

CITY OF HEALDSBURG
FINANCIAL STATEMENTS
Year Ended June 30, 2016

City of Healdsburg
Financial Statements
Year Ended June 30, 2016

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FINANCIAL SECTION



Independent Auditor's Report

The Honorable City Council
City of 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 year ended June 30, 2016, 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 of 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 opinion.

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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3, to the financial statements, as of June 30, 2016, the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. 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, budgetary comparison information, and other required supplementary information, as listed in the table of contents, 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 supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2017 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.

Van Lant & Fankhaenel, LLP

February 1, 2017

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with the accompanying Independent Auditor's Report, the financial statements, and the accompanying notes to the financial statements.

Financial Highlights

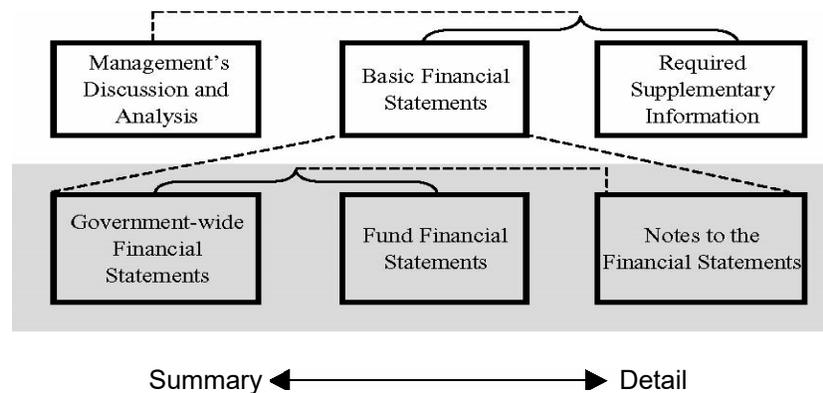
- City assets exceeded its liabilities by \$194.6 million (net position) at June 30, 2016. Of this amount, \$25.3 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of fiscal year 2015-16, City governmental funds reported combined ending fund balance of \$33.8 million, an increase of \$11.2 million. As of July 1, 2015, the Community Services Fund and the Streets Fund, formerly reported as enterprise funds with business type activities, continued operations as governmental funds, respectively a special revenue fund and a capital projects fund.
- City total net position increased by \$23.0 million during the fiscal year, compared to an increase of \$1.5 million in the prior year. The net increase is attributable to the City's governmental activities increasing \$65.0 million, while the business type activities decreased by \$42.0 million. The operating change related to the Community Services and Streets Funds contributed to the increase in Governmental Net Position and the corresponding decrease in Business type activities. A significant portion of the increase in net position is due to a \$9.5 million transfer of redevelopment monies from trust funds to governmental funds. In addition, rate adjustments lead to an increase of \$1.8 million in the Electric Fund.
- At the end of fiscal year 2015-16, unassigned fund balance for the General Fund was \$8.0 million, or 72% of total General Fund expenditures.

Overview of the Basic Financial Statements

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

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT



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.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

The City adopts an annual appropriated budget for all governmental and proprietary funds. Budgetary comparison statements for the General Fund and all major special revenue funds are required and included in the basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund on page 88, reflect both the original and final budget figures for the General Fund. Licenses and Permits in the final budget increased by \$393,000 from the original budget, due to anticipated increased developer activity estimates calculated at mid-year. Additionally, budgetary schedules for the other governmental funds have been provided as required to demonstrate compliance with the budget.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual method of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

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

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

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

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

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, and all debt service funds.

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, 2016 and 2015

| | Governmental Activities | | Business-type Activities | | Total Government | |
|---------------------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| ASSETS | | | | | | |
| Current and other assets | \$ 43,977,706 | \$ 31,275,207 | \$ 54,684,182 | \$ 56,216,679 | \$ 98,661,888 | \$ 87,491,886 |
| Capital assets | 84,718,561 | 26,195,204 | 87,157,234 | 139,062,917 | 171,875,795 | 165,258,121 |
| Total assets | <u>128,696,267</u> | <u>57,470,411</u> | <u>141,841,416</u> | <u>195,279,596</u> | <u>270,537,683</u> | <u>252,750,007</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred Pension Related Items | <u>2,403,114</u> | <u>1,242,620</u> | <u>2,263,322</u> | <u>651,658</u> | <u>4,666,436</u> | <u>1,894,278</u> |
| LIABILITIES | | | | | | |
| Current Liabilities | 3,613,016 | 1,990,325 | 1,025,326 | 9,246,487 | 4,638,342 | 11,236,812 |
| Long-term liabilities | <u>26,465,086</u> | <u>18,675,755</u> | <u>46,752,223</u> | <u>46,897,203</u> | <u>73,217,309</u> | <u>65,572,958</u> |
| Total liabilities | <u>30,078,102</u> | <u>20,666,080</u> | <u>47,777,549</u> | <u>56,143,690</u> | <u>77,855,651</u> | <u>76,809,770</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred Pension Related Items | <u>1,972,308</u> | <u>4,030,258</u> | <u>741,343</u> | <u>2,185,239</u> | <u>2,713,651</u> | <u>6,215,497</u> |
| NET POSITION | | | | | | |
| Net Investment | | | | | | |
| in Capital Assets | 82,850,554 | 25,345,406 | 52,006,451 | 101,399,539 | 134,857,005 | 126,744,945 |
| Restricted | 23,556,035 | 11,290,257 | 10,910,661 | 10,384,181 | 34,466,696 | 21,674,438 |
| Unrestricted | <u>(7,357,618)</u> | <u>(2,618,970)</u> | <u>32,668,734</u> | <u>25,818,605</u> | <u>25,311,116</u> | <u>23,199,635</u> |
| Total net position | <u>\$ 99,048,971</u> | <u>\$ 34,016,693</u> | <u>\$ 95,585,846</u> | <u>\$ 137,602,325</u> | <u>\$ 194,634,817</u> | <u>\$ 171,619,018</u> |

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

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, 2016 and 2015

| | Government Activities | | Business-Type Activities | | Totals | |
|--|-----------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| PROGRAM REVENUES | | | | | | |
| Charges for Services | \$ 3,074,528 | \$ 1,213,089 | \$ 26,463,941 | \$ 26,261,239 | \$ 29,538,469 | \$ 27,474,328 |
| Operating Grants | 561,759 | 621,833 | - | 2,723,374 | 561,759 | 3,345,207 |
| Capital Grants | 16,717,298 | 308,294 | 2,463,292 | 16,634,449 | 19,180,590 | 16,942,743 |
| GENERAL REVENUES | | | | | | |
| Property Taxes | 4,297,531 | 3,817,529 | - | - | 4,297,531 | 3,817,529 |
| Sales and Use Taxes | 6,433,825 | 5,867,216 | - | - | 6,433,825 | 5,867,216 |
| Motor Vehicle in Lieu | 4,716 | 4,889 | - | - | 4,716 | 4,889 |
| Franchise Fees | 472,258 | 446,207 | - | - | 472,258 | 446,207 |
| Business License Taxes | 264,794 | 200,025 | - | - | 264,794 | 200,025 |
| Transient Occupancy Taxes | 3,081,696 | 485,395 | - | - | 3,081,696 | 485,395 |
| Other Revenues | 845,798 | 293,495 | 423,951 | 264,792 | 1,269,749 | 558,287 |
| TOTAL REVENUES | \$ 35,754,203 | \$ 13,257,972 | \$ 29,351,184 | \$ 45,883,854 | \$ 65,105,387 | \$ 59,141,826 |
| EXPENSES | | | | | | |
| Governmental Activities | | | | | | |
| General Government | \$ 2,042,777 | \$ 777,067 | \$ - | \$ - | \$ 2,042,777 | \$ 777,067 |
| Public Safety | 7,351,532 | 6,915,828 | - | - | 7,351,532 | 6,915,828 |
| Planning and Building | 1,548,403 | 1,184,865 | - | - | 1,548,403 | 1,184,865 |
| Community Development | 243,567 | 161,647 | - | - | 243,567 | 161,647 |
| Community Services | 3,039,936 | - | - | - | 3,039,936 | - |
| Streets and Roads | 2,432,525 | - | - | - | 2,432,525 | - |
| Interest on Long Term Debt | 265,945 | 222,086 | - | - | 265,945 | 222,086 |
| Unallocated Depreciation | 1,542,391 | 495,857 | - | - | 1,542,391 | 495,857 |
| Business Type Activities | | | | | | |
| Water | - | - | 4,766,372 | 4,776,057 | 4,766,372 | 4,776,057 |
| Sewer | - | - | 7,368,721 | 6,545,672 | 7,368,721 | 6,545,672 |
| Electric | - | - | 11,001,815 | 10,322,492 | 11,001,815 | 10,322,492 |
| Streets | - | - | - | 2,072,808 | - | 2,072,808 |
| Community Services | - | - | - | 3,146,261 | - | 3,146,261 |
| Non-Major Enterprise Funds | - | - | 485,604 | 680,649 | 485,604 | 680,649 |
| TOTAL EXPENSES | \$ 18,467,076 | \$ 9,757,350 | \$ 23,622,512 | \$ 27,543,939 | \$ 42,089,588 | \$ 37,301,289 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | | |
| OVER EXPENDITURES BEFORE TRANSFERS | \$ 17,287,127 | \$ 3,500,622 | \$ 5,728,672 | \$ 18,339,915 | \$ 23,015,799 | \$ 21,840,537 |
| Transfers and other Financing | | | | | | |
| Transfers In (Out) | \$ 47,745,151 | \$ 38,843 | \$ (47,745,151) | \$ (38,843) | \$ - | \$ - |
| TOTAL TRANSFERS AND OTHER FINANCING | \$ 47,745,151 | \$ 38,843 | \$ (47,745,151) | \$ (38,843) | \$ - | \$ - |
| CHANGE IN NET POSITION | \$ 65,032,278 | \$ 3,539,465 | \$ (42,016,479) | \$ 18,301,072 | \$ 23,015,799 | \$ 21,840,537 |
| NET POSITION JULY 1 | 34,016,693 | 45,158,416 | 137,602,325 | 125,016,489 | 171,619,018 | 170,174,905 |
| PRIOR PERIOD ADJUSTMENTS | - | (14,681,188) | - | (5,715,236) | - | (20,396,424) |
| NET POSITION JULY 1 | \$ 34,016,693 | \$ 30,477,228 | \$ 137,602,325 | \$ 119,301,253 | \$ 171,619,018 | \$ 149,778,481 |
| NET POSITION JUNE 30 | \$ 99,048,971 | \$ 34,016,693 | \$ 95,585,846 | \$ 137,602,325 | \$ 194,634,817 | \$ 171,619,018 |

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

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

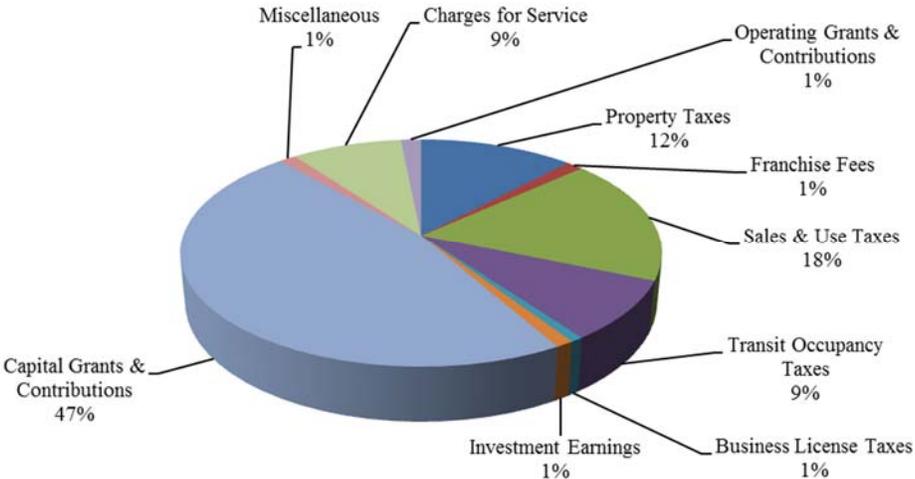
Another portion of the City's net position (\$34.5 million or 17.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$25.3 million (13.0%) may be used to meet the government's ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

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

The statement of activities shows how the government's net position changed during fiscal year 2015-16 as compared to 2014-15. The City's net position increased overall by \$23 million during the current fiscal year.

Governmental Activities. The City recognizes future pension expenses according to GASB 68. The Deferred Pension Related Outflows of Resources of \$2.4 million and Deferred Pension Related Inflows of Resources of \$2.0 million increased the Unrestricted Net Position for Governmental Activities \$431 thousand. General governmental tax revenue (40.7%), includes property taxes, franchise fees, sales and use taxes, transient occupancy taxes, and business license taxes. Program revenues are 56.9% of the total revenues of the governmental activities, which include charges for services and operating contributions and grants. The chart below reflects information from pages 16 and 17 of the Financial Statements.

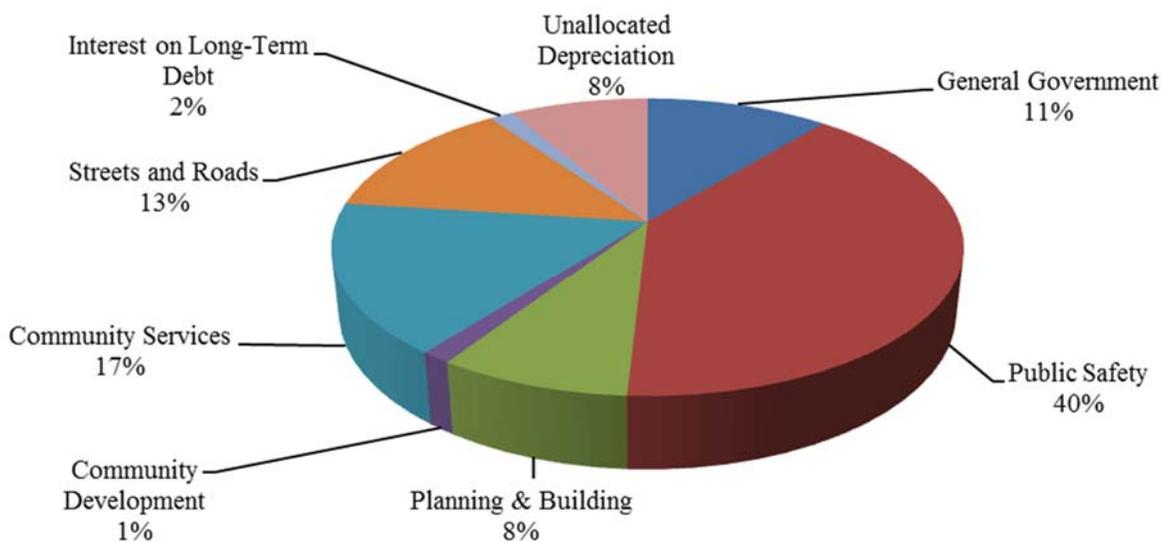
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2016**



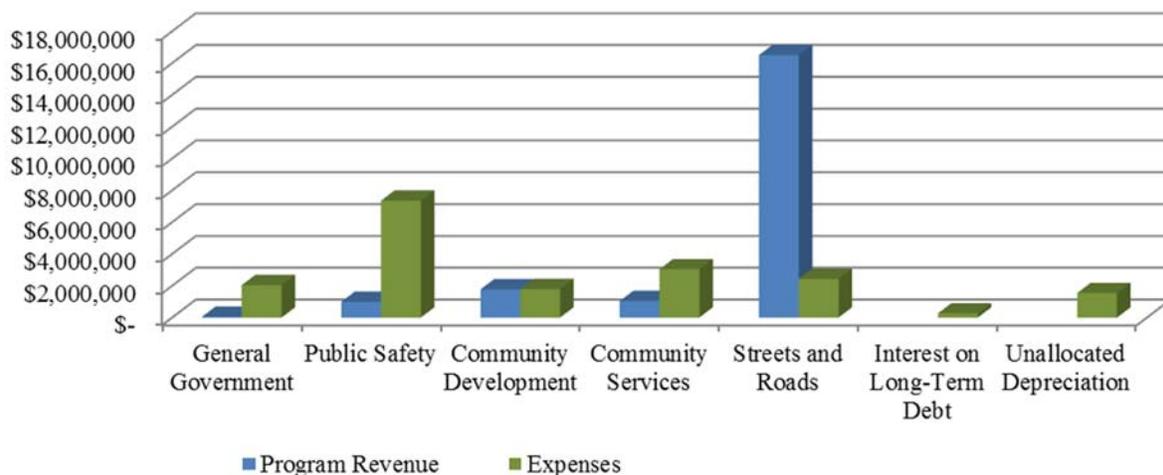
CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

As for expenditures, public safety expenses are the most significant (40%) of all governmental activities expenses, followed by community services (17%), streets and roads (13%), general government (11%), planning and building (8%), interest on long-term debt (2%), and community development (1%). Depreciation expense is 8% of the total expenses for governmental activities. The chart below reflects information from the Financial Statements, Statement of Activities on page 16.

**EXPENSES BY FUNCTION/PROGRAM – GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2016**



**COMPARISON OF EXPENSES AND PROGRAM REVENUES
 GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2016**

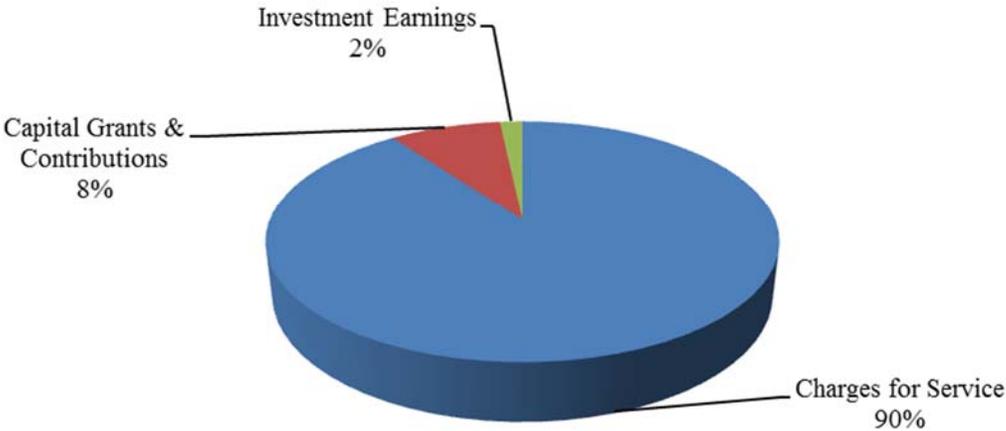


CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

Business-Type Activities. The City recognizes future pension expenses according to GASB 68. The Deferred Pension Related Outflows of Resources of \$2.3 million and Deferred Pension Related Inflows of Resources of \$741 thousand increased the Unrestricted Net Position for Business-Type Activities \$1.5 million. In the fiscal year ended June 30, 2016, business-type activities decreased the City's net position by \$42 million, as opposed to a \$12.6 million increase in the fiscal year ended June 30, 2015. Key elements of this change are as follows:

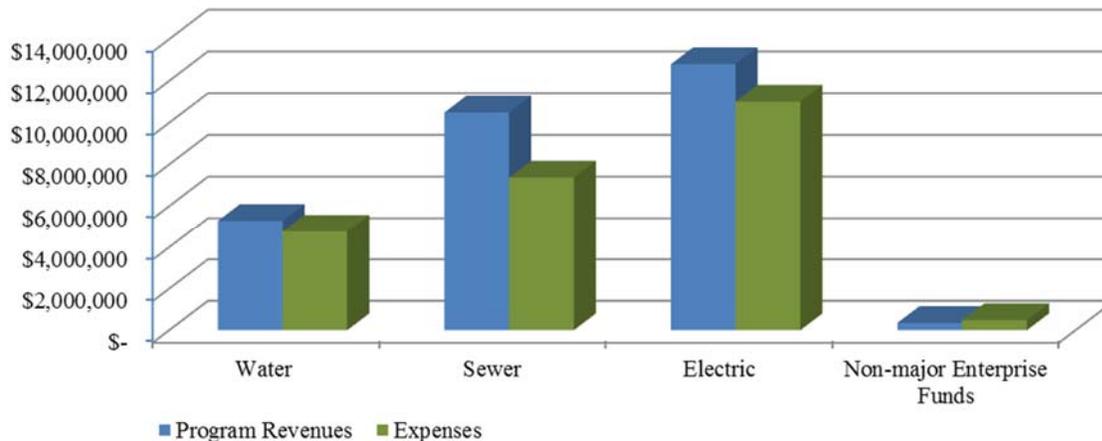
- Operating expenses decreased by \$3.2 million (14%)
- Charges for services increased by \$202,702 (1%)
- Operating grants and contributions decreased by \$2.7 million (100%). The fiscal year 2014-15 operating grants and contributions were related to streets and community services. For fiscal year 2015-16, any related operating grants and contributions are recorded as a governmental activity.
- Capital grants and contributions decreased by \$14.2 million (86%). Again, this is related to the operating change of the streets and community services activities.

**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2016**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

EXPENSES AND PROGRAM REVENUES
BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2016



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

As of June 30, 2016, the City's governmental funds reported total ending fund balances of \$33.8 million, an increase of \$11.2 million from the prior fiscal year. This increase is due to a net increase in total assets. The Community Services and Streets Funds are now operating as Special Revenue funds, and therefore, are reported under governmental activities, where in the prior year were reported as business-type or a proprietary funds.. Approximately 24% of the total ending fund balances (\$8.0 million) is unassigned available for spending in the future at the government's discretion. The remainder of the fund balance is either nonspendable, restricted or committed. The most significant of these reserved fund balances are restricted for low income housing and road improvements, \$5.8 million and \$1.4 million respectively.

General Fund revenues were \$2.3 million (16%) more than in the prior fiscal year, and expenditures increased by \$1.3 million (12%). An increase in property taxes, sales and other taxes, and charges for planning and building permits account for a significant portion of the increased revenues. An increase in General Government, and Planning and Building in the General Fund accounts for the increase in General Fund expenditures. The increased expenditures primarily relate to staffing a new housing department and hiring additional staff for the planning and building department.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City's major enterprise funds are Water, Sewer and Electric. The major changes in enterprise net position are an increase of \$3.3 million to \$46.7 million in the Sewer Fund, and a \$565 thousand increase to \$14.2 million in the Water Fund. The Electric Fund reported an increase in net position of \$1.8 million with an ending balance of \$31.0 million. The majority of the decrease in the proprietary funds' net position is due to the operating change of the Community Services and Streets Funds as governmental funds.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

The Internal Service Funds had an increase in net position of \$1.2 million during the fiscal year, ending with a balance of \$6.7 million. This increase is attributable to a net increase in operating revenue. The operating revenue is made up of the service fees charged to each fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2016, amounted to \$171.9 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 year totaled \$4.3 million.

CAPITAL ASSETS

| | Governmental Activities | | Business-type Activities | |
|--------------------------|-------------------------|----------------------|--------------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Land and Land Rights | \$ 18,664,887 | \$ 9,890,304 | \$ 1,245,876 | \$ 9,391,835 |
| Right of Way | 6,681,379 | 6,681,379 | - | - |
| Construction in Progress | 1,428,693 | 39,312 | 956,049 | 15,846,820 |
| Land Improvements | 1,754,468 | 108,841 | - | - |
| Buildings | 25,304,742 | 15,253,310 | 2,969,311 | 13,744,405 |
| Streets | 51,541,307 | - | - | 30,708,077 |
| Utility Systems | - | - | 109,116,011 | 108,354,500 |
| Drainage | - | - | 10,192,183 | 10,197,784 |
| Machinery and Equipment | 8,095,793 | 7,949,212 | 2,318,189 | 3,100,992 |
| Operations | - | - | 3,381,750 | 3,381,750 |
| Infrastructure | 912,056 | 432,630 | - | - |
| Total | \$ 114,383,325 | \$ 40,354,988 | \$ 130,179,369 | \$ 194,726,163 |

Additional information on the City's capital assets can be found in Note 6 of the basic financial statements.

Long-Term Liabilities. The City's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled \$73.2 million at June 30, 2016. Of this total, \$26.5 million (36%) was in governmental activities and \$46.8 million (64%) was in business-type activities.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

LONG-TERM LIABILITIES

| | Governmental Activities | | Business-type Activities | |
|-------------------------------|-------------------------|----------------------|--------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| General Obligation Bonds | \$ - | \$ 830,000 | \$ - | \$ - |
| Pension Obligation Bond | 4,209,307 | 4,132,050 | 2,353,193 | 3,265,250 |
| Net Pension Liability | 16,384,791 | 11,744,456 | 6,629,673 | 5,968,575 |
| Certificates of Participation | - | - | 9,380,000 | 12,355,000 |
| HUSD Capital Lease Payable | 1,868,007 | - | - | 1,968,378 |
| Revenue Bonds | - | - | 26,111,288 | 23,340,000 |
| Compensated Absences | 1,565,509 | 1,528,451 | - | - |
| Successor Agency Payable | 1,997,472 | - | 2,278,069 | 2,395,000 |
| Capital Leases | - | 19,798 | - | - |
| OPEB | 440,000 | 421,000 | - | - |
| Total | \$ 26,465,086 | \$ 18,675,755 | \$ 46,752,223 | \$ 49,292,203 |

Additional information on the City's long-term liabilities can be found in Note 7 of the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

For the 2016-17 fiscal year, General Fund revenue projections continue to be conservative. Increases have been projected for property taxes, sales & use taxes, measure V taxes, and transient occupancy 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 the Elizabeth Garcia, Finance Manager, City of Healdsburg, 401 Grove Street, Healdsburg, CA 95448-4723 or at egarcia@ci.healdsburg.ca.us.

BASIC FINANCIAL STATEMENTS

City of Healdsburg
Statement of Net Position
June 30, 2016

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash and Investments | \$ 30,838,643 | \$ 42,110,138 | \$ 72,948,781 |
| Cash and Investments with Fiscal Agents | - | 18,812 | 18,812 |
| Restricted Cash and Investments | 948,452 | 266,901 | 1,215,353 |
| Receivables: | | | |
| Accounts | 302,226 | 3,516,465 | 3,818,691 |
| Taxes | 2,227,703 | - | 2,227,703 |
| Notes | 6,581,968 | - | 6,581,968 |
| Interest | 44,038 | 65,727 | 109,765 |
| Due from Other Governments | 232,066 | - | 232,066 |
| Internal Balances | (207,857) | 207,857 | - |
| Prepays | 16,625 | 2,622 | 19,247 |
| Inventory | 51,258 | 1,539,841 | 1,591,099 |
| Investment in NCPA Reserves | - | 5,742,125 | 5,742,125 |
| Pension Stabilization Investments | 2,942,584 | 1,213,694 | 4,156,278 |
| Capital Assets, Not Being Depreciated | 26,774,959 | 2,201,925 | 28,976,884 |
| Capital Assets, Depreciated, Net | 57,943,602 | 84,955,309 | 142,898,911 |
| Total Assets | <u>128,696,267</u> | <u>141,841,416</u> | <u>270,537,683</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred on Amounts on Refundings | - | 1,040,054 | 1,040,054 |
| Deferred Pension Related Items | 2,403,114 | 1,223,268 | 3,626,382 |
| Total Deferred Outflows of Resources | <u>2,403,114</u> | <u>2,263,322</u> | <u>4,666,436</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | 2,048,560 | 407,460 | 2,456,020 |
| Interest Payable | - | 330,148 | 330,148 |
| Deposits Payable | 973,067 | 287,718 | 1,260,785 |
| Claims Payable | 43,724 | - | 43,724 |
| Unearned Revenue | 547,665 | - | 547,665 |
| Noncurrent Liabilities: | | | |
| Due within One Year | 1,685,908 | 1,886,150 | 3,572,058 |
| Due in More Than One Year | 24,779,178 | 44,866,073 | 69,645,251 |
| Total Liabilities | <u>30,078,102</u> | <u>47,777,549</u> | <u>77,855,651</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Pension Related Items | 1,972,308 | 741,343 | 2,713,651 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 82,850,554 | 52,015,119 | 134,865,673 |
| Restricted for: | | | |
| Capital Projects | 9,552,607 | 9,727,097 | 19,279,704 |
| Pensions | 2,972,714 | 1,213,694 | 4,186,408 |
| Community Development: | | | |
| Expendable | 13,940 | - | 13,940 |
| Nonexpendable | 69,980 | - | 69,980 |
| Housing | 5,773,083 | - | 5,773,083 |
| Landscaping and Lighting | 282,027 | - | 282,027 |
| Public Safety | 224,038 | - | 224,038 |
| Parks and Recreation: | 2,785,624 | - | 2,785,624 |
| Streets, highways, and related purposes | 1,882,022 | - | 1,882,022 |
| Unrestricted | (7,357,618) | 32,629,936 | 25,272,318 |
| Total Net Position | <u>\$ 99,048,971</u> | <u>\$ 95,585,846</u> | <u>\$ 194,634,817</u> |

City of Healdsburg
Statement of Activities
Year Ended June 30, 2015

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| General Government | \$ 2,042,777 | \$ 50,775 | \$ - | \$ - |
| Public Safety | 7,351,532 | 809,960 | 178,390 | - |
| Planning and Building | 1,548,403 | - | - | - |
| Community Development | 243,567 | 1,126,834 | 383,369 | 261,295 |
| Community Services | 3,039,936 | 1,042,328 | - | - |
| Streets and Roads | 2,432,525 | 44,631 | - | 16,456,003 |
| Interest on Long-term Debt | 265,945 | - | - | - |
| Unallocated Depreciation | 1,542,391 | - | - | - |
| Total Governmental Activities | 18,467,076 | 3,074,528 | 561,759 | 16,717,298 |
| Business-type Activities: | | | | |
| Water | 4,766,372 | 4,646,636 | - | 641,864 |
| Sewer | 7,368,721 | 8,733,682 | - | 1,755,003 |
| Electric | 11,001,815 | 12,796,820 | - | - |
| Non-major Enterprise Funds | 485,604 | 286,803 | - | 66,425 |
| Total Business-type Activities | 23,622,512 | 26,463,941 | - | 2,463,292 |
| Total Primary Government | \$ 42,089,588 | \$ 29,538,469 | \$ 561,759 | \$ 19,180,590 |

General Revenues:

Taxes:

Property Taxes

Franchise Taxes

Sales and Use Taxes

Transient Occupancy Tax

Business License Taxes

Motor vehicle in lieu, unrestricted

Investment Earnings

Miscellaneous Revenues

Gain/(Loss) on Disposal of Capital Assets

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|----------------|
| \$ (1,992,002) | \$ - | \$ (1,992,002) |
| (6,363,182) | - | (6,363,182) |
| (1,548,403) | - | (1,548,403) |
| 1,527,931 | - | 1,527,931 |
| (1,997,608) | - | (1,997,608) |
| 14,068,109 | - | 14,068,109 |
| (265,945) | - | (265,945) |
| (1,542,391) | - | (1,542,391) |
| 1,886,509 | - | 1,886,509 |
| - | 522,128 | 522,128 |
| - | 3,119,964 | 3,119,964 |
| - | 1,795,005 | 1,795,005 |
| - | (132,376) | (132,376) |
| - | 5,304,721 | 5,304,721 |
| 1,886,509 | 5,304,721 | 7,191,230 |
| 4,297,531 | - | 4,297,531 |
| 472,258 | - | 472,258 |
| 6,433,825 | - | 6,433,825 |
| 3,081,696 | - | 3,081,696 |
| 264,794 | - | 264,794 |
| 4,716 | - | 4,716 |
| 375,368 | 549,332 | 924,700 |
| 470,430 | - | 470,430 |
| - | (125,381) | (125,381) |
| 47,745,151 | (47,745,151) | - |
| 63,145,769 | (47,321,200) | 15,824,569 |
| 65,032,278 | (42,016,479) | 23,015,799 |
| 34,016,693 | 137,602,325 | 171,619,018 |
| \$ 99,048,971 | \$ 95,585,846 | \$ 194,634,817 |

The accompanying notes are an integral part of this statement.

City of Healdsburg
Balance Sheet
Governmental Funds
June 30, 2016

| | General | Community Services Special Revenue Fund | Capital Projects | |
|---|----------------------|--|---------------------------|---------------------|
| | | | Miscellaneous Projects | Streets |
| ASSETS | | | | |
| Cash and Investments | \$ 8,797,879 | \$ 2,477,015 | \$ 9,542,756 | \$ 1,190,135 |
| Restricted Cash and Investments | 634,597 | 174,784 | - | 139,071 |
| Pension Stabilization Investments | 2,597,673 | 248,260 | - | 96,651 |
| Receivables: | | | | |
| Accounts | 101,847 | 73,655 | - | 5,692 |
| Taxes | 1,923,501 | 258,555 | - | - |
| Notes | - | - | - | - |
| Interest | 18,045 | 4,316 | 9,851 | 2,065 |
| Due from Other Governments | 162,979 | 47,353 | - | 21,734 |
| Prepaid Expenditures | 5,628 | - | - | - |
| Inventory | - | - | - | 19,886 |
| Total Assets | \$ 14,242,149 | \$ 3,283,938 | \$ 9,552,607 | \$ 1,475,234 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 414,469 | \$ 100,977 | \$ - | \$ 901,967 |
| Deposits Payable | 634,597 | 174,784 | - | 139,071 |
| Due to Other Funds | - | - | - | - |
| Unearned Revenue | - | 547,665 | - | - |
| Total Liabilities | 1,049,066 | 823,426 | - | 1,041,038 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenues - Accounts Receivable | 100,858 | - | - | - |
| Unavailable Revenues - Grants | - | - | - | - |
| Unavailable Revenues - Interest Receivable | - | - | - | - |
| Total Deferred Inflows of Resources | 100,858 | - | - | - |
| FUND BALANCES | | | | |
| Nonspendable | 5,628 | - | - | 19,886 |
| Restricted | 2,763,828 | 2,460,512 | 9,552,607 | 414,310 |
| Committed | - | - | - | - |
| Assigned | 2,273,885 | - | - | - |
| Unassigned | 8,048,884 | - | - | - |
| Total Fund Balances | 13,092,225 | 2,460,512 | 9,552,607 | 434,196 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 14,242,149 | \$ 3,283,938 | \$ 9,552,607 | \$ 1,475,234 |

The accompanying notes are an integral part of this statement.

| Non-major Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------|
| \$ 2,777,680 | \$ 24,785,465 |
| - | 948,452 |
| - | 2,942,584 |
| 64,454 | 245,648 |
| 45,647 | 2,227,703 |
| 6,568,133 | 6,568,133 |
| 3,944 | 38,221 |
| - | 232,066 |
| - | 5,628 |
| - | 19,886 |
| <u>\$ 9,459,858</u> | <u>\$ 38,013,786</u> |
| | |
| \$ 40,347 | \$ 1,457,760 |
| 24,615 | 973,067 |
| 15,000 | 15,000 |
| - | 547,665 |
| <u>79,962</u> | <u>2,993,492</u> |
| | |
| - | 100,858 |
| 54,600 | 54,600 |
| 1,068,133 | 1,068,133 |
| <u>1,122,733</u> | <u>1,223,591</u> |
| | |
| 69,980 | 95,494 |
| 8,058,728 | 23,249,985 |
| 143,093 | 143,093 |
| - | 2,273,885 |
| (14,638) | 8,034,246 |
| <u>8,257,163</u> | <u>33,796,703</u> |
| | |
| <u>\$ 9,459,858</u> | <u>\$ 38,013,786</u> |

The accompanying notes are an integral part of this statement.

City of Healdsburg
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Fund Balances of Governmental Funds \$ 33,796,703

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:

| | |
|--------------------------|--------------|
| Capital Assets | 106,736,161 |
| Accumulated Depreciation | (24,717,617) |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:

| | |
|----------------------------|--------------|
| HUSD Capital Lease Payable | (1,868,007) |
| Successor Agency Payable | (1,997,472) |
| Pension Obligation Bonds | (4,209,307) |
| Net Pension Liability | (16,384,791) |
| OPEB | (440,000) |

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds.

| | |
|--|-------------|
| Deferred Pension Related Items - Deferred Outflows | 2,403,114 |
| Deferred Pension Related Items - Deferred Inflows | (1,972,308) |

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.

6,478,904

Long-term assets are not available for current use. Amounts are deferred under the modified accrual basis of accounting.

1,223,591

Net Position of Governmental Activities \$ 99,048,971

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

| | General | Community Services | Capital Projects | |
|--|----------------------|----------------------|------------------------|-------------------|
| | | Special Revenue Fund | Miscellaneous Projects | Streets |
| REVENUES | | | | |
| Property Taxes | \$ 3,782,194 | \$ - | \$ - | \$ - |
| Sales and Other Taxes | 7,688,844 | 2,568,080 | - | - |
| Charges for Services | 939,575 | 930,296 | - | 864,872 |
| Fines and Forfeitures | 104,320 | - | - | - |
| Licenses and Permits | 898,816 | - | - | - |
| Development Fees | 21,660 | - | - | 231,338 |
| Intergovernmental | 1,088 | 244,894 | - | 3,954,797 |
| Investment Earnings | 239,458 | 35,235 | 39,182 | 22,731 |
| Successor Agency Bond Contributions | - | - | 8,447,963 | 2,742,542 |
| Other Revenues | 572,150 | 72,696 | - | 27,583 |
| Total Revenues | 14,248,105 | 3,851,201 | 8,487,145 | 7,843,863 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 2,211,521 | - | - | - |
| Public Safety | 7,331,089 | - | - | - |
| Community Development | - | - | - | - |
| Planning and Building | 1,548,403 | - | - | - |
| Community Services | - | 3,039,936 | - | - |
| Streets and Roads | - | - | - | 10,745,744 |
| Capital Outlay | - | 241,908 | - | - |
| Debt Service: | | | | |
| Interest Expense | - | - | - | 18,520 |
| Principal | - | - | - | - |
| Total Expenditures | 11,091,013 | 3,281,844 | - | 10,764,264 |
| Excess (Deficiency) of Revenues Over Expenditures | 3,157,092 | 569,357 | 8,487,145 | (2,920,401) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 2,089,496 | 2,398,379 | 3,652,923 | 3,393,060 |
| Transfers Out | (3,584,898) | (507,224) | (2,587,461) | (38,463) |
| Total Other Financing Sources (Uses) | (1,495,402) | 1,891,155 | 1,065,462 | 3,354,597 |
| Net Change in Fund Balances | 1,661,690 | 2,460,512 | 9,552,607 | 434,196 |
| Fund Balances, Beginning of Year | 11,430,535 | - | - | - |
| Fund Balances, End of Year | \$ 13,092,225 | \$ 2,460,512 | \$ 9,552,607 | \$ 434,196 |

The accompanying notes are an integral part of this statement.

| Non-major Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------|
| \$ 696,717 | \$ 4,478,911 |
| - | 10,256,924 |
| 39,581 | 2,774,324 |
| 16,867 | 121,187 |
| - | 898,816 |
| 152,491 | 405,489 |
| 261,308 | 4,462,087 |
| 16,912 | 353,518 |
| - | 11,190,505 |
| 21,495 | 693,924 |
| <u>1,205,371</u> | <u>35,635,685</u> |
| 39,191 | 2,250,712 |
| 2,644 | 7,333,733 |
| 243,567 | 243,567 |
| - | 1,548,403 |
| - | 3,039,936 |
| - | 10,745,744 |
| 40,352 | 282,260 |
| 261,204 | 279,724 |
| <u>1,568,356</u> | <u>1,568,356</u> |
| <u>2,155,314</u> | <u>27,292,435</u> |
| <u>(949,943)</u> | <u>8,343,250</u> |
| 1,048,962 | 12,582,820 |
| <u>(2,980,219)</u> | <u>(9,698,265)</u> |
| <u>(1,931,257)</u> | <u>2,884,555</u> |
| (2,881,200) | 11,227,805 |
| <u>11,138,363</u> | <u>22,568,898</u> |
| <u>\$ 8,257,163</u> | <u>\$ 33,796,703</u> |

The accompanying notes are an integral part of this statement.

City of Healdsburg
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net Changes in Fund Balances - Total Governmental Funds \$ 11,227,805

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 as depreciation expense.

| | |
|----------------------|-------------|
| Capital Outlay | 8,720,288 |
| Depreciation Expense | (1,542,391) |
| Loss on Disposal | (124,809) |

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

| | |
|-----------------------|-------------|
| Principal Repayments | 1,568,356 |
| Net Pension Liability | (3,535,043) |

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds. This is the net change in deferred inflows and outflows related to the net pension liability:

| | |
|--|-----------|
| Deferred Pension Related Items - Deferred Outflows | 1,039,817 |
| Deferred Pension Related Items - Deferred Inflows | 2,462,624 |

Governmental funds report all contributions in relation to the Annual Required Contribution (ARC) for OPEB as expenditures; however, in the Statement of Activities only the ARC is an expense. (19,000)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 13,779

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. 118,518

Some transfers from the Enterprise Funds are not current financial resources and therefore, are not reported as transfers in the governmental funds. This amount represents the transfers of capital assets and long-term liabilities.

| | |
|--|--------------|
| Transfer of Capital Assets | 64,831,283 |
| Transfer of Accumulated Depreciation on Capital Assets | (14,741,273) |
| Transfer of Long-term Liabilities | (6,070,380) |

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 services funds is reported with governmental activities. 1,082,704

Change in Net Position of Governmental Activities \$ 65,032,278

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Net Position
Proprietary Funds
June 30, 2016

| | Enterprise Funds | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Water Fund | Sewer Fund | Electric Fund | Streets Fund |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Investments | \$ 5,758,005 | \$ 21,998,982 | \$ 14,059,565 | \$ - |
| Cash and Investments with Fiscal Agents | 3 | 18,809 | - | - |
| Investment in NCPA Reserves | - | - | 5,742,125 | - |
| Accounts Receivable - Net | 728,189 | 1,029,109 | 1,749,742 | - |
| Notes and Loans Receivable | - | - | - | - |
| Interest Receivable | 8,941 | 34,109 | 22,220 | - |
| Due from Other Funds | - | - | 15,000 | - |
| Prepaid Expenses | - | - | 2,622 | - |
| Inventory | 121,505 | 28,518 | 1,381,238 | - |
| Total Current Assets | 6,616,643 | 23,109,527 | 22,972,512 | - |
| Noncurrent Assets: | | | | |
| Restricted Cash and Investments | - | - | 266,901 | - |
| Pension Stabilization Investments | 289,942 | 425,072 | 498,680 | - |
| Capital Assets, Not Being Depreciated | | | | |
| Land | 310,781 | 766,902 | 48,359 | - |
| Construction in Progress | - | 446,039 | 510,010 | - |
| Total Capital Assets, Not Being Depreciated | 310,781 | 1,212,941 | 558,369 | - |
| Capital Assets, Depreciable | | | | |
| Land Improvements | - | - | - | - |
| Buildings | 1,474,503 | 206,166 | 447,835 | - |
| Utility Systems | 28,020,798 | 58,461,530 | 22,633,683 | - |
| Drainage | - | 10,192,183 | - | - |
| Machinery and Equipment | 539,901 | 525,751 | 1,043,027 | - |
| Operations | - | - | - | - |
| Total Capital Assets, Depreciable | 30,035,202 | 69,385,630 | 24,124,545 | - |
| Less: Accumulated Depreciation | (10,977,854) | (19,452,001) | (11,289,466) | - |
| Total Capital Assets, Net | 19,368,129 | 51,146,570 | 13,393,448 | - |
| Total Noncurrent Assets | 19,368,129 | 51,146,570 | 13,660,349 | - |
| Total Assets | 25,984,772 | 74,256,097 | 36,632,861 | - |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Amounts on Refunding | - | 1,040,054 | - | - |
| Deferred Pension Related Items | 361,420 | 361,420 | 500,428 | - |
| Total Deferred Outflows of Resources | 361,420 | 1,401,474 | 500,428 | - |

The accompanying notes are an integral part of this statement.

| Community Service Fund | Enterprise Funds | | Governmental Activities |
|------------------------------|----------------------------------|---------------|------------------------------|
| | Non-major Enterprise Funds | Totals | Internal Service Funds |
| \$ - | \$ 293,586 | \$ 42,110,138 | \$ 6,053,178 |
| - | - | 18,812 | - |
| - | - | 5,742,125 | - |
| - | 9,425 | 3,516,465 | 56,578 |
| - | - | - | 13,835 |
| - | 457 | 65,727 | 5,817 |
| - | - | 15,000 | - |
| - | - | 2,622 | 10,997 |
| - | 8,580 | 1,539,841 | 31,372 |
| - | 312,048 | 53,010,730 | 6,171,777 |
| - | - | 266,901 | - |
| - | - | 1,213,694 | - |
| - | 119,834 | 1,245,876 | - |
| - | - | 956,049 | 18,183 |
| - | 119,834 | 2,201,925 | 18,183 |
| - | - | - | 1,142,425 |
| - | 840,807 | 2,969,311 | - |
| - | - | 109,116,011 | - |
| - | - | 10,192,183 | - |
| - | 209,510 | 2,318,189 | 6,486,556 |
| - | 3,381,750 | 3,381,750 | - |
| - | 4,432,067 | 127,977,444 | 7,628,981 |
| - | (1,302,814) | (43,022,135) | (4,947,147) |
| - | 3,249,087 | 87,157,234 | 2,700,017 |
| - | 3,249,087 | 87,424,135 | 2,700,017 |
| - | 3,561,135 | 140,434,865 | 8,871,794 |
| - | - | 1,040,054 | - |
| - | - | 1,223,268 | - |
| - | - | 2,263,322 | - |

Continued

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Net Position - Continued
Proprietary Funds
June 30, 2016

| | Enterprise Funds | | | |
|--|----------------------|----------------------|----------------------|-----------------|
| | Water Fund | Sewer Fund | Electric Fund | Streets Fund |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | \$ 75,737 | \$ 185,424 | \$ 127,899 | \$ - |
| Deposits Payable | 3,650 | - | 266,901 | - |
| Due to Other Funds | - | - | - | - |
| Accrued Interest Payable | 99,697 | 230,451 | - | - |
| Claims Payable - Current | - | - | - | - |
| Compensated Absences - Current | - | - | - | - |
| Bonds Payable - Current | 559,000 | 885,000 | - | - |
| Payable to Successor Agency - Current | - | - | 117,223 | - |
| Pension Obligation Bonds Payable - Current | 97,478 | 97,478 | 129,971 | - |
| Total Current Liabilities | 835,562 | 1,398,353 | 641,994 | - |
| Noncurrent Liabilities: | | | | |
| Compensated Absences | - | - | - | - |
| Payable to Successor Agency | - | - | 2,160,846 | - |
| Bonds Payable | 8,821,000 | 25,226,288 | - | - |
| Net Pension Liability | 1,958,767 | 1,958,767 | 2,712,139 | - |
| Pension Obligation Bonds Payable | 609,769 | 611,695 | 806,802 | - |
| Total Noncurrent Liabilities | 11,389,536 | 27,796,750 | 5,679,787 | - |
| Total Liabilities | 12,225,098 | 29,195,103 | 6,321,781 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Pension Related Items | 219,033 | 219,033 | 303,277 | - |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 9,988,129 | 25,384,455 | 13,393,448 | - |
| Restricted: | | | | |
| Capital Projects | 2,375,821 | 5,268,484 | 2,082,792 | - |
| Pensions | 289,942 | 425,072 | 498,680 | - |
| Unrestricted | 1,538,111 | 15,590,496 | 15,031,991 | - |
| Total Net Position | \$ 14,192,003 | \$ 46,668,507 | \$ 31,006,911 | \$ - |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | |
| Net Position of Business-type Activities | | | | |

The accompanying notes are an integral part of this statement.

| Community Service Fund | Enterprise Funds | | Governmental Activities |
|------------------------------|------------------------------|----------------------|------------------------------|
| | Other Enterprise Funds | Totals | Internal Service Funds |
| \$ - | \$ 18,400 | \$ 407,460 | \$ 590,800 |
| - | 17,167 | 287,718 | - |
| - | - | - | - |
| - | - | 330,148 | - |
| - | - | - | 43,724 |
| - | - | - | 930,150 |
| - | - | 1,444,000 | - |
| - | - | 117,223 | - |
| - | - | 324,927 | - |
| - | 35,567 | 2,911,476 | 1,564,674 |
| - | - | - | 635,359 |
| - | - | 2,160,846 | - |
| - | - | 34,047,288 | - |
| - | - | 6,629,673 | - |
| - | - | 2,028,266 | - |
| - | - | 44,866,073 | 635,359 |
| - | 35,567 | 47,777,549 | 2,200,033 |
| - | - | 741,343 | - |
| - | 3,249,087 | 52,015,119 | 2,700,017 |
| - | - | 9,727,097 | - |
| - | - | 1,213,694 | - |
| - | 276,481 | 32,437,079 | 3,971,744 |
| <u>\$ -</u> | <u>\$ 3,525,568</u> | <u>95,392,989</u> | <u>\$ 6,671,761</u> |
| | | 192,857 | |
| | | <u>\$ 95,585,846</u> | |

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2016

| | Enterprise Funds | | | |
|--|----------------------|----------------------|----------------------|---------------------|
| | Water Fund | Sewer Fund | Electric Fund | Streets Fund |
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 4,120,707 | \$ 7,569,946 | \$ 12,008,602 | \$ - |
| Development Fees | 517,764 | 1,155,982 | 39,142 | - |
| Rental Income | - | - | - | - |
| Other Operating Revenues | 8,165 | 7,754 | 749,076 | - |
| Total Operating Revenues | 4,646,636 | 8,733,682 | 12,796,820 | - |
| OPERATING EXPENSES | | | | |
| Purchase of Power | - | - | 6,056,953 | - |
| Maintenance and Operations | 3,133,246 | 4,699,544 | 3,657,743 | - |
| Administration | 614,651 | 631,776 | 790,112 | - |
| Insurance and Benefits Costs | - | - | - | - |
| Depreciation | 601,064 | 1,329,108 | 513,801 | - |
| Total Operating Expenses | 4,348,961 | 6,660,428 | 11,018,609 | - |
| Operating Income (Loss) | 297,675 | 2,073,254 | 1,778,211 | - |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest Income | 67,196 | 276,023 | 201,820 | 1,211 |
| Interest Expense | (437,887) | (736,733) | (48,049) | - |
| Loss on Disposal of Capital Assets | (3,979) | (39,704) | (81,698) | (36,697,574) |
| Total Nonoperating Revenues (Expenses) | (374,670) | (500,414) | 72,073 | (36,696,363) |
| Income (Loss) Before Capital Contributions and Operating Transfers | (76,995) | 1,572,840 | 1,850,284 | (36,696,363) |
| Capital Contributions | 641,864 | 1,755,003 | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | (1,414,282) |
| Total Transfers and Capital Contributions | 641,864 | 1,755,003 | - | (1,414,282) |
| Change in Net Position | 564,869 | 3,327,843 | 1,850,284 | (38,110,645) |
| Net Position - Beginning of Year | 13,627,134 | 43,340,664 | 29,156,627 | 38,110,645 |
| Net Position - End of Year | \$ 14,192,003 | \$ 46,668,507 | \$ 31,006,911 | \$ - |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | |
| Changes in Net Position of Business-type Activities | | | | |

The accompanying notes are an integral part of this statement.

| Community Service Fund | Enterprise Funds | | Governmental Activities |
|------------------------------|----------------------------------|-----------------|------------------------------|
| | Non-major Enterprise Funds | Totals | Internal Service Funds |
| \$ - | \$ 124,680 | \$ 23,823,935 | \$ 6,657,626 |
| - | - | 1,712,888 | - |
| - | 158,158 | 158,158 | 280,586 |
| - | 3,965 | 768,960 | 510,470 |
| - | 286,803 | 26,463,941 | 7,448,682 |
| - | - | 6,056,953 | - |
| - | 322,333 | 11,812,866 | 2,133,020 |
| - | 65,114 | 2,101,653 | 452,083 |
| - | - | - | 4,361,630 |
| - | 98,157 | 2,542,130 | 216,983 |
| - | 485,604 | 22,513,602 | 7,163,716 |
| - | (198,801) | 3,950,339 | 284,966 |
| 1,210 | 1,872 | 549,332 | 70,531 |
| - | - | (1,222,669) | - |
| (7,322,056) | - | (44,145,011) | - |
| (7,320,846) | 1,872 | (44,818,348) | 70,531 |
| (7,320,846) | (196,929) | (40,868,009) | 355,497 |
| - | 66,425 | 2,463,292 | - |
| - | 4,652 | 4,652 | 883,739 |
| (2,181,815) | (134,076) | (3,730,173) | (42,773) |
| (2,181,815) | (62,999) | (1,262,229) | 840,966 |
| (9,502,661) | (259,928) | (42,130,238) | 1,196,463 |
| 9,502,661 | 3,785,496 | | 5,475,298 |
| \$ - | \$ 3,525,568 | | \$ 6,671,761 |
| | | 113,759 | |
| | | \$ (42,016,479) | |

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

| | Enterprise Funds | | |
|--|---------------------|----------------------|----------------------|
| | Water Fund | Sewer Fund | Electric Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 4,702,045 | \$ 8,854,971 | \$ 13,001,633 |
| Payments to Employees for Services | (1,171,947) | (1,571,465) | (1,595,098) |
| Payments to Suppliers for Goods and Services | (2,573,041) | (3,653,914) | (9,051,844) |
| Net Cash Provided (Used) by Operating Activities | <u>957,057</u> | <u>3,629,592</u> | <u>2,354,691</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Repayments to Successor Agency | - | - | (116,931) |
| Cash Received from Other Funds | - | - | - |
| Cash Paid to Other Funds | - | - | - |
| Principal Paid on Loans Receivable | - | - | - |
| Net Cash Provided (Used) by Noncapital and Related Financing Activities | <u>-</u> | <u>-</u> | <u>(116,931)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and Construction of Capital Assets | - | (530,204) | (319,211) |
| Interest Paid | (443,347) | (781,332) | (48,049) |
| Capital Contributions From Successor Agency | 641,864 | 1,755,003 | - |
| Proceeds from Issuance of Capital Debt | - | 27,252,671 | - |
| Principal Paid on Capital Debt | (535,000) | (27,984,793) | - |
| Payments on Long-term Debt | (89,967) | (90,212) | (119,165) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(426,450)</u> | <u>(378,867)</u> | <u>(486,425)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest Received | 61,867 | 254,860 | 187,970 |
| Net Cash Provided (Used) by Investing Activities | <u>61,867</u> | <u>254,860</u> | <u>187,970</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>592,474</u> | <u>3,505,585</u> | <u>1,939,305</u> |
| Cash and Cash Equivalents, Beginning of the Year | 5,455,476 | 18,937,278 | 18,627,966 |
| Cash and Cash Equivalents, End of the Year | <u>\$ 6,047,950</u> | <u>\$ 22,442,863</u> | <u>\$ 20,567,271</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | | |
| Cash and Investments | 5,758,005 | 21,998,982 | 14,059,565 |
| Cash and Investments with Fiscal Agents | 3 | 18,809 | - |
| Investment NCPA Reserve | - | - | 5,742,125 |
| Restricted Cash and Investments | - | - | 266,901 |
| Pension Stabilization Investments | 289,942 | 425,072 | 498,680 |
| Total Cash and Cash Equivalents | <u>\$ 6,047,950</u> | <u>\$ 22,442,863</u> | <u>\$ 20,567,271</u> |
| Reconciliation of Operating Income (Loss) to | | | |
| Net Cash Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ 297,675 | \$ 2,073,254 | \$ 1,778,211 |
| Adjustments to Reconcile Operating Income (Loss) to | | | |
| Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation | 601,064 | 1,329,108 | 513,801 |
| Changes in Operating Assets and Liabilities: | | | |
| Decrease (Increase) in Accounts Receivable | 56,074 | 121,439 | 61,045 |
| Decrease (Increase) in Prepaid Expenses | - | - | (2,622) |
| Decrease (Increase) in Inventory | (14,772) | (18,164) | (154,305) |
| Decrease (Increase) in Deferred Outflows - Pensions | (204,539) | (204,539) | (283,209) |
| Increase (Decrease) in Accounts Payable | 7,375 | 113,799 | 524 |
| Increase (Decrease) in Claims Payable | - | - | - |
| Increase (Decrease) in Deferred Inflows - Pensions | (307,043) | (307,043) | (425,136) |
| Increase (Decrease) in Net Pension Liability | 521,888 | 521,888 | 722,614 |
| Increase (Decrease) in Compensated Absences Payable | - | - | - |
| Increase (Decrease) in Deposits Payable | (665) | (150) | 143,768 |
| TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 957,057</u> | <u>\$ 3,629,592</u> | <u>\$ 2,354,691</u> |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | |
| Amortization Related to Long-term Debt | \$ - | \$ 23,356 | \$ - |

The accompanying notes are an integral part of this statement.

| Enterprise Funds | | | | Governmental |
|------------------|------------------------|----------------------------|----------------------|------------------------|
| Streets Fund | Community Service Fund | Non-major Enterprise Funds | Totals | Internal Service Funds |
| \$ - | \$ - | \$ 311,536 | \$ 26,870,185 | \$ 7,460,021 |
| - | - | (24,069) | (4,362,579) | (4,631,373) |
| - | - | (367,630) | (15,646,429) | (2,464,248) |
| - | - | (80,163) | 6,861,177 | 364,400 |
| - | - | - | (116,931) | - |
| - | - | 4,652 | 4,652 | 883,739 |
| - | (2,956,036) | (134,076) | (3,090,112) | (42,773) |
| - | - | - | - | (1,566) |
| - | (2,956,036) | (129,424) | (3,202,391) | 839,400 |
| - | - | - | (849,415) | (1,597,241) |
| - | - | - | (1,272,728) | - |
| - | - | 66,425 | 2,463,292 | - |
| - | - | - | 27,252,671 | - |
| - | - | - | (28,519,793) | (19,798) |
| - | - | - | (299,344) | - |
| - | - | 66,425 | (1,225,317) | (1,617,039) |
| - | - | 1,625 | 506,322 | 68,883 |
| - | - | 1,625 | 506,322 | 68,883 |
| - | (2,956,036) | (141,537) | 2,939,791 | (344,356) |
| - | 2,956,036 | 435,123 | 46,411,879 | 6,397,534 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 293,586</u> | <u>\$ 49,351,670</u> | <u>\$ 6,053,178</u> |
| - | - | 293,586 | 42,110,138 | 6,053,178 |
| - | - | - | 18,812 | - |
| - | - | - | 5,742,125 | - |
| - | - | - | 266,901 | - |
| - | - | - | 1,213,694 | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 293,586</u> | <u>\$ 49,351,670</u> | <u>\$ 6,053,178</u> |
| \$ - | \$ - | \$ (198,801) | \$ 3,950,339 | \$ 284,966 |
| - | - | 98,157 | 2,542,130 | 216,983 |
| - | - | 20,983 | 259,541 | 11,339 |
| - | - | - | (2,622) | (8,964) |
| - | - | (7,716) | (194,957) | (2,788) |
| - | - | - | (692,287) | - |
| - | - | 3,464 | 125,162 | (200,440) |
| - | - | - | - | 26,246 |
| - | - | - | (1,039,222) | - |
| - | - | - | 1,766,390 | - |
| - | - | - | - | 37,058 |
| - | - | 3,750 | 146,703 | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ (80,163)</u> | <u>\$ 6,861,177</u> | <u>\$ 364,400</u> |
| \$ - | \$ - | \$ - | \$ 23,356 | \$ - |

City of Healdsburg
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

| | Private-purpose Trust Funds |
|--|--------------------------------|
| ASSETS | |
| Cash and Investments | \$ 3,182,699 |
| Cash and Investments with Fiscal Agent | 4,770,090 |
| Receivables: | |
| Accounts | 9,945 |
| Notes | 502,976 |
| Interest | 5,096 |
| Receivable from the City of Healdsburg | 4,275,541 |
| Capital Assets, Not Being Depreciated | 528,300 |
| Capital Assets, Net of Accumulated Depreciation | 415,560 |
| Total Assets | 13,690,207 |
| LIABILITIES | |
| Accounts Payable | 468 |
| Interest Payable | 890,098 |
| Noncurrent Liabilities: | |
| Due within One Year | 1,664,200 |
| Due in More than One Year | 47,442,100 |
| Total Liabilities | 49,996,866 |
| NET POSITION | |
| Net Position (Deficit) Held in Trust for Successor Agency and Other Purposes | \$ (36,306,659) |

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2016

| | Private-purpose Trust Funds |
|---|--------------------------------|
| ADDITIONS | |
| Taxes and Assessments | \$ 4,579,130 |
| Fees and Charges | 120,477 |
| Investment Earnings | 50,257 |
| Total Additions | 4,749,864 |
| DEDUCTIONS | |
| Community Development | 523,014 |
| Capital Contributions to City of Healdsburg | 13,587,373 |
| Depreciation | 21,870 |
| Interest Expense | 2,143,114 |
| Total Deductions | 16,275,371 |
| Change in Net Position | (11,525,507) |
| Net Position - Beginning of Year | (24,781,152) |
| Net Position - End of Year | \$ (36,306,659) |

The accompanying notes are an integral part of this statement.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and No. 61. The City of Healdsburg is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component units' Board or because the component unit will provide a financial benefit or impose a financial burden on the City.

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

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

No separate financial statements are issued for HPFA.

The City participates in one joint power activity and a pooled arrangement through formally organized and separate entities. The financial activities of the Northern California Power Agency and the Redwood Empire Municipal Insurance Fund are not included in the accompanying basic financial statements as they are administered by boards separate from and independent of the City. (See Notes 10 and 11).

B) 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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected *within* 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities, claims payable, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of long-term liabilities are reported as other financing sources.

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fiduciary funds focus on net position and changes in net position. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. Agency funds also use the accrual basis of accounting, but, since they are custodial in nature and do not involve the measurement of results of operations, they do not have a measurement focus.

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 Miscellaneous Capital Projects Fund accounts for monies that are restricted for capital improvements.

The Streets Capital Projects Fund accounts for grant monies received that are restricted for street improvements.

Major Enterprise Funds

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

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

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

The Streets Fund accounts for the activities of the street maintenance operations.

The Community Services Fund accounts for the activities associated with the City's Parks and Recreation programs.

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 report resources that are legally restricted to the extent that only earnings, and not principal, are used for the benefit of the City.

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.

C) Encumbrances

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 Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Cash and Investments

Cash and Investments are pooled by the City for investment purposes. Investments are stated at fair value. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For the purpose of the statements of cash flows, cash and cash equivalents include highly liquid investments with original maturities of three months or less, including investments in the California Local Agency Investment Fund and Sonoma County Investment Fund.

E) Receivables and Payables

Activity between funds that is 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.

Advances to other funds, as reported in the fund financial statements, are offset by non-spendable fund balance in 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.

F) 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.

G) Prepaids

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 Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) 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 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 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 respective balance sheet/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 |

I) 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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J) 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. 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 November), April 10 (for February) | 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 year-end.

K) 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.

L) Net Position

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net position is reported in three categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Restricted net position represent net position restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. All other net position is considered unrestricted.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M) Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted net position to have been depleted before unrestricted net position.

N) Fund Balance

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 mandate 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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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 delegated by a City official, 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.

O) Use of Estimates

The preparation of 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 revenues and expenditures during the reporting period. Specifically, the City has made certain estimates and assumptions relating to the collectability of its receivables (including accounts receivable), and notes receivable, the fair value of investments, valuation of capital assets and depreciation expense, OPEB liability, net pension liability, and the ultimate outcome of claims payable. Actual results could differ from those estimates and assumptions.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

P) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City reports deferred outflows as a result of the City's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which qualify for reporting in this category.

In addition to liabilities, the statement of financial position and balance sheet for the 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has certain items, which arise only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows as a result of the City's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which qualify for reporting in this category.

Q) Pensions

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 City of Healdsburg's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

R) New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This GASB Statement is required to be implemented in financial statements issued for the periods beginning after June 15, 2017. The City has elected not to early implement this statement and has not determined its effect on the financial statements.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances/Net Position

Nonmajor Governmental Funds - A deficit fund balance of \$14,638 exists in the North Area Special Revenue Fund. The City plans on removing the deficits through future development contributions and benefit assessments.

3) CASH AND INVESTMENTS

The City's cash and investments consisted of the following at June 30, 2016:

| | |
|--------------------------------------|--------------------------|
| Cash on Hand | \$ 1,904 |
| Deposits with Financial Institutions | 5,052,088 |
| Investments | 77,081,743 |
| Pension Stabilization Investments | <u>4,156,278</u> |
| Total Cash and Investments | <u>\$ 86,292,013</u> |

The City's deposits and investments are reflected in the accompanying basic financial statements as follows:

| | <u>Government- Wide Statement of Net Position</u> | <u>Statement of Fiduciary Net Position</u> | <u>Total</u> |
|--|---|--|----------------------|
| Unrestricted: | | | |
| Cash and Investments | \$ 72,948,781 | \$ 3,182,699 | \$ 76,131,480 |
| Restricted: | | | |
| Cash and Investments | 1,215,353 | - | 1,215,353 |
| Pension Stabilization Investments | 4,156,278 | - | 4,156,278 |
| Cash and Investments with Fiscal Agent | <u>18,812</u> | <u>4,770,090</u> | <u>4,788,902</u> |
| | <u>\$ 78,339,224</u> | <u>\$ 7,952,789</u> | <u>\$ 86,292,013</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

3) CASH AND INVESTMENTS - Continued

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

The table below identifies the investment types that are authorized for the City 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.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio* | Maximum Investment In One Issuer |
|--|---------------------|--|--|
| Bankers Acceptances | 180 days | 40% | None |
| Certificates of Deposits | 5 years | 20% | None |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Commercial Paper | 270 days | 25% | None |
| State of California Local Agency Investment Fund (State Pool) | N/A | Unlimited | \$50,000,000 |
| Sonoma County Pooled Fund | N/A | 10% | None |
| Medium Term Notes | 5 years | 30% | None |
| Money Market Funds | N/A | Unlimited | None |
| Passbook Savings and Money Market Accounts (Insured) | None | Unlimited | None |
| U.S. Treasury Obligations | None | Unlimited | None |
| U.S. Government Agency Issues | None | Unlimited | None |
| Repurchase Agreements | 30 days | 10% | None |
| Mortgage Pass-through and Asset Backed Securities | 5 years | 20% | None |

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

Investments Authorized by Debt Agreements

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

3) CASH AND INVESTMENTS - Continued

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio* | Maximum Investment In One Issuer |
|---|---------------------|--|--|
| United States Treasury Obligations | None | None | None |
| United States Government Sponsored Enterprise Securities | None | None | None |
| Banker's Acceptances | 30 days | None | None |
| Commercial Paper | 270 days | None | None |
| Money Market Mutual Funds | N/A | None | None |
| Investment Contracts | 30 years | None | None |
| Sonoma County Pooled Fund | N/A | 10% | None |

Disclosures Relating to Interest Rate Risk

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

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

| Investment Type | Total | Remaining Maturity (in Months) | | | |
|---------------------------|----------------------|--------------------------------|---------------------|----------------------|---------------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 48 Months | 49 to 60 Months |
| Certificates of Deposit | \$ 2,770,238 | \$ 751,065 | \$ 1,512,118 | \$ 507,055 | \$ |
| Money Market Funds | 59,206 | 59,206 | | | |
| Federal Agency Securities | 16,831,897 | | 5,014,350 | 6,685,176 | 5,132,371 |
| U.S. Treasury Securities | 6,084,140 | | | 4,047,500 | 2,036,640 |
| State Investment Pool | 43,374,686 | 43,374,686 | | | |
| Medium Term Notes | - | | | | |
| Held by Bond Trustee: | | | | | |
| County Investment Pool | 180,250 | 180,250 | | | |
| Money Market Funds | 7,781,326 | 7,781,326 | | | |
| Total | \$ 77,081,743 | \$ 52,146,533 | \$ 6,526,468 | \$ 11,239,731 | \$ 7,169,011 |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

3) CASH AND INVESTMENTS - Continued

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, by Standard and Poor's, as of fiscal year end for each investment type:

| Investment Type | Total as of June 30, 2016 | Minimum Legal Rating | Rating as of Fiscal Year End | | | |
|---------------------------|---------------------------------|----------------------------|------------------------------|----------------------|-------------|----------------------|
| | | | AAA | AA | A | Unrated |
| Certificates of Deposit | \$ 2,770,238 | N/A | \$ | \$ | \$ | \$ 2,770,238 |
| Money Market Funds | 59,206 | N/A | | | | 59,206 |
| Federal Agency Securities | 16,831,897 | N/A | | 16,831,897 | | |
| U.S. Treasury Securities | 6,084,140 | N/A | 6,084,140 | | | |
| State Investment Pool | 43,374,686 | N/A | | | | 43,374,686 |
| Medium Term Notes | - | N/A | | | | |
| Held by Bond Trustee: | | | | | | |
| County Investment Pool | 180,250 | N/A | | | | 180,250 |
| Money Market Funds | 7,781,326 | N/A | 7,781,326 | | | |
| Total | \$ 77,081,743 | | \$ 13,865,466 | \$ 16,831,897 | \$ - | \$ 46,384,380 |

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. 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 investments are as follows:

| Issuer | Investment Type | Reported Amount | Maturity | Interest |
|--------|---------------------------|--------------------|-------------|--------------|
| FFCB | Federal agency securities | \$ 6,686,376 | 2018 – 2020 | 1.03 – 1.90% |
| FNMA | Federal agency securities | 4,129,041 | 2018 – 2021 | 1.00 – 1.75% |
| FHLMC | Federal agency securities | 4,010,410 | 2017 – 2020 | 1.00 – 1.25% |

Since the City pooled all of its investments, there were no investments in any one issuer that represent 5% or more of total investments by reporting unit (primary government, governmental activities, business-type activities, major fund, nonmajor funds in the aggregate, etc.).

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

3) CASH AND INVESTMENTS - Continued

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 governmental 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2016, \$5,217,112 of the City's deposits (bank balances) in excess of the Federal Depository Insurance limits were held in collateralized accounts. As of June 30, 2016, the City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

| <u>Investment Type</u> | <u>Reported Amount</u> |
|---------------------------|------------------------|
| Certificates of deposit | \$ 2,770,238 |
| Federal agency securities | 16,831,897 |
| U.S. Treasury securities | 6,084,140 |
| Money market funds | 59,206 |

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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 Financial Statements
Year Ended June 30, 2016

3) CASH AND INVESTMENTS - Continued

Fair Value

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 has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury Securities of \$6,084,140 are valued using quoted market prices (Level 1 inputs)
- Federal Agency Securities of \$16,831,897 are valued using a matrix pricing model (Level 2 inputs)
- Certificates of Deposit of \$2,770,238 are valued using a matrix pricing model (Level 2 inputs)

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.

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, 2016, 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.

Purpose. 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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

3) CASH AND INVESTMENTS - Continued

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

| Authorized Investment Type | Maximum Investment In One Issuer |
|--|--|
| Mortgage-Backed Securities | 5% |
| Asset Backed Securities | 5% |
| Collateralized Mortgage Obligations | 5% |
| Commercial Mortgage-Backed Securities | 5% |
| Debt Obligations of the U.S. Govt., Its agencies, and Government Sponsored Enterprises | None |
| Corporate Debt Securities issued by U.S. or Foreign Entities | 5% |
| Eligible Instruments issued Pursuant to SEC Rule 144(a) | 10% |
| Municipal Bonds | 5% |

Pension stabilization investments held and the percentage of the pension investment portfolio at June 30, 2016 was as follows:

| Pension Stabilization Investments | Fair Value | % of Portfolio |
|--|------------------|-------------------|
| <i>Equity Investments</i> | | |
| iShares Core S&P 500 Fund | \$ 167,979 | 4% |
| iShares S&P 500 Value Fund | 274,334 | 7% |
| iShares S&P 500 Growth Fund | 147,474 | 4% |
| iShares Russell MidCap Value Fund | 64,855 | 2% |
| iShares Russell MidCap Growth Fund | 31,162 | 1% |
| iShares Russell 2000 Value Fund | 133,287 | 3% |
| iShares Russell 2000 Growth Fund | 75,998 | 2% |
| iShares MSCI EAFE Index Fund | 215,074 | 5% |
| Vanguard FTSE Emerging Markets ETF | 43,580 | 1% |
| Vanguard REIT ETF | 61,182 | 1% |
| <i>Fixed Income</i> | | |
| Highmark Fixed Income Strategy | 2,828,254 | 68% |
| <i>Cash</i> | | |
| First American Prime Obligations Fund | 113,099 | 3% |
| Total Pension Stabilization Investments | 4,156,278 | 100% |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

3) CASH AND INVESTMENTS - 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 | Total | Remaining Maturity (in Months) | | |
|---------------------------|---------------------|--------------------------------|---------------------|---------------------|
| | | 12 Months or Less | 13 to 60 Months | More than 60 Months |
| U.S. Treasury Securities | \$ 647,037 | \$ | \$ 367,704 | \$ 279,333 |
| Money Market Funds | 113,099 | 113,099 | | |
| Federal Agency Securities | 608,233 | | | 608,233 |
| Municipal Bonds | 38,016 | | | 68,016 |
| Mutual Funds | 1,214,925 | 1,214,925 | | |
| Corporate Bonds | 1,534,968 | | 795,561 | 739,407 |
| Total | \$ 4,156,278 | \$ 1,328,024 | \$ 1,163,265 | \$ 1,694,989 |

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 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 | Total as of June 30, 2016 | Minimum Legal Rating | Rating as of Fiscal Year End | | | |
|---------------------------|---------------------------|----------------------|------------------------------|---------------------|-------------------|---------------------|
| | | | AAA | A/AA | BBB | Unrated |
| U.S. Treasury Securities | \$ 647,037 | BBB- | \$ 647,037 | \$ | \$ | \$ |
| Money Market Funds | 113,099 | N/A | | | | 113,099 |
| Federal Agency Securities | 608,233 | BBB- | | 608,233 | | |
| Municipal Bonds | 38,016 | BBB- | | 38,016 | | |
| Mutual Funds | 1,214,925 | N/A | | | | 1,214,925 |
| Corporate Bonds | 1,534,968 | BBB- | 266,810 | 640,129 | 628,029 | |
| Total | \$ 4,156,278 | | \$ 913,847 | \$ 1,286,378 | \$ 628,029 | \$ 1,328,024 |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

3) CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

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:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> | <u>% of Portfolio</u> |
|---------------|---------------------------|------------------------|-----------------------|
| FNMA | Federal agency securities | \$ 424,035 | 10.2% |

Fair Value

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 has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury Securities of \$647,037 are valued using quoted market prices (Level 1 inputs)
- Federal Agency Securities of \$608,233 are valued using a matrix pricing model (Level 2 inputs)
- Municipal Bonds of \$38,016 are valued using a matrix pricing model (Level 2 inputs)
- Corporate Bonds of \$1,534,968 are valued using a matrix pricing model (Level 2 inputs)

4) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Due to/from Other Funds

Amounts due to and due from other funds at June 30, 2016 are as follows:

| <u>Receivable Funds</u> | <u>Payable Funds</u> | <u>Amount</u> |
|--------------------------------|-----------------------------|------------------|
| Major Electric Enterprise Fund | Nonmajor Governmental Funds | \$ 15,000 |
| TOTAL | | <u>\$ 15,000</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

4) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS – Continued

The amounts loaned between the funds represent temporary amounts advanced to pay for operating expenses or to cover short-term cash overdrafts.

Interfund transfers at June 30, 2016 are as follows:

| Transfers In | Transfers Out | Amount |
|--|--|---------------------|
| General Fund | Nonmajor Governmental Funds | \$ 43,097 |
| | Miscellaneous Projects Fund | 2,046,399 |
| Community Service Special Revenue Fund | Miscellaneous Projects Fund | 82,488 |
| | Nonmajor Enterprise Funds | 134,076 |
| | Community Service Enterprise Fund | 2,181,815 |
| Miscellaneous Projects Fund | General Fund | 1,988,467 |
| | Nonmajor Governmental Funds | 1,664,456 |
| Streets Capital Projects Fund | General Fund | 698,205 |
| | Miscellaneous Projects Fund | 458,574 |
| | Nonmajor Governmental Funds | 821,999 |
| | Streets Enterprise Fund | 1,414,282 |
| Nonmajor Governmental Funds | General Fund | 649,550 |
| | Nonmajor Governmental Funds | 5,616 |
| | Streets Capital Projects Fund | 38,463 |
| | Community Service Special Revenue Fund | 312,560 |
| | Internal Service Funds | 42,773 |
| Nonmajor Enterprise Fund | Community Service Special Revenue Fund | 4,652 |
| Internal Service Fund | General Fund | 248,676 |
| | Community Service Special Revenue Fund | 190,012 |
| | Nonmajor Governmental Funds | 445,051 |
| TOTAL | | \$13,471,211 |

The transfer from the Nonmajor Governmental Funds of \$43,097 to the General Fund was to fund a parking patrol officer and to fund a transitional housing agreement. The transfer to the General Fund from the Miscellaneous Capital Projects Fund of \$2,046,399 was to fund various projects.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

4) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS – Continued

The Miscellaneous Capital Projects Fund and Nonmajor Enterprise Funds transferred \$82,488 and \$134,076, respectively, to the Community Services Special Revenue Fund to fund project costs. In addition, the Community Services Enterprise Fund transferred \$2,181,815 to the Community Services Special Revenue Fund to close out the enterprise fund as of July 1, 2015.

The General Fund and Nonmajor Governmental Funds transferred \$1,988,457 and \$1,664,456, respectively, to the Miscellaneous Capital Projects Fund to fund the City Hall Improvement Project.

The General Fund, Miscellaneous Projects Fund, and Nonmajor Governmental Funds transferred funds to the Streets Special Revenue Fund to pay for various street improvement projects. The Streets Enterprise Fund transferred \$1,414,282 to the Streets Capital Projects Fund to close out the Streets Enterprise Fund as of July 1, 2015.

The transfers to the Nonmajor Governmental Funds from the various funds was to fund debt service payments (\$981,042) and for public safety equipment (\$67,920).

The transfers to the Internal Service Fund from the various funds was to pay for various project costs.

Governmental Activities and Business-type Activities Transfers:

The transfers into the Governmental Activities from the Business-type Activities of \$47,745,151, include the net transfers reported between the enterprise funds and governmental funds of \$3,725,521, capital assets transferred of \$50,090,010 (see Note 6), and debt transfers of (\$6,070,380). The capital assets transferred and the debt transfers were the result of the close out of the Streets enterprise fund and the Community Service enterprise fund.

5) NOTES RECEIVABLE

Notes receivable in the amount of \$6,568,133 at June 30, 2016 consisted of the following:

| | |
|--|----------------------------|
| Housing Loans – Individuals | \$ 2,341,203 |
| Housing Loan – Habitat for Humanity | 315,000 |
| Housing Loan – Eden Housing | 3,911,930 |
| Housing Loan – Burbank Housing | <u>3,095,359</u> |
| Subtotal | 9,633,492 |
| Less: Allowance for uncollectible loan | <u>(3,095,359)</u> |
| Total | <u><u>\$ 6,568,133</u></u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

6) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|----------------------|------------------------|----------------------|----------------------|
| Governmental Activities | | | | | |
| Capital Assets, Not Depreciated: | | | | | |
| Land | \$ 9,890,304 | \$ 31,410 | \$ (14,828) | \$ 8,758,001 | \$ 18,664,887 |
| Right of Ways | 6,681,379 | - | - | - | 6,681,379 |
| Construction in Progress | 39,312 | 1,090,872 | (14,349,888) | 14,648,397 | 1,428,693 |
| Total Capital Assets, Not Depreciated | <u>16,610,995</u> | <u>1,122,282</u> | <u>(14,364,716)</u> | <u>23,406,398</u> | <u>26,774,959</u> |
| Capital Assets Being Depreciated: | | | | | |
| Land Improvements | 108,841 | 1,645,627 | - | - | 1,754,468 |
| Streets | - | 21,329,551 | (15,342) | 30,227,098 | 51,541,307 |
| Buildings | 15,253,310 | - | (105,571) | 10,157,003 | 25,304,742 |
| Machinery and Equipment | 7,949,212 | 584,786 | (998,010) | 559,805 | 8,095,793 |
| Infrastructure | 432,630 | - | (1,553) | 480,979 | 912,056 |
| Total Capital Assets Being Depreciated | <u>23,743,993</u> | <u>23,559,964</u> | <u>(1,120,476)</u> | <u>41,424,885</u> | <u>87,608,366</u> |
| Less Accumulated Depreciation: | | | | | |
| Land Improvements | 32,652 | 58,445 | - | 289,270 | 380,367 |
| Streets | - | 602,731 | (15,342) | 10,789,116 | 11,376,505 |
| Buildings | 7,970,093 | 804,704 | (347) | 3,109,128 | 11,883,578 |
| Machinery and Equipment | 6,013,083 | 269,385 | (979,760) | 538,672 | 5,841,380 |
| Infrastructure | 143,956 | 24,109 | (218) | 15,087 | 182,934 |
| Total Accumulated Depreciation | <u>14,159,784</u> | <u>1,759,374</u> | <u>(995,667)</u> | <u>14,741,273</u> | <u>29,664,764</u> |
| Total Capital Assets Being Depreciated, Net | <u>9,584,209</u> | <u>21,800,590</u> | <u>(124,809)</u> | <u>26,683,612</u> | <u>57,943,602</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 26,195,204</u> | <u>\$ 22,922,872</u> | <u>\$ (14,489,525)</u> | <u>\$ 50,090,010</u> | <u>\$ 84,718,561</u> |

Transfers

The transfers column represents capital assets received as a result of the close-out of the Streets and Community Services Enterprise Funds, included as transfers in the Business-type Activities below.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

6) CAPITAL ASSETS – Continued

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|-----------------------|---------------------|-----------------------|------------------------|----------------------|
| Business-type Activities: | | | | | |
| Capital Assets, Not Depreciated: | | | | | |
| Land | \$ 9,391,835 | \$ - | \$ - | \$ (8,145,959) | \$ 1,245,876 |
| Construction in Progress | 15,846,820 | 710,493 | (952,867) | (14,648,397) | 956,049 |
| Total Capital Assets, Not Depreciated | <u>25,238,655</u> | <u>710,493</u> | <u>(952,867)</u> | <u>(22,794,356)</u> | <u>2,201,925</u> |
| Capital Assets Being Depreciated: | | | | | |
| Buildings and Improvements | 13,744,405 | - | (6,049) | (10,769,045) | 2,969,311 |
| Streets | 30,708,077 | - | - | (30,708,077) | - |
| Utility Systems | 108,354,500 | 952,867 | (191,356) | - | 109,116,011 |
| Drainage | 10,197,784 | - | (5,601) | - | 10,192,183 |
| Machinery and Equipment | 3,100,992 | 141,345 | (364,343) | (559,805) | 2,318,189 |
| Operations | 3,381,750 | - | - | - | 3,381,750 |
| Total Capital Assets Being Depreciated | <u>169,487,508</u> | <u>1,094,212</u> | <u>(567,349)</u> | <u>(42,036,927)</u> | <u>127,977,444</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings and Improvements | 5,176,988 | 73,352 | (8,470) | (3,398,398) | 1,843,472 |
| Streets | 10,804,203 | - | - | (10,804,203) | - |
| Utility Systems | 32,668,292 | 2,127,324 | (74,235) | - | 34,721,381 |
| Drainage | 3,929,041 | 203,844 | (950) | - | 4,131,935 |
| Machinery and Equipment | 2,278,916 | 75,251 | (358,313) | (538,672) | 1,457,182 |
| Operations | 805,806 | 62,359 | - | - | 868,165 |
| Total Accumulated Depreciation | <u>55,663,246</u> | <u>2,542,130</u> | <u>(441,968)</u> | <u>(14,741,273)</u> | <u>43,022,135</u> |
| Total Capital Assets Being Depreciated, Net | <u>113,824,262</u> | <u>(1,447,918)</u> | <u>(125,381)</u> | <u>(27,295,654)</u> | <u>84,955,309</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 139,062,917</u> | <u>\$ (737,425)</u> | <u>\$ (1,078,248)</u> | <u>\$ (50,090,010)</u> | <u>\$ 87,157,234</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| Unallocated | \$ 1,542,391 |
| Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets | <u>216,983</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 1,759,374</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

6) CAPITAL ASSETS – Continued

Business-type Activities:

| | |
|---|-------------------------|
| Water | \$ 601,064 |
| Sewer | 1,329,108 |
| Electric | 513,801 |
| Airport | <u>98,157</u> |
| Total Depreciation Expense - Business-type Activities | <u>\$ 2,542,130</u> |

Capital asset activity for the Successor Agency Private-purpose Trust Fund for the year ended June 30, 2016 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------------|-----------------|-------------------|
| Fiduciary Funds: | | | | |
| Capital Assets, Not Depreciated: | | | | |
| Land | \$ 528,300 | \$ - | \$ - | \$ 528,300 |
| Total Capital Assets, Not Depreciated | <u>528,300</u> | <u>-</u> | <u>-</u> | <u>528,300</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 656,818 | - | (724) | 656,094 |
| Total Capital Assets Being Depreciated | <u>656,818</u> | <u>-</u> | <u>(724)</u> | <u>656,094</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 218,856 | 21,870 | (192) | 240,534 |
| Total Accumulated Depreciation | <u>218,856</u> | <u>21,870</u> | <u>(192)</u> | <u>240,534</u> |
| Total Capital Assets Being Depreciated, Net | <u>437,962</u> | <u>(21,870)</u> | <u>(532)</u> | <u>415,560</u> |
| Fiduciary Funds Capital Assets, Net | <u>\$ 966,262</u> | <u>\$ (21,870)</u> | <u>\$ (532)</u> | <u>\$ 943,860</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|---------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| 1998 Refunding | \$ 220,000 | \$ - | \$ 220,000 | \$ - | \$ - |
| 2003 Refunding | 610,000 | - | 610,000 | - | - |
| Pension Obligation Bonds | 4,132,050 | 612,714 | 535,457 | 4,209,307 | 581,173 |
| Net Pension Liability | 11,744,456 | 5,983,248 | 1,342,913 | 16,384,791 | - |
| Compensated Absences | 1,528,451 | 1,256,417 | 1,219,359 | 1,565,509 | 893,092 |
| HUSD Capital Lease Payable | - | 1,968,378 | 100,371 | 1,868,007 | 108,859 |
| Successor Agency Payable | - | 2,100,000 | 102,528 | 1,997,472 | 102,784 |
| Capital Lease | 19,798 | - | 19,798 | - | - |
| OPEB | 421,000 | 37,000 | 18,000 | 440,000 | - |
| Governmental Activity Long-term Liabilities | <u>\$ 18,675,755</u> | <u>\$11,957,757</u> | <u>\$ 4,168,426</u> | <u>\$ 26,465,086</u> | <u>\$1,685,908</u> |
| | | | | | |
| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
| Business-type Activities: | | | | | |
| 2005 D – CSCDA Water/Wastewater | \$ 4,760,000 | \$ - | \$ 2,545,000 | \$ 2,215,000 | \$ 110,000 |
| 2006 Wastewater Bonds | 23,340,000 | - | 23,340,000 | - | - |
| HUSD Capital Lease Payable | 1,968,378 | - | 1,968,378 | - | - |
| 2014 Water Refunding Bonds | 7,595,000 | - | 430,000 | 7,165,000 | 449,000 |
| 2015 Wastewater Refunding Bonds | - | 26,625,000 | 1,110,000 | 25,515,000 | 885,000 |
| Premium on Bonds | - | 627,671 | 31,383 | 596,288 | - |
| Successor Agency Payable | 2,395,000 | - | 116,931 | 2,278,069 | 117,223 |
| Net Pension Liability | 5,968,575 | 3,361,578 | 2,700,480 | 6,629,673 | - |
| Pension Obligation Bonds | 3,265,250 | - | 912,057 | 2,353,193 | 324,927 |
| Business-type Activity Long-term Liabilities | <u>\$ 49,292,203</u> | <u>\$30,614,249</u> | <u>\$33,154,229</u> | <u>\$ 46,752,223</u> | <u>\$ 1,886,150</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

Governmental Activities:

A. General Obligation Refunding Bonds:

1998 General Obligation Refunding Bonds

In March 1998, the City issued \$2,675,000 in General Obligation Refunding Bonds to refund \$2,410,000 of outstanding 1990 Series B General Obligation Bonds, which were originally issued to provide for capital improvements. Interest on the 1998 bonds varies from 3.80% to 5.05% with semi-annual debt service payments on August 1 and February 1 of each year with principal maturing August 1, 1998 through August 1, 2015. Debt service payments are made from property tax levy authorized by the voters. The final debt service payment for these bonds was made during the year and there is no outstanding balance on the bonds as of June 30, 2016.

2003 General Obligation Refunding Bonds

In July 2003, the City issued \$3,620,000 in General Obligation Refunding Bonds to refund \$3,585,000 of outstanding 1998 General Obligation Bonds, which were originally issued to finance the construction of the police facilities. Interest on 2003 bonds varies from 2.5% to 3.6% with semi-annual debt service payments on August 1 and February 1 of each year with principal maturing August 1, 2004 through August 1, 2015. Debt service payments are made from property tax levy authorized by the voters. The final debt service payment for these bonds was made during the year and there is no outstanding balance on the bonds as of June 30, 2016.

B. Compensated Absences:

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

C. 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 (staff) 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. 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: \$4,209,307 in governmental activities, and \$2,353,193 in business-type activities.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

Future minimum debt service requirements for the Series A and B bonds are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 906,100 | \$ 259,944 | \$ 1,166,044 |
| 2018 | 981,800 | 222,277 | 1,204,077 |
| 2019 | 1,061,600 | 181,481 | 1,243,081 |
| 2020 | 1,145,700 | 137,392 | 1,283,092 |
| 2021 | 761,300 | 94,493 | 855,793 |
| 2022 | 821,300 | 62,279 | 883,579 |
| 2023 | 884,700 | 27,537 | 912,237 |
| Totals | <u>\$ 6,562,500</u> | <u>\$ 985,403</u> | <u>\$ 7,547,903</u> |

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, 2016 was \$5,007,245 and \$293,333, respectively.

The following represents the minimum required lease payments for the HUSD Capital Lease Payable:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 108,859 | \$ 43,234 | \$ 152,093 |
| 2018 | 114,050 | 40,622 | 154,672 |
| 2019 | 118,441 | 38,884 | 157,325 |
| 2020 | 124,105 | 36,042 | 160,147 |
| 2021 | 129,969 | 33,063 | 163,032 |
| 2022 | 136,228 | 29,944 | 166,172 |
| 2023 | 142,685 | 26,675 | 169,360 |
| 2024 | 149,540 | 23,250 | 172,790 |
| 2025 | 156,690 | 19,661 | 176,351 |
| 2026 | 164,138 | 15,901 | 180,039 |
| 2027 | 171,706 | 12,238 | 183,944 |
| 2028 | 179,717 | 8,340 | 188,057 |
| 2029 | 171,879 | 4,028 | 175,907 |
| Totals | <u>\$ 1,868,007</u> | <u>\$ 331,882</u> | <u>\$ 2,199,889</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

D. Successor Agency Payable

In 2008, the former Redevelopment Agency of the City of Healdsburg (RDA) loaned the City of Healdsburg (City) \$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, 2016, the amount due from the Electric Fund and Governmental Activities was \$2,278,069 and \$1,997,472. The Community Services Special Revenue fund is expected to be responsible for principal and interest payments for the portion related to Governmental Activities.

The following represents the minimum required loan repayments for the Successor Agency Payable:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 220,007 | \$ 10,689 | \$ 230,696 |
| 2018 | 220,558 | 10,139 | 230,697 |
| 2019 | 221,109 | 9,587 | 230,696 |
| 2020 | 221,662 | 9,035 | 230,697 |
| 2021 | 222,216 | 8,481 | 230,697 |
| 2022 | 222,771 | 7,925 | 230,696 |
| 2023 | 223,328 | 7,368 | 230,696 |
| 2024 | 223,887 | 6,810 | 230,697 |
| 2025 | 224,446 | 6,250 | 230,696 |
| 2026 | 225,007 | 5,689 | 230,696 |
| 2027 | 225,570 | 5,126 | 230,696 |
| 2028 | 226,134 | 4,562 | 230,696 |
| 2029 | 226,699 | 3,997 | 230,696 |
| 2030 | 227,266 | 3,430 | 230,696 |
| 2031 | 227,834 | 2,862 | 230,696 |
| 2032 | 228,404 | 2,293 | 230,697 |
| 2033 | 228,975 | 1,722 | 230,697 |
| 2034 | 229,547 | 1,149 | 230,696 |
| 2035 | 230,121 | 575 | 230,696 |
| Totals | <u>\$ 4,275,541</u> | <u>\$ 107,689</u> | <u>\$ 4,383,230</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

E. Other Post-employment Benefits (OPEB):

Plan Description:

The City provides post-employment health care benefits through a single employer defined benefit plan. At retirement, employees can elect to receive Blue Cross 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 the 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 45. 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 the City. The Plan does not provide a publicly available financial report.

Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the City, the City's Council, and/or the employee associations. The City is currently funding this OPEB obligation on a pay-as-you-go basis. For the fiscal year ended June 30, 2016, the City paid \$18,000 in health care costs for its retirees and their covered dependents.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed twenty four years. The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the net OPEB obligation to the Retiree Health Plan:

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

| | | |
|---|----|----------|
| Annual Required Contribution (ARC) | \$ | 56,000 |
| Interest on Net OPEB Obligation | | 16,000 |
| Adjustment to ARC | | (35,000) |
| Annual OPEB Cost | | 37,000 |
| Actual Contributions Made | | 18,000 |
| Increase in Net OPEB Obligation | | 19,000 |
| Net OPEB Obligation - Beginning of Year | | 421,000 |
| Net OPEB Obligation - End of Year | \$ | 440,000 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2016, 2015 and 2014 were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Actual Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------------|------------------------|---|---------------------------|
| 6/30/2014 | \$ 65,000 | \$ 22,000 | 33.85% | \$ 403,000 |
| 6/30/2015 | 36,000 | 18,000 | 50.00% | 421,000 |
| 6/30/2016 | 37,000 | 18,000 | 48.64% | 440,000 |

Funded Status and Funding Progress:

In the June 30, 2015 actuarial valuation, the plan was zero percent funded. The actuarial accrued liability for benefits was \$689,000, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$ 689,000. The covered payroll (annual payroll of active employees covered by the plan) was \$9,615,000 and the ratio of the UAL to the covered payroll was 7.17%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation, and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment interest rate of 4.0% per annum, a projected salary increase of 3.25% per annum and a general inflation rate of 3.0% per annum. Amortization was based on a level percent of payroll over a 24 year closed period.

Business-type Activities:

A. 2005 D CSCDA Water/Wastewater 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 B Water and Sewer CSDA Certificates, which were originally issued to finance sewer improvements. The proceeds were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1996 Sewer improvement Certificates and the 2000 B Water and Sewer CSDA Certificates. The refunded bonds are considered to be defeased and the liability has been removed from long-term debt. Interest on the 2005 bonds is payable semiannually, on April 1 and October 1, with the principal payments due annually on October 1 of each year. Net revenues of the water and wastewater utilities are pledged as security for the bonds.

In July 2015, the City issued the 2015 Wastewater Revenue Refunding Bonds, which defeased the remaining Sewer Bonds of the 2005 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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

The following represents the future minimum debt service requirements for the 2005 Water bonds:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 110,000 | \$ 99,295 | \$ 209,295 |
| 2018 | 115,000 | 94,850 | 209,850 |
| 2019 | 115,000 | 90,250 | 205,250 |
| 2020 | 120,000 | 85,475 | 205,475 |
| 2021 | 125,000 | 80,375 | 205,375 |
| 2022 | 130,000 | 74,988 | 204,988 |
| 2023 | 135,000 | 68,850 | 203,850 |
| 2024 | 145,000 | 61,850 | 206,850 |
| 2025 | 150,000 | 54,475 | 204,475 |
| 2026 | 160,000 | 46,725 | 206,725 |
| 2027 | 170,000 | 38,475 | 208,475 |
| 2028 | 170,000 | 30,294 | 200,294 |
| 2029 | 180,000 | 22,200 | 202,200 |
| 2030 | 190,000 | 13,644 | 203,644 |
| 2031 | 200,000 | 4,625 | 204,625 |
| Totals | <u>\$ 2,215,000</u> | <u>\$ 866,371</u> | <u>\$ 3,081,371</u> |

B. 2006 Wastewater Revenue Bonds

In June 2006, the Healdsburg Public Financing Authority issued \$26,150,000 in revenue bonds to finance improvements to the wastewater system of the City of Healdsburg consisting primarily of a new wastewater treatment plant and reservoir storage pond and related facilities. A portion of the proceeds was used to pay interest and cost of issuance on the bonds. Interest on the bonds is payable semi-annually on April 1 and October 1, commencing October 1, 2006, with principal payable annually, commencing April 11, 2011. Net revenues of the wastewater system are pledged as security for the bonds. In July 2015, the City issued the 2015 Wastewater Revenue Refunding Bonds, Series, which defeased the remaining 2006 Wastewater Revenue Bonds of \$23,340,000. The 2006 Wastewater Revenue 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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

C. 2014 Water Refunding Bonds

In February of 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.

As a result, the 2001 A and 2002 C bonds are considered defeased and the liability has been removed from these financial statements.

The following represents the future minimum debt service requirements for the 2014 Water Refunding Bonds:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ 449,000 | \$ 288,031 | \$ 737,031 |
| 2018 | 473,000 | 268,899 | 741,899 |
| 2019 | 496,000 | 248,793 | 744,793 |
| 2020 | 508,000 | 227,959 | 735,959 |
| 2021 | 531,000 | 206,400 | 737,400 |
| 2022 | 557,000 | 183,824 | 740,824 |
| 2023 | 583,000 | 160,169 | 743,169 |
| 2024 | 604,000 | 135,539 | 739,539 |
| 2025 | 462,000 | 113,420 | 575,420 |
| 2026 | 484,000 | 93,790 | 577,790 |
| 2027 | 347,000 | 76,547 | 423,547 |
| 2028 | 253,000 | 64,097 | 317,097 |
| 2029 | 262,000 | 53,411 | 315,411 |
| 2030 | 270,000 | 42,371 | 312,371 |
| 2031 | 284,000 | 30,876 | 314,876 |
| 2032 | 297,000 | 18,820 | 315,820 |
| 2033 | 305,000 | 6,329 | 311,329 |
| Totals | <u>\$ 7,165,000</u> | <u>\$ 2,219,275</u> | <u>\$ 9,384,275</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

D. 2015 Wastewater Revenue Refunding Bonds, Series A

In July of 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. As a result, the 2005 and 2006 bonds are considered defeased and the liability has been removed from these financial statements.

The City refunded the 2005 CSDA Sewer Bonds and 2006 Wastewater Revenue bonds to reduce total debt service by approximately \$3,470,295, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,231,302.

The following represents the future minimum debt service requirements for the 2015 Wastewater Revenue Refunding Bonds:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ 885,000 | \$ 908,525 | \$ 1,793,525 |
| 2018 | 910,000 | 881,600 | 1,791,600 |
| 2019 | 940,000 | 853,850 | 1,793,850 |
| 2020 | 975,000 | 820,250 | 1,795,250 |
| 2021 | 1,015,000 | 780,450 | 1,795,450 |
| 2022 | 1,055,000 | 739,050 | 1,794,050 |
| 2023 | 1,095,000 | 696,050 | 1,791,050 |
| 2024 | 1,140,000 | 651,350 | 1,791,350 |
| 2025 | 1,190,000 | 604,750 | 1,794,750 |
| 2026 | 1,235,000 | 556,250 | 1,791,250 |
| 2027 | 1,290,000 | 505,750 | 1,795,750 |
| 2028 | 1,335,000 | 459,925 | 1,794,925 |
| 2029 | 1,375,000 | 418,416 | 1,793,416 |
| 2030 | 1,420,000 | 373,856 | 1,793,856 |
| 2031 | 1,470,000 | 325,975 | 1,795,975 |
| 2032 | 1,520,000 | 274,569 | 1,794,569 |
| 2033 | 1,575,000 | 219,422 | 1,794,422 |
| 2034 | 1,635,000 | 160,219 | 1,795,219 |
| 2035 | 1,695,000 | 97,781 | 1,792,781 |
| 2036 | 1,760,000 | 33,000 | 1,793,000 |
| Totals | <u>\$ 25,515,000</u> | <u>\$ 10,361,038</u> | <u>\$ 35,876,038</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

Fiduciary Fund Long-term Liabilities:

Long-term liabilities of the former Healdsburg Redevelopment Agency were transferred to the Successor Agency Private-purpose Trust Fund during 2011-12 as a result of the State’s action to dissolve redevelopment agencies. The following is a schedule of changes in long-term debt of the Successor Agency for the fiscal year ended June 30, 2016:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|-----------------------|----------------------|-------------|---------------------|----------------------|------------------------|
| Tax Allocation Bonds: | | | | | |
| 2002 Series B | \$ 1,370,000 | \$ - | \$ 55,000 | \$ 1,315,000 | \$ 55,000 |
| 2010 Series | 20,435,000 | - | 165,000 | 20,270,000 | 330,000 |
| 2014 Series A | 10,318,900 | - | 460,600 | 9,858,300 | 473,200 |
| 2014 Series B | 4,059,700 | - | 178,800 | 3,880,900 | 187,900 |
| 2015 Series A | 9,568,200 | - | 351,600 | 9,216,600 | 405,900 |
| 2015 Series B | 4,750,800 | - | 185,300 | 4,565,500 | 212,200 |
| Total | <u>\$ 50,502,600</u> | <u>\$ -</u> | <u>\$ 1,396,300</u> | <u>\$ 49,106,300</u> | <u>\$ 1,664,200</u> |

Tax Allocation Bonds:

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 Alliance Medical Clinic, which the Agency determined is a benefit to the Sotoyome Project Area. Interest on the bonds is at 4.75% with semiannual debt service payments due February 1 and August 1, with principal maturing annually August 1, 2005 through 2031. Debt service payments will be made from tax increment revenue received by the Trust.

Future debt service on these bonds is as follows:

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 55,000 | \$ 61,156 | \$ 116,156 |
| 2018 | 60,000 | 58,425 | 118,425 |
| 2019 | 60,000 | 55,575 | 115,575 |
| 2020 | 65,000 | 52,606 | 117,606 |
| 2021 | 70,000 | 49,400 | 119,400 |
| 2022 | 70,000 | 46,075 | 116,075 |
| 2023 | 75,000 | 42,631 | 117,631 |
| 2024 | 80,000 | 38,950 | 118,950 |
| 2025 | 80,000 | 35,150 | 115,150 |
| 2026 | 85,000 | 31,231 | 116,231 |
| 2027 | 90,000 | 27,075 | 117,075 |
| 2028 | 95,000 | 22,681 | 117,681 |
| 2029 | 100,000 | 18,050 | 118,050 |
| 2030 | 105,000 | 13,181 | 118,181 |
| 2031 | 110,000 | 8,075 | 118,075 |
| 2032 | 115,000 | 2,731 | 117,731 |
| Totals | <u>\$ 1,315,000</u> | <u>\$ 562,992</u> | <u>\$ 1,877,992</u> |

B. 2010 Series

On December 16, 2010 the Agency issued \$21,065,000 of Tax Allocation Bonds. The bonds were issued to: 1) refund the outstanding balance of the 1995 Tax Allocation Bonds in the amount of \$2,790,000, 2) finance improvements within the Sotoyome Project Area, 3) fund a reserve account, 4) fund a capitalized interest amount, and 5) pay costs of issuance. The issue consists of \$5.26 million in Serial bonds maturing August 1, 2011 through August 1, 2023 with interest rates ranging from 2%-4.625%. There is also \$15.805 million in term bonds maturing on August 1, 2025, 2030, and 2034 at interest rates ranging from 5.00%-5.375%. Serial bonds maturing after August 1, 2020 are subject to optional redemption. Term bonds maturing in 2025, 2030, and 2034 are subject to mandatory redemption from sinking fund payments made. The bonds are secured by a pledge and lien of the Agency's tax increment revenue.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

Future debt service requirements on these bonds are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2017 | \$ 330,000 | \$ 1,015,950 | \$ 1,345,950 |
| 2018 | 395,000 | 1,004,581 | 1,399,581 |
| 2019 | 460,000 | 988,963 | 1,448,963 |
| 2020 | 535,000 | 969,063 | 1,504,063 |
| 2021 | 610,000 | 946,163 | 1,556,163 |
| 2022 | 670,000 | 919,726 | 1,589,726 |
| 2023 | 710,000 | 889,513 | 1,599,513 |
| 2024 | 755,000 | 856,078 | 1,611,078 |
| 2025 | 800,000 | 818,619 | 1,618,619 |
| 2026 | 850,000 | 777,369 | 1,627,369 |
| 2027 | 660,000 | 738,794 | 1,398,794 |
| 2028 | 705,000 | 702,963 | 1,407,963 |
| 2029 | 750,000 | 664,768 | 1,414,768 |
| 2030 | 800,000 | 624,081 | 1,424,081 |
| 2031 | 855,000 | 580,638 | 1,435,638 |
| 2032 | 910,000 | 533,737 | 1,443,737 |
| 2033 | 2,995,000 | 428,790 | 3,423,790 |
| 2034 | 3,155,000 | 263,510 | 3,418,510 |
| 2035 | 3,325,000 | 89,359 | 3,414,359 |
| Totals | <u>\$ 20,270,000</u> | <u>\$ 13,812,665</u> | <u>\$ 34,082,665</u> |

C. 2014 Series A and B

In May of 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 of 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 and the liability has been removed from these financial statements.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

Interest on the bonds is set at 3.4% with semi-annual debt service payments due on February 1 and August 1 of each year, with principal maturing annually August 1, 2014 through 2031. Debt service payments will be made from tax increment revenue received by the Trust.

The following represents the future minimum debt service requirements for the 2014 Tax Allocation Bonds:

Tax Allocation Bonds - Series 2014 A

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|----------------------|
| 2017 | \$ 473,200 | \$ 327,138 | \$ 800,338 |
| 2018 | 488,600 | 310,787 | 799,387 |
| 2019 | 508,400 | 293,838 | 802,238 |
| 2020 | 522,700 | 276,310 | 799,010 |
| 2021 | 541,500 | 258,218 | 799,718 |
| 2022 | 559,600 | 239,499 | 799,099 |
| 2023 | 577,200 | 220,174 | 797,374 |
| 2024 | 599,000 | 200,178 | 799,178 |
| 2025 | 619,400 | 179,466 | 798,866 |
| 2026 | 639,000 | 158,073 | 797,073 |
| 2027 | 662,600 | 135,946 | 798,546 |
| 2028 | 685,300 | 113,031 | 798,331 |
| 2029 | 707,000 | 89,362 | 796,362 |
| 2030 | 732,600 | 64,889 | 797,489 |
| 2031 | 757,000 | 39,566 | 796,566 |
| 2032 | 785,200 | 13,348 | 798,548 |
| Totals | <u>\$ 9,858,300</u> | <u>\$ 2,919,823</u> | <u>\$ 12,778,123</u> |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

Tax Allocation Bonds - Series 2014 B

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ 187,900 | \$ 128,756 | \$ 316,656 |
| 2018 | 191,000 | 122,315 | 313,315 |
| 2019 | 199,000 | 115,685 | 314,685 |
| 2020 | 206,800 | 108,786 | 315,586 |
| 2021 | 214,300 | 101,628 | 315,928 |
| 2022 | 221,600 | 94,217 | 315,817 |
| 2023 | 228,600 | 86,564 | 315,164 |
| 2024 | 235,400 | 78,676 | 314,076 |
| 2025 | 241,600 | 70,567 | 312,167 |
| 2026 | 252,500 | 62,167 | 314,667 |
| 2027 | 263,100 | 53,403 | 316,503 |
| 2028 | 268,200 | 44,370 | 312,570 |
| 2029 | 277,900 | 35,086 | 312,986 |
| 2030 | 287,300 | 25,478 | 312,778 |
| 2031 | 296,100 | 15,560 | 311,660 |
| 2032 | 309,600 | 5,263 | 314,863 |
| Totals | <u>\$ 3,880,900</u> | <u>\$ 1,148,521</u> | <u>\$ 5,029,421</u> |

D. 2015 Series A and B

In January of 2015, the Successor Agency issued \$9,568,200 in 2015 Tax Allocation Refunding Bonds, Series A, to refund the outstanding 2003 Tax Allocation Bonds, Series A (current refunding). Proceeds from the 2015 Series A bonds were used to refund in full the 2003 Series A bonds, to establish a reserve fund, and to pay costs of issuance. As a result, the 2003 Series A bonds are considered defeased and the liability has been removed from these financial statements.

In January of 2015, the Successor Agency issued \$4,750,800 in 2015 Tax Allocation Refunding Bonds, Series B, to refund the outstanding 2003 Tax Allocation Bonds, Series B (current refunding). Proceeds from the 2015 Series B bonds were used to refund in full the 2003 Series B bonds, to establish a reserve fund, and to pay costs of issuance. As a result, the 2003 Series B bonds are considered defeased and the liability has been removed from these financial statements.

Interest on the 2015 bonds is set at 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. Debt service payments will be made from tax increment revenue received by the Trust.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

The following represents the future minimum debt service requirements for the 2015 Tax Allocation Refunding Bonds:

Tax Allocation Bonds - Series 2015 A

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|----------------------|
| 2017 | \$ 405,900 | \$ 383,080 | \$ 788,980 |
| 2018 | 412,700 | 365,685 | 778,385 |
| 2019 | 424,200 | 347,901 | 772,101 |
| 2020 | 435,300 | 329,636 | 764,936 |
| 2021 | 441,100 | 311,013 | 752,113 |
| 2022 | 455,700 | 291,956 | 747,656 |
| 2023 | 464,700 | 272,397 | 737,097 |
| 2024 | 468,200 | 252,573 | 720,773 |
| 2025 | 481,300 | 232,396 | 713,696 |
| 2026 | 493,800 | 211,675 | 705,475 |
| 2027 | 740,500 | 185,447 | 925,947 |
| 2028 | 762,600 | 153,506 | 916,106 |
| 2029 | 788,200 | 120,551 | 908,751 |
| 2030 | 807,400 | 86,645 | 894,045 |
| 2031 | 830,300 | 51,844 | 882,144 |
| 2032 | 804,700 | 17,100 | 821,800 |
| Totals | \$ 9,216,600 | \$ 3,613,405 | \$ 12,830,005 |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM LIABILITIES – Continued

Tax Allocation Bonds - Series 2015 B

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ 212,200 | \$ 189,525 | \$ 401,725 |
| 2018 | 225,600 | 180,221 | 405,821 |
| 2019 | 233,600 | 170,463 | 404,063 |
| 2020 | 241,500 | 160,367 | 401,867 |
| 2021 | 249,000 | 149,944 | 398,944 |
| 2022 | 255,900 | 139,215 | 395,115 |
| 2023 | 267,500 | 128,093 | 395,593 |
| 2024 | 273,700 | 116,592 | 390,292 |
| 2025 | 289,500 | 104,624 | 394,124 |
| 2026 | 294,800 | 92,208 | 387,008 |
| 2027 | 304,800 | 79,467 | 384,267 |
| 2028 | 319,200 | 66,207 | 385,407 |
| 2029 | 328,000 | 52,454 | 380,454 |
| 2030 | 341,200 | 38,233 | 379,433 |
| 2031 | 353,800 | 23,464 | 377,264 |
| 2032 | 375,200 | 7,973 | 383,173 |
| Totals | <u>\$ 4,565,500</u> | <u>\$ 1,699,050</u> | <u>\$ 6,264,550</u> |

8) EMPLOYEES' RETIREMENT PLAN

General Information about the Defined Benefit Pension Plan

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors six rate plans (three miscellaneous and three safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

8) EMPLOYEES' RETIREMENT PLAN – Continued

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2014 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2014 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

| | Miscellaneous Classic Members | Miscellaneous 2nd Tier | Miscellaneous PEPRA |
|---|----------------------------------|----------------------------------|--------------------------------|
| | Prior to December 16, 2012 | On or after December 16, 2012 | On or after January 1, 2013 |
| Hire date | | | |
| Benefit formula | 2.5% @ 55 single highest year | 2% @ 60 36 month average | 2% @ 62 36 month average |
| 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% | 6.5% |
| Required employer contribution rates | 10.612% + \$723,489 | 7.510% | 6.730% |
| | Safety | Safety Fire Tier II | Safety PEPRA |
| | Prior to January 1, 2013 | On or after December 16, 2012 | On or after January 1, 2013 |
| Hire date | | | |
| Benefit formula | 3% @ 50 single highest year | 2.0% @ 50 36 month average | 2.7% @ 57 36 month average |
| 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 | 50 | 50 | 57 |
| Monthly benefits, as a % of eligible compensation | 3% | 2.0% | 2.7% |
| Required employee contribution rates | 9% | 9% | 11.5% |
| Required employer contribution rates | 18.524% + \$342,563 | 13.813% | 11.153% |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

8) EMPLOYEES' RETIREMENT PLAN – Continued

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 Plan 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.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$1,028,192 in fiscal year 2016.

The City's contributions to the Plan for the year ended June 30, 2016 were \$2,208,239.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the City reported a liability of \$23,014,464 for its proportionate share of the net pension liability. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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 as of June 30, 2014 and 2015 was as follows:

| | |
|------------------------------|----------|
| Proportion - June 30, 2014 | 0.28460% |
| Proportion - June 30, 2015 | 0.33530% |
| Change - Increase (Decrease) | 0.05070% |

For the year ended June 30, 2016, the City recognized pension expense of \$1,098,792. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

8) EMPLOYEES' RETIREMENT PLAN – Continued

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 2,208,239 | \$ - |
| Differences between actual and expected experience | 68,707 | 84,049 |
| Changes in assumptions | - | 1,036,607 |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 1,349,436 | 1,071,208 |
| Net differences between projected and actual earnings on plan investments | - | 521,787 |
| Total | \$ 3,626,382 | \$ 2,713,651 |

The \$2,208,239 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ending June 30, | |
|-------------------------|--------------|
| 2017 | \$ (801,720) |
| 2018 | (915,396) |
| 2019 | (521,420) |
| 2020 | 943,028 |
| 2021 | - |
| Thereafter | - |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

8) EMPLOYEES' RETIREMENT PLAN – Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---------------------------|------------------|
| Valuation date | June 30, 2014 |
| Measurement date | June 30, 2015 |
| Actuarial cost method | entry-age normal |
| Actuarial assumptions: | |
| Discount rate | 7.65% |
| Inflation | 2.75% |
| Payroll growth | 3.00% |
| Projected salary increase | (1) |
| Investment rate of return | 7.65% |
| Mortality | (2) |

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

(2) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Change of Assumptions - GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

8) EMPLOYEES' RETIREMENT PLAN – Continued

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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.

The table below reflects the 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 rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10 (1) | Real Return Years 11+ (2) |
|-------------------------------|-----------------------------|---------------------------------|------------------------------|
| Global Equity | 51% | 5.25% | 5.71% |
| Global Fixed Income | 19% | 0.99% | 2.43% |
| Inflation Sensitive | 6% | 0.45% | 3.36% |
| Private Equity | 10% | 6.83% | 6.95% |
| Real Estate | 10% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2% | 4.50% | 5.09% |
| Liquidity | 2% | -0.55% | -1.05% |

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

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

8) EMPLOYEES' RETIREMENT PLAN – Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | | |
|-----------------------|----|------------|
| 1% Decrease | | 6.65% |
| Net Pension Liability | \$ | 38,010,957 |
| | | |
| Current Discount Rate | | 7.65% |
| Net Pension Liability | \$ | 23,014,464 |
| | | |
| 1% Increase | | 8.65% |
| Net Pension Liability | \$ | 10,660,134 |

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

Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

9) NET POSITION AND FUND BALANCES

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.

A. Net Position

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

Net Investment in Capital Assets describes the portion of net position 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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

9) NET POSITION AND FUND BALANCES – Continued

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.

B. 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 below.

| | General Fund | Community Services Special Revenue Fund | Miscellaneous Projects Fund | Streets Fund | Total Non-major Governmental Funds | Total Governmental Funds |
|----------------------------|----------------------|---|--------------------------------|-------------------|---|--------------------------------|
| Nonspendable: | | | | | | |
| Prepaid Expenditures | \$ 5,628 | \$ | \$ | \$ | \$ | \$ 5,628 |
| Inventory | | | | 19,886 | | 19,886 |
| Cultural Trust | | | | | 69,980 | 69,980 |
| Restricted for: | | | | | | |
| Fire Facilities | 166,155 | | | | | 166,155 |
| Pension Rate Stabilization | 2,597,673 | 248,260 | | 96,651 | | 2,942,584 |
| Low Income Housing | | | | | 5,773,083 | 5,773,083 |
| Community Development | | | | | 13,940 | 13,940 |
| Landscaping and Lighting | | | | | 274,729 | 274,729 |
| Law Enforcement | | | | | 224,038 | 224,038 |
| Parks and Recreation | | 2,212,252 | | | 325,112 | 2,537,364 |
| Road Improvements | | | 9,552,607 | 317,659 | 1,447,826 | 11,318,092 |
| Committed to: | | | | | | |
| Debt Service | | | | | 143,093 | 143,093 |
| Assigned to: | | | | | | |
| Equipment Replacement | 1,905,054 | | | | | 1,905,054 |
| Economic Development | 368,831 | | | | | 368,831 |
| Unassigned: | 8,048,884 | | | | (14,638) | 8,034,246 |
| Total Fund Balance | \$ 13,092,225 | \$ 2,460,512 | \$ 9,552,607 | \$ 434,196 | \$ 8,257,163 | \$ 33,796,703 |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

10) 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 eleven 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.

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

10) NORTHERN CALIFORNIA POWER AGENCY – Continued

NCPA amounts paid by the City to NCPA during the year ending June 30, 2016 were \$6.04 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 \$5.7 million as of June 30, 2016. The most recent estimated funding recommended by NCPA equaled \$1.3 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.

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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

10) NORTHERN CALIFORNIA POWER AGENCY – Continued

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 Condensed Financial Information

The information below summarizes NCPA's audited financial statements as of and for the fiscal year ending June 30, 2016 (in thousands), which is the latest information available:

| | |
|--|--------------|
| Total Assets and Deferred Outflows | \$ 1,197,010 |
| Total Liabilities and Deferred Inflows | 1,169,047 |
| Long-term Debt | 776,982 |
| Net Position | 27,963 |
| Revenues | 462,239 |
| Expenses (including refunds) | 464,267 |
| Increase in Net Position | (2,028) |

11) Risk Management

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

Redwood Empire Municipal Insurance Fund (REMIF) is a governmental self-insurance cooperative organized under a joint powers agreement by certain California cities to provide liability coverage to its members as allowed under the California Government Code. REMIF is a "risk sharing pool", which pools risks and funds and which shares in the cost of losses. REMIF provides and administers liability coverage programs for seven member and eight associate member cities. Members and associate members have the option with approval by the Board of Directors, of participating in any or all of seven programs which provide workers' compensation, general liability, property, auto physical damage, fidelity employee bonding, dental, and vision insurance. There are a number of programs that are funded on a pass-through basis including, employee assistance plan coverage, life and long term disability insurance, boiler and machinery coverage, and difference in condition (flood and earthquake) coverage.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

11) Risk Management – Continued

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

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

The City's general liability and workers' compensation claims are covered as a member of REMIF. REMIF has a risk sharing arrangement for each insurance program. Each member participating in each program assumes its own losses up to its retention level. The City has a \$5,000 retention level for general liability and workers' compensation. The excess amounts are presently insured to statutory requirements of the State of California for workers' compensation and \$10,000,000 for general liability through a pooled program. Each program's pool is funded by all of the members participating in that program through cash premiums. Excess losses up to the state limits are covered by commercial carriers or other agencies, which REMIF contracts for that purpose. Losses exceeding these excess coverage limits for each program are the responsibility of the individual member for which the loss or claim originated. Claims have not exceeded insurance coverage amounts over the last three fiscal years and there has been no reduction in insurance coverage since the last fiscal year.

Changes in the Internal Service Funds claims liabilities amounts in fiscal year 2016 and 2015 were as follows:

| | 2016 | 2015 |
|-----------------------------------|-----------|-----------|
| Balance, Beginning of Fiscal Year | \$ 17,478 | \$ 62,822 |
| Claims and Adjustments | 40,000 | 54,999 |
| Claims Payments | (13,754) | (100,343) |
| Balance, End of Fiscal Year | \$ 43,724 | \$ 17,478 |

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2016

12) COMMITMENTS AND CONTINGENCIES

There are pending claims and litigation against the City, which are considered normal to the City's operation. City management is of the opinion that potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City beyond funded reserves. In addition, the City received a claim seeking \$1 Million in damages related to a complaint for slander of title claim. The probability of loss, if any, from this claim has not been determined and therefore, no accrual for this claim has been made in the City's financial statements.

The City has entered into long-term electric power purchase generation assets and electric transmission contracts. These contracts were entered into by NCPA on behalf of various members (see Note 10) 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, 2016 was \$13.1 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.

California-Oregon Transmission Project

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

Western Area Power Administration

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

Construction Commitments

The estimated amount of remaining construction contract obligations at year-end is \$12,389,407.

REQUIRED SUPPLEMENTARY INFORMATION

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|----------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 3,102,794 | \$ 3,102,794 | \$ 3,782,194 | \$ 679,400 |
| Sales and Other Taxes | 7,472,216 | 7,472,216 | 7,688,844 | 216,628 |
| Charges for Services | 483,000 | 633,000 | 939,575 | 306,575 |
| Fines and Forfeitures | 54,000 | 54,000 | 104,320 | 50,320 |
| Licenses and Permits | 522,500 | 915,500 | 898,816 | (16,684) |
| Development Fees | 8,000 | 8,000 | 21,660 | 13,660 |
| Intergovernmental | 140,060 | 140,060 | 1,088 | (138,972) |
| Investment Earnings | 101,000 | 101,000 | 239,458 | 138,458 |
| Other Revenues | 178,000 | 178,000 | 572,150 | 394,150 |
| Total Revenues | 12,061,570 | 12,604,570 | 14,248,105 | 1,643,535 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 1,480,080 | 1,883,964 | 2,211,521 | (327,557) |
| Public Safety | 7,526,872 | 7,181,971 | 7,331,089 | (149,118) |
| Planning and Building | 1,476,184 | 1,495,440 | 1,548,403 | (52,963) |
| Total Expenditures | 10,483,136 | 10,561,375 | 11,091,013 | (529,638) |
| Excess (Deficiency) of Revenues over Expenditures | 1,578,434 | 2,043,195 | 3,157,092 | 1,113,897 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | - | 50,000 | 2,089,496 | 2,039,496 |
| Transfers Out | (4,102,175) | (4,722,743) | (3,584,898) | 1,137,845 |
| Total Other Financing Sources (Uses) | (4,102,175) | (4,672,743) | (1,495,402) | 3,177,341 |
| Net Change in Fund Balances | (2,523,741) | (2,629,548) | 1,661,690 | 4,291,238 |
| Fund Balance, Beginning of Year | 11,430,535 | 11,430,535 | 11,430,535 | - |
| Fund Balance, End of Year | \$ 8,906,794 | \$ 8,800,987 | \$ 13,092,225 | \$ 4,291,238 |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Community Services Special Revenue Fund
Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Sales and Other Taxes | \$ 2,552,040 | \$ 2,552,040 | \$ 2,568,080 | \$ 16,040 |
| Charges for Services | 640,799 | 640,799 | 930,296 | 289,497 |
| Intergovernmental | 384,066 | 384,066 | 244,894 | (139,172) |
| Investment Earnings | - | - | 35,235 | 35,235 |
| Successor Agency Bond Contributions | 1,527,405 | 1,527,405 | - | (1,527,405) |
| Other Revenues | 4,500 | 4,500 | 72,696 | 68,196 |
| Total Revenues | <u>5,108,810</u> | <u>5,108,810</u> | <u>3,851,201</u> | <u>(1,257,609)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Services | 3,508,213 | 3,307,684 | 3,039,936 | 267,748 |
| Capital Outlay | - | - | 241,908 | (241,908) |
| Total Expenditures | <u>3,508,213</u> | <u>3,307,684</u> | <u>3,281,844</u> | <u>25,840</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,600,597</u> | <u>1,801,126</u> | <u>569,357</u> | <u>(1,231,769)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 2,601 | 2,398,379 | 2,395,778 |
| Transfers Out | (238,925) | (480,370) | (507,224) | (26,854) |
| Total Other Financing Sources (Uses) | <u>(238,925)</u> | <u>(477,769)</u> | <u>1,891,155</u> | <u>2,368,924</u> |
| Net Change in Fund Balance | 1,361,672 | 1,323,357 | 2,460,512 | 1,137,155 |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 1,361,672</u> | <u>\$ 1,323,357</u> | <u>\$ 2,460,512</u> | <u>\$ 1,137,155</u> |

City of Healdsburg
Required Supplementary Information
Year Ended June 30, 2016

SCHEDULE OF FUNDING PROGRESS FOR OPEB

(Amounts in Thousands)

| Valuation Type | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-------------------|--------------------------------|---------------------------------|-----------------------------------|---------------------------|-----------------|--------------------|--|
| Actuarial | 6/30/2009 | \$ - | \$ 1,851 | \$ 1,851 | 0% | \$ 11,699 | 15.82% |
| Actuarial | 6/30/2012 | - | 924 | 924 | 0% | 9,676 | 9.55% |
| Actuarial | 6/30/2015 | - | 689 | 689 | 0% | 9,615 | 7.17% |

City of Healdsburg
Required Supplementary Information
Year Ended June 30, 2016

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last 10 Years***

| | Measurement Period | |
|--|--------------------|---------------|
| | 2015 | 2014 |
| Proportion of the Net Pension Liability | 0.33530% | 0.28460% |
| Proportionate Share of Net Pension Liability | \$ 23,014,464 | \$ 17,713,031 |
| Covered - Employee Payroll | \$ 8,299,645 | \$ 7,808,757 |
| Proportionate Share of the Net Pension Liability as a percentage of Payroll | 277.29% | 226.84% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.62% | 82.46% |

Notes to the Schedule of the City's Proportionate Share of the Net Pension Liability

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 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: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information are available.

City of Healdsburg
Required Supplementary Information
Year Ended June 30, 2016

SCHEDULE OF PLAN CONTRIBUTIONS
Last 10 Years*

| | 2016 | 2015 |
|---|--------------|--------------|
| Contractually Required Contributions (actuarially determined) \$ | 2,208,239 | \$ 1,707,064 |
| Contributions in Relation to the Actuarially Determined Contributions | (2,208,239) | (1,707,064) |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| Covered-Employee Payroll | \$ 9,243,834 | \$ 8,299,645 |
| Contributions as a Percentage of Covered Employee Payroll | 23.89% | 20.57% |

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2014

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information are available.

City of Healdsburg
Notes to Required Supplementary Information
Year Ended June 30, 2016

Budgetary Information

Annual budgets are adopted for all governmental fund types except capital projects funds on a basis consistent with accounting principles generally accepted in the United States of America. The City's budget ordinance requires that in June of each fiscal year the City Manager submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council. After adoption of the final budget, transfers of appropriations within a general fund department, or within other funds, can be made by the City Manager. Budget modifications between funds; increases or decreases to a fund's overall budget; transfers between general fund departments; or transfers that affect capital projects, must be approved by the City Council. Numerous properly authorized amendments are made during the fiscal year.

SUPPLEMENTARY INFORMATION

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Streets Capital Projects Fund
Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-----------------------|-----------------------|--------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for Services | \$ 727,000 | \$ 727,000 | \$ 864,872 | \$ 137,872 |
| Development Fees | 60,000 | 60,000 | 231,338 | 171,338 |
| Intergovernmental | 9,181,000 | 9,400,510 | 3,954,797 | (5,445,713) |
| Investment Earnings | - | - | 22,731 | 22,731 |
| Successor Agency Bond Contributions | 1,080,000 | 1,745,000 | 2,742,542 | 997,542 |
| Other Revenues | - | - | 27,583 | 27,583 |
| | <u>11,048,000</u> | <u>11,932,510</u> | <u>7,843,863</u> | <u>(4,088,647)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Streets and Roads | 14,775,446 | 27,046,141 | 10,745,744 | 16,300,397 |
| Debt Service: | | | | |
| Interest Expense | - | - | 18,520 | (18,520) |
| | <u>14,775,446</u> | <u>27,046,141</u> | <u>10,764,264</u> | <u>16,281,877</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(3,727,446)</u> | <u>(15,113,631)</u> | <u>(2,920,401)</u> | <u>12,193,230</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 1,958,500 | 13,370,445 | 3,393,060 | (9,977,385) |
| Transfers Out | - | - | (38,463) | (38,463) |
| | <u>1,958,500</u> | <u>13,370,445</u> | <u>3,354,597</u> | <u>(10,015,848)</u> |
| Net Change in Fund Balance | (1,768,946) | (1,743,186) | 434,196 | 2,177,382 |
| Fund Balance, Beginning of Year | - | - | - | - |
| Fund Balance, End of Year | <u>\$ (1,768,946)</u> | <u>\$ (1,743,186)</u> | <u>\$ 434,196</u> | <u>\$ 2,177,382</u> |

City of Healdsburg
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2016

| | Special Revenue | | | | |
|---|---------------------|------------------|---|-------------------|--|
| | Gas Tax | North Area | Benjamin Way Maintenance District | Public Safety | Strong Motion Education and Data |
| ASSETS | | | | | |
| Cash and Investments | \$ 1,472,392 | \$ 361 | \$ 7,287 | \$ 238,653 | \$ 1,739 |
| Cash and Investments with Fiscal Agent | - | - | - | - | - |
| Receivables: | | | | | |
| Accounts | - | 54,600 | - | - | - |
| Taxes | - | - | - | - | - |
| Notes | - | - | - | - | - |
| Interest | 2,285 | 1 | 11 | - | 3 |
| Due from Other Governments | - | - | - | - | - |
| Total Assets | \$ 1,474,677 | \$ 54,962 | \$ 7,298 | \$ 238,653 | \$ 1,742 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 26,851 | \$ - | \$ - | \$ - | \$ - |
| Deposits Payable | - | - | - | 14,615 | - |
| Due to Other Funds | - | 15,000 | - | - | - |
| Unearned Revenue | - | - | - | - | - |
| Total Liabilities | 26,851 | 15,000 | - | 14,615 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenues - Grants | - | 54,600 | - | - | - |
| Unavailable Revenues - Interest Receivable | - | - | - | - | - |
| Total Deferred Inflows of Resources | - | 54,600 | - | - | - |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 1,447,826 | - | 7,298 | 224,038 | 1,742 |
| Committed | - | - | - | - | - |
| Unassigned | - | (14,638) | - | - | - |
| Total Fund Balances | 1,447,826 | (14,638) | 7,298 | 224,038 | 1,742 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1,474,677 | \$ 54,962 | \$ 7,298 | \$ 238,653 | \$ 1,742 |

| Area A Lighting and Landscaping | Special Revenue | | | General Debt Service | Permanent Fund | Total Non-major Funds |
|---------------------------------------|-----------------|-----------------------------|--------------------------------|----------------------------|-------------------|-----------------------------|
| | Media Center | Park Development Fees | Housing Successor Agency | | Cultural Trust | |
| \$ 269,291 | \$ - | \$ 324,608 | \$ 282,644 | \$ 105,941 | \$ 74,764 | \$ 2,777,680 |
| - | - | - | - | - | - | - |
| - | 9,854 | - | - | - | - | 64,454 |
| 8,659 | - | - | - | 36,988 | - | 45,647 |
| - | - | - | 6,568,133 | - | - | 6,568,133 |
| 421 | - | 504 | 439 | 164 | 116 | 3,944 |
| - | - | - | - | - | - | - |
| <u>\$ 278,371</u> | <u>\$ 9,854</u> | <u>\$ 325,112</u> | <u>\$ 6,851,216</u> | <u>\$ 143,093</u> | <u>\$ 74,880</u> | <u>\$ 9,459,858</u> |
| \$ 3,642 | \$ 9,854 | \$ - | \$ - | \$ - | \$ - | \$ 40,347 |
| - | - | - | 10,000 | - | - | 24,615 |
| - | - | - | - | - | - | 15,000 |
| - | - | - | - | - | - | - |
| <u>3,642</u> | <u>9,854</u> | <u>-</u> | <u>10,000</u> | <u>-</u> | <u>-</u> | <u>79,962</u> |
| - | - | - | - | - | - | 54,600 |
| - | - | - | 1,068,133 | - | - | 1,068,133 |
| - | - | - | 1,068,133 | - | - | 1,122,733 |
| - | - | - | - | - | 69,980 | 69,980 |
| 274,729 | - | 325,112 | 5,773,083 | - | 4,900 | 8,058,728 |
| - | - | - | - | 143,093 | - | 143,093 |
| - | - | - | - | - | - | (14,638) |
| <u>274,729</u> | <u>-</u> | <u>325,112</u> | <u>5,773,083</u> | <u>143,093</u> | <u>74,880</u> | <u>8,257,163</u> |
| <u>\$ 278,371</u> | <u>\$ 9,854</u> | <u>\$ 325,112</u> | <u>\$ 6,851,216</u> | <u>\$ 143,093</u> | <u>\$ 74,880</u> | <u>\$ 9,459,858</u> |

City of Healdsburg
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year Ended June 30, 2016

| | Special Revenue | | | | |
|--|---------------------|--------------------|---|-------------------|--|
| | Gas Tax | North Area | Benjamin Way Maintenance District | Public Safety | Strong Motion Education and Data |
| REVENUES | | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for Services | - | - | - | - | 390 |
| Fines and Forfeitures | - | - | - | 16,867 | - |
| Development Fees | - | - | - | - | - |
| Intergovernmental | 261,295 | - | - | 13 | - |
| Investment Earnings | 10,419 | 3 | 47 | (284) | 12 |
| Successor Agency Bond Contributions | - | - | - | - | - |
| Other Revenues | - | - | - | 2,500 | - |
| Total Revenues | <u>271,714</u> | <u>3</u> | <u>47</u> | <u>19,096</u> | <u>402</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | - | - | - | 2,644 | - |
| Community Development | 70,547 | - | - | - | - |
| Capital Outlay | - | - | - | 40,352 | - |
| Debt Service: | | | | | |
| Interest Charges | - | - | - | - | - |
| Principal | - | - | - | - | - |
| Total Expenditures | <u>70,547</u> | <u>-</u> | <u>-</u> | <u>42,996</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>201,167</u> | <u>3</u> | <u>47</u> | <u>(23,900)</u> | <u>402</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | - | - | - | 67,920 | - |
| Transfers Out | <u>(822,000)</u> | <u>-</u> | <u>-</u> | <u>(180,690)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(822,000)</u> | <u>-</u> | <u>-</u> | <u>(112,770)</u> | <u>-</u> |
| Net Change in Fund Balances | (620,833) | 3 | 47 | (136,670) | 402 |
| Fund Balances, Beginning of Year | <u>2,068,659</u> | <u>(14,641)</u> | <u>7,251</u> | <u>360,708</u> | <u>1,340</u> |
| Fund Balances, End of Year | <u>\$ 1,447,826</u> | <u>\$ (14,638)</u> | <u>\$ 7,298</u> | <u>\$ 224,038</u> | <u>\$ 1,742</u> |

| Area A Lighting and Landscaping | Special Revenue | | | General Debt Service | Permanent Fund | Total Non-major Funds |
|---------------------------------------|-----------------|-----------------------------|--------------------------------|----------------------------|-------------------|-----------------------------|
| | Media Center | Park Development Fees | Housing Successor Agency | | Cultural Trust | |
| \$ 181,380 | \$ - | \$ - | \$ - | \$ 515,337 | \$ - | \$ 696,717 |
| - | 39,191 | - | - | - | - | 39,581 |
| - | - | - | - | - | - | 16,867 |
| - | - | 152,491 | - | - | - | 152,491 |
| - | - | - | - | - | - | 261,308 |
| 1,745 | 18 | 2,223 | 1,846 | 365 | 518 | 16,912 |
| - | - | - | - | - | - | - |
| - | - | - | 18,995 | - | - | 21,495 |
| <u>183,125</u> | <u>39,209</u> | <u>154,714</u> | <u>20,841</u> | <u>515,702</u> | <u>518</u> | <u>1,205,371</u> |
| - | 39,191 | - | - | - | - | 39,191 |
| - | - | - | - | - | - | 2,644 |
| 170,110 | - | - | 2,910 | - | - | 243,567 |
| - | - | - | - | - | - | 40,352 |
| - | - | - | - | 261,204 | - | 261,204 |
| - | - | - | - | 1,568,356 | - | 1,568,356 |
| <u>170,110</u> | <u>39,191</u> | <u>-</u> | <u>2,910</u> | <u>1,829,560</u> | <u>-</u> | <u>2,155,314</u> |
| <u>13,015</u> | <u>18</u> | <u>154,714</u> | <u>17,931</u> | <u>(1,313,858)</u> | <u>518</u> | <u>(949,943)</u> |
| - | - | - | - | 981,042 | - | 1,048,962 |
| (5,615) | (11,533) | - | (1,960,381) | - | - | (2,980,219) |
| <u>(5,615)</u> | <u>(11,533)</u> | <u>-</u> | <u>(1,960,381)</u> | <u>981,042</u> | <u>-</u> | <u>(1,931,257)</u> |
| 7,400 | (11,515) | 154,714 | (1,942,450) | (332,816) | 518 | (2,881,200) |
| <u>267,329</u> | <u>11,515</u> | <u>170,398</u> | <u>7,715,533</u> | <u>475,909</u> | <u>74,362</u> | <u>11,138,363</u> |
| <u>\$ 274,729</u> | <u>\$ -</u> | <u>\$ 325,112</u> | <u>\$ 5,773,083</u> | <u>\$ 143,093</u> | <u>\$ 74,880</u> | <u>\$ 8,257,163</u> |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gas Tax Special Revenue Fund
Year Ended June 30, 2016

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| REVENUES | | | |
| Intergovernmental | \$ 398,404 | \$ 261,295 | \$ (137,109) |
| Investment Earnings | - | 10,419 | 10,419 |
| | <u>398,404</u> | <u>271,714</u> | <u>(126,690)</u> |
| Total Revenues | | | |
| EXPENDITURES | | | |
| Current: | | | |
| Community Development | <u>94,800</u> | <u>70,547</u> | <u>24,253</u> |
| | <u>94,800</u> | <u>70,547</u> | <u>24,253</u> |
| Total Expenditures | | | |
| Excess (Deficiency) of Revenues over Expenditures | <u>303,604</u> | <u>201,167</u> | <u>(102,437)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | - | - | - |
| Transfers Out | <u>(883,550)</u> | <u>(822,000)</u> | <u>61,550</u> |
| | <u>(883,550)</u> | <u>(822,000)</u> | <u>61,550</u> |
| Total Other Financing Sources (Uses) | | | |
| Net Change in Fund Balance | (579,946) | (620,833) | (40,887) |
| Fund Balance, Beginning of Year | <u>2,068,659</u> | <u>2,068,659</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 1,488,713</u> | <u>\$ 1,447,826</u> | <u>\$ (40,887)</u> |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - North Area Special Revenue Fund
Year Ended June 30, 2016

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------------|---------------------------|---|
| REVENUES | | | |
| Investment Earnings | \$ - | \$ 3 | \$ 3 |
| Other Revenues | - | - | - |
| Total Revenues | <u>-</u> | <u>3</u> | <u>3</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Community Development | - | - | - |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>3</u> | <u>3</u> |
| Net Change in Fund Balance | - | 3 | 3 |
| Fund Balance, Beginning of Year | <u>(14,641)</u> | <u>(14,641)</u> | <u>-</u> |
| Fund Balance, End of Year | <u><u>\$ (14,641)</u></u> | <u><u>\$ (14,638)</u></u> | <u><u>\$ 3</u></u> |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Benjamin Way Maintenance District Special Revenue Fund
Year Ended June 30, 2016

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-----------------|-------------------|---|
| REVENUES | | | |
| Intergovernmental | \$ - | \$ - | \$ - |
| Investment Earnings | - | 47 | 47 |
| Total Revenues | <u>-</u> | <u>47</u> | <u>47</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Community Development | - | - | - |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>47</u> | <u>47</u> |
| Net Change in Fund Balance | - | 47 | 47 |
| Fund Balance, Beginning of Year | <u>7,251</u> | <u>7,251</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 7,251</u> | <u>\$ 7,298</u> | <u>\$ 47</u> |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Safety Special Revenue Fund
Year Ended June 30, 2016

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---|
| REVENUES | | | |
| Charges for Services | \$ - | \$ - | \$ - |
| Fines and Forfeitures | - | 16,867 | 16,867 |
| Investment Earnings | - | (284) | (284) |
| Intergovernmental | - | 13 | 13 |
| Other Revenues | - | 2,500 | 2,500 |
| Total Revenues | <u>-</u> | <u>19,096</u> | <u>19,096</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public Safety | - | 2,644 | (2,644) |
| Capital Outlay | 60,000 | 40,352 | 19,648 |
| Total Expenditures | <u>60,000</u> | <u>42,996</u> | <u>17,004</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(60,000)</u> | <u>(23,900)</u> | <u>36,100</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | 67,920 | 67,920 | - |
| Transfers Out | - | (180,690) | (180,690) |
| Total Other Financing Sources (Uses) | <u>67,920</u> | <u>(112,770)</u> | <u>(180,690)</u> |
| Net Change in Fund Balance | 7,920 | (136,670) | (144,590) |
| Fund Balance, Beginning of Year | <u>360,708</u> | <u>360,708</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 368,628</u> | <u>\$ 224,038</u> | <u>\$ (144,590)</u> |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Strong Motion Education and Data Special Revenue Fund
Year Ended June 30, 2016

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------------|------------------------|---|
| REVENUES | | | |
| Charges for Services | \$ - | \$ 390 | \$ 390 |
| Investment Earnings | - | 12 | 12 |
| Total Revenues | <u>-</u> | <u>402</u> | <u>402</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Community Development | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>402</u> | <u>402</u> |
| Net Change in Fund Balance | - | 402 | 402 |
| Fund Balance, Beginning of Year | <u>1,340</u> | <u>1,340</u> | <u>-</u> |
| Fund Balance, End of Year | <u><u>\$ 1,340</u></u> | <u><u>\$ 1,742</u></u> | <u><u>\$ 402</u></u> |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Area A Lighting and Landscaping Special Revenue Fund
Year Ended June 30, 2016

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--------------------------|--------------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 181,486 | \$ 181,380 | \$ (106) |
| Intergovernmental | - | - | - |
| Investment Earnings | 746 | 1,745 | 999 |
| Total Revenues | <u>182,232</u> | <u>183,125</u> | <u>893</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Community Development | <u>192,224</u> | <u>170,110</u> | <u>22,114</u> |
| Total Expenditures | <u>192,224</u> | <u>170,110</u> | <u>22,114</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(9,992)</u> | <u>13,015</u> | <u>23,007</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | - | - | - |
| Transfers Out | <u>(5,616)</u> | <u>(5,615)</u> | <u>1</u> |
| Total Other Financing Sources (Uses) | <u>(5,616)</u> | <u>(5,615)</u> | <u>1</u> |
| Net Change in Fund Balance | (15,608) | 7,400 | 23,008 |
| Fund Balance, Beginning of Year | <u>267,329</u> | <u>267,329</u> | <u>-</u> |
| Fund Balance, End of Year | <u><u>\$ 251,721</u></u> | <u><u>\$ 274,729</u></u> | <u><u>\$ 23,008</u></u> |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Media Center Special Revenue Fund
Year Ended June 30, 2016

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------------|---|
| REVENUES | | | |
| Charges for Services | \$ 25,000 | \$ 39,191 | \$ 14,191 |
| Investment Earnings | - | 18 | 18 |
| | <u>25,000</u> | <u>39,209</u> | <u>14,209</u> |
| Total Revenues | | | |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | <u>25,000</u> | <u>39,191</u> | <u>(14,191)</u> |
| | <u>25,000</u> | <u>39,191</u> | <u>(14,191)</u> |
| Total Expenditures | | | |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>18</u> | <u>18</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | - | - | - |
| Transfers Out | <u>-</u> | <u>(11,533)</u> | <u>(11,533)</u> |
| | <u>-</u> | <u>(11,533)</u> | <u>(11,533)</u> |
| Total Other Financing Sources (Uses) | | | |
| Net Change in Fund Balance | - | (11,515) | (11,515) |
| Fund Balance, Beginning of Year | <u>11,515</u> | <u>11,515</u> | <u>-</u> |
| Fund Balance, End of Year | <u><u>\$ 11,515</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Park Development Fees Special Revenue Fund
Year Ended June 30, 2016

| | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--------------------------|--------------------------|---|
| REVENUES | | | |
| Development Fees | \$ 40,000 | \$ 152,491 | \$ 112,491 |
| Investment Earnings | 220 | 2,223 | 2,003 |
| Total Revenues | <u>40,220</u> | <u>154,714</u> | <u>114,494</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>40,220</u> | <u>154,714</u> | <u>114,494</u> |
| Net Change in Fund Balance | 40,220 | 154,714 | 114,494 |
| Fund Balance, Beginning of Year | <u>170,398</u> | <u>170,398</u> | <u>-</u> |
| Fund Balance, End of Year | <u><u>\$ 210,618</u></u> | <u><u>\$ 325,112</u></u> | <u><u>\$ 114,494</u></u> |

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Debt Service Fund
Year Ended June 30, 2016

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|--------------------------|---------------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 685,547 | \$ 515,337 | \$ (170,210) |
| Investment Earnings | - | 365 | 365 |
| | <u>685,547</u> | <u>515,702</u> | <u>(169,845)</u> |
| Total Revenues | | | |
| EXPENDITURES | | | |
| Debt Service: | | | |
| Interest | 183,127 | 261,204 | (78,077) |
| Principal | 1,296,310 | 1,568,356 | (272,046) |
| | <u>1,479,437</u> | <u>1,829,560</u> | <u>(350,123)</u> |
| Total Expenditures | | | |
| Excess (Deficiency) of Revenues over Expenditures | <u>(793,890)</u> | <u>(1,313,858)</u> | <u>(519,968)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | 643,082 | 981,042 | 337,960 |
| Transfers Out | - | - | - |
| | <u>643,082</u> | <u>981,042</u> | <u>337,960</u> |
| Total Other Financing Sources (Uses) | | | |
| Net Change in Fund Balance | (150,808) | (332,816) | (182,008) |
| Fund Balance, Beginning of Year | <u>475,909</u> | <u>475,909</u> | <u>-</u> |
| Fund Balance, End of Year | <u><u>\$ 325,101</u></u> | <u><u>\$ 143,093</u></u> | <u><u>\$ (182,008)</u></u> |

City of Healdsburg
Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2016

| | Transit Fund | Airport Fund | Meeting Center Fund | School Service Fund | Totals |
|--|-----------------|-----------------|---------------------------|---------------------------|--------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Investments | \$ - | \$ 293,586 | \$ - | \$ - | \$ 293,586 |
| Accounts Receivable - Net | - | 9,425 | - | - | 9,425 |
| Interest Receivable | - | 457 | - | - | 457 |
| Inventory | - | 8,580 | - | - | 8,580 |
| Total Current Assets | - | 312,048 | - | - | 312,048 |
| Noncurrent Assets: | | | | | |
| Capital Assets, Not Being Depreciated | | | | | |
| Land | - | 119,834 | - | - | 119,834 |
| Capital Assets, Depreciable | | | | | |
| Buildings | - | 840,807 | - | - | 840,807 |
| Machinery and Equipment | - | 209,510 | - | - | 209,510 |
| Operations | - | 3,381,750 | - | - | 3,381,750 |
| Total Capital Assets | - | 4,551,901 | - | - | 4,551,901 |
| Less Accumulated Depreciation | - | (1,302,814) | - | - | (1,302,814) |
| Total Capital Assets, Net of Accumulated Depreciation | - | 3,249,087 | - | - | 3,249,087 |
| Total Noncurrent Assets | - | 3,249,087 | - | - | 3,249,087 |
| Total Assets | - | 3,561,135 | - | - | 3,561,135 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable and Accrued Liabilities | - | 18,400 | - | - | 18,400 |
| Deposits Payable | - | 17,167 | - | - | 17,167 |
| Total Current Liabilities | - | 35,567 | - | - | 35,567 |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | - | 3,249,087 | - | - | 3,249,087 |
| Unrestricted | - | 276,481 | - | - | 276,481 |
| Total Net Position | \$ - | \$ 3,525,568 | \$ - | \$ - | \$ 3,525,568 |

City of Healdsburg
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-major Enterprise Funds
Year Ended June 30, 2016

| | Transit Fund | Airport Fund | Meeting Center Fund | School Service Fund | Totals |
|---|-----------------|-----------------|---------------------------|---------------------------|--------------|
| OPERATING REVENUES | | | | | |
| Charges for Services | \$ - | \$ 124,680 | \$ - | \$ - | \$ 124,680 |
| Rental Income | - | 158,158 | - | - | 158,158 |
| Other Operating Revenues | - | 3,965 | - | - | 3,965 |
| Total Operating Revenues | - | 286,803 | - | - | 286,803 |
| OPERATING EXPENSES | | | | | |
| Maintenance and Operations | - | 322,333 | - | - | 322,333 |
| Administration | - | 65,114 | - | - | 65,114 |
| Depreciation | - | 98,157 | - | - | 98,157 |
| Total Operating Expenses | - | 485,604 | - | - | 485,604 |
| Operating Income (Loss) | - | (198,801) | - | - | (198,801) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest Income | - | 1,872 | - | - | 1,872 |
| Intergovernmental | - | - | - | - | - |
| Total Nonoperating Revenues (Expenses) | - | 1,872 | - | - | 1,872 |
| Income (Loss) Before Capital Contributions and Operating Transfers | - | (196,929) | - | - | (196,929) |
| Capital Contributions | - | 66,425 | - | - | 66,425 |
| Transfers In | - | - | - | 4,652 | 4,652 |
| Transfers Out | (675) | (2,601) | (130,800) | - | (134,076) |
| Change in Net Position | (675) | (133,105) | (130,800) | 4,652 | (259,928) |
| Net Position - Beginning of Year | 675 | 3,658,673 | 130,800 | (4,652) | 3,785,496 |
| Net Position - End of Year | \$ - | \$ 3,525,568 | \$ - | \$ - | \$ 3,525,568 |

City of Healdsburg
Combining Statement of Cash Flows
Non-major Enterprise Funds
Year Ended June 30, 2016

| | Transit Fund | Airport Fund | Meeting Center Fund |
|---|-----------------|--------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ - | \$ 311,536 | \$ - |
| Payments to Employees for Services | - | (24,069) | - |
| Payments to Suppliers for Goods and Services | - | (362,612) | - |
| Net Cash Provided (Used) by Operating Activities | - | (75,145) | - |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Cash Paid to Other Funds | (675) | (2,601) | (130,800) |
| Cash Received from Other Funds | - | - | - |
| Net Cash Provided (Used) by Noncapital and Related Financing Activities | (675) | (2,601) | (130,800) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Capital Grants | - | 66,425 | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | - | 66,425 | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest Received | - | 1,625 | - |
| Net Cash Provided (Used) by Investing Activities | - | 1,625 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (675) | (9,696) | (130,800) |
| Cash and Cash Equivalents, Beginning of the Year | 675 | 303,282 | 130,800 |
| Cash and Cash Equivalents, End of the Year | <u>\$ -</u> | <u>\$ 293,586</u> | <u>\$ -</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ - | \$ (198,801) | \$ - |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation | - | 98,157 | - |
| Changes in Operating Assets and Liabilities: | | | |
| Decrease (Increase) in Accounts Receivable | - | 20,983 | - |
| Decrease (Increase) in Inventory | - | (7,716) | - |
| Increase (Decrease) in Accounts Payable | - | 8,482 | - |
| Increase (Decrease) in Deposits Payable | - | 3,750 | - |
| TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ - | \$ (75,145) | \$ - |

| School Service Fund | Totals |
|---------------------------|--------------------|
| \$ - | \$ 311,536 |
| - | (24,069) |
| <u>(5,018)</u> | <u>(367,630)</u> |
| <u>(5,018)</u> | <u>(80,163)</u> |
| - | (134,076) |
| <u>4,652</u> | <u>4,652</u> |
| <u>4,652</u> | <u>(129,424)</u> |
| - | <u>66,425</u> |
| - | <u>66,425</u> |
| - | <u>1,625</u> |
| - | <u>1,625</u> |
| (366) | (141,537) |
| <u>366</u> | <u>435,123</u> |
| <u>\$ -</u> | <u>\$ 293,586</u> |
| \$ - | \$ (198,801) |
| - | 98,157 |
| - | 20,983 |
| - | (7,716) |
| (5,018) | 3,464 |
| - | 3,750 |
| <u>\$ (5,018)</u> | <u>\$ (80,163)</u> |

City of Healdsburg
Combining Balance Sheet
General Fund Activities
June 30, 2016

| | General | Capital Replacement | Transaction & Use Tax | Economic Development |
|---|---------------------|------------------------|--------------------------|-------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 4,812,869 | \$ 1,969,209 | \$ 1,448,924 | \$ 368,259 |
| Receivables: | | | | |
| Accounts | 101,847 | - | - | - |
| Taxes | 1,619,301 | - | 304,200 | - |
| Interest | 11,916 | 3,055 | 2,248 | 571 |
| Due from Other Governments | 162,979 | - | - | - |
| Prepaid Expenditures | 5,628 | - | - | - |
| Restricted Cash and Investments | 634,597 | - | - | - |
| Pension Stabilization Investments | 2,597,673 | - | - | - |
| Due from Other Funds | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 9,946,810</u> | <u>\$ 1,972,264</u> | <u>\$ 1,755,372</u> | <u>\$ 368,830</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 314,023 | \$ 67,209 | \$ 850 | \$ - |
| Deposits Payable | 634,597 | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>948,620</u> | <u>67,209</u> | <u>850</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenues - Accounts Receivable | 100,858 | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| FUND BALANCES | | | | |
| Nonspendable | 5,628 | - | - | - |
| Restricted | 2,597,673 | - | - | - |
| Assigned | - | 1,905,055 | - | 368,830 |
| Unassigned | 6,294,031 | - | 1,754,522 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | <u>8,897,332</u> | <u>1,905,055</u> | <u>1,754,522</u> | <u>368,830</u> |
| | | | | |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 9,946,810</u> | <u>\$ 1,972,264</u> | <u>\$ 1,755,372</u> | <u>\$ 368,830</u> |

| <u>Fire Facilities Impact Fees</u> | <u>Miscellaneous</u> | <u>Total General Fund</u> |
|--|----------------------|-----------------------------------|
| \$ 165,901 | \$ 32,717 | \$ 8,797,879 |
| - | - | 101,847 |
| - | - | 1,923,501 |
| 254 | 1 | 18,045 |
| - | - | 162,979 |
| - | - | 5,628 |
| - | - | 634,597 |
| - | - | 2,597,673 |
| - | - | - |
| <u>\$ 166,155</u> | <u>\$ 32,718</u> | <u>\$ 14,242,149</u> |
| \$ - | \$ 32,387 | \$ 414,469 |
| - | - | 634,597 |
| - | 32,387 | 1,049,066 |
| - | - | 100,858 |
| - | - | 5,628 |
| 166,155 | - | 2,763,828 |
| - | - | 2,273,885 |
| - | 331 | 8,048,884 |
| <u>166,155</u> | <u>331</u> | <u>13,092,225</u> |
| <u>\$ 166,155</u> | <u>\$ 32,718</u> | <u>\$ 14,242,149</u> |

City of Healdsburg
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund Activities
Year Ended June 30, 2016

| | General | Capital Replacement | Transaction & Use Tax | Economic Development |
|--|---------------------|------------------------|--------------------------|-------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 3,782,194 | \$ - | \$ - | \$ - |
| Sales and Other Taxes | 5,842,692 | - | 1,846,152 | - |
| Charges for Services | 931,296 | - | - | - |
| Fines and Forfeitures | 104,320 | - | - | - |
| Licenses and Permits | 898,816 | - | - | - |
| Development Fees | - | - | - | - |
| Intergovernmental | 1,088 | - | - | - |
| Investment Earnings | 213,568 | 11,069 | 10,081 | 1,813 |
| Other Revenues | 572,150 | - | - | - |
| Total Revenues | <u>12,346,124</u> | <u>11,069</u> | <u>1,856,233</u> | <u>1,813</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 1,942,618 | 105,636 | 122,987 | 32,001 |
| Public Safety | 7,331,089 | - | - | - |
| Planning and Building | 1,548,403 | - | - | - |
| Capital Outlay | - | - | - | - |
| Total Expenditures | <u>10,822,110</u> | <u>105,636</u> | <u>122,987</u> | <u>32,001</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,524,014</u> | <u>(94,567)</u> | <u>1,733,246</u> | <u>(30,188)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 428,683 | 1,999,999 | - | - |
| Transfers Out | (607,506) | (443,960) | (1,827,925) | (1,044,507) |
| Total Other Financing Sources (Uses) | <u>(178,823)</u> | <u>1,556,039</u> | <u>(1,827,925)</u> | <u>(1,044,507)</u> |
| Net Change in Fund Balances | 1,345,191 | 1,461,472 | (94,679) | (1,074,695) |
| Fund Balances, Beginning of Year | <u>7,552,141</u> | <u>443,583</u> | <u>1,849,201</u> | <u>1,443,525</u> |
| Fund Balances, End of Year | <u>\$ 8,897,332</u> | <u>\$ 1,905,055</u> | <u>\$ 1,754,522</u> | <u>\$ 368,830</u> |

| Fire Facilities Impact Fees | Miscellaneous | Total General Fund |
|--------------------------------|---------------|--------------------------|
| \$ - | \$ - | \$ 3,782,194 |
| - | - | 7,688,844 |
| - | 8,279 | 939,575 |
| - | - | 104,320 |
| - | - | 898,816 |
| 21,660 | - | 21,660 |
| - | - | 1,088 |
| 2,924 | 3 | 239,458 |
| - | - | 572,150 |
| <u>24,584</u> | <u>8,282</u> | <u>14,248,105</u> |
| - | 8,279 | 2,211,521 |
| - | - | 7,331,089 |
| - | - | 1,548,403 |
| - | - | - |
| <u>-</u> | <u>8,279</u> | <u>11,091,013</u> |
| <u>24,584</u> | <u>3</u> | <u>3,157,092</u> |
| - | - | 2,428,682 |
| - | (186) | (3,924,084) |
| - | (186) | (1,495,402) |
| 24,584 | (183) | 1,661,690 |
| <u>141,571</u> | <u>514</u> | <u>11,430,535</u> |
| <u>\$ 166,155</u> | <u>\$ 331</u> | <u>\$ 13,092,225</u> |

City of Healdsburg
Combining Statement of Net Position
Water Fund Activities
June 30, 2016

| | Water Operations | Water Capital Replacement | Water Capacity | Total Water Fund |
|---|----------------------|------------------------------|---------------------|------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Investments | \$ 2,591,568 | \$ 1,003,103 | \$ 2,163,334 | \$ 5,758,005 |
| Cash and Investments with Fiscal Agent | 3 | - | - | 3 |
| Accounts Receivable - Net | 728,189 | - | - | 728,189 |
| Interest Receivable | 4,042 | 1,557 | 3,342 | 8,941 |
| Inventory | 121,505 | - | - | 121,505 |
| Total Current Assets | <u>3,445,307</u> | <u>1,004,660</u> | <u>2,166,676</u> | <u>6,616,643</u> |
| Noncurrent Assets: | | | | |
| Pension Stabilization Investments | 289,942 | - | - | 289,942 |
| Capital Assets, Not Being Depreciated | | | | |
| Land | 310,781 | - | - | 310,781 |
| Construction in Progress | - | - | - | - |
| Total Capital Assets, Not Being Depreciated | <u>310,781</u> | <u>-</u> | <u>-</u> | <u>310,781</u> |
| Capital Assets, Depreciable | | | | |
| Buildings | 1,474,503 | - | - | 1,474,503 |
| Utility Systems | 28,020,798 | - | - | 28,020,798 |
| Machinery and Equipment | 539,901 | - | - | 539,901 |
| Total Capital Assets, Depreciable | <u>30,035,202</u> | <u>-</u> | <u>-</u> | <u>30,035,202</u> |
| Less: Accumulated Depreciation | <u>(10,977,854)</u> | <u>-</u> | <u>-</u> | <u>(10,977,854)</u> |
| Total Capital Assets, Net | <u>19,368,129</u> | <u>-</u> | <u>-</u> | <u>19,368,129</u> |
| Total Noncurrent Assets | <u>19,658,071</u> | <u>-</u> | <u>-</u> | <u>19,658,071</u> |
| Total Assets | <u>23,103,378</u> | <u>1,004,660</u> | <u>2,166,676</u> | <u>26,274,714</u> |
| DEFERRED OUTFLOWS | | | | |
| Deferred Pension Related Items | 361,420 | - | - | 361,420 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | 75,737 | - | - | 75,737 |
| Deposits Payable | 3,650 | - | - | 3,650 |
| Accrued Interest Payable | 99,697 | - | - | 99,697 |
| Bonds Payable - Current | 559,000 | - | - | 559,000 |
| Pension Obligation Bonds Payable - Current | 97,478 | - | - | 97,478 |
| Total Current Liabilities | <u>835,562</u> | <u>-</u> | <u>-</u> | <u>835,562</u> |
| Noncurrent Liabilities: | | | | |
| Net Pension Liability | 1,958,767 | - | - | 1,958,767 |
| Bonds Payable | 8,821,000 | - | - | 8,821,000 |
| Pension Obligation Bonds Payable | 609,769 | - | - | 609,769 |
| Total Noncurrent Liabilities | <u>11,389,536</u> | <u>-</u> | <u>-</u> | <u>11,389,536</u> |
| Total Liabilities | <u>12,225,098</u> | <u>-</u> | <u>-</u> | <u>12,225,098</u> |
| DEFERRED INFLOWS | | | | |
| Deferred Pension Related Items | 219,033 | - | - | 219,033 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 9,988,129 | - | - | 9,988,129 |
| Restricted: | | | | |
| Capital Projects | - | 750,000 | 1,625,821 | 2,375,821 |
| Pensions | 289,942 | - | - | 289,942 |
| Unrestricted | 742,596 | 254,660 | 540,855 | 1,538,111 |
| Total Net Position | <u>\$ 11,020,667</u> | <u>\$ 1,004,660</u> | <u>\$ 2,166,676</u> | <u>\$ 14,192,003</u> |

City of Healdsburg
Combining Statement of Revenues, Expenses, and Changes in Net Position
Water Fund Activities
Year Ended June 30, 2016

| | Water Operations | Water Capital Replacement | Water Capacity | Total Water Fund |
|---|----------------------|------------------------------|---------------------|------------------------|
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 4,120,707 | \$ - | \$ - | \$ 4,120,707 |
| Development Fees | - | - | 517,764 | 517,764 |
| Other Operating Revenues | 8,165 | - | - | 8,165 |
| Total Operating Revenues | <u>4,128,872</u> | <u>-</u> | <u>517,764</u> | <u>4,646,636</u> |
| OPERATING EXPENSES | | | | |
| Maintenance and Operations | 3,133,246 | - | - | 3,133,246 |
| Administration | 614,651 | - | - | 614,651 |
| Depreciation | 601,064 | - | - | 601,064 |
| Total Operating Expenses | <u>4,348,961</u> | <u>-</u> | <u>-</u> | <u>4,348,961</u> |
| Operating Income (Loss) | <u>(220,089)</u> | <u>-</u> | <u>517,764</u> | <u>297,675</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest Income | 39,445 | 4,660 | 23,091 | 67,196 |
| Interest Expense | (437,887) | - | - | (437,887) |
| Gain (Loss) on Disposal | (3,979) | - | - | (3,979) |
| Total Nonoperating Revenues (Expenses) | <u>(402,421)</u> | <u>4,660</u> | <u>23,091</u> | <u>(374,670)</u> |
| Income (Loss) Before Capital Contributions and Operating Transfers | (622,510) | 4,660 | 540,855 | (76,995) |
| Capital Contributions | 391,864 | 250,000 | - | 641,864 |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Change in Net Position | <u>(230,646)</u> | <u>254,660</u> | <u>540,855</u> | <u>564,869</u> |
| Net Position - Beginning of Year | <u>11,251,313</u> | <u>750,000</u> | <u>1,625,821</u> | <u>13,627,134</u> |
| Net Position - End of Year | <u>\$ 11,020,667</u> | <u>\$ 1,004,660</u> | <u>\$ 2,166,676</u> | <u>\$ 14,192,003</u> |

City of Healdsburg
Combining Statement of Net Position
Sewer Fund Activities
June 30, 2016

| | Sewer Operations | Drainage | Sewer Capital Replacement | Sewer Capacity |
|---|----------------------|---------------------|------------------------------|---------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Investments | \$ 10,540,984 | \$ - | \$ 6,025,979 | \$ 3,849,895 |
| Cash and Investments with Fiscal Agents | 18,809 | - | - | - |
| Accounts Receivable - Net | 950,881 | 78,228 | - | - |
| Interest Receivable | 14,749 | - | 9,347 | 5,940 |
| Due from Other Funds | - | - | - | - |
| Inventory | 28,518 | - | - | - |
| Total Current Assets | <u>11,553,941</u> | <u>78,228</u> | <u>6,035,326</u> | <u>3,855,835</u> |
| Noncurrent Assets: | | | | |
| Pension Stabilization Investments | 349,173 | 75,899 | - | - |
| Capital Assets, Not Being Depreciated | | | | |
| Land | 682,880 | 84,022 | - | - |
| Construction in Progress | 446,039 | - | - | - |
| Total Capital Assets, Not Being Depreciated | <u>1,128,919</u> | <u>84,022</u> | <u>-</u> | <u>-</u> |
| Capital Assets, Depreciable | | | | |
| Buildings | 206,166 | - | - | - |
| Utility Systems | 58,461,530 | - | - | - |
| Drainage | - | 10,192,183 | - | - |
| Machinery and Equipment | 525,751 | - | - | - |
| Total Capital Assets, Depreciable | <u>59,193,447</u> | <u>10,192,183</u> | <u>-</u> | <u>-</u> |
| Less: Accumulated Depreciation | <u>(15,320,067)</u> | <u>(4,131,934)</u> | <u>-</u> | <u>-</u> |
| Total Capital Assets, Net | <u>45,002,299</u> | <u>6,144,271</u> | <u>-</u> | <u>-</u> |
| Total Noncurrent Assets | <u>45,351,472</u> | <u>6,220,170</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>56,905,413</u> | <u>6,298,398</u> | <u>6,035,326</u> | <u>3,855,835</u> |
| DEFERRED OUTFLOWS | | | | |
| Deferred Amounts on Refunding | 1,040,054 | - | - | - |
| Deferred Pension Related Items | 361,420 | - | - | - |
| Total Deferred Outflows | <u>1,401,474</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | 156,459 | 28,965 | - | - |
| Due to Other Funds | - | 1,057,258 | - | - |
| Accrued Interest Payable | 230,451 | - | - | - |
| Bonds Payable - Current | 885,000 | - | - | - |
| Pension Obligation Bonds Payable - Current | 97,478 | - | - | - |
| Total Current Liabilities | <u>1,369,388</u> | <u>1,086,223</u> | <u>-</u> | <u>-</u> |
| Noncurrent Liabilities: | | | | |
| Net Pension Liability | 1,958,767 | - | - | - |
| Bonds Payable | 25,226,288 | - | - | - |
| Pension Obligation Bonds Payable | 611,695 | - | - | - |
| Total Noncurrent Liabilities | <u>27,796,750</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>29,166,138</u> | <u>1,086,223</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS | | | | |
| Deferred Pension Related Items | 219,033 | - | - | - |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 19,240,184 | 6,144,271 | - | - |
| Restricted: | | | | |
| Capital Projects | - | - | - | 3,003,447 |
| Pensions | 349,173 | 75,899 | - | - |
| Unrestricted | <u>9,332,359</u> | <u>(1,007,995)</u> | <u>6,035,326</u> | <u>852,388</u> |
| Total Net Position | <u>\$ 28,921,716</u> | <u>\$ 5,212,175</u> | <u>\$ 6,035,326</u> | <u>\$ 3,855,835</u> |

| Drainage Capacity | Total Sewer Fund |
|----------------------|------------------------|
| \$ 1,582,124 | \$ 21,998,982 |
| - | 18,809 |
| - | 1,029,109 |
| 4,073 | 34,109 |
| 1,057,258 | 1,057,258 |
| - | 28,518 |
| <u>2,643,455</u> | <u>24,166,785</u> |
| - | 425,072 |
| - | 766,902 |
| - | 446,039 |
| - | <u>1,212,941</u> |
| - | 206,166 |
| - | 58,461,530 |
| - | 10,192,183 |
| - | 525,751 |
| - | <u>69,385,630</u> |
| - | <u>(19,452,001)</u> |
| - | 51,146,570 |
| - | 51,571,642 |
| <u>2,643,455</u> | <u>75,738,427</u> |
| - | 1,040,054 |
| - | 361,420 |
| - | <u>1,401,474</u> |
| - | 185,424 |
| - | 1,057,258 |
| - | 230,451 |
| - | 885,000 |
| - | 97,478 |
| - | <u>2,455,611</u> |
| - | 1,958,767 |
| - | 25,226,288 |
| - | 611,695 |
| - | <u>27,796,750</u> |
| - | <u>30,252,361</u> |
| - | 219,033 |
| - | 25,384,455 |
| 2,265,037 | 5,268,484 |
| - | 425,072 |
| <u>378,418</u> | <u>15,590,496</u> |
| <u>\$ 2,643,455</u> | <u>\$ 46,668,507</u> |

City of Healdsburg
Combining Statement of Revenues, Expenses, and Changes in Net Position
Sewer Fund Activities
Year Ended June 30, 2016

| | Sewer Operations | Drainage | Sewer Capital Replacement | Sewer Capacity |
|---|----------------------|---------------------|------------------------------|---------------------|
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 6,891,750 | \$ 678,196 | \$ - | \$ - |
| Development Fees | - | - | - | 808,336 |
| Other Operating Revenues | 6,975 | 779 | - | - |
| Total Operating Revenues | <u>6,898,725</u> | <u>678,975</u> | <u>-</u> | <u>808,336</u> |
| OPERATING EXPENSES | | | | |
| Maintenance and Operations | 4,078,489 | 621,055 | - | - |
| Administration | 551,046 | 80,730 | - | - |
| Depreciation | 1,125,264 | 203,844 | - | - |
| Total Operating Expenses | <u>5,754,799</u> | <u>905,629</u> | <u>-</u> | <u>-</u> |
| Operating Income (Loss) | <u>1,143,926</u> | <u>(226,654)</u> | <u>-</u> | <u>808,336</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest Income | 161,447 | 3,099 | 36,653 | 44,052 |
| Interest Expense | (736,733) | - | - | - |
| Gain (Loss) on Disposal | (35,053) | (4,651) | - | - |
| Total Nonoperating Revenues (Expenses) | <u>(610,339)</u> | <u>(1,552)</u> | <u>36,653</u> | <u>44,052</u> |
| Income (Loss) Before Capital Contributions and Operating Transfers | 533,587 | (228,206) | 36,653 | 852,388 |
| Capital Contributions | 1,472,088 | 282,915 | - | - |
| Transfers In | 17,361 | - | 1,500,000 | - |
| Transfers Out | (1,500,000) | (17,361) | - | - |
| Change in Net Position | 523,036 | 37,348 | 1,536,653 | 852,388 |
| Net Position - Beginning of Year | <u>28,398,680</u> | <u>5,174,827</u> | <u>4,498,673</u> | <u>3,003,447</u> |
| Net Position - End of Year | <u>\$ 28,921,716</u> | <u>\$ 5,212,175</u> | <u>\$ 6,035,326</u> | <u>\$ 3,855,835</u> |

| Drainage Capacity | Total Sewer Fund |
|----------------------|------------------------|
| \$ - | \$ 7,569,946 |
| 347,646 | 1,155,982 |
| - | 7,754 |
| <u>347,646</u> | <u>8,733,682</u> |
| - | 4,699,544 |
| - | 631,776 |
| - | 1,329,108 |
| <u>-</u> | <u>6,660,428</u> |
| <u>347,646</u> | <u>2,073,254</u> |
| 30,772 | 276,023 |
| - | (736,733) |
| - | (39,704) |
| <u>30,772</u> | <u>(500,414)</u> |
| 378,418 | 1,572,840 |
| - | 1,755,003 |
| - | 1,517,361 |
| - | (1,517,361) |
| <u>378,418</u> | <u>3,327,843</u> |
| <u>2,265,037</u> | <u>43,340,664</u> |
| <u>\$ 2,643,455</u> | <u>\$ 46,668,507</u> |

City of Healdsburg
Combining Statement of Net Position
Electric Fund Activities
June 30, 2016

| | Electric Operations | Capital Replacement | Electric Public Benefit |
|---|------------------------|------------------------|----------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Investments | \$ 10,306,802 | \$ 846,361 | \$ 1,010,626 |
| Investment in NCPA Reserves | 5,742,125 | - | - |
| Accounts Receivable - Net | 1,749,742 | - | - |
| Interest Receivable | 16,419 | 1,313 | 1,570 |
| Due from Other Funds | 15,000 | - | - |
| Prepaid Expenses | 2,622 | - | - |
| Inventory | 1,381,238 | - | - |
| Total Current Assets | <u>19,213,948</u> | <u>847,674</u> | <u>1,012,196</u> |
| Noncurrent Assets: | | | |
| Restricted Cash and Investments | 266,901 | - | - |
| Pension Stabilization Investments | 498,680 | - | - |
| Capital Assets, Not Being Depreciated | | | |
| Land | 48,359 | - | - |
| Construction in Progress | 510,010 | - | - |
| Total Capital Assets, Not Being Depreciated | <u>558,369</u> | <u>-</u> | <u>-</u> |
| Capital Assets, Depreciable | | | |
| Land Improvements | - | - | - |
| Buildings | 447,835 | - | - |
| Streets | - | - | - |
| Utility Systems | 22,633,683 | - | - |
| Drainage | - | - | - |
| Machinery and Equipment | 1,043,027 | - | - |
| Total Capital Assets, Depreciable | <u>24,124,545</u> | <u>-</u> | <u>-</u> |
| Less: Accumulated Depreciation | (11,289,466) | - | - |
| Total Capital Assets, Net | <u>13,393,448</u> | <u>-</u> | <u>-</u> |
| Total Noncurrent Assets | <u>14,159,029</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>33,372,977</u> | <u>847,674</u> | <u>1,012,196</u> |
| DEFERRED OUTFLOWS | | | |
| Deferred Pension Related Items | 500,428 | - | - |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | 115,644 | 6,577 | 5,678 |
| Payable to Successor Agency - Current | 117,223 | - | - |
| Deposits Payable | 266,901 | - | - |
| Pension Obligation Bonds Payable - Current | 129,971 | - | - |
| Total Current Liabilities | <u>629,739</u> | <u>6,577</u> | <u>5,678</u> |
| Noncurrent Liabilities: | | | |
| Compensated Absences | - | - | - |
| Payable to Successor Agency | 2,160,846 | - | - |
| Net Pension Liability | 2,712,139 | - | - |
| Pension Obligation Bonds Payable | 806,802 | - | - |
| Total Noncurrent Liabilities | <u>5,679,787</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>6,309,526</u> | <u>6,577</u> | <u>5,678</u> |
| DEFERRED INFLOWS | | | |
| Deferred Pension Related Items | 303,277 | - | - |
| NET POSITION | | | |
| Net Investment in Capital Assets | 13,393,448 | - | - |
| Restricted: | | | |
| Capital Projects | 249,812 | - | - |
| Pensions | 498,680 | - | - |
| Unrestricted | 13,118,662 | 841,097 | 1,006,518 |
| Total Net Position | <u>\$ 27,260,602</u> | <u>\$ 841,097</u> | <u>\$ 1,006,518</u> |

| <u>Electric Capacity</u> | <u>Total Electric Fund</u> |
|------------------------------|------------------------------------|
| \$ 1,895,776 | \$ 14,059,565 |
| - | 5,742,125 |
| - | 1,749,742 |
| 2,918 | 22,220 |
| - | 15,000 |
| - | 2,622 |
| - | 1,381,238 |
| <u>1,898,694</u> | <u>22,972,512</u> |
| - | 266,901 |
| <u>-</u> | <u>498,680</u> |
| - | 48,359 |
| <u>-</u> | <u>510,010</u> |
| <u>-</u> | <u>558,369</u> |
| - | - |
| - | 447,835 |
| - | - |
| - | 22,633,683 |
| - | - |
| - | 1,043,027 |
| <u>-</u> | <u>24,124,545</u> |
| <u>-</u> | <u>(11,289,466)</u> |
| <u>-</u> | <u>13,393,448</u> |
| <u>-</u> | <u>14,159,029</u> |
| <u>1,898,694</u> | <u>37,131,541</u> |
| <u>-</u> | <u>500,428</u> |
| - | 127,899 |
| - | 117,223 |
| - | 266,901 |
| <u>-</u> | <u>129,971</u> |
| <u>-</u> | <u>641,994</u> |
| - | - |
| - | 2,160,846 |
| - | 2,712,139 |
| <u>-</u> | <u>806,802</u> |
| <u>-</u> | <u>5,679,787</u> |
| <u>-</u> | <u>6,321,781</u> |
| <u>-</u> | <u>303,277</u> |
| - | 13,393,448 |
| 1,832,980 | 2,082,792 |
| - | 498,680 |
| 65,714 | 15,031,991 |
| <u>\$ 1,898,694</u> | <u>\$ 31,006,911</u> |

City of Healdsburg
Combining Statement of Revenues, Expenses, and Changes in Net Position
Electric Fund Activities
Year Ended June 30, 2016

| | Electric Operations | Capital Replacement | Electric Public Benefit |
|---|------------------------|------------------------|----------------------------|
| OPERATING REVENUES | | | |
| Charges for Services | \$ 11,685,422 | \$ - | \$ 323,180 |
| Development Fees | - | - | - |
| Other Operating Revenues | 369,295 | - | 379,781 |
| Total Operating Revenues | <u>12,054,717</u> | <u>-</u> | <u>702,961</u> |
| OPERATING EXPENSES | | | |
| Purchase of Power | 6,056,953 | - | - |
| Maintenance and Operations | 3,038,293 | 6,577 | 612,873 |
| Administration | 790,112 | - | - |
| Depreciation | 513,801 | - | - |
| Total Operating Expenses | <u>10,399,159</u> | <u>6,577</u> | <u>612,873</u> |
| Operating Income (Loss) | <u>1,655,558</u> | <u>(6,577)</u> | <u>90,088</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest Income | 161,800 | 5,908 | 7,540 |
| Interest Expense | (48,049) | - | - |
| Gain (Loss) on Disposal | (81,698) | - | - |
| Total Nonoperating Revenues (Expenses) | <u>32,053</u> | <u>5,908</u> | <u>7,540</u> |
| Income (Loss) Before Capital Contributions and Operating Transfers | 1,687,611 | (669) | 97,628 |
| Transfers In | 3,445 | - | - |
| Transfers Out | - | - | (3,445) |
| Change in Net Position | 1,691,056 | (669) | 94,183 |
| Net Position - Beginning of Year | <u>25,569,546</u> | <u>841,766</u> | <u>912,335</u> |
| Net Position - End of Year | <u>\$ 27,260,602</u> | <u>\$ 841,097</u> | <u>\$ 1,006,518</u> |

| Electric Capacity | Total Electric Fund |
|----------------------|---------------------------|
| \$ - | \$ 12,008,602 |
| 39,142 | 39,142 |
| - | 749,076 |
| 39,142 | 12,796,820 |
| - | 6,056,953 |
| - | 3,657,743 |
| - | 790,112 |
| - | 513,801 |
| - | 11,018,609 |
| 39,142 | 1,778,211 |
| 26,572 | 201,820 |
| - | (48,049) |
| - | (81,698) |
| 26,572 | 72,073 |
| 65,714 | 1,850,284 |
| - | 3,445 |
| - | (3,445) |
| 65,714 | 1,850,284 |
| 1,832,980 | 29,156,627 |
| \$ 1,898,694 | \$ 31,006,911 |

City of Healdsburg
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

| | Insurance and Benefit | Vehicle Maintenance | Information Services |
|--|-----------------------------|------------------------|-------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Investments | \$ 2,288,599 | \$ 1,891,172 | \$ 1,127,321 |
| Accounts Receivable - Net | 14,286 | - | 275 |
| Notes and Loans Receivable | - | - | 13,835 |
| Interest Receivable | - | 2,910 | 1,748 |
| Prepaid Expenses | - | 10,997 | - |
| Inventory | - | 26,480 | 2,385 |
| Total Current Assets | <u>2,302,885</u> | <u>1,931,559</u> | <u>1,145,564</u> |
| Noncurrent Assets: | | | |
| Capital Assets, Not Being Depreciated | | | |
| Land | - | - | - |
| Construction In Progress | - | - | - |
| Capital Assets, Depreciable | | | |
| Land and Improvements | - | - | - |
| Machinery and Equipment | - | 4,766,078 | 1,720,478 |
| Total Capital Assets | <u>-</u> | <u>4,766,078</u> | <u>1,720,478</u> |
| Less Accumulated Depreciation | <u>-</u> | <u>(3,622,619)</u> | <u>(1,280,992)</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u>-</u> | <u>1,143,459</u> | <u>439,486</u> |
| Total Noncurrent Assets | <u>-</u> | <u>1,143,459</u> | <u>439,486</u> |
| Total Assets | <u>2,302,885</u> | <u>3,075,018</u> | <u>1,585,050</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable and Accrued Liabilities | 402,058 | 40,910 | 63,690 |
| Deposits Payable | - | - | - |
| Claims Payable - Current | 43,724 | - | - |
| Compensated Absences - Current | 930,150 | - | - |
| Capital Lease Payable - Current | - | - | - |
| Total Current Liabilities | <u>1,375,932</u> | <u>40,910</u> | <u>63,690</u> |
| Noncurrent Liabilities: | | | |
| Compensated Absences | 635,359 | - | - |
| Capital Lease Payable | - | - | - |
| Total Noncurrent Liabilities | <u>635,359</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>2,011,291</u> | <u>40,910</u> | <u>63,690</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | - | 1,143,459 | 439,486 |
| Unrestricted | 291,594 | 1,890,649 | 1,081,874 |
| Total Net Position | <u>\$ 291,594</u> | <u>\$ 3,034,108</u> | <u>\$ 1,521,360</u> |

| <u>Building Maintenance</u> | <u>Totals</u> |
|---------------------------------|---------------------|
| \$ 746,086 | \$ 6,053,178 |
| 42,017 | 56,578 |
| - | 13,835 |
| 1,159 | 5,817 |
| - | 10,997 |
| 2,507 | 31,372 |
| <u>791,769</u> | <u>6,171,777</u> |
| - | - |
| 18,183 | 18,183 |
| 1,142,425 | 1,142,425 |
| - | 6,486,556 |
| <u>1,160,608</u> | <u>7,647,164</u> |
| <u>(43,536)</u> | <u>(4,947,147)</u> |
| <u>1,117,072</u> | <u>2,700,017</u> |
| <u>1,117,072</u> | <u>2,700,017</u> |
| <u>1,908,841</u> | <u>8,871,794</u> |
| 84,142 | 590,800 |
| - | - |
| - | 43,724 |
| - | 930,150 |
| - | - |
| <u>84,142</u> | <u>1,564,674</u> |
| - | 635,359 |
| - | - |
| - | 635,359 |
| <u>84,142</u> | <u>2,200,033</u> |
| 1,117,072 | 2,700,017 |
| 707,627 | 3,971,744 |
| <u>\$ 1,824,699</u> | <u>\$ 6,671,761</u> |

City of Healdsburg
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2016

| | Insurance and Benefit | Vehicle Maintenance | Information Services |
|---|-----------------------------|------------------------|-------------------------|
| OPERATING REVENUES | | | |
| Charges for Services | \$ 3,651,680 | \$ 539,978 | \$ 1,572,761 |
| Rental Income | - | - | - |
| Other Operating Revenues | - | 18,370 | 2,443 |
| Total Operating Revenues | <u>3,651,680</u> | <u>558,348</u> | <u>1,575,204</u> |
| OPERATING EXPENSES | | | |
| Maintenance and Operations | - | 358,482 | 1,224,711 |
| Administration | 1,739 | 251,647 | 29,535 |
| Insurance and Benefits Costs | 3,922,733 | - | - |
| Depreciation | - | 101,281 | 104,818 |
| Total Operating Expenses | <u>3,924,472</u> | <u>711,410</u> | <u>1,359,064</u> |
| Operating Income (Loss) | <u>(272,792)</u> | <u>(153,062)</u> | <u>216,140</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest Income | 20,991 | 31,920 | 11,742 |
| Loss on Disposal of Capital Assets | - | - | - |
| Intergovernmental | - | - | - |
| Total Nonoperating Revenues (Expenses) | <u>20,991</u> | <u>31,920</u> | <u>11,742</u> |
| Income (Loss) Before Capital Contributions and Operating Transfers | <u>(251,801)</u> | <u>(121,142)</u> | <u>227,882</u> |
| Capital Contributions | - | - | - |
| Transfers In | - | 81,207 | - |
| Transfers Out | - | (11,964) | (20,455) |
| Change in Net Position | <u>(251,801)</u> | <u>(51,899)</u> | <u>207,427</u> |
| Net Position - Beginning of Year | <u>543,395</u> | <u>3,086,007</u> | <u>1,313,933</u> |
| Net Position - End of Year | <u>\$ 291,594</u> | <u>\$ 3,034,108</u> | <u>\$ 1,521,360</u> |

| <u>Building Maintenance</u> | <u>Totals</u> |
|---------------------------------|---------------------|
| \$ 893,207 | \$ 6,657,626 |
| 280,586 | 280,586 |
| 489,657 | 510,470 |
| <u>1,663,450</u> | <u>7,448,682</u> |
| 549,827 | 2,133,020 |
| 169,162 | 452,083 |
| 438,897 | 4,361,630 |
| 10,884 | 216,983 |
| <u>1,168,770</u> | <u>7,163,716</u> |
| <u>494,680</u> | <u>284,966</u> |
| 5,878 | 70,531 |
| - | - |
| - | - |
| <u>5,878</u> | <u>70,531</u> |
| 500,558 | 355,497 |
| - | - |
| 802,532 | 883,739 |
| (10,354) | (42,773) |
| <u>1,292,736</u> | <u>1,196,463</u> |
| <u>531,963</u> | <u>5,475,298</u> |
| <u>\$ 1,824,699</u> | <u>\$ 6,671,761</u> |

City of Healdsburg
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2016

| | Insurance and Benefit | Vehicle Maintenance | Information Services |
|---|-----------------------------|------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 3,662,004 | \$ 559,848 | \$ 1,575,359 |
| Payments to Employees for Services | (3,883,266) | (211,509) | (339,506) |
| Payments to Suppliers for Goods and Services | (245,362) | (423,856) | (871,470) |
| Net Cash Provided (Used) by Operating Activities | (466,624) | (75,517) | 364,383 |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Cash Received from Other Funds | - | 81,207 | - |
| Cash Paid to Other Funds | - | (11,964) | (20,455) |
| Loans Issued | - | - | (1,566) |
| Net Cash Provided (Used) by Noncapital and Related Financing Activities | - | 69,243 | (22,021) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal Paid on Capital Debt | - | - | (19,798) |
| Acquisition and Construction of Capital Assets | - | (422,680) | (162,106) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | - | (422,680) | (181,904) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest Received | 22,846 | 30,458 | 10,596 |
| Net Cash Provided (Used) by Investing Activities | 22,846 | 30,458 | 10,596 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (443,778) | (398,496) | 171,054 |
| Cash and Cash Equivalents, Beginning of the Year | 2,732,377 | 2,289,668 | 956,267 |
| Cash and Cash Equivalents, End of the Year | \$ 2,288,599 | \$ 1,891,172 | \$ 1,127,321 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ (272,792) | \$ (153,062) | \$ 216,140 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation | - | 101,281 | 104,818 |
| Changes in Operating Assets and Liabilities: | | | |
| Decrease (Increase) in Accounts Receivable | 10,324 | 1,500 | 155 |
| Decrease (Increase) in Prepaid Expenses | - | (8,964) | - |
| Decrease (Increase) in Inventory | - | (1,737) | 151 |
| Increase (Decrease) in Accounts Payable | (275,882) | (14,535) | 43,119 |
| Increase (Decrease) in Claims Payable | 34,668 | - | - |
| Increase (Decrease) in Compensated Absences Payable | 37,058 | - | - |
| TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ (466,624) | \$ (75,517) | \$ 364,383 |

| <u>Building Maintenance</u> | <u>Totals</u> |
|---------------------------------|---------------------|
| \$ 1,662,810 | \$ 7,460,021 |
| (197,092) | (4,631,373) |
| <u>(923,560)</u> | <u>(2,464,248)</u> |
| 542,158 | 364,400 |
| 802,532 | 883,739 |
| (10,354) | (42,773) |
| <u>-</u> | <u>(1,566)</u> |
| 792,178 | 839,400 |
| - | (19,798) |
| <u>(1,012,455)</u> | <u>(1,597,241)</u> |
| <u>(1,012,455)</u> | <u>(1,617,039)</u> |
| 4,983 | 68,883 |
| <u>4,983</u> | <u>68,883</u> |
| 326,864 | (344,356) |
| <u>419,222</u> | <u>6,397,534</u> |
| <u>\$ 746,086</u> | <u>\$ 6,053,178</u> |
| \$ 494,680 | \$ 284,966 |
| 10,884 | 216,983 |
| (640) | 11,339 |
| - | (8,964) |
| (1,202) | (2,788) |
| 46,858 | (200,440) |
| (8,422) | 26,246 |
| <u>-</u> | <u>37,058</u> |
| <u>\$ 542,158</u> | <u>\$ 364,400</u> |

City of Healdsburg
Combining Statement of Fiduciary Net Position
Private-purpose Trust Funds
June 30, 2016

| | Redevelopment Agency DBD | Senior Center Trust | Community Benefit Trust | Plaza Flowers Veterans Trust |
|---|--------------------------------|---------------------------|-------------------------------|---------------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 3,164 | \$ - | \$ 181,307 | \$ 3,322 |
| Cash and Investments with Fiscal Agent | - | 180,250 | - | - |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Notes | - | - | - | - |
| Interest | - | - | 280 | 5 |
| Advances to City of Healdsburg | - | - | - | - |
| Capital Assets, Not Being Depreciated | - | - | - | - |
| Capital Assets, Net of Accumulated Depreciation | - | - | - | - |
| Total Assets | 3,164 | 180,250 | 181,587 | 3,327 |
| LIABILITIES | | | | |
| Accounts Payable | - | - | - | - |
| Interest Payable | - | - | - | - |
| Noncurrent Liabilities | | | | |
| Due within One Year | - | - | - | - |
| Due in More than One Year | - | - | - | - |
| Total Liabilities | - | - | - | - |
| NET POSITION | | | | |
| Net Position (Deficit) Held in Trust for Successor Agency and Other Purposes | <u>\$ 3,164</u> | <u>\$ 180,250</u> | <u>\$ 181,587</u> | <u>\$ 3,327</u> |

| Post RDA Successor Agency | Post RDA Debt Retirement Fund | Totals |
|------------------------------------|--|------------------------|
| \$ 277,017 | \$ 2,717,889 | \$ 3,182,699 |
| - | 4,589,840 | 4,770,090 |
| - | 9,945 | 9,945 |
| 502,976 | - | 502,976 |
| 4,811 | - | 5,096 |
| 4,275,541 | - | 4,275,541 |
| 528,300 | - | 528,300 |
| 415,560 | - | 415,560 |
| <u>6,004,205</u> | <u>7,317,674</u> | <u>13,690,207</u> |
| 468 | - | 468 |
| - | 890,098 | 890,098 |
| - | 1,664,200 | 1,664,200 |
| - | 47,442,100 | 47,442,100 |
| <u>468</u> | <u>49,996,398</u> | <u>49,996,866</u> |
| <u>\$ 6,003,737</u> | <u>\$ (42,678,724)</u> | <u>\$ (36,306,659)</u> |

City of Healdsburg
Combining Statement of Changes in Fiduciary Net Position
Private-purpose Trust Funds
Year Ended June 30, 2016

| | Redevelopment Agency DBD | Senior Center Trust | Community Benefit Trust | Plaza Flowers Veterans Trust |
|-----------------------------------|--------------------------------|---------------------------|-------------------------------|---------------------------------------|
| ADDITIONS | | | | |
| Taxes and Assessments | \$ 3,163 | \$ - | \$ - | \$ - |
| Fees and Charges | - | - | - | - |
| Investment Earnings | - | 456 | 2,045 | 23 |
| Transfers | - | - | - | - |
| Total Revenues | <u>3,163</u> | <u>456</u> | <u>2,045</u> | <u>23</u> |
| DEDUCTIONS | | | | |
| Community Development | - | 2,928 | 203,206 | 256 |
| Depreciation | - | - | - | - |
| Interest Expense | - | - | - | - |
| Transfers | - | - | - | - |
| Transfers to City | - | - | - | - |
| Total Deductions | <u>-</u> | <u>2,928</u> | <u>203,206</u> | <u>256</u> |
| Change in Net Position | 3,163 | (2,472) | (201,161) | (233) |
| Net Position (Deficit), Beginning | <u>1</u> | <u>182,722</u> | <u>382,748</u> | <u>3,560</u> |
| Net Position (Deficit), Ending | <u>\$ 3,164</u> | <u>\$ 180,250</u> | <u>\$ 181,587</u> | <u>\$ 3,327</u> |

| Post RDA Successor Agency | Post RDA Debt Retirement Fund | Totals |
|------------------------------------|--|-----------------|
| \$ 4,575,967 | \$ - | \$ 4,579,130 |
| 1,137 | 119,340 | 120,477 |
| 47,526 | 207 | 50,257 |
| - | 6,145,920 | 6,145,920 |
| 4,624,630 | 6,265,467 | 10,895,784 |
| 313,124 | 3,500 | 523,014 |
| 21,870 | - | 21,870 |
| - | 2,143,114 | 2,143,114 |
| 6,145,920 | - | 6,145,920 |
| 13,587,373 | - | 13,587,373 |
| 20,068,287 | 2,146,614 | 22,421,291 |
| (15,443,657) | 4,118,853 | (11,525,507) |
| 21,447,394 | (46,797,577) | (24,781,152) |
| \$ 6,003,737 | \$ (42,678,724) | \$ (36,306,659) |