,167)
Total Transfers	<u>(1,400,000)</u>	<u>1,455,167</u>	<u>(55,167)</u>	
Change in Net Position	(374,809)	1,027,862	537,094	1,190,147
Net Position, Beginning of Fiscal Year	<u>11,675,362</u>	<u>1,883,436</u>	<u>891,283</u>	<u>14,450,081</u>
Net Position, End of Fiscal Year	<u>\$ 11,300,553</u>	<u>\$ 2,911,298</u>	<u>\$ 1,428,377</u>	<u>\$ 15,640,228</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
SEWER FUND ACTIVITIES
June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Sewer Operations	Drainage	Sewer Capital Replacement	Sewer Capacity
Current Assets:				
Cash and investments	\$ 4,372,454	\$ -	\$ 7,399,634	\$ 3,121,416
Cash and investments with fiscal agents	196			
Pension stabilization investments	587,796	127,767		
Accounts receivable	1,016,119	82,643		
Interest receivable	19,790		34,596	13,925
Inventory	21,801			
Due from other funds	1,062,002		1,586,382	
	<u>7,080,158</u>	<u>210,410</u>	<u>9,020,612</u>	<u>3,135,341</u>
Total Current Assets				
Noncurrent Assets:				
Capital assets				
Land	682,880	84,022		
Construction in progress	4,391,455	349,318		
Depreciable buildings and improvements, net	69,909			
Depreciable utility systems, net	43,280,785	5,725,066		
Depreciable equipment, net	729,431			
	<u>49,154,460</u>	<u>6,158,406</u>		
Total Noncurrent Assets				
Total Assets				
	<u>56,234,618</u>	<u>6,368,816</u>	<u>9,020,612</u>	<u>3,135,341</u>
Deferred Outflows of Resources:				
Deferred loss on debt refunding	875,835			
Pension related	602,381			
	<u>1,478,216</u>			
Total deferred outflows of resources				
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current Liabilities:				
Accounts payable and accrued liabilities	130,953	4,776	1,361,952	
Bonds payable - current	1,130,147			
Interest payable	209,939			
Deposit payable		261		
Due to other funds		1,062,002		
	<u>1,471,039</u>	<u>1,067,039</u>	<u>1,361,952</u>	
Total Current Liabilities				
Noncurrent Liabilities				
Bonds payable	22,542,366			
Net pension liability	2,812,380			
	<u>25,354,746</u>			
Total Noncurrent Liabilities				
Total Liabilities				
	<u>26,825,785</u>	<u>1,067,039</u>	<u>1,361,952</u>	
Deferred Inflows of Resources:				
Pension related	476,628			
	<u>476,628</u>			
Total deferred inflows of resources				
NET POSITION				
Net investment in capital assets	25,482,143	6,158,406		
Restricted	587,796	127,767		
Unrestricted	4,340,482	(984,396)	7,658,660	3,135,341
	<u>30,410,421</u>	<u>5,301,777</u>	<u>7,658,660</u>	<u>3,135,341</u>
Total Net Position				
	<u>\$ 30,410,421</u>	<u>\$ 5,301,777</u>	<u>\$ 7,658,660</u>	<u>\$ 3,135,341</u>

<u>Drainage Capacity</u>	<u>Totals Sewer Fund</u>
\$ 2,512,337	\$ 17,405,841
	196
	715,563
	1,098,762
11,209	79,520
	21,801
<u>2,523,546</u>	<u>2,648,384</u>
	766,902
	4,740,773
	69,909
	49,005,851
	<u>729,431</u>
	<u>55,312,866</u>
<u>2,523,546</u>	<u>77,282,933</u>
	875,835
	<u>602,381</u>
	<u>1,478,216</u>
	1,497,681
	1,130,147
	209,939
	261
	<u>1,062,002</u>
	<u>3,900,030</u>
	22,542,366
	<u>2,812,380</u>
	<u>25,354,746</u>
	<u>29,254,776</u>
	<u>476,628</u>
	<u>476,628</u>
	31,640,549
	715,563
<u>2,523,546</u>	<u>16,673,633</u>
\$ <u><u>2,523,546</u></u>	\$ <u><u>49,029,745</u></u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
SEWER FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2019**

	Sewer Operations	Drainage	Sewer Capital Replacement	Sewer Capacity
OPERATING REVENUES				
Charges for services	\$ 6,962,792	\$ 725,406	\$ -	\$ -
Development fees				865,310
Other	46,044	38,700		
Total Operating Revenues	<u>7,008,836</u>	<u>764,106</u>		<u>865,310</u>
OPERATING EXPENSES				
Salaries and benefits	1,366,993	366,933		
Maintenance and operations	553,050	128,659	3,260,322	
Administration	444,685	91,027		
Depreciation	1,206,975	204,923		
Total Operating Expenses	<u>3,571,703</u>	<u>791,542</u>	<u>3,260,322</u>	
Operating Income (loss)	<u>3,437,133</u>	<u>(27,436)</u>	<u>(3,260,322)</u>	<u>865,310</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	245,416	8,600	233,245	122,391
Interest expense	(889,847)			
Total Non-operating Revenue (Expenses)	<u>(644,431)</u>	<u>8,600</u>	<u>233,245</u>	<u>122,391</u>
NET INCOME BEFORE TRANSFERS	<u>2,792,702</u>	<u>(18,836)</u>	<u>(3,027,077)</u>	<u>987,701</u>
TRANSFERS				
Transfers in	1,055,170	349,318	4,100,000	
Transfers out	(4,100,000)	(24,466)		(1,030,704)
Total Transfers	<u>(3,044,830)</u>	<u>324,852</u>	<u>4,100,000</u>	<u>(1,030,704)</u>
Change in Net Position	(252,128)	306,016	1,072,923	(43,003)
Net Position, Beginning of Fiscal Year	<u>30,662,549</u>	<u>4,995,761</u>	<u>6,585,737</u>	<u>3,178,344</u>
Net Position, End of Fiscal Year	<u>\$ 30,410,421</u>	<u>\$ 5,301,777</u>	<u>\$ 7,658,660</u>	<u>\$ 3,135,341</u>

<u>Drainage Capacity</u>	<u>Totals Sewer Fund</u>
\$ -	\$ 7,688,198
39,066	904,376
<u>39,066</u>	<u>84,744</u>
	1,733,926
	3,942,031
	535,712
	<u>1,411,898</u>
	<u>7,623,567</u>
<u>39,066</u>	<u>1,053,751</u>
97,304	706,956
<u>97,304</u>	<u>(889,847)</u>
<u>97,304</u>	<u>(182,891)</u>
<u>136,370</u>	<u>870,860</u>
	5,504,488
<u>(465,888)</u>	<u>(5,621,058)</u>
<u>(465,888)</u>	<u>(116,570)</u>
(329,518)	754,290
<u>2,853,064</u>	<u>48,275,455</u>
\$ <u><u>2,523,546</u></u>	\$ <u><u>49,029,745</u></u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
ELECTRIC FUND ACTIVITIES
June 30, 2019**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCE	Electric <u>Operations</u>	Capital <u>Replacement</u>	Electric <u>Public Benefit</u>	Electric <u>Capacity</u>	Totals <u>Electric Fund</u>
Current Assets:					
Cash and investments	\$ 13,059,807	\$ 1,775,447	\$ 1,756,519	\$ 931,702	\$ 17,523,475
Pension stabilization investments	839,475				839,475
Investment in NCPA Reserves	5,862,095				5,862,095
Accounts receivable	1,985,360				1,985,360
Interest receivable	67,781		7,868	4,240	79,889
Inventory	1,438,362				1,438,362
Due from other funds	15,000	1,586,382			1,601,382
Total Current Assets	<u>23,267,880</u>	<u>3,361,829</u>	<u>1,764,387</u>	<u>935,942</u>	<u>29,330,038</u>
Noncurrent Assets:					
Capital assets					
Land	48,360				48,360
Construction in progress	1,527,140				1,527,140
Depreciable buildings and improvements, net	27,758				27,758
Depreciable utility systems, net	11,654,015				11,654,015
Depreciable equipment, net	488,608				488,608
Total Noncurrent Assets	<u>13,745,881</u>				<u>13,745,881</u>
Total Assets	<u>37,013,761</u>	<u>3,361,829</u>	<u>1,764,387</u>	<u>935,942</u>	<u>43,075,919</u>
Deferred Outflows of Resources:					
Pension related	834,066				834,066
Total deferred outflows of resources	<u>834,066</u>				<u>834,066</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current Liabilities:					
Accounts payable and accrued liabilities	725,420	49,218	3,756		778,394
Bonds payable - current	163,606				163,606
Loan payable - current	118,104				118,104
Interest payable	4,814				4,814
Deposit payable	434,094				434,094
Total Current Liabilities	<u>1,446,038</u>	<u>49,218</u>	<u>3,756</u>		<u>1,499,012</u>
Noncurrent Liabilities					
Bonds payable	352,216				352,216
Loan payable	1,807,416				1,807,416
Net pension liability	3,894,065				3,894,065
Total Noncurrent Liabilities	<u>6,053,697</u>				<u>6,053,697</u>
Total Liabilities	<u>7,499,735</u>	<u>49,218</u>	<u>3,756</u>		<u>7,552,709</u>
Deferred Inflows of Resources:					
Pension related	659,947				659,947
Total deferred inflows of resources	<u>659,947</u>				<u>659,947</u>
NET POSITION					
Net investment in capital assets	13,230,059				13,230,059
Restricted	839,475				839,475
Unrestricted	15,618,611	3,312,611	1,760,631	935,942	21,627,795
Total Net Position	<u>\$ 29,688,145</u>	<u>\$ 3,312,611</u>	<u>\$ 1,760,631</u>	<u>\$ 935,942</u>	<u>\$ 35,697,329</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2019**

	Electric Operations	Capital Replacement	Electric Public Benefit	Electric Capacity	Totals Electric Fund
OPERATING REVENUES					
Charges for services	\$ 12,028,080	\$ -	\$ 339,403	\$ -	\$ 12,367,483
Development fees	352,000				352,000
Other	669,094		501,693		1,170,787
Total Operating Revenues	<u>13,049,174</u>		<u>841,096</u>		<u>13,890,270</u>
OPERATING EXPENSES					
Purchase of power	4,793,481				4,793,481
Salaries and benefits	2,693,981		99,732		2,793,713
Maintenance and operations	3,290,463	611,832	347,227	31,936	4,281,458
Administration	692,879				692,879
Depreciation	510,263				510,263
Total Operating Expenses	<u>11,981,067</u>	<u>611,832</u>	<u>446,959</u>	<u>31,936</u>	<u>13,071,794</u>
Operating Income (loss)	<u>1,068,107</u>	<u>(611,832)</u>	<u>394,137</u>	<u>(31,936)</u>	<u>818,476</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income (loss)	644,573		60,377	34,430	739,380
Interest expense	(61,935)				(61,935)
Total Non-operating Revenue (Expenses)	<u>582,638</u>		<u>60,377</u>	<u>34,430</u>	<u>677,445</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>1,650,745</u>	<u>(611,832)</u>	<u>454,514</u>	<u>2,494</u>	<u>1,495,921</u>
TRANSFERS					
Transfers in	3,225	424,886			428,111
Transfers out	(229,884)		(323,225)	(54,886)	(607,995)
Total Transfers	<u>(226,659)</u>	<u>424,886</u>	<u>(323,225)</u>	<u>(54,886)</u>	<u>(179,884)</u>
Change in Net Position	1,424,086	(186,946)	131,289	(52,392)	1,316,037
Net Position, Beginning of Fiscal Year	<u>28,264,059</u>	<u>3,499,557</u>	<u>1,629,342</u>	<u>988,334</u>	<u>34,381,292</u>
Net Position, End of Fiscal Year	<u>\$ 29,688,145</u>	<u>\$ 3,312,611</u>	<u>\$ 1,760,631</u>	<u>\$ 935,942</u>	<u>\$ 35,697,329</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2019

ASSETS	<u>Insurance and Benefit</u>	<u>Vehicle Maintenance</u>	<u>Information Services</u>	<u>Building Maintenance</u>	<u>Totals</u>
Current Assets:					
Cash and investments	\$ 2,853,732	\$ 1,604,950	\$ 795,001	\$ 663,702	\$ 5,917,385
Accounts receivable	15,678	22,487		30,470	68,635
Notes receivable			9,694		9,694
Interest receivable		19,071	3,624	2,812	25,507
Inventory		20,051			20,051
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	2,869,410	1,666,559	808,319	696,984	6,041,272
Noncurrent Assets:					
Capital assets					
Construction in progress				37,424	37,424
Depreciable buildings and improvements, net				1,782,050	1,782,050
Depreciable equipment, net		2,534,310	1,276,807		3,811,117
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets		2,534,310	1,276,807	1,819,474	5,630,591
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	2,869,410	4,200,869	2,085,126	2,516,458	11,671,863
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	223,469	32,709	17,503	13,713	287,394
Capital lease payable - current			341,145		341,145
Claims payable - current	91,082			46,860	137,942
Compensated absences	530,589				530,589
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities	845,140	32,709	358,648	60,573	1,297,070
Noncurrent Liabilities					
Capital lease payable			255,846		255,846
Claims payable	368,304			223,124	591,428
Compensated absences	1,364,372				1,364,372
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Noncurrent Liabilities	1,732,676		255,846	223,124	2,211,646
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2,577,816	32,709	614,494	283,697	3,508,716
NET POSITION					
Net investment in capital assets		2,534,310	679,816	1,819,474	5,033,600
Unrestricted	291,594	1,633,850	790,816	413,287	3,129,547
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 291,594	\$ 4,168,160	\$ 1,470,632	\$ 2,232,761	\$ 8,163,147
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2019**

	Insurance and Benefit	Vehicle Maintenance	Information Services	Building Maintenance	Totals
OPERATING REVENUES					
Charges for services	\$ -	\$ 1,083,705	\$ 1,962,246	\$ 990,347	\$ 4,036,298
Rental income				272,109	272,109
Other		177	7,026	6,998	14,201
Total Operating Revenues		<u>1,083,882</u>	<u>1,969,272</u>	<u>1,269,454</u>	<u>4,322,608</u>
OPERATING EXPENSES					
Salaries and benefits		320,900	527,548	277,132	1,125,580
Maintenance and operations		458,186	919,445	919,648	2,297,279
Administration		129,159	167,571	128,451	425,181
Depreciation		248,509	194,767	227,768	671,044
Total Operating Expenses		<u>1,156,754</u>	<u>1,809,331</u>	<u>1,552,999</u>	<u>4,519,084</u>
Operating Income (loss)		<u>(72,872)</u>	<u>159,941</u>	<u>(283,545)</u>	<u>(196,476)</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income (loss)		67,078	29,031	21,335	117,444
Gain (loss) on sale of fixed assets		123,027	(1,520)		121,507
Total Non-operating Revenue (Expenses)		<u>190,105</u>	<u>27,511</u>	<u>21,335</u>	<u>238,951</u>
INCOME BEFORE TRANSFERS		<u>117,233</u>	<u>187,452</u>	<u>(262,210)</u>	<u>42,475</u>
TRANSFERS					
Transfers in		101,756		28,031	129,787
Transfers out		(13,311)	(35,635)	(26,530)	(75,476)
Total Transfers		<u>88,445</u>	<u>(35,635)</u>	<u>1,501</u>	<u>54,311</u>
Change in Net Position		205,678	151,817	(260,709)	96,786
Net Position, Beginning of Fiscal Year	291,594	3,962,482	1,318,815	2,493,470	8,066,361
Net Position, End of Fiscal Year	<u>\$ 291,594</u>	<u>\$ 4,168,160</u>	<u>\$ 1,470,632</u>	<u>\$ 2,232,761</u>	<u>\$ 8,163,147</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2019

	Insurance and Benefit	Vehicle Maintenance	Information Services	Building Maintenance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 860	\$ 1,061,218	\$ 1,962,246	\$ 1,273,566	\$ 4,297,890
Receipts from other operating activities		177	7,026	6,998	14,201
Payments to suppliers	79,923	(588,262)	(1,078,506)	(1,045,384)	(2,632,229)
Payments to employees	150,837	(320,900)	(527,548)	(277,132)	(974,743)
Net Cash Provided (Used) by Operating Activities	<u>231,620</u>	<u>152,233</u>	<u>363,218</u>	<u>(41,952)</u>	<u>705,119</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in		101,756		28,031	129,787
Transfers out		(13,311)	(35,635)	(26,530)	(75,476)
Loans repaid (issued)			1,419		1,419
Net Cash Provided (Used) for Non-Capital and Related Financing Activities		<u>88,445</u>	<u>(34,216)</u>	<u>1,501</u>	<u>55,730</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital lease			562,355		562,355
Payments for capital lease			(341,145)		(341,145)
Cash received (loss) from sale of capital assets		123,027	(1,520)		121,507
Acquisition and construction of capital assets		(960,389)	(580,703)	(97,465)	(1,638,557)
Net Cash Used by Capital and Related Financing Activities		<u>(837,362)</u>	<u>(361,013)</u>	<u>(97,465)</u>	<u>(1,295,840)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income		53,739	27,492	20,551	101,782
Net Cash Provided by Investing Activities		<u>53,739</u>	<u>27,492</u>	<u>20,551</u>	<u>101,782</u>
Increase (Decrease) in cash and cash equivalents	231,620	(542,945)	(4,519)	(117,365)	(433,209)
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>2,622,112</u>	<u>2,147,895</u>	<u>799,520</u>	<u>781,067</u>	<u>6,350,594</u>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 2,853,732</u>	<u>\$ 1,604,950</u>	<u>\$ 795,001</u>	<u>\$ 663,702</u>	<u>\$ 5,917,385</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Cash and investments	\$ 2,853,732	\$ 1,604,950	\$ 795,001	\$ 663,702	\$ 5,917,385
Total Cash and Cash Equivalents	<u>\$ 2,853,732</u>	<u>\$ 1,604,950</u>	<u>\$ 795,001</u>	<u>\$ 663,702</u>	<u>\$ 5,917,385</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ -	\$ (72,872)	\$ 159,941	\$ (283,545)	\$ (196,476)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation		248,509	194,767	227,768	671,044
Changes in assets and liabilities:					
(Increase) decrease in accounts receivables	860	(22,487)		11,110	(10,517)
(Increase) decrease in prepaid expenses	222,265	12,534			234,799
Increase (decrease) in compensated absences	150,837				150,837
(Increase) decrease in Inventory		(8,084)			(8,084)
Increase (decrease) in claims payable	(103,922)			(519)	(104,441)
Increase (decrease) in accounts payable and accrued liabilities	(38,420)	(5,367)	8,510	3,234	(32,043)
Net Cash Provided (Used) by Operating Activities	<u>\$ 231,620</u>	<u>\$ 152,233</u>	<u>\$ 363,218</u>	<u>\$ (41,952)</u>	<u>\$ 705,119</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
June 30, 2019

Assets	Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Post RDA Successor Agency
Cash and investments	\$ -	\$ 79,924	\$ 7,322	\$ 4,559,024
Cash and investments with fiscal agent	223,273			
Interest receivable		403		24,733
Notes receivable				3,861,803
Capital assets, net of depreciation				846,549
Total Assets	223,273	80,327	7,322	9,292,109
Liabilities				
Accounts payable		1,500	98	
Interest payable				
Noncurrent liabilities				
Due within one year				
Due in more than one year				
Total Liabilities		1,500	98	
Net Position				
Net position held in trust	\$ 223,273	\$ 78,827	\$ 7,224	\$ 9,292,109

Post RDA Debt Retirement Fund	Colonel L.A. Norton Memorial Trust	Cultural Center Trust	Total
\$ 846,992	\$ 331	\$ 77,037	\$ 5,570,630
2,500,053		344	2,723,326
			25,480
			3,861,803
			846,549
<u>3,347,045</u>	<u>331</u>	<u>77,381</u>	<u>13,027,788</u>
		1,000	2,598
712,993			712,993
2,162,921			2,162,921
<u>41,717,013</u>			<u>41,717,013</u>
<u>44,592,927</u>		<u>1,000</u>	<u>44,595,525</u>
<u>\$ (41,245,882)</u>	<u>\$ 331</u>	<u>\$ 76,381</u>	<u>\$ (31,567,737)</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2019

Additions	Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Post RDA Successor Agency
Property taxes	\$ -	\$ -	\$ -	\$ 3,597,444
Use of money and property Transfers	12,829	3,654		134,981
Other				1,186,926
Total Revenues	<u>12,829</u>	<u>3,654</u>		<u>4,919,351</u>
 Deductions				
Community development	3,162	46,513	312	265,470
Community services				20,696
Depreciation				3,400,000
Interest expense Transfers				3,400,000
Total Deductions	<u>3,162</u>	<u>46,513</u>	<u>312</u>	<u>3,686,166</u>
Change in Net Position	<u>9,667</u>	<u>(42,859)</u>	<u>(312)</u>	<u>1,233,185</u>
Net Position, beginning	213,606	121,686	7,536	8,058,924
Prior period adjustments				
Net Position, beginning, restated	<u>213,606</u>	<u>121,686</u>	<u>7,536</u>	<u>8,058,924</u>
Net Position, ending	<u>\$ 223,273</u>	<u>\$ 78,827</u>	<u>\$ 7,224</u>	<u>\$ 9,292,109</u>

Post RDA Debt Retirement Fund	Colonel L.A. Norton Memorial Trust	Cultural Center Trust	Total
\$ -	\$ -	\$ -	\$ 3,597,444
24,016		2,673	178,153
3,400,000			3,400,000
129,285			1,316,211
<u>3,553,301</u>		<u>2,673</u>	<u>8,491,808</u>
			315,457
		1,000	1,000
			20,696
1,559,925			1,559,925
			3,400,000
<u>1,559,925</u>		<u>1,000</u>	<u>5,297,078</u>
<u>1,993,376</u>		<u>1,673</u>	<u>3,194,730</u>
(43,239,258)			(34,837,506)
	331	74,708	75,039
<u>(43,239,258)</u>	<u>331</u>	<u>74,708</u>	<u>(34,762,467)</u>
<u>\$ (41,245,882)</u>	<u>\$ 331</u>	<u>\$ 76,381</u>	<u>\$ (31,567,737)</u>