

CITY OF HEALDSBURG
FINANCIAL STATEMENTS
JUNE 30, 2013

**CITY OF HEALDSBURG
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2013**

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

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 City of Healdsburg (City), California, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Healdsburg, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2012, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60 – *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on page 67, and the schedule of Postemployment Retiree Benefits Funding Progress on page 68, respectively, 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 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 provided any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor governmental, enterprise, fiduciary and internal service fund financial statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual nonmajor governmental funds, nonmajor enterprise funds, fiduciary funds, and internal service funds financial statements and schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor funds, nonmajor enterprise funds, fiduciary funds and internal service funds financial statements and schedules, are fairly stated, in all material respects, in relation to the basic 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 March 3, 2014 on our consideration of the City's internal control over financial reporting and 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 do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy and Hartzheim, LLP
Culver City, California
March 3, 2014

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

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, 2013. 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.

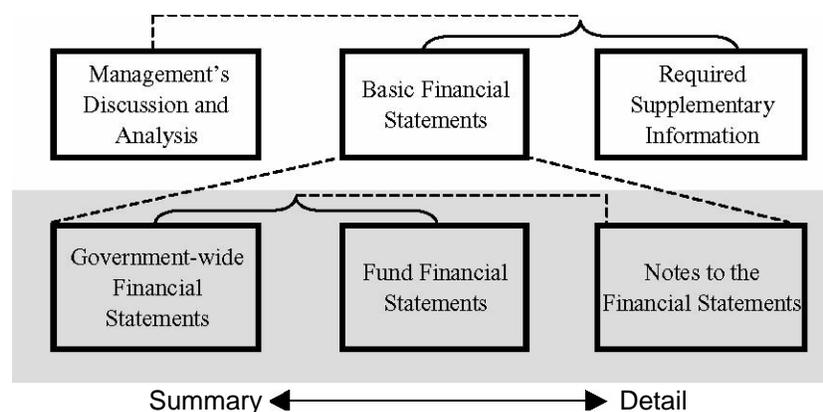
Financial Highlights

- City assets exceeded its liabilities by \$166.3 million (net position) at June 30, 2013. Of this amount, \$41.4 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net position decreased by \$3.1 million during the fiscal year, compared to an increase of \$10.7 million in the prior year. The decrease attributable to the City's governmental activities was \$4.9 million, while the business type activities increased by \$1.8 million.
- At the close of fiscal year 2012-13, City governmental funds reported combined ending fund balance of \$14.2 million, an increase of \$637 thousand.
- At the end of fiscal year 2012-13, unreserved fund balance for the General Fund was \$7.8 million, or 79 percent of total General Fund expenditures.

Overview of the Basic Financial Statements

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

REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

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. The business-type activities of the City include the water, sewer and electric utilities, streets 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.

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 fourteen 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 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.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

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. Additionally, budgetary schedules for the other governmental funds have been provided as required to demonstrate compliance with the budget.

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, streets, drainage, community services, transit, airport, meeting center, school services and after school programs.
- **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 government buildings maintenance. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

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

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

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

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

NET POSITION

June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	\$ 28,679,317	\$ 28,178,595	\$ 46,602,440	\$ 41,092,351	\$ 75,281,757	\$ 69,270,946
Capital assets	26,344,745	27,080,889	118,276,803	119,298,943	144,621,548	146,379,832
Total assets	<u>55,024,062</u>	<u>55,259,484</u>	<u>164,879,243</u>	<u>160,391,294</u>	<u>219,903,305</u>	<u>215,650,778</u>
LIABILITIES						
Current liabilities	1,710,445	1,509,323	1,614,660	1,481,428	3,325,105	2,990,751
Long-term liabilities	9,003,465	4,582,214	41,233,912	38,653,787	50,237,377	43,236,001
Total liabilities	<u>10,713,910</u>	<u>6,091,537</u>	<u>42,848,572</u>	<u>40,135,215</u>	<u>53,562,482</u>	<u>46,226,752</u>
NET POSITION						
Net investment in capital assets	24,376,243	24,499,567	81,332,124	81,215,766	105,708,367	105,715,333
Restricted	10,692,975	11,345,345	8,569,617	8,396,487	19,262,592	19,741,832
Unrestricted	9,240,934	13,323,035	32,128,930	30,643,826	41,369,864	43,966,861
Total net position	<u>\$ 44,310,152</u>	<u>\$ 49,167,947</u>	<u>\$ 122,030,671</u>	<u>\$ 120,256,079</u>	<u>\$ 166,340,823</u>	<u>\$ 169,424,026</u>

By far the largest portion of the City's net position (64%) reflects its 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 (\$19.3 million or 12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$41.4 million (25%) 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).

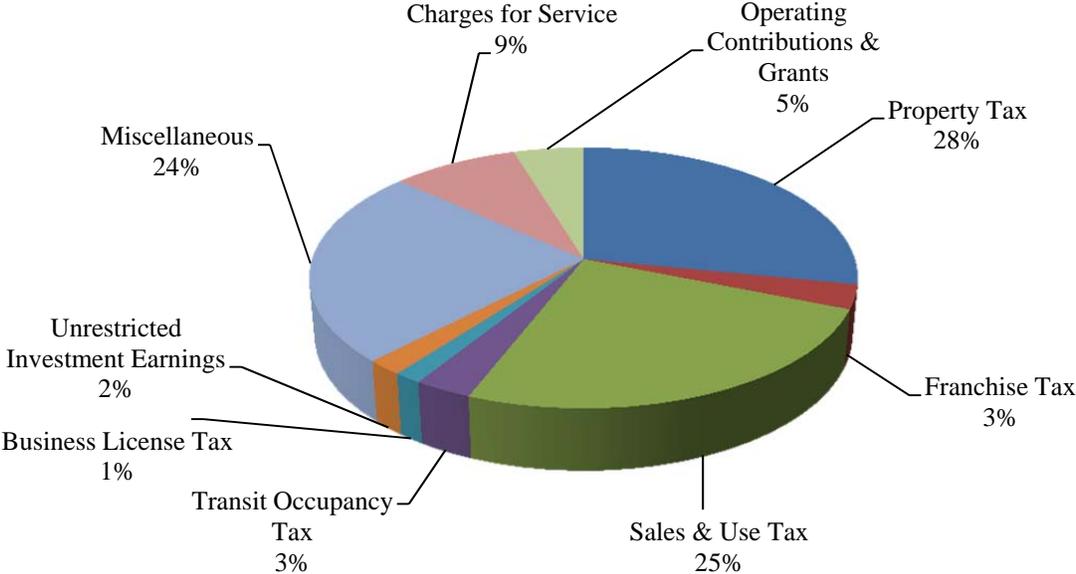
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

The statement of activities shows how the government's net position changed during fiscal year 2012-13 as compared to 2011-12. The City's net position increased overall by \$5.8 million during the current fiscal year.

Governmental Activities. Significant revenues of the governmental activities are taxes (60%), which include property taxes, sales taxes, franchise taxes, business license taxes and transient occupancy taxes. Program revenues are 14 percent of the total revenues of the governmental activities, which include charges for services and operating contributions and grants.

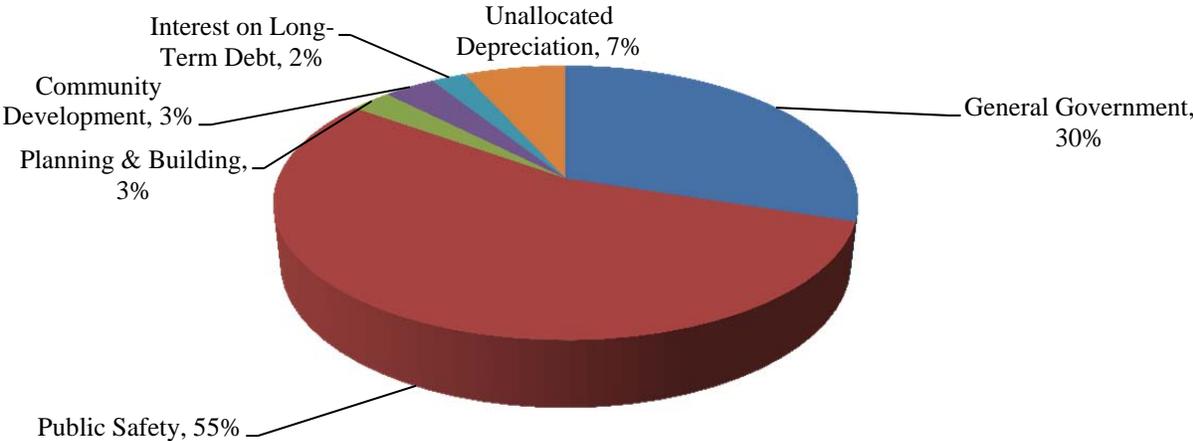
CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2013



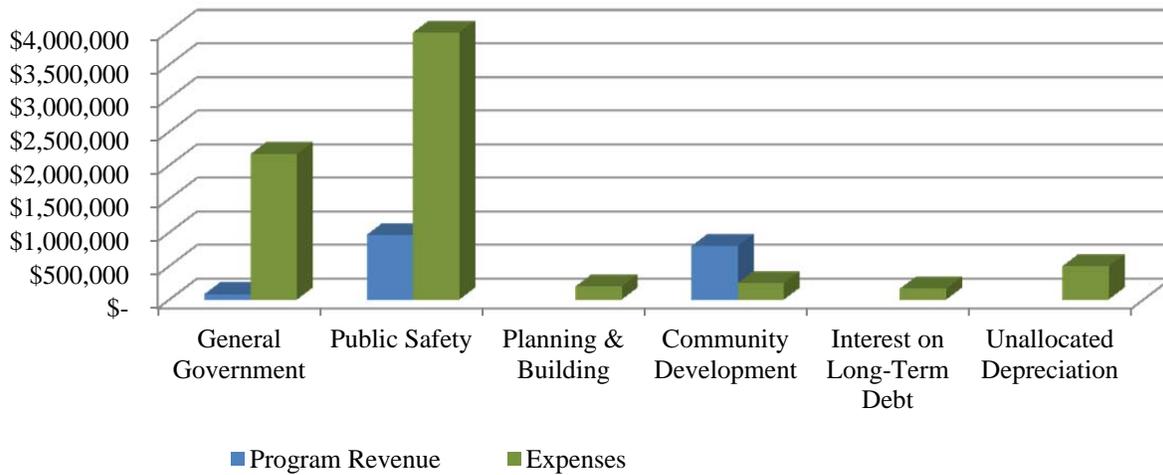
As for expenditures, public safety expenses are the most significant (55%) of all governmental activities expenses, followed by general government (30%), planning and building (3%) community development (3%) and interest on long-term debt (2%). Depreciation expense is 7% of the total expenses for governmental activities

EXPENSES BY FUNCTION/PROGRAM – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2013



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

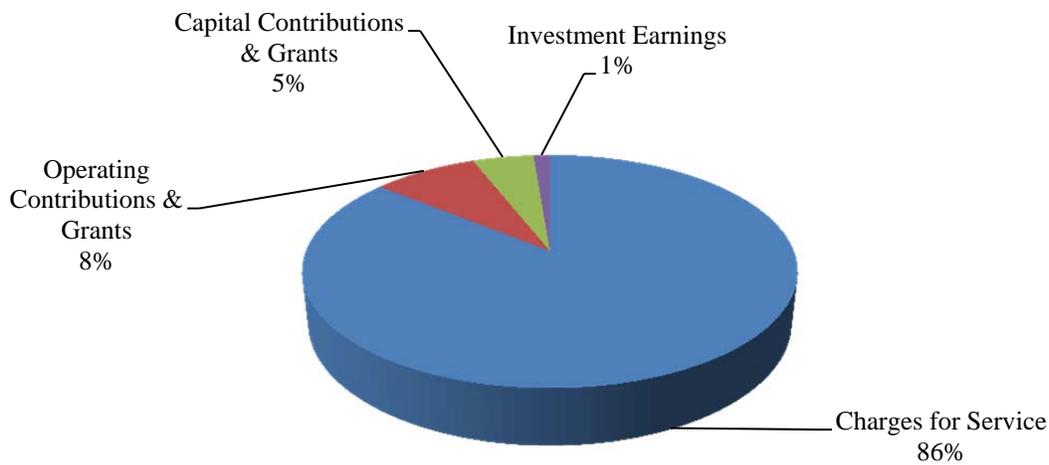
**COMPARISON OF EXPENSES AND PROGRAM REVENUES –
 GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2013**



Business-Type Activities. In the fiscal year ended June 30, 2013, business-type activities increased the City's net position by \$5.6 million as opposed to an \$8.5 million increase in 2012. Key elements of this change are as follows:

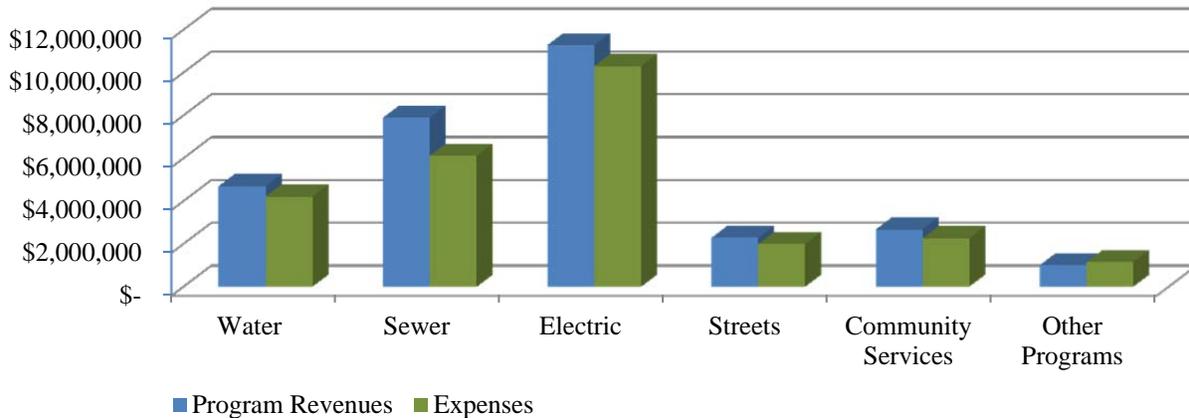
- Charges for services decreased by \$3,614,330 (12%).
- Unrestricted investment earnings decreased by \$155,199 (28%).

**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2013**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

**EXPENSES AND PROGRAM REVENUES –
BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2013**



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, 2013, the City's governmental funds reported total ending fund balances of \$14,184,540, an increase of \$636,995 from the prior fiscal year. This increase is due to an increase in total assets. Approximately 54% of the total ending fund balances (\$7,673,383) is unassigned available for spending in the future at the government's discretion. The remainder of the fund balances is either nonspendable, restricted or committed. The most significant of these restricted fund balances is restricted for Housing and Road Improvements, respectively, \$2,121,166 and \$1,176,498.

General Fund revenues were \$4,727,696 (60%) more than in the prior fiscal year, and expenditures increased by \$2,972,822 (42%). Payoff and refunding of the CalPERS side fund accounts for a significant portion of the increase in both revenues and expenditures. An increase in public safety and including planning and building in the General Fund also accounts for the increase in general fund expenditures.

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, Electric, Streets and Community Services. The major changes in enterprise net position are a \$1.5 million increase to \$42.5 million in the Sewer Fund, and a \$1.2 million increase to \$25 million in the Streets Fund. The Electric Fund reported an increase in net position of \$64 thousand with an ending balance of \$25.9 million.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

The Internal Service Funds had a decrease in net position of \$1.5 million during the fiscal year, ending with a balance of \$6.2 million. This decrease is primarily attributable to decrease operating revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2013, amounted to \$144,621,548 (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 \$4,113,562.

CAPITAL ASSETS

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Land and Land Rights	\$ 9,345,068	\$ 9,345,068	\$ 5,103,404	\$ 5,103,404
Right of Way	6,681,379	6,681,379	-	-
Construction in Progress	-	-	4,974,355	3,801,851
Land Improvements	108,841	108,841	-	-
Buildings	15,018,527	15,018,527	7,947,894	7,930,909
Streets	-	-	27,602,527	26,832,885
Utility Systems	-	-	105,711,557	105,462,153
Drainage	-	-	9,959,070	9,959,070
Machinery and Equipment	7,441,437	7,301,746	3,050,414	3,043,362
Operations	-	-	2,964,993	2,964,993
Infrastructure	432,630	432,630	-	-
Total	\$ 39,027,882	\$ 38,888,191	\$ 167,314,214	\$ 165,098,627

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

Long-Term Liabilities. The City's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled \$50,237,377 at June 30, 2013. Of this total, \$9,003,465 (18%) was in governmental activities and \$41,233,912 (82%) was in business-type activities.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
General Obligation Bonds	\$ 2,075,000	\$ 2,605,000	\$ -	\$ -
Pension Obligation Bond Series A	1,405,895	-	1,083,545	-
Pension Obligation Bond Series B	3,456,775	-	2,664,185	-
Certificates of Participation	-	-	13,550,000	14,200,000
Tax Allocation Bonds	-	-	-	-
Revenue Bonds	-	-	24,540,000	25,095,000
Compensated Absences	1,682,118	1,629,381	-	-
Capital Leases	62,848	85,820	-	-
OPEB	360,000	320,000	-	-
Bond Discount	(3,410)	(5,030)	(170,842)	(180,252)
Deferred Amount on Refunding	(35,761)	(52,957)	(432,976)	(460,961)
Total	\$ 9,003,465	\$ 4,582,214	\$ 41,233,912	\$ 38,653,787

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2014 fiscal year, General Fund revenue projections continue to be conservative, especially in regards to the Measure V Transaction & Use Tax.

Development activity is expected to continue to increase and the City's permit and fees revenues will be positively impacted as a result. Additionally, the City's businesses, especially hospitality related, are also experiencing an increase in activity.

Additionally, with the large Former Redevelopment Agency related tax increment redistribution's completed in FY 12-13, the City property tax revenues are expected to stabilize by the end of next year.

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 Administrative Services Director, City of Healdsburg, 401 Grove Street, Healdsburg, CA 95448-4723.

CITY OF HEALDSBURG
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 18,603,421	\$ 38,963,471	\$ 57,566,892
Cash and investments with fiscal agents	1,959,987	4	1,959,991
Receivables:			
Accounts	120,560	4,002,714	4,123,274
Taxes	1,158,957	376,094	1,535,051
Notes	6,254,265		6,254,265
Interest	16,913	30,060	46,973
Due from other governments	101,743	280,372	382,115
Internal balances	286,695	(286,695)	
Deferred charges, net of accumulated amortization	130,175	541,503	671,678
Prepaid expenses	3,267	1,217,000	1,220,267
Inventory	43,334	1,477,917	1,521,251
Capital assets, not being depreciated	16,026,447	10,077,760	26,104,207
Capital assets, net of accumulated depreciation	10,318,298	108,199,043	118,517,341
	<u>55,024,062</u>	<u>164,879,243</u>	<u>219,903,305</u>
Total Assets			
LIABILITIES			
Accounts payable	1,008,805	683,288	1,692,093
Interest payable	33,555	440,254	473,809
Deposits payable	447,073	491,118	938,191
Claims payable	52,202		52,202
Unearned revenue	168,810		168,810
Noncurrent liabilities:			
Due within one year	1,960,803	1,409,597	3,370,400
Due in more than one year	7,042,662	39,824,315	46,866,977
	<u>10,713,910</u>	<u>42,848,572</u>	<u>53,562,482</u>
Total Liabilities			
NET POSITION			
Net investment in capital assets	24,376,243	81,332,124	105,708,367
Restricted for:			
Capital projects		8,569,617	8,569,617
Community development	103,188		103,188
Housing	8,359,344		8,359,344
Landscaping and lighting	237,058		237,058
Public safety	241,505		241,505
Parks and recreation	87,985		87,985
Streets, highway, and related purposes	1,176,498		1,176,498
Debt service	487,397		487,397
Unrestricted	9,240,934	32,128,930	41,369,864
	<u>44,310,152</u>	<u>122,030,671</u>	<u>166,340,823</u>
Total Net Position			

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 2,171,040	\$ 40,639	\$ 39,426	\$ -
Public safety	3,980,072	629,358	333,166	
Planning and building	194,991			
Community development	244,710	517,234	277,759	8,480
Interest on long-term debt	163,381			
Unallocated depreciation	485,544			
Total Governmental Activities	7,239,738	1,187,231	650,351	8,480
Business-type Activities:				
Water	4,210,531	4,700,788		
Sewer	6,121,863	7,893,924		
Electric	10,308,223	11,283,079		
Streets	1,998,480	861,578		1,428,961
Community services	2,264,229	603,549	2,064,657	
Other enterprises	1,151,949	616,455	389,927	
Total Business-type Activities	26,055,275	25,959,373	2,454,584	1,428,961
Total Government	\$ 33,295,013	\$ 27,146,604	\$ 3,104,935	\$ 1,437,441

General Revenues:

Taxes:

- Property taxes
- Franchise taxes
- Sales and use taxes
- Transit occupancy taxes
- Business license taxes
- Motor vehicle in lieu, unrestricted
- Investment earnings
- Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position before Special Item

Special Item - Repayment CalPERS Side Fund

Change in Net Position

Net Position, July 1, 2012

Prior Period Adjustments

Net Position, July 1, 2012, restated

Net Position, June 30, 2013

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,090,975)	\$ -	\$ (2,090,975)
(3,017,548)		(3,017,548)
(194,991)		(194,991)
558,763		558,763
(163,381)		(163,381)
<u>(485,544)</u>		<u>(485,544)</u>
<u>(5,393,676)</u>		<u>(5,393,676)</u>
	490,257	490,257
	1,772,061	1,772,061
	974,856	974,856
	292,059	292,059
	403,977	403,977
	<u>(145,567)</u>	<u>(145,567)</u>
	<u>3,787,643</u>	<u>3,787,643</u>
<u>(5,393,676)</u>	<u>3,787,643</u>	<u>(1,606,033)</u>
3,886,780		3,886,780
416,359		416,359
3,446,173		3,446,173
414,112		414,112
197,372		197,372
6,116		6,116
260,216	382,347	642,563
3,369,484		3,369,484
<u>(1,487,412)</u>	<u>1,487,412</u>	
<u>10,509,200</u>	<u>1,869,759</u>	<u>12,378,959</u>
5,115,524	5,657,402	10,772,926
<u>(4,926,548)</u>		<u>(4,926,548)</u>
<u>188,976</u>	<u>5,657,402</u>	<u>5,846,378</u>
49,167,947	120,256,079	169,424,026
<u>(5,046,771)</u>	<u>(3,882,810)</u>	<u>(8,929,581)</u>
<u>44,121,176</u>	<u>116,373,269</u>	<u>160,494,445</u>
<u>\$ 44,310,152</u>	<u>\$ 122,030,671</u>	<u>\$ 166,340,823</u>

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 9,093,056	\$ 2,375,387	\$ 11,468,443
Cash and investments with fiscal agents		1,959,987	1,959,987
Receivables:			
Accounts	10,194	57,920	68,114
Taxes	1,111,946	47,011	1,158,957
Notes		6,238,178	6,238,178
Interest	8,342	1,540	9,882
Due from other governments	76,202	25,541	101,743
Prepaid expenditures	3,127	140	3,267
Advances to other funds	130,470		130,470
Due from other funds	364,234		364,234
	<u>10,797,571</u>	<u>10,705,704</u>	<u>21,503,275</u>
Total Assets	<u>\$ 10,797,571</u>	<u>\$ 10,705,704</u>	<u>\$ 21,503,275</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 221,626	\$ 80,465	\$ 302,091
Deposits payable	442,598	2,894	445,492
Due to other funds		99,300	99,300
Unearned revenue	177,774	6,294,078	6,471,852
	<u>841,998</u>	<u>6,476,737</u>	<u>7,318,735</u>
Total Liabilities	<u>841,998</u>	<u>6,476,737</u>	<u>7,318,735</u>
Fund Balances:			
Nonspendable:			
Prepaid expenditures	3,127	140	3,267
Advances	130,470		130,470
Restricted	121,014	4,367,198	4,488,212
Committed	1,889,144	64	1,889,208
Unassigned	7,811,818	(138,435)	7,673,383
	<u>9,955,573</u>	<u>4,228,967</u>	<u>14,184,540</u>
Total Fund Balances	<u>9,955,573</u>	<u>4,228,967</u>	<u>14,184,540</u>
Total Liabilities and Fund Balances	<u>\$ 10,797,571</u>	<u>\$ 10,705,704</u>	<u>\$ 21,503,275</u>

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2013

Fund balances of governmental funds \$ 14,184,540

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds Balance Sheet because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet. (These do not include Internal Service Fund Assets)

Capital assets	\$ 32,600,005	
Less: accumulated depreciation	<u>(7,669,808)</u>	24,930,197

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds.

130,175

Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds' Balance Sheet.

(33,555)

The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds' Balance Sheet. (Does not include Internal Service Funds)

General obligation bonds	(2,075,000)	
Pension obligation bonds	(4,862,670)	
Discounts on bond issuance	3,410	
Deferred loss on refunding	35,761	
OPEB	<u>(360,000)</u>	(7,258,499)

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.

6,054,252

In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by unearned revenue.

6,303,042

Net position of governmental activities

\$ 44,310,152

**CITY OF HEALDSBURG
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2013**

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 3,320,279	\$ 718,092	\$ 4,038,371
Sales and other taxes	4,474,016		4,474,016
Charges for services	915,354	1,841	917,195
Development fees		37,976	37,976
Intergovernmental	459,779	283,072	742,851
Use of money and property	44,393	53,902	98,295
Other revenues	3,316,239	24,797	3,341,036
Total Revenues	12,530,060	1,119,680	13,649,740
EXPENDITURES			
Current:			
General government	2,994,562	862,208	3,856,770
Public safety	5,864,634		5,864,634
Community development		244,710	244,710
Planning and building	612,060	1,625	613,685
Debt service:			
Bond issuance cost	104,345		104,345
Principal payments	171,920	530,000	701,920
Interest and fiscal charges	154,914	92,397	247,311
Total Expenditures	9,902,435	1,730,940	11,633,375
Excess of revenues over (under) expenditures	2,627,625	(611,260)	2,016,365
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	5,034,590		5,034,590
Transfers in	169,397		169,397
Transfers out	(750,000)	(906,809)	(1,656,809)
Total Other Financing Sources (Uses)	4,453,987	(906,809)	3,547,178
Net Change in Fund Balances before Special Item	7,081,612	(1,518,069)	5,563,543
SPECIAL ITEM			
Repayment of CalPERS Side Fund	(4,926,548)		(4,926,548)
Net Change in Fund Balances	2,155,064	(1,518,069)	636,995
Fund Balances, July 1, 2012	7,800,509	5,747,036	13,547,545
Fund Balances, June 30, 2013	<u>\$ 9,955,573</u>	<u>\$ 4,228,967</u>	<u>\$ 14,184,540</u>

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$	636,995
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.
(These do not include internal service funds assets)

Depreciation expense not reported in governmental funds		(485,544)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Position, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position, the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	\$ 701,920	
Bond proceeds are deducted from fund balance	(5,034,590)	
Amortization of deferred charges and original issue discount	77,044	
Amortization of deferred loss on refunding	<u>(17,196)</u>	(4,272,822)

To record as an expense the net change in PERS side fund liability in the Statement of Activities.		5,046,771
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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):

Postemployment benefit accrual	(40,000)	
Interest payable	<u>8,203</u>	(31,797)

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

		<u>(704,627)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>188,976</u>
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**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2013**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 5,478,932	\$ 17,186,628	\$ 9,981,898	\$ 3,626,185
Cash and investments with fiscal agents	1	3		
Accounts receivable - net	895,882	1,133,062	1,854,850	566
Taxes receivable				
Notes and loans receivable				
Interest receivable	4,185	13,269	7,916	2,782
Due from other governments				220,255
Due from other funds			55,000	
Prepaid expenses				
Inventory	125,478	7,521	1,281,751	41,881
Total current assets	6,504,478	18,340,483	13,181,415	3,891,669
Noncurrent:				
Deferred charges, net of accumulated amortization	248,247	293,256		
	248,247	293,256		
Capital Assets:				
Nondepreciable				
Land	310,781	766,902	48,360	
Construction in progress		910,027	97,850	3,911,324
Total nondepreciable capital assets	310,781	1,676,929	146,210	3,911,324
Depreciable				
Land improvements				
Buildings	1,480,552	206,166	447,835	
Streets				27,602,527
Utility systems	27,436,978	55,664,393	22,610,185	
Drainage		9,959,070		
Machinery and equipment Operations	642,171	581,929	1,070,164	18,783
Total depreciable capital assets	29,559,701	66,411,558	24,128,184	27,621,310
Less accumulated depreciation	(9,298,115)	(15,744,408)	(9,838,818)	(9,748,983)
Net depreciable capital assets	20,261,586	50,667,150	14,289,366	17,872,327
Net capital assets	20,572,367	52,344,079	14,435,576	21,783,651
Total noncurrent assets	20,820,614	52,637,335	14,435,576	21,783,651
Total assets	\$ 27,325,092	\$ 70,977,818	\$ 27,616,991	\$ 25,675,320

See accompanying notes to basic financial statements

Enterprise Funds			Governmental -
Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 2,353,360	\$ 336,468	\$ 38,963,471	\$ 7,134,978
9,005	109,349	4,002,714	52,446
376,094		376,094	
1,644	264	30,060	16,087
	60,117	280,372	7,031
72,000		127,000	
1,217,000		1,217,000	
1,867	19,419	1,477,917	43,334
<u>4,030,970</u>	<u>525,617</u>	<u>46,474,632</u>	<u>7,253,876</u>
		541,503	
		541,503	
3,625,554	351,807	5,103,404	
	55,155	4,974,356	
<u>3,625,554</u>	<u>406,962</u>	<u>10,077,760</u>	
4,432,477	1,380,862	7,947,892	108,841
		27,602,527	
		105,711,556	
		9,959,070	
429,672	307,694	3,050,413	6,319,036
	2,964,993	2,964,993	
4,862,149	4,653,549	157,236,451	6,427,877
(2,639,568)	(1,767,516)	(49,037,408)	(5,013,329)
<u>2,222,581</u>	<u>2,886,033</u>	<u>108,199,043</u>	<u>1,414,548</u>
5,848,135	3,292,995	118,276,803	1,414,548
5,848,135	3,292,995	118,818,306	1,414,548
<u>\$ 9,879,105</u>	<u>\$ 3,818,612</u>	<u>\$ 165,292,938</u>	<u>\$ 8,668,424</u>

(Continued)

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2013
 (Continued)**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 61,093	\$ 171,919	\$ 99,181	\$ 284,785
Deposits payable	2,991		380,931	23,141
Due to other funds				
Accrued interest payable	124,792	315,462		
Claims payable, current portion				
Compensated absences				
Pension obligation bonds	66,748	66,748	84,952	18,204
Capital leases payable				
Certificates of participation and revenue bonds	245,000	935,000		
Unamortized discounts	(5,748)	(3,661)		
Deferred amount on refunding	(21,402)	(6,584)		
Total current liabilities	<u>473,474</u>	<u>1,478,884</u>	<u>565,064</u>	<u>326,130</u>
Noncurrent Liabilities:				
Compensated absences				
Advances from other funds				
Pension obligation bonds	838,872	838,872	1,124,588	285,716
Capital leases payable				
Certificates of participation and revenue bonds	10,635,000	26,275,000		
Unamortized discounts	(84,464)	(76,969)		
Deferred amount on refunding	(294,563)	(110,427)		
Total noncurrent liabilities	<u>11,094,845</u>	<u>26,926,476</u>	<u>1,124,588</u>	<u>285,716</u>
Total Liabilities	<u>11,568,319</u>	<u>28,405,360</u>	<u>1,689,652</u>	<u>611,846</u>
NET POSITION				
Net investment in capital assets	10,346,791	25,624,976	14,435,576	21,783,651
Restricted for capital projects	1,461,537	4,319,840	1,968,951	819,289
Unrestricted	3,948,445	12,627,642	9,522,812	2,460,534
Total Net Position	<u>\$ 15,756,773</u>	<u>\$ 42,572,458</u>	<u>\$ 25,927,339</u>	<u>\$ 25,063,474</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net position of business-type activities

Enterprise Funds			Governmental -
Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 48,198	\$ 18,112	\$ 683,288	\$ 706,714
25,316	58,739	491,118	1,581
	391,934	391,934	
		440,254	
			52,202
			1,034,839
30,340		266,992	
			22,972
		1,180,000	
		(9,409)	
		(27,986)	
<u>103,854</u>	<u>468,785</u>	<u>3,416,191</u>	<u>1,818,308</u>
			647,279
	130,470	130,470	
392,690		3,480,738	
			39,876
		36,910,000	
		(161,433)	
		(404,990)	
<u>392,690</u>	<u>130,470</u>	<u>39,954,785</u>	<u>687,155</u>
<u>496,544</u>	<u>599,255</u>	<u>43,370,976</u>	<u>2,505,463</u>
5,848,135	3,292,995	81,332,124	1,351,700
		8,569,617	
3,534,426	(73,638)	32,020,221	4,811,261
<u>\$ 9,382,561</u>	<u>\$ 3,219,357</u>	<u>121,921,962</u>	<u>\$ 6,162,961</u>
		108,709	
		<u>\$ 122,030,671</u>	

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Operating Revenues			
Charges for services	\$ 4,498,954	\$ 7,424,383	\$ 10,866,658
Development fees	196,566	455,916	26,584
Rental income			
Other operating revenues	5,268	13,625	389,837
Total Operating Revenues	<u>4,700,788</u>	<u>7,893,924</u>	<u>11,283,079</u>
Operating Expenses			
Purchase of power			5,979,061
Maintenance and operation	2,164,837	2,436,103	2,609,144
Administration	588,979	2,048,167	811,937
Insurance and benefits costs			
Depreciation	590,253	1,284,935	561,782
Total Operating Expenses	<u>3,344,069</u>	<u>5,769,205</u>	<u>9,961,924</u>
Operating Income (Loss)	<u>1,356,719</u>	<u>2,124,719</u>	<u>1,321,155</u>
Non-Operating Revenues (Expenses)			
Interest income	32,036	61,595	35,391
Interest expense	(568,375)	(69,696)	(40,579)
Amortization	(42,715)	(23,787)	
Taxes			
Intergovernmental grants			
Gain (Loss) on sale of capital assets			
Total Non-Operating Income (Loss)	<u>(579,054)</u>	<u>(31,888)</u>	<u>(5,188)</u>
Income (Loss) Before Transfers and Capital Contributions	777,665	2,092,831	1,315,967
Capital Contributions			
Transfers in	622,006	377,994	400,000
Transfers out	(410,000)	(20,000)	(400,000)
Change in Net Position	<u>989,671</u>	<u>2,450,825</u>	<u>1,315,967</u>
Net Position, July 1, 2012	15,706,492	41,061,023	25,863,892
Prior Period Adjustments	(939,390)	(939,390)	(1,252,520)
Net Position, July 1, 2012, Restated	<u>14,767,102</u>	<u>40,121,633</u>	<u>24,611,372</u>
Net Position, June 30, 2013	<u>\$ 15,756,773</u>	<u>\$ 42,572,458</u>	<u>\$ 25,927,339</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Changes in net position of business-type activities

Enterprise Funds				Governmental Activities-
Streets Fund	Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 3,735	\$ 397,520	\$ 318,723	\$ 23,509,973	\$ 7,485,555
102,221			781,287	
	115,820	291,984	407,804	
755,622	90,209	5,748	1,260,309	471
861,578	603,549	616,455	25,959,373	7,486,026
			5,979,061	
1,255,516	1,644,331	848,593	10,958,524	1,987,257
71,567	427,435	158,106	4,106,191	440,068
				6,574,543
534,029	178,260	88,468	3,237,727	390,291
1,861,112	2,250,026	1,095,167	24,281,503	9,392,159
(999,534)	(1,646,477)	(478,712)	1,677,870	(1,906,133)
11,231	24,304	709	165,266	410,015
(10,145)	(14,203)		(702,998)	
	2,064,657		(66,502)	
		389,927	2,064,657	
			389,927	4,300
1,086	2,074,758	390,636	1,850,350	414,315
(998,448)	428,281	(88,076)	3,528,220	(1,491,818)
1,428,961			1,428,961	
1,106,809	30,000		2,536,809	
(25,000)	(25,000)	(169,397)	(1,049,397)	
1,512,322	433,281	(257,473)	6,444,593	(1,491,818)
23,864,282	9,387,660	3,476,830		7,654,779
(313,130)	(438,380)			
23,551,152	8,949,280	3,476,830		7,654,779
\$ 25,063,474	\$ 9,382,561	\$ 3,219,357		\$ 6,162,961
			(787,191)	
			\$ 5,657,402	

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2013**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 4,576,771	\$ 7,850,517	\$ 11,198,633
Payments to suppliers and users	(2,139,126)	(2,347,024)	(8,356,707)
Payments to employees	(588,979)	(2,048,167)	(811,937)
Net Cash Provided (Used) by Operating Activities	<u>1,848,666</u>	<u>3,455,326</u>	<u>2,029,989</u>
Cash Flows from Non-Capital Financing Activities:			
Taxes			
Intergovernmental grants			
Due to/from other funds			
Advances to/from other funds			
Principal paid on loans receivable			
Transfers in	622,006	377,994	400,000
Transfers out	(410,000)	(20,000)	(400,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>212,006</u>	<u>357,994</u>	<u></u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants received			
Acquisitions of capital assets	2	(263,129)	(239,812)
Interest paid	(573,394)	(77,568)	(40,579)
Principal payments - long-term debt	(573,770)	(698,770)	(42,980)
Proceeds from sales of capital assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,147,162)</u>	<u>(1,039,467)</u>	<u>(323,371)</u>
Cash Flows from Investing Activities:			
Interest received	32,777	63,912	36,433
Net Cash Provided (Used) by Investing Activities	<u>32,777</u>	<u>63,912</u>	<u>36,433</u>
Net Increase (Decrease) in Cash and Cash Equivalents	946,287	2,837,765	1,743,051
Cash and Cash Equivalents, July 1, 2012	<u>4,532,646</u>	<u>14,348,866</u>	<u>8,238,847</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 5,478,933</u>	<u>\$ 17,186,631</u>	<u>\$ 9,981,898</u>
Noncash Transactions			
Amortization of deferred charges	\$ 42,715	\$ 23,787	\$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Position			
Cash and investments	\$ 5,478,932	\$ 17,186,628	\$ 9,981,898
Restricted cash and investments	<u>1</u>	<u>3</u>	<u></u>
Total Cash and Investments	<u>\$ 5,478,933</u>	<u>\$ 17,186,631</u>	<u>\$ 9,981,898</u>

See accompanying notes to basic financial statements

Enterprise Funds				Governmental -
Streets	Community	Other	Totals	Internal Service
Fund	Service	Enterprise		Funds
	Fund	Funds		
\$ 861,012	\$ 607,110	\$ 590,120	\$ 25,684,163	\$ 7,522,540
(1,082,432)	(1,847,193)	(1,207,723)	(16,980,205)	(8,542,398)
<u>(71,567)</u>	<u>(427,435)</u>	<u>(158,106)</u>	<u>(4,106,191)</u>	<u>(440,068)</u>
<u>(292,987)</u>	<u>(1,667,518)</u>	<u>(775,709)</u>	<u>4,597,767</u>	<u>(1,459,926)</u>
	2,039,157		2,039,157	
		351,974	351,974	
		(29,752)	(29,752)	
		130,470	130,470	
				2,535
1,106,809	30,000		2,536,809	
<u>(25,000)</u>	<u>(25,000)</u>	<u>(169,397)</u>	<u>(1,049,397)</u>	
<u>1,081,809</u>	<u>2,044,157</u>	<u>283,295</u>	<u>3,979,261</u>	<u>2,535</u>
1,742,847			1,742,847	
(1,640,510)	(16,985)	(55,153)	(2,215,587)	(139,691)
(10,145)	(14,203)		(715,889)	
<u>(9,210)</u>	<u>(15,350)</u>		<u>(1,340,080)</u>	<u>(22,972)</u>
				4,300
<u>82,982</u>	<u>(46,538)</u>	<u>(55,153)</u>	<u>(2,528,709)</u>	<u>(158,363)</u>
<u>11,474</u>	<u>24,620</u>	<u>857</u>	<u>170,073</u>	<u>412,039</u>
<u>11,474</u>	<u>24,620</u>	<u>857</u>	<u>170,073</u>	<u>412,039</u>
883,278	354,721	(546,710)	6,218,392	(1,203,715)
<u>2,742,907</u>	<u>1,998,639</u>	<u>883,178</u>	<u>32,745,083</u>	<u>8,338,693</u>
<u>\$ 3,626,185</u>	<u>\$ 2,353,360</u>	<u>\$ 336,468</u>	<u>\$ 38,963,475</u>	<u>\$ 7,134,978</u>
\$ -	\$ -	\$ -	\$ 66,502	\$ -
\$ 3,626,185	\$ 2,353,360	\$ 336,468	\$ 38,963,471	\$ 7,134,978
			4	
<u>\$ 3,626,185</u>	<u>\$ 2,353,360</u>	<u>\$ 336,468</u>	<u>\$ 38,963,475</u>	<u>\$ 7,134,978</u>

(Continued)

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2013
 (Continued)**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 1,356,719	\$ 2,124,719	\$ 1,321,155
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	590,253	1,284,935	561,782
(Increase) Decrease in Operating Assets:			
Accounts receivable	(124,017)	(43,407)	(84,446)
Prepaid expenses			
Inventory	14,164	(2,625)	23,237
Increase (Decrease) in Operating Liabilities:			
Accounts payable	11,051	91,854	13,042
Deposits payable	496	(150)	195,219
Claims and judgments payable			
Compensated absences			
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,848,666</u>	<u>\$ 3,455,326</u>	<u>\$ 2,029,989</u>

See accompanying notes to basic financial statements

Enterprise Funds				Governmental -
Streets	Community	Other		Activities
Fund	Service	Enterprise	Totals	Internal Service
	Fund	Funds		Funds
\$ (999,534)	\$ (1,646,477)	\$ (478,712)	\$ 1,677,870	\$ (1,906,133)
534,029	178,260	88,468	3,237,727	390,291
(566)	3,561	(26,335)	(275,210)	36,514
(539)	(223,400)		(223,400)	
	(1,148)	1,568	34,657	(9,741)
196,289	9,659	(7,839)	314,056	(16,504)
(22,666)	12,027	(352,859)	(167,933)	1,540
				(8,630)
				52,737
<u>\$ (292,987)</u>	<u>\$ (1,667,518)</u>	<u>\$ (775,709)</u>	<u>\$ 4,597,767</u>	<u>\$ (1,459,926)</u>

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

	Private Purpose Trust Funds
ASSETS	
Cash and investments	\$ 17,930,711
Restricted cash and investments with fiscal agents	7,747,349
Receivables:	
Notes	1,138,871
Interest	14,075
Deferred Charges, Net of Accumulated Amortization	1,097,132
Capital Assets, Not Being Depreciated	6,568,726
Capital Assets, Net of Accumulated Depreciation	1,984,923
Total assets	36,481,787
LIABILITIES	
Accounts payable	3,789
Interest payable	1,155,309
Noncurrent Liabilities:	
Due within One Year	1,180,210
Due in More than One Year	51,167,603
Total liabilities	53,506,911
NET POSITION	
Unrestricted	(17,025,124)
Total Net Position (Deficit)	\$ (17,025,124)

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust Funds
ADDITIONS	
Taxes and assessments	\$ 4,102,051
Intergovernmental	270,309
Fees and charges	1,355
Total additions	4,373,715
 DEDUCTIONS	
Community development	2,964,807
Depreciation	78,104
Interest expense	75,033
Pass-through payment to the County of Sonoma	8,718,021
Total deductions	11,835,965
Change in Net Position	(7,462,250)
Net Position (Deficit), July 1, 2012	(9,562,874)
Net Position (Deficit), June 30, 2013	\$ (17,025,124)

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the 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 "blended" component units of the City. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of this component unit is 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 statement is issued for HPFA.

Description of Joint Powers Authorities Participation

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).

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the reporting government as a whole except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements 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. 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. Noncurrent portions of other long-term receivables are offset by unearned revenue.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). For proprietary fund type activities, the City follows the pronouncements of the GASB in its accounting and financial reporting. In accordance with GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (GASB No. 62), the City follows all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions (APB), and Accounting Research Bulletins (ARB) issued on or before November 30, 1989. As allowed under GASB No. 62, the Authority has elected not to apply pronouncements issued by the FASB after November 30, 1989.

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

Major Governmental Fund

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.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Types

The 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.

The 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.

The 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).

The Permanent Fund type is 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 Type

The 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.

The 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 Type

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

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

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.

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Capital Assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of contribution. 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. The City has valued and recorded all infrastructure asset data as of June 30, 2013.

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

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

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows - 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.

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.

Net Position and Fund Balance - In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. 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 include unspent proceeds of bonds issued to acquire or construct capital assets. All other net position is considered unrestricted.

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

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

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise 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 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

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

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, and the ultimate outcome of claims payable. Actual results could differ from those estimates and assumptions.

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of GASB Statement No. 60 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 61

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus." This Statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of GASB Statement No. 61 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of GASB Statement No. 62 and the impact of the City's financial statement are explained in Note 1: Measurement Focus, Basis of Accounting, and Financial Statement Presentation.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. Implementation of the Statement and the impact on the City's financial statements are explained in Note 9a: Net Position and Fund Balances.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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. No major budget was adopted for the successor housing special revenue fund.

B. Deficit Fund Balances/Net Position

Nonmajor Governmental Fund - A deficit fund balance of \$16,183 exists in the North Area Special Revenue Fund and a deficit fund balance of \$122,252 exists in the General Capital Projects Fund. The City plans on removing the deficit through future development contributions and benefit assessments.

Nonmajor Enterprise Fund - A deficit net position of \$2,859 exists in the After School Program Fund. The City plans on removing the deficit through future charges.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. Excess of Expenditures over Appropriations

<u>Major Governmental Funds</u>	<u>Amount of Excess</u>
General Fund	
General government:	
Non Departmental	\$ 16,820
Debt Service:	
Bond issuance cost	104,345
Principal payments	171,920
Interest and fiscal charges	154,914
<u>Nonmajor Governmental Funds</u>	
Area A Lighting and Landscaping	
District Special Revenue Fund	\$ 36,593
General Debt Service Fund	33,175

NOTE 3 – CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

	<u>Government- Wide Statement of Net Position</u>	<u>Fiduciary Fund Statement of Net Position</u>	<u>Total</u>
Unrestricted assets:			
Cash and investments	\$ 57,566,892	\$ 17,930,711	\$ 75,497,603
Cash and investments with fiscal agents	1,959,991		1,959,991
Restricted assets:			
Cash and investments with fiscal agents		7,747,349	7,747,349
Total Cash and Investments	<u>\$ 59,526,883</u>	<u>\$ 25,678,060</u>	<u>\$ 85,204,943</u>

Cash and investments at June 30, 2013 consisted of the following:

Cash on hand	\$ 1,739
Deposits with financial institutions	21,553,162
Investments	<u>63,650,042</u>
Total Cash and Investments	<u>\$ 85,204,943</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 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 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.

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – CASH AND INVESTMENTS (Continued)

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	Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 48 Months	49 to 60 Months
Certificate of Deposit	\$ 491,997	\$ -	\$ -	\$ -	\$ 491,997
Money Market Funds	3,326,404	3,326,404			
Federal Agency Securities	13,755,240			2,996,670	10,758,570
County Investment Pool	297,213	297,213			
State Investment Pool	35,071,905	35,071,905			
Medium Term Notes	999,940		999,940		
Held by Bond Trustees:					
County Investment Pool	174,226	174,226			
Money Market Funds	9,533,117	9,533,117			
Total	\$ 63,650,042	\$ 48,402,865	\$ 999,940	\$ 2,996,670	\$ 11,250,567

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	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	A	Not Rated
Certificates of Deposit	\$ 491,997	N/A	\$ -	\$ -	\$ -	\$ 491,997
Money Market Funds	3,326,404	N/A				3,326,404
Federal Agency Securities	13,755,240	N/A		13,755,240		
County Investment Pool	297,213	N/A				297,213
State Investment Pool	35,071,905	N/A				35,071,905
Medium Term Notes	999,940	N/A			999,940	
Held by Bond Trustees:						
County Investment Pool	174,226	N/A				174,226
Money Market Funds	9,533,117	N/A		9,533,117		
Total	\$ 63,650,042		\$ -	\$ 23,288,357	\$ 999,940	\$ 39,361,745

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – CASH AND INVESTMENTS (Continued)

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Maturity</u>	<u>Interest</u>
FHLMC	Federal agency securities	\$ 4,928,130	2016-2018	1.13-1.56%
FNMA	Federal agency securities	3,949,390	2016-2018	1.03-1.46%

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.)

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, 2013, \$22,152,408 of the City deposits (bank balances) in excess of the Federal Depository Insurance limits were held in collateralized accounts. As of June 30, 2013, 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	\$ 491,997
Federal agency securities	13,755,240
Medium term notes	999,940
Money market funds	3,326,404

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – CASH AND INVESTMENTS (Continued)

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.

Investment in County investment Pool

The City is a voluntary participant in the Sonoma County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County of Sonoma. 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 the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded on an amortized cost basis.

NOTE 4 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

A. Interfund receivable and payables at June 30, 2013 are as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund (Major)	Nonmajor Meeting Center Enterprise Fund	\$ 130,470
Major Electric Enterprise Fund	Nonmajor North Area Fund	55,000
Major Community Service Enterprise Fund	Nonmajor Meeting Center Enterprise Fund	72,000
		<u>\$ 257,470</u>

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

B. Interfund transfers at June 30, 2013 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund (Major)	Nonmajor Planning and Building Enterprise Fund	\$ 169,397
Major Water Enterprise Fund	General Fund (Major)	222,006
	Major Electric Enterprise Fund	400,000
Major Sewer Enterprise Fund	General Fund (Major)	377,994
Major Electric Enterprise Fund	Major Water Enterprise Fund	400,000

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (Continued)

B. Interfund transfers at June 30, 2013 are as follows: (Continued)

Transfers In	Transfers Out	Amount
Major Streets Enterprise Fund	General Fund (Major)	\$ 150,000
	Nonmajor Gas Tax Fund	901,809
	Major Water Enterprise Fund	10,000
	Major Community Service Enterprise Fund	25,000
	Major Sewer Enterprise Fund	20,000
Major Community Service Enterprise Fund	Nonmajor Other Special Revenue Fund	5,000
	Major Streets Enterprise Fund	25,000
		<u>\$ 2,706,206</u>

The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund.

NOTE 5 – NOTES RECEIVABLE

Notes receivable in the amount of \$6,254,265 at June 30, 2013 consisted of the following:

Housing Loans - Individuals	\$ 2,243,259
Housing Loan - Habitat for Humanity	315,000
Housing Loan - Eden Housing	3,679,919
Housing Loan - Burbank Housing	2,941,639
Employee Computer Loans	<u>16,087</u>
Subtotal	9,195,904
Less: Allowance for uncollectible loan	<u>(2,941,639)</u>
Total	<u>\$ 6,254,265</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – CAPITAL ASSETS

A summary of changes in Governmental Activities capital assets for the fiscal year ended June 30, 2013 is as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2013</u>
Capital assets, not being depreciated				
Land	\$ 9,345,068	\$ -	\$ -	\$ 9,345,068
Right of ways	6,681,379			6,681,379
Total capital assets, not being depreciated	<u>16,026,447</u>			<u>16,026,447</u>
Capital assets, being depreciated:				
Land improvements	108,841			108,841
Buildings	15,018,527			15,018,527
Machinery and equipment	7,301,746	139,691		7,441,437
Infrastructure	432,630			432,630
Total capital assets being depreciated	<u>22,861,744</u>	<u>139,691</u>		<u>23,001,435</u>
Less accumulated depreciation for:				
Land improvements		(10,884)		(10,884)
Buildings	(6,529,109)	(476,890)		(7,005,999)
Machinery and equipment	(5,160,196)	(379,408)		(5,539,604)
Infrastructure	(117,997)	(8,653)		(126,650)
Total accumulated depreciation	<u>(11,807,302)</u>	<u>(875,835)</u>		<u>(12,683,137)</u>
Total capital assets being depreciated, net	<u>11,054,442</u>	<u>(736,144)</u>		<u>10,318,298</u>
Governmental activities capital assets, net	<u>\$ 27,080,889</u>	<u>\$ (736,144)</u>	<u>\$ -</u>	<u>\$ 26,344,745</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – CAPITAL ASSETS (Continued)

A summary of changes in Business-type Activities capital assets for the fiscal year ended June 30, 2013 is as follows:

	Balance at July 1, 2012	Additions	Reductions	Transfers	Balance at June 30, 2013
Capital assets, not being depreciated					
Land	\$ 5,103,404	\$ -	\$ -	\$ -	\$ 5,103,404
Construction in progress	3,801,851	2,021,563		(849,059)	4,974,355
Total capital assets, not being depreciated	8,905,255	2,021,563		(849,059)	10,077,759
Capital assets, being depreciated:					
Buildings and improvements	7,930,909	16,985			7,947,894
Streets	26,832,885	350		769,292	27,602,527
Utility systems	105,462,153	169,637		79,767	105,711,557
Drainage	9,959,070				9,959,070
Machinery and equipment	3,043,362	7,052			3,050,414
Operations	2,964,993				2,964,993
Total capital assets being depreciated	156,193,372	194,024		849,059	157,236,455
Less accumulated depreciation for:					
Buildings	(4,289,755)	(230,591)			(4,520,346)
Streets	(9,203,143)	(532,688)			(9,735,831)
Utility systems	(26,388,918)	(2,096,244)			(28,485,162)
Drainage	(3,326,723)	(199,181)			(3,525,904)
Machinery and equipment	(1,959,929)	(123,283)			(2,083,212)
Operations	(631,216)	(55,740)			(686,956)
Total accumulated depreciation	(45,799,684)	(3,237,727)			(49,037,411)
Total capital assets being depreciated, net	110,393,688	(3,043,703)		849,059	108,199,044
Business-type activities capital assets, net	<u>\$ 119,298,943</u>	<u>\$ (1,022,140)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,276,803</u>

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

Governmental Activities:

Unallocated	\$ 485,544
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	390,291
Total depreciation expense - governmental activities	<u>\$ 875,835</u>

Business-type Activities:

Water	\$ 590,253
Sewer	1,284,935
Electric	561,782
Streets	534,029
Community Services	178,260
Airport	64,385
Meeting Center	24,083
Total depreciation expense - business-type activities	<u>\$ 3,237,727</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of the Governmental Activities long-term liability transactions for the fiscal year ended June 30, 2013:

Governmental Activities:

	Balance at July 1, 2012	Prior Period Adjustments	Additions	Reductions	Balance at June 30, 2013	Due Within One Year
General Obligation Bonds (GO):						
1998 Refunding	\$ 810,000	\$ -	\$ -	\$ (190,000)	\$ 620,000	\$ 195,000
2003 Refunding	1,795,000			(340,000)	1,455,000	365,000
Total GO Bonds	<u>2,605,000</u>			<u>(530,000)</u>	<u>2,075,000</u>	<u>560,000</u>
Pension Obligation Bonds:						
2012 Series A			1,455,601	(49,706)	1,405,895	144,536
2012 Series B			3,578,989	(122,214)	3,456,775	195,272
Total Pension Obligation Bonds			<u>5,034,590</u>	<u>(171,920)</u>	<u>4,862,670</u>	<u>339,808</u>
Bond Discount	(5,030)			1,620	(3,410)	(1,620)
Deferred Loss on Refunding	(52,957)			17,196	(35,761)	(17,196)
Compensated Absences	1,629,381		1,181,604	(1,128,867)	1,682,118	1,034,839
Capital Lease	85,820			(22,972)	62,848	22,972
OPEB	320,000		62,000	(22,000)	360,000	22,000
CalPERS Side Fund		5,046,771	42,416	(5,089,187)		
Total	<u>\$ 4,582,214</u>	<u>\$ 5,046,771</u>	<u>\$ 6,320,610</u>	<u>\$ (6,946,130)</u>	<u>\$ 9,003,465</u>	<u>\$ 1,960,803</u>

The following is a summary of the Business-type Activities long-term liability transactions for the fiscal year ended June 30, 2013:

Business-type Activities:

	Balance at July 1, 2012	Prior Period Adjustments	Additions	Reductions	Balance at June 30, 2013	Due Within One Year
Certificates of Participation (COP) and Bonds:						
2001 A - CSCDA Water	\$ 4,390,000	\$ -	\$ -	\$ (310,000)	\$ 4,080,000	\$ 245,000
2002 C - CSCDA Water/Wastewater	4,420,000			(135,000)	4,285,000	140,000
2005 D - CSCDA Water/Wastewater	5,390,000			(205,000)	5,185,000	210,000
2006 Wastewater Bonds	25,095,000			(555,000)	24,540,000	585,000
2012 A - Pension Obligation Bonds			1,122,599	(39,054)	1,083,545	113,564
2012 B - Pension Obligation Bonds			2,760,211	(96,026)	2,664,185	153,428
Total COP and Bonds	<u>39,295,000</u>		<u>3,882,810</u>	<u>(1,340,080)</u>	<u>41,837,730</u>	<u>1,446,992</u>
Bond discount	(180,252)			9,410	(170,842)	(9,409)
CalPERS Side Fund		3,882,810	69,204	(3,952,014)		
Deferred loss on refunding	(460,961)			27,985	(432,976)	(27,986)
Total	<u>\$ 38,653,787</u>	<u>\$ 3,882,810</u>	<u>\$ 3,952,014</u>	<u>\$ (5,254,699)</u>	<u>\$ 41,233,912</u>	<u>\$ 1,409,597</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 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 advance refund \$2,410,000 of outstanding 1990 Series B General Obligation Bonds, which were originally issued to provide for capital improvements. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Series B bonds. As a result, the 1990 Series B bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. 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 1990 Series B General Obligation Bonds were redeemed on August 1, 2000.

2003 General Obligation Refunding Bonds

In July 2003, the City issued \$3,620,000 in General Obligation Refunding Bonds to advance refund \$3,585,000 of outstanding 1998 General Obligation Bonds, which were originally issued to finance the construction of the police facilities. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 General Obligation Bonds. As a result, the 1998 General Obligation Bonds are considered to be defeased, and the liability for those bonds has been removed from the long-term liabilities. 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 1998 General Obligation Bonds were redeemed on August 1, 2003.

Future debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 560,000	\$ 70,822	\$ 630,822
2015	685,000	46,595	731,595
2016	<u>830,000</u>	<u>16,535</u>	<u>846,535</u>
	<u>\$ 2,075,000</u>	<u>\$ 133,952</u>	<u>\$ 2,208,952</u>

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. Public Employees Retirement System Side Fund:

During the fiscal year 2005-06, the City was required to participate in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan, in addition to the existing unfunded liability. During the fiscal year 2012-13, the City issued Pension Obligation Bonds Series A and B, totaling \$8,917,400, to pay off the liability. See note 7-d for more details.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

d. 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 issue 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 respectfully. The final maturity is June 30, 2020 and June 30, 2023 for Series A and B respectfully. Semi-annual payments of principal and interest are due each June 30 and December 31 for each issue.

The issue of the Series A bonds and subsequent payment of the CalPERS Safety Plan Side fund resulted in a refunding of the CalPERS debt. The refunding resulted in a net savings of \$187,515 and an economic gain (net present value savings) of \$132,255.

The issue of the Series B bonds and subsequent payment of the CalPERS Miscellaneous Plan Side fund resulted in a refunding of the CalPERS debt. The refunding resulted in a net savings of \$774,983 and an economic gain (net present value savings) of \$543,636.

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

Fiscal Year Ending June 30,	2012 Series A			2012 Series B		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 258,100	\$ 93,714	\$ 351,814	\$ 348,700	\$ 252,577	\$ 601,277
2015	261,600	83,485	345,085	344,700	238,150	582,850
2016	328,600	72,489	401,089	506,200	222,168	728,368
2017	354,500	59,254	413,754	551,600	200,690	752,290
2018	382,000	44,978	426,978	599,800	177,299	777,099
2019-2023	852,200	42,678	894,878	3,822,400	460,505	4,282,905
	<u>\$ 2,437,000</u>	<u>\$ 396,598</u>	<u>\$ 2,833,598</u>	<u>\$ 6,173,400</u>	<u>\$ 1,551,389</u>	<u>\$ 7,724,789</u>

e. Capital Lease

The City is leasing a vehicle and computer equipment under an agreement, which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Lease Payments
2014	\$ 25,968
2015	20,412
2016	20,413
	<u>66,793</u>
Less amount representing interest	<u>(3,945)</u>
	<u>\$ 62,848</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

f. 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 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, 2013, the City paid \$22,000 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 seven 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:

Annual required contribution	\$ 73,000
Interest on net OPEB obligation	12,000
Adjustment to annual required contribution	<u>(23,000)</u>
Annual OPEB cost (expense)	62,000
Actual contributions made	<u>22,000</u>
Increase in net OPEB obligation	40,000
Net OPEB Obligation - beginning of fiscal year	<u>320,000</u>
Net OPEB Obligation - end of fiscal year	<u><u>\$ 360,000</u></u>

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, 2013, 2012 and 2011 were as follows:

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

f. Other Post-employment Benefits (OPEB) (Continued):

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/11	\$ 127,000	\$ 30,000	23.62%	\$ 283,000
06/30/12	59,000	22,000	37.29%	320,000
06/30/13	62,000	22,000	35.48%	360,000

Funded Status and Funding Progress:

In the June 30, 2012 actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$924,000, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$ 924,000. The covered payroll (annual payroll of active employees covered by the plan) was \$9,676,000 and the ratio of the UAL to the covered payroll was 9.55%.

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.

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, 2012 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 of payroll over a 27 year closed period.

Business-type Activities:

a. Certificates of Participation (COP) and Bonds:

2001 A Water CSCDA Certificates

The Bonds were authorized and issued by the California Statewide Communities Development Authority in the amount of \$7,170,000 of refunding revenue bonds on March 1, 2001 to refund the 1992 Water, 1993 REFA, Series C, 1995 Water, and 1996 Water Certificates, which were originally used to finance water improvements. The interest on the bonds varies from 2.9% to 4.5% with semi-annual debt service

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued):

a. Certificates of Participation (COP) and Bonds (Continued):

2001 A Water CSCDA Certificates (Continued)

payments payable on April 1 and October 1 of each year commencing October 1, 2001. Principal on the bonds is payable annually from October 1, 2001 through October 1, 2026. Revenues from the operation of the water utility will be used to make the debt service payments. The proceeds of \$6,886,409 (after the bond discount and payment of underwriter fees, insurance, and other issuance costs of \$283,590) plus the debt service reserves of the refunded issues were used to purchase State and Local Government Securities (SLGS). These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the following Certificates of Participation -1992 Water, 1993 REFA Series C, 1995 Water, and 1996 Water. All of these above-mentioned certificates are considered defeased and the liability for these have been removed from long-term debt. All of the refunded issues have been redeemed.

2002 C Water/Wastewater CSCDA Certificates

The Bonds were authorized and issued by the California Statewide Communities Development Authority on behalf of the City in the amount of \$5,510,000 in October 2002. The proceeds are to be used for water improvement projects. The interest on the bonds varies from 2.0% to 3.6% with semi-annual debt service payments payable on April 1 and October 1 commencing April 1, 2003. Principal on bonds is payable annually from October 1, 2003 through October 1, 2032. Debt service payments are made from the revenues from the operation of the water utility.

2005 D CSCDA Water/Wastewater Certificates

In October 2005, the City through the California Statewide Communities Development Authority issued \$6,505,000 in bonds to provide funds to debase the 1996 Sewer Improvement Certificates and the 2000 B Water and Sewer CSDA Certificates, which were originally issued to finance sewer improvements. The proceeds of \$6,387,775 (after bond discount, payment of underwriter fees, insurance and other costs plus the debt reserve of \$68,784) were used to purchase State and Local Government securities (SLGS). These SLGS 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 securities are considered deceased and the liability for these have been removed from long-term debt. Interest on the bonds is payable semiannually on each April 1 and October 1 with the principal payments due annually on October 1 of each year. Revenues from the water and wastewater utility will be used for debt service payments.

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. Revenues from the operation of the wastewater utility will be used for debt service payments.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued):

a. Certificates of Participation (COP) and Bonds (Continued):

Annual Debt Service Requirements

Annual debt service requirements to maturity for proprietary long-term liabilities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,180,000	\$ 1,749,797	\$ 2,929,797
2015	1,230,000	1,697,330	2,927,330
2016	1,290,000	1,641,460	2,931,460
2017	1,350,000	1,581,348	2,931,348
2018	1,410,000	1,524,150	2,934,150
2019-2023	8,025,000	6,628,468	14,653,468
2024-2028	8,880,000	4,666,580	13,546,580
2029-2033	9,395,000	2,631,831	12,026,831
2034-2036	5,330,000	541,750	5,871,750
	<u>\$ 38,090,000</u>	<u>\$ 22,662,714</u>	<u>\$ 60,752,714</u>

NOTE 8 – EMPLOYEES’ RETIREMENT PLAN

Plan Description

The City of Healdsburg contributes to the California Public Employees’ Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. As of July 1, 2005, the City was mandated by the State to participate in the risk pool. The risk pool combines the assets and liabilities across employers of the same risk pool to provide a method to spread the risk of uncertain gains and losses over a larger base of members. Benefit provisions and all other requirements are established by state statute and Ordinance. Copies of CalPERS’ annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Annual Required Contribution

The City is required to contribute at an actuarially determined rate; the current rate is 21.585%, 14.822%, and 6.70% for miscellaneous employees and 35.558%, 24.706%, and 11.50% for safety employees for the fiscal year ended June 30, 2013 of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City, due to a collective bargaining agreement, also had a legal obligation to contribute 8% (9% for safety employees) of each participant’s annual covered salary for the fiscal year ending June 30, 2013. The City’s contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,572,413, \$2,744,295, and \$2,913,914 respectively, and were equal to required contributions for each fiscal year.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 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.

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

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

The government-wide statement of net position reports \$19,262,592 of restricted net position, of which \$325,043 is restricted by enabling legislation.

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.

Fund Balances	General	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>			
Prepaid expenditures	\$ 3,127	\$ 140	\$ 3,267
Advances	130,470		130,470
Total Nonspendable	<u>133,597</u>	<u>140</u>	<u>133,737</u>
<u>Restricted for:</u>			
Community development		103,188	103,188
Housing		2,121,166	2,121,166
Landscaping & lighting		237,058	237,058
Law enforcement	121,014	120,491	241,505
Parks and recreation		87,985	87,985
Road improvements		1,176,498	1,176,498
Debt service		520,812	520,812
Total Restricted	<u>121,014</u>	<u>4,367,198</u>	<u>4,488,212</u>
<u>Committed for:</u>			
Community development	<u>1,889,144</u>	<u>64</u>	<u>1,889,208</u>
Unassigned	<u>7,811,818</u>	<u>(138,435)</u>	<u>7,673,383</u>
Total Fund Balances	<u>\$ 9,955,573</u>	<u>\$ 4,228,967</u>	<u>\$ 14,184,540</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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

Organization and Management

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

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

Today, the organization is guided by an ethic of environmental stewardship, fiscal responsibility and community service, coupled with a strong sense of mission to advance the state of the art in renewable energy. Each NCPA Member has agreed to fund a pro rata share of certain assessments by NCPA and enter into power supply contract with NCPA to purchase power in support of bearing the costs of NCPA operations, energy and facilities. While governed by its Members, none of NCPA's obligations are those of its Members unless expressly assumed by them. As computed by NCPA amounts paid by the City to NCPA during the year ending June 30, 2012 were \$5.7 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 \$4.0 million as of June 30, 2012. The most recent estimated funding recommended by NCPA equaled \$1.6 million.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

NCPA Power Pool

The City is a member of a power pool operated by NCPA that also includes the following Members: Alameda, Biggs, Gridley, Lodi, Lompoc, Palo Alto, Plumas Sierra Rural Electric Cooperative, the Port of Oakland and Ukiah (each, an “NCPA Pool Member”). The ten NCPA Pool Members’ service areas are connected to the CAISO-controlled grid. NCPA operates a central dispatch facility (the “Central Dispatch Center”) 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. The Central Dispatch Center separately coordinates with Roseville to schedule Roseville’s entitlement to Project output across the CAISO-controlled grid as requested by Roseville. The Central Dispatch Center also monitors and controls load and voltage levels, operates generating facilities, enters into buy and sell transactions with other utilities throughout the western United States and Canada and regulates hydroelectric facilities in coordination with the CAISO to maintain a safe and reliable interconnected system.

Investment of NCPA Funds

The Agency is authorized to invest in obligations of the U.S. Government and its agencies and instrumentalities, in certificates of deposit, commercial paper, banker’s acceptances, repurchase and reverse repurchase agreements, passbook savings account demand deposits, municipal bonds, the State Treasurer’s LAIF pool, and in other instruments authorized by applicable sections of the Government Code of the State of California. The Agency’s investments are stated at cost adjusted for amortization of premiums and accretion of discounts, which approximates market.

The Agency’s investment policy requires investments that assure safety of the principal, liquidity to meet specific obligations of the Agency when due, and investment quality all in compliance with California State law and the Agency’s revenue bond indentures. Generally, operating investment maturities are limited to one year and reserve funds to five year maturities, except for debt service reserve funds, which are allowed maturities up to fifteen years. All U.S. Government and U.S. Government Agency securities held by the Agency are either in effect or actually AA rated.

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”). In addition to the geothermal leasehold, wells, gathering system and related facilities, the Geothermal Project consists of two electric generating stations (Plant 1 and Plant 2), each with two 55 MW (nameplate rating) turbine generator units utilizing low pressure, low temperature geothermal steam, associated electrical, mechanical and control facilities, a heat dissipation system, a steam gathering system, a transmission tapline and other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells. 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.

NCPA also entered into agreements with other producers in the Geysers Area to finance and construct the Southeast Geysers Effluent Pipeline Project, which was completed in September 1997 and began operating soon thereafter. The 26-mile pipeline collects waste-water from Lake County Sanitation District treatment plants at Clearlake and Middletown and delivers the waste water to NCPA and the other Geysers steam field operator for injection into the steam field. A second pipeline enhancement project to further augment the waste-water injection program was completed in 2004. Contractual changes made in connection with the project have increased NCPA’s entitlement to receive wastewater for reinjection from 33% to 44%.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

Geysers Transmission Project

In order to meet certain obligations required of NCPA to secure transmission and other support services for the Geothermal Project, NCPA has undertaken a geysers transmission project (the “Geysers Transmission Project”) with the Geysers Transmission Project participants. The Geysers Transmission Project includes (i) an ownership interest in PG&E’s 230 kV line from Castle Rock Junction in Sonoma County to the Lakeville Substation (the “Castle Rock to Lakeville Line”), (ii) additional firm transmission rights in the Castle Rock to Lakeville Line and (iii) the Central Dispatch Facility.

NCPA Calaveras Hydroelectric Project

The Agency contracted to finance, manage, construct, and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, the Agency has the right to the electric output of the project for 50 years from February 1982. The Agency also has an option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

In February 2012, the Agency refunded \$88,355,000 principal amount of 1998 Hydroelectric Refunding Revenue Bonds Series A maturing on July 1 in each of the years 2024 through 2032. The refunding was completed through the issuance of \$76,665,000 fixed rate tax exempt debt (2012 Series A) and \$7,120,000 fixed rate taxable debt (2012 Series B) with yields of 3.05% to 4.32% with varying principal maturities ranging from \$4,475,000 to \$13,040,000 through July 1, 2032. The refunding is estimated to have decreased project debt service by an estimated \$14.4 million over the next 21 years, which results in an estimated economic gain to the Agency of approximately \$9.4 million.

As part of a refinancing plan in November 2004, the Agency entered into two forward starting interest rate swaps in an initial notional amount of \$85,160,000 and \$1,574,000. Payments under the swap agreements with Citigroup Financial Products, Inc. began on April 2, 2008. To complete the refinancing transaction and realize the debt service savings under the 2004 swap agreement, on April 2, 2008 the Agency completed a bond refunding of certain maturities of the 1998 Hydroelectric Refunding Series A bonds totaling \$85,870,000 maturing in 2023 to 2032. These fixed rate bonds were refinanced through the issuance of tax-exempt 2008 Hydroelectric Refunding Series A (\$85,160,000) bonds and taxable 2008 Hydroelectric Refunding Series B (\$3,165,000) bonds. Both issues are variable interest rate bonds bearing interest at weekly interest rates, payable semi-annually on July 1 and January 1 each year. To support this financing, the Agency entered into two irrevocable direct pay letter of credit agreements with Dexia Credit Local, which were to expire on April 2, 2013. On September 27, 2011, the irrevocable direct pay letter of credit agreements with Dexia Credit Local related to the 2008 Hydroelectric Refunding Series A and B bonds were terminated. Replacement Letters of Credit with Citibank N.A. were issued on the same day. The Citibank letters of credit are for a period of three years and expire on September 27, 2014.

The payment of principal and interest on these issues are not covered by any financial guaranty insurance policies. This 2008 Hydroelectric Refunding and the associated interest rate swaps are estimated to have reduced project debt service by \$11.8 million over the next 24 years providing the Agency with an estimated economic gain (difference between the present values of the old and new debt service payments) of approximately \$5.9 million.

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 BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

Lodi Energy Center

The Agency is currently constructing a new base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine) to be located in Lodi, California, next to the Capital Facilities Project discussed above. Although the LEC will be capable of operating at 296 MW, it is expected by the terms of the transmission interconnection agreement to operate at 280 MW. Construction began in August 2010. Commercial operation is expected by late 2012. Pursuant to the Lodi Energy Center Power Sales Agreement, the Agency has agreed to construct and 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 Entitlement Shares (GES). Each participant has agreed to unconditionally provide for its share of the costs of construction of the LEC and all capital improvements and to pay its share of the operation and maintenance expenses based on its GES. Estimated cost of construction for the project is approximately \$388.5 million. The LEC will be operated and maintained by the Agency under the direction of the LEC Project Management and Operations Agreement among the Agency and the LEC Project Participants.

In June 2010, the Agency issued four series of bonds for the purpose of providing funds to finance the costs of acquisition and construction of the LEC project for all participants, except Modesto Irrigation District. In addition to the costs of construction, financing included interest costs during the construction period, as well as contributions to the Debt Service Reserve Fund, Operating and Maintenance Reserve Account and to pay the costs of issuance of the bonds.

Lodi Energy Center Revenue Bonds, Issue One provided financing for 11 project participants with 55.7857% GES. Lodi Energy Center Revenue Bonds, Issue Two provided financing for the California Department of Water Resources 33.5% GES. The Modesto Irrigation District elected to provide its own financing for its 10.7143% GES of the current estimate of the costs of construction of the project. Modesto Irrigation District is not liable for any Agency debt service obligations for the project.

NCPA Condensed Financial Information

The information below summarizes NCPA's audited financial statements as of and for the fiscal year ending June 30, 2012 (in thousands), which is the latest information available:

Total assets	\$ 1,186,562
Total liabilities	1,158,165
Long-term debt	843,692
Net assets	28,397
Revenues	277,257
Expenses (including refunds)	276,859
Decrease in net assets	(398)

NOTE 11 – POOLED ARRANGEMENT

In addition to NCPA, the City participates in a pooled insurance arrangement. A description of this agency follows:

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 11 – POOLED ARRANGEMENT (Continued)

by the Board of Directors, of participating in any or all of seven programs which provide workers' compensation, general liability, property, auto physical damage, fidelity employee bonding, dental, and vision insurance. There are a number of programs that are funded on a pass-through basis including, employee assistance plan coverage, life and long-term disability insurance, boiler and machinery coverage, and difference in condition (flood and earthquake) coverage.

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

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

For the Redwood Empire Municipal Insurance Fund in which the City participates, the information below summarizes the audited financial statements as of and for the fiscal year ended June 30, 2012, which is the latest information available.

Total Assets	\$ 18,010,735
Total Liabilities	14,429,297
Total Net Assets	3,581,438
Total Revenues	8,854,620
Total Expenses	8,805,881
Increase in Net Assets	48,739
Total Long-Term Debt	11,120,116

NOTE 12 – SELF-INSURANCE PLANS

The City is a member of Redwood Empire Municipal insurance Fund (REMIF) as described in Note 11. 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 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 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Balance, Beginning of Fiscal Year	\$ 60,832	\$ 61,364
Claims and adjustments	485,697	387,946
Claims payments	<u>(494,327)</u>	<u>(388,478)</u>
Balance, End of Fiscal Year	<u>\$ 52,202</u>	<u>\$ 60,832</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

The City has entered into long-term electric power purchase generation assets and electric transmission contracts. These contracts were entered into by NCPA on behalf of various members (see Note 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, 2012 was \$28.4 million. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

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.

Healdsburg Bridge Project

The Healdsburg Avenue Bridge over the Russian River is a two lane Bridge that was constructed in 1921 and serves as an entry way to the south and east portions of the City. The Bridge is deficient on several accounts: functionally obsolete due to narrow lanes; requires seismic retrofitting; and is scour and fracture critical. The Healdsburg Bridge Project is to rehabilitate the bridge in place and continue its use as a vehicular bridge.

Funding for this project was available from both local and federal funds. Federal funding was provided through the *Federal Highway Bridge Program* (HBP). Prop 1B funds and local funds were provided by the City of Healdsburg.

As of a letter dated on October 11, 2011, Caltrans has determined that the project was not eligible due to the bridge not meeting modern standards for width, height and sight distance. Furthermore, the proposed signalization work at the intersection of Healdsburg Avenue/Front Street/Kennedy Lane is a non-bridge item and this work is considered an operation improvement, which is not the intent of HBP. Caltrans considers that the bridge is functionally obsolete and, therefore, the City may owe funds received.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 14 – OPERATING LEASES AS LESSEE

The City has various leases for property and equipment. Various leases are on a month to month basis and others have expiration dates from 2014 through 2018.

The minimum monthly lease payments by fiscal year are as follows:

Fiscal Year Ending June 30,	Lease Payments
2014	\$ 56,864
2015	10,394
2016	8,364
2017	8,364
2018	3,227

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 30, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 11-2012.

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

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

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)

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

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

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

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

Capital Asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013
Capital assets, not being depreciated				
Land	\$ 4,999,262	\$ -	\$ -	\$ 4,999,262
Construction in progress	916,279	653,185		1,569,464
Total capital assets, not being depreciated	<u>5,915,541</u>	<u>653,185</u>		<u>6,568,726</u>
Capital assets, being depreciated:				
Buildings	1,803,373			1,803,373
Infrastructure	899,545			899,545
Total capital assets being depreciated	<u>2,702,918</u>			<u>2,702,918</u>
Less accumulated depreciation for:				
Buildings	(334,153)	(60,113)		(394,266)
Infrastructure	(305,738)	(17,991)		(323,729)
Total accumulated depreciation	<u>(639,891)</u>	<u>(78,104)</u>		<u>(717,995)</u>
Total capital assets being depreciated, net	<u>2,063,027</u>	<u>(78,104)</u>		<u>1,984,923</u>
Capital assets, net	<u>\$ 7,978,568</u>	<u>\$ 575,081</u>	<u>\$ -</u>	<u>\$ 8,553,649</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)**

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2013:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due Within One Year
Tax Allocation Bonds (TAB):					
2002 Series A	\$ 11,360,000	\$ -	\$ (350,000)	\$ 11,010,000	\$ 365,000
2002 Series C	4,475,000		(140,000)	4,335,000	145,000
2003 Series A	10,530,000		(315,000)	10,215,000	325,000
2003 Series B	5,125,000		(155,000)	4,970,000	160,000
2002 Series B	1,575,000		(45,000)	1,530,000	50,000
2010 Series	20,915,000		(155,000)	20,760,000	160,000
Total TAB Bonds	53,980,000		(1,160,000)	52,820,000	1,205,000
Bond Discount	(338,820)		16,488	(322,332)	(16,498)
Deferred Loss on Refunding	(158,147)		8,292	(149,855)	(8,292)
Total	\$ 53,483,033	\$ -	\$ (1,135,220)	\$ 52,347,813	\$ 1,180,210

Tax Allocation Bonds:

2002 Series A - In March 2002, the Healdsburg Public Financing Authority issued \$14,290,000 in Tax Allocation Bonds on behalf of the Agency. The bonds were issued to finance improvements in the Sotoyome Project Area and to advance refund the 1993 Series A Certificates of Participation. Interest on the bonds varies from 1.7% to 5.125 % with semi-annual debt service payments on February 1 and August 1 of each year with principal maturing annually August 1, 2002 through August 2031. Debt service payments will be made from tax increment revenue received by the Trust. The amount of defeased 1993 Series A Certificates of Participation has been redeemed.

2002 Series C - In March 2002, the Healdsburg Public Financing Authority issued on behalf of the Agency \$5,630,000 in Tax Allocation Bonds. The Bonds were issued to finance low and moderate income housing land acquisition and improvements in the Sotoyome Project Area. Interest on the bonds varies from 1.7% to 5.125% with semi-annual debt service payments on February 1, and August 1 of each year with principal maturing annually August 1, 2002 through August 2031. Debt Service payments will be made from tax increment revenue received by the Trust and allocated to the Low/Moderate Income Housing Fund.

2003 Series A - In April 2003, the Agency issued \$13,000,000 Series A 2003 Tax Allocation Bonds. The Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Sotoyome Project Area, fund a reserve account, and pay for costs of issuance of the Bonds. Interest on the bonds varies from 1.46% to 4.45% with semi-annual debt service payments on February 1 and August 1 of each year with principal maturing annually August 1, 2003 through 2031. Debt service payments will be made from tax increment revenue received by the Trust.

2003 Series B - In April 2003, the Agency issued \$6,370,000 Series B 2003 Tax Allocation Bonds. The Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Sotoyome Project Area, fund a reserve account and pay for costs of issuance of the Bonds. Interest on the bonds varies from 1.46% to 4.45% with semi-annual debt service payments on February 1 and August 1 of each year with principal maturing annually August 1, 2003 through 2031. Debt service payments will be made from tax increment revenue received by the Trust and allocated to the Low/Moderate income Housing Fund.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)**

Tax Allocation Bonds: (Continued)

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 has 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.

2010 Tax Allocation Bonds - 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.

Future debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,205,000	\$ 2,744,797	\$ 3,949,797
2015	1,250,000	2,688,111	3,938,111
2016	1,300,000	2,629,135	3,929,135
2017	1,505,000	2,562,594	4,067,594
2018	1,625,000	2,487,046	4,112,046
2019-2023	10,055,000	11,046,981	21,101,981
2024-2028	13,135,000	8,039,006	21,174,006
2029-2033	16,265,000	3,971,396	20,236,396
2034-2035	6,480,000	352,868	6,832,868
	<u>\$ 52,820,000</u>	<u>\$ 36,521,934</u>	<u>\$ 89,341,934</u>

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustment of \$5,046,771 made to the Government-wide statements – governmental activities was due to an understatement of CalPERS Side Fund Liability.

Prior period adjustment in an amount of 3,882,810 made to the Fund Financial statements – business-type activities was due to an understatement of CalPERS Side Fund Liability.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 17 – SPECIAL ITEM

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 issue totaling \$108,042 and pay off the CalPERS Side Funds amounting to \$2,546,762 (staff) and \$6,262,596 (miscellaneous). The payment of \$4,926,548 from the General Fund was reported as a special item in the accompanying statement of revenues, expenditures, and changes in fund balances and the statement of activities.

NOTE 18 – SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events through March 3, 2014, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,833,746	\$ 1,885,852	\$ 3,320,279	\$ 1,434,427
Sales and other taxes	4,144,941	4,296,278	4,474,016	177,738
Charges for services	497,989	764,302	915,354	151,052
Intergovernmental	492,056	623,316	459,779	(163,537)
Use of money and property	47,338	44,435	44,393	(42)
Other revenues	105,666	93,241	3,316,239	3,222,998
Total revenues	<u>7,121,736</u>	<u>7,707,424</u>	<u>12,530,060</u>	<u>4,822,636</u>
EXPENDITURES				
Current:				
General government:				
City Council	123,647	129,069	124,076	4,993
Legal	225,000	225,000	181,069	43,931
Administration	1,248,345	1,308,625	1,132,085	176,540
Finance	2,034,313	1,992,672	1,537,240	455,432
Non Departmental	3,272	3,272	20,092	(16,820)
Public safety:				
Police	4,275,509	4,275,965	3,609,286	666,679
Fire	2,296,768	2,479,643	2,255,348	224,295
Planning and building	638,859	669,337	612,060	57,277
Debt service:				
Bond issuance cost			104,345	(104,345)
Principal payments			171,920	(171,920)
Interest and fiscal charges			154,914	(154,914)
Total expenditures	<u>10,845,713</u>	<u>11,083,583</u>	<u>9,902,435</u>	<u>1,181,148</u>
Excess of revenues over (under) expenditures	<u>(3,723,977)</u>	<u>(3,376,159)</u>	<u>2,627,625</u>	<u>6,003,784</u>
Other financing sources (uses):				
Proceeds from debt issuance			5,034,590	5,034,590
Transfers in			169,397	169,397
Transfers out	(160,000)	(160,000)	(750,000)	(590,000)
Total other financing sources (uses)	<u>(160,000)</u>	<u>(160,000)</u>	<u>4,453,987</u>	<u>4,613,987</u>
Net change in fund balance before Special Item	(3,883,977)	(3,536,159)	7,081,612	10,617,771
Special Item				
Repayment of CalPERS Side Fund			(4,926,548)	(4,926,548)
Net change in fund balance	(3,883,977)	(3,536,159)	2,155,064	5,691,223
Fund balance at beginning of fiscal year	7,800,509	7,800,509	7,800,509	
Fund balance at end of fiscal year	<u>\$ 3,916,532</u>	<u>\$ 4,264,350</u>	<u>\$ 9,955,573</u>	<u>\$ 5,691,223</u>

**CITY OF HEALDSBURG
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Other Post-employment Benefits Plan

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b)-(a)	Funded Ratio AVA (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a % of Covered Payroll [(b)-(a)]/(c)
6/30/2009	\$ -	\$ 1,851,000	\$ 1,851,000	0%	\$ 11,699,000	15.82%
6/30/2012	\$ -	\$ 924,000	\$ 924,000	0%	\$ 9,676,000	9.55%

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OTHER SUPPLEMENTAL INFORMATION

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013**

	Special Revenue Funds			
	Gas Tax	Housing Successor Agency Special Revenue Fund	North Area	Benjamin Way Maintenance District
Assets				
Cash and investments	\$ 1,150,053	\$ 160,908	\$ 38,786	\$ 7,163
Cash and investments with fiscal agents		1,959,987		
Receivables:				
Accounts			55,900	
Taxes				
Notes		6,238,178		
Interest	904	271	31	6
Due from other governments	25,541			
Prepaid expenditures				
Total Assets	<u>\$ 1,176,498</u>	<u>\$ 8,359,344</u>	<u>\$ 94,717</u>	<u>\$ 7,169</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable				
Due to other funds			55,000	
Unearned revenue		6,238,178	55,900	
Total Liabilities		<u>6,238,178</u>	<u>110,900</u>	
Fund Balances:				
Nonspendable:				
Prepaid expenditures				
Restricted	1,176,498	2,121,166		7,169
Committed				
Unassigned			(16,183)	
Total Fund Balances (Deficits)	<u>1,176,498</u>	<u>2,121,166</u>	<u>(16,183)</u>	<u>7,169</u>
Total Liabilities and Fund Balances	<u>\$ 1,176,498</u>	<u>\$ 8,359,344</u>	<u>\$ 94,717</u>	<u>\$ 7,169</u>

Special Revenue Funds					
Public Safety	Other Special Revenue	Strong Motion Education and Data	Area A Lighting and Landscaping District	Media Center	Park Development Fees
\$ 123,385	\$ 64	\$ 973	\$ 227,269	\$ 25,663	\$ 87,916
				2,020	
			4,871		
		1	179	20	69
<u>\$ 123,385</u>	<u>\$ 64</u>	<u>\$ 974</u>	<u>\$ 232,319</u>	<u>\$ 27,703</u>	<u>\$ 87,985</u>
\$ - 2,894	\$ -	\$ -	\$ 2,430	\$ -	\$ -
<u>2,894</u>			<u>2,430</u>		
120,491	64	974	229,889	27,703	87,985
<u>120,491</u>	<u>64</u>	<u>974</u>	<u>229,889</u>	<u>27,703</u>	<u>87,985</u>
<u>\$ 123,385</u>	<u>\$ 64</u>	<u>\$ 974</u>	<u>\$ 232,319</u>	<u>\$ 27,703</u>	<u>\$ 87,985</u>

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**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013
(Continued)**

	General Debt Service	General Capital Projects	Permanent Fund Cultural Trust	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 478,755	\$ -	\$ 74,452	\$ 2,375,387
Cash and investments with fiscal agents				1,959,987
Receivables:				
Accounts				57,920
Taxes	42,140			47,011
Notes				6,238,178
Interest			59	1,540
Due from other governments				25,541
Prepaid expenditures	140			140
Total Assets	\$ 521,035	\$ -	\$ 74,511	\$ 10,705,704
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 83	\$ 77,952	\$ -	\$ 80,465
Deposits payable				2,894
Due to other funds		44,300		99,300
Unearned revenue				6,294,078
Total Liabilities	83	122,252		6,476,737
Fund Balances:				
Nonspendable:				
Prepaid expenditures	140			140
Restricted	520,812		74,511	4,367,198
Committed				64
Unassigned		(122,252)		(138,435)
Total Fund Balances (Deficits)	520,952	(122,252)	74,511	4,228,967
Total Liabilities and Fund Balances	\$ 521,035	\$ -	\$ 74,511	\$ 10,705,704

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2013**

	Special Revenue Funds			
	Gas Tax	Housing Successor Agency	North Area	Benjamin Way Maintenance District
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Charges for services			1,300	
Development fees				
Intergovernmental	277,759			
Use of money and property		52,902	9	10
Other revenues				
Total Revenues	<u>277,759</u>	<u>52,902</u>	<u>1,309</u>	<u>10</u>
EXPENDITURES:				
Current:				
General government				
Community development	1,493	437		
Planning and building				
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>1,493</u>	<u>437</u>		
Excess of Revenues Over (Under) Expenditures	<u>276,266</u>	<u>52,465</u>	<u>1,309</u>	<u>10</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(901,809)</u>			
Total Other Financing Sources (Uses)	<u>(901,809)</u>			
Net Change in Fund Balances	(625,543)	52,465	1,309	10
Fund Balances (deficit), July 1, 2012	<u>1,802,041</u>	<u>2,068,701</u>	<u>(17,492)</u>	<u>7,159</u>
Fund Balances (deficit), June 30, 2013	<u>\$ 1,176,498</u>	<u>\$ 2,121,166</u>	<u>\$ (16,183)</u>	<u>\$ 7,169</u>

Special Revenue Funds					
Public Safety	Other Special Revenue	Strong Motion Education and Data	Area A Lighting and Landscaping District	Media Center	Park Development Fees
\$ -	\$ -	\$ -	\$ 151,591	\$ -	\$ -
					541
					37,976
5,313					
10	8	1	352	10	261
		90		24,707	
5,323	8	91	151,943	24,717	38,778
				8,306	72
	82		242,698		
	82		242,698	8,306	72
5,323	(74)	91	(90,755)	16,411	38,706
	(5,000)				
	(5,000)				
5,323	(5,074)	91	(90,755)	16,411	38,706
115,168	5,138	883	320,644	11,292	49,279
\$ 120,491	\$ 64	\$ 974	\$ 229,889	\$ 27,703	\$ 87,985

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**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2013
(Continued)**

	General Debt Service	General Capital Projects	Permanent Fund Cultural Trust	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	\$ 566,501	\$ -	\$ -	\$ 718,092
Charges for services				1,841
Development fees				37,976
Intergovernmental				283,072
Use of money and property	248		91	53,902
Other revenues				24,797
	<u>566,749</u>		<u>91</u>	<u>1,119,680</u>
EXPENDITURES:				
Current:				
General government	6,030	847,800		862,208
Community development				244,710
Planning and building		1,625		1,625
Debt service:				
Principal payments	530,000			530,000
Interest and fiscal charges	92,397			92,397
	<u>628,427</u>	<u>849,425</u>		<u>1,730,940</u>
Excess of Revenues Over (Under) Expenditures	<u>(61,678)</u>	<u>(849,425)</u>	<u>91</u>	<u>(611,260)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out				(906,809)
Total Other Financing Sources (Uses)				<u>(906,809)</u>
Net Change in Fund Balances	(61,678)	(849,425)	91	(1,518,069)
Fund Balances (deficit), July 1, 2012	<u>582,630</u>	<u>727,173</u>	<u>74,420</u>	<u>5,747,036</u>
Fund Balances (deficit), June 30, 2013	<u>\$ 520,952</u>	<u>\$ (122,252)</u>	<u>\$ 74,511</u>	<u>\$ 4,228,967</u>

**CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013**

	Gas Tax			Housing Successor Agency		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services						
Development fees						
Intergovernmental	316,308	277,759	(38,549)			
Use of money and property	8,666		(8,666)	9,799	52,902	43,103
Other revenues						
Total Revenues	324,974	277,759	(47,215)	9,799	52,902	43,103
EXPENDITURES:						
Current:						
General government						
Community development	1,527	1,493	34	437	437	
Planning and building						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	1,527	1,493	34	437	437	
Excess of Revenues Over (Under)						
Expenditures	323,447	276,266	(47,181)	9,362	52,465	43,103
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(1,981,586)	(901,809)	1,079,777			
Total Other Financing Sources (Uses)	(1,981,586)	(901,809)	1,079,777			
Net Change in Fund Balances	<u>\$(1,658,139)</u>	<u>(625,543)</u>	<u>\$ 1,032,596</u>	<u>\$ 9,362</u>	<u>52,465</u>	<u>\$ 43,103</u>
Fund Balances (deficit), July 1, 2012		1,802,041			2,068,701	
Fund Balances (deficit), June 30, 2013		<u>\$ 1,176,498</u>			<u>\$ 2,121,166</u>	

Park Development Fees			North Area			Benjamin Way Maintenance District		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	541	541		1,300	1,300			
	37,976	37,976						
167	261	94	174	9	(165)	36	10	(26)
167	38,778	38,611	174	1,309	1,135	36	10	(26)
3,272	72	3,200						
3,272	72	3,200						
(3,105)	38,706	41,811	174	1,309	1,135	36	10	(26)
<u>\$ (3,105)</u>	<u>38,706</u>	<u>\$ 41,811</u>	<u>\$ 174</u>	<u>1,309</u>	<u>\$ 1,135</u>	<u>\$ 36</u>	<u>10</u>	<u>\$ (26)</u>
	49,279			(17,492)			7,159	
	<u>\$ 87,985</u>			<u>\$ (16,183)</u>			<u>\$ 7,169</u>	

Continued

**CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013
(Continued)**

	Public Safety			Other Special Revenue		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services						
Development fees						
Intergovernmental	5,000	5,313	313			
Use of money and property		10	10		8	8
Other revenues						
Total Revenues	5,000	5,323	323	8	8	8
EXPENDITURES:						
Current:						
General government						
Community development				82	82	
Planning and building						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures				82	82	
Excess of Revenues Over (Under) Expenditures	5,000	5,323	323	(82)	(74)	8
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(37,360)		37,360	(5,000)	(5,000)	
Total Other Financing Sources (Uses)	(37,360)		37,360	(5,000)	(5,000)	
Net Change in Fund Balances	\$ (32,360)	5,323	\$ 37,683	\$ (5,082)	(5,074)	\$ 8
Fund Balances (deficit), July 1, 2012		115,168			5,138	
Fund Balances (deficit), June 30, 2013		\$ 120,491			\$ 64	

Area A Lighting and Landscaping District			Media Center			Strong Motion Education and Data		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 150,033	\$ 151,591	\$ 1,558	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,337	352	(985)	56	10	(46)	4	1	(3)
			25,000	24,707	(293)	100	90	(10)
151,370	151,943	573	25,056	24,717	(339)	104	91	(13)
			25,000	8,306	16,694			
206,105	242,698	(36,593)						
206,105	242,698	(36,593)	25,000	8,306	16,694			
(54,735)	(90,755)	(36,020)	56	16,411	16,355	104	91	(13)
<u>\$ (54,735)</u>	<u>(90,755)</u>	<u>\$ (36,020)</u>	<u>\$ 56</u>	<u>16,411</u>	<u>\$ 16,355</u>	<u>\$ 104</u>	<u>91</u>	<u>\$ (13)</u>
	<u>320,644</u>			<u>11,292</u>			<u>883</u>	
	<u>\$ 229,889</u>			<u>\$ 27,703</u>			<u>\$ 974</u>	

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CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013
(Continued)

	General Debt Service			General Capital Projects		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ 468,900	\$ 566,501	\$ 97,601	\$ -	\$ -	\$ -
Charges for services						
Development fees						
Intergovernmental						
Use of money and property	3,100	248	(2,852)			
Other revenues						
Total Revenues	472,000	566,749	94,749			
EXPENDITURES:						
Current:						
General government	5,295	6,030	(735)	10,747,613	847,800	9,899,813
Public safety						
Planning and building					1,625	(1,625)
Debt service:						
Principal payments	480,000	530,000	(50,000)			
Interest and fiscal charges	109,957	92,397	17,560			
Total Expenditures	595,252	628,427	(33,175)	10,747,613	849,425	9,898,188
Excess of Revenues Over (Under)						
Expenditures	(123,252)	(61,678)	61,574	(10,747,613)	(849,425)	9,898,188
OTHER FINANCING SOURCES (USES):						
Transfers in				4,748,896		(4,748,896)
Transfers out						
Total Other Financing Sources (Uses)				4,748,896		(4,748,896)
Net Change in Fund Balances	\$ (123,252)	(61,678)	\$ 61,574	\$ (5,998,717)	(849,425)	\$ 5,149,292
Fund Balances (deficit), July 1, 2012		582,630			727,173	
Fund Balances (deficit), June 30, 2013		\$ 520,952			\$ (122,252)	

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2013

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ 84	\$ 304,319
Accounts receivable - net		85,850	13,438
Interest receivable			239
Due from other governments			45,000
Inventory			19,419
Total current assets		85,934	382,415
Capital Assets:			
Nondepreciable			
Land			119,834
Construction in progress			55,155
Total nondepreciable capital assets			174,989
Depreciable			
Buildings			186,451
Machinery and equipment			209,510
Operations			2,944,993
Total depreciable capital assets			3,340,954
Less accumulated depreciation			(1,041,589)
Net depreciable capital assets			2,299,365
Net capital assets			2,474,354
Total noncurrent assets			2,474,354
Total assets	\$ -	\$ 85,934	\$ 2,856,769

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ -	\$ 32,065	\$ -	\$ 336,468
5,713	4,348		109,349
	25		264
		15,117	60,117
			19,419
5,713	36,438	15,117	525,617
231,973			351,807
			55,155
231,973			406,962
1,194,411			1,380,862
98,184			307,694
20,000			2,964,993
1,312,595			4,653,549
(725,927)			(1,767,516)
586,668			2,886,033
818,641			3,292,995
818,641			3,292,995
\$ 824,354	\$ 36,438	\$ 15,117	\$ 3,818,612

(Continued)

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2013
(continued)

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 99	\$ 5,482
Deposits payable		338	15,612
Due to other funds		28,010	
Advances to other funds			
	<hr/>	<hr/>	<hr/>
Total current liabilities		28,447	21,094
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net investment in capital assets			2,474,354
Unrestricted		57,487	361,321
	<hr/>	<hr/>	<hr/>
Total Net Position (Deficit)	\$ -	\$ 57,487	\$ 2,835,675
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 4,908	\$ 7,421	\$ 202	\$ 18,112
42,789			58,739
346,150		17,774	391,934
130,470			130,470
<u>524,317</u>	<u>7,421</u>	<u>17,976</u>	<u>599,255</u>
818,641			3,292,995
<u>(518,604)</u>	<u>29,017</u>	<u>(2,859)</u>	<u>(73,638)</u>
<u>\$ 300,037</u>	<u>\$ 29,017</u>	<u>\$ (2,859)</u>	<u>\$ 3,219,357</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 12,773	\$ 57,311	\$ -	\$ 318,723
140,293	12,100	4,157	291,984
<u>153,066</u>	<u>69,411</u>	<u>4,157</u>	<u>616,455</u>
181,889	61,991	175,221	848,593
20,824	5,622		158,106
24,083			88,468
<u>226,796</u>	<u>67,613</u>	<u>175,221</u>	<u>1,095,167</u>
<u>(73,730)</u>	<u>1,798</u>	<u>(171,064)</u>	<u>(478,712)</u>
	28	176,999	709
			<u>389,927</u>
	28	176,999	390,636
			<u>390,636</u>
(73,730)	1,826	5,935	(88,076)
			<u>(169,397)</u>
(73,730)	1,826	5,935	(257,473)
373,767	27,191	(8,794)	3,476,830
<u>\$ 300,037</u>	<u>\$ 29,017</u>	<u>\$ (2,859)</u>	<u>\$ 3,219,357</u>

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2013**

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ -	\$ (3,020)	\$ 373,855
Payments to suppliers and users	(335,785)	(167,268)	(259,729)
Payments to employees		(19,359)	(112,301)
Net Cash Provided (Used) by Operating Activities	(335,785)	(189,647)	1,825
Cash Flows from Non-Capital Financing Activities:			
Intergovernmental grants		167,928	10,000
Due to/from other funds		21,719	
Advances to/from other funds			
Transfers out	(169,397)		
Net Cash Provided (Used) by Non-Capital Financing Activities	(169,397)	189,647	10,000
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets			(55,155)
Net Cash Provided (Used) by Capital and Related Financing Activities			(55,155)
Cash Flows from Investing Activities:			
Interest received		84	736
Net Cash Provided (Used) by Investing Activities		84	736
Net Increase (Decrease) in Cash and Cash Equivalents	(505,182)	84	(42,594)
Cash and Cash Equivalents, July 1, 2012	505,182		346,913
Cash and Cash Equivalents, June 30, 2013	\$ -	\$ 84	\$ 304,319
Cash and investments	\$ -	\$ 84	\$ 304,319
Total Cash and Investments	\$ -	\$ 84	\$ 304,319

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 149,958	\$ 65,170	\$ 4,157	\$ 590,120
(210,341)	(58,603)	(175,997)	(1,207,723)
(20,824)	(5,622)		(158,106)
(81,207)	945	(171,840)	(775,709)
		174,046	351,974
(49,265)		(2,206)	(29,752)
130,470			130,470
			(169,397)
81,205		171,840	283,295
2			(55,153)
2			(55,153)
	37		857
	37		857
	982		(546,710)
	31,083		883,178
\$ -	\$ 32,065	\$ -	\$ 336,468
\$ -	\$ 32,065	\$ -	\$ 336,468
\$ -	\$ 32,065	\$ -	\$ 336,468

(Continued)

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2013
 (Continued)**

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ -	\$ (173,482)	\$ (62,234)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation			64,385
(Increase) Decrease in Operating Assets:			
Accounts receivable		(16,188)	(2,798)
Inventory			1,568
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(3,141)	23	348
Deposits payable	(332,644)		556
Net Cash Provided (Used) by Operating Activities	<u>\$ (335,785)</u>	<u>\$ (189,647)</u>	<u>\$ 1,825</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ (73,730)	\$ 1,798	\$ (171,064)	\$ (478,712)
24,083			88,468
(3,108)	(4,241)		(26,335) 1,568
(7,681)	3,388	(776)	(7,839)
(20,771)			(352,859)
<u>\$ (81,207)</u>	<u>\$ 945</u>	<u>\$ (171,840)</u>	<u>\$ (775,709)</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

	Insurance and Benefit	Vehicle Maintenance	Information Services
ASSETS			
Current Assets:			
Cash and investments	\$ 2,781,862	\$ 2,998,309	\$ 693,841
Accounts receivable - net	23,711	350	
Notes and loans receivable			16,087
Interest receivable	2,180	3,742	664
Inventory		39,212	4,122
Total current assets	2,807,753	3,041,613	714,714
Capital Assets:			
Depreciable			
Land improvements			
Machinery and equipment		4,236,708	2,082,328
Total depreciable capital assets		4,236,708	2,082,328
Less accumulated depreciation		(3,481,961)	(1,520,484)
Net depreciable capital assets		754,747	561,844
Net capital assets		754,747	561,844
Total noncurrent assets		754,747	561,844
Total assets	\$ 2,807,753	\$ 3,796,360	\$ 1,276,558

<u>Building Maintenance</u>	<u>Totals</u>
\$ 660,966	\$ 7,134,978
28,385	52,446
	16,087
445	7,031
	43,334
<u>689,796</u>	<u>7,253,876</u>
108,841	108,841
	6,319,036
<u>108,841</u>	6,427,877
<u>(10,884)</u>	<u>(5,013,329)</u>
<u>97,957</u>	<u>1,414,548</u>
<u>97,957</u>	<u>1,414,548</u>
<u>97,957</u>	<u>1,414,548</u>
<u>\$ 787,753</u>	<u>\$ 8,668,424</u>

(Continued)

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013
(Continued)

	<u>Insurance and Benefit</u>	<u>Vehicle Maintenance</u>	<u>Information Services</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 655,229	\$ 16,185	\$ 20,355
Deposits payable	1,581		
Claims payable, current portion	38,689		
Compensated absences	1,034,839		
Capital lease payable		4,907	18,065
	<u>1,730,338</u>	<u>21,092</u>	<u>38,420</u>
Total current liabilities			
Noncurrent Liabilities:			
Compensated absences	647,279		
Capital lease payable		315	39,561
	<u>647,279</u>	<u>315</u>	<u>39,561</u>
Total noncurrent liabilities			
Total Liabilities	<u>2,377,617</u>	<u>21,407</u>	<u>77,981</u>
NET POSITION			
Net investment in capital assets		749,525	504,218
Unrestricted	430,136	3,025,428	694,359
	<u>430,136</u>	<u>3,025,428</u>	<u>694,359</u>
Total Net Position	<u>\$ 430,136</u>	<u>\$ 3,774,953</u>	<u>\$ 1,198,577</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 14,945	\$ 706,714
	1,581
13,513	52,202
	1,034,839
	22,972
<u>28,458</u>	<u>1,818,308</u>
	647,279
	39,876
	<u>687,155</u>
<u>28,458</u>	<u>2,505,463</u>
97,957	1,351,700
<u>661,338</u>	<u>4,811,261</u>
<u>\$ 759,295</u>	<u>\$ 6,162,961</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2013

	Insurance and Benefit	Vehicle Maintenance	Information Services
Operating Revenues			
Charges for services	\$ 6,018,823	\$ 265,995	\$ 618,704
Other operating revenues		100	371
	6,018,823	266,095	619,075
Operating Expenses			
Maintenance and operation		452,498	891,062
Administration	26,537	220,071	17,251
Insurance and benefits costs	6,208,394		
Depreciation		303,525	75,882
	6,234,931	976,094	984,195
Operating Income (Loss)	(216,108)	(709,999)	(365,120)
Non-Operating Revenues (Expenses)			
Interest income	46,656	35,512	10,302
Gain (Loss) on sale of capital assets		4,300	
	46,656	39,812	10,302
Change in Net Position	(169,452)	(670,187)	(354,818)
Net Position, July 1, 2012	599,588	4,445,140	1,553,395
Net Position, June 30, 2013	\$ 430,136	\$ 3,774,953	\$ 1,198,577

<u>Building Maintenance</u>	<u>Totals</u>
\$ 582,033	\$ 7,485,555
	471
<u>582,033</u>	<u>7,486,026</u>
643,697	1,987,257
176,209	440,068
366,149	6,574,543
<u>10,884</u>	<u>390,291</u>
<u>1,196,939</u>	<u>9,392,159</u>
<u>(614,906)</u>	<u>(1,906,133)</u>
317,545	410,015
	4,300
<u>317,545</u>	<u>414,315</u>
(297,361)	(1,491,818)
<u>1,056,656</u>	<u>7,654,779</u>
<u>\$ 759,295</u>	<u>\$ 6,162,961</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2013**

	Insurance and Benefit	Vehicle Maintenance	Information Services
Cash Flows from Operating Activities:			
Receipts from customers	\$ 6,015,715	\$ 268,713	\$ 619,075
Payments to suppliers and users	(6,141,337)	(477,313)	(887,210)
Payments to employees	(26,537)	(220,071)	(17,251)
Net Cash Provided (Used) by Operating Activities	<u>(152,159)</u>	<u>(428,671)</u>	<u>(285,386)</u>
Cash Flows from Non-Capital Financing Activities:			
Principal paid on loans receivable			2,535
Net Cash Provided (Used) by Non-Capital Financing Activities			<u>2,535</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets		(17,088)	(122,603)
Principal payments - long-term debt		(4,907)	(18,065)
Proceeds from sales of capital assets		4,300	
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>(17,695)</u>	<u>(140,668)</u>
Cash Flows from Investing Activities:			
Interest received	47,610	35,471	10,840
Net Cash Provided (Used) by Investing Activities	<u>47,610</u>	<u>35,471</u>	<u>10,840</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(104,549)	(410,895)	(412,679)
Cash and Cash Equivalents, July 1, 2012	<u>2,886,411</u>	<u>3,409,204</u>	<u>1,106,520</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 2,781,862</u>	<u>\$ 2,998,309</u>	<u>\$ 693,841</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Position			
Cash and investments	<u>\$ 2,781,862</u>	<u>\$ 2,998,309</u>	<u>\$ 693,841</u>
Total Cash and Investments	<u>\$ 2,781,862</u>	<u>\$ 2,998,309</u>	<u>\$ 693,841</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 619,037	\$ 7,522,540
(1,036,538)	(8,542,398)
<u>(176,209)</u>	<u>(440,068)</u>
<u>(593,710)</u>	<u>(1,459,926)</u>
	<u>2,535</u>
	<u>2,535</u>
	(139,691)
	(22,972)
	<u>4,300</u>
	<u>(158,363)</u>
<u>318,118</u>	<u>412,039</u>
<u>318,118</u>	<u>412,039</u>
(275,592)	(1,203,715)
<u>936,558</u>	<u>8,338,693</u>
<u>\$ 660,966</u>	<u>\$ 7,134,978</u>

<u>\$ 660,966</u>	<u>\$ 7,134,978</u>
<u>\$ 660,966</u>	<u>\$ 7,134,978</u>

(Continued)

CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2013
(Continued)

	Insurance and Benefit	Vehicle Maintenance	Information Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (216,108)	\$ (709,999)	\$ (365,120)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation		303,525	75,882
(Increase) Decrease in Operating Assets:			
Accounts receivable	(3,108)	2,618	
Inventory		(10,042)	301
Increase (Decrease) in Operating Liabilities:			
Accounts payable	533	(14,773)	3,551
Deposits payable	1,540		
Claims and judgments payable	12,247		
Compensated absences	52,737		
Net Cash Provided (Used) by Operating Activities	\$ (152,159)	\$ (428,671)	\$ (285,386)

<u>Building Maintenance</u>	<u>Totals</u>
\$ (614,906)	\$ (1,906,133)
10,884	390,291
37,004	36,514 (9,741)
(5,815)	(16,504) 1,540
(20,877)	(8,630) 52,737
<u>\$ (593,710)</u>	<u>\$ (1,459,926)</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
June 30, 2013

	Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 1,356	\$ -	\$ 551,473
Restricted cash and investments with fiscal agents		174,226	
Receivables:			
Notes			
Interest			434
Due from other funds			
Deferred Charges, Net of Accumulated Amortization			
Capital Assets, Not Being Depreciated			
Capital Assets, Net of Accumulated Depreciation	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>1,356</u>	<u>174,226</u>	<u>551,907</u>
LIABILITIES			
Accounts payable	1,355		
Due to other funds		755	
Interest payable			
Noncurrent Liabilities:			
Due within One Year			
Due in More than One Year	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,355</u>	<u>755</u>	<u> </u>
NET POSITION			
Unrestricted	<u>1</u>	<u>173,471</u>	<u>551,907</u>
Total Net Position (Deficit)	<u>\$ 1</u>	<u>\$ 173,471</u>	<u>\$ 551,907</u>

Plaza Flowers Veterans Trust	Post RDA Successor Agency	Post RDA Debt Retirement Fund	Totals
\$ 4,085	\$ 17,363,385 1,538,959	\$ 10,412 6,034,164	\$ 17,930,711 7,747,349
3	1,138,871 13,638 3,055,041	1,097,132	1,138,871 14,075 3,055,041 1,097,132
	6,568,726 1,984,923		6,568,726 1,984,923
<u>4,088</u>	<u>31,663,543</u>	<u>7,141,708</u>	<u>39,536,828</u>
82	2,352	3,054,286 1,155,309	3,789 3,055,041 1,155,309
		1,180,210 51,167,603	1,180,210 51,167,603
<u>82</u>	<u>2,352</u>	<u>56,557,408</u>	<u>56,561,952</u>
<u>4,006</u>	<u>31,661,191</u>	<u>(49,415,700)</u>	<u>(17,025,124)</u>
<u>\$ 4,006</u>	<u>\$ 31,661,191</u>	<u>\$ (49,415,700)</u>	<u>\$ (17,025,124)</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2013

	Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Taxes and assessments	\$ -	\$ -	\$ -
Use of money and property		15,766	
Fees and charges	<u>1,355</u>		
Total additions	<u>1,355</u>	<u>15,766</u>	
DEDUCTIONS			
Community development	26,479	2,630	127,532
Depreciation			
Interest expense			
Pass-through payment to the County of Sonoma			
Total deductions	<u>26,479</u>	<u>2,630</u>	<u>127,532</u>
Change in Net Position	(25,124)	13,136	(127,532)
Net Position (Deficit), July 1, 2012	<u>25,125</u>	<u>160,335</u>	<u>679,439</u>
Net Position (Deficit), June 30, 2013	<u>\$ 1</u>	<u>\$ 173,471</u>	<u>\$ 551,907</u>

<u>Plaza Flowers Veterans Trust</u>	<u>Post RDA Successor Agency</u>	<u>Post RDA Debt Retirement Fund</u>	<u>Totals</u>
\$ - 5	\$ 4,102,051 5,242	\$ - 249,296	\$ 4,102,051 270,309 1,355
<u>5</u>	<u>4,107,293</u>	<u>249,296</u>	<u>4,373,715</u>
325	78,104	2,807,841	2,964,807
	8,718,021	75,033	78,104 75,033 8,718,021
<u>325</u>	<u>8,796,125</u>	<u>2,882,874</u>	<u>11,835,965</u>
(320)	(4,688,832)	(2,633,578)	(7,462,250)
<u>4,326</u>	<u>36,350,023</u>	<u>(46,782,122)</u>	<u>(9,562,874)</u>
<u>\$ 4,006</u>	<u>\$ 31,661,191</u>	<u>\$ (49,415,700)</u>	<u>\$ (17,025,124)</u>