

CITY OF HEALDSBURG
FINANCIAL STATEMENTS
JUNE 30, 2012

**CITY OF HEALDSBURG
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2012**

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and 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 the City of Healdsburg, California, (City), as of and for the fiscal year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1 of the notes to basic financial statements, effective July 1, 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

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, 2012, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 25, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund and the Postemployment Retiree Benefits Funding Progress on pages 71 and 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Healdsburg's basic financial statements as a whole. The Introductory Section, Schedules of Revenues, Expenditures, and Changes in Funds Balance – Budget and Actual – Redevelopment Agency Debt Service Fund, Redevelopment Agency Commercial and Industrial Fund, Redevelopment Agency Low/Moderate Income Housing Fund, Combining and Individual Fund Financial Statements for the Nonmajor Governmental Funds, Nonmajor Enterprise Funds, Internal Service Funds, and Trust Funds, Nonmajor Fund Budgetary Comparison Schedules, and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedules of Revenues, Expenditures, and Changes in Funds Balance – Budget and Actual – Redevelopment Agency Debt Service Fund, Redevelopment Agency Commercial and Industrial Fund, Redevelopment Agency Low/Moderate Income Housing Fund, Combining Financial Statements for the Nonmajor Governmental Funds, Nonmajor Enterprise Funds, Internal Service Funds, and Trust Funds, and Nonmajor Fund Budgetary Comparison Schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the "Introductory Section", and the "Statistical Section", has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss, Levy & Hartzheim

Moss, Levy and Hartzheim, LLP
Culver City, California
February 25, 2013

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

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, 2012. 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.

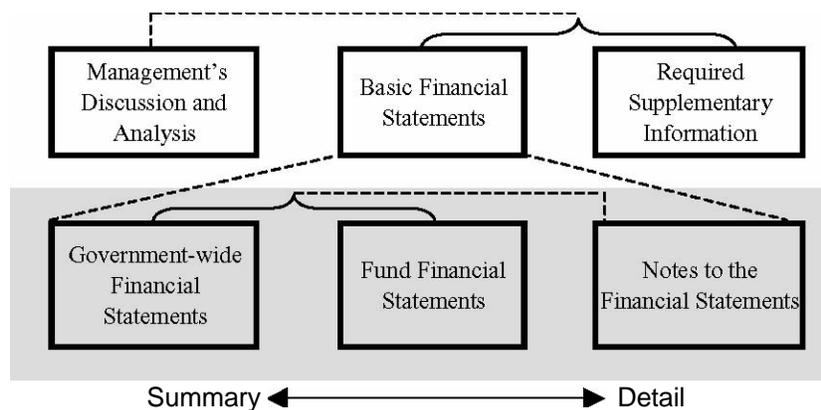
Financial Highlights

- City assets exceeded its liabilities by \$169.4 million (net assets) at June 30, 2012. Of this amount, \$43.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net assets increased by \$10.7 million during the fiscal year, compared to an increase of \$5 million in the prior year. The increase attributable to the City's governmental activities was \$2.4 million, while the business type activities increased by \$8.3 million.
- At the close of fiscal year 2011-12, City governmental funds reported combined ending fund balance of \$13.5 million, a decrease of \$43.4 million due to the dissolution of the Redevelopment Agency.
- At the end of fiscal year 2011-12, unreserved fund balance for the General Fund was \$6.6 million, or 95 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, 2012

Government-wide Financial Statements. The government-wide financial statements are comprised of the Statement of Net Assets 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 Assets 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 assets. Over time, increases or decreases in net assets 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 assets 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, and the Post RDA Successor Housing Agency Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of supplementary combining statements.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

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

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

NET ASSETS
June 30, 2012 and 2011

ASSETS	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 28,178,595	\$ 73,516,571	\$ 41,092,351	\$ 34,126,188	\$ 69,270,946	\$ 107,642,759
Capital assets	27,080,889	35,042,807	119,298,943	119,279,853	146,379,832	154,322,660
Total assets	<u>55,259,484</u>	<u>108,559,378</u>	<u>160,391,294</u>	<u>153,406,041</u>	<u>215,650,778</u>	<u>261,965,419</u>
LIABILITIES						
Current liabilities	1,509,323	5,932,696	1,481,428	2,851,458	2,990,751	8,784,154
Long-term liabilities	4,582,214	55,817,179	38,653,787	38,647,902	43,236,001	94,465,081
Total liabilities	<u>6,091,537</u>	<u>61,749,875</u>	<u>40,135,215</u>	<u>41,499,360</u>	<u>46,226,752</u>	<u>103,249,235</u>
NET ASSETS						
Invested in capital assets						
net of related debt	24,499,567	4,699,274	81,215,766	80,098,271	105,715,333	84,797,545
Restricted	11,345,345	31,354,056	8,396,487	8,923,157	19,741,832	40,277,213
Unrestricted	13,323,035	10,756,173	30,643,826	22,885,253	43,966,861	33,641,426
Total net assets	<u>\$ 49,167,947</u>	<u>\$ 46,809,503</u>	<u>\$ 120,256,079</u>	<u>\$ 111,906,681</u>	<u>\$ 169,424,026</u>	<u>\$ 158,716,184</u>

By far the largest portion of the City's net assets (62%) 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 assets (\$19.7 million or 12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$43.9 million (26 percent) 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).

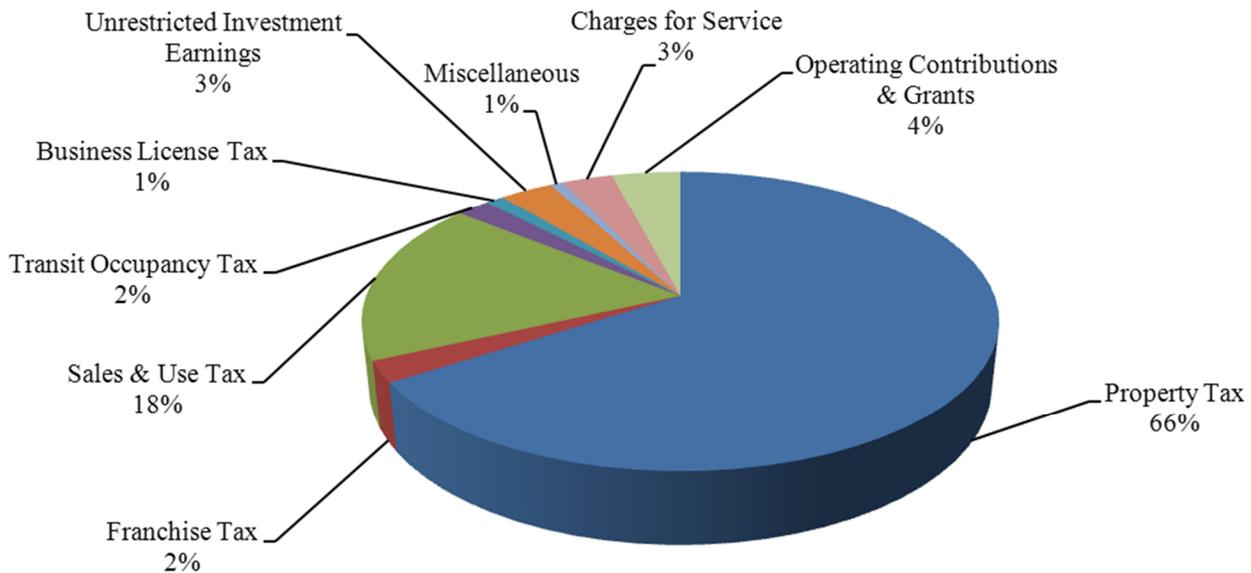
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

The statement of activities shows how the government's net assets changed during fiscal year 2011-12 as compared to 2010-11. The City's net assets increased overall by \$10.7 million during the current fiscal year.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

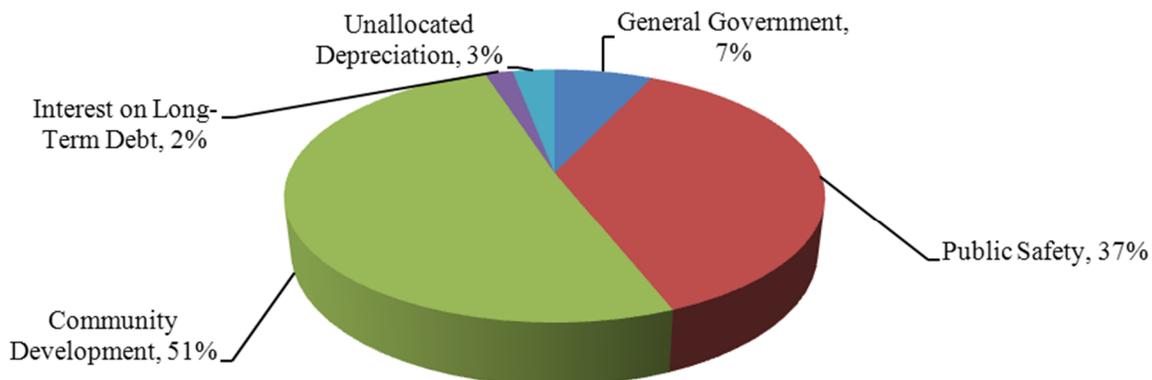
Governmental Activities. Significant revenues of the governmental activities are taxes (89%), which include property taxes, sales taxes, franchise taxes, business license taxes and transient occupancy taxes. Program revenues are 7% of the total revenues of the governmental activities, which include charges for services and operating contributions and grants.

**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2012**



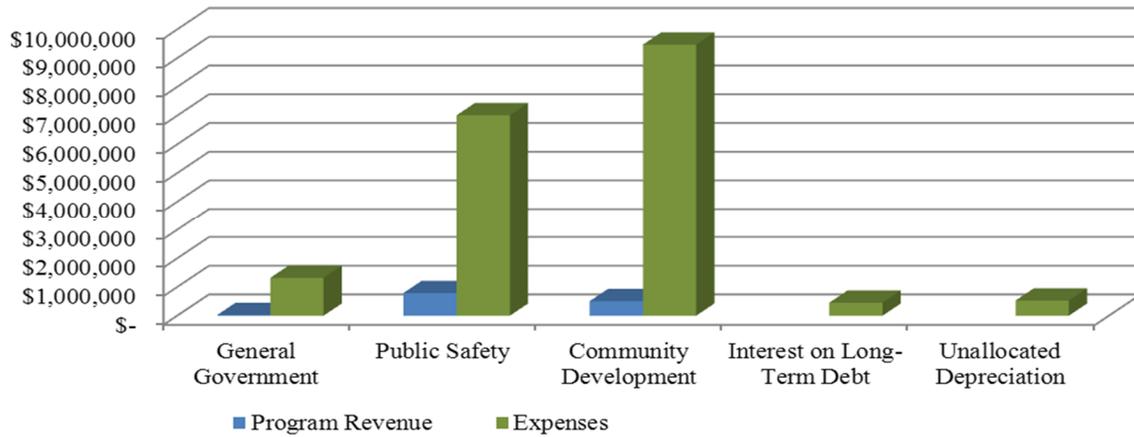
As for expenditures, community development expenses are the most significant (51%) of all governmental activities expenses, followed by public safety (37%), general government (7%) and interest on long-term debt (2%). Depreciation expense is 3% of the total expenses for governmental activities.

**EXPENSES BY FUNCTION/PROGRAM – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2012**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

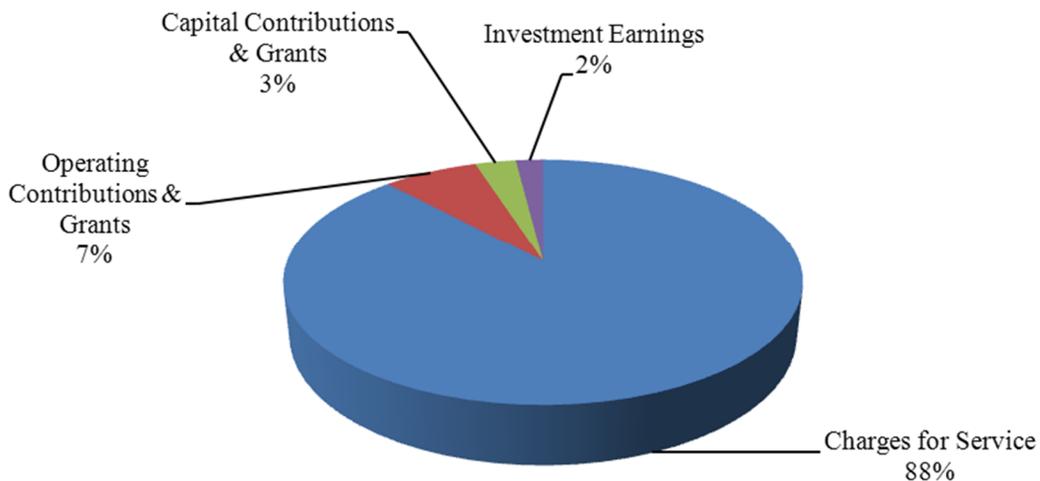
**COMPARISON OF EXPENSES AND PROGRAM REVENUES –
 GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2012**



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

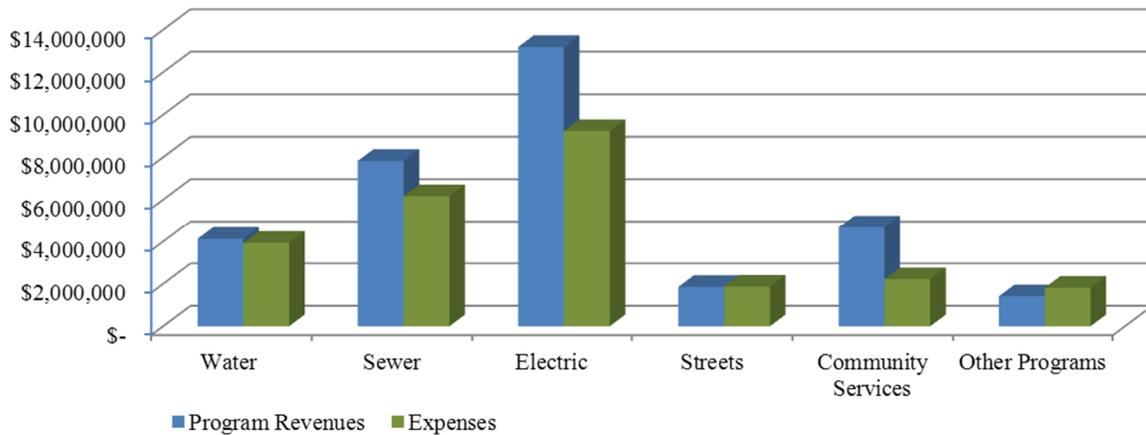
- Charges for services increased by \$4,250,174 (14%).
- Unrestricted investment earnings increased by \$225,680 (42%).

**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2012**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

**EXPENSES AND PROGRAM REVENUES –
 BUSINESS-TYPE ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2012**



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, 2012, the City's governmental funds reported total ending fund balances of \$13,547,545, a decrease of \$43,420,453 from the prior fiscal year. This decrease is due to the dissolution of the Redevelopment Agency. Approximately 49% of the total ending fund balances (\$6,606,422) 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 reserved fund balances is restricted for low moderate housing projects in the Successor Housing Agency Fund (\$2,068,701).

General Fund revenues were \$741,580 (9%) more than in the prior fiscal year, and expenditures increased by \$109,424 (1%). An increase in property taxes accounts for a significant portion of the increase in revenues. An increase in legal expenses accounted 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 assets are a \$1.5 million increase to \$41 million in the Sewer Fund, and an \$800 thousand increase to \$23.8 million in the Streets Fund. The Electric Fund reported an increase in net assets of \$4.9 million with an ending balance of \$25.8 million, which was primarily the result of an increase in operating revenues.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

The Internal Service Funds had a decrease in net assets of \$0.8 million during the fiscal year, ending with a balance of \$7.6 million. This decrease is primarily attributable to increase operating expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2012, amounted to \$146,379,832 (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 \$4,135,204.

CAPITAL ASSETS

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Land and Land Rights	\$ 9,345,068	\$ 14,344,330	\$ 5,103,404	\$ 5,056,630
Right of Way	6,681,379	6,681,379	-	-
Construction in Progress	-	122,154	3,801,851	3,434,729
Land Improvements	108,841	-	-	-
Buildings	15,018,527	16,821,900	7,930,909	7,007,574
Streets	-	-	26,832,885	26,413,982
Utility Systems	-	-	105,462,153	104,988,044
Drainage	-	-	9,959,070	9,477,795
Machinery and Equipment	7,301,746	7,265,447	3,043,362	2,449,997
Operations	-	-	2,964,993	2,964,993
Infrastructure	432,630	1,332,175	-	-
Total	\$ 38,888,191	\$ 46,567,385	\$ 165,098,627	\$ 161,793,744

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 \$43,236,001 at June 30, 2012. Of this total, \$4,582,214 (10%) was in governmental activities and \$38,653,787 (90%) was in business-type activities.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

LONG-TERM LIABILITIES

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 2,605,000	\$ 3,085,000	\$ -	\$ -
Certificates of Participation	-	-	14,200,000	14,825,000
Tax Allocation Bonds	-	55,095,000	-	-
Revenue Bonds	-	-	25,095,000	25,635,000
Compensated Absences	1,629,381	1,535,695	-	-
Capital Leases	85,820	14,741	-	-
OPEB	320,000	283,000	-	-
Bond Discount	(5,030)	(355,308)	(180,252)	(189,672)
Deferred Amount on Refunding	(52,957)	(166,439)	(460,961)	(488,985)
Total	<u>\$ 4,582,214</u>	<u>\$ 59,491,689</u>	<u>\$ 38,653,787</u>	<u>\$ 39,781,343</u>

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

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.

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CITY OF HEALDSBURG
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 18,451,874	\$ 32,745,081	\$ 51,196,955
Cash and investments with fiscal agents	1,959,790	2	1,959,792
Receivables:			
Accounts	174,060	3,727,504	3,901,564
Taxes	1,657,397	350,594	2,007,991
Notes	6,264,464		6,264,464
Interest	19,562	34,867	54,429
Due from other governments	163,356	556,305	719,661
Internal balances	(601,214)	601,214	
Deferred charges	51,511	570,610	622,121
Prepaid expenses	4,202	993,600	997,802
Inventory	33,593	1,512,574	1,546,167
Capital assets, not being depreciated	16,026,447	8,905,255	24,931,702
Capital assets, net of accumulated depreciation	11,054,442	110,393,688	121,448,130
	<u>55,259,484</u>	<u>160,391,294</u>	<u>215,650,778</u>
Total Assets			
LIABILITIES			
Accounts payable	1,327,878	369,232	1,697,110
Interest payable	41,758	453,145	494,903
Deposits payable	8,656	659,051	667,707
Claims payable	60,832		60,832
Unearned revenue	70,199		70,199
Noncurrent liabilities:			
Due within one year	1,590,995	1,173,441	2,764,436
Due in more than one year	2,991,219	37,480,346	40,471,565
	<u>6,091,537</u>	<u>40,135,215</u>	<u>46,226,752</u>
Total Liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	24,499,567	81,215,766	105,715,333
Restricted for:			
Capital projects		8,396,487	8,396,487
Community development	86,595		86,595
Housing	8,314,543		8,314,543
Landscaping and lighting	327,803		327,803
Public safety	224,212		224,212
Parks and recreation	49,279		49,279
Streets, highway, and related purposes	1,802,041		1,802,041
Debt service	540,872		540,872
Unrestricted	13,323,035	30,643,826	43,966,861
	<u>\$ 49,167,947</u>	<u>\$ 120,256,079</u>	<u>\$ 169,424,026</u>
Total Net assets			

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 1,320,586	\$ 4,995	\$ 18,079	\$ -
Public safety	7,013,804	393,550	398,171	
Community development	9,471,909	169,095	339,951	58,004
Interest on long-term debt	453,718			
Unallocated depreciation	531,205			
Total Governmental Activities	18,791,222	567,640	756,201	58,004
Business-type Activities:				
Water	3,932,321	4,124,566		
Sewer	6,164,245	7,825,755		
Electric	9,234,218	13,123,345	59,738	
Streets	1,871,070	715,560		1,139,878
Community services	2,220,380	2,713,494	1,967,466	
Other enterprises	1,814,676	1,070,983	344,211	
Total Business-type Activities	25,236,910	29,573,703	2,371,415	1,139,878
Total Government	\$ 44,028,132	\$ 30,141,343	\$ 3,127,616	\$ 1,197,882

General Revenues:

Taxes:

- Property taxes
- Franchise taxes
- Sales and use taxes
- Transit occupancy taxes
- Business license taxes
- Investment earnings
- Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets before Extraordinary Item

Extraordinary item - Gain on Transfer of Assets and Liabilities to RDA Successor Trust Funds

Change in Net Assets

Net Assets, July 1, 2011

Prior Period Adjustments

Net Assets, July 1, 2011, restated

Net Assets, June 30, 2012

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,297,512)	\$ -	\$ (1,297,512)
(6,222,083)		(6,222,083)
(8,904,859)		(8,904,859)
(453,718)		(453,718)
(531,205)		(531,205)
<u>(17,409,377)</u>		<u>(17,409,377)</u>
	192,245	192,245
	1,661,510	1,661,510
	3,948,865	3,948,865
	(15,632)	(15,632)
	2,460,580	2,460,580
	(399,482)	(399,482)
	<u>7,848,086</u>	<u>7,848,086</u>
\$ (17,409,377)	\$ 7,848,086	\$ (9,561,291)
12,261,928		12,261,928
420,427		420,427
3,272,586		3,272,586
372,257		372,257
205,787		205,787
694,986	537,546	1,232,532
41,166		41,166
(92,586)	92,586	
<u>17,176,551</u>	<u>630,132</u>	<u>17,806,683</u>
(232,826)	8,478,218	8,245,392
<u>2,446,228</u>		<u>2,446,228</u>
<u>2,213,402</u>	<u>8,478,218</u>	<u>10,691,620</u>
46,809,503	111,906,681	158,716,184
145,042	(128,820)	16,222
<u>46,954,545</u>	<u>111,777,861</u>	<u>158,732,406</u>
\$ <u>49,167,947</u>	\$ <u>120,256,079</u>	\$ <u>169,424,026</u>

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2012**

	General	Housing Successor Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund (Note 14)
ASSETS			
Cash and investments	\$ 5,898,194	\$ 99,856	\$ -
Cash and investments with fiscal agents		1,959,790	
Receivables:			
Accounts	16,336	8,930	
Taxes	1,618,663		
Notes		6,245,842	
Interest	7,315	125	
Due from other governments	127,676		
Prepaid expenditures	4,062		
Due from other funds	349,686		
	<u>\$ 8,021,932</u>	<u>\$ 8,314,543</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 142,609	\$ -	\$ -
Deposits payable	8,615		
Due to other funds			
Deferred revenue	70,199	6,245,842	
	<u>221,423</u>	<u>6,245,842</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Prepaid expenditures	4,062		
Restricted	114,032	2,068,701	
Committed	1,058,501		
Assigned			
Unassigned	6,623,914		
	<u>7,800,509</u>	<u>2,068,701</u>	<u>-</u>
	<u>\$ 8,021,932</u>	<u>\$ 8,314,543</u>	<u>\$ -</u>

See accompanying notes to basic financial statements

Capital Projects Funds			
Redevelopment Agency Commercial and Industrial Fund (Note 14)	Redevelopment Agency Low/Moderate Income Housing Fund (Note 14)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,115,131	\$ 10,113,181
			1,959,790
		59,834	85,100
		38,734	1,657,397
			6,245,842
		3,067	10,507
		35,680	163,356
		140	4,202
			349,686
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,252,586</u>	<u>\$ 20,589,061</u>
\$ -	\$ -	\$ 462,051	\$ 604,660
			8,615
		55,000	55,000
		57,200	6,373,241
		574,251	7,041,516
			4,062
		2,963,516	5,146,249
		5,138	1,063,639
		727,173	727,173
		(17,492)	6,606,422
		3,678,335	13,547,545
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,252,586</u>	<u>\$ 20,589,061</u>

See accompanying notes to basic financial statements

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**CITY OF HEALDSBURG
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Fund balances of governmental funds \$ 13,547,545

Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the Governmental Funds 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 Assets)

Capital assets	\$ 32,600,005	
Less: accumulated depreciation	<u>(7,184,264)</u>	25,415,741

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. 51,511

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. (41,758)

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	(2,605,000)	
Discounts on bond issuance	5,030	
Deferred loss on refunding	52,957	
OPEB	<u>(320,000)</u>	(2,867,013)

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 assets. 6,758,879

In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by deferred revenue. 6,303,042

Net assets of governmental activities \$ 49,167,947

**CITY OF HEALDSBURG
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012**

	General	Housing Successor Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund (Note 14)
REVENUES			
Property taxes	\$ 2,647,220	\$ -	\$ 7,255,362
Sales and other taxes	4,271,057		
Charges for services	304,185		
Development fees			
Intergovernmental	490,515		
Use of money and property	67,364	108,977	(3,115)
Other revenues	22,023		
	<u>7,802,364</u>	<u>108,977</u>	<u>7,252,247</u>
Total Revenues			
EXPENDITURES			
Current:			
General government	501,304		
Public safety	6,428,309		
Community development			171,282
Capital outlay			
Debt service:			
Principal payments			1,115,000
Interest and fiscal charges			1,448,738
Pass-through payments			2,879,981
	<u>6,929,613</u>	<u>108,977</u>	<u>5,615,001</u>
Total Expenditures			
Excess of revenues over (under) expenditures	<u>872,751</u>	<u>108,977</u>	<u>1,637,246</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,255,521		817,167
Transfers out	(708,161)		(618,161)
	<u>547,360</u>	<u>108,977</u>	<u>199,006</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances before Special Items and Extraordinary Items	1,420,111	108,977	1,836,252
SPECIAL ITEM			
Gain/(Loss) on Transfer of Redevelopment Agency Housing assets		1,959,724	
EXTRAORDINARY ITEM			
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds			(10,794,419)
Net Change in Fund Balances	1,420,111	2,068,701	(8,958,167)
Fund Balances, July 1, 2011	<u>6,380,398</u>	<u>108,977</u>	<u>8,958,167</u>
Fund Balances, June 30, 2012	<u>\$ 7,800,509</u>	<u>\$ 2,068,701</u>	<u>\$ -</u>

See accompanying notes to basic financial statements

Capital Projects Funds			
Redevelopment Agency Commercial and Industrial Fund (Note 14)	Redevelopment Agency Low/Moderate Income Housing Fund (Note 14)	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,813,840	\$ 693,060	\$ 12,409,482
			4,271,057
		2,696	306,881
		21,339	21,339
30,881	11,079	359,911	850,426
		45,101	260,287
		82,342	104,365
<u>30,881</u>	<u>1,824,919</u>	<u>1,204,449</u>	<u>18,223,837</u>
		912,272	1,413,576
5,464,588	263,918	156,223	6,428,309
		1,063	6,056,011
		480,000	1,063
		109,957	1,595,000
			1,558,695
			2,879,981
<u>5,464,588</u>	<u>263,918</u>	<u>1,659,515</u>	<u>19,932,635</u>
<u>(5,433,707)</u>	<u>1,561,001</u>	<u>(455,066)</u>	<u>(1,708,798)</u>
618,161		2,090,965	4,781,814
(2,771,890)	(818,676)	(155,360)	(5,072,248)
<u>(2,153,729)</u>	<u>(818,676)</u>	<u>1,935,605</u>	<u>(290,434)</u>
(7,587,436)	742,325	1,480,539	(1,999,232)
	(1,959,724)		
<u>(15,657,683)</u>	<u>(6,609,697)</u>	<u>(8,359,422)</u>	<u>(41,421,221)</u>
(23,245,119)	(7,827,096)	(6,878,883)	(43,420,453)
<u>23,245,119</u>	<u>7,827,096</u>	<u>10,557,218</u>	<u>56,967,998</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,678,335</u>	<u>\$ 13,547,545</u>

See accompanying notes to basic financial statements

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**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, 2012**

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 Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES \$ (43,420,453)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Notes receivable issued are expenditures, and principal payments on notes receivable are a revenue in the governmental funds; however, in the government-wide statements, these transactions increase or decrease the notes receivable and accrue interest on notes receivable.

Interest receivable	\$ 156,285	
Notes receivable	<u>(538,517)</u>	(382,232)

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)

Capital outlay expenditures are added back to fund balances	305,584	
Depreciation expense not reported in governmental funds	<u>(531,205)</u>	(225,621)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, 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 Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	1,595,000	
Amortization of deferred charges and original issue discount	(62,364)	
Amortization of deferred loss on refunding	<u>(22,033)</u>	1,510,603

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	(37,000)	
Interest payable	<u>1,189,374</u>	1,152,374

Difference in the gain/loss on transfer of assets and liabilities to RDA successor trust funds between the governmental activities and the fund financial statements.		43,867,449
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.		<u>(288,718)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 2,213,402</u></u>
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**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2012**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 4,532,646	\$ 14,348,864	\$ 8,238,847	\$ 2,742,907
Cash and investments with fiscal agents		2		
Accounts receivable - net	771,865	1,089,655	1,770,404	
Taxes receivable				
Notes and loans receivable				
Interest receivable	4,926	15,586	8,958	3,025
Due from other governments				534,141
Due from other funds			55,000	
Prepaid expenses				
Inventory	139,642	4,896	1,304,988	41,342
Total current assets	5,449,079	15,459,003	11,378,197	3,321,415
Noncurrent:				
Deferred charges, net of accumulated amortization	263,812	306,798		
	263,812	306,798		
Capital Assets:				
Nondepreciable				
Land	310,781	766,902	48,360	
Construction in progress		646,899	114,496	3,040,456
Total nondepreciable capital assets	310,781	1,413,801	162,856	3,040,456
Depreciable				
Land improvements				
Buildings	1,480,553	206,166	447,835	
Streets				26,832,885
Utility systems	27,436,979	55,664,393	22,360,781	
Drainage		9,959,070		
Machinery and equipment	642,171	581,929	1,063,111	18,783
Operations				
Total depreciable capital assets	29,559,703	66,411,558	23,871,727	26,851,668
Less accumulated depreciation	(8,707,862)	(14,459,474)	(9,277,037)	(9,214,954)
Net depreciable capital assets	20,851,841	51,952,084	14,594,690	17,636,714
Net capital assets	21,162,622	53,365,885	14,757,546	20,677,170
Total noncurrent assets	21,426,434	53,672,683	14,757,546	20,677,170
Total assets	\$ 26,875,513	\$ 69,131,686	\$ 26,135,743	\$ 23,998,585

See accompanying notes to basic financial statements

Enterprise Funds			Governmental -
Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 1,998,639	\$ 883,178	\$ 32,745,081	\$ 8,338,693
12,566	83,014	3,727,504	88,960
350,594		350,594	
1,960	412	34,867	18,622
	22,164	556,305	9,055
72,000		127,000	
993,600		993,600	
719	20,987	1,512,574	33,593
<u>3,430,078</u>	<u>1,009,755</u>	<u>40,047,527</u>	<u>8,488,923</u>
		570,610	
		570,610	
3,625,554	351,807	5,103,404	
		3,801,851	
<u>3,625,554</u>	<u>351,807</u>	<u>8,905,255</u>	
4,415,492	1,380,863	7,930,909	108,841
		26,832,885	
		105,462,153	
		9,959,070	
429,672	307,696	3,043,362	6,179,345
	2,964,993	2,964,993	
<u>4,845,164</u>	<u>4,653,552</u>	<u>156,193,372</u>	<u>6,288,186</u>
<u>(2,461,308)</u>	<u>(1,679,049)</u>	<u>(45,799,684)</u>	<u>(4,623,038)</u>
<u>2,383,856</u>	<u>2,974,503</u>	<u>110,393,688</u>	<u>1,665,148</u>
<u>6,009,410</u>	<u>3,326,310</u>	<u>119,298,943</u>	<u>1,665,148</u>
<u>6,009,410</u>	<u>3,326,310</u>	<u>119,869,553</u>	<u>1,665,148</u>
<u>\$ 9,439,488</u>	<u>\$ 4,336,065</u>	<u>\$ 159,917,080</u>	<u>\$ 10,154,071</u>

(Continued)

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2012
 (Continued)**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 50,042	\$ 80,065	\$ 86,139	\$ 88,496
Deposits payable	2,495	150	185,712	45,807
Due to other funds				
Accrued interest payable	129,811	323,334		
Claims payable, current portion				
Compensated absences				
Capital leases payable				
Certificates of participation and revenue bonds	540,000	665,000		
Unamortized discounts	(5,748)	(3,661)		
Deferred amount on refunding	(15,565)	(6,585)		
Total current liabilities	701,035	1,058,303	271,851	134,303
Noncurrent Liabilities:				
Compensated absences				
Capital leases payable				
Certificates of participation and revenue bonds	10,880,000	27,210,000		
Unamortized discounts	(90,213)	(80,630)		
Deferred amount on refunding	(321,801)	(117,010)		
Total noncurrent liabilities	10,467,986	27,012,360		
Total Liabilities	11,169,021	28,070,663	271,851	134,303
NET ASSETS				
Investment in capital assets, net of related debt	10,439,761	26,005,569	14,757,546	20,677,170
Restricted for capital projects	1,147,925	4,594,260	1,959,418	694,884
Unrestricted	4,118,806	10,461,194	9,146,928	2,492,228
Total Net Assets	\$ 15,706,492	\$ 41,061,023	\$ 25,863,892	\$ 23,864,282
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				
Net assets of business-type activities				

See accompanying notes to basic financial statements

Enterprise Funds			Governmental -
Community	Other		Activities
Service	Enterprise	Totals	Internal
Fund	Funds		Service
			Funds
\$ 38,539	\$ 25,951	\$ 369,232	\$ 723,218
13,289	411,598	659,051	41
	421,686	421,686	
		453,145	
			60,832
			1,034,839
			22,972
		1,205,000	
		(9,409)	
		(22,150)	
<u>51,828</u>	<u>859,235</u>	<u>3,076,555</u>	<u>1,841,902</u>
			594,542
			62,848
		38,090,000	
		(170,843)	
		(438,811)	
		<u>37,480,346</u>	<u>657,390</u>
<u>51,828</u>	<u>859,235</u>	<u>40,556,901</u>	<u>2,499,292</u>
6,009,410	3,326,310	81,215,766	1,579,328
3,378,250	150,520	8,396,487	6,075,451
<u>\$ 9,387,660</u>	<u>\$ 3,476,830</u>	119,360,179	<u>\$ 7,654,779</u>
		<u>895,900</u>	
		<u>\$ 120,256,079</u>	

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Operating Revenues			
Charges for services	\$ 3,921,352	\$ 7,142,465	\$ 10,620,443
Development fees	192,412	661,508	7,109
Rental income			
Other operating revenues	10,802	21,782	2,495,793
Total Operating Revenues	4,124,566	7,825,755	13,123,345
Operating Expenses			
Purchase of power			5,368,110
Maintenance and operation	2,116,909	2,739,498	2,546,321
Administration	463,840	1,901,464	583,571
Insurance and benefits costs			
Depreciation	592,099	1,277,698	535,078
Total Operating Expenses	3,172,848	5,918,660	9,033,080
Operating Income (Loss)	951,718	1,907,095	4,090,265
Non-Operating Revenues (Expenses)			
Interest income	32,338	108,954	58,140
Interest expense	(524,018)		
Amortization	(42,743)	(23,852)	
Taxes			
Intergovernmental grants			59,738
Gain (Loss) on sale of capital assets			
Total Non-Operating Income (Loss)	(534,423)	85,102	117,878
Income (Loss) Before Transfers and Capital Contributions	417,295	1,992,197	4,208,143
Capital Contributions			
Transfers in	21,226	412,331	668,742
Transfers out	(500,000)	(857,613)	
Change in Net Assets	(61,479)	1,546,915	4,876,885
Net Assets, July 1, 2011	15,767,971	39,514,108	20,987,007
Prior Period Adjustments			
Net Assets, July 1, 2011, Restated	15,767,971	39,514,108	20,987,007
Net Assets, June 30, 2012	\$ 15,706,492	\$ 41,061,023	\$ 25,863,892

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

Changes in net assets of business-type activities

Enterprise Funds				Governmental Activities-
Streets Fund	Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 667	\$ 295,791	\$ 445,534	\$ 22,426,252	\$ 8,630,941
31,960		288,171	1,181,160	
	120,091	310,800	430,891	
682,933	2,297,612	26,478	5,535,400	7,868
<u>715,560</u>	<u>2,713,494</u>	<u>1,070,983</u>	<u>29,573,703</u>	<u>8,638,809</u>
			5,368,110	
910,608	1,706,082	1,499,785	11,519,203	1,975,462
303,656	378,478	155,216	3,786,225	323,410
				7,470,973
526,961	135,820	89,317	3,156,973	447,026
<u>1,741,225</u>	<u>2,220,380</u>	<u>1,744,318</u>	<u>23,830,511</u>	<u>10,216,871</u>
<u>(1,025,665)</u>	<u>493,114</u>	<u>(673,335)</u>	<u>5,743,192</u>	<u>(1,578,062)</u>
21,400	13,277	6,116	240,225	570,781
			(524,018)	
			(66,595)	
	1,867,231		1,867,231	
	100,235	344,211	504,184	
				2,250
<u>21,400</u>	<u>1,980,743</u>	<u>350,327</u>	<u>2,021,027</u>	<u>573,031</u>
(1,004,265)	2,473,857	(323,008)	7,764,219	(1,005,031)
1,139,878			1,139,878	
793,765	404,913		2,300,977	269,000
(150,000)		(700,778)	(2,208,391)	(71,152)
<u>779,378</u>	<u>2,878,770</u>	<u>(1,023,786)</u>	<u>8,996,683</u>	<u>(807,183)</u>
23,084,904	6,637,710	4,500,616		8,461,962
	(128,820)			
<u>23,084,904</u>	<u>6,508,890</u>	<u>4,500,616</u>		<u>8,461,962</u>
<u>\$ 23,864,282</u>	<u>\$ 9,387,660</u>	<u>\$ 3,476,830</u>		<u>\$ 7,654,779</u>
			(518,465)	
			<u>\$ 8,478,218</u>	

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 4,030,869	\$ 7,827,352	\$ 13,053,567
Payments to suppliers and users	(2,110,506)	(2,996,845)	(7,786,375)
Payments to employees	(463,840)	(1,901,464)	(583,571)
Net Cash Provided (Used) by Operating Activities	<u>1,456,523</u>	<u>2,929,043</u>	<u>4,683,621</u>
Cash Flows from Non-Capital Financing Activities:			
Taxes			
Intergovernmental grants			59,738
Due to/from other funds			(2,395,000)
Principal issued on loans receivable			
Principal paid on loans receivable	9,000		
Transfers in	21,226	412,331	668,742
Transfers out	(500,000)	(857,613)	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(469,774)</u>	<u>(445,282)</u>	<u>(1,666,520)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants received			
Acquisitions of capital assets	(11,142)	(728,722)	(800,421)
Interest paid	(528,780)	(6,900)	
Proceeds from sales of capital leases			
Principal payments - long-term debt	(525,000)	(640,000)	
Proceeds from sales of capital assets			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,064,922)</u>	<u>(1,375,622)</u>	<u>(800,421)</u>
Cash Flows from Investing Activities:			
Interest received	36,336	118,906	60,806
Net Cash Provided (Used) by Investing Activities	<u>36,336</u>	<u>118,906</u>	<u>60,806</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(41,837)	1,227,045	2,277,486
Cash and Cash Equivalents, July 1, 2011	<u>4,574,483</u>	<u>13,121,821</u>	<u>5,961,361</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 4,532,646</u>	<u>\$ 14,348,866</u>	<u>\$ 8,238,847</u>
Noncash Transactions			
Amortization of deferred charges	\$ 42,715	\$ 23,787	\$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	\$ 4,532,646	\$ 14,348,864	\$ 8,238,847
Restricted cash and investments		<u>2</u>	
Total Cash and Investments	<u>\$ 4,532,646</u>	<u>\$ 14,348,866</u>	<u>\$ 8,238,847</u>

See accompanying notes to basic financial statements

Enterprise Funds				Governmental -
Streets Fund	Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 716,550	\$ 2,702,367	\$ 1,083,238	\$ 29,413,943	\$ 8,566,878
(950,821)	(1,968,278)	(1,434,996)	(17,247,821)	(9,419,414)
(303,656)	(378,478)	(155,216)	(3,786,225)	(229,724)
(537,927)	355,611	(506,974)	8,379,897	(1,082,260)
	1,822,986		1,822,986	
	370,235	487,922	917,895	
	(1,300,000)	(44,361)	(3,739,361)	
			9,000	5,791
793,765	404,913		2,300,977	(6,737)
(150,000)		(700,778)	(2,208,391)	269,000
				(71,152)
643,765	1,298,134	(257,217)	(896,894)	196,902
605,737			605,737	
(1,071,493)	(693,105)		(3,304,883)	(226,439)
			(535,680)	
			(1,165,000)	96,103
				(25,024)
				2,250
(465,756)	(693,105)		(4,399,826)	(153,110)
24,380	12,858	9,579	262,865	578,889
24,380	12,858	9,579	262,865	578,889
(335,538)	973,498	(754,612)	3,346,042	(459,579)
3,078,445	1,025,141	1,637,790	29,399,041	8,798,272
\$ 2,742,907	\$ 1,998,639	\$ 883,178	\$ 32,745,083	\$ 8,338,693
\$ -	\$ -	\$ -	\$ 66,502	\$ -
\$ 2,742,907	\$ 1,998,639	\$ 883,178	\$ 32,745,081	\$ 8,338,693
			2	
\$ 2,742,907	\$ 1,998,639	\$ 883,178	\$ 32,745,083	\$ 8,338,693

(Continued)

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2012
 (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)	\$ 951,718	\$ 1,907,095	\$ 4,090,265
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	592,099	1,277,698	535,078
(Increase) Decrease in Operating Assets:			
Accounts receivable	(93,697)	1,597	(69,778)
Prepaid expenses			169
Inventory	(1,440)	698	93,589
Increase (Decrease) in Operating Liabilities:			
Accounts payable	26,797	(20,354)	67,473
Deposits payable	(18,954)	(237,691)	(33,175)
Deferred revenue			
Claims and judgments payable			
Compensated absences			
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,456,523</u>	<u>\$ 2,929,043</u>	<u>\$ 4,683,621</u>

See accompanying notes to basic financial statements

Enterprise Funds				Governmental -
Streets	Community	Other		Activities
Fund	Service	Enterprise	Totals	Internal Service
	Fund	Funds		Funds
\$ (1,025,665)	\$ 493,114	\$ (673,335)	\$ 5,743,192	\$ (1,578,062)
526,961	135,820	89,317	3,156,973	447,026
990	(10,392)	12,255	(159,025)	(70,918)
(10,817)	(223,400)	4,885	(223,231)	(3,505)
(22,196)	(24,983)	(19,299)	7,438	31,058
(7,200)	(13,813)	79,203	(231,630)	(1,013)
	(735)		(735)	(532)
				93,686
<u>\$ (537,927)</u>	<u>\$ 355,611</u>	<u>\$ (506,974)</u>	<u>\$ 8,379,897</u>	<u>\$ (1,082,260)</u>

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	<u>Private Purpose Trust Funds</u>
ASSETS	
Cash and investments	\$ 31,813,810
Restricted cash and investments with fiscal agents	8,408,976
Receivables:	
Notes	1,358,897
Interest	36,492
Deferred Charges, Net of Accumulated Amortization	1,156,100
Capital Assets, Not Being Depreciated	5,915,541
Capital Assets, Net of Accumulated Depreciation	<u>2,063,027</u>
 Total assets	 <u>50,752,843</u>
 LIABILITIES	
Accounts payable	5,668,660
Interest payable	1,164,024
Noncurrent Liabilities:	
Due within One Year	1,135,220
Due in More than One Year	<u>52,347,813</u>
 Total liabilities	 <u>60,315,717</u>
 NET ASSETS	
Unrestricted	<u>(9,562,874)</u>
 Total Net Assets (Deficit)	 <u><u>\$ (9,562,874)</u></u>

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 1,412,351
Net Assets Received upon Dissolution of Redevelopment Agency	(2,446,228)
Intergovernmental	157,541
Fees and charges	<u>25,125</u>
Total additions	<u>(851,211)</u>
DEDUCTIONS	
Community development	2,774,302
Depreciation	25,683
Interest expense	1,198,919
Property tax refunds	<u>5,660,452</u>
Total deductions	<u>9,659,356</u>
Change in Net Assets	(10,510,567)
Net Assets, July 1, 2011	<u>947,693</u>
Net Assets (Deficit), June 30, 2012	<u><u>\$ (9,562,874)</u></u>

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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 units: the Former Redevelopment Agency of the City of Healdsburg (Agency) and 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. 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 units have 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 these component units are reported within the funds of the City. Balances for the Agency are reported as separate funds in the Special Revenue, Debt Service, Capital Projects and Fiduciary Funds. HPFA transactions are recorded in the Redevelopment Agency Debt Service Fund and the Sewer Enterprise Fund. The activities of the Agency were transferred to the Redevelopment Agency's Successor Agency on February 1, 2012. See Note 14 for more information. The following criteria were used in determining that the component units were blended:

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

The City and the Agency are financially interdependent, and the governing bodies of the City and Agency are the same.

The Agency and HPFA are financially interdependent. The Agency makes annual payments to HPFA which are used for debt service on bonds issued by HPFA.

Due to the dissolution of the Redevelopment Agency as of February 1, 2012, for fiscal year ended June 30, 2012, no separate financial statement issued for the Former Redevelopment Agency. No separate financial statement 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 assets and the statement of changes in net assets) report information about the reporting government as a whole except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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.

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 Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, 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 assets. 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 deferred revenue.

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 assets and changes in net assets. 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.

All government-wide, business-type activities, and proprietary funds of the City follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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

Major Governmental Funds

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

The Housing Successor Agency Special Revenue Fund accounts for the low/moderate income housing program previously administered by the Former Redevelopment Agency low/moderate income housing fund.

The Redevelopment Agency Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term obligations of the Former Redevelopment Agency.

The Redevelopment Agency Commercial & Industrial Capital Projects Fund accounts for revenues received from tax increment redevelopment projects.

The Redevelopment Agency Low/Moderate Income Housing Capital Projects Fund accounts for revenues received from tax increment for low to moderate income housing projects.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Enterprise Funds

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

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

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

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

The Community Services Fund accounts for the activities of the City's parks maintenance and community cultural activity operations.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2012.

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 assets.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Assets and Fund Balance - In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets 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. The City’s other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

The City 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

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. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

For the fiscal year ended June 30, 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 64, (*Derivative Instruments: Application of Hedge Accounting Termination Provisions.*) This statement is effective for periods beginning after June 15, 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2012.

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 major successor housing special revenue fund.

B. Deficit Fund Balances/Net Assets

Nonmajor Governmental Fund

A deficit fund balance of \$17,492 exists in the North Area Special Revenue Fund. The City plans on removing the deficit through future development contributions and benefit assessments.

Nonmajor Enterprise Fund

A deficit net assets of \$8,794 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, 2012

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

C. Excess of Expenditures over Appropriations

Nonmajor Governmental Funds:		
Media Center Fund	\$	392
General Debt Service Fund		420

NOTE 3 – CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Unrestricted assets:			
Cash and investments	\$ 51,196,955	\$ 31,813,810	\$ 83,010,765
Cash and investments with fiscal agents	1,959,792		1,959,792
Restricted assets:			
Cash and investments with fiscal agents		8,408,976	8,408,976
 Total Cash and Investments	 <u>\$ 53,156,747</u>	 <u>\$ 40,222,786</u>	 <u>\$ 93,379,533</u>

Cash and investments at June 30, 2012 consisted of the following:

Cash on hand	\$ 1,613
Deposits with financial institutions	12,553,406
Investments	<u>80,824,514</u>
 Total Cash and Investments	 <u>\$ 93,379,533</u>

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Bankers Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	2 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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 60 Months	Over 60 Months
Money Market Funds	\$ 5,619,657	\$ 5,619,657	\$ -	\$ -	\$ -
Federal Agency Securities	14,069,110				14,069,110
County Investment Pool	455,962	455,962			
State Investment Pool	49,479,176	49,479,176			
Medium Term Notes	992,929			992,929	
Held by Bond Trustees:					
Money Market Funds	10,207,680	10,207,680			
Total	\$ 80,824,514	\$ 65,762,475	\$ -	\$ 992,929	\$ 14,069,110

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
Money Market Funds	\$ 5,619,657	N/A	\$ -	\$ -	\$ -	\$ 5,619,657
Federal Agency Securities	14,069,110	N/A		14,069,110		
County Investment Pool	455,962	N/A				455,962
State Investment Pool	49,479,176	N/A				49,479,176
Medium Term Notes	992,929	N/A			992,929	
Held by Bond Trustees:						
Money Market Funds	10,207,680	N/A		10,207,680		
Total	\$ 80,824,514		\$ -	\$ 24,276,790	\$ 992,929	\$ 55,554,795

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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>
FNMA	Federal agency securities	\$ 9,048,070

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 market 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, 2012, the City deposits (bank balances) were fully insured by the Federal Depository Insurance Corporation or collateralized under California Law. As of June 30, 2012, 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>
Federal agency securities	\$ 14,069,110
Medium term notes	992,929

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – CASH AND INVESTMENTS (Continued)

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. Due to and from other funds at June 30, 2012 are as follows:

Receivable Funds	Payable Funds	Amount
General Fund (Major)	Nonmajor Transit Enterprise Fund	\$ 6,291
	Nonmajor Meeting Center Enterprise Fund	323,415
	Nonmajor After School Program Enterprise Fund	19,980
Major Electric Enterprise Fund	Nonmajor North Area Fund	55,000
Major Community Service Enterprise Fund	Nonmajor Meeting Center Enterprise Fund	72,000
		<u>\$ 476,686</u>

The amounts loaned between the funds represent temporary amounts advanced to pay for operating expenses.

B. Interfund transfers at June 30, 2012 are as follows:

Transfers In	Transfers Out	Amount
General Fund (Major)	Major Redevelopment Agency Debt Service Fund	\$ 618,161
	Nonmajor Public Safety Fund	37,360
	Nonmajor Planning and Building Enterprise Fund	600,000
Major Redevelopment Agency Debt Service Fund	Major Redevelopment Agency Low/Moderate Income Housing Fund	817,167
Major Redevelopment Agency Commercial and Industrial Fund	General Fund (Major)	618,161
Nonmajor General Capital Projects Fund	Major Redevelopment Agency Commercial and Industrial Fund	871,422
	Major Streets Enterprise Fund	150,000
	Major Water Enterprise Fund	325,000
	Major Sewer Enterprise Fund	672,613
	Nonmajor Planning and Building Enterprise Fund	778
	Information Services Internal Service Fund	71,152

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

B. Interfund transfers at June 30, 2012 are as follows Continued:

Transfers In	Transfers Out	Amount
Major Water Enterprise Fund	Major Redevelopment Agency Commercial and Industrial Fund	\$ 21,226
Major Sewer Enterprise Fund	Major Redevelopment Agency Commercial and Industrial Fund	412,331
Major Electric Enterprise Fund	Major Redevelopment Agency Commercial and Industrial Fund	668,742
Major Streets Enterprise Fund	Major Water Enterprise Fund	175,000
	Major Sewer Enterprise Fund	185,000
	Nonmajor Gas Tax Fund	34,000
	Major Redevelopment Agency Commercial and Industrial Fund	399,765
Major Community Service Enterprise Fund	Nonmajor Other Special Revenue Fund	5,000
	Major Redevelopment Agency Low/Moderate Income Housing Fund	1,509
	Major Redevelopment Agency Commercial and Industrial Fund	398,404
Information Services Internal Service Fund	Nonmajor Other Special Revenue Fund	79,000
Building Maintenance Internal Service Fund	General Fund (Major)	90,000
	Nonmajor Planning and Building Enterprise Fund	<u>100,000</u>
		<u>\$ 7,351,791</u>

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 – NOTES RECEIVABLE

Notes receivable in the amount of \$6,264,464 at June 30, 2012 consisted of the following:

Housing Loans - Individuals	\$ 2,189,709
Housing Loan - Habitat for Humanity	315,000
Housing Loan - Eden Housing	3,741,133
Housing Loan - Burbank Housing	2,767,499
Employee Computer Loans	<u>18,622</u>
Subtotal	9,031,963
Less: Allowance for uncollectible loan	<u>2,767,499</u>
Total	<u>\$ 6,264,464</u>

As of February 1, 2012, all former redevelopment agency loans except loans reported under low/moderate income housing fund were transfer to post RDA successor trust fund. Loans reported under low/moderate income housing fund were transferred to City successor housing fund.

NOTE 6 – CAPITAL ASSETS

A summary of changes in Governmental Activities capital assets for the fiscal year ended June 30, 2012 is as follows;

	Balance at July 1, 2011	Additions	Reductions	Transfers to RDA Successor	Balance at June 30, 2012
Capital assets, not being depreciated					
Land	\$ 14,344,330	\$ -	\$ -	\$ (4,999,262)	\$ 9,345,068
Right of ways	6,681,379				6,681,379
Construction in progress	122,154	305,584		(427,738)	
Total capital assets, not being depreciated	<u>21,147,863</u>	<u>305,584</u>		<u>(5,427,000)</u>	<u>16,026,447</u>
Capital assets, being depreciated:					
Land improvements		108,841			108,841
Buildings	16,821,900			(1,803,373)	15,018,527
Machinery and equipment	7,265,447	120,087	(83,788)		7,301,746
Infrastructure	1,332,175			(899,545)	432,630
Total capital assets being depreciated	<u>25,419,522</u>	<u>228,928</u>	<u>(83,788)</u>	<u>(2,702,918)</u>	<u>22,861,744</u>
Less accumulated depreciation for:					
Buildings	(6,330,511)	(512,058)		313,460	(6,529,109)
Machinery and equipment	(4,794,469)	(447,026)	81,299		(5,160,196)
Infrastructure	(399,598)	(19,147)		300,748	(117,997)
Total accumulated depreciation	<u>(11,524,578)</u>	<u>(978,231)</u>	<u>81,299</u>	<u>614,208</u>	<u>(11,807,302)</u>
Total capital assets being depreciated, net	<u>13,894,944</u>	<u>(749,303)</u>	<u>(2,489)</u>	<u>(2,088,710)</u>	<u>11,054,442</u>
Governmental activities capital assets, net	<u>\$ 35,042,807</u>	<u>\$ (443,719)</u>	<u>\$ (2,489)</u>	<u>\$ (7,515,710)</u>	<u>\$ 27,080,889</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – CAPITAL ASSETS (Continued)

A summary of changes in Business-type Activities capital assets for the fiscal year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Reductions	Prior Period Adjustments	Transfers	Balance at June 30, 2012
Capital assets, not being depreciated						
Land	\$ 5,056,630	\$ 255,926	\$ -	\$ (209,152)	\$ -	\$ 5,103,404
Construction in progress	3,434,729	807,474			(440,352)	3,801,851
Total capital assets, not being depreciated	<u>8,491,359</u>	<u>1,063,400</u>		<u>(209,152)</u>	<u>(440,352)</u>	<u>8,905,255</u>
Capital assets, being depreciated:						
Buildings	7,007,574	437,179		209,152	277,004	7,930,909
Streets	26,413,982	350,425			68,478	26,832,885
Utility systems	104,988,044	384,761			89,348	105,462,153
Drainage	9,477,795	475,753			5,522	9,959,070
Machinery and equipment	2,449,997	593,365				3,043,362
Operations	2,964,993					2,964,993
Total capital assets being depreciated	<u>153,302,385</u>	<u>2,241,483</u>		<u>209,152</u>	<u>440,352</u>	<u>156,193,372</u>
Less accumulated depreciation for:						
Buildings	(3,978,196)	(182,739)		(128,820)		(4,289,755)
Streets	(8,678,061)	(525,082)				(9,203,143)
Utility systems	(24,294,739)	(2,094,179)				(26,388,918)
Drainage	(3,137,167)	(189,556)				(3,326,723)
Machinery and equipment	(1,850,250)	(109,679)				(1,959,929)
Operations	(575,478)	(55,738)				(631,216)
Total accumulated depreciation	<u>(42,513,891)</u>	<u>(3,156,973)</u>		<u>(128,820)</u>		<u>(45,799,684)</u>
Total capital assets being depreciated, net	<u>110,788,494</u>	<u>(915,490)</u>		<u>80,332</u>	<u>440,352</u>	<u>110,393,688</u>
Business-type activities capital assets, net	<u>\$ 119,279,853</u>	<u>\$ 147,910</u>	<u>\$ -</u>	<u>\$ (128,820)</u>	<u>\$ -</u>	<u>\$ 119,298,943</u>

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

Governmental Activities:

Unallocated	\$ 531,205
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	<u>447,026</u>
Total depreciation expense - governmental activities	<u>\$ 978,231</u>

Business-type Activities:

Water	\$ 592,099
Sewer	1,277,698
Electric	535,078
Streets	526,961
Community Services	135,820
Airport	65,066
Meeting Center	24,251
Total depreciation expense - business-type activities	<u>\$ 3,156,973</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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, 2012:

Governmental Activities:

	Balance at July 1, 2011	Prior Period Adjustments	Additions	Reductions	Transfers to RDA Successor	Balance at June 30, 2012	Due Within One Year
General Obligation Bonds (GO):							
1998 Refunding	\$ 985,000	\$ -	\$ -	\$ (175,000)	\$ -	\$ 810,000	\$ 190,000
2003 Refunding	2,100,000			(305,000)		1,795,000	340,000
Total GO Bonds	<u>3,085,000</u>			<u>(480,000)</u>		<u>2,605,000</u>	<u>530,000</u>
Tax Allocation Bonds (TAB):							
2002 Series A	11,695,000			(335,000)	(11,360,000)		
2002 Series C	4,610,000			(135,000)	(4,475,000)		
2003 Series A	10,835,000			(305,000)	(10,530,000)		
2003 Series B	5,330,000			(145,000)	(5,185,000)		
2002 Series B	1,560,000			(45,000)	(1,515,000)		
2010 Series	21,065,000			(150,000)	(20,915,000)		
Total TAB Bonds	<u>55,095,000</u>			<u>(1,115,000)</u>	<u>(53,980,000)</u>		
Bond Discount	<u>(355,308)</u>	<u>(6,650)</u>		<u>11,238</u>	<u>345,690</u>	<u>(5,030)</u>	<u>(1,620)</u>
Deferred Loss on Refunding	<u>(166,439)</u>	<u>(70,153)</u>		<u>22,033</u>	<u>161,602</u>	<u>(52,957)</u>	<u>(17,196)</u>
Compensated Absences	<u>1,535,695</u>		<u>93,686</u>			<u>1,629,381</u>	<u>1,034,839</u>
Capital Lease	<u>14,741</u>		<u>96,103</u>	<u>(25,024)</u>		<u>85,820</u>	<u>22,972</u>
OPEB	<u>283,000</u>		<u>59,000</u>	<u>(22,000)</u>		<u>320,000</u>	<u>22,000</u>
Total	<u>\$ 59,491,689</u>	<u>\$ (76,803)</u>	<u>\$ 248,789</u>	<u>\$ (1,608,753)</u>	<u>\$ (53,472,708)</u>	<u>\$ 4,582,214</u>	<u>\$ 1,590,995</u>

The following is a summary of the Business-type Activities long-term liability transactions for the year fiscal ended June 30, 2012:

Business-type Activities:

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012	Due Within One Year
Certificates of Participation (COP) and Bonds:					
2001 A - CSCDA Water	\$ 4,695,000	\$ -	\$ (305,000)	\$ 4,390,000	\$ 310,000
2002 C - CSCDA Water/Wastewater	4,550,000		(130,000)	4,420,000	135,000
2005 D - CSCDA Water/Wastewater	5,580,000		(190,000)	5,390,000	205,000
2006 Wastewater Bonds	25,635,000		(540,000)	25,095,000	555,000
Total COP and Bonds	<u>40,460,000</u>		<u>(1,165,000)</u>	<u>39,295,000</u>	<u>1,205,000</u>
Bond discount	<u>(189,672)</u>		<u>9,420</u>	<u>(180,252)</u>	<u>(9,409)</u>
Deferred loss on refunding	<u>(488,985)</u>		<u>28,024</u>	<u>(460,961)</u>	<u>(22,150)</u>
Total	<u>\$ 39,781,343</u>	<u>\$ -</u>	<u>\$ (1,127,556)</u>	<u>\$ 38,653,787</u>	<u>\$ 1,173,441</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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
2013	\$ 530,000	\$ 91,430	\$ 621,430
2014	560,000	70,822	630,822
2015	685,000	46,595	731,595
2016	830,000	16,535	846,535
	<u>\$ 2,605,000</u>	<u>\$ 225,382</u>	<u>\$ 2,830,382</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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

c. 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
2013	\$ 25,968
2014	25,968
2015	20,412
2016	20,413
	92,761
Less amount representing interest	(6,941)
	\$ 85,820

d. 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, 2012, 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

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

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	\$ 68,000
Interest on net OPEB obligation	11,000
Adjustment to annual required contribution	<u>(20,000)</u>
Annual OPEB cost (expense)	59,000
Actual contributions made	<u>22,000</u>
Increase in net OPEB obligation	37,000
Net OPEB Obligation - beginning of fiscal year	<u>283,000</u>
Net OPEB Obligation - end of fiscal year	<u><u>\$ 320,000</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, 2012, 2011 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 119,000	\$ 23,000	19.33%	\$ 186,000
6/30/2011	127,000	30,000	23.62%	283,000
6/30/2012	59,000	22,000	37.29%	320,000

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 \$9,371,000 and the ratio of the UAL to the covered payroll was 9.86%.

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

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

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.

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 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued):

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

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.

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
2013	\$ 1,205,000	\$ 1,800,669	\$ 3,005,669
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
2018-2022	7,680,000	6,973,007	14,653,007
2023-2027	8,920,000	5,073,670	13,993,670
2028-2032	9,185,000	3,050,107	12,235,107
2033-2036	7,255,000	895,995	8,150,995
	<u>\$ 39,295,000</u>	<u>\$ 24,463,383</u>	<u>\$ 63,758,383</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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 – EMPLOYEES’ RETIREMENT PLAN (Continued)

Annual Required Contribution

The City is required to contribute at an actuarially determined rate; the current rate is 21.585% for miscellaneous employees and 35.558% for safety employees for the fiscal year ended June 30, 2012 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, 2012. The City’s contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,744,295, \$2,913,914, and \$2,331,582 respectively, and were equal to required contributions for each fiscal year.

NOTE 9 – NET ASSETS AND FUND BALANCES

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

a. Net Assets

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

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

Restricted describes the portion of net assets 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 assets which is not restricted as to use.

The government-wide statement of net assets reports \$19,741,832 of restricted net assets, of which \$77,082 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

b. Fund Balances (Continued)

Fund Balances	General	Successor Housing	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid expenditures	\$ 4,062	\$ -	\$ -	\$ 4,062
<u>Restricted for:</u>				
Community development			86,595	86,595
Housing		2,068,701		2,068,701
Landscaping & lighting			327,803	327,803
Law enforcement	114,032		115,168	229,200
Parks and recreation			49,279	49,279
Road improvements			1,802,041	1,802,041
Debt service			582,630	582,630
Total Restricted	<u>114,032</u>	<u>2,068,701</u>	<u>2,963,516</u>	<u>5,146,249</u>
<u>Committed to:</u>				
Community development	<u>1,058,501</u>		<u>5,138</u>	<u>1,063,639</u>
<u>Assigned for:</u>				
Capital projects			<u>727,173</u>	<u>727,173</u>
Unassigned:	<u>6,623,914</u>		<u>(17,492)</u>	<u>6,606,422</u>
Total Fund Balances	<u>\$7,800,509</u>	<u>\$2,068,701</u>	<u>\$ 3,678,335</u>	<u>\$13,547,545</u>

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

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.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

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 waste-water for reinjection from 33% to 44%.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

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, 2012

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

Lodi Energy Center

The Agency is currently constructing a new base load, combined cycle, natural gasfired, 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):

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)

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

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

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

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

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 12 – SELF-INSURANCE PLANS (Continued)

Changes in the Internal Service Funds claims liabilities amounts in fiscal year 2012 and 2011 were as follows:

	2012	2011
Balance, Beginning of Fiscal Year	\$ 61,364	\$ 24,142
Claims and adjustments	387,946	388,250
Claims payments	(388,478)	(351,028)
Balance, End of Fiscal Year	\$ 60,832	\$ 61,364

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 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. Fiscal Year 2011-12 yielded 6,715.3 MWh for the City's 5.1% share of the Western base resource and an expenditure of \$251,795.

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; has not been seismically retrofitted; and is scour and fracture critical. The Healdsburg Bridge Project will rehabilitate the bridge in place and continue its use as a vehicular bridge.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Healdsburg Bridge Project (Continued)

Funding for this project is available from both local and federal funds. Federal funding will be provided through the *Federal Highway Bridge Program* (HBP), Prop 1B funds and local funds will be 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 these funds back.

NOTE 14 – 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.

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)**

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

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

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

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental fund – increase to net assets of the Successor Agency Trust Funds	\$ 41,421,221
Capital assets recorded in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	7,515,710
Notes receivable recorded in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	908,879
Deferred charges reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	1,180,670
Bond discounts reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	345,690
Deferred loss on refunding reported in the government-wide financial statements – increase of net assets of the Successor Agency Trust Funds	161,602
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Funds	<u>(53,980,000)</u>
Net decrease to net assets of the Successor Agency Trust Funds as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the City)	<u>\$ (2,446,228)</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)

Capital Asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance at July 1, 2011	Transfers from RDA	Additions	Reductions	Balance at June 30, 2012
Capital assets, not being depreciated					
Land	\$ -	\$ 4,999,262	\$ -	\$ -	\$ 4,999,262
Construction in progress		427,738	488,541		916,279
Total capital assets, not being depreciated		5,427,000	488,541		5,915,541
Capital assets, being depreciated:					
Buildings		1,803,373			1,803,373
Infrastructure		899,545			899,545
Total capital assets being depreciated		2,702,918			2,702,918
Less accumulated depreciation for:					
Buildings		(313,460)	(20,693)		(334,153)
Infrastructure		(300,748)	(4,990)		(305,738)
Total accumulated depreciation		(614,208)	(25,683)		(639,891)
Total capital assets being depreciated, net		2,088,710	(25,683)		2,063,027
Capital assets, net	\$ -	\$ 7,515,710	\$ 462,858	\$ -	\$ 7,978,568

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2012:

	Balance at July 1, 2011	Transfers from RDA	Additions	Reductions	Balance at June 30, 2012	Due Within One Year
Tax Allocation Bonds (TAB):						
2002 Series A	\$ -	\$ 11,360,000	\$ -	\$ -	\$ 11,360,000	\$ 350,000
2002 Series C		4,475,000			4,475,000	140,000
2003 Series A		10,530,000			10,530,000	315,000
2003 Series B		5,185,000			5,185,000	155,000
2002 Series B		1,515,000			1,515,000	45,000
2010 Series		20,915,000			20,915,000	155,000
Total TAB Bonds		53,980,000			53,980,000	1,160,000
Bond Discount		(345,690)		6,870	(338,820)	(16,488)
Deferred Loss on Refunding		(161,602)		3,455	(158,147)	(8,292)
Total	\$ -	\$ 53,472,708	\$ -	\$ 10,325	\$ 53,483,033	\$ 1,135,220

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

**NOTE 14 – SUCCESSORY AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)**

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.

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 City 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

**NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)**

Tax Allocation Bonds (Continued):

2010 Tax Allocation Bonds (Continued):

The bonds are secured by a pledge and lien of the City's tax increment revenue.

Future debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,160,000	\$ 2,798,720	\$ 3,958,720
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
2018-2022	9,425,000	11,533,966	20,958,966
2023-2027	12,485,000	8,722,121	21,207,121
2028-2032	16,175,000	4,859,552	21,034,552
2033-2035	9,475,000	781,658	10,256,658
	<u>\$ 53,980,000</u>	<u>\$ 39,320,654</u>	<u>\$ 93,300,654</u>

NOTE 15 – SPECIAL ITEM

On February 1, 2012, all the assets except cash and investments from the former Redevelopment Agency Low and Moderate Income Housing fund were transferred to the City Successor Housing Agency fund. The transfer in an amount of \$1,959,724 was reported as a special item in the accompanying statement of revenues, expenditures, and changes in fund balances.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments of \$145,042 made to the Government-wide statements – governmental activities were due to understatement of deferred loss on refunding \$70,153, deferred charges \$68,239, and discounts \$6,650.

Prior period adjustments in an amount of (\$128,820) made to the Government-wide statements – business-type activities and Community Service Fund were due to understatement of accumulated depreciation.

NOTE 17 – SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events through February 25, 2013, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,840,808	\$ 1,840,808	\$ 2,647,220	\$ 806,412
Sales and other taxes	4,008,500	3,648,500	4,271,057	622,557
Charges for services	331,544	251,550	304,185	52,635
Intergovernmental	331,173	542,184	490,515	(51,669)
Use of money and property	39,840	63,440	67,364	3,924
Other revenues	49,900	26,000	22,023	(3,977)
	<u>6,601,765</u>	<u>6,372,482</u>	<u>7,802,364</u>	<u>1,429,882</u>
EXPENDITURES				
Current:				
General government:				
City Council	164,586	164,586	124,333	40,253
Legal	250,000	250,000	290,994	(40,994)
Administration	1,043,584	1,104,853	1,041,580	63,273
Finance	2,358,559	2,376,358	2,337,344	39,014
Administrative overhead	(3,292,947)	(3,292,947)	(3,292,947)	
Public safety:				
Police	4,429,553	4,429,553	4,148,222	281,331
Fire	2,261,394	2,317,111	2,280,087	37,024
	<u>7,214,729</u>	<u>7,349,514</u>	<u>6,929,613</u>	<u>419,901</u>
Excess of revenues over (under) expenditures	<u>(612,964)</u>	<u>(977,032)</u>	<u>872,751</u>	<u>1,849,783</u>
Other financing sources (uses):				
Transfers in	1,235,409	1,272,769	1,255,521	(17,248)
Transfers out	(708,161)	(708,161)	(708,161)	
	<u>527,248</u>	<u>564,608</u>	<u>547,360</u>	<u>(17,248)</u>
Total other financing sources (uses)	<u>527,248</u>	<u>564,608</u>	<u>547,360</u>	<u>(17,248)</u>
Net change in fund balance	(85,716)	(412,424)	1,420,111	1,832,535
Fund balance at beginning of fiscal year	<u>6,380,398</u>	<u>6,380,398</u>	<u>6,380,398</u>	
Fund balance at end of fiscal year	<u>\$ 6,294,682</u>	<u>\$ 5,967,974</u>	<u>\$ 7,800,509</u>	<u>\$ 1,832,535</u>

**CITY OF HEALDSBURG
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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)
06/30/09	\$ -	\$ 1,851,000	\$ 1,851,000	0%	\$ 11,699,000	15.82%
06/30/12	\$ -	\$ 924,000	\$ 924,000	0%	\$ 9,371,000	9.86%

OTHER SUPPLEMENTAL INFORMATION

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 7,360,000	\$ 7,255,362	\$ (104,638)
Use of money and property	94,985	(3,115)	(98,100)
Total revenues	<u>7,454,985</u>	<u>7,252,247</u>	<u>(202,738)</u>
EXPENDITURES			
Current:			
Community development	134,974	171,282	(36,308)
Debt service:			
Principal payments	1,115,000	1,115,000	
Interest and fiscal charges	2,472,389	1,448,738	1,023,651
Pass-through payments	<u>2,850,000</u>	<u>2,879,981</u>	<u>(29,981)</u>
Total expenditures	<u>6,572,363</u>	<u>5,615,001</u>	<u>957,362</u>
Excess of revenues over (under) expenditures	<u>882,622</u>	<u>1,637,246</u>	<u>754,624</u>
Other financing sources (uses):			
Transfers in	817,167	817,167	
Transfers out	<u>(618,161)</u>	<u>(618,161)</u>	
Total other financing sources (uses)	<u>199,006</u>	<u>199,006</u>	
Net Change in Fund Balances before Extraordinary Items	1,081,628	1,836,252	754,624
EXTRAORDINARY ITEM			
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds		<u>(10,794,419)</u>	<u>(10,794,419)</u>
Net Change in Fund Balance	1,081,628	(8,958,167)	(10,039,795)
Fund balance at beginning of fiscal year	<u>8,958,167</u>	<u>8,958,167</u>	
Fund balance at end of fiscal year	<u>\$ 10,039,795</u>	<u>\$ -</u>	<u>\$ (10,039,795)</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY COMMERCIAL AND INDUSTRIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$ 39,454	\$ 30,881	\$ (8,573)
Total revenues	<u>39,454</u>	<u>30,881</u>	<u>(8,573)</u>
EXPENDITURES			
Current:			
Community development	5,966,704	5,464,588	502,116
Total expenditures	<u>5,966,704</u>	<u>5,464,588</u>	<u>502,116</u>
Excess of revenues over (under) expenditures	<u>(5,927,250)</u>	<u>(5,433,707)</u>	<u>493,543</u>
Other financing sources (uses):			
Transfers in	618,161	618,161	
Transfers out	<u>(3,290,511)</u>	<u>(2,771,890)</u>	<u>518,621</u>
Total other financing sources (uses)	<u>(2,672,350)</u>	<u>(2,153,729)</u>	<u>518,621</u>
Net Change in Fund Balances before Extraordinary Items	(8,599,600)	(7,587,436)	1,012,164
EXTRAORDINARY ITEM			
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds		<u>(15,657,683)</u>	<u>(15,657,683)</u>
Net Change in Fund Balance	(8,599,600)	(23,245,119)	(14,645,519)
Fund balance at beginning of fiscal year	<u>23,245,119</u>	<u>23,245,119</u>	
Fund balance at end of fiscal year	<u>\$ 14,645,519</u>	<u>\$ -</u>	<u>\$ (14,645,519)</u>

**CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY LOW/MODERATE INCOME HOUSING
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 1,840,000	\$ 1,813,840	\$ (26,160)
Use of money and property	87,513	11,079	(76,434)
Total revenues	<u>1,927,513</u>	<u>1,824,919</u>	<u>(102,594)</u>
EXPENDITURES			
Current:			
Community development	1,157,347	263,918	893,429
Capital outlay	1,300,000		1,300,000
Total expenditures	<u>2,457,347</u>	<u>263,918</u>	<u>2,193,429</u>
Excess of revenues over (under) expenditures	<u>(529,834)</u>	<u>1,561,001</u>	<u>2,090,835</u>
Other financing sources (uses):			
Transfers out	<u>(1,219,167)</u>	<u>(818,676)</u>	<u>400,491</u>
Total other financing sources (uses)	<u>(1,219,167)</u>	<u>(818,676)</u>	<u>400,491</u>
Net Change in Fund Balances before Special Items and Extraordinary Items	(1,749,001)	742,325	2,491,326
SPECIAL ITEM			
Gain/(Loss) on Transfer of Redevelopment Agency Housing assets		(1,959,724)	(1,959,724)
EXTRAORDINARY ITEM			
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds		<u>(6,609,697)</u>	<u>(6,609,697)</u>
Net Change in Fund Balance	(1,749,001)	(7,827,096)	(6,078,095)
Fund balance at beginning of fiscal year	<u>7,827,096</u>	<u>7,827,096</u>	
Fund balance at end of fiscal year	<u>\$ 6,078,095</u>	<u>\$ -</u>	<u>\$ (6,078,095)</u>

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012**

	Special Revenue Funds			
	Gas Tax	Redevelopment Agency UDAG Loan	Redevelopment Agency Housing Bond	North Area
Assets				
Cash and investments	\$ 1,764,442	\$ -	\$ -	\$ 37,467
Receivables:				
Accounts				57,200
Taxes				
Interest	1,919			41
Due from other governments	35,680			
Prepaid expenditures				
Total Assets	<u>\$ 1,802,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,708</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds				55,000
Deferred revenue				57,200
Total Liabilities				<u>112,200</u>
Fund Balances:				
Restricted	1,802,041			
Committed				
Assigned				
Unassigned				(17,492)
Total Fund Balances (Deficits)	<u>1,802,041</u>			<u>(17,492)</u>
Total Liabilities and Fund Balances	<u>\$ 1,802,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,708</u>

Special Revenue Funds

Benjamin Way Maintenance District	Public Safety	Other Special Revenue	Strong Motion Education and Data	Area A Lighting and Landscaping District	Media Center	Park Development Fees
\$ 7,151	\$ 115,168	\$ 5,132	\$ 882	\$ 321,684	\$ 11,280	\$ 49,225
				580	2,054	
8		6	1	3,204		
				350	12	54
<u>\$ 7,159</u>	<u>\$ 115,168</u>	<u>\$ 5,138</u>	<u>\$ 883</u>	<u>\$ 325,818</u>	<u>\$ 13,346</u>	<u>\$ 49,279</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,174	\$ 2,054	\$ -
				5,174	2,054	
7,159	115,168	5,138	883	320,644	11,292	49,279
<u>7,159</u>	<u>115,168</u>	<u>5,138</u>	<u>883</u>	<u>320,644</u>	<u>11,292</u>	<u>49,279</u>
<u>\$ 7,159</u>	<u>\$ 115,168</u>	<u>\$ 5,138</u>	<u>\$ 883</u>	<u>\$ 325,818</u>	<u>\$ 13,346</u>	<u>\$ 49,279</u>

(Continued)

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012
(Continued)**

	General Debt Service	General Capital Projects	Permanent Fund Cultural Trust	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 546,365	\$ 1,181,996	\$ 74,339	\$ 4,115,131
Receivables:				
Accounts				59,834
Taxes	35,530			38,734
Interest	595		81	3,067
Due from other governments				35,680
Prepaid expenditures	140			140
Total Assets	\$ 582,630	\$ 1,181,996	\$ 74,420	\$ 4,252,586
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 454,823	\$ -	\$ 462,051
Due to other funds				55,000
Deferred revenue				57,200
Total Liabilities		454,823		574,251
Fund Balances:				
Restricted	582,630		74,420	2,963,516
Committed				5,138
Assigned		727,173		727,173
Unassigned				(17,492)
Total Fund Balances (Deficits)	582,630	727,173	74,420	3,678,335
Total Liabilities and Fund Balances	\$ 582,630	\$ 1,181,996	\$ 74,420	\$ 4,252,586

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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, 2012**

	Special Revenue Funds			
	Gas Tax	Redevelopment Agency UDAG Loan	Redevelopment Agency Housing Bond	North Area
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Charges for services				2,600
Development fees				
Intergovernmental	339,951			
Use of money and property	11,471	27,222	785	245
Other revenues				
Total Revenues	<u>351,422</u>	<u>27,222</u>	<u>785</u>	<u>2,845</u>
EXPENDITURES:				
Current:				
General government				
Community development	3503	562		1
Capital outlay				
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>3,503</u>	<u>562</u>		<u>1</u>
Excess of Revenues Over (Under) Expenditures	<u>347,919</u>	<u>26,660</u>	<u>785</u>	<u>2,844</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out	(34,000)			
Total Other Financing Sources (Uses)	<u>(34,000)</u>			
Net Change in Fund Balances before Extraordinary Items	313,919	26,660	785	2,844
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds		(7,893,850)	(465,572)	
Net Change in Fund Balances	313,919	(7,867,190)	(464,787)	2,844
Fund Balances (deficit), July 1, 2011	<u>1,488,122</u>	<u>7,867,190</u>	<u>464,787</u>	<u>(20,336)</u>
Fund Balances (deficit), June 30, 2012	<u>\$ 1,802,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,492)</u>

Special Revenue Funds

Benjamin Way Maintenance District	Public Safety	Other Special Revenue	Strong Motion Education and Data	Area A Lighting and Landscaping District	Media Center	Park Development Fees
\$ -	\$ -	\$ -	\$ -	\$ 147,554	\$ -	\$ -
						96
						21,339
41	19,960	48	4	1,713	72	423
	2,776		106		25,392	
41	22,736	48	110	149,267	25,464	21,858
		971		149,186	25,392	1,027
		971		149,186	25,392	1,027
41	22,736	(923)	110	81	72	20,831
	(37,360)	(84,000)				
	(37,360)	(84,000)				
41	(14,624)	(84,923)	110	81	72	20,831
41	(14,624)	(84,923)	110	81	72	20,831
7,118	129,792	90,061	773	320,563	11,220	28,448
\$ 7,159	\$ 115,168	\$ 5,138	\$ 883	\$ 320,644	\$ 11,292	\$ 49,279

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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, 2012
(Continued)**

	General Debt Service	General Capital Projects	Permanent Fund <u>Cultural Trust</u>	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	\$ 545,506	\$ -	\$ -	\$ 693,060
Charges for services				2,696
Development fees				21,339
Intergovernmental				359,911
Use of money and property	1,724	915	438	45,101
Other revenues		54,068		82,342
	<u>547,230</u>	<u>54,983</u>	<u>438</u>	<u>1,204,449</u>
EXPENDITURES:				
Current:				
General government	5,715	880,138		912,272
Community development			2,000	156,223
Capital outlay		1,063		1,063
Debt service:				
Principal payments	480,000			480,000
Interest and fiscal charges	109,957			109,957
	<u>595,672</u>	<u>881,201</u>	<u>2,000</u>	<u>1,659,515</u>
Excess of Revenues Over (Under) Expenditures	<u>(48,442)</u>	<u>(826,218)</u>	<u>(1,562)</u>	<u>(455,066)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in		2,090,965		2,090,965
Transfers out				(155,360)
		<u>2,090,965</u>		<u>1,935,605</u>
Net Change in Fund Balances before Extraordinary Items	(48,442)	1,264,747	(1,562)	1,480,539
EXTRAORDINARY ITEM				
Gain/(Loss) on Transfer of Assets and Liabilities to RDA Successor Trust Funds				<u>(8,359,422)</u>
Net Change in Fund Balances	(48,442)	1,264,747	(1,562)	(6,878,883)
Fund Balances (deficit), July 1, 2011	<u>631,072</u>	<u>(537,574)</u>	<u>75,982</u>	<u>10,557,218</u>
Fund Balances (deficit), June 30, 2012	<u>\$ 582,630</u>	<u>\$ 727,173</u>	<u>\$ 74,420</u>	<u>\$ 3,678,335</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, 2012**

	Gas Tax			Redevelopment Agency UDAG Loan		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services						
Development fees						
Intergovernmental	329,585	339,951	10,366			
Use of money and property	19,828	11,471	(8,357)	20,600	27,222	6,622
Other revenues						
Total Revenues	349,413	351,422	2,009	20,600	27,222	6,622
EXPENDITURES:						
Current:						
General government						
Community development	3,207	3,503	(296)	562	562	
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	3,207	3,503	(296)	562	562	
Excess of Revenues Over (Under)						
Expenditures	346,206	347,919	1,713	20,038	26,660	6,622
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(625,000)	(34,000)	591,000			
Total Other Financing Sources (Uses)	(625,000)	(34,000)	591,000			
Net Change in Fund Balances before						
Extraordinary Items	(278,794)	313,919	592,713	20,038	26,660	6,622
EXTRAORDINARY ITEM						
Gain/(Loss) on Transfer of Assets and						
Liabilities to RDA Successor Trust Funds					(7,893,850)	(7,893,850)
Net Change in Fund Balances	\$ (278,794)	313,919	\$ 592,713	\$ 20,038	(7,867,190)	\$ (7,887,228)
Fund Balances (deficit), July 1, 2011		1,488,122			7,867,190	
Fund Balances (deficit), June 30, 2012		\$ 1,802,041			\$ -	

Redevelopment Agency Housing Bond			North Area			Benjamin Way Maintenance District		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
				2,600	2,600			
5,798	785	(5,013)	523	245	(278)	107	41	(66)
5,798	785	(5,013)	523	2,845	2,322	107	41	(66)
			1	1				
			1	1				
5,798	785	(5,013)	522	2,844	2,322	107	41	(66)
5,798	785	(5,013)	522	2,844	2,322	107	41	(66)
	(465,572)	(465,572)						
<u>\$ 5,798</u>	<u>(464,787)</u>	<u>\$ (470,585)</u>	<u>\$ 522</u>	<u>2,844</u>	<u>\$ 2,322</u>	<u>\$ 107</u>	<u>41</u>	<u>\$ (66)</u>
	<u>464,787</u>			<u>(20,336)</u>			<u>7,118</u>	
	<u>\$ -</u>			<u>\$ (17,492)</u>			<u>\$ 7,159</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, 2012
(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	5,500	19,960	14,460			
Use of money and property				1,327	48	(1,279)
Other revenues		2,776	2,776			
Total Revenues	5,500	22,736	17,236	1,327	48	(1,279)
EXPENDITURES:						
Current:						
General government						
Community development				971	971	
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures				971	971	
Excess of Revenues Over (Under)						
Expenditures	5,500	22,736	17,236	356	(923)	(1,279)
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(37,360)	(37,360)		(84,000)	(84,000)	
Total Other Financing Sources (Uses)	(37,360)	(37,360)		(84,000)	(84,000)	
Net Change in Fund Balances	\$ (31,860)	(14,624)	\$ 17,236	\$ (83,644)	(84,923)	\$ (1,279)
Fund Balances (deficit), July 1, 2011		129,792			90,061	
Fund Balances (deficit), June 30, 2012		<u>\$ 115,168</u>			<u>\$ 5,138</u>	

Area A Lighting and Landscaping District			Media Center			Park Development Fees		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 149,149	\$ 147,554	\$ (1,595)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
							96	96
							21,339	21,339
4,639	1,713	(2,926)	201	72	(129)	388	423	35
			25,000	25,392	392			
153,788	149,267	(4,521)	25,201	25,464	263	388	21,858	21,470
			25,000	25,392	(392)	3,200	1,027	2,173
208,936	149,186	59,750						
208,936	149,186	59,750	25,000	25,392	(392)	3,200	1,027	2,173
(55,148)	81	55,229	201	72	(129)	(2,812)	20,831	23,643
\$ (55,148)	81	\$ 55,229	\$ 201	72	\$ (129)	\$ (2,812)	20,831	\$ 23,643
	320,563			11,220			28,448	
	\$ 320,644			\$ 11,292			\$ 49,279	

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, 2012
(Continued)**

	Strong Motion Education and Data			General Debt Service		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 468,900	\$ 545,506	\$ 76,606
Charges for services						
Development fees						
Intergovernmental						
Use of money and property	12	4	(8)	3,100	1,724	(1,376)
Other revenues	60	106	46			
Total Revenues	72	110	38	472,000	547,230	75,230
EXPENDITURES:						
Current:						
General government				5,295	5,715	(420)
Public safety						
Capital outlay						
Debt service:						
Principal payments				480,000	480,000	
Interest and fiscal charges				109,957	109,957	
Total Expenditures				595,252	595,672	(420)
Excess of Revenues Over (Under)						
Expenditures	72	110	38	(123,252)	(48,442)	74,810
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	\$ 72	110	\$ 38	\$ (123,252)	(48,442)	\$ 74,810
Fund Balances (deficit), July 1, 2011		773			631,072	
Fund Balances (deficit), June 30, 2012		\$ 883			\$ 582,630	

General Capital Projects

Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -
	915	915
	54,068	54,068
	54,983	54,983
10,747,613	880,138	9,867,475
	1,063	(1,063)
10,747,613	881,201	9,866,412
(10,747,613)	(826,218)	9,921,395
4,748,896	2,090,965	(2,657,931)
4,748,896	2,090,965	(2,657,931)
<u>\$ (5,998,717)</u>	1,264,747	<u>\$ 7,263,464</u>
	<u>(537,574)</u>	
	<u>\$ 727,173</u>	

**CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2012**

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
ASSETS			
Current Assets:			
Cash and investments	\$ 505,182	\$ -	\$ 346,913
Accounts receivable - net		69,662	10,640
Interest receivable			378
Due from other governments			10,000
Inventory			20,987
Total current assets	<u>505,182</u>	<u>69,662</u>	<u>388,918</u>
Capital Assets:			
Nondepreciable			
Land			119,834
Total nondepreciable capital assets			<u>119,834</u>
Depreciable			
Buildings			186,451
Machinery and equipment			209,510
Operations			2,944,993
Total depreciable capital assets			3,340,954
Less accumulated depreciation			<u>(977,204)</u>
Net depreciable capital assets			<u>2,363,750</u>
Net capital assets			<u>2,483,584</u>
Total noncurrent assets			<u>2,483,584</u>
Total assets	<u>\$ 505,182</u>	<u>\$ 69,662</u>	<u>\$ 2,872,502</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ - 2,605	\$ 31,083 107 34	\$ - 12,164	\$ 883,178 83,014 412 22,164 20,987
<u>2,605</u>	<u>31,224</u>	<u>12,164</u>	<u>1,009,755</u>
<u>231,973</u>			<u>351,807</u>
<u>231,973</u>			<u>351,807</u>
1,194,412 98,186 20,000			1,380,863 307,696 2,964,993
<u>1,312,598</u>			<u>4,653,552</u>
<u>(701,845)</u>			<u>(1,679,049)</u>
<u>610,753</u>			<u>2,974,503</u>
<u>842,726</u>			<u>3,326,310</u>
<u>842,726</u>			<u>3,326,310</u>
<u>\$ 845,331</u>	<u>\$ 31,224</u>	<u>\$ 12,164</u>	<u>\$ 4,336,065</u>

(Continued)

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2012
(continued)

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 3,141	\$ 76	\$ 5,134
Deposits payable	332,644	338	15,056
Due to other funds		6,291	
	<u>335,785</u>	<u>6,705</u>	<u>20,190</u>
Total current liabilities	<u>335,785</u>	<u>6,705</u>	<u>20,190</u>
NET ASSETS			
Investment in capital assets, net of related debt			2,483,584
Unrestricted	169,397	62,957	368,728
	<u>169,397</u>	<u>62,957</u>	<u>368,728</u>
Total Net Assets (Deficit)	<u>\$ 169,397</u>	<u>\$ 62,957</u>	<u>\$ 2,852,312</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 12,589	\$ 4,033	\$ 978	\$ 25,951
63,560			411,598
395,415		19,980	421,686
<u>471,564</u>	<u>4,033</u>	<u>20,958</u>	<u>859,235</u>
842,726			3,326,310
(468,959)	27,191	(8,794)	150,520
<u>\$ 373,767</u>	<u>\$ 27,191</u>	<u>\$ (8,794)</u>	<u>\$ 3,476,830</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2012

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
Operating Revenues			
Charges for services	\$ 101,326	\$ 13,872	\$ 248,925
Development fees	288,171		
Rental income			144,184
Other operating revenues	23,072		1,653
Total Operating Revenues	<u>412,569</u>	<u>13,872</u>	<u>394,762</u>
Operating Expenses			
Maintenance and operation	583,757	148,771	345,179
Administration	85,519	6,473	51,659
Depreciation			65,066
Total Operating Expenses	<u>669,276</u>	<u>155,244</u>	<u>461,904</u>
Operating Income (Loss)	<u>(256,707)</u>	<u>(141,372)</u>	<u>(67,142)</u>
Non-Operating Revenues (Expenses)			
Interest income	4,002	123	1,815
Intergovernmental grants		136,458	10,000
Total Non-Operating Income (Loss)	<u>4,002</u>	<u>136,581</u>	<u>11,815</u>
Income (Loss) Before Transfers	(252,705)	(4,791)	(55,327)
Transfers out	<u>(700,778)</u>		
Change in Net Assets	(953,483)	(4,791)	(55,327)
Net Assets (Deficit), July 1, 2011	<u>1,122,880</u>	<u>67,748</u>	<u>2,907,640</u>
Net Assets (Deficit), June 30, 2012	<u>\$ 169,397</u>	<u>\$ 62,957</u>	<u>\$ 2,852,313</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 16,739	\$ 64,672	\$ -	\$ 445,534
			288,171
153,936	12,680		310,800
	1,167	586	26,478
170,675	78,519	586	1,070,983
179,731	75,241	167,106	1,499,785
10,113	1,452		155,216
24,251			89,317
214,095	76,693	167,106	1,744,318
(43,420)	1,826	(166,520)	(673,335)
	176		6,116
		197,753	344,211
	176	197,753	350,327
(43,420)	2,002	31,233	(323,008)
			(700,778)
(43,420)	2,002	31,233	(1,023,786)
417,186	25,189	(40,027)	4,500,616
\$ 373,766	\$ 27,191	\$ (8,794)	\$ 3,476,830

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2012**

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 414,418	\$ 13,733	\$ 401,154
Payments to suppliers and users	(516,795)	(148,772)	(372,484)
Payments to employees	(85,519)	(6,473)	(51,659)
Net Cash Provided (Used) by Operating Activities	<u>(187,896)</u>	<u>(141,512)</u>	<u>(22,989)</u>
Cash Flows from Non-Capital Financing Activities:			
Intergovernmental grants		136,458	136,800
Due to/from other funds		4,931	
Transfers out	(700,778)		
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(700,778)</u>	<u>141,389</u>	<u>136,800</u>
Cash Flows from Investing Activities:			
Interest received	6,708	123	2,567
Net Cash Provided (Used) by Investing Activities	<u>6,708</u>	<u>123</u>	<u>2,567</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(881,966)		116,378
Cash and Cash Equivalents, July 1, 2011	<u>1,387,148</u>		<u>230,535</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 505,182</u>	<u>\$ -</u>	<u>\$ 346,913</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	<u>\$ 505,182</u>	<u>\$ -</u>	<u>\$ 346,913</u>
Total Cash and Investments	<u>\$ 505,182</u>	<u>\$ -</u>	<u>\$ 346,913</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 169,797	\$ 83,550	\$ 586	\$ 1,083,238
(159,514)	(71,303)	(166,128)	(1,434,996)
(10,113)	(1,452)		(155,216)
170	10,795	(165,542)	(506,974)
		214,664	487,922
(170)		(49,122)	(44,361)
			(700,778)
(170)		165,542	(257,217)
	181		9,579
	181		9,579
	10,976		(754,612)
	20,107		1,637,790
\$ -	\$ 31,083	\$ -	\$ 883,178
\$ -	\$ 31,083	\$ -	\$ 883,178
\$ -	\$ 31,083	\$ -	\$ 883,178

(Continued)

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2012
 (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)	\$ (256,707)	\$ (141,372)	\$ (67,142)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation			65,066
(Increase) Decrease in Operating Assets:			
Accounts receivable	1,849	(139)	6,392
Inventory			4,885
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(4,712)	(1)	(30,203)
Deposits payable	71,674		(1,987)
Net Cash Provided (Used) by Operating Activities	<u>\$ (187,896)</u>	<u>\$ (141,512)</u>	<u>\$ (22,989)</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ (43,420)	\$ 1,826	\$ (166,520)	\$ (673,335)
24,251			89,317
(878)	5,031		12,255 4,885
10,701	3,938	978	(19,299)
9,516			79,203
<u>\$ 170</u>	<u>\$ 10,795</u>	<u>\$ (165,542)</u>	<u>\$ (506,974)</u>

**CITY OF HEALDSBURG
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2012**

	<u>Insurance and Benefit</u>	<u>Vehicle Maintenance</u>	<u>Information Services</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 2,886,411	\$ 3,409,204	\$ 1,106,520
Accounts receivable - net	20,603	2,968	
Notes and loans receivable			18,622
Interest receivable	3,134	3,701	1,202
Inventory		29,170	4,423
	<u>2,910,148</u>	<u>3,445,043</u>	<u>1,130,767</u>
Total current assets			
Capital Assets:			
Depreciable			
Land improvements			
Machinery and equipment		4,219,619	1,959,726
		<u>4,219,619</u>	<u>1,959,726</u>
Total depreciable capital assets			
Less accumulated depreciation		(3,178,435)	(1,444,603)
		<u>1,041,184</u>	<u>515,123</u>
Net depreciable capital assets			
Net capital assets		<u>1,041,184</u>	<u>515,123</u>
Total noncurrent assets			
	<u>1,041,184</u>	<u>515,123</u>	<u>515,123</u>
Total assets			
	<u>\$ 2,910,148</u>	<u>\$ 4,486,227</u>	<u>\$ 1,645,890</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 936,558	\$ 8,338,693
65,389	88,960
	18,622
1,018	9,055
<u>1,002,965</u>	<u>33,593</u>
	<u>8,488,923</u>
108,841	108,841
<u>108,841</u>	<u>6,179,345</u>
	6,288,186
	<u>(4,623,038)</u>
<u>108,841</u>	<u>1,665,148</u>
<u>108,841</u>	<u>1,665,148</u>
<u>108,841</u>	<u>1,665,148</u>
<u>\$ 1,111,806</u>	<u>\$ 10,154,071</u>

(Continued)

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012
(Continued)

	Insurance and Benefit	Vehicle Maintenance	Information Services
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 654,696	\$ 30,958	\$ 16,804
Deposits payable	41		
Claims payable, current portion	26,442		
Compensated absences	1,034,839		
Capital lease payable		4,907	18,065
	<u>1,716,018</u>	<u>35,865</u>	<u>34,869</u>
Total current liabilities			
Noncurrent Liabilities:			
Compensated absences	594,542		
Capital lease payable		5,222	57,626
	<u>594,542</u>	<u>5,222</u>	<u>57,626</u>
Total noncurrent liabilities			
Total Liabilities	<u>2,310,560</u>	<u>41,087</u>	<u>92,495</u>
NET ASSETS			
Investment in capital assets, net of related debt		1,031,055	439,432
Unrestricted	599,588	3,414,085	1,113,963
	<u>599,588</u>	<u>4,445,140</u>	<u>1,553,395</u>
Total Net Assets	<u>\$ 599,588</u>	<u>\$ 4,445,140</u>	<u>\$ 1,553,395</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 20,760	\$ 723,218
	41
34,390	60,832
	1,034,839
	22,972
<u>55,150</u>	<u>1,841,902</u>
	594,542
	62,848
	<u>657,390</u>
<u>55,150</u>	<u>2,499,292</u>
108,841	1,579,328
<u>947,815</u>	<u>6,075,451</u>
<u>\$ 1,056,656</u>	<u>\$ 7,654,779</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012

	Insurance and Benefit	Vehicle Maintenance	Information Services
Operating Revenues			
Charges for services	\$ 7,042,128	\$ 27,239	\$ 896,145
Other operating revenues	141	7,165	562
Total Operating Revenues	<u>7,042,269</u>	<u>34,404</u>	<u>896,707</u>
Operating Expenses			
Maintenance and operation		395,463	851,290
Administration		158,004	4,245
Insurance and benefits costs	7,072,818		
Depreciation		357,621	89,405
Total Operating Expenses	<u>7,072,818</u>	<u>911,088</u>	<u>944,940</u>
Operating Income (Loss)	<u>(30,549)</u>	<u>(876,684)</u>	<u>(48,233)</u>
Non-Operating Revenues (Expenses)			
Interest income	22,468	29,176	9,237
Gain (Loss) on sale of capital assets		2,250	
Total Non-Operating Income (Loss)	<u>22,468</u>	<u>31,426</u>	<u>9,237</u>
Income (Loss) Before Transfers	(8,081)	(845,258)	(38,996)
Transfers in			79,000
Transfers out			<u>(71,152)</u>
Change in Net Assets	(8,081)	(845,258)	(31,148)
Net Assets, July 1, 2011	<u>607,669</u>	<u>5,290,398</u>	<u>1,584,543</u>
Net Assets, June 30, 2012	<u>\$ 599,588</u>	<u>\$ 4,445,140</u>	<u>\$ 1,553,395</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 665,429	\$ 8,630,941 7,868
<u>665,429</u>	<u>8,638,809</u>
728,709	1,975,462
161,161	323,410
398,155	7,470,973
<u>1,288,025</u>	<u>10,216,871</u>
<u>(622,596)</u>	<u>(1,578,062)</u>
509,900	570,781 2,250
<u>509,900</u>	<u>573,031</u>
(112,696)	(1,005,031)
190,000	269,000
<u>77,304</u>	<u>(71,152)</u>
77,304	(807,183)
<u>979,352</u>	<u>8,461,962</u>
<u>\$ 1,056,656</u>	<u>\$ 7,654,779</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012**

	Insurance and Benefit	Vehicle Maintenance	Information Services
Cash Flows from Operating Activities:			
Receipts from customers	\$ 7,038,575	\$ 31,436	\$ 896,707
Payments to suppliers and users	(7,044,387)	(386,542)	(860,781)
Payments to employees	93,686	(158,004)	(4,245)
Net Cash Provided (Used) by Operating Activities	87,874	(513,110)	31,681
Cash Flows from Non-Capital Financing Activities:			
Principal issued on loans receivable			5,791
Principal paid on loans receivable			(6,737)
Transfers in			79,000
Transfers out			(71,152)
Net Cash Provided (Used) by Non-Capital Financing Activities			6,902
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets		(21,496)	(96,102)
Proceeds from capital leases			96,103
Principal payments - long-term debt		(4,612)	(20,412)
Proceeds from sales of capital assets		2,250	
Net Cash Provided (Used) by Capital and Related Financing Activities		(23,858)	(20,411)
Cash Flows from Investing Activities:			
Interest received	24,746	33,108	10,138
Net Cash Provided (Used) by Investing Activities	24,746	33,108	10,138
Net Increase (Decrease) in Cash and Cash Equivalents	112,620	(503,860)	28,310
Cash and Cash Equivalents, July 1, 2011	2,773,791	3,913,064	1,078,210
Cash and Cash Equivalents, June 30, 2012	<u>\$ 2,886,411</u>	<u>\$ 3,409,204</u>	<u>\$ 1,106,520</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	<u>\$ 2,886,411</u>	<u>\$ 3,409,204</u>	<u>\$ 1,106,520</u>
Total Cash and Investments	<u>\$ 2,886,411</u>	<u>\$ 3,409,204</u>	<u>\$ 1,106,520</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 600,160	\$ 8,566,878
(1,127,704)	(9,419,414)
<u>(161,161)</u>	<u>(229,724)</u>
(688,705)	(1,082,260)
	5,791
	(6,737)
190,000	269,000
	<u>(71,152)</u>
<u>190,000</u>	<u>196,902</u>
(108,841)	(226,439)
	96,103
	(25,024)
	<u>2,250</u>
<u>(108,841)</u>	<u>(153,110)</u>
<u>510,897</u>	<u>578,889</u>
<u>510,897</u>	<u>578,889</u>
(96,649)	(459,579)
<u>1,033,207</u>	<u>8,798,272</u>
<u>\$ 936,558</u>	<u>\$ 8,338,693</u>
<u>\$ 936,558</u>	<u>\$ 8,338,693</u>
<u>\$ 936,558</u>	<u>\$ 8,338,693</u>

(Continued)

CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012
(Continued)

	Insurance and Benefit	Vehicle Maintenance	Information Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (30,549)	\$ (876,684)	\$ (48,233)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation		357,621	89,405
(Increase) Decrease in Operating Assets:			
Accounts receivable	(2,681)	(2,968)	
Inventory		(1,445)	(2,060)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	28,418	10,366	(7,431)
Deposits payable	(1,013)		
Claims and judgments payable	13		
Compensated absences	93,686		
Net Cash Provided (Used) by Operating Activities	<u>\$ 87,874</u>	<u>\$ (513,110)</u>	<u>\$ 31,681</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ (622,596)	\$ (1,578,062)
	447,026
(65,269)	(70,918)
	(3,505)
(295)	31,058
	(1,013)
(545)	(532)
	93,686
<u>\$ (688,705)</u>	<u>\$ (1,082,260)</u>

**CITY OF HEALDSBURG
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 June 30, 2012**

	<u>Redevelopment Agency DBD</u>	<u>Senior Center Trust</u>	<u>Community Benefit Trust</u>
ASSETS			
Cash and investments	\$ 25,125	\$ (755)	\$ 678,696
Restricted cash and investments with fiscal agents		161,090	
Receivables:			
Notes			
Interest			743
Deferred Charges, Net of Accumulated Amortization			
Capital Assets, Not Being Depreciated			
Capital Assets, Net of Accumulated Depreciation			
	<u>25,125</u>	<u>160,335</u>	<u>679,439</u>
Total assets	<u>25,125</u>	<u>160,335</u>	<u>679,439</u>
LIABILITIES			
Accounts payable			
Interest payable			
Noncurrent Liabilities:			
Due within One Year			
Due in More than One Year			
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u> </u>	<u> </u>
NET ASSETS			
Unrestricted	<u>25,125</u>	<u>160,335</u>	<u>679,439</u>
Total Net Assets (Deficit)	<u>\$ 25,125</u>	<u>\$ 160,335</u>	<u>\$ 679,439</u>

<u>Plaza Flowers Veterans Trust</u>	<u>Post RDA Successor Agency</u>	<u>Post RDA Debt Retirement Fund</u>	<u>Totals</u>
\$ 4,321	\$ 31,106,673	\$ (250)	\$ 31,813,810
	1,538,801	6,709,085	8,408,976
	1,358,897		1,358,897
5	35,744		36,492
	5,915,541	1,156,100	1,156,100
	2,063,027		5,915,541
			2,063,027
<u>4,326</u>	<u>42,018,683</u>	<u>7,864,935</u>	<u>50,752,843</u>
	5,668,660		5,668,660
		1,164,024	1,164,024
		1,135,220	1,135,220
		52,347,813	52,347,813
	<u>5,668,660</u>	<u>54,647,057</u>	<u>60,315,717</u>
<u>4,326</u>	<u>36,350,023</u>	<u>(46,782,122)</u>	<u>(9,562,874)</u>
<u>\$ 4,326</u>	<u>\$ 36,350,023</u>	<u>\$ (46,782,122)</u>	<u>\$ (9,562,874)</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2012

	Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust
ADDITIONS			
Contributions	\$ -	\$ -	\$ -
Net Assets Received upon Dissolution of Redevelopment Agency			
Use of money and property		(633)	4,659
Fees and charges	25,125		
Total additions	<u>25,125</u>	<u>(633)</u>	<u>4,659</u>
DEDUCTIONS			
Community development		2,570	104,669
Depreciation			
Interest expense			
Property taxes refunded			
Total deductions		<u>2,570</u>	<u>104,669</u>
Change in Net Assets	25,125	(3,203)	(100,010)
Net Assets, July 1, 2011		<u>163,538</u>	<u>779,449</u>
Net Assets (Deficit), June 30, 2012	<u>\$ 25,125</u>	<u>\$ 160,335</u>	<u>\$ 679,439</u>

Plaza Flowers Veterans Trust	Post RDA Successor Agency	Post RDA Debt Retirement Fund	Totals
\$ -	\$ -	\$ 1,412,351	\$ 1,412,351
24	43,136,823 153,392	(45,583,051) 99	(2,446,228) 157,541 25,125
<u>24</u>	<u>43,290,215</u>	<u>(44,170,601)</u>	<u>(851,211)</u>
404	1,254,057 25,683	1,412,602	2,774,302 25,683
<u>404</u>	<u>5,660,452</u>	<u>1,198,919</u>	<u>1,198,919</u> <u>5,660,452</u>
(380)	36,350,023	(46,782,122)	(10,510,567)
<u>4,706</u>	<u>36,350,023</u>	<u>(46,782,122)</u>	<u>947,693</u>
<u>\$ 4,326</u>	<u>\$ 36,350,023</u>	<u>\$ (46,782,122)</u>	<u>\$ (9,562,874)</u>