

CITY OF HEALDSBURG

Financial Statements

Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS

PAGE

INTRODUCTORY SECTION

Table of Contents i

FINANCIAL SECTION

A. Independent Auditor’s Report 1

B. Management’s Discussion and Analysis 4

C. Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 15

Statement of Activities..... 16

Fund Financial Statements:

Balance Sheet – Governmental Funds 18

Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position..... 19

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds..... 20

Reconciliation of the Statements of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities 21

Statement of Net Position – Proprietary Funds..... 22

Statement of Revenues, Expenses, and Changes in
Net Position – Proprietary Funds..... 24

Statement of Cash Flows – Proprietary Funds 26

Statement of Fiduciary Net Position 28

Statement of Changes in Fiduciary Net Position 29

Notes to Basic Financial Statements 31

D. Required Supplemental Information:

Schedule of the Local Government’s Proportionate Share
of the Net Pension Liability 85

Schedule of Pension Contributions 86

Schedule of Change in Net OPEB Liability and Related Ratios..... 87

Schedule of OPEB Contributions..... 88

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual:

General Fund 89

Community Services Special Revenue Fund..... 90

Note to Required Supplementary Information 91

E. Other Supplemental Information:

F. Nonmajor Governmental Funds:

Description of Nonmajor Governmental Funds 93

Combining Balance Sheet – Nonmajor Governmental Funds 94

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds 96

TABLE OF CONTENTS

<u>FINANCIAL SECTION (Continued)</u>	<u>PAGE</u>
F. Nonmajor Governmental Funds:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Gas Tax Special Revenue Fund.....	98
Public Safety Special Revenue Fund.....	99
Strong Motion Education and Data Special Revenue Fund	100
Area A Lighting and Landscaping Special Revenue Fund.....	101
Media Center Special Revenue Fund	102
Park Development Fees Special Revenue Fund	103
Housing Successor Agency Special Revenue Fund	104
General Debt Service Fund.....	105
G. General Fund Activities:	
Combining Balance Sheet	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	108
H. Water Fund Activities:	
Combining Statement of Net Position.....	110
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	111
I. Sewer Fund Activities:	
Combining Statement of Net Position.....	112
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	114
J. Electric Fund Activities:	
Combining Statement of Net Position.....	116
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	117
K. Internal Service Funds:	
Combining Statement of Net Position.....	118
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	119
Combining Statement of Cash Flows	121
L. Private-purpose Trust Funds:	
Combining Statement of Fiduciary Net Position.....	122
Combining Statement of Changes in Fiduciary Net Position.....	124

FINANCIAL SECTION



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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, 2020, 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 Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020, 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 85 through 88, and budgetary comparison information on pages 89 and 90 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 governmental fund financial statements, nonmajor governmental 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 governmental fund financial statements, nonmajor governmental 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 governmental fund financial statements, nonmajor governmental 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 December 22, 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

Moss, Levy & Hartzheim, LLP
Culver City, California
December 22, 2020

CITY OF HEALDSBURG
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2020

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, 2020. 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.

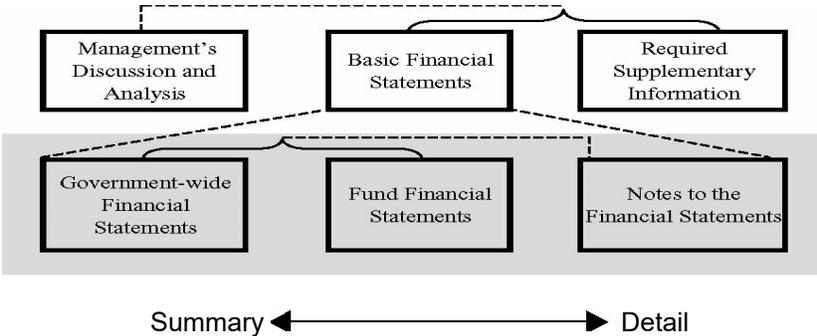
Financial Highlights

- The impact of the global pandemic and the resulting response to slow the spread of the disease has impacted business and tourism activities in the City. At the close of fiscal year 2019-20, City governmental funds reported combined ending fund balance of \$17.40 million, a decrease of \$4.23 million.
- City assets exceeded its liabilities by \$202.77 million (net position) at June 30, 2020. Of this amount, \$6.91 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.
- The City’s current fiscal year change in net position of \$30.37 thousand, compared to the prior fiscal year change in net position of \$2.94 million, resulted in a decreased net position change of \$2.91 million during the current fiscal year. The decrease is mainly attributable to the City’s Transient Occupancy Tax revenue decreasing \$1.32 million and governmental charges for services decreasing \$1.28 million from the prior year levels.
- At the end of fiscal year 2019-20, unassigned fund balance for the General Fund was \$2.33 million, or 16.36% of total General Fund expenditures. The General Fund Balance sheet is on page 18.

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, 2020

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.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 twenty 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 Special Revenue, and Streets Capital Projects 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 maintenance, information systems, and building maintenance. 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, certain enterprise 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, 2020

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, 2020 and 2019

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 26,994,362	\$ 30,864,969	\$ 51,870,724	\$ 57,468,956	\$ 78,865,086	\$ 88,333,925
Capital assets	101,122,717	101,039,605	96,895,850	92,267,102	198,018,567	193,306,707
Total assets	128,117,079	131,904,574	148,766,574	149,736,058	276,883,653	281,640,632
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Amounts on Refundings	-	-	821,095	875,835	821,095	875,835
Deferred Pension Related Items	5,502,127	5,203,435	2,095,947	2,038,828	7,598,074	7,242,263
Deferred OPEB Related Items	243,232	48,000	-	-	243,232	48,000
Total deferred outflows	5,745,359	5,251,435	2,917,042	2,914,663	8,662,401	8,166,098
LIABILITIES						
Current Liabilities	3,992,585	4,132,848	3,649,091	5,563,290	7,641,676	9,696,138
Long-term liabilities	33,323,359	31,853,459	40,178,242	41,480,714	73,501,601	73,334,173
Total liabilities	37,315,944	35,986,307	43,827,333	47,044,004	81,143,277	83,030,311
DEFERRED INFLOWS OF RESOURCES						
Deferred Pension Related Items	1,122,309	2,391,551	453,660	1,613,203	1,575,969	4,004,754
Deferred OPEB Related Items	55,776	31,000	-	-	55,776	31,000
Total deferred inflows	1,178,085	2,422,551	453,660	1,613,203	1,631,745	4,035,754
NET POSITION						
Net Investment						
in Capital Assets	99,462,564	104,544,698	66,461,588	60,067,681	165,924,152	164,612,379
Restricted	14,390,866	17,252,511	20,427,643	2,043,126	34,818,509	19,295,637
Committed	531,529	924,682	-	-	531,529	924,682
Assigned	24,924	399,124	-	-	24,924	399,124
Unrestricted	(19,041,474)	(24,373,864)	20,513,392	41,882,707	1,471,918	17,508,843
Total net position	\$ 95,368,409	\$ 98,747,151	\$ 107,402,623	\$ 103,993,514	\$ 202,771,032	\$ 202,740,665

By far the largest portion of the City's net position (81.83%) 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 (\$35.35 million or 17.43%) 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 \$1.50 million net position may be used to meet the government's ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, and capital projects).

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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. 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, 2020 and 2019						
	Government Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
PROGRAM REVENUES						
Charges for Services	\$ 2,278,022	\$ 3,560,375	\$ 29,073,708	\$ 29,040,504	\$ 31,351,730	\$ 32,600,879
Operating Grants	1,777,828	1,126,908	-	-	1,777,828	1,126,908
Capital Grants	640,628	1,076,442	166,538	328,973	807,166	1,405,415
GENERAL REVENUES						
Property and Other Taxes	2,766,448	2,930,179	-	-	2,766,448	2,930,179
Sales and Use Taxes	6,995,107	7,217,720	-	-	6,995,107	7,217,720
Motor Vehicle in Lieu	1,475,012	1,397,333	-	-	1,475,012	1,397,333
Franchise Fees	557,757	514,011	-	-	557,757	514,011
Business License Taxes	177,086	304,137	-	-	177,086	304,137
Transient Occupancy Taxes	3,809,137	5,127,964	-	-	3,809,137	5,127,964
Use of Money and Property	513,637	786,516	1,186,418	1,661,045	1,700,055	2,447,561
Other Revenues (Misc)	109,768	898,621	-	-	109,768	898,621
TOTAL REVENUES	\$ 21,100,430	\$ 24,940,206	\$ 30,426,664	\$ 31,030,522	\$ 51,527,094	\$ 55,970,728
EXPENSES						
Governmental Activities						
General Government	\$ 3,955,126	\$ 2,787,080	\$ -	\$ -	\$ 3,955,126	\$ 2,787,080
Public Safety	10,866,228	10,149,454	-	-	10,866,228	10,149,454
Community Development	992,053	4,408,498	-	-	992,053	4,408,498
Community Services	4,882,178	4,401,013	-	-	4,882,178	4,401,013
Streets and Roads	2,315,010	1,857,120	-	-	2,315,010	1,857,120
Interest on Long Term Debt	135,428	165,332	-	-	135,428	165,332
Unallocated Depreciation	2,280,873	2,007,212	-	-	2,280,873	2,007,212
Business Type Activities						
Water	-	-	4,948,168	5,195,788	4,948,168	5,195,788
Sewer	-	-	8,769,856	8,513,414	8,769,856	8,513,414
Electric	-	-	11,965,773	13,133,729	11,965,773	13,133,729
Non-Major Enterprise Funds (Airport)	-	-	386,034	408,114	386,034	408,114
TOTAL EXPENSES	\$ 25,426,896	\$ 25,775,709	\$ 26,069,831	\$ 27,251,045	\$ 51,496,727	\$ 53,026,754
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE TRANSFERS	\$ (4,326,466)	\$ (835,503)	\$ 4,356,833	\$ 3,779,477	\$ 30,367	\$ 2,943,974
Transfers						
Transfers In (Out)	\$ 947,724	\$ 298,939	\$ (947,724)	\$ (298,939)	\$ -	\$ -
TOTAL TRANSFERS	\$ 947,724	\$ 298,939	\$ (947,724)	\$ (298,939)	\$ -	\$ -
CHANGE IN NET POSITION	\$ (3,378,742)	\$ (536,564)	\$ 3,409,109	\$ 3,480,538	\$ 30,367	\$ 2,943,974
NET POSITION JULY 1	98,747,151	99,051,805	103,993,514	100,819,925	202,740,665	199,871,730
RESTATEMENT OF NET POSITION	-	231,910	-	(306,949)	-	(75,039)
NET POSITION JUNE 30	\$ 95,368,409	\$ 98,747,151	\$ 107,402,623	\$ 103,993,514	\$ 202,771,032	\$ 202,740,665

The Change in Net Position shows how the government's net position changed during fiscal year 2019-20 as compared to fiscal year 2018-19. The City's current fiscal year change in net position of \$30.37 thousand, compared to the prior fiscal year change in net position of \$2.94 million, resulted in a decrease in change of \$2.91 million during the current fiscal year. The decrease is mainly attributable to the City's TOT revenue decreasing \$1.32 million and governmental charges for services decreasing \$1.28 million from the prior year levels.

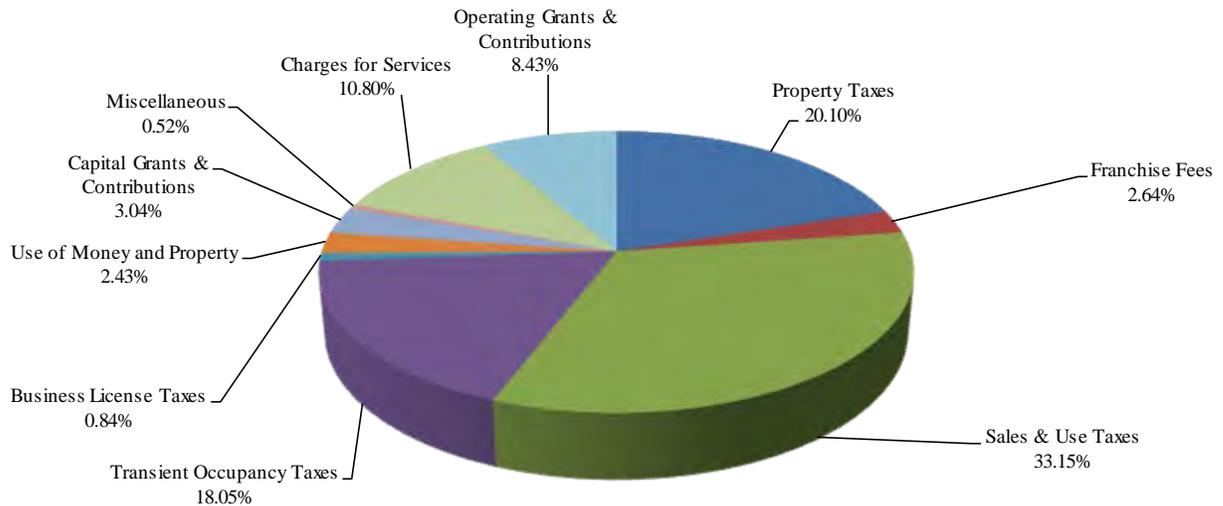
CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Governmental Activities. Governmental activities decreased \$3.38 million during the fiscal year ended June 30, 2020. Revenue decreased \$3.84 million or 15.40%. Factors contributing to the current fiscal year decrease include:

- Charges for services decreased \$1.28 million
- Transient occupancy taxes decreased \$1.32 million
- Miscellaneous revenue decreased \$788.85 thousand

The chart below reflects information from the Statement of Activities, page 16 and 17, of the Financial Statements.

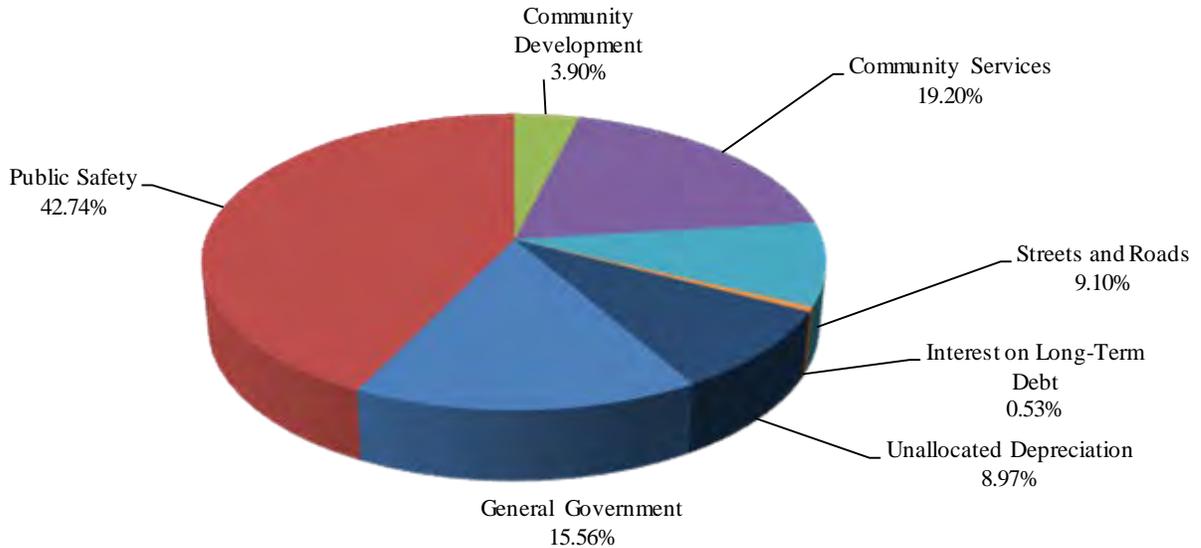
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2020**



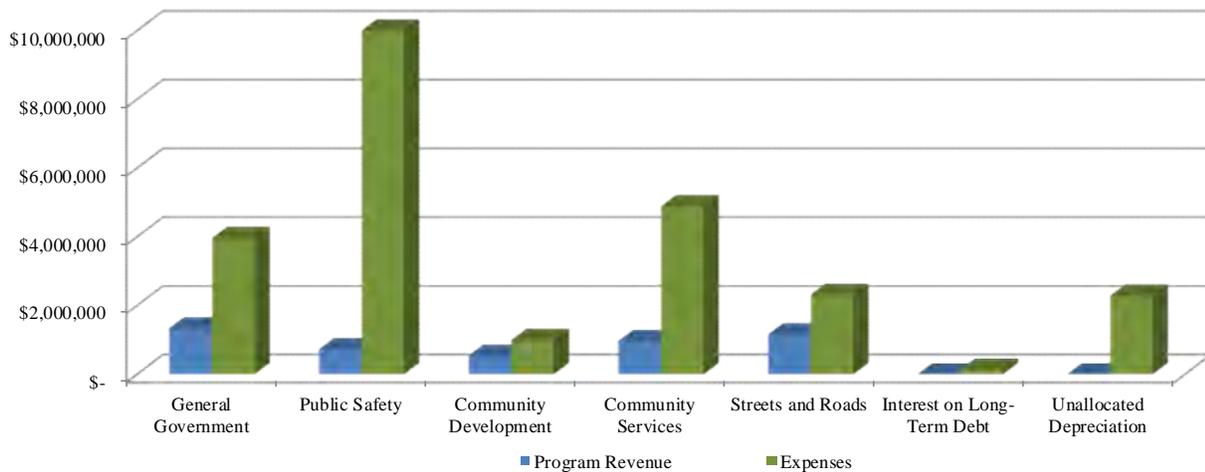
As for expenditures, public safety expenses are the most significant (42.74%) of all governmental activities expenses, followed by community services (19.20%), general government (15.56%), and streets and roads (9.10%). Depreciation expense is 8.97% of the total expenses for governmental activities. The chart below reflects information from the Financial Statements, Statement of Activities on page 16.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

EXPENSES BY FUNCTION/PROGRAM – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2020



COMPARISON OF EXPENSES AND PROGRAM REVENUES
GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2020



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

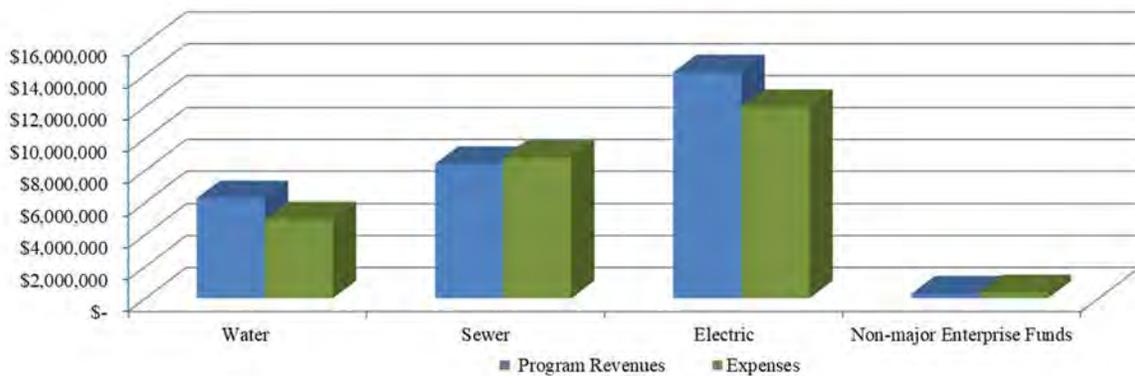
Business-Type Activities. During the fiscal year ended June 30, 2020, business-type activities increased the City's net position by \$3.41 million, similarly the City's fiscal year ended June 30, 2019 net position increased \$3.17 million.

- Total revenue of \$30.43 million is mainly comprised of charges for services of \$29.07 million and use of money and property of \$1.19 million.
- Revenue exceeded operating expenses of \$26.07 million, resulting in a current fiscal year net position increase of \$4.36 million.

**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2020**



**COMPARISON OF EXPENSES AND PROGRAM REVENUES
BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2020**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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, unassigned 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, 2020, the City's governmental funds Balance Sheet on page 18, reported total ending fund balances of \$17.40 million, a decrease of \$4.23 million from the prior fiscal year. This decrease is primarily attributed to a \$3.20 million decrease in Sales and Other Tax revenue.

Approximately 9.51% of the total ending fund balances (\$1.65 million) is unassigned available for spending in the future at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned. The most significant of these reserved fund balances are restricted for pension stabilization, affordable housing, and streets and roads, \$4.92 million, \$6.92 million, and \$1.60 million, respectively.

General Fund revenues were \$1.91 million (-11.14%) less than in the prior fiscal year, and expenditures increased by \$485.04 thousand (3.52%). The decrease in revenues was the result of a decrease in Sales and Other Taxes of \$2.51 million, a decrease in intergovernmental of \$643.32 thousand, a decrease in development fees of \$248.99 thousand, a decrease in charges for services of \$159.83 thousand and a decrease in use of money and property of \$156.82 thousand. This combined decrease in revenue of \$3.72 million was offset by an increase in property tax of \$1.62 million and an increase in licenses and permits of \$200.24 thousand.

Proprietary Funds. The City's proprietary funds Revenues, Expenses, and Changes in Net Position, page 24, 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 in the Water Fund of \$1.52 million to \$17.16 million, a decrease in the Sewer Fund of \$864.86 thousand to \$48.16 million and an increase in the Electric Fund of \$2.67 million to \$38.37 million.

The Internal Service Funds had an increase in net position of \$424.86 thousand during the fiscal year, ending with a balance of \$8.59 million. This increase is attributable to an increase in investment income and a 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, 2020, amounted to \$198.02 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 \$5.96 million.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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	
	2020	2019	2020	2019
Land and Land Rights	\$ 20,805,340	\$ 20,797,416	\$ 1,245,877	\$ 1,245,877
Right of Way	6,681,379	6,681,379	-	-
Construction in Progress	9,954,405	9,403,249	7,917,971	8,667,356
Land Improvements	2,631,816	2,407,284	-	-
Streets	54,150,948	52,688,111	-	-
Buildings	32,716,886	32,716,886	3,040,870	3,071,504
Machinery and Equipment	10,091,553	9,195,883	3,037,947	3,031,390
Infrastructure	1,515,614	1,515,614	-	-
Utility Systems	-	-	120,970,041	113,131,248
Drainage	-	-	10,525,492	10,470,692
Operations	-	-	3,627,134	3,381,750
Total	<u>\$ 138,547,941</u>	<u>\$ 135,405,822</u>	<u>\$ 150,365,332</u>	<u>\$ 142,999,817</u>
Less Accumulated Depreciation	<u>(37,425,224)</u>	<u>(34,366,217)</u>	<u>(53,469,482)</u>	<u>(50,732,715)</u>
Net Capital Assets	<u>\$ 101,122,717</u>	<u>\$ 101,039,605</u>	<u>\$ 96,895,850</u>	<u>\$ 92,267,102</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 \$77.26 million at June 30, 2020. Of this total, \$34.98 million (45.28%) was in governmental activities and \$42.27 million (54.72%) was in business-type activities.

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Pension Obligation Bond	\$ 1,582,633	\$ 2,317,497	\$ 884,723	\$ 1,295,526
Net Pension Liability	26,029,881	24,057,115	10,310,120	9,518,825
Certificates of Participation	-	-	1,755,000	1,875,000
HUSD Capital Lease Payable	1,404,307	1,528,507	-	-
Revenue Bonds	-	-	27,514,751	29,029,135
Compensated Absences	2,273,171	1,894,961	-	-
Successor Agency Payable	1,584,791	1,688,348	1,807,416	1,925,520
Capital Leases	255,846	596,991	-	-
Claims Payable	575,367	729,370	-	-
OPEB	1,279,607	1,013,000	-	-
Total	<u>\$ 34,985,603</u>	<u>\$ 33,825,789</u>	<u>\$ 42,272,010</u>	<u>\$ 43,644,006</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, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Given the unsteady economic climate brought about by COVID-19, the City remains even more committed to evaluating our governmental practices, identifying opportunities for greater operational efficiencies and thereby best utilization of taxpayer provided resources. The 2020-21 fiscal year General Fund revenue projections continue to be conservative. Increases have been projected for property taxes and transient occupancy taxes, while a decrease is expected for sales and use tax.

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, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 11,829,970	\$ 35,051,224	\$ 46,881,194
Cash and investments with fiscal agents	586,595	24	586,619
Pension stabilization investments	5,087,836	2,160,203	7,248,039
Investment in NCPA Reserves		5,997,421	5,997,421
Accounts receivable	1,888,881	4,159,519	6,048,400
Loans and notes receivable	8,772,642		8,772,642
Interest receivable	60,076	120,891	180,967
Intergovernmental receivable	1,702,620		1,702,620
Internal balances	(2,961,138)	2,961,138	
Inventory	20,020	1,414,756	1,434,776
Prepaid items	6,860	5,548	12,408
Total Current Assets	<u>26,994,362</u>	<u>51,870,724</u>	<u>78,865,086</u>
Non-current Assets:			
Capital assets:			
Not being depreciated	37,441,124	9,163,848	46,604,972
Being depreciated, net of accumulated depreciation	63,681,593	87,732,002	151,413,595
Total Non-current Assets	<u>101,122,717</u>	<u>96,895,850</u>	<u>198,018,567</u>
Total Assets	<u>128,117,079</u>	<u>148,766,574</u>	<u>276,883,653</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on debt refunding		821,095	821,095
Pension related	5,502,127	2,095,947	7,598,074
OPEB related	243,232		243,232
Total Deferred Outflows of Resources	<u>5,745,359</u>	<u>2,917,042</u>	<u>8,662,401</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	1,234,878	1,046,909	2,281,787
Retentions payable	921,619	107,773	1,029,392
Interest payable		279,812	279,812
Claims payable - current	137,942		137,942
Deposits payable	173,844	120,829	294,673
Compensated absences, due within one year	568,292		568,292
Capital lease, due within one year	363,879		363,879
Other long-term liabilities, due within one year	592,131	2,093,768	2,685,899
Total Current Liabilities	<u>3,992,585</u>	<u>3,649,091</u>	<u>7,641,676</u>
Non-current Liabilities			
Compensated absences, due in more than one year	1,704,879		1,704,879
Claims payable, due in more than one year	437,425		437,425
Net pension liability	26,029,881	10,310,120	36,340,001
Capital lease, due in more than one year	1,296,274		1,296,274
Other long-term liabilities, due in more than one year	2,575,293	29,868,122	32,443,415
Other post-employment benefits liability	1,279,607		1,279,607
Total Non-current Liabilities	<u>33,323,359</u>	<u>40,178,242</u>	<u>73,501,601</u>
Total Liabilities	<u>37,315,944</u>	<u>43,827,333</u>	<u>81,143,277</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	1,122,309	453,660	1,575,969
OPEB related	55,776		55,776
Total Deferred Inflows of Resources	<u>1,178,085</u>	<u>453,660</u>	<u>1,631,745</u>
NET POSITION			
Net investment in capital assets	99,462,564	66,461,588	165,924,152
Restricted for:			
Lighting and landscaping	261,822		261,822
Pension	3,333,177	2,160,203	5,493,380
Capital projects		18,267,440	18,267,440
Community services	753,362		753,362
Debt service	360,716		360,716
Streets and roads	1,599,086		1,599,086
Public safety	355,718		355,718
Housing	8,283,438		8,283,438
Unrestricted	(19,041,474)	20,513,392	1,471,918
Total Net Position	<u>\$ 95,368,409</u>	<u>\$ 107,402,623</u>	<u>\$ 202,771,032</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF HEALDSBURG
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 3,955,126	\$ 1,134,508	\$ 198,111	\$ -
Public safety	10,866,228	586,168	134,140	
Streets and roads	2,315,010	28,849	731,970	390,570
Community development	992,053	18,199	513,742	
Community services	4,882,178	510,298	199,865	250,058
Interest and fiscal charges	135,428			
Unallocated depreciation	2,280,873			
Total Governmental Activities	25,426,896	2,278,022	1,777,828	640,628
Business-type Activities:				
Water	4,948,168	6,233,788		
Sewer	8,769,856	8,397,537		
Electric	11,965,773	14,147,204		
Airport	386,034	295,179		166,538
Total Business-type Activities	26,069,831	29,073,708		166,538
Total Primary Government	\$ 51,496,727	\$ 31,351,730	\$ 1,777,828	\$ 807,166

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

Net Position - End of Fiscal Year

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,622,507)	\$ -	\$ (2,622,507)
(10,145,920)		(10,145,920)
(1,163,621)		(1,163,621)
(460,112)		(460,112)
(3,921,957)		(3,921,957)
(135,428)		(135,428)
(2,280,873)		(2,280,873)
<u>(20,730,418)</u>		<u>(20,730,418)</u>
	1,285,620	1,285,620
	(372,319)	(372,319)
	2,181,431	2,181,431
	75,683	75,683
	<u>3,170,415</u>	<u>3,170,415</u>
<u>(20,730,418)</u>	<u>3,170,415</u>	<u>(17,560,003)</u>
3,809,137		3,809,137
6,995,107		6,995,107
2,766,448		2,766,448
557,757		557,757
177,086		177,086
1,475,012		1,475,012
513,637	1,186,418	1,700,055
109,768		109,768
947,724	(947,724)	
<u>17,351,676</u>	<u>238,694</u>	<u>17,590,370</u>
(3,378,742)	3,409,109	30,367
<u>98,747,151</u>	<u>103,993,514</u>	<u>202,740,665</u>
<u>\$ 95,368,409</u>	<u>\$ 107,402,623</u>	<u>\$ 202,771,032</u>

**CITY OF HEALDSBURG
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

	General	Special Revenue Fund Community Services	Capital Projects Fund Streets	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 2,816,910	\$ 55,029	\$ 174,063	\$ 2,934,616	\$ 5,980,618
Cash and investments with fiscal agents				586,595	586,595
Pension stabilization investments	4,473,943	441,867	172,026		5,087,836
Receivables:					
Accounts and taxes	1,048,769	421,203	5,982	70,890	1,546,844
Interest	39,372	465	627	8,425	48,889
Intergovernmental	1,513,126	135,074	21,357	33,063	1,702,620
Due from other funds	64,571				64,571
Loans and notes receivable	558,603		88,132	8,119,121	8,765,856
Inventory			10,307		10,307
Prepaid expenditures	5,150				5,150
Total Assets	\$ 10,520,444	\$ 1,053,638	\$ 472,494	\$ 11,752,710	\$ 23,799,286
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 294,476	\$ 140,513	\$ 152,012	\$ 39,370	\$ 626,371
Due to other funds	2,946,138			79,571	3,025,709
Deposits payable		114,130	58,980	734	173,844
Retention payable			915,996		915,996
Total Liabilities	3,240,614	254,643	1,126,988	119,675	4,741,920
Deferred inflows of resources:					
Unavailable revenue - interest				1,356,621	1,356,621
Unavailable revenue	12,559	233,995		54,600	301,154
Total deferred inflows of resources	12,559	233,995		1,411,221	1,657,775
Fund balances					
Nonspendable:					
Prepaid expenditures	5,150				5,150
Inventory			10,307		10,307
Restricted	4,903,264	565,000		9,705,067	15,173,331
Committed				531,529	531,529
Assigned	24,924				24,924
Unassigned	2,333,933		(664,801)	(14,782)	1,654,350
Total Fund Balances	7,267,271	565,000	(654,494)	10,221,814	17,399,591
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,520,444	\$ 1,053,638	\$ 472,494	\$ 11,752,710	\$ 23,799,286

See Accompanying Notes to Basic Financial Statements

CITY OF HEALDSBURG
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020

Fund balances for governmental funds		\$ 17,399,591
<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	\$ 126,845,358	
Less: accumulated depreciation	<u>(31,808,373)</u>	95,036,985
<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	(1,582,633)	
Capital leases payable	(1,404,307)	
Net pension liability	(26,029,881)	
Loan payable	(1,584,791)	
OPEB liability	<u>(1,279,607)</u>	(31,881,219)
<p>Intergovernmental receivables which are not financial resources but are revenues under the full accrual method.</p>		
		301,154
<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>		
		8,588,003
<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 outflows of resources relating to pensions	5,502,127	
Deferred inflows of resources relating to pensions	<u>(1,122,309)</u>	4,379,818
<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	(55,776)	
Deferred outflows of resources relating to OPEB	<u>243,232</u>	187,456
<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>1,356,621</u>
Net position of governmental activities		<u>\$ 95,368,409</u>

CITY OF HEALDSBURG
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

	General	Special Revenue	Capital Projects	Nonmajor Governmental Funds	Total
		Fund	Fund		Governmental
		Community Services	Streets	Funds	Funds
REVENUES					
Property taxes	\$ 4,241,460	\$ -	\$ -	\$ 202,933	\$ 4,444,393
Sales and other taxes	8,390,128	2,864,243	107,630		11,362,001
Development fees	94,992	24,489	28,047	18,199	165,727
Intergovernmental	139,489	250,058	160,000	508,282	1,057,829
Fines and forfeitures	85,922				85,922
Licenses and permits	874,675	4,104			878,779
Use of money and property	461,872	39,224	16,986	80,977	599,059
Charges for services	832,024	481,705	802	10,149	1,324,680
Other, donations, and reimbursements	109,768	160,364	379,821	142,365	792,318
Total Revenues	15,230,330	3,824,187	693,286	962,905	20,710,708
EXPENDITURES					
Current:					
General government	3,945,859				3,945,859
Public safety	9,869,154			50,857	9,920,011
Streets and roads			4,221,971	1,883	4,223,854
Community development	454,339			718,176	1,172,515
Community services		5,060,631		2,008	5,062,639
Debt service:					
Principal retirement				962,621	962,621
Interest and fiscal charges				135,428	135,428
Total Expenditures	14,269,352	5,060,631	4,221,971	1,870,973	25,422,927
Excess of Revenues over (under) Expenditures	960,978	(1,236,444)	(3,528,685)	(908,068)	(4,712,219)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,059,773	525,793	2,919,734	1,614,801	6,120,101
Transfers out	(3,833,389)	(807,974)	(36,433)	(961,328)	(5,639,124)
Total Other Financing Sources (Uses)	(2,773,616)	(282,181)	2,883,301	653,473	480,977
Net Change in Fund Balances	(1,812,638)	(1,518,625)	(645,384)	(254,595)	(4,231,242)
Fund Balances (deficit), Beginning of Fiscal Year	9,079,909	2,083,625	(9,110)	10,476,409	21,630,833
Fund Balances (deficit), End of Fiscal Year	\$ 7,267,271	\$ 565,000	\$ (654,494)	\$ 10,221,814	\$ 17,399,591

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, 2020**

Net change in fund balances - total governmental funds \$ (4,231,242)

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	\$1,908,844	
Depreciation	<u>(2,280,873)</u>	(372,029)

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.	962,621
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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.	(96,151)
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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.	424,856
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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:	(404,832)
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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.	<u>338,035</u>
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Change in net position of governmental activities	<u>\$ (3,378,742)</u>
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**CITY OF HEALDSBURG
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Non-major Airport Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 5,448,192	\$ 10,757,713	\$ 18,683,428	\$ 161,891
Cash and investments with fiscal agents	7	17		
Pension stabilization investments	516,057	756,567	887,579	
Investment in NCPA Reserves			5,997,421	
Accounts receivable	1,082,108	1,166,115	1,904,505	6,791
Loans and notes receivable				
Interest receivable	18,044	37,743	64,567	537
Inventory	74,933	24,274	1,300,996	14,553
Due from other funds		2,704,895	1,488,069	
Prepaid items	2,372	3,176		
Total Current Assets	7,141,713	15,450,500	30,326,565	183,772
Noncurrent Assets:				
Capital assets				
Land	310,781	766,902	48,360	119,834
Construction in progress	1,770,469	2,954,700	2,791,468	401,334
Depreciable buildings and improvements, net	300,139	60,998	24,065	529,535
Depreciable utility systems, net	17,464,122	54,454,300	11,177,347	
Depreciable operations, net				2,509,979
Depreciable equipment, net	119,098	643,566	448,853	
Total Noncurrent Assets	19,964,609	58,880,466	14,490,093	3,560,682
Total Assets	27,106,322	74,330,966	44,816,658	3,744,454
Deferred Outflows of Resources:				
Deferred loss on debt refunding		821,095		
Pension related	619,257	619,257	857,433	
Total deferred outflows of resources	619,257	1,440,352	857,433	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	42,969	451,716	537,082	15,142
Due to other funds		1,231,826		
Deposits payable	6,934	130	97,267	16,498
Retentions payable			99,106	8,667
Bonds payable - current	738,042	1,128,648	108,679	
Loan payable - current			118,399	
Capital lease payable - current				
Claims payable - current				
Interest payable	75,105	200,188	4,519	
Compensated absences				
Total Current Liabilities	863,050	3,012,508	965,052	40,307
Noncurrent Liabilities				
Bonds payable	6,521,849	21,413,718	243,538	
Loan payable			1,689,017	
Capital lease payable				
Claims payable				
Net pension liability	3,046,172	3,046,172	4,217,776	
Compensated absences				
Total Noncurrent Liabilities	9,568,021	24,459,890	6,150,331	
Total Liabilities	10,431,071	27,472,398	7,115,383	40,307
Deferred Inflows of Resources:				
Pension related	134,036	134,036	185,588	
Total deferred inflows of resources	134,036	134,036	185,588	
NET POSITION				
Net investment in capital assets	12,629,620	36,137,929	14,133,357	3,560,682
Restricted	4,275,485	10,192,980	5,959,178	
Unrestricted	255,367	1,833,975	18,280,585	143,465
Total Net Position	\$ 17,160,472	\$ 48,164,884	\$ 38,373,120	\$ 3,704,147

Totals	Governmental Activities Internal Service Funds
\$ 35,051,224	\$ 5,849,352
24	
2,160,203	
5,997,421	
4,159,519	342,037
	6,786
120,891	11,187
1,414,756	9,713
4,192,964	
5,548	1,710
<u>53,102,550</u>	<u>6,220,785</u>
1,245,877	
7,917,971	206,365
914,737	1,744,631
83,095,769	
2,509,979	
1,211,517	4,134,736
<u>96,895,850</u>	<u>6,085,732</u>
149,998,400	12,306,517
821,095	
2,095,947	
<u>2,917,042</u>	
1,046,909	608,507
1,231,826	
120,829	
107,773	5,623
1,975,369	
118,399	
	233,779
	137,942
279,812	
	568,292
<u>4,880,917</u>	<u>1,554,143</u>
28,179,105	
1,689,017	
	22,067
	437,425
10,310,120	
	1,704,879
<u>40,178,242</u>	<u>2,164,371</u>
45,059,159	3,718,514
453,660	
453,660	
66,461,588	5,829,886
20,427,643	
20,513,392	2,758,117
<u>\$ 107,402,623</u>	<u>\$ 8,588,003</u>

**CITY OF HEALDSBURG
STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Non-major Airport Fund
OPERATING REVENUES				
Charges for services	\$ 5,954,365	\$ 7,449,499	\$ 12,782,121	\$ 156,460
Development fees	95,507	188,322	12,576	
Rental income				138,679
Intergovernmental	8,224			166,538
Other	175,692	759,716	1,352,507	40
Total Operating Revenues	<u>6,233,788</u>	<u>8,397,537</u>	<u>14,147,204</u>	<u>461,717</u>
OPERATING EXPENSES				
Purchase of power			2,916,622	
Salaries and benefits	1,914,782	2,964,246	2,456,521	12,931
Maintenance and operations	1,280,295	2,229,825	4,713,854	207,472
Administration	806,713	1,201,479	1,323,245	72,828
Depreciation	607,837	1,525,538	526,672	92,803
Total Operating Expenses	<u>4,609,627</u>	<u>7,921,088</u>	<u>11,936,914</u>	<u>386,034</u>
Operating Income (loss)	<u>1,624,161</u>	<u>476,449</u>	<u>2,210,290</u>	<u>75,683</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	169,578	343,331	668,684	4,825
Interest expense	(323,990)	(848,768)	(28,859)	
Gain (loss) on sale of fixed assets	(14,551)			
Total Non-operating Revenue (Expenses)	<u>(168,963)</u>	<u>(505,437)</u>	<u>639,825</u>	<u>4,825</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>1,455,198</u>	<u>(28,988)</u>	<u>2,850,115</u>	<u>80,508</u>
TRANSFERS				
Transfers in	288,629	1,075,331	289,083	136,093
Transfers out	(223,583)	(1,911,204)	(463,407)	(138,666)
Total Transfers	<u>65,046</u>	<u>(835,873)</u>	<u>(174,324)</u>	<u>(2,573)</u>
Change in Net Position	<u>1,520,244</u>	<u>(864,861)</u>	<u>2,675,791</u>	<u>77,935</u>
Net Position, Beginning of Fiscal Year	<u>15,640,228</u>	<u>49,029,745</u>	<u>35,697,329</u>	<u>3,626,212</u>
Net Position, End of Fiscal Year	<u>\$ 17,160,472</u>	<u>\$ 48,164,884</u>	<u>\$ 38,373,120</u>	<u>\$ 3,704,147</u>

<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 26,342,445	\$ 4,429,675
296,405	
138,679	
174,762	
<u>2,287,955</u>	<u>22,913</u>
<u>29,240,246</u>	<u>4,452,588</u>
2,916,622	
7,348,480	1,862,683
8,431,446	1,648,345
3,404,265	411,305
<u>2,752,850</u>	<u>930,891</u>
<u>24,853,663</u>	<u>4,853,224</u>
<u>4,386,583</u>	<u>(400,636)</u>
1,186,418	307,058
(1,201,617)	
<u>(14,551)</u>	<u>51,687</u>
<u>(29,750)</u>	<u>358,745</u>
<u>4,356,833</u>	<u>(41,891)</u>
1,789,136	526,237
<u>(2,736,860)</u>	<u>(59,490)</u>
<u>(947,724)</u>	<u>466,747</u>
3,409,109	424,856
<u>103,993,514</u>	<u>8,163,147</u>
<u>\$ 107,402,623</u>	<u>\$ 8,588,003</u>

CITY OF HEALDSBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Non-major Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,935,479	\$ 7,570,468	\$ 12,875,552	\$ 464,572
Receipts from other operating activities	175,692	759,716	1,352,507	40
Payments to suppliers	(2,386,365)	(4,483,049)	(9,295,388)	(265,593)
Payments to employees	(2,040,458)	(3,089,922)	(2,630,536)	(12,931)
Net Cash Provided by Operating Activities	<u>1,684,348</u>	<u>757,213</u>	<u>2,302,135</u>	<u>186,088</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES				
Interfund borrowing		113,313	113,313	
Transfers in	288,629	1,075,331	289,083	136,093
Transfers out	(223,583)	(1,911,204)	(463,407)	(138,666)
Principal payment on debt	(123,435)	(123,762)	(281,709)	
Loans repaid (issued)				
Net Cash Provided for (Used by) Non-Capital and Related Financing Activities	<u>(58,389)</u>	<u>(846,322)</u>	<u>(342,720)</u>	<u>(2,573)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital lease				
Principal payments on debt	(628,000)	(975,000)		
Interest paid	(330,498)	(835,164)	(29,154)	
Cash received from sale of capital assets				
Acquisition and construction of capital assets	(826,381)	(5,093,138)	(1,270,884)	(205,746)
Net Cash Used by Capital and Related Financing Activities	<u>(1,784,879)</u>	<u>(6,903,302)</u>	<u>(1,300,038)</u>	<u>(205,746)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	176,071	385,108	684,006	5,088
Net Cash Provided by Investing Activities	<u>176,071</u>	<u>385,108</u>	<u>684,006</u>	<u>5,088</u>
Increase (Decrease) in cash and cash equivalents	17,151	(6,607,303)	1,343,383	(17,143)
Cash and Cash Equivalents, Beginning of Fiscal Year	5,947,105	18,121,600	24,225,045	179,034
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 5,964,256</u>	<u>\$ 11,514,297</u>	<u>\$ 25,568,428</u>	<u>\$ 161,891</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and investments	\$ 5,448,192	\$ 10,757,713	\$ 18,683,428	\$ 161,891
Cash and investments with fiscal agents	7	17		
Pension stabilization investments	516,057	756,567	887,579	
Investment in NCPA Reserves			5,997,421	
Total Cash and Cash Equivalents	<u>\$ 5,964,256</u>	<u>\$ 11,514,297</u>	<u>\$ 25,568,428</u>	<u>\$ 161,891</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,624,161	\$ 476,449	\$ 2,210,290	\$ 75,683
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	607,837	1,525,538	526,672	92,803
Changes in assets and liabilities:				
(Increase) decrease in accounts receivables	(122,617)	(67,353)	80,855	2,895
(Increase) decrease in Inventory	250	(2,473)	137,366	20,247
(Increase) decrease in prepaid items	(2,155)	(3,176)		
(Increase) decrease in deferred outflows of resources - pension related	(16,876)	(16,876)	(23,367)	
Increase (decrease) in accounts payable and accrued liabilities	(297,739)	(1,045,965)	(241,312)	(14,571)
Increase (decrease) in deposits payable	287	(131)	(336,827)	364
Increase (decrease) in retention payable			99,106	8,667
Increase (decrease) in claims payable				
Increase (decrease) in net pension liability	233,792	233,792	323,711	
Increase (decrease) in compensated absences				
Increase (decrease) in deferred inflows of resources - pension related	(342,592)	(342,592)	(474,359)	
Net Cash Provided by Operating Activities	<u>\$ 1,684,348</u>	<u>\$ 757,213</u>	<u>\$ 2,302,135</u>	<u>\$ 186,088</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization related to deferred loss on debt refunding	\$ -	\$ 54,740	\$ -	\$ -
Amortization of bond premium	-	31,384	-	-

Totals	Governmental Activities Internal Service Funds
\$ 26,846,071	\$ 4,485,748
2,287,955	22,913
(16,430,395)	(1,937,780)
<u>(7,773,847)</u>	<u>(1,754,457)</u>
4,929,784	816,424
226,626	
1,789,136	526,237
(2,736,860)	(59,490)
(528,906)	2,908
<u>(1,250,004)</u>	<u>469,655</u>
	(341,145)
(1,603,000)	
(1,194,816)	75,441
<u>(7,396,149)</u>	<u>(1,409,786)</u>
(10,193,965)	(1,675,490)
1,250,273	321,378
<u>1,250,273</u>	<u>321,378</u>
(5,263,912)	(68,033)
48,472,784	5,917,385
<u>\$ 43,208,872</u>	<u>\$ 5,849,352</u>
\$ 35,051,224	\$ 5,849,352
24	
2,160,203	
5,997,421	
<u>\$ 43,208,872</u>	<u>\$ 5,849,352</u>
\$ 4,386,583	\$ (400,636)
2,752,850	930,891
(106,220)	(273,402)
155,390	10,338
(5,331)	(1,710)
(57,119)	
(1,599,587)	326,736
(336,307)	
107,773	(154,003)
791,295	378,210
<u>(1,159,543)</u>	<u>816,424</u>
<u>\$ 4,929,784</u>	<u>\$ 816,424</u>
\$ -	\$ -
-	-

**CITY OF HEALDSBURG
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2020**

	Private Purpose Trust Funds
ASSETS	
Cash and investments	\$ 5,550,352
Cash and investments with fiscal agents	2,749,298
Interest receivable	18,319
Loans and notes receivable	3,528,416
Capital assets, net of depreciation	528,300
Total Assets	12,374,685
LIABILITIES	
Accounts payable	2,011
Interest payable	682,699
Noncurrent liabilities	
Due within one year	2,277,521
Due in more than one year	39,439,492
Total Liabilities	42,401,723
NET POSITION	
Net position held in trust	\$ (30,027,038)

CITY OF HEALDSBURG
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year ended June 30, 2020

	Private Purpose Trust Funds
Additions	
Property taxes	\$ 3,363,130
Use of money and property	278,209
Transfers in	3,681,131
Total Revenues	7,322,470
 Deductions	
Community development	611,724
Interest expense	1,488,916
Transfers out	3,681,131
Total Deductions	5,781,771
Change in Net Position	1,540,699
Net Position, beginning	(31,567,737)
Net Position, ending	\$ (30,027,038)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 one 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.

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 regarding 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

B. Government-wide and Fund Financial Statement

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.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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.

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 Street Capital Project Fund accounts for the acquisition and construction of major streets and roads capital projects throughout the City.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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.

Interfund 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, 2020

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

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

Receivables and Payables

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, 2020 Valuation Date, June 30, 2020 Measurement Date, July 1, 2019 through June 30, 2020 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, 2020

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.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 (Continued)

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.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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.

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

Fund Balance (Continued)

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.

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, 2020

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 provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after June 15, 2021.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provision of this statement is effective for fiscal years beginning after December 15, 2020.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 91	"Conduit Debt Obligations"	The provision of this statement is effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provision of this statement is effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provision of this statement is effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provision of this statement is effective for fiscal years beginning after June 15, 2022.
Statement No. 97	"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 Fund:			
General fund:			
Current:			
Public safety	\$9,333,539	\$9,869,154	\$ 535,615
Community development	448,862	454,339	5,477
Nonmajor Funds:			
Public Safety special revenue fund	35,000	50,857	15,857
Area A Lighting and Landscape special revenue fund	199,010	219,351	20,341

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 \$144 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 \$654,494 that should be alleviated as additional resources are made available from various sources both intergovernmental or from within the City.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 3 **Cash and Investments**

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 46,881,194
Restricted cash and investments with fiscal agents	586,619
Pension stabilization investments	7,248,039
Fiduciary funds:	
Cash and investments	5,550,352
Restricted cash and investments with fiscal agents	<u>2,749,298</u>
Total cash and investments	<u>\$ 63,015,502</u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 1,904
Deposits with financial institutions	3,253,347
Pension stabilization investments	7,248,039
Investments	<u>52,512,212</u>
Total cash and investments	<u>\$ 63,015,502</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, 2020

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer
Bankers Acceptances	180 days	40%	10%
Certificates of Deposits	5 years	20%	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	25%	10%
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$ 75,000,000
Sonoma County Pooled Fund	N/A	10%	None
Medium Term Notes	5 years	30%	None
Money Market Funds	90 days	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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

B. Investments Authorized by Debt Agreements (Continued)

<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	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Money Market Funds	N/A	None	None
Investment Contracts	30 years	None	None
Sonoma County Pooled Fund	N/A	10%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$ 75,000,000

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:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Certificates of Deposit	\$ 2,031,942	\$ 1,515,795	\$ 516,147	\$ -	\$ -
Federal Agency Securities	5,010,020			5,010,020	
U.S. Treasury Securities	4,169,102	2,003,960	2,165,142		
State Investment Pool	36,802,453	36,802,453			
Medium Term Notes	1,162,777			1,162,777	
Held by Fiscal Agents:					
County Investment Pool	231,813	231,813			
Money Market Mutual Funds	3,104,105	3,104,105			
Total	\$ 52,512,212	\$ 43,658,126	\$ 2,681,289	\$ 6,172,797	\$ -

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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).

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	\$ 2,031,942	N/A	\$ -	\$ -	\$ -	\$ 2,031,942
Federal Agency Securities	5,010,020	A	5,010,020			
U.S. Treasury Securities	4,169,102	A	4,169,102			
State Investment Pool	36,802,453	N/A				36,802,453
Medium Term Notes	1,162,777	A	1,162,777			
Held by Fiscal Agents:						
County Investment Pool	231,813	N/A				231,813
Money Market Mutual Funds	3,104,105	N/A	3,104,105			
Total	\$ 52,512,212		\$ 13,446,004	\$ -	\$ -	\$ 39,066,208

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	Interest Rate	Maturity
FHLMC	US Government Agency Securities	\$ 2,002,520	1.50%	2/27/2025
FHLMC	US Government Agency Securities	3,007,500	1.97%	9/1/2024
		\$ 5,010,020		

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, 2020

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, 2020, 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	\$ 2,031,942
Federal agency securities	5,010,020
U.S. Treasury securities	4,169,102
Medium term notes	1,162,777

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, 2020

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

I. Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 City has the following recurring fair value measurements as of June 30, 2020:

<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	\$ 1,162,777	\$ -	\$ 1,162,777	\$ -
Certificates of deposit	2,031,942		2,031,942	
Debt Securities				
U.S. Treasury securities	4,169,102		4,169,102	
Federal agency securities	5,010,020		5,010,020	
Total	<u>\$ 12,373,841</u>	<u>\$ -</u>	<u>\$ 12,373,841</u>	<u>\$ -</u>

The City also had investments in LAIF, money market mutual funds, Sonoma county pool, however, these investments are not required to be measured under Level 1, 2 or 3.

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, 2020

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, 2020, 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.

<u>Authorized Investment Type</u>	<u>Maximum Investment</u>
Mortgage-backed Securities	80%
Asset-back Securities	80%
Collateral Mortgage Obligations	80%
Commercial Mortgage-backed Securities	40%
U.S. Government Debt Obligations	None
Corporate Debt Securities - U.S. or Foreign	80%
Eligible Instruments Issued Pursuant to SEC Rule 144(a)	40%
Municipal Bonds	80%

Pension stabilization investments held and the percentage of the pension investment portfolio at June 30, 2020 was as follows:

<u>Pension Stabilization Investments</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Equity Investments		
iShares TR Core S&P 500 ETF	\$ 768,651	10.60%
iShares S&P 500 Value ETF	245,745	3.39%
iShares S&P 500 Growth ETF	254,175	3.51%
iShares Russell Mid Cap ETF	146,650	2.02%
iShares Russell 2000 Value ETF	107,986	1.49%
iShares Russell 2000 Growth ETF	102,814	1.42%
iShares MSCI EAFE ETF	288,219	3.98%
Vanguard FTSE Emerging Markets ETF	156,895	2.16%
Vanguard Real Estate ETF	37,537	0.52%
Fixed Income		
Highmark Individual Fixed Income Strategy	4,912,080	67.77%
Cash		
First American Gov't Obligation Fund	227,287	3.14%
Total Pension Stabilization Investments	\$ 7,248,039	100%

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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	\$ 1,134,937	\$ -	\$ -	\$ 239,379	\$ 895,558
Money Market Mutual Funds	227,287	227,287			
Federal Agency Securities	1,283,962			9,864	1,274,098
Municipal Bonds	68,704			27,399	41,305
Mutual Funds	2,108,672	2,108,672			
Corporate Bonds	2,424,477	54,572	188,507	834,789	1,346,609
	<u>\$ 7,248,039</u>	<u>\$ 2,390,531</u>	<u>\$ 188,507</u>	<u>\$ 1,111,431</u>	<u>\$ 3,557,570</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	\$ 1,134,937	BBB-	\$1,134,937	\$ -	\$ -	\$ -	\$ -	
Money Market Mutual Funds	227,287	N/A						227,287
Federal Agency Securities	1,283,962	BBB-	1,283,962					
Municipal Bonds	68,704	BBB-	27,399		41,305			
Mutual Funds	2,108,672	N/A						2,108,672
Corporate Bonds	2,424,477	BBB-	563,397	57,676	744,101	1,059,303		
Total	<u>\$ 7,248,039</u>		<u>\$3,009,695</u>	<u>\$57,676</u>	<u>\$785,406</u>	<u>\$1,059,303</u>		<u>\$2,335,959</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	Interest Rate	Maturity
FNMA	Federal Agency Securities	\$ 1,064,091	2.50% - 3.50%	More than 60 Months

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020:

<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	\$ 68,704	\$ -	\$ 68,704	\$ -
Corporate bonds	2,424,477		2,424,477	
Debt Securities				
U.S. Treasury securities	1,134,937		1,134,937	
Federal agency securities	1,283,962		1,283,962	
	<u>\$ 4,912,080</u>	<u>\$ -</u>	<u>\$ 4,912,080</u>	<u>\$ -</u>

Note 4 **Accounts Receivable**

The following is a list of accounts receivable at June 30, 2020:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
Accounts	\$ 1,888,881	\$ -	\$ 1,888,881
Intergovernmental	1,702,620		1,702,620
	<u>\$ 3,591,501</u>	<u>\$ -</u>	<u>\$ 3,591,501</u>
Business-type Activities -			
Accounts	<u>\$ 4,159,519</u>	<u>\$ -</u>	<u>\$ 4,159,519</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 5 **Notes and Loans Receivable**

Notes receivable in the amount of \$8,772,642 consists of the combination of the following:

<u>Notes receivable</u>	<u>Amount</u>
Governmental Activities:	
Individuals	\$ 2,239,736
Business Stabilization Loans	558,603
Riverfield Homes	268,180
Healdsburg Family Limited Partnership	4,279,758
Healdsburg Pacific Associates	1,999,677
Burbank Housing	<u>5,103,748</u>
Subtotal	14,449,702
Less: Allowance for uncollectible loans	(5,771,978)
Mutual Agreement loan	88,132
Employee computer loans	<u>6,786</u>
Total net notes and loans receivable	<u><u>\$ 8,772,642</u></u>

Note 6 **Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2020:

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.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major governmental fund		
General fund	\$ 64,571	\$ 2,946,138
Major enterprise funds		
Sewer fund	2,704,895	1,231,826
Electric fund	1,488,069	
Nonmajor governmental funds		
North Area special revenue fund		15,000
Media Center special revenue fund		9,679
Misc Projects capital projects fund		<u>54,892</u>
Totals	<u><u>\$ 4,257,535</u></u>	<u><u>\$ 4,257,535</u></u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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.

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
Major governmental funds		
General	\$ 1,059,773	\$ 3,833,389
Community services special revenue fund	525,793	807,974
Streets capital projects fund	2,919,734	36,433
Major enterprise funds		
Water fund	288,629	223,583
Sewer fund	1,075,331	1,911,204
Electric fund	289,083	463,407
Nonmajor governmental funds		
Gas Tax special revenue fund		512,294
Public Safety special revenue fund	74,557	
Area A Lighting and Landscaping special revenue fund		6,298
Media Center special revenue fund		37,802
Housing Successor Agency special revenue fund	350,000	
Misc Projects capital projects fund		404,934
General Debt Service debt service fund	1,190,244	
Nonmajor enterprise fund		
Airport fund	136,093	138,666
Internal service funds		
Vehicle Maintenance	219,218	13,782
Information Services		25,054
Building maintenance	307,019	20,654
Totals	<u>\$ 8,435,474</u>	<u>\$ 8,435,474</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 is as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 20,797,416	\$ 7,924	\$ -	\$ 20,805,340
Right of ways	6,681,379			6,681,379
Construction in progress	9,403,249	2,013,993	(1,462,837)	9,954,405
Total capital assets, not being depreciated	<u>36,882,044</u>	<u>2,021,917</u>	<u>(1,462,837)</u>	<u>37,441,124</u>
Capital assets, being depreciated:				
Land Improvements	2,407,284	224,532		2,631,816
Streets	52,688,111	1,462,837		54,150,948
Buildings	32,716,886			32,716,886
Machinery and equipment	9,195,883	1,072,181	(176,511)	10,091,553
Infrastructure	1,515,614			1,515,614
Total capital assets, being depreciated	<u>98,523,778</u>	<u>2,759,550</u>	<u>(176,511)</u>	<u>101,106,817</u>
Less accumulated depreciation for:				
Land Improvements	(1,167,820)	(241,415)		(1,409,235)
Streets	(14,484,747)	(1,048,031)		(15,532,778)
Buildings	(13,393,390)	(1,123,107)		(14,516,497)
Machinery and equipment	(5,047,374)	(757,155)	152,757	(5,651,772)
Infrastructure	(272,886)	(42,056)		(314,942)
Total accumulated depreciation	<u>(34,366,217)</u>	<u>(3,211,764)</u>	<u>152,757</u>	<u>(37,425,224)</u>
Total capital assets, being depreciated, net	<u>64,157,561</u>	<u>(452,214)</u>	<u>(23,754)</u>	<u>63,681,593</u>
Governmental activities capital assets, net	<u>\$ 101,039,605</u>	<u>\$ 1,569,703</u>	<u>\$ (1,486,591)</u>	<u>\$ 101,122,717</u>

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

<u>Governmental Activities</u>	<u>Amount</u>
Unallocated	\$ 2,280,873
Internal service funds	930,891
Total	<u>\$ 3,211,764</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 is as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Business-types activities:				
Capital assets, not being depreciated:				
Land	\$ 1,245,877	\$ -	\$ -	\$ 1,245,877
Construction in progress	8,667,356	7,389,592	(8,138,977)	7,917,971
Total capital assets, not being depreciated	9,913,233	7,389,592	(8,138,977)	9,163,848
Capital assets, being depreciated:				
Buildings and improvements	3,071,504		(30,634)	3,040,870
Utility systems	113,131,248	7,838,793		120,970,041
Drainage	10,470,692	54,800		10,525,492
Machinery & equipment	3,031,390	6,557		3,037,947
Operations	3,381,750	245,384		3,627,134
Total capital assets, being depreciated	133,086,584	8,145,534	(30,634)	141,201,484
Less accumulated depreciation for:				
Buildings and improvements	(2,065,513)	(76,703)	16,083	(2,126,133)
Utility systems	(41,192,519)	(2,234,756)		(43,427,275)
Drainage	(4,745,625)	(226,864)		(4,972,489)
Machinery & equipment	(1,673,872)	(152,558)		(1,826,430)
Operations	(1,055,186)	(61,969)		(1,117,155)
Total accumulated depreciation	(50,732,715)	(2,752,850)	16,083	(53,469,482)
Total capital assets, being depreciated, net	82,353,869	5,392,684	(14,551)	87,732,002
Business-type activities capital assets, net	\$ 92,267,102	\$ 12,782,276	\$ (8,153,528)	\$ 96,895,850

Depreciation expense was charged to the following functions:

Business-type Activities	Amount
Water	\$ 607,837
Sewer	1,525,538
Electric	526,672
Airport	92,803
Total	\$ 2,752,850

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year
Governmental activities:					
Other debt					
Pension obligation bonds	\$ 2,317,497	\$ -	\$ (734,864)	\$ 1,582,633	\$ 488,315
Successor Agency payable	1,688,348		(103,557)	1,584,791	103,816
Total other debt	4,005,845		(838,421)	3,167,424	592,131
Direct borrowings and direct placements					
HUSD capital lease	1,528,507		(124,200)	1,404,307	130,100
Capital leases payable	596,991		(341,145)	255,846	233,779
Total direct borrowings and direct placements	2,125,498		(465,345)	1,660,153	363,879
Total governmental long-term debt	<u>\$ 6,131,343</u>	<u>\$ -</u>	<u>\$ (1,303,766)</u>	<u>\$ 4,827,577</u>	<u>\$ 956,010</u>

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

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year
Business-type activities:					
Other debt					
2005D - CSCDA Water/Sewer	\$ 1,875,000	\$ -	\$ (120,000)	\$ 1,755,000	\$ 125,000
2014 Water Refunding Bonds	5,747,000		(508,000)	5,239,000	531,000
2015 Wastewater Refunding Bonds	22,780,000		(975,000)	21,805,000	1,015,000
Premium on bonds	502,135		(31,384)	470,751	31,384
Successor Agency payable	1,925,520		(118,104)	1,807,416	118,399
Pension obligation bonds	1,295,526		(410,803)	884,723	272,985
Total other long-term debt	<u>\$ 34,125,181</u>	<u>\$ -</u>	<u>\$ (2,163,291)</u>	<u>\$ 31,961,890</u>	<u>\$ 2,093,768</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 respectively. The final maturity is June 30, 2020 and June 30, 2023 for Series A and B respectively. 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, 2020

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: \$1,582,633 in governmental activities, and \$884,723 in business-type activities. Upon and during the continuance of an event of default, the principal of and interest accrued on all bonds may be declared to be due and payable immediately. Future minimum debt service requirements for the Series A and B bonds are as follows:

Pension Obligation Bonds			
Fiscal Year	Principal	Interest	Total
2021	\$ 761,300	\$ 94,493	\$ 855,793
2022	821,300	62,279	883,579
2023	884,756	27,537	912,293
Totals	\$ 2,467,356	\$ 184,309	\$ 2,651,665

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, 2020 was \$5,007,245 and \$1,168,357, respectively. Upon and during the continuance of an event of default, the principal of and interest accrued on all leases may be declared to be due and payable immediately. The following represents the minimum required lease payments for the HUSD Capital Lease Payable:

HUSD Capital Lease Payable			
Fiscal Year	Principal	Interest	Total
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	157,000	19,351	176,351
2026-2029	688,107	37,409	725,516
Totals	\$ 1,404,307	\$ 168,916	\$ 1,573,223

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 \$295,069, respectively, as of June 30, 2020. Upon and during the continuance of an event of default, the principal of and interest accrued on all leases may be declared to be due and payable immediately. Future minimum debt service requirements on the lease are as follows:

<u>Capital Leases Payable</u>	
<u>Fiscal Year</u>	<u>Principal</u>
2021	\$ 233,779
2022	<u>22,067</u>
Totals	<u>\$ 255,846</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, 2020, the amount due from Governmental Activities and the Electric Fund was \$1,584,791 and \$1,807,416, 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>
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	224,446	6,250	230,696
2026-2030	1,130,677	22,804	1,153,481
2031-2035	<u>1,144,884</u>	<u>8,600</u>	<u>1,153,484</u>
Totals	<u>\$ 3,392,207</u>	<u>\$ 68,238</u>	<u>\$ 3,460,445</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 CSDA Certificates, which were originally issued to finance sewer improvements. 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. Upon and during the continuance of an event of default, the principal of and interest accrued on all bonds may be declared to be due and payable immediately.

In July 2015, the City issued the 2015 Wastewater Revenue Refunding Bonds, which defeased the remaining Sewer Bonds of the 2005 CSDA Bonds of \$2,440,000. The 2005 CSDA 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
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	150,000	54,475	204,475
2026-2030	870,000	151,338	1,021,338
2031	200,000	4,625	204,625
	Totals	\$ 1,755,000	\$ 2,251,501

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 bonds carry interest rates in the range from 4.30% to 5%. The final maturity is October 1, 2032. Semi-annual payments of principal and interest are due each April 1 and October 1. Upon and during the continuance of an event of default, the principal of and interest accrued on all bonds may be declared to be due and payable immediately. The following represents the future debt service:

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

G. 2014 Water Refunding Bonds (Continued)

2014 Water Refunding Bonds			
Fiscal Year	Principal	Interest	Total
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	462,000	113,420	575,420
2026-2030	1,616,000	330,216	1,946,216
2031-2033	886,000	56,025	942,025
Totals	\$ 5,239,000	\$ 1,185,593	\$ 6,424,593

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 bonds carry interest rates in the range from 2.0% to 3.75%. The final maturity is October 1, 2035. Semi-annual payments of principal and interest are due each April 1 and October 1. Upon and during the continuance of an event of default, the principal of and interest accrued on all bonds may be declared to be due and payable immediately. 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
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	1,190,000	604,750	1,794,750
2026-2030	6,655,000	2,314,198	8,969,198
2031-2035	7,895,000	1,077,965	8,972,965
2036	1,760,000	33,000	1,793,000
Totals	\$ 21,805,000	\$ 6,896,813	\$ 28,701,813

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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. As of June 30, 2020, the City's liability for earned vacation and compensation pay is \$2,273,171.

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. PEPRA 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, 2020, 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, 2020

Note 9 **Pension Plan (Continued)**

A. General Information about the Pension Plan (Continued)

	<u>Safety</u>	<u>Safety PEPRA</u>
Hire date	Prior to January 1, 2013	On and after January 1, 2013
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, 2020, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Contributions - employer	\$ 2,117,298	\$ 1,146,478	\$ 3,263,776

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

As of June 30, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 23,432,090
Safety	12,907,911
Total	<u>\$ 36,340,001</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.34843%
Proportion - June 30, 2019	<u>0.35464%</u>
Change - Increase (Decrease)	<u><u>0.00621%</u></u>

For the fiscal year ended June 30, 2020, the City recognized pension expense of \$6,699,197, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 1,147,084	\$ -
Differences between Expected and Actual Experience	2,344,133	
Net differences between projected and actual earnings on plan investments		587,236
Differences between employer's contributions and the employer's proportionate share of contributions		988,733
Change in Employer's Proportion	282,213	
Pension Contributions Made Subsequent to Measurement Date	<u>3,824,645</u>	
Total	<u><u>\$ 7,598,075</u></u>	<u><u>\$ 1,575,969</u></u>

Deferred outflows of resources were reported as \$3,824,645 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, 2021. 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	
<u>June 30</u>	<u>Amount</u>
2021	\$ 2,225,675
2022	(453,521)
2023	307,976
2024	117,331
Total	<u><u>\$ 2,197,461</u></u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 9 **Pension Plan (Continued)**

C. Net Pension Liability (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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, 2018 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality, and retirement rates. The experience study report can be obtained at CalPERS' website under Forms and Publications.

Long-Term Expected Rate of Return

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 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 9 **Pension Plan (Continued)**

C. Net Pension Liability (Continued)

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.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10(b)</u>	<u>Real Return Years 11+(c)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the CalPERS's system, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% was used for this period
- (c) An expected inflation of 2.92% was used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 9 **Pension Plan (Continued)**

C. Net Pension Liability (Continued)

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	\$ 34,856,204	\$ 23,432,090	\$ 14,002,291
Net Pension Liability - Safety	19,070,977	12,907,911	7,855,162
Net Pension Liability - Total	\$ 53,927,181	\$ 36,340,001	\$ 21,857,453

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

Note 10 **Risk Management**

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.

Risk Pool Arrangements

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

For each of its insurance programs, REMIF has a multilevel risk sharing arrangement. Initially each individual charter or associate member city participating in a program assumes its own losses up to a predetermined deductible level. Losses and claims in excess of the deductibles and within REMIF's stated retention limits are paid out of a central pool maintained by REMIF. This central pool is funded by all of the cities participating in that program through premium assessments. REMIF purchases excess loss insurance policies (reinsurance) to provide coverage for losses and claims in excess of REMIF's stated retention limits up to specified amounts. Losses and claims ceded to reinsurers would represent a contingent liability to REMIF if the reinsurers were unable to meet their existing obligations under the reinsurance agreements. Losses and claims which surpass the limits of the excess of loss insurance policies are the responsibility of the individual city in which the loss or claim originates.

REMIF programs do not insure the City's losses resulting from events which occurred prior to March 1, 1993, the date on which the City became an associate member of REMIF.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 10 **Risk Management**

The City of Healdsburg participates in the following three REMIF programs:

General Liability Insurance – Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Healdsburg self-insures for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under a range of between \$5,000 to \$25,000, depending on the entity’s deductible amount. Participating cities then share in the next \$5,000 to \$500,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverage. REMIF is a member of the California Joint Powers Risk Management Authority, which provides REMIF with an additional \$39,500,000 liability insurance coverage over and above REMIF retention level of \$500,000.

Worker’s Compensation – Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Healdsburg is self-insured for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000.

Losses of \$5,000 to \$1,000,000 are prorated among all participating cities. Losses in excess of \$1,000,000 are covered by excess insurance purchased by participating cities, as part of the pool, to State statutory limits.

Property Insurance – The City participates in REMIF’s property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Healdsburg has a deductible level of \$100,000 and a coverage limit of \$400,000,000 declared value.

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2019:

	<u>6/30/2019*</u>
Total Assets	\$ 31,189,650
Total Deferred Outflows	659,765
Total Liabilities	30,229,545
Total Deferred Inflows	216,372
Total Net Position	1,403,498
Total Revenues	26,443,540
Total Expenses	25,661,506
Increase in Net Position	782,034

* Latest information available

Changes in the Internal Service Funds claims liabilities amounts in fiscal year 2020, 2019, and 2018 were as follows:

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 10 **Risk Management**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of fiscal year	\$ 729,370	\$ 833,811	\$ 48,581
Claims and adjustments	358,261	548,853	1,492,394
Claims payments	<u>(512,264)</u>	<u>(653,294)</u>	<u>(707,164)</u>
Balance, end of fiscal year	<u>\$ 575,367</u>	<u>\$ 729,370</u>	<u>\$ 833,811</u>

The City is liable for 364,328 and \$140,580 to be paid over 4 and 3 years, for the Workers' Compensation and Liability program, respectively. The total claims liability of \$575,367 includes the assessments of \$208,699 and \$366,668, 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.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 11 **North California Power Agency**

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, 2020 were \$2.9 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 \$5,997,421 as of June 30, 2020. The most recent estimated funding recommended by NCPA equaled \$1.14 million.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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.

Note 12 **Other Post-Retirement Plan**

The City reports the following total OPEB liability as of the June 30, 2020 measurement date:

	<u>Governmental Activities</u>
Total OPEB liability:	<u>\$ 1,279,607</u>
Total total OPEB liability	<u><u>\$ 1,279,607</u></u>

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 12 Other Post-Retirement Plan (Continued)

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, 2020, actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	125
Inactive employees or beneficiaries currently receiving benefits	15
Total	140

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.

Total OPEB Liability

The City’s total OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the total OPEB liability was determined by actuarial valuation dated June 30, 2020.

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	June 30, 2020 Measurement Date
Discount Rate	2.21%
Inflation	2.75% annually
Salary Increases	3% per annum, in aggregate
Mortality Rate	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-19
Medical Participation at Retirement	Currently covered - 50%, Currently waived - 0%
Healthcare Trend Rate	7.0% for 2022, decreasing to an ultimate rate of 4% in 2076

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 12 Other Post-Retirement Plan (Continued)

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 2.21 percent.

Changes in Total OPEB Liability as of June 30, 2020

	Total OPEB Liability
Balance at June 30, 2019	\$ 1,013,000
Service Cost	56,673
Interest	37,159
Assumption Changes	220,458
Actual vs. expected experience	(31,683)
Benefit Payments	(16,000)
Net Change during 2019-20	266,607
Balance at June 30, 2020	\$ 1,279,607

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

The following presents the total 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, 2020:

	Discount Rate		
	Current Discount Rate		
	1% Lower	(2.21%)	1% Higher
Total OPEB Liability	\$ 1,503,031	\$ 1,279,607	\$ 1,097,729

	Healthcare Trend Rate		
	Current Trend		
	1% Lower	(7.50%)	1% Higher
Total OPEB Liability	\$ 1,073,890	\$ 1,279,607	\$ 1,536,624

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

For the fiscal year ended June 30, 2020, 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	\$ 243,232	\$ 27,000
Differences between expected and actual experience		28,776
Total	\$ 243,232	\$ 55,776

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
2021	\$ 18,319
2022	18,319
2023	18,319
2024	18,319
2025	18,319
Thereafter	95,861
Total	\$ 187,456

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, 2020 was \$11.6 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, 2020

Note 13 **Commitments and Contingencies**

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 \$4,990,580.

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 \$35,374,962 of restricted net position.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 government 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	Streets Capital Project Fund	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>					
Prepaid expenditures	\$ 5,150	\$ -	\$ -	\$ -	\$ 5,150
Inventory			10,307		10,307
Total Nonspendable	<u>5,150</u>		<u>10,307</u>		<u>15,457</u>
<u>Restricted for:</u>					
Lighting and landscaping				261,822	261,822
Community services		123,133		553,704	676,837
Affordable housing	176,952			6,745,765	6,922,717
Parking expansion				76,525	76,525
Public safety	252,369			103,349	355,718
Pension rate stabilization	4,473,943	441,867			4,915,810
Streets and roads				1,599,086	1,599,086
Strong motion				4,100	4,100
Debt service				360,716	360,716
Total Restricted	<u>4,903,264</u>	<u>565,000</u>		<u>9,705,067</u>	<u>15,173,331</u>
<u>Committed for:</u>					
Capital improvement				531,529	531,529
Total Committed				<u>531,529</u>	<u>531,529</u>
<u>Assigned for:</u>					
General plan update	24,924				24,924
Total Assigned	<u>24,924</u>				<u>24,924</u>
Unassigned:	2,333,933		(664,801)	(14,782)	1,654,350
Total Fund Balances	<u>\$7,267,271</u>	<u>\$ 565,000</u>	<u>\$ (654,494)</u>	<u>\$ 10,221,814</u>	<u>\$ 17,399,591</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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.

Capital asset activities for the fiscal year ended June 30, 2020 were as follows:

Fiduciary Activities:	Balance at			Balance at
Capital assets, not being depreciated:	July 1, 2019	Additions	Deletions	June 30, 2020
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	(302,622)		302,622	
Total accumulated depreciation	<u>(302,622)</u>		<u>302,622</u>	
Total capital assets, being depreciated net	<u>318,249</u>		<u>(318,249)</u>	
Fiduciary activities capital assets, net	<u>\$ 846,549</u>	<u>\$ -</u>	<u>\$ (318,249)</u>	<u>\$ 528,300</u>

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2020:

	Balance at			Balance at	Due Within
	July 1, 2019	Additions	Reductions	June 30, 2020	One Year
Tax Allocation Bonds:					
2002 Series B	\$ 1,140,000	\$ -	\$ (65,000)	\$ 1,075,000	\$ 70,000
2014 Series A	8,388,100		(522,700)	7,865,400	541,500
2014 Series B	3,303,000		(206,800)	3,096,200	214,300
2015 Series A	7,973,800		(435,300)	7,538,500	441,100
2015 Series B	3,894,100		(241,500)	3,652,600	249,000
2017 Refunding	16,675,000		(535,000)	16,140,000	605,000
Unamortized bond premium	<u>2,505,934</u>		<u>(156,621)</u>	<u>2,349,313</u>	<u>156,621</u>
Total other long-term debt	<u>\$ 43,879,934</u>	<u>\$ -</u>	<u>\$ (2,162,921)</u>	<u>\$ 41,717,013</u>	<u>\$ 2,277,521</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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. Upon and during the continuance of an event of default, the principal of and interest accrued on all bonds may be declared to be due and payable immediately. Debt service payments will be made from tax increment revenue received by the Trust. Future debt service on these bonds is as follows:

2002 Tax Allocation Bond Series B			
Fiscal Year	Principal	Interest	Total
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	80,000	35,150	115,150
2026-2030	475,000	112,219	587,219
2031-2032	225,000	10,806	235,806
Totals	\$ 1,075,000	\$ 335,231	\$ 1,410,231

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. Upon and during the continuance of an event of default, the principal of and interest accrued on all bonds may be declared to be due and payable immediately. Debt service payments will be made from tax increment revenue received by the Trust. The following represents the future minimum debt service requirements:

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

B. 2014 Series A and B (Continued)

2014 Tax Allocation Bond Series A			
Fiscal Year	Principal	Interest	Total
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	619,400	179,465	798,865
2026-2030	3,426,500	561,303	3,987,803
2031-2032	1,542,200	52,913	1,595,113
Totals	<u>\$ 7,865,400</u>	<u>\$ 1,711,750</u>	<u>\$ 9,577,150</u>

2014 Tax Allocation Bond Series B			
Fiscal Year	Principal	Interest	Total
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	241,600	70,567	312,167
2026-2030	1,349,000	220,504	1,569,504
2031-2032	605,700	20,823	626,523
Totals	<u>\$ 3,096,200</u>	<u>\$ 672,979</u>	<u>\$ 3,769,179</u>

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. Upon and during the continuance of an event of default, the principal of and interest accrued on all bonds may be declared to be due and payable immediately. Future debt service payments will be made from tax increment revenue received by the Trust, and is as follows:

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

C. 2015 Series A and B (Continued)

<u>2015 Tax Allocation Bond Series A</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	481,300	232,396	713,696
2026-2030	3,592,500	757,824	4,350,324
2031-2032	1,635,000	68,944	1,703,944
Totals	<u>\$ 7,538,500</u>	<u>\$ 2,187,103</u>	<u>\$ 9,725,603</u>

<u>2015 Tax Allocation Bond Series B</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	289,500	104,624	394,124
2026-2030	1,588,000	328,569	1,916,569
2031-2032	729,000	31,437	760,437
Totals	<u>\$ 3,652,600</u>	<u>\$ 998,474</u>	<u>\$ 4,651,074</u>

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. Upon and during the continuance of an event of default, the principal of and interest accrued on all bonds may be declared to be due and payable immediately. Future debt service payments will be made from tax increment revenue received by the Trust, and is as follows:

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

D. 2017 Tax Allocation Refunding Bonds (Continued)

2017 Tax Allocation Refunding Bond			
Fiscal Year	Principal	Interest	Total
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	785,000	610,125	1,395,125
2026-2030	3,670,000	2,492,000	6,162,000
2031-2035	8,985,000	1,146,850	10,131,850
Totals	\$ 16,140,000	\$ 7,015,650	\$ 23,155,650

Note 16 **Risks and Uncertainties**

The World Health Organization has declared the outbreak of Novel Coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The Coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact. Nonetheless, the outbreak presents uncertainty and risk with respect to the City’s performance, and financial results.

Note 17 **Subsequent Events**

In August 2020, the City entered into a construction agreement for the College Street Water and Wastewater replacement project in the amount of \$2.3 million.

On August 27, 2020, the City reached a settlement agreement with the contractor on the 5-Way Roundabout Project at Healdsburg Avenue/Mill Street/Vine Street in the amount of \$3,296,608. Since September 1, 2020, the City has paid a total of \$3,268,193.

In September 2020, the City entered into a construction agreement for Foss Creek Segments 7 and 8 in the amount of \$2.9 million.

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2020

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

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2019	0.35464%	\$ 36,340,001	\$ 11,027,420	329.54%	72.41%
2018	0.34843%	33,575,940	10,170,288	330.14%	72.96%
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 six years are shown.

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2020

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
2020	\$ 3,824,645	\$ (3,824,645)	\$ -	\$ 14,438,000	26.49%
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%

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

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2020

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

MEASUREMENT PERIOD	2020	2019	2018
TOTAL OPEB LIABILITY			
Service Cost	\$ 56,673	\$ 51,000	\$ 52,000
Interest on the Total OPEB Liability	37,159	36,000	33,000
Difference between Expected and Actual Experience	(31,683)		
Changes of Assumptions	220,458	53,000	(39,000)
Benefit Payments	(16,000)	(16,000)	(15,000)
Net Change in Total OPEB Liability	<u>266,607</u>	<u>124,000</u>	<u>31,000</u>
Total OPEB Liability - Beginning	<u>1,013,000</u>	<u>889,000</u>	<u>858,000</u>
Total OPEB Liability - Ending	<u>\$ 1,279,607</u>	<u>\$ 1,013,000</u>	<u>\$ 889,000</u>
 Plan Net OPEB Liability - Ending	 <u>\$ 1,279,607</u>	 <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>	 <u>n/a</u>
 Covered Payroll	 \$ 15,823,041	 \$ 14,438,000	 \$ 13,380,000
 Net OPEB liability as a percentage of covered payroll	 8.09%	 7.02%	 6.64%

Notes to Schedule

Changes in Assumptions:

For fiscal year ended June 30, 2018, the discount rate changed from 3.58% to 3.87%

For fiscal year ended June 30, 2019, the discount rate changed from 3.87% to 3.50%

For fiscal year ended June 30, 2020, the discount rate changed from 3.50% to 2.21%

Mortality improvement scale was updated to Scale MP-2019

*Fiscal year 2018 was the first year of implementation, therefore only three years are shown.

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2020

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.

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,709,595	\$ 4,236,988	\$ 4,241,460	\$ 4,472
Sales and other taxes	9,340,981	9,347,527	8,390,128	(957,399)
Development fees	86,500	86,500	94,992	8,492
Intergovernmental	144,065	144,065	139,489	(4,576)
Fines and forfeitures	187,500	147,500	85,922	(61,578)
License and permits	1,296,000	1,121,000	874,675	(246,325)
Use of money and property	201,068	220,874	461,872	240,998
Charges for services	924,709	924,075	832,024	(92,051)
Other, donations, and reimbursements	83,700	119,534	109,768	(9,766)
	15,974,118	16,348,063	15,230,330	(1,117,733)
EXPENDITURES				
Current:				
General government	3,865,505	4,750,200	3,945,859	804,341
Public safety	9,196,471	9,333,539	9,869,154	(535,615)
Community development	380,214	448,862	454,339	(5,477)
	13,442,190	14,532,601	14,269,352	263,249
Excess of Revenues over (under) Expenditures	2,531,928	1,815,462	960,978	(854,484)
OTHER FINANCING SOURCES (USES)				
Transfers in	621,388	1,066,970	1,059,773	(7,197)
Transfers out	(1,434,533)	(4,260,787)	(3,833,389)	427,398
	(813,145)	(3,193,817)	(2,773,616)	420,201
Net Change in Fund Balance	1,718,783	(1,378,355)	(1,812,638)	(434,283)
Fund Balance, Beginning of Fiscal Year	9,079,909	9,079,909	9,079,909	
Fund Balance, End of Fiscal Year	\$ 10,798,692	\$ 7,701,554	\$ 7,267,271	\$ (434,283)

See Accompanying Note to Required Supplementary Information

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sales and other taxes	\$ 4,656,115	\$ 3,906,115	\$ 2,864,243	\$ (1,041,872)
Development fees			24,489	24,489
Intergovernmental	466,000	166,000	250,058	84,058
Licenses and permits	12,440	12,440	4,104	(8,336)
Use of money and property	25,000	25,000	39,224	14,224
Charges for services	875,775	875,775	481,705	(394,070)
Other, donations, and reimbursements	60,000	267,369	160,364	(107,005)
Total Revenues	6,095,330	5,252,699	3,824,187	(1,428,512)
EXPENDITURES				
Current:				
Community services	7,278,502	5,532,052	5,060,631	471,421
Total Expenditures	7,278,502	5,532,052	5,060,631	471,421
Excess of Revenues over (under) Expenditures	(1,183,172)	(279,353)	(1,236,444)	(957,091)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,808,500	452,369	525,793	73,424
Transfers out	(591,115)	(536,115)	(807,974)	(271,859)
Total Other Financing Sources (Uses)	1,217,385	(83,746)	(282,181)	(198,435)
Net Change in Fund Balance	34,213	(363,099)	(1,518,625)	(1,155,526)
Fund Balance, Beginning of Fiscal Year	2,083,625	2,083,625	2,083,625	
Fund Balance, End of Fiscal Year	\$ 2,117,838	\$ 1,720,526	\$ 565,000	\$ (1,155,526)

See Accompanying Note to Required Supplementary Information

CITY OF HEALDSBURG
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2020

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
For the Fiscal Year Ended June 30, 2020

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 fiscal 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 not formally adopt budgets for the North Area, Benjamin Way Maintenance District, Parking Impact Fees, and Misc Projects non-major governmental funds.

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.

Housing Successor Agency Fund – used to account for housing assets from the former Redevelopment Agency, including notes receivable.

CAPITAL PROJECTS FUND

Misc. Projects Capital Projects Fund – used to account for the acquisition and construction of miscellaneous major 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, 2020**

	Special Revenue Funds				
	Gas Tax	North Area	Benjamin Way Maintenance District	Public Safety	Strong Motion Education and Data
ASSETS					
Cash and investments	\$ 1,552,776	\$ 362	\$ 7,821	\$ 104,083	\$ 4,087
Cash and investments with fiscal agents					
Receivables:					
Accounts and taxes		54,600			
Interest	5,400		26		13
Intergovernmental	33,063				
Loans and notes receivable					
Total Assets	<u>\$ 1,591,239</u>	<u>\$ 54,962</u>	<u>\$ 7,847</u>	<u>\$ 104,083</u>	<u>\$ 4,100</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds		15,000			
Deposit payable				734	
Total Liabilities		<u>15,000</u>		<u>734</u>	
Deferred inflow of resources:					
Unavailable revenue - interest					
Unavailable revenue		<u>54,600</u>			
Total deferred inflows of resources		<u>54,600</u>			
Fund Balances:					
Restricted	1,591,239		7,847	103,349	4,100
Committed					
Unassigned		<u>(14,638)</u>			
Total Fund Balances (Deficits)	<u>1,591,239</u>	<u>(14,638)</u>	<u>7,847</u>	<u>103,349</u>	<u>4,100</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 1,591,239</u>	<u>\$ 54,962</u>	<u>\$ 7,847</u>	<u>\$ 104,083</u>	<u>\$ 4,100</u>

Area A Lighting and Landscaping	Special Revenue Funds				Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Media Center	Park Development Fees	Parking Impact Fees	Housing Successor Agency	Misc Projects	General Debt Service	
\$ 274,592	\$ -	\$ 549,776	\$ 76,272	\$ 805	\$ - 586,421	\$ 364,042 174	\$ 2,934,616 586,595
2,641 911	9,535	4,114 1,822	253				70,890 8,425 33,063
				8,119,121			8,119,121
<u>\$ 278,144</u>	<u>\$ 9,535</u>	<u>\$ 555,712</u>	<u>\$ 76,525</u>	<u>\$ 8,119,926</u>	<u>\$ 586,421</u>	<u>\$ 364,216</u>	<u>\$ 11,752,710</u>
\$ 16,322	\$ - 9,679	\$ 2,008	\$ -	\$ 17,540	\$ - 54,892	\$ 3,500	\$ 39,370 79,571 734
16,322	9,679	2,008		17,540	54,892	3,500	119,675
				1,356,621			1,356,621 54,600
				1,356,621			1,411,221
261,822		553,704	76,525	6,745,765	531,529	360,716	9,705,067 531,529 (14,782)
	(144)						(14,782)
261,822	(144)	553,704	76,525	6,745,765	531,529	360,716	10,221,814
<u>\$ 278,144</u>	<u>\$ 9,535</u>	<u>\$ 555,712</u>	<u>\$ 76,525</u>	<u>\$ 8,119,926</u>	<u>\$ 586,421</u>	<u>\$ 364,216</u>	<u>\$ 11,752,710</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020**

	Special Revenue Funds				
	Gas Tax	North Area	Benjamin Way Maintenance District	Public Safety	Strong Motion Education and Data
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Development fees					
Intergovernmental	508,282				
Use of money and property	45,461		209		108
Charges for services				10,149	
Other, donations, and reimbursements				198	169
Total Revenues	<u>553,743</u>		<u>209</u>	<u>10,347</u>	<u>277</u>
EXPENDITURES					
Current:					
Public safety				50,857	
Streets and roads	1,883				
Community development					
Community services					
Debt service:					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	<u>1,883</u>			<u>50,857</u>	
Excess of Revenues Over (Under) Expenditures	<u>551,860</u>		<u>209</u>	<u>(40,510)</u>	<u>277</u>
OTHER FINANCING SOURCES (USES)					
Transfers in				74,557	
Transfers out	(512,294)				
Total Other Financing Sources (Uses)	<u>(512,294)</u>			<u>74,557</u>	
Net Change in Fund Balances	39,566		209	34,047	277
Fund Balances (deficits), Beginning of Fiscal Year	<u>1,551,673</u>	<u>(14,638)</u>	<u>7,638</u>	<u>69,302</u>	<u>3,823</u>
Fund Balances (deficits), End of Fiscal Year	<u>\$ 1,591,239</u>	<u>\$ (14,638)</u>	<u>\$ 7,847</u>	<u>\$ 103,349</u>	<u>\$ 4,100</u>

	Special Revenue Funds				Capital Projects	Debt Service	Total Nonmajor Governmental Funds
	Area A Lighting and Landscaping	Media Center	Park Development Fees	Parking Impact Fees	Housing Successor Agency	Misc Projects	
\$ 202,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,933
		18,199					18,199
6,799		14,821	1,720		11,781	78	508,282
							80,977
26	38,462			103,510			10,149
							142,365
<u>209,758</u>	<u>38,462</u>	<u>33,020</u>	<u>1,720</u>	<u>103,510</u>	<u>11,781</u>	<u>78</u>	<u>962,905</u>
							50,857
219,351				498,825			1,883
		2,008					718,176
							2,008
						962,621	962,621
						135,428	135,428
<u>219,351</u>		<u>2,008</u>		<u>498,825</u>		<u>1,098,049</u>	<u>1,870,973</u>
<u>(9,593)</u>	<u>38,462</u>	<u>31,012</u>	<u>1,720</u>	<u>(395,315)</u>	<u>11,781</u>	<u>(1,097,971)</u>	<u>(908,068)</u>
				350,000		1,190,244	1,614,801
(6,298)	(37,802)				(404,934)		(961,328)
							653,473
(6,298)	(37,802)			350,000	(404,934)	1,190,244	
(15,891)	660	31,012	1,720	(45,315)	(393,153)	92,273	(254,595)
<u>277,713</u>	<u>(804)</u>	<u>522,692</u>	<u>74,805</u>	<u>6,791,080</u>	<u>924,682</u>	<u>268,443</u>	<u>10,476,409</u>
<u>\$ 261,822</u>	<u>\$ (144)</u>	<u>\$ 553,704</u>	<u>\$ 76,525</u>	<u>\$ 6,745,765</u>	<u>\$ 531,529</u>	<u>\$ 360,716</u>	<u>\$ 10,221,814</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, 2020

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 520,400	\$ 508,282	\$ (12,118)
Use of money and property	<u>7,000</u>	<u>45,461</u>	<u>38,461</u>
Total Revenues	<u>527,400</u>	<u>553,743</u>	<u>26,343</u>
EXPENDITURES			
Current:			
Streets and roads	<u>1,500</u>	<u>1,883</u>	<u>(383)</u>
Total Expenditures	<u>1,500</u>	<u>1,883</u>	<u>(383)</u>
Excess of Revenues Over (Under) Expenditures	<u>525,900</u>	<u>551,860</u>	<u>25,960</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(347,343)</u>	<u>(512,294)</u>	<u>(164,951)</u>
Total Other Financing Sources (Uses)	<u>(347,343)</u>	<u>(512,294)</u>	<u>(164,951)</u>
Net Change in Fund Balance	178,557	39,566	(138,991)
Fund Balance - Beginning of Fiscal Year	<u>1,551,673</u>	<u>1,551,673</u>	
Fund Balance - End of Fiscal Year	<u>\$ 1,730,230</u>	<u>\$ 1,591,239</u>	<u>\$ (138,991)</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Charges for services	\$ -	\$ 10,149	\$ 10,149
Other, donations, and reimbursements		198	198
Total Revenues		10,347	10,347
EXPENDITURES			
Current:			
Public safety	35,000	50,857	(15,857)
Total Expenditures	35,000	50,857	(15,857)
Excess of Revenues Over (Under) Expenditures	(35,000)	(40,510)	(5,510)
OTHER FINANCING SOURCES (USES)			
Transfers in	85,000	74,557	(10,443)
Total Other Financing Sources (Uses)	85,000	74,557	(10,443)
Net Change in Fund Balance	50,000	34,047	(15,953)
Fund Balance - Beginning of Fiscal Year	69,302	69,302	
Fund Balance - End of Fiscal Year	<u>\$ 119,302</u>	<u>\$ 103,349</u>	<u>\$ (15,953)</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STRONG MOTION EDUCATION AND DATA SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Use of money and property	\$ 10	\$ 108	\$ 98
Other, donations, and reimbursements	400	169	(231)
Total Revenues	410	277	(133)
Excess of Revenues Over (Under) Expenditures	410	277	(133)
Fund Balance - Beginning of Fiscal Year	3,823	3,823	
Fund Balance - End of Fiscal Year	\$ 4,233	\$ 4,100	\$ (133)

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, 2020

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Property taxes	\$ 217,626	\$ 202,933	\$ (14,693)
Use of money and property	1,195	6,799	5,604
Other, donations, and reimbursements	<u> </u>	<u>26</u>	<u>26</u>
 Total Revenues	 <u>218,821</u>	 <u>209,758</u>	 <u>(9,063)</u>
EXPENDITURES			
Current:			
Community development	<u>199,010</u>	<u>219,351</u>	<u>(20,341)</u>
 Total Expenditures	 <u>199,010</u>	 <u>219,351</u>	 <u>(20,341)</u>
 Excess of Revenues Over (Under) Expenditures	 <u>19,811</u>	 <u>(9,593)</u>	 <u>(29,404)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(6,298)</u>	<u>(6,298)</u>	<u> </u>
 Total Other Financing Sources (Uses)	 <u>(6,298)</u>	 <u>(6,298)</u>	 <u> </u>
 Net Change in Fund Balance	 13,513	 (15,891)	 (29,404)
Fund Balance - Beginning of Fiscal Year	<u>277,713</u>	<u>277,713</u>	<u> </u>
Fund Balance - End of Fiscal Year	<u><u>\$ 291,226</u></u>	<u><u>\$ 261,822</u></u>	<u><u>\$ (29,404)</u></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, 2020

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Other, donations, and reimbursements	\$ 40,000	\$ 38,462	\$ (1,538)
Total Revenues	<u>40,000</u>	<u>38,462</u>	<u>(1,538)</u>
Excess of Revenues Over (Under) Expenditures	<u>40,000</u>	<u>38,462</u>	<u>(1,538)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(40,000)</u>	<u>(37,802)</u>	<u>2,198</u>
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(37,802)</u>	<u>2,198</u>
Net Change in Fund Balance		660	660
Fund Balances (deficits), Beginning of Fiscal Year	<u>(804)</u>	<u>(804)</u>	
Fund Balances (deficits), End of Fiscal Year	<u>\$ (804)</u>	<u>\$ (144)</u>	<u>\$ 660</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, 2020

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Development fees	\$ -	\$ 18,199	\$ 18,199
Use of money and property		14,821	14,821
Total Revenues		33,020	33,020
EXPENDITURES			
Current:			
Community services	20,000	2,008	17,992
Total Expenditures	20,000	2,008	17,992
Excess of Revenues Over (Under) Expenditures	(20,000)	31,012	51,012
Fund Balance - Beginning of Fiscal Year	522,692	522,692	
Fund Balance - End of Fiscal Year	\$ 502,692	\$ 553,704	\$ 51,012

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, 2020

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Other, donations, and reimbursements	\$ 500,000	\$ 103,510	\$ (396,490)
Total Revenues	500,000	103,510	(396,490)
EXPENDITURES			
Current:			
Community development	601,999	498,825	103,174
Total Expenditures	601,999	498,825	103,174
Excess of Revenues Over (Under) Expenditures	(101,999)	(395,315)	(293,316)
OTHER FINANCING SOURCES (USES)			
Transfers in	32,000	350,000	318,000
Total Other Financing Sources (Uses)	32,000	350,000	318,000
Net Change in Fund Balance	(69,999)	(45,315)	24,684
Fund Balance - Beginning of Fiscal Year	6,791,080	6,791,080	
Fund Balance - End of Fiscal Year	\$ 6,721,081	\$ 6,745,765	\$ 24,684

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, 2020

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Use of money and property	\$ -	\$ 78	\$ 78
Total Revenues	<u> </u>	<u> 78</u>	<u> 78</u>
EXPENDITURES			
Debt service:			
Principal retirement	1,051,219	962,621	88,598
Interest and fiscal charges	<u>140,524</u>	<u>135,428</u>	<u>5,096</u>
Total Expenditures	<u>1,191,743</u>	<u>1,098,049</u>	<u>93,694</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,191,743)</u>	<u>(1,097,971)</u>	<u>93,772</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,190,244</u>	<u>1,190,244</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>1,190,244</u>	<u>1,190,244</u>	<u> </u>
Net Change in Fund Balance	(1,499)	92,273	93,772
Fund Balance - Beginning of Fiscal Year	<u>268,443</u>	<u>268,443</u>	<u> </u>
Fund Balance - End of Fiscal Year	<u><u>\$ 266,944</u></u>	<u><u>\$ 360,716</u></u>	<u><u>\$ 93,772</u></u>

**CITY OF HEALDSBURG
COMBINING BALANCE SHEET
GENERAL FUND ACTIVITIES
June 30, 2020**

	General	Capital Replacement	Transaction & Use Tax	Economic Development
ASSETS				
Cash and investments	\$ 1,820,685	\$ 16,638	\$ 219,295	\$ 395,247
Pension stabilization investments	4,473,943			
Receivables:				
Accounts and taxes	983,622			
Interest	36,513		715	1,310
Intergovernmental	1,072,065		441,061	
Due from other funds	64,571			
Loans and notes receivable			558,603	
Prepaid expenditures	5,150			
	<u>8,456,549</u>	<u>16,638</u>	<u>1,219,674</u>	<u>396,557</u>
Total Assets	<u>\$ 8,456,549</u>	<u>\$ 16,638</u>	<u>\$ 1,219,674</u>	<u>\$ 396,557</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 270,035	\$ 8,966	\$ 13,770	\$ -
Due to other funds		2,946,138		
	<u>270,035</u>	<u>2,955,104</u>	<u>13,770</u>	
Total Liabilities	<u>270,035</u>	<u>2,955,104</u>	<u>13,770</u>	
Deferred inflow of resources:				
Unavailable revenue	12,559			
	<u>12,559</u>			
Total Liabilities	<u>12,559</u>			
Fund Balances:				
Nonspendable:				
Prepaid expenditures	5,150			
Restricted	4,473,943			
Assigned	24,924			
Unassigned	3,669,938	(2,938,466)	1,205,904	396,557
	<u>8,173,955</u>	<u>(2,938,466)</u>	<u>1,205,904</u>	<u>396,557</u>
Total Fund Balances (Deficits)	<u>8,173,955</u>	<u>(2,938,466)</u>	<u>1,205,904</u>	<u>396,557</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 8,456,549</u>	<u>\$ 16,638</u>	<u>\$ 1,219,674</u>	<u>\$ 396,557</u>

TOT Housing	Fire Facilities Impact Fees	Total General Fund
\$ 113,510	\$ 251,535	\$ 2,816,910
		4,473,943
65,147		1,048,769
	834	39,372
		1,513,126
		64,571
		558,603
		5,150
<u>\$ 178,657</u>	<u>\$ 252,369</u>	<u>\$ 10,520,444</u>

\$ 1,705	\$ -	\$ 294,476
		2,946,138

<u>1,705</u>		<u>3,240,614</u>
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		<u>12,559</u>
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		<u>12,559</u>
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		5,150
176,952	252,369	4,903,264
		24,924
		<u>2,333,933</u>

<u>176,952</u>	<u>252,369</u>	<u>7,267,271</u>
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<u>\$ 178,657</u>	<u>\$ 252,369</u>	<u>\$ 10,520,444</u>
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CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2020

	General	Capital Replacement	Transaction & Use Tax	Economic Development
REVENUES				
Property taxes	\$ 4,241,460	\$ -	\$ -	\$ -
Sales and other taxes	5,816,321		2,029,978	
Development fees	89,822			
Intergovernmental	139,489			
Fines and forfeitures	85,922			
License and permits	874,675			
Use of money and property	322,134	103,811	18,633	10,577
Charges for services	832,024			
Other, donations, and reimbursements	90,391			
	<u>12,492,238</u>	<u>103,811</u>	<u>2,048,611</u>	<u>10,577</u>
Total Revenues				
EXPENDITURES				
Current:				
General government	3,581,991	68,372	220,280	
Public safety	9,831,052	38,102		
Community development	3,075			
	<u>13,416,118</u>	<u>106,474</u>	<u>220,280</u>	
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	<u>(923,880)</u>	<u>(2,663)</u>	<u>1,828,331</u>	<u>10,577</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,021,970	37,803		
Transfers out	<u>(884,062)</u>		<u>(2,949,327)</u>	
Total Other Financing Sources (Uses)	<u>137,908</u>	<u>37,803</u>	<u>(2,949,327)</u>	
Net Change in Fund Balances	(785,972)	35,140	(1,120,996)	10,577
Fund Balances (deficits), Beginning of Fiscal Year	<u>8,959,927</u>	<u>(2,973,606)</u>	<u>2,326,900</u>	<u>385,980</u>
Fund Balances (deficits), End of Fiscal Year	<u>\$ 8,173,955</u>	<u>\$ (2,938,466)</u>	<u>\$ 1,205,904</u>	<u>\$ 396,557</u>

<u>TOT Housing</u>	<u>Fire Facilities Impact Fees</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ 4,241,460
543,829		8,390,128
	5,170	94,992
		139,489
		85,922
		874,675
9	6,708	461,872
		832,024
<u>19,377</u>	<u></u>	<u>109,768</u>
<u>563,215</u>	<u>11,878</u>	<u>15,230,330</u>
75,216		3,945,859
		9,869,154
<u>451,264</u>	<u></u>	<u>454,339</u>
<u>526,480</u>	<u></u>	<u>14,269,352</u>
<u>36,735</u>	<u>11,878</u>	<u>960,978</u>
		1,059,773
		(3,833,389)
		<u>(2,773,616)</u>
36,735	11,878	(1,812,638)
<u>140,217</u>	<u>240,491</u>	<u>9,079,909</u>
<u>\$ 176,952</u>	<u>\$ 252,369</u>	<u>\$ 7,267,271</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
WATER FUND ACTIVITIES
June 30, 2020

	Water Operations	Water Capital Replacement	Water Capacity	Totals Water Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and investments	\$ 1,703,834	\$ 2,202,672	\$ 1,541,686	\$ 5,448,192
Cash and investments with fiscal agents	7			7
Pension stabilization investments	516,057			516,057
Accounts receivable	1,068,966		13,142	1,082,108
Interest receivable	6,265	6,669	5,110	18,044
Inventory	74,933			74,933
Prepaid items	2,372			2,372
Total Current Assets	3,372,434	2,209,341	1,559,938	7,141,713
Noncurrent Assets:				
Capital assets				
Land	310,781			310,781
Construction in progress	1,770,469			1,770,469
Depreciable buildings and improvements, net	300,139			300,139
Depreciable utility systems, net	17,464,122			17,464,122
Depreciable equipment, net	119,098			119,098
Total Noncurrent Assets	19,964,609			19,964,609
Total Assets	23,337,043	2,209,341	1,559,938	27,106,322
Deferred Outflows of Resources:				
Pension related	619,257			619,257
Total deferred outflows of resources	619,257			619,257
LIABILITIES AND DEFERRED INFLOW OF RESOURCES				
Current Liabilities:				
Accounts payable and accrued liabilities	33,118	9,851		42,969
Deposits payable	6,934			6,934
Bonds payable - current	738,042			738,042
Interest payable	75,105			75,105
Total Current Liabilities	853,199	9,851		863,050
Noncurrent Liabilities				
Bonds payable	6,521,849			6,521,849
Net pension liability	3,046,172			3,046,172
Total Noncurrent Liabilities	9,568,021			9,568,021
Total Liabilities	10,421,220	9,851		10,431,071
Deferred Inflows of Resources:				
Pension related	134,036			134,036
Total deferred inflows of resources	134,036			134,036
NET POSITION				
Net investment in capital assets	12,629,620			12,629,620
Restricted	516,057	2,199,490	1,559,938	4,275,485
Unrestricted	255,367			255,367
Total Net Position	\$ 13,401,044	\$ 2,199,490	\$ 1,559,938	\$ 17,160,472

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
WATER FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2020**

	Water Operations	Water Capital Replacement	Water Capacity	Totals Water Fund
OPERATING REVENUES				
Charges for services	\$ 5,954,365	\$ -	\$ -	\$ 5,954,365
Development fees	4,313		91,194	95,507
Intergovernmental	8,224			8,224
Other	137,163	38,529		175,692
Total Operating Revenues	<u>6,104,065</u>	<u>38,529</u>	<u>91,194</u>	<u>6,233,788</u>
OPERATING EXPENSES				
Salaries and benefits	1,914,782			1,914,782
Maintenance and operations	184,217	1,096,078		1,280,295
Administration	806,713			806,713
Depreciation	607,837			607,837
Total Operating Expenses	<u>3,513,549</u>	<u>1,096,078</u>		<u>4,609,627</u>
Operating Income (loss)	<u>2,590,516</u>	<u>(1,057,549)</u>	<u>91,194</u>	<u>1,624,161</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	71,516	57,112	40,950	169,578
Interest expense	(323,990)			(323,990)
Gain (loss) on sale of capital assets	(14,551)			(14,551)
Total Non-operating Revenue (Expenses)	<u>(267,025)</u>	<u>57,112</u>	<u>40,950</u>	<u>(168,963)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>2,323,491</u>	<u>(1,000,437)</u>	<u>132,144</u>	<u>1,455,198</u>
TRANSFERS				
Transfers in		288,629		288,629
Transfers out	(223,000)		(583)	(223,583)
Total Transfers	<u>(223,000)</u>	<u>288,629</u>	<u>(583)</u>	<u>65,046</u>
Change in Net Position	2,100,491	(711,808)	131,561	1,520,244
Net Position, Beginning of Fiscal Year	<u>11,300,553</u>	<u>2,911,298</u>	<u>1,428,377</u>	<u>15,640,228</u>
Net Position, End of Fiscal Year	<u>\$ 13,401,044</u>	<u>\$ 2,199,490</u>	<u>\$ 1,559,938</u>	<u>\$ 17,160,472</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
SEWER FUND ACTIVITIES
June 30, 2020**

	Sewer Operations	Drainage	Sewer Capital Replacement	Sewer Capacity
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and investments	\$ 2,591,580	\$ -	\$ 3,047,059	\$ 3,279,678
Cash and investments with fiscal agents	17			
Pension stabilization investments	621,478	135,089		
Accounts receivable	1,055,718	82,157		21,796
Interest receivable	7,417		13,195	11,038
Inventory	24,274			
Due from other funds	1,231,826		1,473,069	
Prepaid items	3,176			
	5,535,486	217,246	4,533,323	3,312,512
Total Current Assets				
Noncurrent Assets:				
Capital assets				
Land	682,880	84,022		
Construction in progress	2,605,382	349,318		
Depreciable buildings and improvements, net	60,998			
Depreciable utility systems, net	48,901,297	5,553,003		
Depreciable equipment, net	643,566			
	52,894,123	5,986,343		
Total Noncurrent Assets				
	58,429,609	6,203,589	4,533,323	3,312,512
Total Assets				
Deferred Outflows of Resources:				
Deferred loss on debt refunding	821,095			
Pension related	619,257			
	1,440,352			
Total deferred outflows of resources				
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current Liabilities:				
Accounts payable and accrued liabilities	187,602	2,759	259,347	
Due to other funds		1,231,826		
Deposits payable		130		
Bonds payable - current	1,128,648			
Interest payable	200,188			
	1,516,438	1,234,715	259,347	
Total Current Liabilities				
Noncurrent Liabilities				
Bonds payable	21,413,718			
Net pension liability	3,046,172			
	24,459,890			
Total Noncurrent Liabilities				
	25,976,328	1,234,715	259,347	
Total Liabilities				
Deferred Inflows of Resources:				
Pension related	134,036			
	134,036			
Total deferred inflows of resources				
NET POSITION				
Net investment in capital assets	30,151,586	5,986,343		
Restricted	621,478	135,089	4,273,976	3,312,512
Unrestricted	2,986,533	(1,152,558)		
	33,759,597	4,968,874	4,273,976	3,312,512
Total Net Position	\$ 33,759,597	\$ 4,968,874	\$ 4,273,976	\$ 3,312,512

<u>Drainage Capacity</u>	<u>Totals Sewer Fund</u>
\$ 1,839,396	\$ 10,757,713
	17
	756,567
6,444	1,166,115
6,093	37,743
	24,274
	2,704,895
	3,176
<u>1,851,933</u>	<u>15,450,500</u>
	766,902
	2,954,700
	60,998
	54,454,300
	643,566
	<u>58,880,466</u>
<u>1,851,933</u>	<u>74,330,966</u>
	821,095
	619,257
	<u>1,440,352</u>
2,008	451,716
	1,231,826
	130
	1,128,648
	200,188
<u>2,008</u>	<u>3,012,508</u>
	21,413,718
	3,046,172
	<u>24,459,890</u>
<u>2,008</u>	<u>27,472,398</u>
	134,036
	<u>134,036</u>
	36,137,929
1,849,925	10,192,980
	1,833,975
<u>\$ 1,849,925</u>	<u>\$ 48,164,884</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
SEWER FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2020**

	Sewer Operations	Drainage	Sewer Capital Replacement	Sewer Capacity
OPERATING REVENUES				
Charges for services	\$ 6,715,652	\$ 733,847	\$ -	\$ -
Development fees				138,486
Other	43,376	5,263	711,077	
Total Operating Revenues	<u>6,759,028</u>	<u>739,110</u>	<u>711,077</u>	<u>138,486</u>
OPERATING EXPENSES				
Salaries and benefits	2,485,092	479,154		
Maintenance and operations	1,843,697	217,936	166,184	
Administration	1,071,431	130,048		
Depreciation	1,298,673	226,865		
Total Operating Expenses	<u>6,698,893</u>	<u>1,054,003</u>	<u>166,184</u>	
Operating Income (loss)	<u>60,135</u>	<u>(314,893)</u>	<u>544,893</u>	<u>138,486</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	89,188	7,321	108,759	88,685
Interest expense	(848,768)			
Total Non-operating Revenue (Expenses)	<u>(759,580)</u>	<u>7,321</u>	<u>108,759</u>	<u>88,685</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	<u>(699,445)</u>	<u>(307,572)</u>	<u>653,652</u>	<u>227,171</u>
CAPITAL CONTRIBUTIONS				
	<u>5,038,336</u>		<u>(5,038,336)</u>	
TRANSFERS				
Transfers in	75,331		1,000,000	
Transfers out	(1,065,046)	(25,331)		(50,000)
Total Transfers	<u>(989,715)</u>	<u>(25,331)</u>	<u>1,000,000</u>	<u>(50,000)</u>
Change in Net Position	3,349,176	(332,903)	(3,384,684)	177,171
Net Position, Beginning of Fiscal Year	<u>30,410,421</u>	<u>5,301,777</u>	<u>7,658,660</u>	<u>3,135,341</u>
Net Position, End of Fiscal Year	<u>\$ 33,759,597</u>	<u>\$ 4,968,874</u>	<u>\$ 4,273,976</u>	<u>\$ 3,312,512</u>

<u>Drainage Capacity</u>	<u>Totals Sewer Fund</u>
\$ -	\$ 7,449,499
49,836	188,322
<u>49,836</u>	<u>759,716</u>
<u>49,836</u>	<u>8,397,537</u>
	2,964,246
2,008	2,229,825
	1,201,479
	<u>1,525,538</u>
<u>2,008</u>	<u>7,921,088</u>
<u>47,828</u>	<u>476,449</u>
49,378	343,331
	<u>(848,768)</u>
<u>49,378</u>	<u>(505,437)</u>
<u>97,206</u>	<u>(28,988)</u>
	1,075,331
<u>(770,827)</u>	<u>(1,911,204)</u>
<u>(770,827)</u>	<u>(835,873)</u>
(673,621)	(864,861)
<u>2,523,546</u>	<u>49,029,745</u>
<u>\$ 1,849,925</u>	<u>\$ 48,164,884</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
ELECTRIC FUND ACTIVITIES
June 30, 2020

	Electric Operations	Capital Replacement	Electric Public Benefit	Electric Capacity	Totals Electric Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets:					
Cash and investments	\$ 14,544,194	\$ 1,164,315	\$ 2,240,947	\$ 733,972	\$ 18,683,428
Pension stabilization investments	887,579				887,579
Investment in NCPA Reserves	5,997,421				5,997,421
Accounts receivable	1,904,505				1,904,505
Interest receivable	54,623		7,453	2,491	64,567
Inventory	1,300,996				1,300,996
Due from other funds	15,000	1,473,069			1,488,069
	<u>24,704,318</u>	<u>2,637,384</u>	<u>2,248,400</u>	<u>736,463</u>	<u>30,326,565</u>
Total Current Assets					
Noncurrent Assets:					
Capital assets					
Land	48,360				48,360
Construction in progress	2,791,468				2,791,468
Depreciable buildings and improvements, net	24,065				24,065
Depreciable utility systems, net	11,177,347				11,177,347
Depreciable equipment, net	448,853				448,853
	<u>14,490,093</u>				<u>14,490,093</u>
Total Noncurrent Assets					
Total Assets					
	<u>39,194,411</u>	<u>2,637,384</u>	<u>2,248,400</u>	<u>736,463</u>	<u>44,816,658</u>
Deferred Outflows of Resources:					
Pension related	857,433				857,433
	<u>857,433</u>				<u>857,433</u>
Total deferred outflows of resources					
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current Liabilities:					
Accounts payable and accrued liabilities	78,728	445,766	12,588		537,082
Deposits payable	97,267				97,267
Retention payable	6,812	92,294			99,106
Bonds payable - current	108,679				108,679
Loan payable - current	118,399				118,399
Interest payable	4,519				4,519
	<u>414,404</u>	<u>538,060</u>	<u>12,588</u>		<u>965,052</u>
Total Current Liabilities					
Noncurrent Liabilities					
Bonds payable	243,538				243,538
Loan payable	1,689,017				1,689,017
Net pension liability	4,217,776				4,217,776
	<u>6,150,331</u>				<u>6,150,331</u>
Total Noncurrent Liabilities					
Total Liabilities					
	<u>6,564,735</u>	<u>538,060</u>	<u>12,588</u>		<u>7,115,383</u>
Deferred Inflows of Resources:					
Pension related	185,588				185,588
	<u>185,588</u>				<u>185,588</u>
Total deferred inflows of resources					
NET POSITION					
Net investment in capital assets	14,133,357				14,133,357
Restricted	887,579	2,099,324	2,235,812	736,463	5,959,178
Unrestricted	18,280,585				18,280,585
	<u>33,301,521</u>	<u>2,099,324</u>	<u>2,235,812</u>	<u>736,463</u>	<u>38,373,120</u>
Total Net Position					

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2020**

	Electric Operations	Capital Replacement	Electric Public Benefit	Electric Capacity	Totals Electric Fund
OPERATING REVENUES					
Charges for services	\$ 12,436,942	\$ -	\$ 345,179	\$ -	\$ 12,782,121
Development fees	2,133			10,443	12,576
Other	791,184		561,323		1,352,507
Total Operating Revenues	<u>13,230,259</u>		<u>906,502</u>	<u>10,443</u>	<u>14,147,204</u>
OPERATING EXPENSES					
Purchase of power	2,916,622				2,916,622
Salaries and benefits	2,339,762		116,759		2,456,521
Maintenance and operations	2,873,086	1,499,031	341,737		4,713,854
Administration	1,323,245				1,323,245
Depreciation	526,672				526,672
Total Operating Expenses	<u>9,979,387</u>	<u>1,499,031</u>	<u>458,496</u>		<u>11,936,914</u>
Operating Income (loss)	<u>3,250,872</u>	<u>(1,499,031)</u>	<u>448,006</u>	<u>10,443</u>	<u>2,210,290</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income (loss)	587,568		58,294	22,822	668,684
Interest expense	(28,859)				(28,859)
Total Non-operating Revenue (Expenses)	<u>558,709</u>		<u>58,294</u>	<u>22,822</u>	<u>639,825</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>3,809,581</u>	<u>(1,499,031)</u>	<u>506,300</u>	<u>33,265</u>	<u>2,850,115</u>
TRANSFERS					
Transfers in	3,339	285,744			289,083
Transfers out	(199,544)		(31,119)	(232,744)	(463,407)
Total Transfers	<u>(196,205)</u>	<u>285,744</u>	<u>(31,119)</u>	<u>(232,744)</u>	<u>(174,324)</u>
Change in Net Position	3,613,376	(1,213,287)	475,181	(199,479)	2,675,791
Net Position, Beginning 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>
Net Position, End of Fiscal Year	<u>\$ 33,301,521</u>	<u>\$ 2,099,324</u>	<u>\$ 2,235,812</u>	<u>\$ 736,463</u>	<u>\$ 38,373,120</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2020

	Insurance and Benefit	Vehicle Maintenance	Information Services	Building Maintenance	Totals
ASSETS					
Current Assets:					
Cash and investments	\$ 3,540,463	\$ 1,255,176	\$ 939,279	\$ 114,434	\$ 5,849,352
Accounts receivable	20,008	47,371		274,658	342,037
Loans and notes receivable			6,786		6,786
Interest receivable		7,630	3,183	374	11,187
Inventory		9,713			9,713
Prepaid items	585		1,125		1,710
Total Current Assets	3,561,056	1,319,890	950,373	389,466	6,220,785
Noncurrent Assets:					
Capital assets					
Construction in progress				206,365	206,365
Depreciable buildings and improvements, net				1,744,631	1,744,631
Depreciable equipment, net		3,137,364	997,372		4,134,736
Total Noncurrent Assets		3,137,364	997,372	1,950,996	6,085,732
Total Assets	3,561,056	4,457,254	1,947,745	2,340,462	12,306,517
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	437,548	78,230	73,066	19,663	608,507
Retention payable				5,623	5,623
Capital lease payable - current			233,779		233,779
Claims payable - current	137,942				137,942
Compensated absences	568,292				568,292
Total Current Liabilities	1,143,782	78,230	306,845	25,286	1,554,143
Noncurrent Liabilities					
Capital lease payable			22,067		22,067
Claims payable	437,425				437,425
Compensated absences	1,704,879				1,704,879
Total Noncurrent Liabilities	2,142,304		22,067		2,164,371
Total Liabilities	3,286,086	78,230	328,912	25,286	3,718,514
NET POSITION					
Net investment in capital assets		3,137,364	741,526	1,950,996	5,829,886
Unrestricted	274,970	1,241,660	877,307	364,180	2,758,117
Total Net Position	\$ 274,970	\$ 4,379,024	\$ 1,618,833	\$ 2,315,176	\$ 8,588,003

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2020**

	Insurance and Benefit	Vehicle Maintenance	Information Services	Building Maintenance	Totals
OPERATING REVENUES					
Charges for services	\$ 586,291	\$ 1,177,532	\$ 2,117,627	\$ 548,225	\$ 4,429,675
Other		1,520	445	20,948	22,913
Total Operating Revenues	<u>586,291</u>	<u>1,179,052</u>	<u>2,118,072</u>	<u>569,173</u>	<u>4,452,588</u>
OPERATING EXPENSES					
Salaries and benefits	602,915	370,318	643,852	245,598	1,862,683
Maintenance and operations		358,017	886,123	404,205	1,648,345
Administration		124,244	159,023	128,038	411,305
Depreciation		411,238	279,435	240,218	930,891
Total Operating Expenses	<u>602,915</u>	<u>1,263,817</u>	<u>1,968,433</u>	<u>1,018,059</u>	<u>4,853,224</u>
Operating Income (loss)	<u>(16,624)</u>	<u>(84,765)</u>	<u>149,639</u>	<u>(448,886)</u>	<u>(400,636)</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income (loss)		38,506	23,616	244,936	307,058
Gain (loss) on sale of fixed assets		51,687			51,687
Total Non-operating Revenue (Expenses)		<u>90,193</u>	<u>23,616</u>	<u>244,936</u>	<u>358,745</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(16,624)</u>	<u>5,428</u>	<u>173,255</u>	<u>(203,950)</u>	<u>(41,891)</u>
TRANSFERS					
Transfers in		219,218		307,019	526,237
Transfers out		(13,782)	(25,054)	(20,654)	(59,490)
Total Transfers		<u>205,436</u>	<u>(25,054)</u>	<u>286,365</u>	<u>466,747</u>
Change in Net Position	(16,624)	210,864	148,201	82,415	424,856
Net Position, Beginning of Fiscal Year	291,594	4,168,160	1,470,632	2,232,761	8,163,147
Net Position, End of Fiscal Year	<u>\$ 274,970</u>	<u>\$ 4,379,024</u>	<u>\$ 1,618,833</u>	<u>\$ 2,315,176</u>	<u>\$ 8,588,003</u>

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CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2020

	Insurance and Benefit	Vehicle Maintenance	Information Services	Building Maintenance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 911,436	\$ 1,152,648	\$ 2,117,627	\$ 304,037	\$ 4,485,748
Receipts from other operating activities		1,520	445	20,948	22,913
Payments to suppliers		(426,402)	(990,708)	(520,670)	(1,937,780)
Payments to employees	(224,705)	(370,318)	(643,852)	(515,582)	(1,754,457)
Net Cash Provided (Used) by Operating Activities	<u>686,731</u>	<u>357,448</u>	<u>483,512</u>	<u>(711,267)</u>	<u>816,424</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in		219,218		307,019	526,237
Transfers out		(13,782)	(25,054)	(20,654)	(59,490)
Loans repaid (issued)			2,908		2,908
Net Cash Provided (Used) for Non-Capital and Related Financing Activities		<u>205,436</u>	<u>(22,146)</u>	<u>286,365</u>	<u>469,655</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payments for capital lease			(341,145)		(341,145)
Cash received (loss) from sale of capital assets		75,441			75,441
Acquisition and construction of capital assets		(1,038,046)		(371,740)	(1,409,786)
Net Cash Provided (Used) for Capital and Related Financing Activities		<u>(962,605)</u>	<u>(341,145)</u>	<u>(371,740)</u>	<u>(1,675,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income		49,947	24,057	247,374	321,378
Net Cash Provided by Investing Activities		<u>49,947</u>	<u>24,057</u>	<u>247,374</u>	<u>321,378</u>
Increase (Decrease) in cash and cash equivalents	686,731	(349,774)	144,278	(549,268)	(68,033)
Cash and Cash Equivalents, Beginning 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>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 3,540,463</u>	<u>\$ 1,255,176</u>	<u>\$ 939,279</u>	<u>\$ 114,434</u>	<u>\$ 5,849,352</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Cash and investments	<u>\$ 3,540,463</u>	<u>\$ 1,255,176</u>	<u>\$ 939,279</u>	<u>\$ 114,434</u>	<u>\$ 5,849,352</u>
Total Cash and Cash Equivalents	<u>\$ 3,540,463</u>	<u>\$ 1,255,176</u>	<u>\$ 939,279</u>	<u>\$ 114,434</u>	<u>\$ 5,849,352</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (16,624)	\$ (84,765)	\$ 149,639	\$ (448,886)	\$ (400,636)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation		411,238	279,435	240,218	930,891
Changes in assets and liabilities:					
(Increase) decrease in accounts receivables	(4,330)	(24,884)		(244,188)	(273,402)
(Increase) decrease in inventory		10,338			10,338
(Increase) decrease in prepaid expenses	(585)		(1,125)		(1,710)
Increase (decrease) in accounts payable and accrued liabilities	214,079	45,521	55,563	11,573	326,736
Increase (decrease) in claims payable	115,981			(269,984)	(154,003)
Increase (decrease) in compensated absences	<u>378,210</u>				<u>378,210</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 686,731</u>	<u>\$ 357,448</u>	<u>\$ 483,512</u>	<u>\$ (711,267)</u>	<u>\$ 816,424</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
June 30, 2020

	Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Post RDA Successor Agency
Assets				
Cash and investments	\$ -	\$ 56,794	\$ 7,116	\$ 4,441,444
Cash and investments with fiscal agent	231,813			
Interest receivable		188		17,872
Loans and notes receivable				3,528,416
Capital assets, net of depreciation				528,300
Total Assets	231,813	56,982	7,116	8,516,032
Liabilities				
Accounts payable		900	111	
Interest payable				
Noncurrent liabilities				
Due within one year				
Due in more than one year				
Total Liabilities		900	111	
Net Position				
Net position held in trust	\$ 231,813	\$ 56,082	\$ 7,005	\$ 8,516,032

Post RDA Debt Retirement Fund	Colonel L.A. Norton Memorial Trust	Cultural Center Trust	Total
\$ 966,455	\$ 331	\$ 78,212	\$ 5,550,352
2,517,485		259	2,749,298
			18,319
			3,528,416
			528,300
3,483,940	331	78,471	12,374,685
1,000			2,011
682,699			682,699
2,277,521			2,277,521
39,439,492			39,439,492
42,400,712			42,401,723
\$ (38,916,772)	\$ 331	\$ 78,471	\$ (30,027,038)

CITY OF HEALDSBURG
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2020

	Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Post RDA Successor Agency
Additions				
Property taxes	\$ -	\$ -	\$ -	\$ 3,363,130
Use of money and property Transfers	11,945	1,664		125,615
	<u>11,945</u>	<u>1,664</u>		<u>3,488,745</u>
Deductions				
Community development	3,405	24,409	219	583,691
Interest expense				
Transfers				3,681,131
	<u>3,405</u>	<u>24,409</u>	<u>219</u>	<u>4,264,822</u>
Total Deductions				
	<u>3,405</u>	<u>24,409</u>	<u>219</u>	<u>4,264,822</u>
Change in Net Position	8,540	(22,745)	(219)	(776,077)
Net Position, beginning	<u>223,273</u>	<u>78,827</u>	<u>7,224</u>	<u>9,292,109</u>
Net Position, ending	<u>\$ 231,813</u>	<u>\$ 56,082</u>	<u>\$ 7,005</u>	<u>\$ 8,516,032</u>

Post RDA Debt Retirement Fund	Colonel L.A. Norton Memorial Trust	Cultural Center Trust	Total
\$ -	\$ -	\$ -	\$ 3,363,130
136,895		2,090	278,209
<u>3,681,131</u>			<u>3,681,131</u>
<u>3,818,026</u>		<u>2,090</u>	<u>7,322,470</u>
			611,724
1,488,916			1,488,916
			<u>3,681,131</u>
<u>1,488,916</u>			<u>5,781,771</u>
2,329,110		2,090	1,540,699
<u>(41,245,882)</u>	<u>331</u>	<u>76,381</u>	<u>(31,567,737)</u>
<u>\$ (38,916,772)</u>	<u>\$ 331</u>	<u>\$ 78,471</u>	<u>\$ (30,027,038)</u>