

CITY OF HEALDSBURG
Financial Statements
Fiscal Year Ended June 30, 2021

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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, 2021, 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, 2021, 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.

Emphasis of Matter

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2020, the Authority adopted the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 83 through 86, and budgetary comparison information on pages 87 and 88 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 30, 2021, 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 30, 2021

CITY OF HEALDSBURG
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2021

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, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying Independent Auditor’s Report, the financial statements, and the accompanying notes to the financial statements.

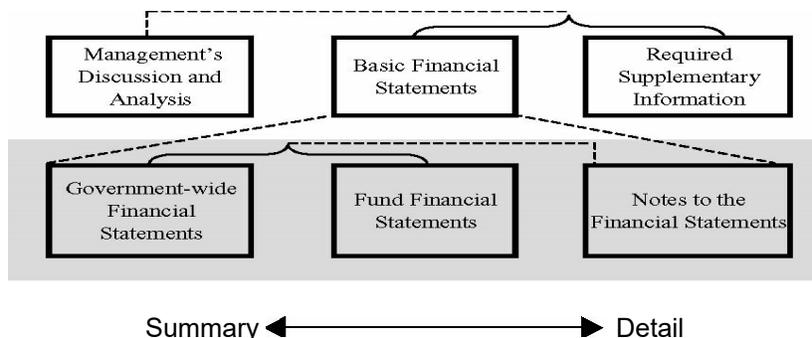
Financial Highlights

- City assets exceeded liabilities by \$213.90 million (net position) at June 30, 2021, an increase of \$11.13 million, or 5.50% over the prior fiscal year.
- The City’s current fiscal year change in net position of \$10.90 million, compared to the prior fiscal year change in net position of \$30.37 thousand, resulted in an increased net position of \$10.87 million. The increase is mainly attributable to an increase in charges for services of \$5.50 million, an increase in sales and use tax of \$1.07 million and an increase in transient occupancy tax of \$941.75 thousand from the prior year levels.
- While the COVID-19 pandemic created economic uncertainty, tourism and business activities recovered more quickly than anticipated. Tourism revenue growth also benefited from the addition of a new luxury resort that opened in January of 2021. At the close of fiscal year 2020-21, City governmental funds reported combined ending fund balance of \$20.65 million, an increase of \$3.25 million or 18.66% from the prior fiscal year.
- The unassigned portion of the total governmental funds balance grew from \$1.65 million in FY 19-20 to \$2.93 million in FY 20-21, an increase of \$1.28 million or 77.58%. Strict cost controls, along with a faster than anticipated recovery were the key drivers for the year over year increase (Note 14, page 76)
- At the end of fiscal year 2020-21, unassigned fund balance for the General Fund was \$3.29 million, or 22.40% 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, 2021

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 supplemental information. The Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund on page 87, 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, 2021

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 inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

The City maintains sixteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Community Services, and Capital Projects - Streets 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 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, 2021

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, 2021 and 2020						
	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 31,076,885	\$ 26,994,362	\$ 47,534,827	\$ 51,870,724	\$ 78,611,712	\$ 78,865,086
Capital assets	108,556,987	101,122,717	101,403,445	96,895,850	209,960,432	198,018,567
Total assets	<u>139,633,872</u>	<u>128,117,079</u>	<u>148,938,272</u>	<u>148,766,574</u>	<u>288,572,144</u>	<u>276,883,653</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Amounts on Debt Refundings	-	-	766,356	821,095	766,356	821,095
Deferred Pension Related Items	5,265,801	5,502,127	2,265,986	2,095,947	7,531,787	7,598,074
Deferred OPEB Related Items	176,310	243,232	51,129	-	227,439	243,232
Total deferred outflows	<u>5,442,111</u>	<u>5,745,359</u>	<u>3,083,471</u>	<u>2,917,042</u>	<u>8,525,582</u>	<u>8,662,401</u>
LIABILITIES						
Current Liabilities	5,152,995	3,992,585	3,219,709	3,649,091	8,372,704	7,641,676
Long-term liabilities	34,443,034	33,323,359	39,079,163	40,178,242	73,522,197	73,501,601
Total liabilities	<u>39,596,029</u>	<u>37,315,944</u>	<u>42,298,872</u>	<u>43,827,333</u>	<u>81,894,901</u>	<u>81,143,277</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Pension Related Items	910,659	1,122,309	343,809	453,660	1,254,468	1,575,969
Deferred OPEB Related Items	37,882	55,776	10,987	-	48,869	55,776
Total deferred inflows	<u>948,541</u>	<u>1,178,085</u>	<u>354,796</u>	<u>453,660</u>	<u>1,303,337</u>	<u>1,631,745</u>
NET POSITION						
Net Investment						
in Capital Assets	107,260,715	99,462,564	72,961,799	66,461,588	180,222,514	165,924,152
Restricted	17,634,440	14,947,319	16,020,267	20,427,643	33,654,707	35,374,962
Unrestricted	(20,363,742)	(19,041,474)	20,386,009	20,513,392	22,267	1,471,918
Total net position	<u>\$ 104,531,413</u>	<u>\$ 95,368,409</u>	<u>\$ 109,368,075</u>	<u>\$ 107,402,623</u>	<u>\$ 213,899,488</u>	<u>\$ 202,771,032</u>

By far the largest portion of the City's net position (84.26%) reflects its net investment in capital assets (e.g. land, buildings, utility plants, 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 (\$33.65 million or 15.73%) represents resources that are subject to external restrictions on how they may be used, noted above as restricted net position.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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

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

CHANGE IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 and 2020

	Government Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
PROGRAM REVENUES						
Charges for Services	\$ 3,801,418	\$ 2,278,022	\$ 33,046,498	\$ 29,073,708	\$ 36,847,916	\$ 31,351,730
Operating Grants	2,274,986	1,777,828	-	-	2,274,986	1,777,828
Capital Grants	1,232,968	640,628	97,589	166,538	1,330,557	807,166
GENERAL REVENUES						
Property and Other Taxes	3,030,458	2,766,448	-	-	3,030,458	2,766,448
Sales and Use Taxes	8,069,870	6,995,107	-	-	8,069,870	6,995,107
Motor Vehicle in Lieu	1,570,322	1,475,012	-	-	1,570,322	1,475,012
Franchise Fees	604,013	557,757	-	-	604,013	557,757
Business License Taxes	314,307	177,086	-	-	314,307	177,086
Transient Occupancy Taxes	4,750,888	3,809,137	-	-	4,750,888	3,809,137
Use of Money and Property	823,296	513,637	364,392	1,186,418	1,187,688	1,700,055
Other Revenues (Misc)	5,979,537	109,768	-	-	5,979,537	109,768
TOTAL REVENUES	\$ 32,452,063	\$ 21,100,430	\$ 33,508,479	\$ 30,426,664	\$ 65,960,542	\$ 51,527,094
EXPENSES						
Governmental Activities						
General Government	\$ 4,181,962	\$ 3,955,126	\$ -	\$ -	\$ 4,181,962	\$ 3,955,126
Public Safety	9,668,455	10,866,228	-	-	9,668,455	10,866,228
Community Development	1,099,864	992,053	-	-	1,099,864	992,053
Community Services	3,655,094	4,882,178	-	-	3,655,094	4,882,178
Streets and Roads	5,056,824	2,315,010	-	-	5,056,824	2,315,010
Interest on Long Term Debt	258,000	135,428	-	-	258,000	135,428
Unallocated Depreciation	2,426,750	2,280,873	-	-	2,426,750	2,280,873
Business Type Activities						
Water	-	-	5,489,695	4,948,168	5,489,695	4,948,168
Sewer	-	-	9,212,612	8,769,856	9,212,612	8,769,856
Electric	-	-	13,594,946	11,965,773	13,594,946	11,965,773
Non-Major Enterprise Funds (Airport)	-	-	419,697	386,034	419,697	386,034
TOTAL EXPENSES	\$ 26,346,949	\$ 25,426,896	\$ 28,716,950	\$ 26,069,831	\$ 55,063,899	\$ 51,496,727
EXCESS (DEFICIENCY) OF REVENUES						
OVER EXPENSES BEFORE TRANSFERS	\$ 6,105,114	\$ (4,326,466)	\$ 4,791,529	\$ 4,356,833	\$ 10,896,643	\$ 30,367
Transfers						
Transfers In (Out)	\$ 2,580,555	\$ 947,724	\$ (2,580,555)	\$ (947,724)	\$ -	\$ -
TOTAL TRANSFERS	\$ 2,580,555	\$ 947,724	\$ (2,580,555)	\$ (947,724)	\$ -	\$ -
CHANGE IN NET POSITION						
NET POSITION JULY 1	95,368,409	98,747,151	107,402,623	103,993,514	202,771,032	202,740,665
RESTATEMENT OF NET POSITION	477,335	-	(245,522)	-	231,813	-
NET POSITION JUNE 30	\$ 104,531,413	\$ 95,368,409	\$ 109,368,075	\$ 107,402,623	\$ 213,899,488	\$ 202,771,032

The Change in Net Position shows how the government's net position changed during fiscal year 2020-21 as compared to fiscal year 2019-20. The City's current fiscal year change in net position of \$10.90 million, compared to the prior fiscal year change in net position of \$30.37 thousand, resulted in an increase of \$10.87 million. The current year increase is a result of other revenues increasing \$5.87 million, governmental charges for services increasing \$1.52 million, business charges for services increasing \$3.97 million, sales and use tax increasing \$1.07 million, transient occupancy tax increasing \$941.75 thousand, and capital grants increasing

CITY OF HEALDSBURG
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2021

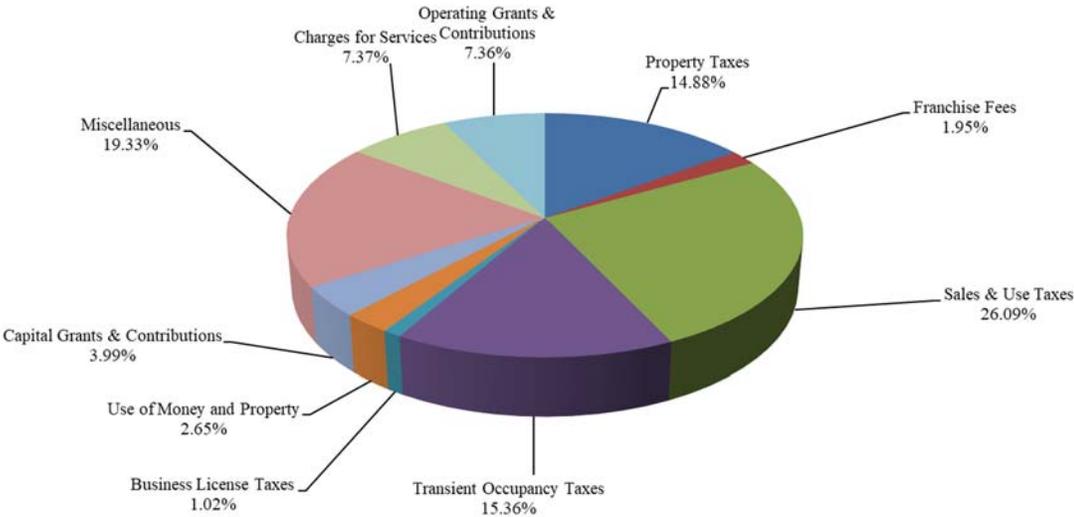
\$523.40 thousand. These increases were further offset by a \$5.56 million increase in expenses for business-type activities and \$920.05 thousand increase in expenses for government-type activities.

Governmental Activities. Governmental activities increased \$8.68 million during the fiscal year ended June 30, 2021. Revenue increased \$11.35 million or 53.80%. Factors contributing to the current fiscal year increase include:

- Miscellaneous revenue increased \$5.87 million
- Charges for services increased \$1.52 million
- Sales and use tax increased \$1.07 million
- Grants increased \$1.09 million
- Transient occupancy taxes increased \$941.75 thousand
- Capital grants increased \$592.34 thousand

The chart below reflects information from the Statement of Activities, page 16 and 17, of the Financial Statements. The largest revenue source for governmental activities is sales and use tax (26.09%), followed by miscellaneous (19.33%), transient occupancy taxes (15.36%) and property taxes (14.88%).

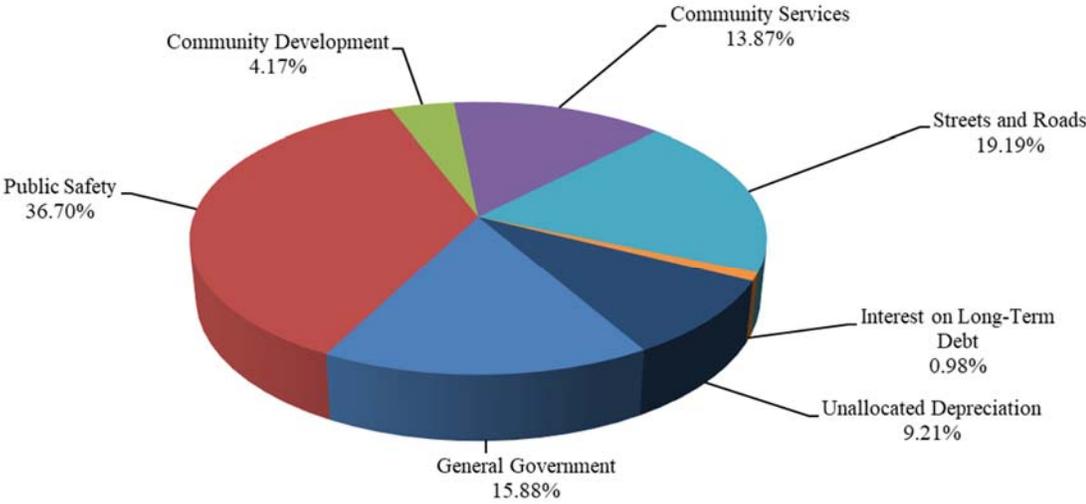
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2021**



As for expenditures, public safety expenses are the most significant (36.70%) of all governmental activities expenses, followed by streets and roads (19.19%), general government (15.88%), and community services (13.87%). Depreciation expense is 9.21% of the total expenses for governmental activities. The chart below reflects information from the Financial Statements, Statement of Activities on page 16.

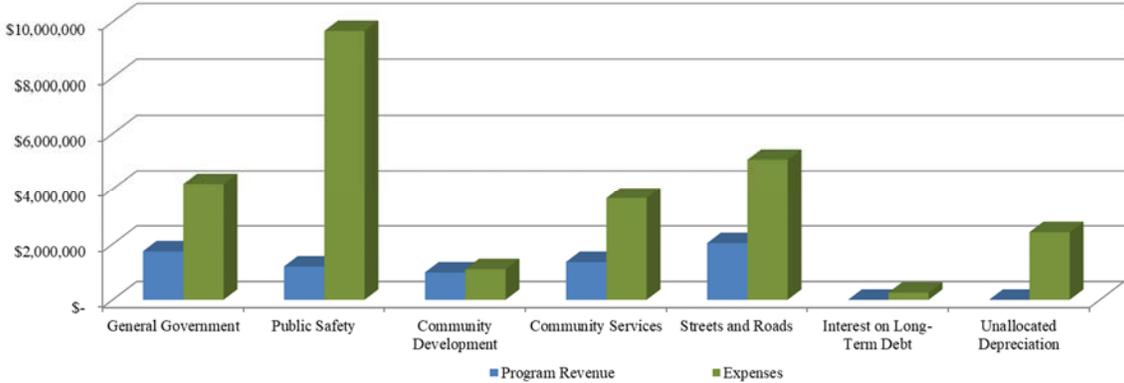
CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

**EXPENSES BY FUNCTION/PROGRAM – GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2021**



The chart below is a side-by-side comparison of program expense and revenue for governmental activities. For fiscal year 2020-21, program expenses exceeded program revenues for all governmental activity programs

**COMPARISON OF EXPENSES AND PROGRAM REVENUES
 GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2021**

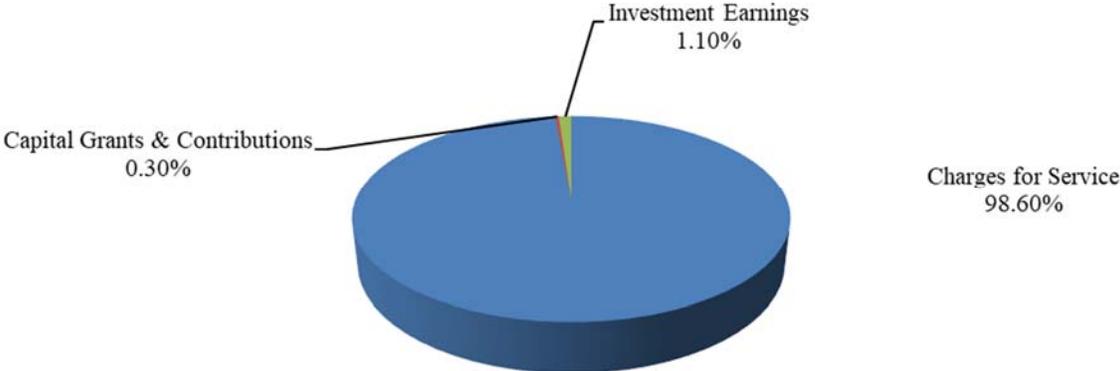


CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

Business-Type Activities. During the fiscal year ended June 30, 2021, business-type activities decreased the City's net position by \$2.58 million.

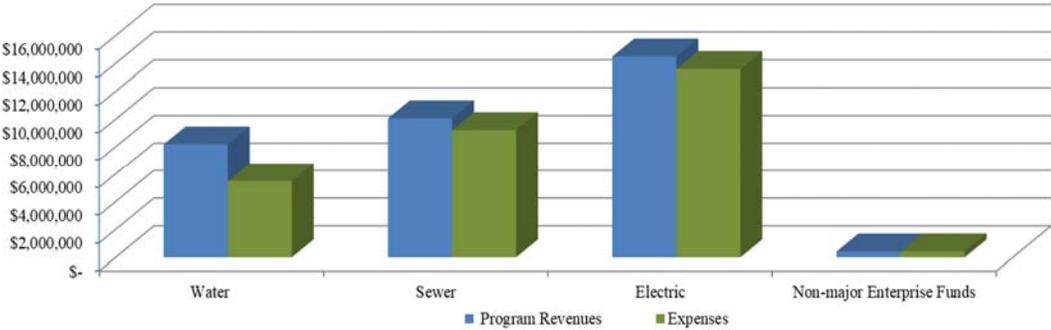
- Total revenue of \$33.51 million is mainly comprised of charges for services of \$33.05 million and use of money and property of \$364.39 thousand.
- Revenue exceeded operating expenses of \$28.72 million, resulting in a current fiscal year net position increase of \$2.68 million before transfers.
- Transfers out of \$2.58 million and a prior period restatement of \$245.52 thousand resulted in the decrease in current year net position.

**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2021**



The chart below is a side-by-side comparison of program expense and revenue for business-type activities. For fiscal year 2020-21, program revenue exceeded program expenses for Water, Sewer and Electric.

**EXPENSES AND PROGRAM REVENUES
 BUSINESS-TYPE ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2021**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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, 2021, the City's governmental funds Balance Sheet on page 18, reported total ending fund balances of \$20.65 million, an increase of \$3.27 million from the prior fiscal year. This increase is primarily attributed to a \$2.06 million increase in sales and other tax revenue, and an increase in intergovernmental of \$1.04 million.

Approximately 14.19% of the total ending fund balances (\$2.93 million) is unassigned and 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 community services, \$5.5 million, \$7.07 million, and \$1.5 million, respectively.

General Fund revenues were \$3.54 million (23.28%) more than in the prior fiscal year, and expenditures increased by \$410.56 thousand (2.88%). The increase in revenues was the result of an increase in sales and other taxes of \$1.37 million, an increase in license and permits of \$754.30 thousand, an increase in property tax of \$359.29 thousand, an increase in use of money and property of \$361.42 thousand, and an increase in charges for services of \$314.58 thousand.

Proprietary Funds. The City's proprietary funds Revenues, Expenses, and Changes in Net Position, page 22 and 23, provide the same type of information found in the government-wide financial statements, but in more detail. The City's major enterprise funds are Water, Sewer, and Electric. The major changes in enterprise net position are an increase in the Water Fund of \$3.84 million to \$21.00 million, a decrease in the Sewer Fund of \$2.72 million to \$45.44 million and an increase in the Electric Fund of \$860.57 thousand to \$39.23 million.

The Internal Service Funds had a decrease in net position of \$269.36 thousand during the fiscal year, ending with a balance of \$8.32 million. This decrease is attributable to a decrease in operating revenue of \$692.58, an increase in operating expense of \$857.73 thousand, and a decrease in investment income of \$71.48 thousand. The operating revenue is made up of the service fees charged to each operating fund.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2021, amounted to \$209.96 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 \$7.07 million.

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Land and Land Rights	\$ 20,193,298	\$ 20,805,340	\$ 1,245,877	\$ 1,245,877
Right of Way	6,681,379	6,681,379	-	-
Construction in Progress	2,283,574	9,954,405	3,706,959	7,917,971
Land Improvements	4,329,096	2,631,816	-	-
Streets	71,169,219	54,150,948	-	-
Buildings	32,716,886	32,716,886	3,040,870	3,040,870
Machinery and Equipment	10,638,032	10,091,553	3,364,496	3,037,947
Infrastructure	1,515,614	1,515,614	-	-
Utility Systems	-	-	131,210,646	120,970,041
Drainage	-	-	11,787,810	10,525,492
Operations	-	-	4,046,891	3,627,134
Total	<u>\$ 149,527,098</u>	<u>\$ 138,547,941</u>	<u>\$ 158,403,549</u>	<u>\$ 150,365,332</u>
Less Accumulated Depreciation	<u>(40,970,111)</u>	<u>(37,425,224)</u>	<u>(57,000,104)</u>	<u>(53,469,482)</u>
Net Capital Assets	<u>\$ 108,556,987</u>	<u>\$ 101,122,717</u>	<u>\$ 101,403,445</u>	<u>\$ 96,895,850</u>

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

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 \$77.35 million at June 30, 2021. Of this total, \$36.09 million (46.65%) was in governmental activities and \$41.26 million (53.35%) was in business-type activities.

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Pension Obligation Bond	\$ 1,094,319	\$ 1,582,633	\$ 611,737	\$ 884,723
Net Pension Liability	28,196,885	26,029,881	11,087,343	10,310,120
Certificates of Participation	-	-	1,630,000	1,755,000
HUSD Capital Lease Payable	1,274,207	1,404,307	-	-
Revenue Bonds	-	-	25,937,367	27,514,751
Compensated Absences	2,507,123	2,273,171	-	-
Successor Agency Payable	1,480,975	1,584,791	1,689,018	1,807,416
Capital Leases	22,065	255,846	-	-
Claims Payable	441,634	575,367	-	-
OPEB	1,069,929	1,279,607	310,279	-
Total	<u>\$ 36,087,137</u>	<u>\$ 34,985,603</u>	<u>\$ 41,265,744</u>	<u>\$ 42,272,010</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, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

While the economy has improved substantially over the last year, significant uncertainty remains regarding the global COVID-19 pandemic and its economic impacts. The Consumer Price Index has increased substantially over the last year, resulting in cost increases for city-purchased goods and construction projects, while low bond yields impact the City's ability to gain meaningful interest on retained earnings. Additionally, the City experienced a significant drought during the summer of 2021 and anticipates reductions in water supply and water revenue for the 2021-22 fiscal year. The City remains committed to evaluating our governmental practices, opportunities for greater operational efficiencies, and ensuring the best possible utilization of taxpayer provided resources. The 2021-22 fiscal year General Fund revenue projections continue to be conservative. Modest increases have been projected for transient occupancy taxes, sales taxes, and property taxes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Andrew Sturmfels, Administrative Services Director, City of Healdsburg, asturmfels@healdsburg.gov or at 401 Grove Street, Healdsburg, CA 95448-4723.

CITY OF HEALDSBURG
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 12,671,651	\$ 30,366,451	\$ 43,038,102
Cash and investments with fiscal agents	731,533	2	731,535
Pension stabilization investments	5,692,743	2,413,333	8,106,076
Investment in NCPA Reserves		5,963,403	5,963,403
Accounts receivable	2,493,286	4,430,401	6,923,687
Loans and notes receivable	8,805,480		8,805,480
Interest receivable	15,972	32,899	48,871
Intergovernmental receivable	2,399,576		2,399,576
Internal balances	(2,734,512)	2,734,512	
Deposits	947,429		947,429
Inventory	16,058	1,582,093	1,598,151
Prepaid items	37,669	11,733	49,402
Total Current Assets	<u>31,076,885</u>	<u>47,534,827</u>	<u>78,611,712</u>
Non-current Assets:			
Capital assets:			
Not being depreciated	29,158,251	4,952,836	34,111,087
Being depreciated, net of accumulated depreciation	79,398,736	96,450,609	175,849,345
Total Non-current Assets	<u>108,556,987</u>	<u>101,403,445</u>	<u>209,960,432</u>
Total Assets	<u>139,633,872</u>	<u>148,938,272</u>	<u>288,572,144</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on debt refunding		766,356	766,356
Pension related	5,265,801	2,265,986	7,531,787
OPEB related	176,310	51,129	227,439
Total Deferred Outflows of Resources	<u>5,442,111</u>	<u>3,083,471</u>	<u>8,525,582</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	1,796,428	508,780	2,305,208
Retentions payable	294,562	112,202	406,764
Interest payable		262,544	262,544
Claims payable - current	137,942		137,942
Deposits payable	1,417,902	149,602	1,567,504
Compensated absences, due within one year	716,822		716,822
Capital lease, due within one year	158,465		158,465
Other long-term liabilities, due within one year	630,874	2,186,581	2,817,455
Total Current Liabilities	<u>5,152,995</u>	<u>3,219,709</u>	<u>8,372,704</u>
Non-current Liabilities			
Compensated absences, due in more than one year	1,790,301		1,790,301
Claims payable, due in more than one year	303,692		303,692
Net pension liability	28,196,885	11,087,343	39,284,228
Capital lease, due in more than one year	1,137,807		1,137,807
Other long-term liabilities, due in more than one year	1,944,420	27,681,541	29,625,961
Other post-employment benefits liability	1,069,929	310,279	1,380,208
Total Non-current Liabilities	<u>34,443,034</u>	<u>39,079,163</u>	<u>73,522,197</u>
Total Liabilities	<u>39,596,029</u>	<u>42,298,872</u>	<u>81,894,901</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	910,659	343,809	1,254,468
OPEB related	37,882	10,987	48,869
Total Deferred Inflows of Resources	<u>948,541</u>	<u>354,796</u>	<u>1,303,337</u>
NET POSITION			
Net investment in capital assets	107,260,715	72,961,799	180,222,514
Restricted for:			
Lighting and landscaping	252,636		252,636
Pension	4,598,424	2,413,333	7,011,757
Capital projects		13,606,934	13,606,934
Community services	1,640,382		1,640,382
Nonexpendable permanent endowments	200,000		200,000
Debt service	272,524		272,524
Streets and roads	776,817		776,817
Public safety	374,935		374,935
Housing	9,518,722		9,518,722
Unrestricted	(20,363,742)	20,386,009	22,267
Total Net Position	<u>\$ 104,531,413</u>	<u>\$ 109,368,075</u>	<u>\$ 213,899,488</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF HEALDSBURG
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021**

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 4,181,962	\$ 1,737,558	\$ 4,224	\$ -
Public safety	9,668,455	897,221	298,064	
Streets and roads	5,056,824	441,801	608,447	982,388
Community development	1,099,864	108,121	873,959	812
Community services	3,655,094	616,717	490,292	249,768
Interest and fiscal charges	258,000			
Unallocated depreciation	2,426,750			
Total Governmental Activities	26,346,949	3,801,418	2,274,986	1,232,968
Business-type Activities:				
Water	5,489,695	8,181,392		
Sewer	9,212,612	10,064,684		
Electric	13,594,946	14,485,551		
Airport	419,697	314,871		97,589
Total Business-type Activities	28,716,950	33,046,498		97,589
Total Primary Government	\$ 55,063,899	\$ 36,847,916	\$ 2,274,986	\$ 1,330,557

General Revenues:

Taxes:

- Transient occupancy taxes
- Sales taxes
- Property taxes
- Franchise taxes
- Business license
- Motor vehicle in lieu, unrestricted
- Use of money and property
- Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Fiscal Year

Prior Period Adjustments

Net Position - Beginning of Fiscal Year, Restated

Net Position - End of Fiscal Year

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,440,180)	\$ -	\$ (2,440,180)
(8,473,170)		(8,473,170)
(3,024,188)		(3,024,188)
(116,972)		(116,972)
(2,298,317)		(2,298,317)
(258,000)		(258,000)
<u>(2,426,750)</u>		<u>(2,426,750)</u>
<u>(19,037,577)</u>		<u>(19,037,577)</u>
	2,691,697	2,691,697
	852,072	852,072
	890,605	890,605
	<u>(7,237)</u>	<u>(7,237)</u>
	4,427,137	4,427,137
<u>(19,037,577)</u>	<u>4,427,137</u>	<u>(14,610,440)</u>
4,750,888		4,750,888
8,069,870		8,069,870
3,030,458		3,030,458
604,013		604,013
314,307		314,307
1,570,322		1,570,322
823,296	364,392	1,187,688
5,979,537		5,979,537
<u>2,580,555</u>	<u>(2,580,555)</u>	
<u>27,723,246</u>	<u>(2,216,163)</u>	<u>25,507,083</u>
<u>8,685,669</u>	<u>2,210,974</u>	<u>10,896,643</u>
95,368,409	107,402,623	202,771,032
<u>477,335</u>	<u>(245,522)</u>	<u>231,813</u>
<u>95,845,744</u>	<u>107,157,101</u>	<u>203,002,845</u>
<u>\$ 104,531,413</u>	<u>\$ 109,368,075</u>	<u>\$ 213,899,488</u>

**CITY OF HEALDSBURG
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

	General	Special Revenue Fund Community Services	Capital Projects Fund Streets	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 3,540,298	\$ 674,813	\$ -	\$ 2,462,438	\$ 6,677,549
Cash and investments with fiscal agents				731,533	731,533
Pension stabilization investments	5,006,915	493,645	192,183		5,692,743
Receivables:					
Accounts and taxes	1,321,745	933,645	29,954	149,461	2,434,805
Interest	6,268	1,447	420	2,261	10,396
Intergovernmental	1,836,978	135,359	386,399	40,840	2,399,576
Due from other funds	1,197,829				1,197,829
Loans and notes receivable	481,063		53,245	8,263,545	8,797,853
Deposits	947,429				947,429
Inventory			8,569		8,569
Prepaid expenditures	21,172				21,172
Total Assets	\$ 14,359,697	\$ 2,238,909	\$ 670,770	\$ 11,650,078	\$ 28,919,454
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 356,788	\$ 153,291	\$ 524,732	\$ 199,666	\$ 1,234,477
Due to other funds	2,719,512	625,000	119,236	170,431	3,634,179
Deposits payable	1,299,583	18,491	69,728	100	1,387,902
Retention payable			294,562		294,562
Total Liabilities	4,375,883	796,782	1,008,258	370,197	6,551,120
Deferred inflows of resources:					
Unavailable revenue - interest				1,501,045	1,501,045
Unavailable revenue		168,330		53,300	221,630
Total deferred inflows of resources		168,330		1,554,345	1,722,675
Fund balances					
Nonspendable:					
Prepaid expenditures	21,172				21,172
Inventory			8,569		8,569
Legally/Contractually required to be maintained intact				200,000	200,000
Restricted	6,651,608	1,273,797		9,102,309	17,027,714
Committed				436,565	436,565
Assigned	23,064				23,064
Unassigned	3,287,970		(346,057)	(13,338)	2,928,575
Total Fund Balances	9,983,814	1,273,797	(337,488)	9,725,536	20,645,659
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,359,697	\$ 2,238,909	\$ 670,770	\$ 11,650,078	\$ 28,919,454

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, 2021**

Fund balances for governmental funds		\$ 20,645,659
<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	\$ 134,275,558	
Less: accumulated depreciation	<u>(31,808,373)</u>	102,467,185
<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	(1,094,319)	
Capital leases payable	(1,274,207)	
Net pension liability	(28,196,885)	
Loan payable	(1,480,975)	
OPEB liability	<u>(1,069,929)</u>	(33,116,315)
<p>Intergovernmental receivables which are not financial resources but are revenues under the full accrual method.</p>		
		221,630
<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>		
		8,318,639
<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	5,265,801	
Deferred inflows of resources relating to pensions	<u>(910,659)</u>	4,355,142
<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	(37,882)	
Deferred outflows of resources relating to OPEB	<u>176,310</u>	138,428
<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>1,501,045</u>
Net position of governmental activities		<u>\$ 104,531,413</u>

CITY OF HEALDSBURG
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021

	General	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Community Services	Streets		
REVENUES					
Property taxes	\$ 4,600,749	\$ -	\$ -	\$ 192,214	\$ 4,792,963
Sales and other taxes	9,757,061	3,546,602	121,108		13,424,771
Development fees	134,748	142,609	422,681	109,421	809,459
Intergovernmental	292,602	256,445	805,290	745,865	2,100,202
Fines and forfeitures	34,892				34,892
Licenses and permits	1,628,977	3,070			1,632,047
Use of money and property	823,295	56,585	24,615	119,159	1,023,654
Charges for services	1,146,609	471,038	17,820	3,860	1,639,327
Other, donations, and reimbursements	356,705	506,112	264,510	345,164	1,472,491
Total Revenues	<u>18,775,638</u>	<u>4,982,461</u>	<u>1,656,024</u>	<u>1,515,683</u>	<u>26,929,806</u>
EXPENDITURES					
Current:					
General government	3,958,060				3,958,060
Public safety	10,191,803			60,503	10,252,306
Streets and roads			5,370,954	1,881	5,372,835
Community development	530,047			727,772	1,257,819
Community services		4,610,384		617	4,611,001
Debt service:					
Principal retirement				722,230	722,230
Interest and fiscal charges				258,000	258,000
Total Expenditures	<u>14,679,910</u>	<u>4,610,384</u>	<u>5,370,954</u>	<u>1,771,003</u>	<u>26,432,251</u>
Excess of Revenues over (under) Expenditures	<u>4,095,728</u>	<u>372,077</u>	<u>(3,714,930)</u>	<u>(255,320)</u>	<u>497,555</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	845,022	828,114	4,235,067	776,531	6,684,734
Transfers out	(2,224,207)	(491,394)	(203,131)	(1,249,302)	(4,168,034)
Total Other Financing Sources (Uses)	<u>(1,379,185)</u>	<u>336,720</u>	<u>4,031,936</u>	<u>(472,771)</u>	<u>2,516,700</u>
Net Change in Fund Balances	<u>2,716,543</u>	<u>708,797</u>	<u>317,006</u>	<u>(728,091)</u>	<u>3,014,255</u>
Fund Balances (deficit), Beginning of Fiscal Year	7,267,271	565,000	(654,494)	10,221,814	17,399,591
Prior Period Adjustments				231,813	231,813
Fund Balances (deficit), Beginning of Fiscal Year (restated)	<u>7,267,271</u>	<u>565,000</u>	<u>(654,494)</u>	<u>10,453,627</u>	<u>17,631,404</u>
Fund Balances (deficit), End of Fiscal Year	<u>\$ 9,983,814</u>	<u>\$ 1,273,797</u>	<u>\$ (337,488)</u>	<u>\$ 9,725,536</u>	<u>\$ 20,645,659</u>

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, 2021

Net change in fund balances - total governmental funds \$ 3,014,255

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	\$9,856,950	
Depreciation	<u>(2,426,750)</u>	7,430,200

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. 722,230

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. (84,872)

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. (269,364)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis pension costs and actual employer contributions was: (2,191,680)

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. 64,900

Change in net position of governmental activities \$ 8,685,669

**CITY OF HEALDSBURG
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Non-major Airport Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 4,796,270	\$ 6,500,533	\$ 18,843,474	\$ 226,174
Cash and investments with fiscal agents		2		
Pension stabilization investments	576,528	845,220	991,585	
Investment in NCPA Reserves			5,963,403	
Accounts receivable	1,047,712	1,287,772	2,087,488	7,429
Loans and notes receivable				
Interest receivable	4,797	8,340	19,525	237
Inventory	65,007	20,797	1,465,167	31,122
Due from other funds		2,519,645	1,374,756	
Prepaid items	1,033		10,700	
Total Current Assets	<u>6,491,347</u>	<u>11,182,309</u>	<u>30,756,098</u>	<u>264,962</u>
Noncurrent Assets:				
Capital assets				
Land	310,781	766,902	48,360	119,834
Construction in progress	2,362,939	395,409	948,608	3
Depreciable buildings and improvements, net	266,846	52,468	20,833	498,884
Depreciable utility systems, net	20,964,449	57,124,688	13,273,428	
Depreciable operations, net				2,843,045
Depreciable equipment, net	308,321	671,167	426,480	
Total Noncurrent Assets	<u>24,213,336</u>	<u>59,010,634</u>	<u>14,717,709</u>	<u>3,461,766</u>
Total Assets	<u>30,704,683</u>	<u>70,192,943</u>	<u>45,473,807</u>	<u>3,726,728</u>
Deferred Outflows of Resources:				
Deferred loss on debt refunding		766,356		
OPEB related	24,683	1,763	24,683	
Pension related	669,496	669,496	926,994	
Total deferred outflows of resources	<u>694,179</u>	<u>1,437,615</u>	<u>951,677</u>	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	158,948	36,184	299,750	13,898
Due to other funds		1,159,889		
Deposits payable	12,940	1,100	119,407	16,155
Retentions payable	107,820		4,382	
Bonds payable - current	775,508	1,175,133	117,244	
Loan payable - current			118,696	
Capital lease payable - current				
Interest payable	68,283	190,038	4,223	
Compensated absences				
Total Current Liabilities	<u>1,123,499</u>	<u>2,562,344</u>	<u>663,702</u>	<u>30,053</u>
Noncurrent Liabilities				
Bonds payable	5,746,339	20,238,586	126,294	
Loan payable			1,570,322	
Claims payable				
OPEB	149,790	10,699	149,790	
Net pension liability	3,275,806	3,275,806	4,535,731	
Compensated absences				
Total Noncurrent Liabilities	<u>9,171,935</u>	<u>23,525,091</u>	<u>6,382,137</u>	
Total Liabilities	<u>10,295,434</u>	<u>26,087,435</u>	<u>7,045,839</u>	<u>30,053</u>
Deferred Inflows of Resources:				
OPEB related	5,304	379	5,304	
Pension related	101,580	101,580	140,649	
Total deferred inflows of resources	<u>106,884</u>	<u>101,959</u>	<u>145,953</u>	
NET POSITION				
Net investment in capital assets	17,623,206	37,406,879	14,469,948	3,461,766
Restricted	2,970,404	6,873,380	6,176,483	
Unrestricted	402,934	1,160,905	18,587,261	234,909
Total Net Position	<u>\$ 20,996,544</u>	<u>\$ 45,441,164</u>	<u>\$ 39,233,692</u>	<u>\$ 3,696,675</u>

See Accompanying Notes to Basic Financial Statements

Totals	Governmental Activities Internal Service Funds
\$ 30,366,451	\$ 5,994,102
2	
2,413,333	
5,963,403	
4,430,401	58,481
	7,627
32,899	5,576
1,582,093	7,489
3,894,401	
11,733	16,497
<u>48,694,716</u>	<u>6,089,772</u>
1,245,877	
3,706,959	
839,031	2,266,227
91,362,565	
2,843,045	
1,405,968	3,823,575
<u>101,403,445</u>	<u>6,089,802</u>
150,098,161	12,179,574
766,356	
51,129	
2,265,986	
<u>3,083,471</u>	
508,780	561,951
1,159,889	298,162
149,602	30,000
112,202	
2,067,885	
118,696	22,065
262,544	716,822
<u>4,379,598</u>	<u>1,766,942</u>
26,111,219	
1,570,322	303,692
310,279	
11,087,343	1,790,301
<u>39,079,163</u>	<u>2,093,993</u>
43,458,761	3,860,935
10,987	
343,809	
<u>354,796</u>	
72,961,799	6,067,737
16,020,267	
20,386,009	2,250,902
<u>\$ 109,368,075</u>	<u>\$ 8,318,639</u>

**CITY OF HEALDSBURG
STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Non-major Airport Fund
OPERATING REVENUES				
Charges for services	\$ 6,059,350	\$ 7,746,043	\$ 12,613,485	\$ 151,802
Development fees	225,573	431,289	87,433	
Rental income				142,738
Intergovernmental	44,552	139	2,610	97,589
Other	1,851,917	1,887,213	1,782,023	20,331
Total Operating Revenues	<u>8,181,392</u>	<u>10,064,684</u>	<u>14,485,551</u>	<u>412,460</u>
OPERATING EXPENSES				
Purchase of power			3,782,712	
Salaries and benefits	2,432,680	3,057,487	2,915,007	30,055
Maintenance and operations	1,216,319	1,936,471	5,002,310	188,435
Administration	855,419	1,202,431	1,364,753	83,867
Depreciation	692,993	2,212,356	507,933	117,340
Total Operating Expenses	<u>5,197,411</u>	<u>8,408,745</u>	<u>13,572,715</u>	<u>419,697</u>
Operating Income (loss)	<u>2,983,981</u>	<u>1,655,939</u>	<u>912,836</u>	<u>(7,237)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	68,139	69,439	225,954	860
Interest expense	(292,284)	(803,867)	(22,231)	
Total Non-operating Revenue (Expenses)	<u>(224,145)</u>	<u>(734,428)</u>	<u>203,723</u>	<u>860</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>2,759,836</u>	<u>921,511</u>	<u>1,116,559</u>	<u>(6,377)</u>
TRANSFERS				
Transfers in	1,707,002	324,796	780,800	56,500
Transfers out	(512,238)	(3,961,561)	(918,259)	(57,595)
Total Transfers	<u>1,194,764</u>	<u>(3,636,765)</u>	<u>(137,459)</u>	<u>(1,095)</u>
Change in Net Position	<u>3,954,600</u>	<u>(2,715,254)</u>	<u>979,100</u>	<u>(7,472)</u>
Net Position, Beginning of Fiscal Year	17,160,472	48,164,884	38,373,120	3,704,147
Prior Period Adjustments	(118,528)	(8,466)	(118,528)	
Net Position, Beginning of Fiscal Year, restated	<u>17,041,944</u>	<u>48,156,418</u>	<u>38,254,592</u>	<u>3,704,147</u>
Net Position, End of Fiscal Year	<u>\$ 20,996,544</u>	<u>\$ 45,441,164</u>	<u>\$ 39,233,692</u>	<u>\$ 3,696,675</u>

<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 26,570,680	\$ 5,129,854
744,295	
142,738	
144,890	
<u>5,541,484</u>	<u>15,310</u>
<u>33,144,087</u>	<u>5,145,164</u>
3,782,712	
8,435,229	2,195,446
8,343,535	1,959,156
3,506,470	441,217
<u>3,530,622</u>	<u>1,118,137</u>
<u>27,598,568</u>	<u>5,713,956</u>
<u>5,545,519</u>	<u>(568,792)</u>
364,392	235,573
<u>(1,118,382)</u>	
<u>(753,990)</u>	<u>235,573</u>
<u>4,791,529</u>	<u>(333,219)</u>
2,869,098	130,000
<u>(5,449,653)</u>	<u>(66,145)</u>
<u>(2,580,555)</u>	<u>63,855</u>
<u>2,210,974</u>	<u>(269,364)</u>
107,402,623	8,588,003
<u>(245,522)</u>	
<u>107,157,101</u>	<u>8,588,003</u>
<u>\$ 109,368,075</u>	<u>\$ 8,318,639</u>

**CITY OF HEALDSBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Non-major Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 6,363,871	\$ 8,055,814	\$ 12,520,545	\$ 391,491
Receipts from other operating activities	1,851,917	1,887,213	1,782,023	20,331
Payments to suppliers	(1,830,668)	(3,546,811)	(10,634,562)	(299,125)
Payments to employees	(2,273,858)	(2,909,699)	(2,699,669)	(30,055)
Net Cash Provided by Operating Activities	<u>4,111,262</u>	<u>3,486,517</u>	<u>968,337</u>	<u>82,642</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES				
Interfund borrowing		113,313	113,313	
Transfers in	1,707,002	324,796	780,800	56,500
Transfers out	(512,238)	(3,961,561)	(918,259)	(57,595)
Principal payment on debt (Pension obligation bonds)	(82,042)	(82,265)	(227,077)	
Loans repaid (issued)				
Net Cash Provided for (Used by) Non-Capital and Related Financing Activities	<u>1,112,722</u>	<u>(3,605,717)</u>	<u>(251,223)</u>	<u>(1,095)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital lease				
Principal payments on debt	(656,000)	(1,015,000)		
Interest paid	(299,108)	(790,660)	(22,527)	
Acquisition and construction of capital assets	(4,941,720)	(2,342,524)	(735,549)	(18,424)
Net Cash Used by Capital and Related Financing Activities	<u>(5,896,828)</u>	<u>(4,148,184)</u>	<u>(758,076)</u>	<u>(18,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	81,386	98,842	270,996	1,160
Net Cash Provided by Investing Activities	<u>81,386</u>	<u>98,842</u>	<u>270,996</u>	<u>1,160</u>
Increase (Decrease) in cash and cash equivalents	(591,458)	(4,168,542)	230,034	64,283
Cash and Cash Equivalents, Beginning of Fiscal Year	5,964,256	11,514,297	25,568,428	161,891
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 5,372,798</u>	<u>\$ 7,345,755</u>	<u>\$ 25,798,462</u>	<u>\$ 226,174</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and investments	\$ 4,796,270	\$ 6,500,533	\$ 18,843,474	\$ 226,174
Cash and investments with fiscal agents		2		
Pension stabilization investments	576,528	845,220	991,585	
Investment in NCPA Reserves			5,963,403	
Total Cash and Cash Equivalents	<u>\$ 5,372,798</u>	<u>\$ 7,345,755</u>	<u>\$ 25,798,462</u>	<u>\$ 226,174</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,983,981	\$ 1,655,939	\$ 912,836	\$ (7,237)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	692,993	2,212,356	507,933	117,340
Changes in assets and liabilities:				
(Increase) decrease in accounts receivables	34,396	(121,657)	(182,983)	(638)
(Increase) decrease in inventory	9,926	3,477	(164,171)	(16,569)
(Increase) decrease in prepaid items	1,339	3,176	(10,700)	
(Increase) decrease in deferred outflows of resources - OPEB related	1,714	122	1,714	
(Increase) decrease in deferred outflows of resources - pension related	(50,239)	(50,239)	(69,561)	
Increase (decrease) in accounts payable and accrued liabilities	115,979	(415,532)	(237,332)	(1,244)
Increase (decrease) in deposits payable	6,006	970	22,140	(343)
Increase (decrease) in retention payable	107,820		(94,724)	(8,667)
Increase (decrease) in claims payable				
Increase (decrease) in OPEB	10,918	780	10,918	
Increase (decrease) in net pension liability	229,634	229,634	317,955	
Increase (decrease) in compensated absences				
Increase (decrease) in deferred inflows of resources - OPEB related	(749)	(53)	(749)	
Increase (decrease) in deferred inflows of resources - pension related	(32,456)	(32,456)	(44,939)	
Net Cash Provided by Operating Activities	<u>\$ 4,111,262</u>	<u>\$ 3,486,517</u>	<u>\$ 968,337</u>	<u>\$ 82,642</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Amortization related to deferred loss on debt refunding	\$ -	\$ 54,740	\$ -	\$ -
Amortization of bond premium	-	31,384	-	-

See Accompanying Notes to Basic Financial Statements

Totals	Governmental Activities Internal Service Funds
\$ 27,331,721	\$ 5,399,542
5,541,484	15,310
(16,311,166)	(2,554,980)
<u>(7,913,281)</u>	<u>(1,961,494)</u>
8,648,758	898,378
226,626	298,162
2,869,098	130,000
(5,449,653)	(66,145)
(391,384)	(841)
<u>(2,745,313)</u>	<u>361,176</u>
(1,671,000)	(233,781)
(1,112,295)	
<u>(8,038,217)</u>	<u>(1,122,207)</u>
<u>(10,821,512)</u>	<u>(1,355,988)</u>
452,384	241,184
<u>452,384</u>	<u>241,184</u>
(4,465,683)	144,750
<u>43,208,872</u>	<u>5,849,352</u>
<u>\$ 38,743,189</u>	<u>\$ 5,994,102</u>
\$ 30,366,451	\$ 5,994,102
2	
2,413,333	
<u>5,963,403</u>	
<u>\$ 38,743,189</u>	<u>\$ 5,994,102</u>
\$ 5,545,519	\$ (568,792)
3,530,622	1,118,137
(270,882)	283,556
(167,337)	2,224
(6,185)	(14,787)
3,550	
(170,039)	
(538,129)	(52,179)
28,773	
4,429	
	(133,733)
22,616	
777,223	30,000
	233,952
(1,551)	
<u>(109,851)</u>	
<u>\$ 8,648,758</u>	<u>\$ 898,378</u>
\$ -	\$ -
-	-

**CITY OF HEALDSBURG
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2021**

	Fiduciary Funds
ASSETS	
Cash and investments	\$ 3,476,826
Cash and investments with fiscal agents	2,517,696
Interest receivable	3,515
Loans and notes receivable	3,273,167
Capital assets, net of depreciation	528,300
Total Assets	9,799,504
LIABILITIES	
Accounts payable	106
Interest payable	650,824
Noncurrent liabilities	
Due within one year	2,379,421
Due in more than one year	37,060,071
Total Liabilities	40,090,422
NET POSITION	
Net position held in trust	\$ (30,290,918)

CITY OF HEALDSBURG
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2021

	Fiduciary Funds
Additions	
Property taxes	\$ 1,567,616
Use of money and property	120,540
Total Revenues	1,688,156
 Deductions	
Community development	307,422
Interest expense	1,412,801
Total Deductions	1,720,223
Change in Net Position	(32,067)
Net Position, beginning	(30,027,038)
Net Position, ending	\$ (30,290,918)

See Accompanying Notes to Basic Financial Statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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).

Permanent Funds are used to account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs.

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.

Custodial Funds are used to account for assets held by the City as an agent for individuals, private organizations, or other governments.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021 Valuation Date, June 30, 2021 Measurement Date, July 1, 2020 through June 30, 2021 Measurement Period. Investments are reported at fair value.

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, 2021

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, 2021

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 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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)

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, 2021

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, 2021

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, 2021

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. 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. 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 except for paragraphs 6-9 are effective for fiscal years beginning after December 15, 2019. Paragraph 6-9 is effective for fiscal years beginning after June 15, 2021.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 **Stewardship, Compliance, and Accountability (Continued)**

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	\$9,762,424	\$ 10,191,803	\$ 429,379
Nonmajor Funds:			
Gas Tax special revenue fund		1,881	1,881
Public Safety special revenue fund	50,000	60,503	10,503

C. Deficit Fund Balances

The North Area special revenue fund has a deficit fund balance of \$13,338 that should be alleviated as additional development contributions and benefit assessments are received. The Streets capital projects fund has a deficit fund balance of \$337,488 that should be alleviated as additional resources are made available from various sources both intergovernmental or from within the City.

Note 3 **Cash and Investments**

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 43,038,102
Restricted cash and investments with fiscal agents	731,535
Pension stabilization investments	8,106,076
Fiduciary funds:	
Cash and investments	3,476,826
Restricted cash and investments with fiscal agents	2,517,696
Total cash and investments	\$ 57,870,235

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$	1,979
Deposits with financial institutions		7,613,556
Pension stabilization investments		8,106,076
Investments		42,148,624
Total cash and investments	\$	57,870,235

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.

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer</u>
Bankers Acceptances	180 days	40%	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 restricted by the California Government Code.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

B. Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored			
Enterprise Securities	None	None	None
Bankers Acceptances	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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Certificates of Deposit	\$ 756,583	\$ 756,583	\$ -	\$ -	\$ -
Federal Agency Securities	1,990,680			1,990,680	
U.S. Treasury Securities	2,111,676	2,111,676			
State Investment Pool	32,898,786	32,898,786			
Medium Term Notes	1,141,668		1,141,668		
Held by Fiscal Agents:					
County Investment Pool	294,835	294,835			
Money Market Mutual Funds	2,954,396	2,954,396			
Total	<u>\$ 42,148,624</u>	<u>\$ 39,016,276</u>	<u>\$ 1,141,668</u>	<u>\$ 1,990,680</u>	<u>\$ -</u>

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

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

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	\$ 756,583	N/A	\$ -	\$ -	\$ -	\$ 756,583
Federal Agency Securities	1,990,680	A	1,990,680			
U.S. Treasury Securities	2,111,676	A	2,111,676			
State Investment Pool	32,898,786	N/A				32,898,786
Medium Term Notes	1,141,668	N/A		1,141,668		
Held by Fiscal Agents:						
County Investment Pool	294,835	N/A				294,835
Money Market Mutual Funds	2,954,396	N/A	2,954,396			
Total	<u>\$ 42,148,624</u>		<u>\$ 7,056,752</u>	<u>\$ 1,141,668</u>	<u>\$ -</u>	<u>\$ 33,950,204</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are no 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. 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.

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, 2021, 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	\$ 756,583
Federal agency securities	1,990,680
U.S. Treasury securities	2,111,676
Medium term notes	1,141,668

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, 2021

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, 2021:

<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	\$ 1,141,668	\$ -	\$ 1,141,668	\$ -
Certificates of deposit	756,583		756,583	
Debt Securities				
U.S. Treasury securities	2,111,676	2,111,676		
Federal agency securities	1,990,680		1,990,680	
Total	<u>\$ 6,000,607</u>	<u>\$ 2,111,676</u>	<u>\$ 3,888,931</u>	<u>\$ -</u>

The City also had investments in LAIF, money market mutual funds, and the 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, 2021

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, 2021, 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, 2021 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	\$ 724,845	8.94%
iShares S&P 500 Value ETF	323,627	3.99%
iShares S&P 500 Growth ETF	283,938	3.50%
iShares Russell Mid Cap ETF	202,696	2.50%
iShares Russell 2000 Value ETF	197,764	2.44%
iShares Russell 2000 Growth ETF	198,235	2.45%
iShares MSCI EAFE ETF	354,387	4.37%
Vanguard FTSE Emerging Markets ETF	233,153	2.88%
Vanguard Real Estate ETF	92,629	1.14%
Fixed Income		
Highmark Individual Fixed Income Strategy	5,416,257	66.82%
Cash		
First American Gov't Obligation Fund	78,545	0.97%
Total Pension Stabilization Investments	<u>\$ 8,106,076</u>	<u>100%</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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	\$ 1,221,141	\$ 152,226	\$ 66,039	\$ 193,095	\$ 809,781
Money Market Mutual Funds	468,891	468,891			
Federal Agency Securities	1,225,184				1,225,184
Municipal Bonds	26,867			26,867	
Mutual Funds	2,611,275	2,611,275			
Corporate Bonds	2,552,718	8,027	154,487	615,981	1,774,223
	<u>\$ 8,106,076</u>	<u>\$ 3,240,419</u>	<u>\$ 220,526</u>	<u>\$ 835,943</u>	<u>\$ 3,809,188</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				
			AAA	AA	A	BBB	Not Rated
U.S. Treasury Securities	\$ 1,221,141	BBB-	\$ 1,221,141	\$ -	\$ -	\$ -	\$ -
Money Market Mutual Funds	468,891	N/A					468,891
Federal Agency Securities	1,225,184	BBB-	1,225,184				
Municipal Bonds	26,867	BBB-	26,867				
Mutual Funds	2,611,275	N/A					2,611,275
Corporate Bonds	2,552,718	BBB-	363,031	483,623	249,818	1,456,246	
Total	<u>\$ 8,106,076</u>		<u>\$ 2,836,223</u>	<u>\$ 483,623</u>	<u>\$ 249,818</u>	<u>\$ 1,456,246</u>	<u>\$ 3,080,166</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/FHLMC	US Government Agency Securities	\$ 1,225,184	2.00% - 4.00%	More than 60 Months

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021:

Investments by fair value	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal bonds	\$ 26,867	\$ -	\$ 26,867	\$ -
Corporate bonds	2,552,718		2,552,718	
Debt Securities				
U.S. Treasury securities	1,221,141	1,221,141		
Federal agency securities	1,225,184		1,225,184	
	<u>\$ 5,025,910</u>	<u>\$ 1,221,141</u>	<u>\$ 3,804,769</u>	<u>\$ -</u>

Note 4 **Accounts Receivable**

The following is a list of accounts receivable at June 30, 2021:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
Accounts	\$ 2,493,286	\$ -	\$ 2,493,286
Intergovernmental	2,399,576		2,399,576
	<u>\$ 4,892,862</u>	<u>\$ -</u>	<u>\$ 4,892,862</u>
Business-type Activities -			
Accounts	<u>\$ 4,430,401</u>	<u>\$ -</u>	<u>\$ 4,430,401</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5 **Notes and Loans Receivable**

Notes receivable in the amount of \$8,805,480 consists of the combination of the following:

Notes receivable	Amount
Governmental Activities:	
Individuals	\$ 2,224,367
Business Stabilization Loans	531,063
Riverfield Homes	275,770
Healdsburg Family Limited Partnership	4,377,921
Healdsburg Pacific Associates	2,070,757
Burbank Housing	941,920
Monte Vina	4,255,061
Subtotal	14,676,859
Less: Allowance for uncollectible loans	(5,932,251)
Mutual Agreement loan	53,245
Employee computer loans	7,627
Total net notes and loans receivable	\$ 8,805,480

Note 6 **Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2021:

A. **Due To/ From Other Funds**

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

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

	Interfund Receivables	Interfund Payables
Major governmental funds		
General fund	\$ 1,197,829	\$ 2,719,512
Community services special revenue fund		625,000
Streets capital projects fund		119,236
Major enterprise funds		
Sewer fund	2,519,645	1,159,889
Electric fund	1,374,756	
Nonmajor governmental funds		
North Area special revenue fund		15,000
Housing Successor Agency special revenue fund		155,431
Internal service fund		
Building maintenance fund		298,162
Totals	\$ 5,092,230	\$ 5,092,230

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note 6 **Interfund Activity (Continued)**

B. Transfers

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

Fund	Transfers-in	Transfers-out
Major governmental funds		
General fund	\$ 845,022	\$ 2,224,207
Community services special revenue fund	828,114	491,394
Streets capital projects fund	4,235,067	203,131
Major enterprise funds		
Water fund	1,707,002	512,238
Sewer fund	324,796	3,961,561
Electric fund	780,800	918,259
Nonmajor governmental funds		
Gas Tax special revenue fund		1,125,325
Public Safety special revenue fund	50,000	
Area A Lighting and Landscaping special revenue fund		1,423
Media Center special revenue fund		27,479
Housing Successor Agency special revenue fund		
Misc Projects capital projects fund		95,075
General Debt Service debt service fund	726,531	
Nonmajor enterprise fund		
Airport fund	56,500	57,595
Internal service funds		
Vehicle Maintenance fund	130,000	20,850
Information Services fund		33,513
Building maintenance fund		11,782
Totals	\$ 9,683,832	\$ 9,683,832

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 is as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 20,805,340	\$ -	\$ (612,042)	\$ 20,193,298
Right of ways	6,681,379			6,681,379
Construction in progress	9,954,405	4,904,380	(12,575,211)	2,283,574
Total capital assets, not being depreciated	<u>37,441,124</u>	<u>4,904,380</u>	<u>(13,187,253)</u>	<u>29,158,251</u>
Capital assets, being depreciated:				
Land Improvements	2,631,816	1,697,280		4,329,096
Streets	54,150,948	17,018,271		71,169,219
Buildings	32,716,886			32,716,886
Machinery and equipment	10,091,553	546,479		10,638,032
Infrastructure	1,515,614			1,515,614
Total capital assets, being depreciated	<u>101,106,817</u>	<u>19,262,030</u>		<u>120,368,847</u>
Less accumulated depreciation for:				
Land Improvements	(1,409,235)	(266,642)		(1,675,877)
Streets	(15,532,778)	(1,117,495)		(16,650,273)
Buildings	(14,516,497)	(1,194,314)		(15,710,811)
Machinery and equipment	(5,651,772)	(924,380)		(6,576,152)
Infrastructure	(314,942)	(42,056)		(356,998)
Total accumulated depreciation	<u>(37,425,224)</u>	<u>(3,544,887)</u>		<u>(40,970,111)</u>
Total capital assets, being depreciated, net	<u>63,681,593</u>	<u>15,717,143</u>		<u>79,398,736</u>
Governmental activities capital assets, net	<u>\$ 101,122,717</u>	<u>\$ 20,621,523</u>	<u>\$ (13,187,253)</u>	<u>\$ 108,556,987</u>

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

<u>Governmental Activities</u>	<u>Amount</u>
Unallocated	\$ 2,426,750
Internal service funds	<u>1,118,137</u>
Total	<u>\$ 3,544,887</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 is as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Business-types activities:				
Capital assets, not being depreciated:				
Land	\$ 1,245,877	\$ -	\$ -	\$ 1,245,877
Construction in progress	7,917,971	4,050,368	(8,261,380)	3,706,959
Total capital assets, not being depreciated	9,163,848	4,050,368	(8,261,380)	4,952,836
Capital assets, being depreciated:				
Buildings and improvements	3,040,870			3,040,870
Utility systems	120,970,041	10,240,605		131,210,646
Drainage	10,525,492	1,262,318		11,787,810
Machinery & equipment	3,037,947	326,549		3,364,496
Operations	3,627,134	419,757		4,046,891
Total capital assets, being depreciated	141,201,484	12,249,229		153,450,713
Less accumulated depreciation for:				
Buildings and improvements	(2,126,133)	(75,705)		(2,201,838)
Utility systems	(43,427,275)	(3,004,001)		(46,431,276)
Drainage	(4,972,489)	(232,127)		(5,204,616)
Machinery & equipment	(1,826,430)	(132,100)		(1,958,530)
Operations	(1,117,155)	(86,689)		(1,203,844)
Total accumulated depreciation	(53,469,482)	(3,530,622)		(57,000,104)
Total capital assets, being depreciated, net	87,732,002	8,718,607		96,450,609
Business-type activities capital assets, net	\$ 96,895,850	\$ 12,768,975	\$ (8,261,380)	\$ 101,403,445

Depreciation expense was charged to the following functions:

<u>Business-type Activities</u>	<u>Amount</u>
Water	\$ 692,993
Sewer	2,212,356
Electric	507,933
Airport	117,340
Total	<u>\$ 3,530,622</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2020	Additions	Deletions	Balance at June 30, 2021	Due Within One Year
Governmental activities:					
Other debt					
Pension obligation bonds	\$ 1,582,633	\$ -	\$ (488,314)	\$ 1,094,319	\$ 526,799
Successor Agency payable	1,584,791		(103,816)	1,480,975	104,075
Total other debt	3,167,424		(592,130)	2,575,294	630,874
Direct borrowings and direct placements					
HUSD capital lease	1,404,307		(130,100)	1,274,207	136,400
Capital leases payable	255,846		(233,781)	22,065	22,065
Total direct borrowings and direct placements	1,660,153		(363,881)	1,296,272	158,465
Total governmental long-term debt	\$ 4,827,577	\$ -	\$ (956,011)	\$ 3,871,566	\$ 789,339

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

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021	Due Within One Year
Business-type activities:					
Other debt					
2005D - CSCDA Water/Sewer	\$ 1,755,000	\$ -	\$ (125,000)	\$ 1,630,000	\$ 130,000
2014 Water Refunding Bonds	5,239,000		(531,000)	4,708,000	557,000
2015 Wastewater Refunding Bonds	21,805,000		(1,015,000)	20,790,000	1,055,000
Premium on bonds	470,751		(31,384)	439,367	31,384
Successor Agency payable	1,807,416		(118,398)	1,689,018	118,696
Pension obligation bonds	884,723		(272,986)	611,737	294,501
Total other long-term debt	\$ 31,961,890	\$ -	\$ (2,093,768)	\$ 29,868,122	\$ 2,186,581

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, 2021

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: \$1,094,319 in governmental activities, and \$611,737 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
2022	\$ 821,300	\$ 62,279	\$ 883,579
2023	884,756	27,537	912,293
Totals	\$ 1,706,056	\$ 89,816	\$ 1,795,872

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, 2021 was \$5,007,245 and \$1,335,265, 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
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	164,500	15,539	180,039
2027-2029	523,607	21,870	545,477
Totals	\$ 1,274,207	\$ 135,984	\$ 1,410,191

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 \$482,771, respectively, as of June 30, 2021. 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>
2022	\$ 22,065
Totals	\$ <u>22,065</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, 2021, the amount due from Governmental Activities and the Electric Fund was \$1,480,975 and \$1,689,018, 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>
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	225,007	5,689	230,696
2027-2031	1,133,504	19,977	1,153,481
2032-2035	917,051	5,738	922,789
Totals	\$ <u>3,169,993</u>	\$ <u>59,757</u>	\$ <u>3,229,750</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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
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	160,000	46,725	206,725
2027-2031	910,000	109,238	1,019,238
Totals	\$ 1,630,000	\$ 416,126	\$ 2,046,126

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, 2021

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

G. 2014 Water Refunding Bonds (Continued)

2014 Water Refunding Bonds			
Fiscal Year	Principal	Interest	Total
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	484,000	93,790	577,790
2027-2031	1,416,000	267,302	1,683,302
2032-2033	602,000	25,149	627,149
Totals	\$ 4,708,000	\$ 979,193	\$ 5,687,193

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
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	1,235,000	556,250	1,791,250
2027-2031	6,890,000	2,083,923	8,973,923
2032-2036	8,185,000	784,990	8,969,990
Totals	\$ 20,790,000	\$ 6,116,363	\$ 26,906,363

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, the City's liability for earned vacation and compensation pay is \$2,507,123.

Note 9 **Pension Plan**

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

A. General Information about the Pension Plan

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

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRAs Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2021, 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	13.146% + \$1,655,602	9.442% + \$8,353	7.874% + \$21,223

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 compensa	3%	2.7%
Required employee contribution rates	9%	11.5%
Required employer contribution rates	23.764% + \$891,914	13.044% + \$9,840

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, 2021, 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	\$ 2,453,615	\$ 1,371,030	\$ 3,824,645

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

As of June 30, 2021, 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	\$ 25,198,508
Safety	14,085,720
Total	<u>\$ 39,284,228</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019 and 2020 was as follows:

Proportion - June 30, 2019	0.35464%
Proportion - June 30, 2020	<u>0.36105%</u>
Change - Increase (Decrease)	<u><u>0.00641%</u></u>

For the fiscal year ended June 30, 2021, the City recognized pension expense of \$6,010,052, 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	\$ -	\$ 226,646
Differences between Expected and Actual Experience	2,390,830	
Net differences between projected and actual earnings on plan investments	1,054,704	
Differences between employer's contributions and the employer's proportionate share of contributions		1,027,822
Change in Employer's Proportion	765,215	
Pension Contributions Made Subsequent to Measurement Date	<u>3,321,038</u>	
Total	<u><u>\$ 7,531,787</u></u>	<u><u>\$ 1,254,468</u></u>

Deferred outflows of resources were reported as \$3,321,038 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, 2022. 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>
2022	\$ 386,207
2023	1,159,786
2024	897,862
2025	512,426
Total	<u><u>\$ 2,956,281</u></u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note 9 **Pension Plan (Continued)**

C. Net Pension Liability (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
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, 2019 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, 2021

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, 2021

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	\$ 37,099,875	\$ 25,198,508	\$ 15,364,783
Net Pension Liability - Safety	20,444,262	14,085,720	8,867,934
Net Pension Liability - Total	<u>\$ 57,544,137</u>	<u>\$ 39,284,228</u>	<u>\$ 24,232,717</u>

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

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, 2021

Note 10 **Risk Management (Continued)**

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, 2020:

	<u>6/30/2020*</u>
Total Assets	\$ 34,311,556
Total Deferred Outflows	659,939
Total Liabilities	31,672,831
Total Deferred Inflows	185,787
Total Net Position	3,112,877
Total Revenues	30,510,306
Total Expenses	28,800,927
Increase in Net Position	1,709,379

* Latest information available

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Note 10 **Risk Management (Continued)**

Changes in the Internal Service Funds claims liabilities amounts in fiscal year 2021, 2020, and 2019 were as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of fiscal year	\$ 575,367	\$ 729,370	\$ 833,811
Claims and adjustments	762,040	358,261	548,853
Claims payments	<u>(895,773)</u>	<u>(512,264)</u>	<u>(653,294)</u>
Balance, end of fiscal year	<u>\$ 441,634</u>	<u>\$ 575,367</u>	<u>\$ 729,370</u>

The City is liable for \$273,246 and \$93,720 to be paid over 3 and 2 years, for the Workers' Compensation and Liability program, respectively. The total claims liability of \$441,634 includes the assessments of \$152,078 and \$289,556, Liability and Worker's Compensation programs, respectively.

Note 11 **Northern 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, 2021

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

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 fiscal year ending June 30, 2021 were \$3.5 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 \$5,963,403 as of June 30, 2021. 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, 2021

Note 11 **Northern 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, 2021 measurement date:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Total OPEB liability:	<u>\$ 1,069,929</u>	<u>\$ 310,279</u>
Total total OPEB liability	<u><u>\$ 1,069,929</u></u>	<u><u>\$ 310,279</u></u>
Deferred outflows of resources:		
Changes in assumptions	<u>\$ 176,310</u>	<u>\$ 51,129</u>
Total deferred outflows of resources	<u><u>\$ 176,310</u></u>	<u><u>\$ 51,129</u></u>
Deferred inflows of resources:		
Differences between expected and actual experiences	<u>\$ 20,054</u>	<u>\$ 5,815</u>
Changes in assumptions	<u>17,828</u>	<u>5,172</u>
Total deferred inflows of resources	<u><u>\$ 37,882</u></u>	<u><u>\$ 10,987</u></u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

Description

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

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

As of June 30, 2020, actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees		128
Inactive employees or beneficiaries currently receiving benefits		16
	Total	144

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, 2021 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	June 30, 2021 Measurement Date
Discount Rate	2.16%
Inflation	2.75% annually
Salary Increases	3% per annum, in aggregate
Investment Rate of Return	3.50%
Mortality Rate	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-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, 2021

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 2.16 percent.

Changes in Total OPEB Liability as of June 30, 2021

	Total OPEB Liability
Balance at June 30, 2020	\$ 1,279,607
Service Cost	70,471
Interest	29,725
Assumption Changes	10,405
Benefit Payments	(10,000)
Net Change during 2020-21	100,601
Balance at June 30, 2021	\$ 1,380,208

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, 2021:

	Discount Rate		
	Current Discount Rate		
	1% Lower	(2.16%)	1% Higher
Total OPEB Liability	\$ 1,612,156	\$ 1,380,208	\$ 1,190,338

	Healthcare Trend Rate		
	Current Trend		
	1% Lower	(7%)	1% Higher
Total OPEB Liability	\$ 1,154,539	\$ 1,380,208	\$ 1,662,289

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	\$ 227,439	\$ 25,869
Differences between expected and actual experience		<u>23,000</u>
Total	<u>\$ 227,439</u>	<u>\$ 48,869</u>

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

<u>For the Fiscal Year Ending June 30,</u>	<u>Recognized Net Deferred Outflows (Inflows) of Resources</u>
2022	\$ 19,291
2023	19,291
2024	19,291
2025	19,291
2026	19,291
Thereafter	<u>82,115</u>
Total	<u>\$ 178,570</u>

Note 13 Commitments and Contingencies

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

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, 2021 was \$8.4 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, 2021

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

California-Oregon Transmission Project

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

Western Area Power Administration

In addition to commitments for power acquisitions through NCPA, the City has entered into a contract with the Western Area Power Administration (Western). Western is a federal Power Management Agency of the U.S. Department of Energy, which among other things is responsible for marketing electricity generated by the Central Valley Project. The contract with Western was renewed for the period January 1, 2005 through December 31, 2024. The City is actively seeking and new contract with Western to acquire power from 2025 through 2054."

Construction Commitments

The estimated amount of remaining construction contract obligations at fiscal year-end is \$3,604,214.

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 \$33,654,707 of restricted net position.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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	\$ 21,172	\$ -	\$ -	\$ -	\$ 21,172
Inventory			8,569		8,569
Legally/Contractually required to be maintained intact				200,000	200,000
Total Nonspendable	21,172		8,569	200,000	229,741
<u>Restricted for:</u>					
Lighting and landscaping				252,636	252,636
Community services		780,152		720,241	1,500,393
Affordable housing	412,835			6,652,870	7,065,705
Parking expansion				124,103	124,103
Public safety	268,543			106,392	374,935
Pension rate stabilization	5,006,915	493,645			5,500,560
Public works	947,429				947,429
Tree mitigation	15,886				15,886
Streets and roads				969,000	969,000
Strong motion				4,543	4,543
Debt service				272,524	272,524
Total Restricted	6,651,608	1,273,797		9,102,309	17,027,714
<u>Committed for:</u>					
Capital improvement				436,565	436,565
Total Committed				436,565	436,565
<u>Assigned for:</u>					
General plan update	23,064				23,064
Total Assigned	23,064				23,064
Unassigned:	3,287,970		(346,057)	(13,338)	2,928,575
Total Fund Balances	\$ 9,983,814	\$ 1,273,797	\$ (337,488)	\$ 9,725,536	\$ 20,645,659

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021 were as follows:

Fiduciary Activities:	Balance at			Balance at
Capital assets, not being depreciated:	July 1, 2020	Additions	Deletions	June 30, 2021
Land	\$ 528,300	\$ -	\$ -	\$ 528,300
Total capital assets, not being depreciated	528,300			528,300
Fiduciary activities capital assets, net	<u>\$ 528,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,300</u>

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2021:

	Balance at			Balance at	Due Within
	July 1, 2020	Additions	Reductions	June 30, 2021	One Year
Tax Allocation Bonds:					
2002 Series B	\$ 1,075,000	\$ -	\$ (70,000)	\$ 1,005,000	\$ 70,000
2014 Series A	7,865,400		(541,500)	7,323,900	559,600
2014 Series B	3,096,200		(214,300)	2,881,900	221,600
2015 Series A	7,538,500		(441,100)	7,097,400	455,700
2015 Series B	3,652,600		(249,000)	3,403,600	255,900
2017 Refunding	16,140,000		(605,000)	15,535,000	660,000
Unamortized bond premium	2,349,313		(156,621)	2,192,692	156,621
Total other long-term debt	<u>\$ 41,717,013</u>	<u>\$ -</u>	<u>\$ (2,277,521)</u>	<u>\$ 39,439,492</u>	<u>\$ 2,379,421</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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:

<u>2002 Tax Allocation Bond Series B</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	85,000	31,231	116,231
2027-2031	500,000	89,063	589,063
2032	115,000	2,731	117,731
	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 1,005,000</u>	<u>\$ 285,831</u>	<u>\$ 1,290,831</u>

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, 2021

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

B. 2014 Series A and B (Continued)

<u>2014 Tax Allocation Bond Series A</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	639,000	158,073	797,073
2027-2031	3,544,500	442,795	3,987,295
2032	785,200	13,348	798,548
Totals	<u>\$ 7,323,900</u>	<u>\$ 1,453,532</u>	<u>\$ 8,777,432</u>

<u>2014 Tax Allocation Bond Series B</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	252,500	62,167	314,667
2027-2031	1,392,600	173,897	1,566,497
2032	309,600	5,263	314,863
Totals	<u>\$ 2,881,900</u>	<u>\$ 571,351</u>	<u>\$ 3,453,251</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, 2021

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>
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	493,800	211,675	705,475
2027-2031	3,929,000	597,993	4,526,993
2032	804,700	17,100	821,800
Totals	<u>\$ 7,097,400</u>	<u>\$ 1,876,090</u>	<u>\$ 8,973,490</u>

<u>2015 Tax Allocation Bond Series B</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	294,800	92,208	387,008
2027-2031	1,647,000	259,825	1,906,825
2032	375,200	7,973	383,173
Totals	<u>\$ 3,403,600</u>	<u>\$ 848,530</u>	<u>\$ 4,252,130</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, 2021

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
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	835,000	569,625	1,404,625
2027-2031	3,660,000	2,312,875	5,972,875
2032-2035	8,160,000	756,350	8,916,350
Totals	\$ 15,535,000	\$ 6,285,625	\$ 21,820,625

Note 16 **Prior Period Adjustments**

The accompanying financial statements include adjustments that resulted in the restatements of beginning net position and fund balances. The following summarizes the effect of the prior period adjustments to beginning net position and fund balances as of July 1, 2020:

Reason for adjustments	Governmental Activities			Business-type Activities
	Reclassified fiduciary funds to permanent fund	\$	231,813	
Other post-employment benefits liability		287,663		(287,663)
Deferred outflow of resources - OPEB related		(54,679)		54,679
Deferred inflow of resources - OPEB related		12,538		(12,538)
	\$	477,335		\$ (245,522)

Reason for adjustments	Proprietary Funds			Governmental Nonmajor Fund
	Water Enterprise Fund	Sewer Enterprise Fund	Electric Enterprise Fund	Senior Center Trust Permanent Fund
Reclassified fiduciary funds to permanent fund	\$ -	\$ -	\$ -	\$ 231,813
Other post-employment benefits liability	(138,872)	(9,919)	(138,872)	
Deferred outflow of resources - OPEB related	26,397	1,885	26,397	
Deferred inflow of resources - OPEB related	(6,053)	(432)	(6,053)	
	\$ (118,528)	\$ (8,466)	\$ (118,528)	\$ 231,813

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2021

**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>
2020	0.36105%	\$ 39,284,228	\$ 14,438,000	272.09%	71.82%
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 seven years are shown.

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2021

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
2021	\$ 3,321,038	\$ (3,321,038)	\$ -	\$ 16,188,697	20.51%
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 seven years are shown.

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2021

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

MEASUREMENT PERIOD	2021	2020	2019	2018
TOTAL OPEB LIABILITY				
Service Cost	\$ 70,471	\$ 56,673	\$ 51,000	\$ 52,000
Interest on the Total OPEB Liability	29,725	37,159	36,000	33,000
Difference between Expected and Actual Experience		(31,683)		
Changes of Assumptions	10,405	220,458	53,000	(39,000)
Benefit Payments	(10,000)	(16,000)	(16,000)	(15,000)
Net Change in Total OPEB Liability	100,601	266,607	124,000	31,000
Total OPEB Liability - Beginning	1,279,607	1,013,000	889,000	858,000
Total OPEB Liability - Ending	\$ 1,380,208	\$ 1,279,607	\$ 1,013,000	\$ 889,000
Plan Net OPEB Liability - Ending	\$ 1,380,208	\$ 1,279,607	\$ 1,013,000	\$ 889,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	n/a	n/a	n/a	n/a
Covered Payroll	\$ 16,188,697	\$ 15,823,041	\$ 14,438,000	\$ 13,380,000
Net OPEB liability as a percentage of covered payroll	8.53%	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%

For fiscal year ended June 30, 2021, the discount rate changed from 2.21% to 2.16%

Mortality improvement scale was updated to Scale MP-2019

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

CITY OF HEALDSBURG
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2021

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 4,319,228	\$ 4,385,037	\$ 4,600,749	\$ 215,712
Sales and other taxes	7,939,671	8,304,826	9,757,061	1,452,235
Development fees	75,000	75,000	134,748	59,748
Intergovernmental	129,000	275,264	292,602	17,338
Fines and forfeitures	121,000	121,000	34,892	(86,108)
License and permits	1,004,000	1,004,000	1,628,977	624,977
Use of money and property	399,717	399,717	823,295	423,578
Charges for services	861,276	1,075,005	1,146,609	71,604
Other, donations, and reimbursements	110,000	110,000	356,705	246,705
	14,958,892	15,749,849	18,775,638	3,025,789
EXPENDITURES				
Current:				
General government	3,990,927	4,035,355	3,958,060	77,295
Public safety	9,549,145	9,762,424	10,191,803	(429,379)
Community development	479,330	643,506	530,047	113,459
	14,019,402	14,441,285	14,679,910	(238,625)
Excess of Revenues over (under) Expenditures	939,490	1,308,564	4,095,728	2,787,164
OTHER FINANCING SOURCES (USES)				
Transfers in	1,376,278	1,107,542	845,022	(262,520)
Transfers out	(2,465,499)	(3,116,266)	(2,224,207)	892,059
	(1,089,221)	(2,008,724)	(1,379,185)	629,539
Net Change in Fund Balance	(149,731)	(700,160)	2,716,543	3,416,703
Fund Balance, Beginning of Fiscal Year	7,267,271	7,267,271	7,267,271	
Fund Balance, End of Fiscal Year	\$ 7,117,540	\$ 6,567,111	\$ 9,983,814	\$ 3,416,703

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sales and other taxes	\$ 3,285,014	\$ 2,486,858	\$ 3,546,602	\$ 1,059,744
Development fees	51,900	51,900	142,609	90,709
Intergovernmental	473,350	462,000	256,445	(205,555)
Licenses and permits	6,500	6,500	3,070	(3,430)
Use of money and property	11,318	11,318	56,585	45,267
Charges for services	412,665	412,665	471,038	58,373
Other, donations, and reimbursements	742,500	916,500	506,112	(410,388)
Total Revenues	4,983,247	4,347,741	4,982,461	634,720
EXPENDITURES				
Current:				
Community services	4,794,032	5,249,065	4,610,384	638,681
Total Expenditures	4,794,032	5,249,065	4,610,384	638,681
Excess of Revenues over (under) Expenditures	189,215	(901,324)	372,077	1,273,401
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,239,503	828,114	(411,389)
Transfers out	(209,886)	(334,886)	(491,394)	(156,508)
Total Other Financing Sources (Uses)	(209,886)	904,617	336,720	(567,897)
Net Change in Fund Balance	(20,671)	3,293	708,797	705,504
Fund Balance, Beginning of Fiscal Year	565,000	565,000	565,000	
Fund Balance, End of Fiscal Year	<u>\$ 544,329</u>	<u>\$ 568,293</u>	<u>\$ 1,273,797</u>	<u>\$ 705,504</u>

See Accompanying Note to Required Supplementary Information

CITY OF HEALDSBURG
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2021

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, 2021

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, Park Development fees, Parking Impact Fees, and Misc Projects non-major governmental funds.
8. The City does not formally adopt budgets for the permanent fund.

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.

PERMANENT FUND

Senior Center Trust Permanent Fund – used to account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs.

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, 2021**

	Special Revenue Funds					
	Gas Tax	North Area	Benjamin Way Maintenance District	Public Safety	Strong Motion Education and Data	Area A Lighting and Landscaping
ASSETS						
Cash and investments	\$ 919,080	\$ 1,662	\$ 7,855	\$ 106,392	\$ 4,538	\$ 251,067
Cash and investments with fiscal agents						
Receivables:						
Accounts and taxes		53,300				3,824
Interest	1,217		8		5	263
Intergovernmental	40,840					
Loans and notes receivable						
Total Assets	<u>\$ 961,137</u>	<u>\$ 54,962</u>	<u>\$ 7,863</u>	<u>\$ 106,392</u>	<u>\$ 4,543</u>	<u>\$ 255,154</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,518
Due to other funds		15,000				
Deposit payable						
Total Liabilities		<u>15,000</u>				<u>2,518</u>
Deferred inflow of resources:						
Unavailable revenue - interest						
Unavailable revenue		53,300				
Total deferred inflows of resources		<u>53,300</u>				
Fund Balances:						
Nonspendable						
Restricted	961,137		7,863	106,392	4,543	252,636
Committed						
Unassigned		(13,338)				
Total Fund Balances (Deficits)	<u>961,137</u>	<u>(13,338)</u>	<u>7,863</u>	<u>106,392</u>	<u>4,543</u>	<u>252,636</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 961,137</u>	<u>\$ 54,962</u>	<u>\$ 7,863</u>	<u>\$ 106,392</u>	<u>\$ 4,543</u>	<u>\$ 255,154</u>

Special Revenue Funds				Permanent Fund	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Media Center	Park Development Fees	Parking Impact Fees	Housing Successor Agency	Senior Center Trust	Misc Projects	General Debt Service	
\$ 1	\$ 611,036	\$ 123,973	\$ -	\$ 100	\$ 42	\$ 436,692	\$ 2,462,438
				294,835	436,523	175	731,533
9,617	4,114		78,606				149,461
	638	130					2,261
			8,263,545				40,840
							8,263,545
<u>\$ 9,618</u>	<u>\$ 615,788</u>	<u>\$ 124,103</u>	<u>\$ 8,342,151</u>	<u>\$ 294,935</u>	<u>\$ 436,565</u>	<u>\$ 436,867</u>	<u>\$ 11,650,078</u>
\$ -	\$ -	\$ -	\$ 32,805	\$ -	\$ -	\$ 164,343	\$ 199,666
			155,431				170,431
				100			100
			188,236	100		164,343	370,197
			1,501,045				1,501,045
							53,300
			1,501,045				1,554,345
9,618	615,788	124,103	6,652,870	200,000		272,524	200,000
				94,835			9,102,309
					436,565		436,565
							(13,338)
<u>9,618</u>	<u>615,788</u>	<u>124,103</u>	<u>6,652,870</u>	<u>294,835</u>	<u>436,565</u>	<u>272,524</u>	<u>9,725,536</u>
<u>\$ 9,618</u>	<u>\$ 615,788</u>	<u>\$ 124,103</u>	<u>\$ 8,342,151</u>	<u>\$ 294,935</u>	<u>\$ 436,565</u>	<u>\$ 436,867</u>	<u>\$ 11,650,078</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021**

	Special Revenue Funds					
	Gas Tax	North Area	Benjamin Way Maintenance District	Public Safety	Strong Motion Education and Data	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192,183
Development fees		1,300				
Intergovernmental	495,865					
Use of money and property	1,239		16		11	60
Charges for services				3,860		
Other, donations, and reimbursements				9,686	432	
Total Revenues	<u>497,104</u>	<u>1,300</u>	<u>16</u>	<u>13,546</u>	<u>443</u>	<u>192,243</u>
EXPENDITURES						
Current:						
Public safety				60,503		
Streets and roads	1,881					
Community development						200,006
Community services						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	<u>1,881</u>			<u>60,503</u>		<u>200,006</u>
Excess of Revenues Over (Under) Expenditures	<u>495,223</u>	<u>1,300</u>	<u>16</u>	<u>(46,957)</u>	<u>443</u>	<u>(7,763)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				50,000		
Transfers out	(1,125,325)					(1,423)
Total Other Financing Sources (Uses)	<u>(1,125,325)</u>			<u>50,000</u>		<u>(1,423)</u>
Net Change in Fund Balances	<u>(630,102)</u>	<u>1,300</u>	<u>16</u>	<u>3,043</u>	<u>443</u>	<u>(9,186)</u>
Fund Balances (deficits), Beginning of Fiscal Year	1,591,239	(14,638)	7,847	103,349	4,100	261,822
Prior Period Adjustments						
Fund Balances (deficits), Beginning of Fiscal Year(restated)	<u>1,591,239</u>	<u>(14,638)</u>	<u>7,847</u>	<u>103,349</u>	<u>4,100</u>	<u>261,822</u>
Fund Balances (deficits), End of Fiscal Year	<u>\$ 961,137</u>	<u>\$ (13,338)</u>	<u>\$ 7,863</u>	<u>\$ 106,392</u>	<u>\$ 4,543</u>	<u>\$ 252,636</u>

Special Revenue Funds				Permanent Fund	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Media Center	Park Development Fees	Parking Impact Fees	Housing Successor Agency	Senior Center Trust	Misc Projects	General Debt Service	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31	\$ 192,214
	60,931	47,190					109,421
			250,000				745,865
	1,770	388	48,861	66,702	111	1	119,159
							3,860
37,241			132,330			165,475	345,164
37,241	62,701	47,578	431,191	66,702	111	165,507	1,515,683
							60,503
			524,086	3,680			1,881
	617						727,772
							617
						722,230	722,230
						258,000	258,000
	617		524,086	3,680		980,230	1,771,003
37,241	62,084	47,578	(92,895)	63,022	111	(814,723)	(255,320)
(27,479)					(95,075)	726,531	776,531
(27,479)					(95,075)	726,531	(1,249,302)
9,762	62,084	47,578	(92,895)	63,022	(94,964)	(88,192)	(728,091)
(144)	553,704	76,525	6,745,765		531,529	360,716	10,221,814
				231,813			231,813
(144)	553,704	76,525	6,745,765	231,813	531,529	360,716	10,453,627
\$ 9,618	\$ 615,788	\$ 124,103	\$ 6,652,870	\$ 294,835	\$ 436,565	\$ 272,524	\$ 9,725,536

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, 2021

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 519,834	\$ 495,865	\$ (23,969)
Use of money and property	13,049	1,239	(11,810)
Total Revenues	<u>532,883</u>	<u>497,104</u>	<u>(35,779)</u>
EXPENDITURES			
Current:			
Streets and roads	<u> </u>	<u>1,881</u>	<u>(1,881)</u>
Total Expenditures	<u> </u>	<u>1,881</u>	<u>(1,881)</u>
Excess of Revenues Over (Under) Expenditures	<u>532,883</u>	<u>495,223</u>	<u>(37,660)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,507,644)</u>	<u>(1,125,325)</u>	<u>382,319</u>
Total Other Financing Sources (Uses)	<u>(1,507,644)</u>	<u>(1,125,325)</u>	<u>382,319</u>
Net Change in Fund Balance	(974,761)	(630,102)	344,659
Fund Balance - Beginning of Fiscal Year	<u>1,591,239</u>	<u>1,591,239</u>	
Fund Balance - End of Fiscal Year	<u>\$ 616,478</u>	<u>\$ 961,137</u>	<u>\$ 344,659</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, 2021

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Charges for services	\$ -	\$ 3,860	\$ 3,860
Other, donations, and reimbursements		9,686	9,686
Total Revenues		13,546	13,546
EXPENDITURES			
Current:			
Public safety	50,000	60,503	(10,503)
Total Expenditures	50,000	60,503	(10,503)
Excess of Revenues Over (Under) Expenditures	(50,000)	(46,957)	3,043
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	50,000	
Total Other Financing Sources (Uses)	50,000	50,000	
Net Change in Fund Balance		3,043	3,043
Fund Balance - Beginning of Fiscal Year	103,349	103,349	
Fund Balance - End of Fiscal Year	\$ 103,349	\$ 106,392	\$ 3,043

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, 2021

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Use of money and property	\$ 42	\$ 11	\$ (31)
Other, donations, and reimbursements	<u>200</u>	<u>432</u>	<u>232</u>
Total Revenues	<u>242</u>	<u>443</u>	<u>201</u>
Excess of Revenues Over (Under) Expenditures	242	443	201
Fund Balance - Beginning of Fiscal Year	<u>4,100</u>	<u>4,100</u>	
Fund Balance - End of Fiscal Year	<u>\$ 4,342</u>	<u>\$ 4,543</u>	<u>\$ 201</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
AREA A LIGHTING AND LANDSCAPING SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Property taxes	\$ 192,609	\$ 192,183	\$ (426)
Use of money and property	1,620	60	(1,560)
Total Revenues	194,229	192,243	(1,986)
EXPENDITURES			
Current:			
Community development	237,403	200,006	37,397
Total Expenditures	237,403	200,006	37,397
Excess of Revenues Over (Under) Expenditures	(43,174)	(7,763)	35,411
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,423)	(1,423)	
Total Other Financing Sources (Uses)	(1,423)	(1,423)	
Net Change in Fund Balance	(44,597)	(9,186)	35,411
Fund Balance - Beginning of Fiscal Year	261,822	261,822	
Fund Balance - End of Fiscal Year	\$ 217,225	\$ 252,636	\$ 35,411

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, 2021

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Other, donations, and reimbursements	\$ 40,000	\$ 37,241	\$ (2,759)
Total Revenues	40,000	37,241	(2,759)
Excess of Revenues Over (Under) Expenditures	40,000	37,241	(2,759)
OTHER FINANCING SOURCES (USES)			
Transfers out	(40,000)	(27,479)	12,521
Total Other Financing Sources (Uses)	(40,000)	(27,479)	12,521
Net Change in Fund Balance		9,762	9,762
Fund Balances (deficits), Beginning of Fiscal Year	(144)	(144)	
Fund Balances (deficits), End of Fiscal Year	\$ (144)	\$ 9,618	\$ 9,762

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
BENJAMIN WAY MAINTENANCE DISTRICT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Use of money and property	\$ 82	\$ 16	\$ (66)
Total Revenues	<u>82</u>	<u>16</u>	<u>(66)</u>
Excess of Revenues Over (Under) Expenditures	82	16	(66)
Fund Balance - Beginning of Fiscal Year	<u>7,847</u>	<u>7,847</u>	
Fund Balance - End of Fiscal Year	<u>\$ 7,929</u>	<u>\$ 7,863</u>	<u>\$ (66)</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING SUCCESSOR AGENCY SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 500,000	\$ 250,000	\$ (250,000)
Use of money and property		48,861	48,861
Other, donations, and reimbursements	50,000	132,330	82,330
Total Revenues	<u>550,000</u>	<u>431,191</u>	<u>(118,809)</u>
EXPENDITURES			
Current:			
Community development	561,356	524,086	37,270
Total Expenditures	<u>561,356</u>	<u>524,086</u>	<u>37,270</u>
Excess of Revenues Over (Under) Expenditures	(11,356)	(92,895)	(81,539)
Fund Balance - Beginning of Fiscal Year	<u>6,745,765</u>	<u>6,745,765</u>	
Fund Balance - End of Fiscal Year	<u>\$ 6,734,409</u>	<u>\$ 6,652,870</u>	<u>\$ (81,539)</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual Amount	Variance Positive (Negative)
REVENUES			
Property taxes	\$ -	\$ 31	\$ 31
Use of money and property		1	1
Other, donations, and reimbursements	74,962	165,475	90,513
Total Revenues	<u>74,962</u>	<u>165,507</u>	<u>90,545</u>
EXPENDITURES			
Debt service:			
Principal retirement	722,230	722,230	
Interest and fiscal charges	258,000	258,000	
Total Expenditures	<u>980,230</u>	<u>980,230</u>	
Excess of Revenues Over (Under) Expenditures	<u>(905,268)</u>	<u>(814,723)</u>	<u>90,545</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	563,498	726,531	163,033
Total Other Financing Sources (Uses)	<u>563,498</u>	<u>726,531</u>	<u>163,033</u>
Net Change in Fund Balance	(341,770)	(88,192)	253,578
Fund Balance - Beginning of Fiscal Year	<u>360,716</u>	<u>360,716</u>	
Fund Balance - End of Fiscal Year	<u>\$ 18,946</u>	<u>\$ 272,524</u>	<u>\$ 253,578</u>

**CITY OF HEALDSBURG
COMBINING BALANCE SHEET
GENERAL FUND ACTIVITIES
June 30, 2021**

	General	Capital Replacement	Transaction & Use Tax	Economic Development
ASSETS				
Cash and investments	\$ 2,856,567	\$ 123,265	\$ 228,547	\$ 63,792
Pension stabilization investments	5,006,915			
Receivables:				
Accounts and taxes	1,144,944			
Interest	5,330		575	66
Intergovernmental	1,316,712	655	519,611	
Due from other funds	298,162		625,000	
Loans and notes receivable			481,063	
Deposits	947,429			
Prepaid expenditures	21,172			
	<u>\$ 11,597,231</u>	<u>\$ 123,920</u>	<u>\$ 1,854,796</u>	<u>\$ 63,858</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 326,811	\$ 4,805	\$ -	\$ 2,544
Due to other funds		2,719,512		
Deposits payable	1,299,583			
	<u>1,626,394</u>	<u>2,724,317</u>	<u></u>	<u>2,544</u>
Fund Balances:				
Nonspendable:				
Prepaid expenditures	21,172			
Restricted	5,954,344			
Assigned	23,064			
Unassigned	3,972,257	(2,600,397)	1,854,796	61,314
	<u>9,970,837</u>	<u>(2,600,397)</u>	<u>1,854,796</u>	<u>61,314</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 11,597,231</u>	<u>\$ 123,920</u>	<u>\$ 1,854,796</u>	<u>\$ 63,858</u>

TOT Housing	Tree Mitigation	Fire Facilities Impact Fees	Total General Fund
\$ 103,231	\$ 15,869	\$ 268,263	\$ 3,659,534
			5,006,915
176,801			1,321,745
	17	280	6,268
			1,836,978
155,431			1,078,593
			481,063
			947,429
			21,172
<u>\$ 435,463</u>	<u>\$ 15,886</u>	<u>\$ 268,543</u>	<u>\$ 14,359,697</u>
\$ 22,628	\$ -	\$ -	\$ 356,788
			2,719,512
			1,299,583
<u>22,628</u>			<u>4,375,883</u>
			21,172
412,835	15,886	268,543	6,651,608
			23,064
			3,287,970
<u>412,835</u>	<u>15,886</u>	<u>268,543</u>	<u>9,983,814</u>
<u>\$ 435,463</u>	<u>\$ 15,886</u>	<u>\$ 268,543</u>	<u>\$ 14,359,697</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2021

	General	Capital Replacement	Transaction & Use Tax	Economic Development
REVENUES				
Property taxes	\$ 4,600,749	\$ -	\$ -	\$ -
Sales and other taxes	6,755,097		2,322,932	
Development fees	119,158			
Intergovernmental	288,454	4,148		
Fines and forfeitures	34,892			
License and permits	1,628,977			
Use of money and property	559,967	260,158	2,076	
Charges for services	1,146,609			
Other, donations, and reimbursements	348,621	4,719		
Total Revenues	<u>15,482,524</u>	<u>269,025</u>	<u>2,325,008</u>	
EXPENDITURES				
Current:				
General government	3,659,024	44,699	250,137	
Public safety	10,191,803			
Community development				97,557
Total Expenditures	<u>13,850,827</u>	<u>44,699</u>	<u>250,137</u>	<u>97,557</u>
Excess of Revenues Over (Under) Expenditures	<u>1,631,697</u>	<u>224,326</u>	<u>2,074,871</u>	<u>(97,557)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	711,279	113,743		
Transfers out	(546,094)		(1,425,979)	(237,686)
Total Other Financing Sources (Uses)	<u>165,185</u>	<u>113,743</u>	<u>(1,425,979)</u>	<u>(237,686)</u>
Net Change in Fund Balances	<u>1,796,882</u>	<u>338,069</u>	<u>648,892</u>	<u>(335,243)</u>
Fund Balances (deficits), Beginning of Fiscal Year	<u>8,173,955</u>	<u>(2,938,466)</u>	<u>1,205,904</u>	<u>396,557</u>
Fund Balances (deficits), End of Fiscal Year	<u>\$ 9,970,837</u>	<u>\$ (2,600,397)</u>	<u>\$ 1,854,796</u>	<u>\$ 61,314</u>

<u>TOT Housing</u>	<u>Tree Mitigation</u>	<u>Fire Facilities Impact Fees</u>	<u>Total General Fund</u>
\$ -	\$ -	\$ -	\$ 4,600,749
679,032			9,757,061
		15,590	134,748
			292,602
			34,892
424	86	584	1,628,977
			823,295
			1,146,609
<u>3,365</u>			<u>356,705</u>
<u>682,821</u>	<u>86</u>	<u>16,174</u>	<u>18,775,638</u>
	4,200		3,958,060
432,490			10,191,803
			<u>530,047</u>
<u>432,490</u>	<u>4,200</u>		<u>14,679,910</u>
<u>250,331</u>	<u>(4,114)</u>	<u>16,174</u>	<u>4,095,728</u>
	20,000		845,022
<u>(14,448)</u>			<u>(2,224,207)</u>
<u>(14,448)</u>	<u>20,000</u>		<u>(1,379,185)</u>
235,883	15,886	16,174	2,716,543
<u>176,952</u>		<u>252,369</u>	<u>7,267,271</u>
<u>\$ 412,835</u>	<u>\$ 15,886</u>	<u>\$ 268,543</u>	<u>\$ 9,983,814</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
WATER FUND ACTIVITIES
June 30, 2021

	Water Operations	Water Capital Replacement	Water Debt Service	Water Capacity	Totals Water Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets:					
Cash and investments	\$ 2,201,309	\$ 985,586	\$ 205,375	\$ 1,404,000	\$ 4,796,270
Pension stabilization investments	576,528				576,528
Accounts receivable	1,034,570			13,142	1,047,712
Interest receivable	3,332			1,465	4,797
Inventory	65,007				65,007
Prepaid items	1,033				1,033
Total Current Assets	3,881,779	985,586	205,375	1,418,607	6,491,347
Noncurrent Assets:					
Capital assets					
Land	310,781				310,781
Construction in progress	2,362,939				2,362,939
Depreciable buildings and improvements, net	266,846				266,846
Depreciable utility systems, net	20,964,449				20,964,449
Depreciable equipment, net	308,321				308,321
Total Noncurrent Assets	24,213,336				24,213,336
Total Assets	28,095,115	985,586	205,375	1,418,607	30,704,683
Deferred Outflows of Resources:					
OPEB related	24,683				24,683
Pension related	669,496				669,496
Total deferred outflows of resources	694,179				694,179
LIABILITIES AND DEFERRED INFLOW OF RESOURCES					
Current Liabilities:					
Accounts payable and accrued liabilities	51,076	107,872			158,948
Deposits payable	12,940				12,940
Retention payable		107,820			107,820
Bonds payable - current	775,508				775,508
Interest payable	68,283				68,283
Total Current Liabilities	907,807	215,692			1,123,499
Noncurrent Liabilities					
Bonds payable	5,746,339				5,746,339
OPEB	149,790				149,790
Net pension liability	3,275,806				3,275,806
Total Noncurrent Liabilities	9,171,935				9,171,935
Total Liabilities	10,079,742	215,692			10,295,434
Deferred Inflows of Resources:					
OPEB related	5,304				5,304
Pension related	101,580				101,580
Total deferred inflows of resources	106,884				106,884
NET POSITION					
Net investment in capital assets	17,623,206				17,623,206
Restricted	576,528	769,894	205,375	1,418,607	2,970,404
Unrestricted	402,934				402,934
Total Net Position	\$ 18,602,668	\$ 769,894	\$ 205,375	\$ 1,418,607	\$ 20,996,544

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
WATER FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2021**

	Water Operations	Water Capital Replacement	Water Debt Service	Water Capacity	Totals Water Fund
OPERATING REVENUES					
Charges for services	\$ 6,059,350	\$ -	\$ -	\$ -	\$ 6,059,350
Development fees	31,104			194,469	225,573
Intergovernmental	44,552				44,552
Other	1,851,917				1,851,917
Total Operating Revenues	7,986,923			194,469	8,181,392
OPERATING EXPENSES					
Salaries and benefits	2,432,680				2,432,680
Maintenance and operations	1,183,872	1,832		30,615	1,216,319
Administration	855,419				855,419
Depreciation	692,993				692,993
Total Operating Expenses	5,164,964	1,832		30,615	5,197,411
Operating Income (loss)	2,821,959	(1,832)		163,854	2,983,981
NON-OPERATING REVENUES (EXPENSES)					
Investment income (loss)	82,175	(15,714)		1,678	68,139
Interest expense	(292,284)				(292,284)
Total Non-operating Revenue (Expenses)	(210,109)	(15,714)		1,678	(224,145)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,611,850	(17,546)		165,532	2,759,836
CAPITAL CONTRIBUTIONS	2,913,677	(2,913,677)			
TRANSFERS					
Transfers in		1,501,627	205,375		1,707,002
Transfers out	(205,375)			(306,863)	(512,238)
Total Transfers	(205,375)	1,501,627	205,375	(306,863)	1,194,764
Change in Net Position	5,320,152	(1,429,596)	205,375	(141,331)	3,954,600
Net Position, Beginning of Fiscal Year	13,401,044	2,199,490		1,559,938	17,160,472
Prior Period Adjustments	(118,528)				(118,528)
Net Position, Beginning of Fiscal Year, restated	13,282,516	2,199,490		1,559,938	17,041,944
Net Position, End of Fiscal Year	<u>\$ 18,602,668</u>	<u>\$ 769,894</u>	<u>\$ 205,375</u>	<u>\$ 1,418,607</u>	<u>\$ 20,996,544</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
SEWER FUND ACTIVITIES
June 30, 2021

	Sewer Operations	Drainage	Sewer Capital Replacement	Sewer Capacity
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and investments	\$ 1,855,566	\$ -	\$ 2,450,477	\$ 1,435,128
Cash and investments with fiscal agents	2			
Pension stabilization investments	694,302	150,918		
Accounts receivable	1,173,745	85,787		21,796
Interest receivable	4,621		1,436	1,494
Inventory	20,797			
Due from other funds	1,159,889		1,359,756	
	4,908,922	236,705	3,811,669	1,458,418
Total Current Assets				
Noncurrent Assets:				
Capital assets				
Land	682,880	84,022		
Construction in progress	395,409			
Depreciable buildings and improvements, net	52,468			
Depreciable utility systems, net	50,541,494	6,583,194		
Depreciable equipment, net	671,167			
	52,343,418	6,667,216		
Total Noncurrent Assets				
	57,252,340	6,903,921	3,811,669	1,458,418
Total Assets				
Deferred Outflows of Resources:				
Deferred loss on debt refunding	766,356			
OPEB related	1,763			
Pension related	669,496			
	1,437,615			
Total deferred outflows of resources				
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current Liabilities:				
Accounts payable and accrued liabilities	23,188	4,474	8,522	
Due to other funds		1,159,889		
Deposits payable	1,100			
Bonds payable - current	1,175,133			
Interest payable	190,038			
	1,389,459	1,164,363	8,522	
Total Current Liabilities				
Noncurrent Liabilities				
Bonds payable	20,238,586			
Other post-employment benefits liability	10,699			
Net pension liability	3,275,806			
	23,525,091			
Total Noncurrent Liabilities				
	24,914,550	1,164,363	8,522	
Total Liabilities				
Deferred Inflows of Resources:				
OPEB related	379			
Pension related	101,580			
	101,959			
Total deferred inflows of resources				
NET POSITION				
Net investment in capital assets	30,739,663	6,667,216		
Restricted	694,302	150,918	3,803,147	1,458,418
Unrestricted	2,239,481	(1,078,576)		
	33,673,446	5,739,558	3,803,147	1,458,418
Total Net Position	\$ 33,673,446	\$ 5,739,558	\$ 3,803,147	\$ 1,458,418

<u>Drainage Capacity</u>	<u>Totals Sewer Fund</u>
\$ 759,362	\$ 6,500,533
	2
	845,220
6,444	1,287,772
789	8,340
	20,797
	<u>2,519,645</u>
<u>766,595</u>	<u>11,182,309</u>
	766,902
	395,409
	52,468
	57,124,688
	<u>671,167</u>
	<u>59,010,634</u>
<u>766,595</u>	<u>70,192,943</u>
	766,356
	1,763
	<u>669,496</u>
	<u>1,437,615</u>
	36,184
	1,159,889
	1,100
	1,175,133
	<u>190,038</u>
	<u>2,562,344</u>
	20,238,586
	10,699
	<u>3,275,806</u>
	<u>23,525,091</u>
	<u>26,087,435</u>
	379
	<u>101,580</u>
	<u>101,959</u>
	37,406,879
766,595	6,873,380
	<u>1,160,905</u>
<u>\$ 766,595</u>	<u>\$ 45,441,164</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
SEWER FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2021**

	Sewer Operations	Drainage	Sewer Capital Replacement	Sewer Capacity
OPERATING REVENUES				
Charges for services	\$ 7,004,552	\$ 741,491	\$ -	\$ -
Development fees				315,607
Intergovernmental	139			
Other	958,447	928,716	50	
Total Operating Revenues	<u>7,963,138</u>	<u>1,670,207</u>	<u>50</u>	<u>315,607</u>
OPERATING EXPENSES				
Salaries and benefits	2,662,804	394,683		
Maintenance and operations	1,711,623	127,079	49,162	30,615
Administration	1,065,763	136,668		
Depreciation	1,980,229	232,127		
Total Operating Expenses	<u>7,420,419</u>	<u>890,557</u>	<u>49,162</u>	<u>30,615</u>
Operating Income (loss)	<u>542,719</u>	<u>779,650</u>	<u>(49,112)</u>	<u>284,992</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	98,429	15,830	(27,705)	(10,631)
Interest expense	(803,867)			
Total Non-operating Revenue (Expenses)	<u>(705,438)</u>	<u>15,830</u>	<u>(27,705)</u>	<u>(10,631)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	<u>(162,719)</u>	<u>795,480</u>	<u>(76,817)</u>	<u>274,361</u>
CAPITAL CONTRIBUTIONS				
	<u>394,012</u>		<u>(394,012)</u>	
TRANSFERS				
Transfers in	324,796			
Transfers out	(633,774)	(24,796)		(2,128,455)
Total Transfers	<u>(308,978)</u>	<u>(24,796)</u>		<u>(2,128,455)</u>
Change in Net Position	<u>(77,685)</u>	<u>770,684</u>	<u>(470,829)</u>	<u>(1,854,094)</u>
Net Position, Beginning of Fiscal Year	33,759,597	4,968,874	4,273,976	3,312,512
Prior Period Adjustments	(8,466)			
Net Position, Beginning of Fiscal Year, restated	<u>33,751,131</u>	<u>4,968,874</u>	<u>4,273,976</u>	<u>3,312,512</u>
Net Position, End of Fiscal Year	<u>\$ 33,673,446</u>	<u>\$ 5,739,558</u>	<u>\$ 3,803,147</u>	<u>\$ 1,458,418</u>

<u>Drainage Capacity</u>	<u>Totals Sewer Fund</u>
\$ -	\$ 7,746,043
115,682	431,289
	139
	<u>1,887,213</u>
<u>115,682</u>	<u>10,064,684</u>
	3,057,487
17,992	1,936,471
	1,202,431
	<u>2,212,356</u>
<u>17,992</u>	<u>8,408,745</u>
<u>97,690</u>	<u>1,655,939</u>
(6,484)	69,439
	<u>(803,867)</u>
<u>(6,484)</u>	<u>(734,428)</u>
<u>91,206</u>	<u>921,511</u>
	324,796
<u>(1,174,536)</u>	<u>(3,961,561)</u>
<u>(1,174,536)</u>	<u>(3,636,765)</u>
<u>(1,083,330)</u>	<u>(2,715,254)</u>
1,849,925	48,164,884
	<u>(8,466)</u>
<u>1,849,925</u>	<u>48,156,418</u>
<u>\$ 766,595</u>	<u>\$ 45,441,164</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
ELECTRIC FUND ACTIVITIES
June 30, 2021

	<u>Electric Operations</u>	<u>Capital Replacement</u>	<u>Electric Public Benefit</u>	<u>Electric Capacity</u>	<u>Totals Electric Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets:					
Cash and investments	\$ 14,904,188	\$ 671,621	\$ 2,640,301	\$ 627,364	\$ 18,843,474
Pension stabilization investments	991,585				991,585
Investment in NCPA Reserves	5,963,403				5,963,403
Accounts receivable	2,087,488				2,087,488
Interest receivable	16,112		2,759	654	19,525
Inventory	1,465,167				1,465,167
Due from other funds	15,000	1,359,756			1,374,756
Prepaid items	10,700				10,700
Total Current Assets	<u>25,453,643</u>	<u>2,031,377</u>	<u>2,643,060</u>	<u>628,018</u>	<u>30,756,098</u>
Noncurrent Assets:					
Capital assets					
Land	48,360				48,360
Construction in progress	948,608				948,608
Depreciable buildings and improvements, net	20,833				20,833
Depreciable utility systems, net	13,273,428				13,273,428
Depreciable equipment, net	426,480				426,480
Total Noncurrent Assets	<u>14,717,709</u>				<u>14,717,709</u>
Total Assets	<u>40,171,352</u>	<u>2,031,377</u>	<u>2,643,060</u>	<u>628,018</u>	<u>45,473,807</u>
Deferred Outflows of Resources:					
OPEB related	24,683				24,683
Pension related	926,994				926,994
Total deferred outflows of resources	<u>951,677</u>				<u>951,677</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current Liabilities:					
Accounts payable and accrued liabilities	185,639	19,722	94,389		299,750
Deposits payable	119,407				119,407
Retention payable	936	3,446			4,382
Bonds payable - current	117,244				117,244
Loan payable - current	118,696				118,696
Interest payable	4,223				4,223
Total Current Liabilities	<u>546,145</u>	<u>23,168</u>	<u>94,389</u>		<u>663,702</u>
Noncurrent Liabilities					
Bonds payable	126,294				126,294
Loan payable	1,570,322				1,570,322
OPEB	149,790				149,790
Net pension liability	4,535,731				4,535,731
Total Noncurrent Liabilities	<u>6,382,137</u>				<u>6,382,137</u>
Total Liabilities	<u>6,928,282</u>	<u>23,168</u>	<u>94,389</u>		<u>7,045,839</u>
Deferred Inflows of Resources:					
OPEB related	5,304				5,304
Pension related	140,649				140,649
Total deferred inflows of resources	<u>145,953</u>				<u>145,953</u>
NET POSITION					
Net investment in capital assets	14,469,948				14,469,948
Restricted	991,585	2,008,209	2,548,671	628,018	6,176,483
Unrestricted	18,587,261				18,587,261
Total Net Position	<u>\$ 34,048,794</u>	<u>\$ 2,008,209</u>	<u>\$ 2,548,671</u>	<u>\$ 628,018</u>	<u>\$ 39,233,692</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
ELECTRIC FUND ACTIVITIES
For the Fiscal Year Ended June 30, 2021**

	Electric Operations	Capital Replacement	Electric Public Benefit	Electric Capacity	Totals Electric Fund
OPERATING REVENUES					
Charges for services	\$ 12,269,713	\$ -	\$ 343,772	\$ -	\$ 12,613,485
Development fees	21,328			66,105	87,433
Intergovernmental	2,610				2,610
Other	1,200,241		581,782		1,782,023
Total Operating Revenues	<u>13,493,892</u>		<u>925,554</u>	<u>66,105</u>	<u>14,485,551</u>
OPERATING EXPENSES					
Purchase of power	3,782,712				3,782,712
Salaries and benefits	2,796,605		118,402		2,915,007
Maintenance and operations	4,296,823	207,534	497,953		5,002,310
Administration	1,364,753				1,364,753
Depreciation	507,933				507,933
Total Operating Expenses	<u>12,748,826</u>	<u>207,534</u>	<u>616,355</u>		<u>13,572,715</u>
Operating Income (loss)	<u>745,066</u>	<u>(207,534)</u>	<u>309,199</u>	<u>66,105</u>	<u>912,836</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income	216,044		9,003	907	225,954
Interest expense	(22,231)				(22,231)
Total Non-operating Revenue (Expenses)	<u>193,813</u>		<u>9,003</u>	<u>907</u>	<u>203,723</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>938,879</u>	<u>(207,534)</u>	<u>318,202</u>	<u>67,012</u>	<u>1,116,559</u>
CAPITAL CONTRIBUTIONS	<u>659,038</u>	<u>(659,038)</u>			
TRANSFERS					
Transfers in	5,343	775,457			780,800
Transfers out	(737,459)		(5,343)	(175,457)	(918,259)
Total Transfers	<u>(732,116)</u>	<u>775,457</u>	<u>(5,343)</u>	<u>(175,457)</u>	<u>(137,459)</u>
Change in Net Position	<u>865,801</u>	<u>(91,115)</u>	<u>312,859</u>	<u>(108,445)</u>	<u>979,100</u>
Net Position, Beginning of Fiscal Year	33,301,521	2,099,324	2,235,812	736,463	38,373,120
Prior Period Adjustments	(118,528)				(118,528)
Net Position, Beginning of Fiscal Year, restated	<u>33,182,993</u>	<u>2,099,324</u>	<u>2,235,812</u>	<u>736,463</u>	<u>38,254,592</u>
Net Position, End of Fiscal Year	<u>\$ 34,048,794</u>	<u>\$ 2,008,209</u>	<u>\$ 2,548,671</u>	<u>\$ 628,018</u>	<u>\$ 39,233,692</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2021

	Insurance and Benefit	Vehicle Maintenance	Information Services	Building Maintenance	Totals
ASSETS					
Current Assets:					
Cash and investments	\$ 3,867,198	\$ 1,271,976	\$ 853,692	\$ 1,236	\$ 5,994,102
Accounts receivable	18,984			39,497	58,481
Loans and notes receivable			7,627		7,627
Interest receivable		4,646	930		5,576
Inventory		7,489			7,489
Prepaid items			16,497		16,497
Total Current Assets	3,886,182	1,284,111	878,746	40,733	6,089,772
Noncurrent Assets:					
Capital assets					
Depreciable buildings and improvements, net				2,266,227	2,266,227
Depreciable equipment, net		3,087,508	736,067		3,823,575
Total Noncurrent Assets		3,087,508	736,067	2,266,227	6,089,802
Total Assets	3,886,182	4,371,619	1,614,813	2,306,960	12,179,574
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	526,828	7,867	14,617	12,639	561,951
Due to other funds				298,162	298,162
Deposits payable		30,000			30,000
Capital lease payable - current			22,065		22,065
Claims payable - current	137,942				137,942
Compensated absences	716,822				716,822
Total Current Liabilities	1,381,592	37,867	36,682	310,801	1,766,942
Noncurrent Liabilities					
Claims payable	303,692				303,692
Compensated absences	1,790,301				1,790,301
Total Noncurrent Liabilities	2,093,993				2,093,993
Total Liabilities	3,475,585	37,867	36,682	310,801	3,860,935
NET POSITION					
Net investment in capital assets		3,087,508	714,002	2,266,227	6,067,737
Unrestricted	410,597	1,246,244	864,129	(270,068)	2,250,902
Total Net Position	\$ 410,597	\$ 4,333,752	\$ 1,578,131	\$ 1,996,159	\$ 8,318,639

**CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2021**

	Insurance and Benefit	Vehicle Maintenance	Information Services	Building Maintenance	Totals
OPERATING REVENUES					
Charges for services	\$ 947,802	\$ 1,299,589	\$ 2,171,357	\$ 711,106	\$ 5,129,854
Other		15,310			15,310
Total Operating Revenues	<u>947,802</u>	<u>1,314,899</u>	<u>2,171,357</u>	<u>711,106</u>	<u>5,145,164</u>
OPERATING EXPENSES					
Salaries and benefits	812,175	342,460	710,254	330,557	2,195,446
Maintenance and operations		400,450	1,036,910	521,796	1,959,156
Administration		133,323	170,564	137,330	441,217
Depreciation		596,335	261,305	260,497	1,118,137
Total Operating Expenses	<u>812,175</u>	<u>1,472,568</u>	<u>2,179,033</u>	<u>1,250,180</u>	<u>5,713,956</u>
Operating Income (loss)	<u>135,627</u>	<u>(157,669)</u>	<u>(7,676)</u>	<u>(539,074)</u>	<u>(568,792)</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income		3,247	487	231,839	235,573
Total Non-operating Revenue		<u>3,247</u>	<u>487</u>	<u>231,839</u>	<u>235,573</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>135,627</u>	<u>(154,422)</u>	<u>(7,189)</u>	<u>(307,235)</u>	<u>(333,219)</u>
TRANSFERS					
Transfers in		130,000			130,000
Transfers out		(20,850)	(33,513)	(11,782)	(66,145)
Total Transfers		<u>109,150</u>	<u>(33,513)</u>	<u>(11,782)</u>	<u>63,855</u>
Change in Net Position	135,627	(45,272)	(40,702)	(319,017)	(269,364)
Net Position, Beginning of Fiscal Year	274,970	4,379,024	1,618,833	2,315,176	8,588,003
Net Position, End of Fiscal Year	<u>\$ 410,597</u>	<u>\$ 4,333,752</u>	<u>\$ 1,578,131</u>	<u>\$ 1,996,159</u>	<u>\$ 8,318,639</u>

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CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2021

	Insurance and Benefit	Vehicle Maintenance	Information Services	Building Maintenance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 904,958	\$ 1,376,960	\$ 2,171,357	\$ 946,267	\$ 5,399,542
Receipts from other operating activities		15,310			15,310
Payments to suppliers		(601,912)	(1,281,295)	(671,773)	(2,554,980)
Payments to employees	(578,223)	(342,460)	(710,254)	(330,557)	(1,961,494)
Net Cash Provided (Used) by Operating Activities	<u>326,735</u>	<u>447,898</u>	<u>179,808</u>	<u>(56,063)</u>	<u>898,378</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in		130,000			130,000
Transfers out		(20,850)	(33,513)	(11,782)	(66,145)
Due to/from other funds				298,162	298,162
Loans repaid (issued)			(841)		(841)
Net Cash Provided (Used) for Non-Capital and Related Financing Activities		<u>109,150</u>	<u>(34,354)</u>	<u>286,380</u>	<u>361,176</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payments for capital lease			(233,781)		(233,781)
Cash received (loss) from sale of capital assets		-			-
Acquisition and construction of capital assets		(546,479)		(575,728)	(1,122,207)
Net Cash Provided (Used) for Capital and Related Financing Activities		<u>(546,479)</u>	<u>(233,781)</u>	<u>(575,728)</u>	<u>(1,355,988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income		6,231	2,740	232,213	241,184
Net Cash Provided by Investing Activities		<u>6,231</u>	<u>2,740</u>	<u>232,213</u>	<u>241,184</u>
Increase (Decrease) in cash and cash equivalents	326,735	16,800	(85,587)	(113,198)	144,750
Cash and Cash Equivalents, Beginning of Fiscal Year	3,540,463	1,255,176	939,279	114,434	5,849,352
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 3,867,198</u>	<u>\$ 1,271,976</u>	<u>\$ 853,692</u>	<u>\$ 1,236</u>	<u>\$ 5,994,102</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Cash and investments	\$ 3,867,198	\$ 1,271,976	\$ 853,692	\$ 1,236	\$ 5,994,102
Total Cash and Cash Equivalents	<u>\$ 3,867,198</u>	<u>\$ 1,271,976</u>	<u>\$ 853,692</u>	<u>\$ 1,236</u>	<u>\$ 5,994,102</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 135,627	\$ (157,669)	\$ (7,676)	\$ (539,074)	\$ (568,792)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation		596,335	261,305	260,497	1,118,137
Changes in assets and liabilities:					
(Increase) decrease in accounts receivables	1,024	47,371		235,161	283,556
(Increase) decrease in inventory		2,224			2,224
(Increase) decrease in prepaid expenses	585		(15,372)		(14,787)
Increase (decrease) in accounts payable and accrued liabilities	89,280	(70,363)	(58,449)	(12,647)	(52,179)
Increase (decrease) in claims payable	(133,733)				(133,733)
Increase (decrease) in deposits payable		30,000			30,000
Increase (decrease) in compensated absences	233,952				233,952
Net Cash Provided (Used) by Operating Activities	<u>\$ 326,735</u>	<u>\$ 447,898</u>	<u>\$ 179,808</u>	<u>\$ (56,063)</u>	<u>\$ 898,378</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021

	Private Purpose Trust Funds		Custodial Funds	
	Post RDA Successor Agency	Post RDA Debt Retirement Fund	Plaza Flowers Veterans Trust	Community Benefit Trust
Assets				
Cash and investments	\$ 3,348,767	\$ 2,993	\$ 6,656	\$ 39,860
Cash and investments with fiscal agent		2,517,696		
Interest receivable	3,392			41
Loans and notes receivable	3,273,167			
Capital assets, net of depreciation	528,300			
Total Assets	<u>7,153,626</u>	<u>2,520,689</u>	<u>6,656</u>	<u>39,901</u>
Liabilities				
Accounts payable			106	
Interest payable		650,824		
Noncurrent liabilities				
Due within one year		2,379,421		
Due in more than one year		37,060,071		
Total Liabilities		<u>40,090,316</u>	<u>106</u>	
Net Position				
Net position held in trust	<u>\$ 7,153,626</u>	<u>\$ (37,569,627)</u>	<u>\$ 6,550</u>	<u>\$ 39,901</u>

<u>Custodial Funds</u>			
<u>Colonel L.A. Norton Memorial Trust</u>	<u>Cultural Center Trust</u>	<u>Senior Center Trust</u>	<u>Total</u>
\$ -	\$ 78,550	\$ -	\$ 3,476,826
			2,517,696
	82		3,515
			3,273,167
			<u>528,300</u>
	<u>78,632</u>		<u>9,799,504</u>
			106
			650,824
			2,379,421
			<u>37,060,071</u>
			<u>40,090,422</u>
<u>\$ -</u>	<u>\$ 78,632</u>	<u>\$ -</u>	<u>\$ (30,290,918)</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2021

	Private Purpose Trust Funds		Custodial Funds	
	Post RDA Successor Agency	Post RDA Debt Retirement Fund	Plaza Flowers Veterans Trust	Community Benefit Trust
Additions				
Property taxes	\$ 1,567,616.00	\$ -	\$ -	\$ -
Use of money and property Transfers	829	119,550		
		2,640,396		
Total Revenues	<u>1,568,445</u>	<u>2,759,946</u>		
Deductions				
Community development	290,455		455	16,181
Interest expense		1,412,801		
Transfers	2,640,396			
Total Deductions	<u>2,930,851</u>	<u>1,412,801</u>	<u>455</u>	<u>16,181</u>
Change in Net Position	<u>(1,362,406)</u>	<u>1,347,145</u>	<u>(455)</u>	<u>(16,181)</u>
Net Position, beginning	8,516,032	(38,916,772)	7,005	56,082
Prior period adjustments				
Net Position, beginning, restated	<u>8,516,032</u>	<u>(38,916,772)</u>	<u>7,005</u>	<u>56,082</u>
Net Position, ending	<u>\$ 7,153,626</u>	<u>\$ (37,569,627)</u>	<u>\$ 6,550</u>	<u>\$ 39,901</u>

Custodial Funds			
Colonel L.A. Norton Memorial Trust	Cultural Center Trust	Senior Center Trust	Total
\$ -	\$ - 161	\$ -	\$ 1,567,616 120,540 2,640,396
	161		4,328,552
331			307,422 1,412,801 2,640,396
331			4,360,619
(331)	161		(32,067)
331	78,471	231,813	(30,027,038)
		(231,813)	(231,813)
331	78,471		(30,258,851)
\$ -	\$ 78,632	\$ -	\$ (30,290,918)