

CITY OF HEALDSBURG
FINANCIAL STATEMENTS
Year Ended June 30, 2014

City of Healdsburg
Financial Statements
Year Ended June 30, 2014

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FINANCIAL SECTION



Independent Auditor's Report

The Honorable City Council
City of Healdsburg, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Healdsburg, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Healdsburg, California, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 13, to the financial statements, as of June 30, 2014, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, another knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Van Lant + Fankhaed, LLP". The signature is written in a cursive style.

March 20, 2015

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

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, 2014. 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.

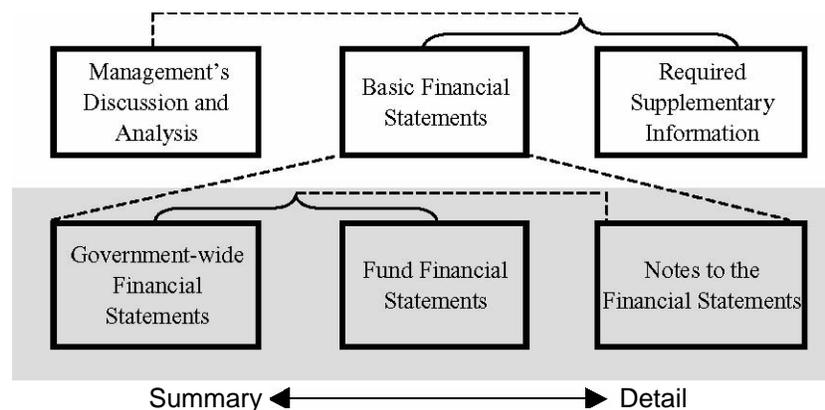
Financial Highlights

- City assets exceeded its liabilities by \$170.2 million (net position) at June 30, 2014. Of this amount, \$40.5 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net position increased by \$3.8 million during the fiscal year, compared to a decrease of \$3.1 million in the prior year. The increase attributable to the City's governmental activities was \$848 thousand, while the business type activities increased by \$2.9 million.
- At the close of fiscal year 2013-14, City governmental funds reported combined ending fund balance of \$15.1 million, an increase of \$940 thousand.
- At the end of fiscal year 2013-14, unassigned fund balance for the General Fund was \$8 million, or 89 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, 2014

Government-wide Financial Statements. The government-wide financial statements are comprised of the Statement of Net Position and Statement of Activities. These two statements are designed to provide readers with a broad overview of the City's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid interest expense).

The Statement of Net Position presents information on all of the City's assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development and housing. The business-type activities of the City include the water, sewer and electric utilities, streets and other programs.

Fund Financial Statements. The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund is considered to be major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of supplementary combining statements.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

The City adopts an annual appropriated budget for all governmental and proprietary funds. Budgetary comparison statements for the General Fund and all major special revenue funds are required and included in the basic financial statements. Additionally, budgetary schedules for the other governmental funds have been provided as required to demonstrate compliance with the budget.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise Funds.** These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of water, sewer, electric, streets, drainage, community services, transit, airport, meeting center, school services and after school programs.
- **Internal Service Funds.** These funds are used to report activities that provide internal services for the City. The City uses internal service funds to account for its insurance and benefits, vehicle service and replacement, information systems and equipment and government buildings maintenance. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

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

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

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

Government-Wide Financial Analysis

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

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

NET POSITION
June 30, 2014 and 2013

ASSETS	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 29,360,990	\$ 28,679,317	\$ 46,812,271	\$ 46,602,440	\$ 76,173,261	\$ 75,281,757
Capital assets	25,946,305	26,344,745	123,924,748	118,276,803	149,871,053	144,621,548
Total assets	<u>55,307,295</u>	<u>55,024,062</u>	<u>170,737,019</u>	<u>164,879,243</u>	<u>226,044,314</u>	<u>219,903,305</u>
LIABILITIES						
Current liabilities	2,070,873	1,710,445	3,197,645	1,614,660	5,268,518	3,325,105
Long-term liabilities	8,078,006	9,003,465	42,522,885	41,233,912	50,600,891	50,237,377
Total liabilities	<u>10,148,879</u>	<u>10,713,910</u>	<u>45,720,530</u>	<u>42,848,572</u>	<u>55,869,409</u>	<u>53,562,482</u>
NET POSITION						
Net Investment						
in Capital Assets	24,392,304	24,376,243	85,058,741	81,332,124	109,451,045	105,708,367
Restricted	10,862,001	10,692,975	9,338,175	8,569,617	20,200,176	19,262,592
Unrestricted	9,904,111	9,240,934	30,619,573	32,128,930	40,523,684	41,369,864
Total net position	<u>\$ 45,158,416</u>	<u>\$ 44,310,152</u>	<u>\$ 125,016,489</u>	<u>\$ 122,030,671</u>	<u>\$ 170,174,905</u>	<u>\$ 166,340,823</u>

By far the largest portion of the City's net position (64%) reflects its investment in capital assets (e.g. land, buildings, utility plant, machinery, equipment, vehicles, and infrastructure), net of any related outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position (\$20.2 million or 12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$40.5 million (24%) may be used to meet the government's ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

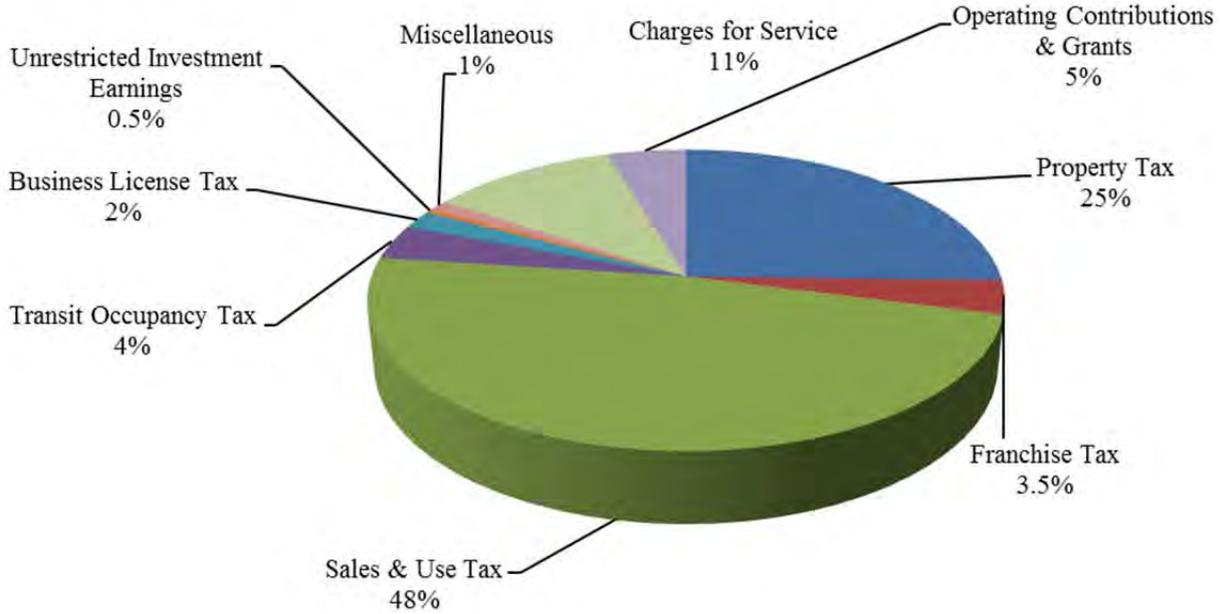
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

The statement of activities shows how the government's net position changed during fiscal year 2013-14 as compared to 2012-13. The City's net position increased overall by \$3.8 million during the current fiscal year.

Governmental Activities. Significant revenues of the governmental activities are taxes (83%), which include property taxes, sales taxes, franchise taxes, business license taxes and transient occupancy taxes. Program revenues are 16 percent of the total revenues of the governmental activities, which include charges for services and operating contributions and grants. Chart below reflects information from page 14 and 15 of the Financial Statements.

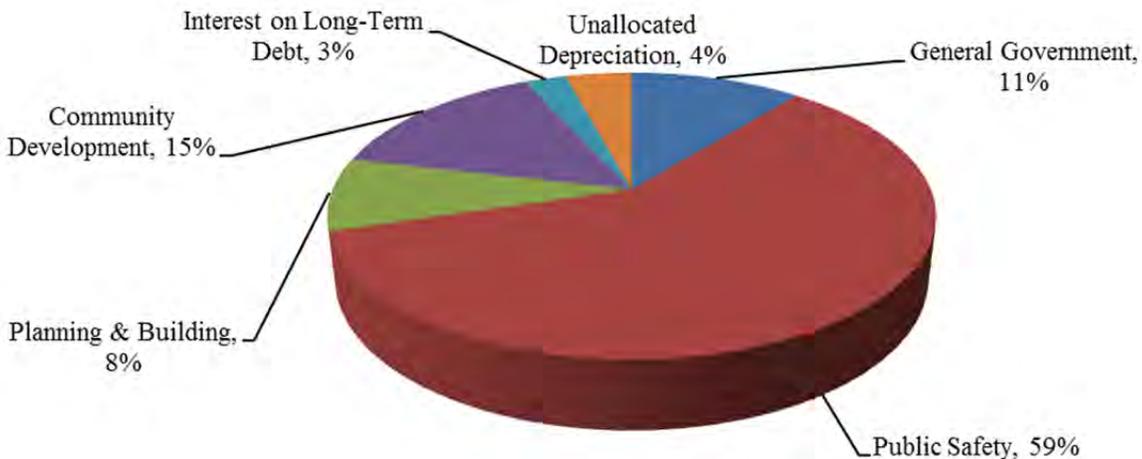
CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2014**



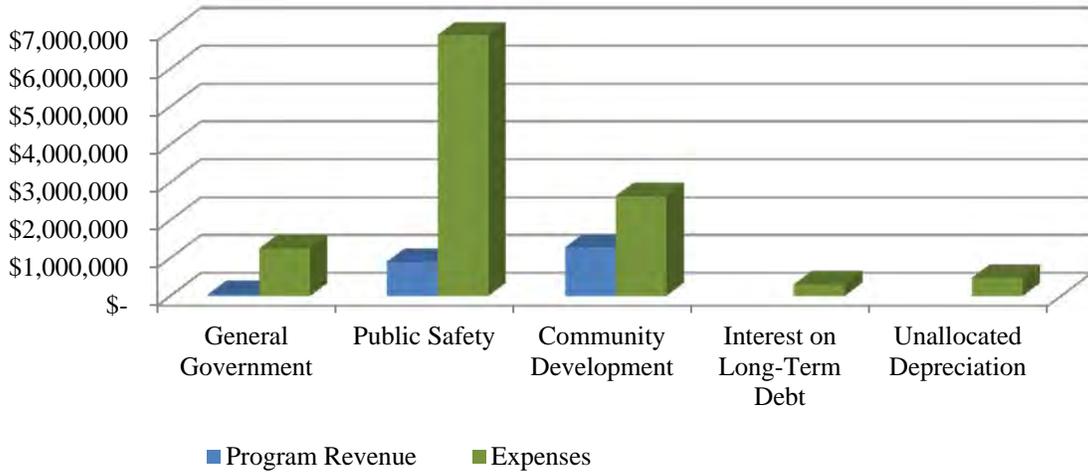
As for expenditures, public safety expenses are the most significant (59%) of all governmental activities expenses, followed by general government (11%), community development (15%) interest on long-term debt (3%) and planning and building (8%). Depreciation expense is 4% of the total expenses for governmental activities Chart below reflects information from page 14, Statement of Activities, of the Financial Statements.

**EXPENSES BY FUNCTION/PROGRAM – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2014**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

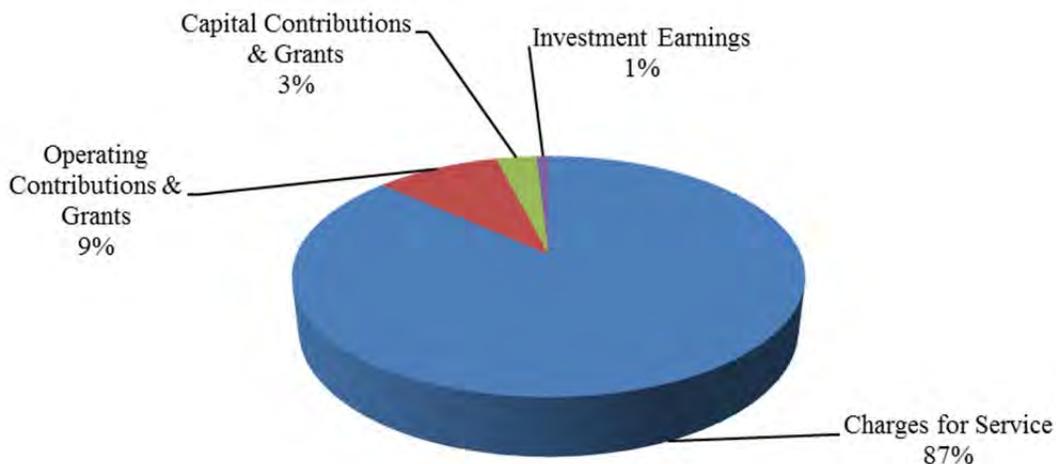
**COMPARISON OF EXPENSES AND PROGRAM REVENUES –
 GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2014**



Business-Type Activities. In the fiscal year ended June 30, 2014, business-type activities increased the City's net position by \$3.9 million, which includes a negative \$974 thousand prior period adjustment explained in Note 13, page 76 of the financial statements, as opposed to a \$5.6 million increase in 2013. Key elements of this change are as follows:

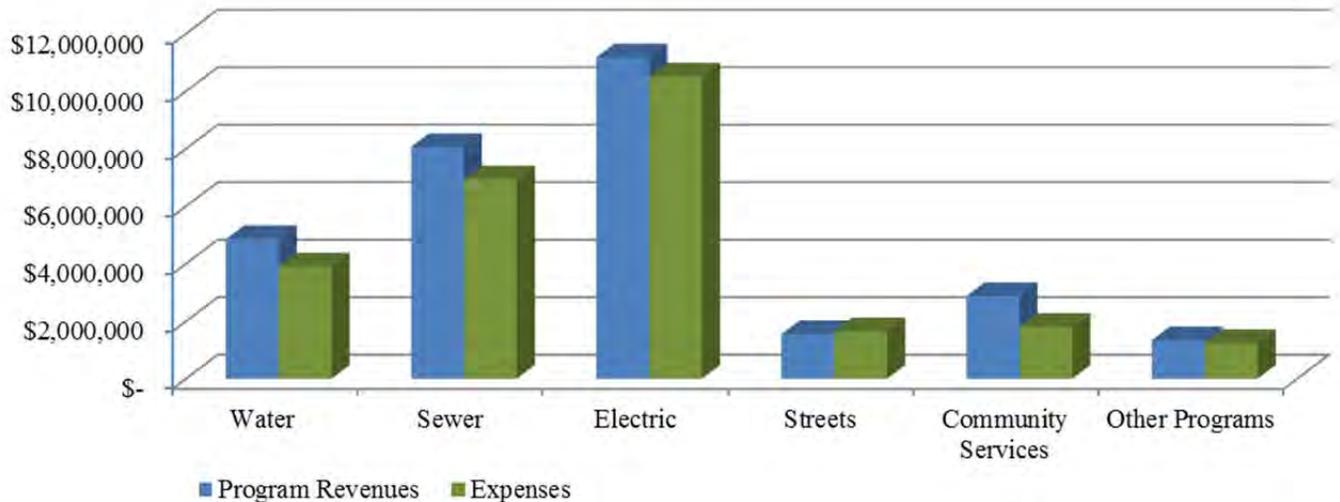
- Charges for services increased by \$131,972 (1%).
- Capital contributions and grants decreased by \$510,712 (56%).
- Operating contributions and grants increased by \$365,960 (13%)
- Operating expenses increased by \$679,943 (3%)

**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2014**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

**EXPENSES AND PROGRAM REVENUES –
 BUSINESS-TYPE ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2014**



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, 2014, the City's governmental funds reported total ending fund balances of \$15,124,916, an increase of \$940,376 from the prior fiscal year. This increase is due to an increase in total assets and a decrease in total liabilities. Approximately 49% of the total ending fund balances (\$7,410,676) 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 Housing and Street Maintenance and Road Improvements, respectively, \$2,183,074 and \$1,564,800.

General Fund revenues were \$1,843,472 (15%) less than in the prior fiscal year, and expenditures decreased by \$948,215 (11%). A decrease in property taxes, due to a redistribution of funds accounts for a significant portion of the decrease in revenues. A decrease in general government in the General Fund accounts for the decrease in general fund expenditures.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City's major enterprise funds are Water, Sewer, Electric, Streets and Community Services. The major changes in enterprise net position are an \$181 thousand increase to \$42.7million in the Sewer Fund, and a \$1.4 million increase to \$10.8

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

million in the Community Service Fund. The Electric Fund reported an increase in net position of \$764 thousand with an ending balance of \$26.7 million.

The Internal Service Funds had a decrease in net position of \$736 thousand during the fiscal year, ending with a balance of \$5.4 million. This decrease is primarily attributable to a decrease in operating revenue. The operating revenue is made up of the service fees charged to each fund and department. Service fees were adjusted to better reflect the use by the departments of the Internal Service Funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2014, amounted to \$149,871,053 (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 \$4,041,546.

CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and Land Rights	\$ 9,345,068	\$ 9,345,068	\$ 5,466,109	\$ 5,103,404
Right of Way	6,681,379	6,681,379	-	-
Construction in Progress	-	-	6,640,596	4,974,355
Land Improvements	108,841	108,841	-	-
Buildings	15,018,527	15,018,527	12,955,137	7,947,894
Streets	-	-	28,100,589	27,602,527
Utility Systems	-	-	106,388,449	105,711,557
Drainage	-	-	10,197,784	9,959,070
Machinery and Equipment	7,845,874	7,441,437	3,050,414	3,050,414
Operations	-	-	3,401,750	2,964,993
Infrastructure	432,630	432,630	-	-
Total	<u>\$ 39,432,319</u>	<u>\$ 39,027,882</u>	<u>\$ 176,200,828</u>	<u>\$ 167,314,214</u>

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

Long-Term Liabilities. The City's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled \$50,600,891 at June 30, 2014. Of this total, \$8,078,006 (16%) was in governmental activities and \$42,522,885 (84%) was in business-type activities.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
General Obligation Bonds	\$ 1,515,000	\$ 2,075,000	\$ -	\$ -
Pension Obligation Bond	4,470,722	4,862,670	3,532,878	3,747,730
Certificates of Participation	-	-	12,940,000	13,550,000
HUSD Capital Lease Payable	-	-	2,095,007	-
Revenue Bonds	-	-	23,955,000	24,540,000
Compensated Absences	1,650,283	1,682,118	-	-
Capital Leases	39,001	62,848	-	-
OPEB	403,000	360,000	-	-
Bond Discount	-	(3,410)	-	(170,842)
Deferred Amount on Refunding	-	(35,761)	-	(432,976)
Total	\$ 8,078,006	\$ 9,003,465	\$ 42,522,885	\$ 41,233,912

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2015 fiscal year, General Fund revenue projections continue to be conservative even it is expected that the economy will continue to slowly recover. Increases have been projected for Property, Sales, Measure V Transactions & Use Tax, and Transient Occupancy Taxes.

Development activity is expected to remain flat over 2015 as no significant new development is anticipated in the next year.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

City of Healdsburg
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 19,504,523	\$ 40,639,148	\$ 60,143,671
Cash and Investments with Fiscal Agents	1,960,184	5	1,960,189
Receivables:			
Accounts	88,708	4,071,462	4,160,170
Taxes	1,362,963	387,003	1,749,966
Notes	6,351,424	-	6,351,424
Interest	14,359	37,426	51,785
Due from Other Governments	30,291	226,310	256,601
Internal Balances	17,771	(17,771)	-
Prepays	3,866	-	3,866
Inventory	26,901	1,468,688	1,495,589
Capital Assets, Not Being Depreciated	16,026,447	12,106,705	28,133,152
Capital Assets, Depreciated, Net	9,919,858	111,818,043	121,737,901
Total Assets	55,307,295	170,737,019	226,044,314
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	1,563,488	938,911	2,502,399
Interest Payable	19,415	439,545	458,960
Deposits Payable	424,040	1,106,204	1,530,244
Claims Payable	62,822	-	62,822
Unearned Revenue	1,108	712,985	714,093
Noncurrent Liabilities:			
Due within One Year	2,080,655	1,590,772	3,671,427
Due in More Than One Year	5,997,351	40,932,113	46,929,464
Total Liabilities	10,148,879	45,720,530	55,869,409
NET POSITION			
Net Investment in Capital Assets	24,392,304	85,058,741	109,451,045
Restricted for:			
Capital Projects	-	9,338,175	9,338,175
Community Development	87,096	-	87,096
Housing	8,057,469	-	8,057,469
Landscaping and Lighting	266,767	-	266,767
Public Safety	276,291	-	276,291
Parks and Recreation	138,593	-	138,593
Streets, highways, and related purposes	1,564,800	-	1,564,800
Debt Service	470,985	-	470,985
Unrestricted	9,904,111	30,619,573	40,523,684
Total Net Position	\$ 45,158,416	\$ 125,016,489	\$ 170,174,905

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,260,104	\$ 53,941	\$ -	\$ -
Public Safety	6,890,561	550,879	350,925	-
Planning and Building	957,150	-	-	-
Community Development	1,683,152	697,448	202,237	379,811
Interest on Long-term Debt	308,398	-	-	-
Unallocated Depreciation	485,542	-	-	-
Total Governmental Activities	11,584,907	1,302,268	553,162	379,811
Business-type Activities:				
Water	3,904,419	4,851,943	-	-
Sewer	6,929,733	8,058,172	-	-
Electric	10,502,639	11,172,206	-	-
Streets	1,644,922	780,547	235,563	528,505
Community Service	2,512,514	648,618	2,221,561	-
Non-major Enterprise Funds	1,240,991	579,859	363,420	389,744
Total Business-type Activities	26,735,218	26,091,345	2,820,544	918,249
Total Primary Government	\$ 38,320,125	\$ 27,393,613	\$ 3,373,706	\$ 1,298,060

General Revenues:

Taxes:

Property Taxes

Franchise Taxes

Sales and Use Taxes

Transient Occupancy Tax

Business License Taxes

Motor vehicle in lieu, unrestricted

Investment Earnings

Miscellaneous Revenues

Transfers In (Out)

Transfers In (Out) to Successor Agency

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

Restatement of Net Position

Net Position - End of Year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,206,163)	\$ -	\$ (1,206,163)
(5,988,757)	-	(5,988,757)
(957,150)	-	(957,150)
(403,656)	-	(403,656)
(308,398)	-	(308,398)
(485,542)	-	(485,542)
<u>(9,349,666)</u>	<u>-</u>	<u>(9,349,666)</u>
-	947,524	947,524
-	1,128,439	1,128,439
-	669,567	669,567
-	(100,307)	(100,307)
-	357,665	357,665
-	92,032	92,032
<u>-</u>	<u>3,094,920</u>	<u>3,094,920</u>
<u>(9,349,666)</u>	<u>3,094,920</u>	<u>(6,254,746)</u>
2,994,033	-	2,994,033
430,113	-	430,113
5,665,615	-	5,665,615
443,251	-	443,251
227,400	-	227,400
5,062	-	5,062
55,614	272,315	327,929
120,480	-	120,480
411,537	(411,537)	-
(25,000)	1,004,599	979,599
<u>10,328,105</u>	<u>865,377</u>	<u>11,193,482</u>
978,439	3,960,297	4,938,736
44,310,152	122,030,671	166,340,823
<u>(130,175)</u>	<u>(974,479)</u>	<u>(1,104,654)</u>
<u>\$ 45,158,416</u>	<u>\$ 125,016,489</u>	<u>\$ 170,174,905</u>

The accompanying notes are an integral part of this statement.

City of Healdsburg
Balance Sheet
Governmental Funds
June 30, 2014

	General	Special Revenue Housing Successor Agency	Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 7,940,747	\$ 222,697	\$ 4,561,103	\$ 12,724,547
Cash and Investments with Fiscal Agents	-	1,960,184	-	1,960,184
Receivables:				
Accounts	5,090	-	57,956	63,046
Taxes	1,293,395	-	69,568	1,362,963
Notes	-	6,345,380	-	6,345,380
Interest	5,661	193	1,799	7,653
Due from Other Governments	30,291	-	-	30,291
Prepaid Expenditures	1,920	-	-	1,920
Advances to Other Funds	130,470	-	-	130,470
Due from Other Funds	2,131,995	-	-	2,131,995
Total Assets	\$ 11,539,569	\$ 8,528,454	\$ 4,690,426	\$ 24,758,449
LIABILITIES				
Accounts Payable	\$ 316,447	\$ -	\$ 76,922	\$ 393,369
Deposits Payable	423,391	-	649	424,040
Due to Other Funds	-	-	2,186,995	2,186,995
Unearned Revenue	1,108	-	-	1,108
Total Liabilities	740,946	-	2,264,566	3,005,512
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Taxes	226,741	-	-	226,741
Unavailable Revenues - Grants	-	-	55,900	55,900
Unavailable Revenues - Loans Receivable	-	6,345,380	-	6,345,380
Total Deferred Inflows of Resources	226,741	6,345,380	55,900	6,628,021
FUND BALANCES				
Nonspendable	132,390	-	-	132,390
Restricted	134,298	2,183,074	2,945,839	5,263,211
Committed	-	-	64	64
Assigned	2,318,575	-	-	2,318,575
Unassigned	7,986,619	-	(575,943)	7,410,676
Total Fund Balances	10,571,882	2,183,074	2,369,960	15,124,916
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,539,569	\$ 8,528,454	\$ 4,690,426	\$ 24,758,449

The accompanying notes are an integral part of this statement.

City of Healdsburg
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Fund Balances of Governmental Funds \$ 15,124,916

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

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

Capital Assets	32,600,005
Accumulated Depreciation	(8,155,350)

Interest payable on long-term debt does not require the use of current financial resources therefore, interest payable is not reported as a liability in the funds. (19,415)

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

General Obligation Bonds	(1,515,000)
Pension Obligation Bonds	(4,470,722)
OPEB	(403,000)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 5,368,961

Long-term assets are not available for current use. Amounts are deferred under the modified accrual basis of accounting. 6,628,021

Net Position of Governmental Activities \$ 45,158,416

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General	Special Revenue Housing Successor Agency	Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 2,400,182	\$ -	\$ 745,187	\$ 3,145,369
Sales and Other Taxes	6,546,957	-	-	6,546,957
Charges for Services	482,179	-	21,153	503,332
Fines and Forfeitures	72,130	-	-	72,130
Licenses and Permits	865,064	-	-	865,064
Development Fees	11,277	-	49,638	60,915
Intergovernmental	12,770	-	382,561	395,331
Investment Earnings	78,845	1,749	11,709	92,303
Other Revenues	217,184	60,447	-	277,631
Total Revenues	10,686,588	62,196	1,210,248	11,959,032
EXPENDITURES				
Current:				
General Government	1,117,381	-	12,868	1,130,249
Public Safety	6,879,689	-	10,872	6,890,561
Community Development	-	288	220,644	220,932
Planning and Building	957,150	-	-	957,150
Capital Outlay	-	-	1,569,422	1,569,422
Debt Service:				
Interest Expense	-	-	283,367	283,367
Principal	-	-	951,948	951,948
Total Expenditures	8,954,220	288	3,049,121	12,003,629
Excess (Deficiency) of Revenues Over Expenditures	1,732,368	61,908	(1,838,873)	(44,597)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	2,104,531	2,104,531
Transfers Out	(1,116,059)	-	(3,499)	(1,119,558)
Total Other Financing Sources (Uses)	(1,116,059)	-	2,101,032	984,973
Net Change in Fund Balances	616,309	61,908	262,159	940,376
Fund Balances, Beginning of Year	9,955,573	2,121,166	2,107,801	14,184,540
Fund Balances, End of Year	<u>\$ 10,571,882</u>	<u>\$ 2,183,074</u>	<u>\$ 2,369,960</u>	<u>\$ 15,124,916</u>

The accompanying notes are an integral part of this statement.

City of Healdsburg
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

Net Changes in Fund Balances - Total Governmental Funds \$ 940,376

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	-
Depreciation Expense	(485,542)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal Repayments	951,948
Amortization of Bond Discount	(3,410)
Amortization of Deferred Loss on Refunding	(35,761)

Governmental funds report all contributions in relation to the Annual Required Contribution (ARC) for OPEB as expenditures, however, in the Statement of Activities on the ARC is an expense. (43,000)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 14,140

Some revenues reported in the Statement of Activities are not considered available to finance current expenditures and therefore are not reported as revenues in the governmental funds. 324,979

Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The net revenue (expense) of the internal services funds is reported with governmental activities. (685,291)

Change in Net Position of Governmental Activities	\$ 978,439
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The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
ASSETS				
Current Assets:				
Cash and Investments	\$ 5,334,024	\$ 17,391,888	\$ 11,087,810	\$ 3,503,926
Cash and Investments with Fiscal Agents	2	3	-	-
Accounts Receivable - Net	855,457	1,152,948	1,880,562	32,656
Taxes Receivable	-	-	-	-
Notes and Loans Receivable	-	-	-	-
Interest Receivable	5,797	16,248	10,236	2,643
Due from Other Governments	-	-	-	147,133
Due from Other Funds	470,675	-	55,000	-
Prepaid Expenses	-	-	-	-
Inventory	87,364	8,337	1,301,702	46,072
Total Current Assets	6,753,319	18,569,424	14,335,310	3,732,430
Noncurrent Assets:				
Capital Assets, Not Being Depreciated				
Land	310,781	766,902	48,360	-
Construction in Progress	-	1,669,202	153,524	4,817,870
Total Capital Assets, Not Being Depreciated	310,781	2,436,104	201,884	4,817,870
Capital Assets, Depreciable				
Land Improvements	-	-	-	-
Buildings	1,480,552	206,166	447,835	-
Streets	-	-	-	28,100,589
Utility Systems	28,025,418	55,664,393	22,698,638	-
Drainage	-	10,197,784	-	-
Machinery and Equipment	642,170	581,929	1,070,166	18,783
Operations	-	-	-	-
Total Capital Assets, Depreciable	30,148,140	66,650,272	24,216,639	28,119,372
Less: Accumulated Depreciation	(9,888,082)	(17,023,320)	(10,397,097)	(10,297,145)
Total Noncurrent Assets	20,570,839	52,063,056	14,021,426	22,640,097
Total Assets	27,324,158	70,632,480	28,356,736	26,372,527

The accompanying notes are an integral part of this statement.

Community Service Fund	Enterprise Funds		Governmental Activities
	Non-major Enterprise Funds	Totals	Internal Service Funds
\$ 3,026,112	\$ 295,388	\$ 40,639,148	\$ 6,779,976
-	-	5	-
15,049	134,790	4,071,462	25,662
387,003	-	387,003	-
-	-	-	6,044
2,189	313	37,426	6,706
-	79,177	226,310	-
72,000	-	597,675	-
-	-	-	1,946
2,152	23,061	1,468,688	26,901
<u>3,504,505</u>	<u>532,729</u>	<u>47,427,717</u>	<u>6,847,235</u>
3,988,259	351,807	5,466,109	-
-	-	6,640,596	-
<u>3,988,259</u>	<u>351,807</u>	<u>12,106,705</u>	<u>-</u>
612,042	-	612,042	108,841
8,827,680	1,380,862	12,343,095	-
-	-	28,100,589	-
-	-	106,388,449	-
-	-	10,197,784	-
429,672	307,694	3,050,414	6,723,473
-	3,401,750	3,401,750	-
<u>9,869,394</u>	<u>5,090,306</u>	<u>164,094,123</u>	<u>6,832,314</u>
<u>(2,815,547)</u>	<u>(1,854,889)</u>	<u>(52,276,080)</u>	<u>(5,330,664)</u>
<u>11,042,106</u>	<u>3,587,224</u>	<u>123,924,748</u>	<u>1,501,650</u>
<u>14,546,611</u>	<u>4,119,953</u>	<u>171,352,465</u>	<u>8,348,885</u>

Continued

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Net Position - Continued
Proprietary Funds
June 30, 2014

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 69,154	\$ 196,661	\$ 174,732	\$ 374,558
Deposits Payable	4,620	150	347,980	169,098
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
Accrued Interest Payable	132,402	307,143	-	-
Claims Payable - Current	-	-	-	-
Compensated Absences - Current	-	-	-	-
Bonds Payable - Current	477,500	722,500	-	-
Pension Obligation Bonds Payable - Current	65,133	65,310	86,270	20,582
Capital Leases Payable - Current	-	-	-	-
Total Current Liabilities	<u>748,809</u>	<u>1,291,764</u>	<u>608,982</u>	<u>564,238</u>
Noncurrent Liabilities:				
Compensated Absences	-	-	-	-
Advances from Other Funds	-	-	-	-
Bonds Payable	9,907,500	25,787,500	-	-
Pension Obligation Bonds Payable	797,422	799,595	1,056,215	251,983
Capital Leases Payable	-	-	-	-
Total Noncurrent Liabilities	<u>10,704,922</u>	<u>26,587,095</u>	<u>1,056,215</u>	<u>251,983</u>
Total Liabilities	<u>11,453,731</u>	<u>27,878,859</u>	<u>1,665,197</u>	<u>816,221</u>
NET POSITION				
Net Investment in Capital Assets	10,185,839	25,553,056	14,021,426	22,640,097
Restricted:				
Capital Projects	1,707,092	4,906,244	1,817,943	906,896
Unrestricted	3,977,496	12,294,321	10,852,170	2,009,313
Total Net Position	<u>\$ 15,870,427</u>	<u>\$ 42,753,621</u>	<u>\$ 26,691,539</u>	<u>\$ 25,556,306</u>

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

Net Position of Business-type Activities

The accompanying notes are an integral part of this statement.

Community Service Fund	Enterprise Funds		Governmental Activities
	Other Enterprise Funds	Totals	Internal Service Funds
\$ 82,739	\$ 41,067	\$ 938,911	\$ 1,170,119
492,309	92,047	1,106,204	-
-	542,675	542,675	-
712,985	-	712,985	-
-	-	439,545	-
-	-	-	62,822
-	-	-	1,014,924
-	-	1,200,000	-
29,477	-	266,772	-
124,000	-	124,000	19,203
<u>1,441,510</u>	<u>675,789</u>	<u>5,331,092</u>	<u>2,267,068</u>
-	-	-	635,359
-	130,470	130,470	-
-	-	35,695,000	-
360,891	-	3,266,106	-
1,971,007	-	1,971,007	19,798
<u>2,331,898</u>	<u>130,470</u>	<u>41,062,583</u>	<u>655,157</u>
<u>3,773,408</u>	<u>806,259</u>	<u>46,393,675</u>	<u>2,922,225</u>
9,071,099	3,587,224	85,058,741	1,462,649
-	-	9,338,175	-
1,702,104	(273,530)	30,561,874	3,964,011
<u>\$ 10,773,203</u>	<u>\$ 3,313,694</u>	124,958,790	<u>\$ 5,426,660</u>
		<u>57,699</u>	
		<u>\$125,016,489</u>	

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
OPERATING REVENUES				
Charges for Services	\$ 4,616,242	\$ 7,526,288	\$ 11,135,283	\$ 671,341
Development Fees	225,289	507,813	8,515	76,678
Rental Income	-	-	-	-
Other Operating Revenues	10,412	24,071	28,408	32,528
Total Operating Revenues	4,851,943	8,058,172	11,172,206	780,547
OPERATING EXPENSES				
Purchase of Power	-	-	5,579,571	-
Maintenance and Operations	2,125,760	3,563,033	3,566,101	1,003,842
Administration	581,068	716,022	739,000	71,454
Insurance and Benefits Costs	-	-	-	-
Depreciation	589,967	1,278,913	558,276	548,162
Total Operating Expenses	3,296,795	5,557,968	10,442,948	1,623,458
Operating Income (Loss)	1,555,148	2,500,204	729,258	(842,911)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	39,046	116,387	73,209	22,084
Interest Expense	(599,463)	(1,357,482)	(38,267)	(17,893)
Taxes	-	-	-	-
Intergovernmental	-	-	-	235,563
Total Nonoperating Revenues (Expenses)	(560,417)	(1,241,095)	34,942	239,754
Income (Loss) Before Capital Contributions and Operating Transfers	994,731	1,259,109	764,200	(603,157)
Capital Contributions	-	-	-	528,505
Transfers In	-	-	-	714,600
Transfers Out	(316,865)	(667,679)	-	(147,116)
Change in Net Position	677,866	591,430	764,200	492,832
Net Position - Beginning of Year	15,756,773	42,572,458	25,927,339	25,063,474
Restatement of Net Position	(564,212)	(410,267)	-	-
Net Position - End of Year	\$ 15,870,427	\$ 42,753,621	\$ 26,691,539	\$ 25,556,306
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				
Changes in Net Position of Business-type Activities:				

The accompanying notes are an integral part of this statement.

Community Service Fund	Enterprise Funds		Governmental Activities
	Non-major Enterprise Funds	Totals	Internal Service Funds
\$ 483,344	\$ 279,527	\$ 24,712,025	\$ 6,505,381
-	-	818,295	-
156,686	283,965	440,651	124,972
8,588	16,367	120,374	92,648
<u>648,618</u>	<u>579,859</u>	<u>26,091,345</u>	<u>6,723,001</u>
-	-	5,579,571	-
1,897,074	1,056,668	13,212,478	1,946,783
417,251	96,951	2,621,746	394,129
-	-	-	4,248,094
<u>175,979</u>	<u>87,372</u>	<u>3,238,669</u>	<u>317,335</u>
<u>2,490,304</u>	<u>1,240,991</u>	<u>24,652,464</u>	<u>6,906,341</u>
<u>(1,841,686)</u>	<u>(661,132)</u>	<u>1,438,881</u>	<u>(183,340)</u>
19,284	2,305	272,315	45,475
(18,639)	-	(2,031,744)	-
2,216,561	-	2,216,561	-
<u>5,000</u>	<u>363,420</u>	<u>603,983</u>	<u>-</u>
<u>2,222,206</u>	<u>365,725</u>	<u>1,061,115</u>	<u>45,475</u>
380,520	(295,407)	2,499,996	(137,865)
-	389,744	918,249	-
1,107,599	-	1,822,199	3,499
<u>(97,477)</u>	<u>-</u>	<u>(1,229,137)</u>	<u>(601,935)</u>
1,390,642	94,337	4,011,307	(736,301)
9,382,561	3,219,357		6,162,961
<u>-</u>	<u>-</u>		<u>-</u>
<u>\$ 10,773,203</u>	<u>\$ 3,313,694</u>		<u>\$ 5,426,660</u>
		(51,010)	
		<u>\$ 3,960,297</u>	

The accompanying notes are an integral part of this statement.

**City of Healdsburg
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 4,893,997	\$ 8,038,436	\$ 11,113,543
Payments to Employees for Services	(1,092,080)	(1,410,515)	(1,784,795)
Payments to Suppliers for Goods and Services	(1,568,573)	(2,844,614)	(8,044,277)
Net Cash Provided (Used) by Operating Activities	<u>2,233,344</u>	<u>3,783,307</u>	<u>1,284,471</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Taxes	-	-	-
Cash Received from Other Funds	-	-	-
Cash Paid to Other Funds	(316,865)	(667,679)	-
Principal Paid on Loans Receivable	-	-	-
Due to/from Other Funds	(470,675)	-	-
Intergovernmental Revenue	-	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(787,540)</u>	<u>(667,679)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(588,439)	(997,889)	(144,126)
Interest Paid	(501,641)	(1,285,172)	(38,267)
Capital Grants	-	-	-
Principal Paid on Capital Debt	(495,000)	(700,000)	-
Payments on Long-term Debt	(43,065)	(40,715)	(67,055)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,628,145)</u>	<u>(3,023,776)</u>	<u>(249,448)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	37,434	113,408	70,889
Net Cash Provided (Used) by Investing Activities	<u>37,434</u>	<u>113,408</u>	<u>70,889</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(144,907)	205,260	1,105,912
Cash and Cash Equivalents, Beginning of the Year	5,478,933	17,186,631	9,981,898
Cash and Cash Equivalents, End of the Year	<u>\$ 5,334,026</u>	<u>\$ 17,391,891</u>	<u>\$ 11,087,810</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 1,555,148	\$ 2,500,204	\$ 729,258
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	589,967	1,278,913	558,276
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	40,425	(19,886)	(25,712)
Decrease (Increase) in Prepaid Expenses	-	-	-
Decrease (Increase) in Inventory	38,114	(816)	(19,951)
Increase (Decrease) in Accounts Payable	8,061	24,742	75,551
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Compensated Absences Payable	-	-	-
Increase (Decrease) in Deposits Payable	1,629	150	(32,951)
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,233,344</u>	<u>\$ 3,783,307</u>	<u>\$ 1,284,471</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Amortization Related to Long-term Debt	\$ 90,212	\$ 80,630	\$ -
Purchase of Capital Assets on Account	-	-	-

The accompanying notes are an integral part of this statement.

Enterprise Funds				Governmental Activities
Streets Fund	Community Service Fund	Non-major Enterprise Funds	Totals	Internal Service Funds
\$ 894,414	\$ 629,567	\$ 587,726	\$ 26,157,683	\$ 6,748,204
(611,694)	(830,366)	(447,335)	(6,176,785)	(615,960)
(378,020)	(1,344,711)	(686,971)	(14,867,166)	(5,516,369)
(95,300)	(1,545,510)	(546,580)	5,113,732	615,875
-	2,205,652	-	2,205,652	-
714,600	1,107,599	-	1,822,199	3,499
(147,116)	(97,477)	-	(1,229,137)	(601,935)
-	-	-	-	10,043
-	-	150,741	(319,934)	-
308,685	5,000	309,360	623,045	-
876,169	3,220,774	460,101	3,101,825	(588,393)
(1,404,608)	(969,950)	(381,601)	(4,486,613)	(404,437)
(17,893)	(18,639)	-	(1,861,612)	-
528,505	-	424,744	953,249	-
-	-	-	(1,195,000)	(23,847)
(31,355)	(32,662)	-	(214,852)	-
(925,351)	(1,021,251)	43,143	(6,804,828)	(428,284)
22,223	18,739	2,256	264,949	45,800
22,223	18,739	2,256	264,949	45,800
(122,259)	672,752	(41,080)	1,675,678	(355,002)
3,626,185	2,353,360	336,468	38,963,475	7,134,978
\$ 3,503,926	\$ 3,026,112	\$ 295,388	\$ 40,639,153	\$ 6,779,976
\$ (842,911)	\$ (1,841,686)	\$ (661,132)	\$ 1,438,881	\$ (183,340)
548,162	175,979	87,372	3,238,669	317,335
(32,090)	(6,044)	(25,441)	(68,748)	26,784
-	104,992	-	104,992	(1,946)
(4,191)	(285)	(3,642)	9,229	16,433
89,773	34,541	22,955	255,623	463,405
-	-	-	-	10,620
-	-	-	-	(31,835)
145,957	(13,007)	33,308	135,086	(1,581)
\$ (95,300)	\$ (1,545,510)	\$ (546,580)	\$ 5,113,732	\$ 615,875
\$ -	\$ -	\$ -	\$ 170,842	\$ -
-	4,400,000	-	4,400,000	-

City of Healdsburg
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private-purpose Trust Funds
ASSETS	
Cash and Investments	\$ 18,232,928
Cash and Investments with Fiscal Agent	6,500,760
Receivables:	
Accounts	9,945
Notes	880,745
Interest	16,130
Due from Other Funds	5,775,451
Capital Assets, Not Being Depreciated	6,568,726
Capital Assets, Net of Accumulated Depreciation	1,906,820
Total Assets	39,891,505
LIABILITIES	
Accounts Payable	4,965
Due to Other Funds	5,775,451
Interest Payable	919,739
Noncurrent Liabilities:	
Due within One Year	1,497,000
Due in More than One Year	50,438,600
Total Liabilities	58,635,755
NET POSITION	
Net Position (Deficit) Held in Trust for Successor Agency and Other Purposes	\$ (18,744,250)

The accompanying notes are an integral part of this statement.

City of Healdsburg
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Private-purpose Trust Funds
ADDITIONS	
Taxes and Assessments	\$ 3,660,709
Fees and Charges	307,397
Investment Earnings	170,413
Transfers from City	25,000
Total Additions	4,163,519
DEDUCTIONS	
Community Development	455,764
Depreciation	78,103
Interest Expense	3,247,047
Transfers to City	1,004,599
Total Deductions	4,785,513
Change in Net Position	(621,994)
Net Position - Beginning of Year	(17,025,124)
Restatement of Net Position	(1,097,132)
Net Position - End of Year	\$ (18,744,250)

The accompanying notes are an integral part of this statement.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The basic financial statements of the City of Healdsburg (City) include the financial activities of the City and its component unit: the Healdsburg Public Financing Authority (HPFA).

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board Statement (GASB) No.14 as amended by GASB No. 39 and No. 61. The City of Healdsburg is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component units' Board or because the component unit will provide a financial benefit or impose a financial burden on the City.

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

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

No separate financial statements are issued for HPFA.

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

B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements and fiduciary fund statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all the eligibility requirements have been satisfied.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables.

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

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Major Governmental Funds

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

The Housing Successor Agency Special Revenue Fund accounts for the revenue received from the City's affordable housing programs which facilitate housing development and affordable housing opportunities.

Major Enterprise Funds

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

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

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

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

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

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

Governmental Fund Types

Special Revenue Funds are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are required by statute or ordinance to finance particular functions or activities of government.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on long-term obligations.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

Proprietary Fund Types

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Internal Service Funds are used to account for the financing of special activities that provide services within the City. These activities include insurance and benefits, vehicle maintenance, information services and building maintenance.

Fiduciary Fund Types

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

Encumbrances

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

Cash and Investments

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Receivables and Payables

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

Advances to other funds, as reported in the fund financial statements, are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

Inventory

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

Prepays

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

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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-wide Financial Statements and in the Fund Financial Statements of the Proprietary Funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet/statement of net position.

The lives used for depreciation purposes of each capital asset class are:

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

Compensated Absences

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

Property Taxes

Property Tax Levy, Collection and Maximum Rates - The State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be adjusted by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts, and other districts.

Sonoma County assesses properties, bills for, and collects secured and unsecured property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates	50% on November 1, 50% on February 1	July 1
Delinquent as of	December 10 (for November), April 10 (for February)	August 31

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Claims Payable

The City reports its risk activities in the Insurance and Benefit Service Fund for its workers compensation and Building Maintenance Fund for its general liability. When it is probable that a claim liability has been incurred at fiscal year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. Estimated claims losses, if any, include an accrual for IBNR (“incurred but not reported”) claims. Small dollar claims are recorded as expenditures when paid.

Net Position

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

Net Position Flow Assumption

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

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

Fund Balance

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The classifications are as follows:

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

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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. 68

In June of 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The City has elected not to early implement GASB No. 68 and has not determined its effect on the City's financial statements.

2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances/Net Position

Nonmajor Governmental Funds - A deficit fund balance of \$15,929 exists in the North Area Special Revenue Fund and a deficit fund balance of \$560,014 exists in the General Capital Projects Fund. The City plans on removing the deficits through future development contributions and benefit assessments.

Nonmajor Enterprise Fund - A deficit net position of \$5,795 exists in the School Service Fund and a deficit fund balance of \$16,212 exists in the After School Program Fund. These deficits will be cleared by future transfers from the Community Services fund.

3) CASH AND INVESTMENTS

The City's cash and investments consisted of the following at June 30, 2014:

Cash on Hand	\$ 1,788
Deposits with Financial Institutions	13,953,444
Investments	<u>72,882,316</u>
 Total Cash and Investments	 <u>\$ 86,837,548</u>

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

	<u>Government- Wide Statement of Net Position</u>	<u>Fiduciary Fund Statement of Net Position</u>	<u>Total</u>
Unrestricted:			
Cash and Investments	\$ 60,143,671	\$ 18,232,928	\$ 78,376,599
Cash and Investments with Fiscal Agent	1,960,189	-	1,960,189
Restricted:			
Cash and Investments with Fiscal Agent	<u>-</u>	<u>6,500,760</u>	<u>6,500,760</u>
	<u>\$ 62,103,860</u>	<u>\$ 24,733,688</u>	<u>\$ 86,837,548</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

3) CASH AND INVESTMENTS - Continued

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

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

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

Investments Authorized by Debt Agreements

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

3) CASH AND INVESTMENTS - Continued

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

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 48 Months	49 to 60 Months
Certificate of Deposits	\$ 2,759,188	\$	\$ 500,730	\$ 2,258,458	\$
Money Market Funds	4,289,025	4,289,025			
Federal Agency Securities	16,908,950			13,905,230	3,003,720
County Investment Pool	299,221	299,221			
State Investment Pool	39,165,813	39,165,813			
Medium Term Notes	999,170	999,170			
Held by Bond Trustee:					
County Investment Pool	192,287	192,287			
Money Market Funds	8,268,662	8,268,662			
Total	\$ 72,882,316	\$ 53,214,178	\$ 500,730	\$ 16,163,688	\$ 3,003,720

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

3) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's, as of fiscal year end for each investment type:

Investment Type	Total as of June 30, 2014	Minimum Legal Rating	Rating as of Fiscal Year End			
			AAA	AA	A	Unrated
Certificate of Deposits	\$ 2,759,188	N/A	\$	\$	\$	\$ 2,759,188
Money Market Funds	4,289,025	N/A				4,289,025
Federal Agency Securities	16,908,950	N/A		16,908,950		
County Investment Pool	299,221	N/A				299,221
State Investment Pool	39,165,813	N/A				39,165,813
Medium Term Notes	999,170	N/A			999,170	
Held by Bond Trustee:						
County Investment Pool	192,287	N/A				192,287
Money Market Funds	8,268,662	N/A	8,268,662			
Total	\$ 72,882,316		\$ 8,268,662	\$16,908,950	\$999,170	\$ 46,705,534

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount	Maturity	Interest
FHLMC	Federal agency securities	\$ 6,991,060	2017 - 2018	1.10 - 2.00%
FHLB	Federal agency securities	4,969,660	2017 - 2018	0.81 - 1.125%

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

3) CASH AND INVESTMENTS - Continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2014, \$13,703,444 of the City's deposits (bank balances) in excess of the Federal Depository Insurance limits were held in collateralized accounts. As of June 30, 2014, the City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Certificates of deposit	\$ 2,759,188
Federal agency securities	16,908,950
Medium term notes	999,170
Money market funds	4,289,025

Investment in State Investment Pool

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

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.

4) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Advances to/from Other Funds

Interfund advances receivable and payables at June 30, 2014 are as follows:

Receivable Funds	Payable Funds	Amount
General Fund (Major)	Nonmajor Enterprise Funds	\$ 130,470

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

Due to/from Other Funds

Amounts due to and due from other funds at June 30, 2014 are as follows:

Receivable Funds	Payable Funds	Amount
General Fund (Major)	Nonmajor Governmental Funds	\$ 2,131,995
Major Water Enterprise Fund	Nonmajor Enterprise Funds	470,675
Major Electric Enterprise Fund	Nonmajor Governmental Funds	55,000
Major Community Service Fund	Nonmajor Enterprise Funds	72,000
TOTAL		<u>\$ 2,729,670</u>

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

4) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS – Continued

Interfund transfers at June 30, 2014 are as follows:

Transfers In	Transfers Out	Amount
Nonmajor Governmental Funds	General Fund	\$ 273,459
	Community Service Enterprise Fund	97,477
	Internal Service Funds	601,935
Nonmajor Governmental Funds	Water Enterprise Fund	316,865
	Sewer Enterprise Fund	667,679
	Streets Enterprise Fund	147,116
Streets Enterprise Fund	General Fund	714,600
Community Service Enterprise Fund	General Fund	103,000
	Private-purpose Trust Funds	1,004,599
Private-purpose Trust Funds	General Fund	25,000
Internal Service Funds	Nonmajor Governmental Funds	<u>3,499</u>
TOTAL		<u><u>\$ 3,955,229</u></u>

The transfer from the Internal Service Fund to the Nonmajor Governmental Funds of \$601,935 was to pay debt service on the pension obligation bonds.

The transfers from the General Fund to the Nonmajor Governmental Funds, Streets Enterprise Fund, Community Service Enterprise Fund, and the Private-purpose Trust Funds of \$273,459, \$714,600, \$103,000 and \$25,000, respectively, were to allocate Measure V funds.

The transfers from the Water, Sewer, and Streets Enterprise Funds of \$316,865, \$667,679, and \$147,116, respectively, to the Nonmajor Governmental Funds were to fund street projects in the current year.

The transfer of \$1,004,599 from the Private-purpose Trust Fund to the Community Service Enterprise Fund was to provide funding towards the purchase of the Foss Creek School Property.

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

5) NOTES RECEIVABLE

Notes receivable in the amount of \$6,351,424 at June 30, 2014 consisted of the following:

Housing Loans – Individuals	\$ 2,296,809
Housing Loan – Habitat for Humanity	315,000
Housing Loan – Eden Housing	3,733,571
Housing Loan – Burbank Housing	2,993,120
Employee Computer Loans	6,044
Subtotal	<u>9,344,544</u>
Less: Allowance for uncollectible loan	<u>(2,993,120)</u>
Total	<u><u>\$ 6,351,424</u></u>

6) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 9,345,068	\$ -	\$ -	\$ 9,345,068
Right of ways	6,681,379	-	-	6,681,379
Total Capital Assets, Not Depreciated	<u>16,026,447</u>	<u>-</u>	<u>-</u>	<u>16,026,447</u>
Capital Assets Being Depreciated:				
Land Improvements	108,841	-	-	108,841
Buildings	15,018,527	-	-	15,018,527
Machinery and Equipment	7,441,437	404,437	-	7,845,874
Infrastructure	432,630	-	-	432,630
Total Capital Assets Being Depreciated	<u>23,001,435</u>	<u>404,437</u>	<u>-</u>	<u>23,405,872</u>
Less Accumulated Depreciation:				
Land Improvements	10,884	10,884	-	21,768
Buildings	7,005,999	476,890	-	7,482,889
Machinery and Equipment	5,539,604	306,450	-	5,846,054
Infrastructure	126,650	8,653	-	135,303
Total Accumulated Depreciation	<u>12,683,137</u>	<u>802,877</u>	<u>-</u>	<u>13,486,014</u>
Total Capital Assets Being Depreciated, Net	<u>10,318,298</u>	<u>(398,440)</u>	<u>-</u>	<u>9,919,858</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 26,344,745</u></u>	<u><u>\$ (398,440)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,946,305</u></u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

6) CAPITAL ASSETS – Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 5,103,404	\$ 362,705	\$ -	\$ 5,466,109
Construction in Progress	4,974,355	2,307,911	641,670	6,640,596
Total Capital Assets, Not Depreciated	10,077,759	2,670,616	641,670	12,106,705
Capital Assets Being Depreciated:				
Buildings and Improvements	7,947,894	5,007,243	-	12,955,137
Streets	27,602,527	498,062	-	28,100,589
Utility Systems	105,711,557	676,892	-	106,388,449
Drainage	9,959,070	238,714	-	10,197,784
Machinery and Equipment	3,050,414	-	-	3,050,414
Operations	2,964,993	436,757	-	3,401,750
Total Capital Assets Being Depreciated	157,236,455	6,857,668	-	164,094,123
Less Accumulated Depreciation:				
Building and Improvements	4,520,346	230,236	-	4,750,582
Streets	9,735,831	547,358	-	10,283,189
Utility Systems	28,485,162	2,092,218	-	30,577,380
Drainage	3,525,904	199,181	-	3,725,085
Machinery and Equipment	2,083,212	113,938	-	2,197,150
Operations	686,956	55,738	-	742,694
Total Accumulated Depreciation	49,037,411	3,238,669	-	52,276,080
Total Capital Assets Being Depreciated, Net	108,199,044	3,618,999	-	111,818,043
Business-type Activities Capital Assets, Net	\$118,276,803	\$ 6,289,615	\$ (641,670)	\$123,924,748

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

Governmental Activities:

Unallocated	\$ 485,542
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	317,335
Total Depreciation Expense - Governmental Activities	\$ 802,877

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

6) CAPITAL ASSETS – Continued

Business-type Activities:

Water	\$ 589,967
Sewer	1,278,913
Electric	558,276
Streets	548,162
Community Services	175,979
Airport	64,314
Meeting Center	<u>23,058</u>

Total Depreciation Expense - Business-type Activities \$ 3,238,669

Capital asset activity for the Successor Agency Private-purpose Trust Fund for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Fiduciary Funds:				
Capital Assets, Not Depreciated:				
Land	\$ 4,999,262	\$ -	\$ -	\$ 4,999,262
Construction in Progress	<u>1,569,464</u>	<u>-</u>	<u>-</u>	<u>1,569,464</u>
Total Capital Assets, Not Depreciated	<u>6,568,726</u>	<u>-</u>	<u>-</u>	<u>6,568,726</u>
Capital Assets Being Depreciated:				
Buildings	1,803,373	-	-	1,803,373
Infrastructure	<u>899,545</u>	<u>-</u>	<u>-</u>	<u>899,545</u>
Total Capital Assets Being Depreciated	<u>2,702,918</u>	<u>-</u>	<u>-</u>	<u>2,702,918</u>
Less Accumulated Depreciation:				
Buildings	394,266	60,112	-	454,378
Infrastructure	<u>323,729</u>	<u>17,991</u>	<u>-</u>	<u>341,720</u>
Total Accumulated Depreciation	<u>717,995</u>	<u>78,103</u>	<u>-</u>	<u>796,098</u>
Total Capital Assets Being Depreciated, Net	<u>1,984,923</u>	<u>(78,103)</u>	<u>-</u>	<u>1,906,820</u>
Fiduciary Funds Capital Assets, Net	<u>\$ 8,553,649</u>	<u>\$ (78,103)</u>	<u>\$ -</u>	<u>\$ 8,475,546</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
1998 Refunding	\$ 620,000	\$ -	\$ 195,000	\$ 425,000	\$ 205,000
2003 Refunding	1,455,000	-	365,000	1,090,000	480,000
Pension Obligation Bonds	4,862,670	-	391,948	4,470,722	339,528
Bond Discount	(3,410)	-	(3,410)	-	-
Deferred Loss on Refunding	(35,761)	-	(35,761)	-	-
Compensated Absences	1,682,118	1,224,582	1,256,417	1,650,283	1,014,924
Capital Lease	62,848	-	23,847	39,001	19,203
OPEB	360,000	65,000	22,000	403,000	22,000
Governmental Activity Long-term Liabilities	<u>\$ 9,003,465</u>	<u>\$1,286,582</u>	<u>\$ 2,215,041</u>	<u>\$ 8,078,006</u>	<u>\$2,080,655</u>
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type Activities:					
2001 A – CSCDA Water	\$ 4,080,000	\$ -	\$ 4,080,000	\$ -	\$ -
2002 C – CSCDA Water/Wastewater	4,285,000	-	4,285,000	-	-
2005 D – CSCDA Water/Wastewater	5,185,000	-	210,000	4,975,000	215,000
2006 Wastewater Bonds	24,540,000	-	585,000	23,955,000	615,000
HUSD Capital Lease Payable	-	2,095,007	-	2,095,007	124,000
2014 Water Refunding Bonds	-	7,965,000	-	7,965,000	370,000
Pension Obligation Bonds	3,747,730	-	214,852	3,532,878	266,772
Total Bonds Payable	41,837,730	10,060,007	9,374,852	42,522,885	1,590,772
Bond Discount	(170,842)	-	(170,842)	-	-
Deferred loss on refunding	(432,976)	-	(432,976)	-	-
Business-type Activity Long-term Liabilities	<u>\$41,233,912</u>	<u>\$10,060,007</u>	<u>\$ 8,771,034</u>	<u>\$ 42,522,885</u>	<u>\$1,590,772</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

Governmental Activities:

A. General Obligation Refunding Bonds:

1998 General Obligation Refunding Bonds

In March 1998, the City issued \$2,675,000 in General Obligation Refunding Bonds to refund \$2,410,000 of outstanding 1990 Series B General Obligation Bonds, which were originally issued to provide for capital improvements. Interest on the 1998 bonds varies from 3.80% to 5.05% with semi-annual debt service payments on August 1 and February 1 of each year with principal maturing August 1, 1998 through August 1, 2015. Debt service payments are made from property tax levy authorized by the voters.

2003 General Obligation Refunding Bonds

In July 2003, the City issued \$3,620,000 in General Obligation Refunding Bonds to refund \$3,585,000 of outstanding 1998 General Obligation Bonds, which were originally issued to finance the construction of the police facilities. Interest on 2003 bonds varies from 2.5% to 3.6% with semi-annual debt service payments on August 1 and February 1 of each year with principal maturing August 1, 2004 through August 1, 2015. Debt service payments are made from property tax levy authorized by the voters.

Future debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 685,000	\$ 46,595	\$ 731,595
2016	830,000	16,535	846,535
Total	<u>\$ 1,515,000</u>	<u>\$ 63,130</u>	<u>\$ 1,578,130</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 Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

C. Pension Obligation Bonds

On September 7, 2012, the City issued \$2,578,200 Series A and \$6,339,200 Series B of 2012 Taxable Pension Obligation Bonds. The proceeds were used to pay costs of issuance totaling \$108,042 and pay off the CalPERS Side Funds amounting to \$2,546,762 (staff) and \$6,262,596 (miscellaneous).

The bonds carry interest rates of 4.25% and 4.37% for Series A and B respectively. The final maturity is June 30, 2020 and June 30, 2023 for Series A and B respectively. Semi-annual payments of principal and interest are due each June 30 and December 31 for each issue. Because the City’s enterprise funds are partially responsible for debt service on these bonds, the liability for the bonds is split between the governmental activities and business-type activities as follows: \$4,470,722 in governmental activities, and \$3,532,878 in business-type activities.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 606,300	\$ 321,635	\$ 927,935
2016	834,800	294,657	1,129,457
2017	906,100	259,944	1,166,044
2018	981,800	222,277	1,204,077
2019	1,061,600	181,481	1,243,081
2020	1,145,700	137,392	1,283,092
2021	761,300	94,493	855,793
2022	821,300	62,279	883,579
2023	884,700	27,537	912,237
Totals	<u>\$ 8,003,600</u>	<u>\$ 1,601,695</u>	<u>\$ 9,605,295</u>

D. 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,	Principal	Interest	Total
2015	\$ 19,203	\$ 1,210	\$ 20,413
2016	19,798	614	20,412
Totals	<u>\$ 39,001</u>	<u>\$ 1,824</u>	<u>\$ 40,825</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

E. Other Post-employment Benefits (OPEB):

Plan Description:

The City provides post-employment health care benefits through a single employer defined benefit plan. At retirement, employees can elect to receive Blue Cross or Kaiser medical coverage through the City medical plan at the retiree’s expense. Retirees (service or disability retiring through CalPERS directly through the City who are age 50 or over and who have a minimum of 10 years of service with the City) are eligible to obtain medical coverage. While the City does not directly contribute towards the cost of insurance premiums for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an “implicit subsidy” under GASB 45. Medical coverage is provided for the surviving spouse of retired employees and the surviving spouse of active employees who upon death had attained age 50 and who had a minimum of 10 years of service with the City. The Plan does not provide a publicly available financial report.

Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the City, the City’s Council, and/or the employee associations. The City is currently funding this OPEB obligation on a pay-as-you-go basis. For the fiscal year ended June 30, 2014, the City paid \$22,000 in health care costs for its retirees and their covered dependents.

Annual OPEB Cost and Net OPEB Obligation:

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

Annual Required Contribution (ARC)	\$ 79,000
Interest on Net OPEB Obligation	14,000
Adjustment to ARC	(28,000)
Annual OPEB Cost	<u>65,000</u>
Actual Contributions Made	<u>22,000</u>
Increase in Net OPEB Obligation	43,000
Net OPEB Obligation - Beginning of Year	360,000
Net OPEB Obligation - End of Year	<u><u>\$ 403,000</u></u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

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, 2014, 2013 and 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 59,000	\$ 22,000	37.29%	\$ 320,000
6/30/2013	62,000	22,000	35.48%	360,000
6/30/2014	65,000	22,000	33.85%	403,000

Funded Status and Funding Progress:

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

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

Actuarial Methods and Assumptions:

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

In the June 30, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment interest rate of 4.0% per annum, a projected salary increase of 3.25% per annum and a general inflation rate of 3.0% per annum. Amortization was based on a level of payroll over a 27 year closed period.

Business-type Activities:

A. 2005 D CSCDA Water/Wastewater Revenue Bonds

In October 2005, the City, through the California Statewide Communities Development Authority, issued \$6,505,000 in bonds to provide funds to defease the 1996 Sewer Improvement Certificates and the 2000 B Water and Sewer CSDA Certificates, which were originally issued to finance sewer improvements. The proceeds were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1996 Sewer improvement Certificates and the 2000 B Water and Sewer CSDA Certificates. The refunded bonds are considered to be defeased and the liability has been removed from long-term debt. Interest on the 2005 bonds is payable semiannually, on April 1 and October 1, with the principal payments due annually on October 1 of each year. Net revenues of the water and wastewater utilities are pledged as security for the bonds. The following represents the future minimum debt service requirements for the 2005 bonds:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 215,000	\$ 220,085	\$ 435,085
2016	225,000	211,886	436,886
2017	235,000	203,029	438,029
2018	250,000	193,446	443,446
2019	250,000	183,446	433,446
2020	255,000	173,187	428,187
2021	270,000	162,258	432,258
2022	285,000	150,531	435,531
2023	295,000	137,100	432,100
2024	315,000	121,850	436,850
2025	325,000	105,850	430,850
2026	350,000	88,975	438,975
2027	365,000	71,100	436,100
2028	310,000	54,806	364,806
2029	325,000	40,122	365,122
2030	345,000	24,628	369,628
2031	360,000	8,325	368,325
Totals	<u>\$ 4,975,000</u>	<u>\$ 2,150,624</u>	<u>\$ 7,125,624</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

B. 2006 Wastewater Revenue Bonds

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

The following represents the future minimum debt service requirements for the 2006 bonds:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 615,000	\$ 1,113,643	\$ 1,728,643
2016	650,000	1,082,893	1,732,893
2017	680,000	1,050,393	1,730,393
2018	700,000	1,023,193	1,723,193
2019	735,000	994,318	1,729,318
2020	775,000	963,080	1,738,080
2021	800,000	929,755	1,729,755
2022	835,000	894,755	1,729,755
2023	875,000	858,015	1,733,015
2024	910,000	819,515	1,729,515
2025	955,000	779,475	1,734,475
2026	990,000	736,500	1,726,500
2027	1,040,000	691,950	1,731,950
2028	1,150,000	645,150	1,795,150
2029	1,205,000	593,400	1,798,400
2030	1,255,000	539,175	1,794,175
2031	1,310,000	482,700	1,792,700
2032	1,535,000	423,750	1,958,750
2033	1,610,000	347,000	1,957,000
2034	1,690,000	266,500	1,956,500
2035	1,775,000	182,000	1,957,000
2036	1,865,000	93,250	1,958,250
Totals	<u>\$ 23,955,000</u>	<u>\$ 15,510,410</u>	<u>\$ 39,465,410</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

C. HUSD Capital Lease Payable

On February 1, 2014, the Healdsburg Public Financing Authority entered into a lease purchase agreement with the Healdsburg Unified School District (District) to purchase the Foss Creek School Property. As part of the agreement, the District loaned the City \$2,095,007 to be paid over a 15 year period with an interest rate of 2.4%. The book value of the property acquired through this capital lease and accumulated depreciation at June 30, 2014 was \$5,007,245 and \$0, respectively.

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

Fiscal Year Ending June 30,	Lease Payments
2015	\$ 172,909
2016	149,693
2017	152,093
2018	154,672
2019	157,325
2020	160,147
2021	163,032
2022	166,172
2023	169,360
2024	172,790
2025	176,351
2026	180,039
2027	183,944
2028	188,057
2029	171,825
Total	2,518,410
Less amount representing interest:	(423,403)
Present value of net minimum lease payments:	\$ 2,095,007

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

D. 2014 Water Refunding Bonds

In February of 2014, the City issued \$7,965,000 in Water Revenue Refunding Bonds, to refund the 2001 A and 2002 C outstanding bonds (current refunding). Proceeds from the 2014 bonds were placed in escrow to refund in full the 2001 A and 2002 C bonds, and to pay costs of issuance. As a result, the 2001 A and 2002 C bonds are considered defeased and the liability has been removed from these financial statements.

The City refunded the 2001 A and 2002 C bonds to reduce total debt service by approximately \$437,000, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$322,098.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 370,000	\$ 367,861	\$ 737,861
2016	430,000	306,270	736,270
2017	449,000	288,031	737,031
2018	473,000	268,899	741,899
2019	496,000	248,793	744,793
2020	508,000	227,959	735,959
2021	531,000	206,400	737,400
2022	557,000	183,824	740,824
2023	583,000	160,169	743,169
2024	604,000	135,539	739,539
2025	462,000	113,420	575,420
2026	484,000	93,790	577,790
2027	347,000	76,547	423,547
2028	253,000	64,097	317,097
2029	262,000	53,411	315,411
2030	270,000	42,371	312,371
2031	284,000	30,876	314,876
2032	297,000	18,820	315,820
2033	305,000	6,329	311,329
Totals	<u>\$ 7,965,000</u>	<u>\$ 2,893,406</u>	<u>\$ 10,858,406</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

Fiduciary Fund Long-term Liabilities:

Long-term liabilities of the former Healdsburg Redevelopment Agency were transferred to the Successor Agency Private-purpose Trust Fund during 2011-12 as a result of the State's action to dissolve redevelopment agencies. The following is a schedule of changes in long-term debt of the Successor Agency for the fiscal year ended June 30, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax Allocation Bonds:					
2002 Series A	\$ 11,010,000	\$ -	\$ 11,010,000	\$ -	\$ -
2002 Series B	1,470,000	-	50,000	1,420,000	50,000
2002 Series C	4,335,000	-	4,335,000	-	-
2003 Series A	10,215,000	-	325,000	9,890,000	335,000
2003 Series B	5,030,000	-	160,000	4,870,000	170,000
2010 Series	20,760,000	-	160,000	20,600,000	165,000
2014 Series A	-	10,876,200	-	10,876,200	557,300
2014 Series B	-	4,279,400	-	4,279,400	219,700
Total	\$ 52,820,000	\$ 15,155,600	\$ 16,040,000	\$ 51,935,600	\$ 1,497,000

Tax Allocation Bonds:

A. 2002 Series B

In August 2004, the Agency issued \$1,800,000 Series B 2002 Tax Allocation Bonds. The Bonds were issued for the purpose of providing funds to finance the Alliance Medical Clinic, which the Agency determined is a benefit to the Sotoyome Project Area. Interest on the bonds is at 4.75% with semiannual debt service payments due February 1 and August 1, with principal maturing annually August 1, 2005 through 2031. Debt service payments will be made from tax increment revenue received by the Trust.

Future debt service on these bonds is as follows:

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 50,000	\$ 66,263	\$ 116,263
2016	55,000	63,769	118,769
2017	55,000	61,156	116,156
2018	60,000	58,425	118,425
2019	60,000	55,575	115,575
2020	65,000	52,606	117,606
2021	70,000	49,400	119,400
2022	70,000	46,075	116,075
2023	75,000	42,631	117,631
2024	80,000	38,950	118,950
2025	80,000	35,150	115,150
2026	85,000	31,231	116,231
2027	90,000	27,075	117,075
2028	95,000	22,681	117,681
2029	100,000	18,050	118,050
2030	105,000	13,181	118,181
2031	110,000	8,075	118,075
2032	115,000	2,731	117,731
Totals	<u>\$ 1,420,000</u>	<u>\$ 693,024</u>	<u>\$ 2,113,024</u>

B. 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.

Future debt service on these bonds is as follows:

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 335,000	\$ 574,157	\$ 909,157
2016	345,000	556,851	901,851
2017	355,000	537,847	892,847
2018	365,000	517,111	882,111
2019	380,000	495,655	875,655
2020	395,000	473,335	868,335
2021	405,000	449,890	854,890
2022	425,000	425,156	850,156
2023	440,000	399,379	839,379
2024	450,000	372,857	822,857
2025	470,000	345,441	815,441
2026	490,000	316,833	806,833
2027	745,000	280,030	1,025,030
2028	780,000	234,390	1,014,390
2029	820,000	186,310	1,006,310
2030	855,000	135,976	990,976
2031	895,000	83,389	978,389
2032	940,000	28,247	968,247
Totals	<u>\$ 9,890,000</u>	<u>\$ 6,412,854</u>	<u>\$ 16,302,854</u>

C. 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.

Future debt service on these bonds is as follows:

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 170,000	\$ 283,939	\$ 453,939
2016	180,000	273,859	453,859
2017	185,000	263,346	448,346
2018	200,000	252,259	452,259
2019	210,000	240,450	450,450
2020	220,000	228,067	448,067
2021	230,000	214,876	444,876
2022	240,000	200,870	440,870
2023	255,000	186,119	441,119
2024	265,000	170,624	435,624
2025	285,000	154,234	439,234
2026	295,000	136,949	431,949
2027	310,000	118,920	428,920
2028	330,000	99,766	429,766
2029	345,000	79,482	424,482
2030	365,000	58,147	423,147
2031	385,000	35,609	420,609
2032	400,000	12,020	412,020
Totals	<u>\$ 4,870,000</u>	<u>\$ 3,009,536</u>	<u>\$ 7,879,536</u>

D. 2010 Series

On December 16, 2010 the Agency issued \$21,065,000 of Tax Allocation Bonds. The bonds were issued to: 1) refund the outstanding balance of the 1995 Tax Allocation Bonds in the amount of \$2,790,000, 2) finance improvements within the Sotoyome Project Area, 3) fund a reserve account, 4) fund a capitalized interest amount, and 5) pay costs of issuance.

The issue consists of \$5.26 million in Serial bonds maturing August 1, 2011 through August 1, 2023 with interest rates ranging from 2%-4.625%. There is also \$15.805 million in term bonds maturing on August 1, 2025, 2030, and 2034 at interest rates ranging from 5.00%-5.375%.

Serial bonds maturing after August 1, 2020 are subject to optional redemption. Term bonds maturing in 2025, 2030, and 2034 are subject to mandatory redemption from sinking fund payments made. The bonds are secured by a pledge and lien of the Agency's tax increment revenue.

Future debt service requirements on these bonds are as follows:

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 165,000	\$ 1,028,325	\$ 1,193,325
2016	165,000	1,023,375	1,188,375
2017	330,000	1,015,950	1,345,950
2018	395,000	1,004,581	1,399,581
2019	460,000	988,963	1,448,963
2020	535,000	969,063	1,504,063
2021	610,000	946,163	1,556,163
2022	670,000	919,726	1,589,726
2023	710,000	889,513	1,599,513
2024	755,000	856,078	1,611,078
2025	800,000	818,619	1,618,619
2026	850,000	777,369	1,627,369
2027	660,000	738,794	1,398,794
2028	705,000	702,963	1,407,963
2029	750,000	664,768	1,414,768
2030	800,000	624,081	1,424,081
2031	855,000	580,638	1,435,638
2032	910,000	533,737	1,443,737
2033	2,995,000	428,790	3,423,790
2034	3,155,000	263,510	3,418,510
2035	3,325,000	89,359	3,414,359
Totals	<u>\$ 20,600,000</u>	<u>\$ 15,864,365</u>	<u>\$ 36,464,365</u>

E. 2014 Series A and B

In May of 2014, the Successor Agency issued \$10,876,000 in 2014 Tax Allocation Refunding Bonds, Series A, to refund the outstanding 2002 Tax Allocation Bonds, Series A (current refunding). Proceeds from the 2014 Series A bonds were used to refund in full the 2002 Series A bonds, to establish a reserve fund, and to pay costs of issuance. As a result, the 2002 Series A bonds are considered defeased and the liability has been removed from these financial statements.

In May of 2014, the Successor Agency issued \$4,279,400 in 2014 Tax Allocation Refunding Bonds, Series B, to refund the outstanding 2002 Tax Allocation Bonds, Series C (current refunding). Proceeds from the 2014 Series B bonds were used to refund in full the 2002 Series C bonds, to establish a reserve fund, and to pay costs of issuance. As a result, the 2002 Series C bonds are considered defeased and the liability has been removed from these financial statements.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

The Successor Agency refunded the 2002 Series A and C bonds to reduce total debt service by approximately \$2.36 million, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1.8 million.

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

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

Tax Allocation Bonds - Series 2014 A

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 557,300	\$ 260,679	\$ 817,979
2016	460,600	343,012	803,612
2017	473,200	327,138	800,338
2018	488,600	310,787	799,387
2019	508,400	293,838	802,238
2020	522,700	276,310	799,010
2021	541,500	258,218	799,718
2022	559,600	239,499	799,099
2023	577,200	220,174	797,374
2024	599,000	200,178	799,178
2025	619,400	179,466	798,866
2026	639,000	158,073	797,073
2027	662,600	135,946	798,546
2028	685,300	113,031	798,331
2029	707,000	89,362	796,362
2030	732,600	64,889	797,489
2031	757,000	39,566	796,566
2032	785,200	13,348	798,548
Totals	<u>\$ 10,876,200</u>	<u>\$ 3,523,514</u>	<u>\$ 14,399,714</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

7) LONG-TERM LIABILITIES – Continued

Tax Allocation Bonds - Series 2014 B

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 219,700	\$ 102,561	\$ 322,261
2016	178,800	134,990	313,790
2017	187,900	128,756	316,656
2018	191,000	122,315	313,315
2019	199,000	115,685	314,685
2020	206,800	108,786	315,586
2021	214,300	101,628	315,928
2022	221,600	94,217	315,817
2023	228,600	86,564	315,164
2024	235,400	78,676	314,076
2025	241,600	70,567	312,167
2026	252,500	62,167	314,667
2027	263,100	53,403	316,503
2028	268,200	44,370	312,570
2029	277,900	35,086	312,986
2030	287,300	25,478	312,778
2031	296,100	15,560	311,660
2032	309,600	5,263	314,863
Totals	<u>\$ 4,279,400</u>	<u>\$ 1,386,072</u>	<u>\$ 5,665,472</u>

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 Financial Statements
Year Ended June 30, 2014

8) EMPLOYEES' RETIREMENT PLAN – Continued

Annual Required Contribution

The City is required to contribute at an actuarially determined rate; the current rate is 25.128%, 8.768%, and 6.70% for miscellaneous employees and 40.225%, 19.900%, and 11.50% for safety employees for the fiscal year ended June 30, 2014 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, 2014. The City's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,588,223, \$1,827,157, and \$2,744,295 respectively, and were equal to required contributions for each fiscal year.

9) NET POSITION AND FUND BALANCES

GASB Statement No. 63 adds the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Position

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

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

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

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

9) NET POSITION AND FUND BALANCES – Continued

B. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

	General Fund	Special Revenue Housing Successor Agency	Total Non-major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Nonspendable:				
Long-term Advances	\$ 130,470	\$	\$	\$ 130,470
Prepaid Expenditures	1,920			1,920
Restricted for:				
Fire Facilities	134,298			134,298
Low Income Housing		2,183,074		2,183,074
Community Development			87,096	87,096
Landscaping and Lighting			266,767	266,767
Law Enforcement			407,393	407,393
Parks and Recreation			138,593	138,593
Road Improvements			1,564,800	1,564,800
Debt Service			481,190	481,190
Committed to:				
Community Development			64	64
Assigned to:				
Equipment Replacement	441,136			441,136
Economic Development	1,877,439			1,877,439
Unassigned:	<u>7,986,619</u>		<u>(575,943)</u>	<u>7,410,676</u>
Total Fund Balance	<u>\$ 10,571,882</u>	<u>\$ 2,183,074</u>	<u>\$ 2,369,960</u>	<u>\$ 15,124,916</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

10) NORTHERN CALIFORNIA POWER AGENCY

Background

The City is a member of the Northern California Power Agency (NCPA), headquartered in Roseville, California. NCPA is a joint exercise of powers agency formed in 1968 under the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"). NCPA's Members currently consist of eleven cities with publicly owned electric utility distribution systems, a public utility district, a city port department, and a transit district as Members, a water agency and a rural electric cooperative as associate Members. Under the terms of the NCPA Joint Powers Agreement entered into by all Members, NCPA possesses the general powers to acquire, purchase, generate, transmit, distribute and sell electrical capacity and energy. Specific powers include the power to enter into contracts, acquire and construct electric generating facilities, issue revenue bonds and notes and acquire property by eminent domain.

The member Services Agreements, dated as of February 12, 1981, and the Facilities Agreement, dated as of September 22, 1993, provide for the development of all projects undertaken by NCPA in three separate phases: (i) the initial phase of general investigation funded by NCPA's general fund; (ii) the second phase whereby Members of NCPA electing to participate in the project execute a project agreement to provide for the cost of development of the project (now referred to as an "NCPA Project"); and (iii) the third phase during which all remaining aspects, including financing, construction and operation of the NCPA Project are undertaken.

Organization and Management

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

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

Today, the organization is guided by an ethic of environmental stewardship, fiscal responsibility and community service, coupled with a strong sense of mission to advance the state of the art in renewable energy. Each NCPA Member has agreed to fund a pro rata share of certain assessments by NCPA and enter into power supply contract with NCPA to purchase power in support of bearing the costs of NCPA operations, energy and facilities. While governed by its Members, none of NCPA's obligations are those of its Members unless expressly assumed by

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

10) NORTHERN CALIFORNIA POWER AGENCY – Continued

them. As computed by NCPA amounts paid by the City to NCPA during the year ending June 30, 2014 were \$5.58 million for electric power acquisition charges and are reported as an expense of the Electric Utility Fund.

Additionally, the NCPA Commission identified and approved the funding of specific reserves for working capital, accumulated employee's post-retirement medical benefits, and billed property taxes for the geothermal project. The Commission also identified a number of contingent liabilities that may or may not be realized, the cost of which in most cases is difficult to estimate at this time. One such contingent liability is the steam filed depletion which will require funding to cover debt service and operational cost in excess of the expected value of the electric power. The General Operating Reserve (the "GOR") is intended to minimize the number and amount of individual reserves needed for each project, protect NCPA's financial condition and maintain its credit worthiness. These funds are available on demand, but the City has left them with NCPA as a reserve against these contingencies identified by NCPA. The City's GOR balance as computed by NCPA was \$5.4 million as of June 30, 2014. 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.

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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

10) NORTHERN CALIFORNIA POWER AGENCY – Continued

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

NCPA Geothermal Project

NCPA has developed a geothermal project (the "Geothermal Project") located on federal land in certain areas of Sonoma and Lake Counties, California (the "Geysers Area"). In addition to the geothermal leasehold, wells, gathering system and related facilities, the Geothermal Project consists of two electric generating stations (Plant 1 and Plant 2), each with two 55 MW (nameplate rating) turbine generator units utilizing low pressure, low temperature geothermal steam, associated electrical, mechanical and control facilities, a heat dissipation system, a steam gathering system, a transmission tapline and other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells. NCPA formed two not-for-profit corporations controlled by its Members to own the generating plants of the Geothermal Project. NCPA manages the Geothermal Project for the corporations and is entitled to all the capacity and energy generated by the Geothermal Project.

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

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 Financial Statements
Year Ended June 30, 2014

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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

10) NORTHERN CALIFORNIA POWER AGENCY – Continued

Combustion Turbine Project

The original project consisted of five combustion turbine units, each nominally rated at approximately 25 megawatts. Concurrent with the final project bond maturity, two units located in Roseville were acquired by an Agency member. The remaining project consists of two units in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. The City is obligated to pay 3.5% of the debt service and operating costs.

Lodi Energy Center

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

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

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

10) NORTHERN CALIFORNIA POWER AGENCY – Continued

NCPA Condensed Financial Information

The information below summarizes NCPA’s audited financial statements as of and for the fiscal year ending June 30, 2014 (in thousands), which is the latest information available:

Total Assets and Deferred Outflows	\$ 1,213,373
Total Liabilities and Deferred Inflows	1,181,140
Long-term Debt	855,672
Net Position	32,233
Revenues	408,833
Expenses (including refunds)	412,005
Decrease in Net Position	(3,172)

11) Risk Management

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

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

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.

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

11) Risk Management – Continued

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

Changes in the Internal Service Funds claims liabilities amounts in fiscal year 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Balance, Beginning of Fiscal Year	\$ 52,202	\$ 60,832
Claims and Adjustments	483,873	485,697
Claims Payments	<u>(473,253)</u>	<u>(494,327)</u>
Balance, End of Fiscal Year	<u>\$ 62,822</u>	<u>\$ 52,202</u>

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

12) COMMITMENTS AND CONTINGENCIES

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

The City has entered into long-term electric power purchase generation assets and electric transmission contracts. These contracts were entered into by NCPA on behalf of various members (see Note 10) including the City. Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements. The City's estimated share of such debt outstanding at June 30, 2012 was \$28.4 million. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

California-Oregon Transmission Project

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

Western Area Power Administration

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

Healdsburg Bridge Project

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

City of Healdsburg
Notes to Financial Statements
Year Ended June 30, 2014

12) COMMITMENTS AND CONTINGENCIES – Continued

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

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

Construction Commitments

The estimated amount of remaining construction contract obligations at year-end is \$11,336,264.

13) PRIOR PERIOD ADJUSTMENTS

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, in fiscal year 2013-14. As a result, the beginning net position in the Statement of Activities and the Statement of Changes in Net Position - Fiduciary Funds was restated by \$1,104,654 and \$1,097,132, respectively, to reflect the cumulative effect of applying this statement.

14) SUBSEQUENT EVENTS

In October 2014, the Redevelopment Successor Agency Board approved the issuance of the 2014 Tax Allocation Refunding Bonds, Series C and D to refund the 2003 Tax Allocation Bonds, Series A and B, respectively.

Management of the City has evaluated subsequent events through March 20, 2015, the date these financial statements were available to be issued, and has determined there were no other material events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 2,056,793	\$ 2,056,793	\$ 2,400,182	\$ 343,389
Sales and Other Taxes	5,642,849	5,642,849	6,546,957	904,108
Charges for Services	319,710	319,710	482,179	162,469
Fines and Forfeitures	42,000	42,000	72,130	30,130
Licenses and Permits	633,323	637,123	865,064	227,941
Development Fees	-	-	11,277	11,277
Intergovernmental	2,500	2,500	12,770	10,270
Investment Earnings	42,000	42,000	78,845	36,845
Other Revenues	154,251	154,251	217,184	62,933
Total Revenues	8,893,426	8,897,226	10,686,588	1,789,362
EXPENDITURES				
Current:				
General Government	1,462,735	1,302,735	1,117,381	185,354
Public Safety	6,863,550	6,867,350	6,879,689	(12,339)
Planning and Building	1,160,645	1,255,645	957,150	298,495
Total Expenditures	9,486,930	9,425,730	8,954,220	471,510
Excess (Deficiency) of Revenues over Expenditures	(593,504)	(528,504)	1,732,368	2,260,872
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Transfers Out	(160,000)	(160,000)	(1,116,059)	(956,059)
Total Other Financing Sources (Uses)	(160,000)	(160,000)	(1,116,059)	(956,059)
Net Change in Fund Balances	(753,504)	(688,504)	616,309	1,304,813
Fund Balance, Beginning of Year	9,955,573	9,955,573	9,955,573	-
Fund Balance, End of Year	<u>\$ 9,202,069</u>	<u>\$ 9,267,069</u>	<u>\$ 10,571,882</u>	<u>\$ 1,304,813</u>

City of Healdsburg
Schedule of Funding Progress for OPEB
Year Ended June 30, 2014

(Amounts in Thousands)

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

City of Healdsburg
Notes to Required Supplementary Information
Year Ended June 30, 2014

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. A budget was not adopted for the Housing Successor Agency Special Revenue fund.

Excess of Expenditures over Appropriations

Major Governmental Funds:	Amount of Excess
General Fund	
Public Safety	\$ 12,339

SUPPLEMENTARY INFORMATION

City of Healdsburg
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2014

	Special Revenue			
	Gas Tax	North Area	Benjamin Way Maintenance District	Public Safety
ASSETS				
Cash and Investments	\$ 1,525,950	\$ 39,037	\$ 7,209	\$ 416,640
Cash and Investments with Fiscal Agent	-	-	-	-
Receivables:				
Accounts	-	55,900	-	-
Taxes	37,529	-	-	-
Notes	-	-	-	-
Interest	1,321	34	6	-
Due from Other Governments	-	-	-	-
Prepaid Expenditures	-	-	-	-
Total Assets	<u>\$ 1,564,800</u>	<u>\$ 94,971</u>	<u>\$ 7,215</u>	<u>\$ 416,640</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 8,598
Deposits Payable	-	-	-	649
Due to Other Funds	-	55,000	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>9,247</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Grants	-	55,900	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>55,900</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	1,564,800	-	7,215	407,393
Committed	-	-	-	-
Unassigned	-	(15,929)	-	-
Total Fund Balances	<u>1,564,800</u>	<u>(15,929)</u>	<u>7,215</u>	<u>407,393</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,564,800</u>	<u>\$ 94,971</u>	<u>\$ 7,215</u>	<u>\$ 416,640</u>

Special Revenue						
Other Special Revenue	Strong Motion Education and Data	Area A Lighting and Landscaping	Media Center	Park Development Fees	General Debt Service	General Capital Projects
\$ 64	\$ 1,140	\$ 264,012	\$ 9,394	\$ 138,473	\$ 953,091	\$ 1,131,660
-	-	-	-	-	-	-
-	-	-	2,056	-	-	-
-	-	2,632	-	-	29,407	-
-	-	-	-	-	-	-
-	1	245	8	120	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 64</u>	<u>\$ 1,141</u>	<u>\$ 266,889</u>	<u>\$ 11,458</u>	<u>\$ 138,593</u>	<u>\$ 982,498</u>	<u>\$ 1,131,660</u>
\$ -	\$ -	\$ 7,337	\$ -	\$ -	\$ -	\$ 60,987
-	-	-	-	-	-	-
-	-	-	-	-	501,308	1,630,687
-	-	-	-	-	-	-
-	-	7,337	-	-	501,308	1,691,674
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,141	259,552	11,458	138,593	481,190	-
64	-	-	-	-	-	-
-	-	-	-	-	-	(560,014)
<u>64</u>	<u>1,141</u>	<u>259,552</u>	<u>11,458</u>	<u>138,593</u>	<u>481,190</u>	<u>(560,014)</u>
<u>\$ 64</u>	<u>\$ 1,141</u>	<u>\$ 266,889</u>	<u>\$ 11,458</u>	<u>\$ 138,593</u>	<u>\$ 982,498</u>	<u>\$ 1,131,660</u>

Continued

City of Healdsburg
Combining Balance Sheet
Non-major Governmental Funds - Continued
June 30, 2014

	Permanent Fund	Total Non-major Funds
	Cultural Trust	
ASSETS		
Cash and Investments	\$ 74,433	\$ 4,561,103
Cash and Investments with Fiscal Agent	-	-
Receivables:		
Accounts	-	57,956
Taxes	-	69,568
Notes	-	-
Interest	64	1,799
Due from Other Governments	-	-
Prepaid Expenditures	-	-
	<u>\$ 74,497</u>	<u>\$ 4,690,426</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 76,922
Deposits Payable	-	649
Due to Other Funds	-	2,186,995
Unearned Revenue	-	-
	<u>-</u>	<u>2,264,566</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues - Grants	-	55,900
	<u>-</u>	<u>55,900</u>
FUND BALANCES		
Restricted	74,497	2,945,839
Assigned	-	64
Unassigned	-	(575,943)
	<u>74,497</u>	<u>2,369,960</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 74,497</u>	<u>\$ 4,690,426</u>

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City of Healdsburg
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year Ended June 30, 2014

	Special Revenue			
	Gas Tax	North Area	Benjamin Way Maintenance District	Public Safety
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	25,054
Fines and Forfeitures	-	-	-	-
Licenses and Permits	-	-	-	-
Development Fees	-	-	-	-
Intergovernmental	379,811	-	-	2,750
Investment Earnings	8,517	254	46	10
Other Revenues	-	-	-	-
Total Revenues	388,328	254	46	27,814
EXPENDITURES				
Current:				
General Government	26	-	-	-
Public Safety	-	-	-	10,872
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Interest Charges	-	-	-	-
Principal	-	-	-	-
Total Expenditures	26	-	-	10,872
Excess (Deficiency) of Revenues Over Expenditures	388,302	254	46	16,942
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	273,459
Transfers Out	-	-	-	(3,499)
Total Other Financing Sources (Uses)	-	-	-	269,960
Net Change in Fund Balances	388,302	254	46	286,902
Fund Balances, Beginning of Year	1,176,498	(16,183)	7,169	120,491
Fund Balances, End of Year	<u>\$ 1,564,800</u>	<u>\$ (15,929)</u>	<u>\$ 7,215</u>	<u>\$ 407,393</u>

Special Revenue						
Other Special Revenue	Strong Motion Education and Data	Area A Lighting and Landscaping	Media Center	Park Development Fees	General Debt Service	General Capital Projects
\$ -	\$ -	\$ 151,336	\$ -	\$ -	\$ 593,851	\$ -
-	160	-	(4,061)	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	49,638	-	-
-	-	-	-	-	-	-
-	7	1,494	157	970	(233)	-
-	-	-	-	-	-	-
-	167	152,830	(3,904)	50,608	593,618	-
-	-	-	12,341	-	-	-
-	-	-	-	-	-	-
-	-	220,644	-	-	-	-
-	-	-	-	-	-	1,569,422
-	-	-	-	-	283,367	-
-	-	-	-	-	951,948	-
-	-	220,644	12,341	-	1,235,315	1,569,422
-	167	(67,814)	(16,245)	50,608	(641,697)	(1,569,422)
-	-	97,477	-	-	601,935	1,131,660
-	-	-	-	-	-	-
-	-	97,477	-	-	601,935	1,131,660
-	167	29,663	(16,245)	50,608	(39,762)	(437,762)
64	974	229,889	27,703	87,985	520,952	(122,252)
<u>\$ 64</u>	<u>\$ 1,141</u>	<u>\$ 259,552</u>	<u>\$ 11,458</u>	<u>\$ 138,593</u>	<u>\$ 481,190</u>	<u>\$ (560,014)</u>

Continued

City of Healdsburg
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds - Continued
Year Ended June 30, 2014

	Permanent Fund	Total Non-major Funds
	Cultural Trust	
REVENUES		
Property Taxes	\$ -	\$ 745,187
Charges for Services	-	21,153
Fines and Forfeitures	-	-
Licenses and Permits	-	-
Development Fees	-	49,638
Intergovernmental	-	382,561
Investment Earnings	487	11,709
Other Revenues	-	-
	487	1,210,248
EXPENDITURES		
Current:		
General Government	501	12,868
Public Safety	-	10,872
Community Development	-	220,644
Capital Outlay	-	1,569,422
Debt Service:		
Interest Charges	-	283,367
Principal	-	951,948
	501	3,049,121
Excess (Deficiency) of Revenues Over Expenditures	(14)	(1,838,873)
OTHER FINANCING SOURCES (USES)		
Transfers In	-	2,104,531
Transfers Out	-	(3,499)
	-	2,101,032
Net Change in Fund Balances	(14)	262,159
Fund Balances, Beginning of Year	74,511	2,107,801
Fund Balances, End of Year	\$ 74,497	\$ 2,369,960

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gas Tax Special Revenue Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 279,129	\$ 379,811	\$ 100,682
Investment Earnings	4,500	8,517	4,017
Total Revenues	<u>283,629</u>	<u>388,328</u>	<u>104,699</u>
EXPENDITURES			
Current:			
General Government	<u>355,431</u>	<u>26</u>	<u>355,405</u>
Total Expenditures	<u>355,431</u>	<u>26</u>	<u>355,405</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(71,802)</u>	<u>388,302</u>	<u>460,104</u>
Net Change in Fund Balance	(71,802)	388,302	460,104
Fund Balance, Beginning of Year	<u>1,176,498</u>	<u>1,176,498</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,104,696</u></u>	<u><u>\$ 1,564,800</u></u>	<u><u>\$ 460,104</u></u>

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - North Area Special Revenue Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Investment Earnings	-	254	254
Total Revenues	-	254	254
EXPENDITURES			
Current:			
Community Development	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	254	254
Net Change in Fund Balance	-	254	254
Fund Balance, Beginning of Year	(16,183)	(16,183)	-
Fund Balance, End of Year	<u>\$ (16,183)</u>	<u>\$ (15,929)</u>	<u>\$ 254</u>

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Benjamin Way Maintenance District Special Revenue Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Investment Earnings	-	46	46
Total Revenues	-	46	46
EXPENDITURES			
Current:			
Community Development	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	46	46
Net Change in Fund Balance	-	46	46
Fund Balance, Beginning of Year	7,169	7,169	-
Fund Balance, End of Year	<u>\$ 7,169</u>	<u>\$ 7,215</u>	<u>\$ 46</u>

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Safety Special Revenue Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services	\$ -	\$ 25,054	\$ 25,054
Intergovernmental	-	2,750	2,750
Investment Earnings	-	10	10
	<u>-</u>	<u>27,814</u>	<u>27,814</u>
Total Revenues	<u>-</u>	<u>27,814</u>	<u>27,814</u>
EXPENDITURES			
Current:			
Public Safety	-	10,872	(10,872)
	<u>-</u>	<u>10,872</u>	<u>(10,872)</u>
Total Expenditures	<u>-</u>	<u>10,872</u>	<u>(10,872)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>16,942</u>	<u>16,942</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	273,459	273,459
Transfers Out	-	(3,499)	(3,499)
	<u>-</u>	<u>269,960</u>	<u>269,960</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>269,960</u>	<u>269,960</u>
Net Change in Fund Balance	-	286,902	286,902
Fund Balance, Beginning of Year	<u>120,491</u>	<u>120,491</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 120,491</u>	<u>\$ 407,393</u>	<u>\$ 286,902</u>

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Other Special Revenue Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Investment Earnings	-	-	-
Total Revenues	-	-	-
EXPENDITURES			
Current:			
Community Development	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance, Beginning of Year	64	64	-
Fund Balance, End of Year	\$ 64	\$ 64	\$ -

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Strong Motion Education and Data Special Revenue Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services	\$ -	\$ 160	\$ 160
Investment Earnings	-	7	7
Total Revenues	<u>-</u>	<u>167</u>	<u>167</u>
EXPENDITURES			
Current:			
Community Development	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>167</u>	<u>167</u>
Net Change in Fund Balance	-	167	167
Fund Balance, Beginning of Year	<u>974</u>	<u>974</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 974</u>	<u>\$ 1,141</u>	<u>\$ 167</u>

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Area A Lighting and Landscaping Special Revenue Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 151,535	\$ 151,336	\$ (199)
Intergovernmental	-	-	-
Investment Earnings	754	1,494	740
Total Revenues	<u>152,289</u>	<u>152,830</u>	<u>541</u>
EXPENDITURES			
Current:			
Community Development	<u>267,132</u>	<u>220,644</u>	<u>46,488</u>
Total Expenditures	<u>267,132</u>	<u>220,644</u>	<u>46,488</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(114,843)</u>	<u>(67,814)</u>	<u>47,029</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	97,477	97,477
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>97,477</u>	<u>97,477</u>
Net Change in Fund Balance	(114,843)	29,663	144,506
Fund Balance, Beginning of Year	<u>229,889</u>	<u>229,889</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 115,046</u></u>	<u><u>\$ 259,552</u></u>	<u><u>\$ 144,506</u></u>

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Media Center Special Revenue Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for Services	\$ -	\$ (4,061)	\$ (4,061)
Investment Earnings	-	157	157
Total Revenues	<u>-</u>	<u>(3,904)</u>	<u>(3,904)</u>
EXPENDITURES			
Current:			
General Government	-	12,341	(12,341)
Total Expenditures	<u>-</u>	<u>12,341</u>	<u>(12,341)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(16,245)</u>	<u>(16,245)</u>
Net Change in Fund Balance	-	(16,245)	(16,245)
Fund Balance, Beginning of Year	<u>27,703</u>	<u>27,703</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 27,703</u></u>	<u><u>\$ 11,458</u></u>	<u><u>\$ (16,245)</u></u>

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Park Development Fees Special Revenue Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Development Fees	\$ -	\$ 49,638	\$ 49,638
Investment Earnings	-	970	970
Total Revenues	-	50,608	50,608
EXPENDITURES			
Current:			
General Government	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	50,608	50,608
Net Change in Fund Balance	-	50,608	50,608
Fund Balance, Beginning of Year	87,985	87,985	-
Fund Balance, End of Year	<u>\$ 87,985</u>	<u>\$ 138,593</u>	<u>\$ 50,608</u>

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Debt Service Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ -	\$ 593,851	\$ 593,851
Investment Earnings	-	(233)	(233)
Total Revenues	<u>-</u>	<u>593,618</u>	<u>593,618</u>
EXPENDITURES			
Debt Service:			
Interest	421,794	283,367	138,427
Principal	1,166,800	951,948	214,852
Total Expenditures	<u>1,588,594</u>	<u>1,235,315</u>	<u>353,279</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,588,594)</u>	<u>(641,697)</u>	<u>946,897</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	601,935	601,935
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>601,935</u>	<u>601,935</u>
Net Change in Fund Balance	(1,588,594)	(39,762)	1,548,832
Fund Balance, Beginning of Year	<u>520,952</u>	<u>520,952</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (1,067,642)</u></u>	<u><u>\$ 481,190</u></u>	<u><u>\$ 1,548,832</u></u>

City of Healdsburg
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Capital Projects Fund
Year Ended June 30, 2014

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Investment Earnings	-	-	-
Total Revenues	-	-	-
EXPENDITURES			
Capital Outlay	-	1,569,422	(1,569,422)
Total Expenditures	-	1,569,422	(1,569,422)
Excess (Deficiency) of Revenues over Expenditures	-	(1,569,422)	(1,569,422)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	1,131,660	1,131,660
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	1,131,660	1,131,660
Net Change in Fund Balance	-	(437,762)	(437,762)
Fund Balance, Beginning of Year	(122,252)	(122,252)	-
Fund Balance, End of Year	<u>\$ (122,252)</u>	<u>\$ (560,014)</u>	<u>\$ (437,762)</u>

City of Healdsburg
Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2014

	Transit Fund	Airport Fund	Meeting Center Fund	School Service Fund
ASSETS				
Current Assets:				
Cash and Investments	\$ -	\$ 291,401	\$ -	\$ 3,987
Accounts Receivable - Net	121,700	8,350	4,145	-
Interest Receivable	-	305	-	8
Due from Other Governments	47,550	10,000	-	-
Inventory	-	23,061	-	-
Total Current Assets	<u>169,250</u>	<u>333,117</u>	<u>4,145</u>	<u>3,995</u>
Noncurrent Assets:				
Capital Assets, Not Being Depreciated				
Land	-	119,834	231,973	-
Construction In Progress	-	-	-	-
Capital Assets, Depreciable				
Buildings	-	186,451	1,194,411	-
Machinery and Equipment	-	209,510	98,184	-
Operations	-	3,381,750	20,000	-
Total Capital Assets	-	3,897,545	1,544,568	-
Less Accumulated Depreciation	-	(1,105,904)	(748,985)	-
Total Capital Assets, Net of Accumulated Depreciation	-	<u>2,791,641</u>	<u>795,583</u>	-
Total Noncurrent Assets	-	<u>2,791,641</u>	<u>795,583</u>	-
Total Assets	<u>169,250</u>	<u>3,124,758</u>	<u>799,728</u>	<u>3,995</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	99	20,618	10,354	9,790
Deposits Payable	338	12,184	79,525	-
Due to Other Funds	104,264	-	400,183	-
Advances from Other Funds	-	-	130,470	-
Total Current Liabilities	<u>104,701</u>	<u>32,802</u>	<u>620,532</u>	<u>9,790</u>
NET POSITION				
Net Investment in Capital Assets	-	2,791,641	795,583	-
Unrestricted	64,549	300,315	(616,387)	(5,795)
Total Net Position	<u>\$ 64,549</u>	<u>\$ 3,091,956</u>	<u>\$ 179,196</u>	<u>\$ (5,795)</u>

After School Program Fund	Totals
\$ -	\$ 295,388
595	134,790
-	313
21,627	79,177
-	23,061
<u>22,222</u>	<u>532,729</u>
-	351,807
-	-
-	1,380,862
-	307,694
-	3,401,750
-	5,442,113
-	(1,854,889)
-	3,587,224
-	3,587,224
<u>22,222</u>	<u>4,119,953</u>
206	41,067
-	92,047
38,228	542,675
-	130,470
<u>38,434</u>	<u>806,259</u>
-	3,587,224
(16,212)	(273,530)
<u>\$ (16,212)</u>	<u>\$ 3,313,694</u>

City of Healdsburg
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-major Enterprise Funds
Year Ended June 30, 2014

	Transit Fund	Airport Fund	Meeting Center Fund	School Service Fund
OPERATING REVENUES				
Charges for Services	\$ 12,086	\$ 217,175	\$ -	\$ 46,870
Rental Income	-	150,841	133,124	-
Other Operating Revenues	-	3,113	13,254	-
Total Operating Revenues	12,086	371,129	146,378	46,870
OPERATING EXPENSES				
Maintenance and Operations	192,070	381,340	223,337	76,204
Administration	9,359	61,146	20,824	5,622
Depreciation	-	64,314	23,058	-
Total Operating Expenses	201,429	506,800	267,219	81,826
Operating Income (Loss)	(189,343)	(135,671)	(120,841)	(34,956)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	(47)	2,208	-	144
Intergovernmental	196,452	-	-	-
Total Nonoperating Revenues (Expenses)	196,405	2,208	-	144
Income (Loss) Before Capital Contributions and Operating Transfers	7,062	(133,463)	(120,841)	(34,812)
Capital Contributions	-	389,744	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Position	7,062	256,281	(120,841)	(34,812)
Net Position - Beginning of Year	57,487	2,835,675	300,037	29,017
Net Position - End of Year	\$ 64,549	\$ 3,091,956	\$ 179,196	\$ (5,795)

After School Program Fund	Totals
\$ 3,396	\$ 279,527
-	283,965
-	16,367
<u>3,396</u>	<u>579,859</u>
183,717	1,056,668
-	96,951
-	87,372
<u>183,717</u>	<u>1,240,991</u>
<u>(180,321)</u>	<u>(661,132)</u>
-	2,305
<u>166,968</u>	<u>363,420</u>
<u>166,968</u>	<u>365,725</u>
(13,353)	(295,407)
-	389,744
-	-
-	-
<u>(13,353)</u>	<u>94,337</u>
<u>(2,859)</u>	<u>3,219,357</u>
<u>\$ (16,212)</u>	<u>\$ 3,313,694</u>

City of Healdsburg
Combining Statement of Cash Flows
Non-major Enterprise Funds
Year Ended June 30, 2014

	Transit Fund	Airport Fund	Meeting Center Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ (23,764)	\$ 372,789	\$ 184,682
Payments to Employees for Services	(153,094)	(24,003)	(88,327)
Payments to Suppliers for Goods and Services	(48,335)	(406,989)	(150,388)
Net Cash Provided (Used) by Operating Activities	(225,193)	(58,203)	(54,033)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Due to/from Other Funds	76,254	-	54,033
Intergovernmental Revenue	148,902	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	225,156	-	54,033
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Grants	-	424,744	-
Acquisition and Construction of Capital Assets	-	(381,601)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	43,143	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	(47)	2,142	-
Net Cash Provided (Used) by Investing Activities	(47)	2,142	-
Net Increase (Decrease) in Cash and Cash Equivalents	(84)	(12,918)	-
Cash and Cash Equivalents, Beginning of the Year	84	304,319	-
Cash and Cash Equivalents, End of the Year	\$ -	\$ 291,401	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (189,343)	\$ (135,671)	\$ (120,841)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	64,314	23,058
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(35,850)	5,088	1,568
Decrease (Increase) in Inventory	-	(3,642)	-
Increase (Decrease) in Accounts Payable	-	15,136	5,446
Increase (Decrease) in Deposits Payable	-	(3,428)	36,736
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (225,193)	\$ (58,203)	\$ (54,033)

School Service Fund	After School Program Fund	Totals
\$ 51,218	\$ 2,801	\$ 587,726
(13,666)	(168,245)	(447,335)
(65,791)	(15,468)	(686,971)
(28,239)	(180,912)	(546,580)
-	20,454	150,741
-	160,458	309,360
-	180,912	460,101
-	-	424,744
-	-	(381,601)
-	-	43,143
161	-	2,256
161	-	2,256
(28,078)	-	(41,080)
32,065	-	336,468
\$ 3,987	\$ -	\$ 295,388
\$ (34,956)	\$ (180,321)	\$ (661,132)
-	-	87,372
4,348	(595)	(25,441)
-	-	(3,642)
2,369	4	22,955
-	-	33,308
\$ (28,239)	\$ (180,912)	\$ (546,580)

City of Healdsburg
Combining Statement of Net Position
Internal Service Funds
June 30, 2014

	Insurance and Benefit	Vehicle Maintenance	Information Services
ASSETS			
Current Assets:			
Cash and Investments	\$ 3,143,589	\$ 2,552,035	\$ 505,480
Accounts Receivable - Net	25,456	-	-
Notes and Loans Receivable	-	-	6,044
Interest Receivable	3,558	2,209	438
Prepaid Expenses	-	1,946	-
Inventory	-	22,151	4,750
	<u>3,172,603</u>	<u>2,578,341</u>	<u>516,712</u>
Total Current Assets			
Noncurrent Assets:			
Capital Assets, Not Being Depreciated			
Land	-	-	-
Capital Assets, Depreciable			
Land and Improvements	-	-	-
Machinery and Equipment	-	4,633,544	2,089,929
	<u>-</u>	<u>4,633,544</u>	<u>2,089,929</u>
Total Capital Assets	-	4,633,544	2,089,929
Less Accumulated Depreciation	<u>-</u>	<u>(3,695,548)</u>	<u>(1,613,348)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>937,996</u>	<u>476,581</u>
Total Noncurrent Assets	<u>-</u>	<u>937,996</u>	<u>476,581</u>
Total Assets	<u>3,172,603</u>	<u>3,516,337</u>	<u>993,293</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	946,770	37,980	22,734
Deposits Payable	-	-	-
Claims Payable - Current	14,970	-	-
Compensated Absences - Current	1,014,924	-	-
Capital Lease Payable - Current	-	-	19,203
	<u>1,976,664</u>	<u>37,980</u>	<u>41,937</u>
Total Current Liabilities	<u>1,976,664</u>	<u>37,980</u>	<u>41,937</u>
Noncurrent Liabilities:			
Compensated Absences	635,359	-	-
Capital Lease Payable	-	-	19,798
	<u>635,359</u>	<u>-</u>	<u>19,798</u>
Total Noncurrent Liabilities	<u>635,359</u>	<u>-</u>	<u>19,798</u>
Total Liabilities	<u>2,612,023</u>	<u>37,980</u>	<u>61,735</u>
NET POSITION			
Net Investment in Capital Assets	-	937,996	437,580
Unrestricted	<u>560,580</u>	<u>2,540,361</u>	<u>493,978</u>
Total Net Position	<u>\$ 560,580</u>	<u>\$ 3,478,357</u>	<u>\$ 931,558</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 578,872	\$ 6,779,976
206	25,662
-	6,044
501	6,706
-	1,946
-	26,901
<u>579,579</u>	<u>6,847,235</u>
-	-
108,841	108,841
-	6,723,473
<u>108,841</u>	<u>6,832,314</u>
<u>(21,768)</u>	<u>(5,330,664)</u>
<u>87,073</u>	<u>1,501,650</u>
<u>87,073</u>	<u>1,501,650</u>
<u>666,652</u>	<u>8,348,885</u>
162,635	1,170,119
-	-
47,852	62,822
-	1,014,924
-	19,203
<u>210,487</u>	<u>2,267,068</u>
-	635,359
-	19,798
<u>-</u>	<u>635,359</u>
<u>210,487</u>	<u>2,902,427</u>
87,073	1,462,649
<u>369,092</u>	<u>3,964,011</u>
<u>\$ 456,165</u>	<u>\$ 5,426,660</u>

City of Healdsburg
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2014

	Insurance and Benefit	Vehicle Maintenance	Information Services
OPERATING REVENUES			
Charges for Services	\$ 4,941,590	\$ 410,428	\$ 741,698
Rental Income	-	-	-
Other Operating Revenues	-	70	-
Total Operating Revenues	<u>4,941,590</u>	<u>410,498</u>	<u>741,698</u>
OPERATING EXPENSES			
Maintenance and Operations	-	373,213	898,176
Administration	13,644	139,130	25,696
Insurance and Benefits Costs	4,213,754	-	-
Depreciation	-	213,587	92,864
Total Operating Expenses	<u>4,227,398</u>	<u>725,930</u>	<u>1,016,736</u>
Operating Income (Loss)	<u>714,192</u>	<u>(315,432)</u>	<u>(275,038)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	18,187	18,836	4,520
Intergovernmental	-	-	-
Total Nonoperating Revenues (Expenses)	<u>18,187</u>	<u>18,836</u>	<u>4,520</u>
Income (Loss) Before Capital Contributions and Operating Transfers	732,379	(296,596)	(270,518)
Capital Contributions	-	-	-
Transfers In	-	-	3,499
Transfers Out	<u>(601,935)</u>	<u>-</u>	<u>-</u>
Change in Net Position	130,444	(296,596)	(267,019)
Net Position - Beginning of Year	<u>430,136</u>	<u>3,774,953</u>	<u>1,198,577</u>
Net Position - End of Year	<u>\$ 560,580</u>	<u>\$ 3,478,357</u>	<u>\$ 931,558</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 411,665	\$ 6,505,381
124,972	124,972
<u>92,578</u>	<u>92,648</u>
629,215	6,723,001
675,394	1,946,783
215,659	394,129
34,340	4,248,094
<u>10,884</u>	<u>317,335</u>
<u>936,277</u>	<u>6,906,341</u>
<u>(307,062)</u>	<u>(183,340)</u>
3,932	45,475
<u>-</u>	<u>-</u>
<u>3,932</u>	<u>45,475</u>
(303,130)	(137,865)
-	-
-	3,499
<u>-</u>	<u>(601,935)</u>
(303,130)	(736,301)
<u>759,295</u>	<u>6,162,961</u>
<u>\$ 456,165</u>	<u>\$ 5,426,660</u>

City of Healdsburg
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2014

	Insurance and Benefit	Vehicle Maintenance	Information Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 4,938,264	\$ 410,848	\$ 741,698
Payments to Employees for Services	(31,835)	(116,284)	(254,614)
Payments to Suppliers for Goods and Services	(3,959,576)	(359,149)	(667,507)
Net Cash Provided (Used) by Operating Activities	<u>946,853</u>	<u>(64,585)</u>	<u>(180,423)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Received from Other Funds	-	-	3,499
Cash Paid to Other Funds	(601,935)	-	-
Principal Paid on Loans Receivable	-	-	10,043
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(601,935)</u>	<u>-</u>	<u>13,542</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Capital Debt	-	(5,222)	(18,625)
Acquisition and Construction of Capital Assets	-	(396,836)	(7,601)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(402,058)</u>	<u>(26,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	16,809	20,369	4,746
Net Cash Provided (Used) by Investing Activities	<u>16,809</u>	<u>20,369</u>	<u>4,746</u>
Net Increase (Decrease) in Cash and Cash Equivalents	361,727	(446,274)	(188,361)
Cash and Cash Equivalents, Beginning of the Year	<u>2,781,862</u>	<u>2,998,309</u>	<u>693,841</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 3,143,589</u>	<u>\$ 2,552,035</u>	<u>\$ 505,480</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 714,192	\$ (315,432)	\$ (275,038)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	213,587	92,864
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(1,745)	350	-
Decrease (Increase) in Prepaid Expenses	-	(1,946)	-
Decrease (Increase) in Inventory	-	17,061	(628)
Increase (Decrease) in Accounts Payable	291,541	21,795	2,379
Increase (Decrease) in Claims Payable	(23,719)	-	-
Increase (Decrease) in Compensated Absences Payable	(31,835)	-	-
Increase (Decrease) in Deposits Payable	(1,581)	-	-
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 946,853</u>	<u>\$ (64,585)</u>	<u>\$ (180,423)</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 657,394	\$ 6,748,204
(213,227)	(615,960)
<u>(530,137)</u>	<u>(5,516,369)</u>
(85,970)	615,875
-	3,499
-	(601,935)
<u>-</u>	<u>10,043</u>
-	(588,393)
-	(23,847)
<u>-</u>	<u>(404,437)</u>
-	(428,284)
3,876	45,800
<u>3,876</u>	<u>45,800</u>
(82,094)	(355,002)
<u>660,966</u>	<u>7,134,978</u>
<u>\$ 578,872</u>	<u>\$ 6,779,976</u>
\$ (307,062)	\$ (183,340)
10,884	317,335
28,179	26,784
-	(1,946)
-	16,433
147,690	463,405
34,339	10,620
-	(31,835)
<u>-</u>	<u>(1,581)</u>
<u>\$ (85,970)</u>	<u>\$ 615,875</u>

City of Healdsburg
Combining Statement of Fiduciary Net Position
Private-purpose Trust Funds
June 30, 2014

	Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust
ASSETS				
Cash and Investments	\$ 1,363	\$ -	\$ 467,700	\$ 3,948
Cash and Investments with Fiscal Agent	-	192,287	-	-
Receivables:				
Accounts	-	-	-	-
Notes	-	-	-	-
Interest	-	-	383	3
Due from Other Funds	-	-	-	-
Capital Assets, Not Being Depreciated	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	-	-	-	-
Total Assets	1,363	192,287	468,083	3,951
LIABILITIES				
Accounts Payable	2,392	-	-	245
Due to Other Funds	-	730	-	-
Interest Payable	-	-	-	-
Noncurrent Liabilities				
Due within One Year	-	-	-	-
Due in More than One Year	-	-	-	-
Total Liabilities	2,392	730	-	245
NET POSITION				
Net Position (Deficit) Held in Trust for Successor Agency and Other Purposes	<u>\$ (1,029)</u>	<u>\$ 191,557</u>	<u>\$ 468,083</u>	<u>\$ 3,706</u>

Post RDA Successor Agency	Post RDA Debt Retirement Fund	Totals
\$ 17,759,917	\$ -	\$ 18,232,928
1,539,116	4,769,357	6,500,760
-	9,945	9,945
880,745	-	880,745
15,744	-	16,130
5,775,451	-	5,775,451
6,568,726	-	6,568,726
1,906,820	-	1,906,820
<u>34,446,519</u>	<u>4,779,302</u>	<u>39,891,505</u>
2,328	-	4,965
-	5,774,721	5,775,451
-	919,739	919,739
-	1,497,000	1,497,000
-	50,438,600	50,438,600
<u>2,328</u>	<u>58,630,060</u>	<u>58,635,755</u>
<u><u>\$ 34,444,191</u></u>	<u><u>\$ (53,850,758)</u></u>	<u><u>\$ (18,744,250)</u></u>

City of Healdsburg
Combining Statement of Changes in Fiduciary Net Position
Private-purpose Trust Funds
Year Ended June 30, 2014

	Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust
ADDITIONS				
Taxes and Assessments	\$ 29,473	\$ -	\$ -	\$ -
Fees and Charges	-	25	-	-
Investment Earnings	-	20,844	3,370	26
Transfer from City	-	-	25,000	-
Total Revenues	<u>29,473</u>	<u>20,869</u>	<u>28,370</u>	<u>26</u>
DEDUCTIONS				
Community Development	30,503	2,783	112,194	326
Depreciation	-	-	-	-
Interest Expense	-	-	-	-
Transfer to City	-	-	-	-
Total Deductions	<u>30,503</u>	<u>2,783</u>	<u>112,194</u>	<u>326</u>
Change in Net Position	(1,030)	18,086	(83,824)	(300)
Net Position (Deficit), Beginning	1	173,471	551,907	4,006
Restatement of Net Position	-	-	-	-
Net Position (Deficit), Ending	<u>\$ (1,029)</u>	<u>\$ 191,557</u>	<u>\$ 468,083</u>	<u>\$ 3,706</u>

Post RDA Successor Agency	Post RDA Debt Retirement Fund	Totals
\$ 3,631,236	\$ -	\$ 3,660,709
188,032	119,340	307,397
156,432	(10,259)	170,413
-	-	25,000
3,975,700	109,081	4,163,519
109,998	199,960	455,764
78,103	-	78,103
-	3,247,047	3,247,047
1,004,599	-	1,004,599
1,192,700	3,447,007	4,785,513
2,783,000	(3,337,926)	(621,994)
31,661,191	(49,415,700)	(17,025,124)
-	(1,097,132)	(1,097,132)
\$ 34,444,191	\$ (53,850,758)	\$ (18,744,250)