

CITY OF CALISTOGA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (1,722,441)</u>
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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$ 3,984,109 exceed depreciation (\$279,669) in the current period.	3,704,440
Repayments of long-term debt principal and claims are reported as expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net assets	398,941
Debt issuance costs are reported as an outflow of resources in the funds but are amortized to expenses in the statement of activities	(1,136)
Accrued interest payable on long-term debt does not require the use of current financial resources and is not reported in the funds until due	46,032
Governmental funds report compensated absences when payments are made or are immediately due. However, in the statement of activities these costs are recorded when incurred.	(794)
Internal service funds are closed by charging additional amounts or reducing charges to participating governmental activities to completely cover the internal service fund's costs for the year	(7,523)
Expenditures for long-term loans are a use of current financial resources in the funds and are reported as expenditures when made in the funds, but are not reported as expenses in the statement of activities; the loans are reported as assets in the statement of net assets.	1,806,032
Long-term receivables are deferred in the funds until collected and available for use. In the statement of activities, revenues are recognized when the receivable is recorded and not when it is collected	<u>(201,987)</u>
Net differences	<u>5,744,005</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,021,564</u>

See accompanying notes to the basic financial statements

CITY OF CALISTOGA
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds			Governmental Activities- Internal Service Fund
	Water	Wastewater	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 143,833	\$ -	\$ 143,833	\$ 186,594
Receivables(net)	461,509	269,181	730,690	4,909
Deposits	-	-	-	29,742
Inventory	-	-	-	8,591
Internal balances	553,055	-	553,055	496,071
Total current assets	1,158,397	269,181	1,427,578	725,907
Noncurrent assets:				
Other assets:				
Debt issuance costs	171,737	152,900	324,637	-
Total other noncurrent assets	171,737	152,900	324,637	-
Capital assets:				
Land	2,338,730	464,108	2,802,838	-
Equipment and vehicles	990,784	605,382	1,596,166	2,961,417
Distribution and collection systems	14,831,096	19,668,057	34,499,153	-
Water rights	1,589,875	-	1,589,875	-
Construction in progress	440,998	-	440,998	-
Less accumulated depreciation	(4,975,646)	(5,104,568)	(10,080,214)	(2,019,873)
Net capital assets	15,215,837	15,632,979	30,848,816	941,544
Total noncurrent assets	15,387,574	15,785,879	31,173,453	941,544
Total assets	\$ 16,545,971	\$ 16,055,060	\$ 32,601,031	\$ 1,667,451
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 502,892	\$ 55,037	\$ 557,929	\$ 4,341
Accrued expenses	12,463	11,475	23,938	-
Compensated absences	46,723	46,724	93,447	-
Internal balances	47,000	945,158	992,158	204,263
Deposits	27,725	101,798	129,523	-
Accrued interest	87,839	128,484	216,323	7,335
Agreements, loans, and certificates due in one year	180,000	346,192	526,192	112,898
Total current liabilities	904,642	1,634,868	2,539,510	328,837
Noncurrent liabilities:				
State revolving loan payable	-	4,221,803	4,221,803	-
Certificate of participation	2,463,000	1,919,000	4,382,000	-
Installment agreement	4,685,000	2,980,000	7,665,000	-
Capital lease obligation	-	-	-	417,887
Compensated absences	10,000	10,000	20,000	-
Total noncurrent liabilities	7,158,000	9,130,803	16,288,803	417,887
Total liabilities	8,062,642	10,765,671	18,828,313	746,724
NET ASSETS				
Invested in capital assets, net of related debt	8,059,574	6,318,884	14,378,458	410,759
Unrestricted	423,755	(1,029,495)	(605,740)	509,968
Total net assets	\$ 8,483,329	\$ 5,289,389	\$ 13,772,718	\$ 920,727

See accompanying notes to the basic financial statements

CITY OF CALISTOGA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Enterprise Funds			Governmental Activities Internal- Service Fund
	Water	Wastewater	Totals	
OPERATING REVENUES				
Sales of water	\$ 2,115,307	\$ -	\$ 2,115,307	\$ -
Service fees	-	1,890,607	1,890,607	327,159
Miscellaneous	53,062	77,448	130,510	3,246
Total operating revenues	2,168,369	1,968,055	4,136,424	330,405
OPERATING EXPENSES				
Maintenance and operations	1,051,614	785,031	1,836,645	235,874
Employee services	789,277	1,033,916	1,823,193	-
Interfund charges for services	82,500	82,500	165,000	-
Depreciation and amortization	349,196	637,323	986,519	223,130
Total operating expenses	2,272,587	2,538,770	4,811,357	459,004
Operating income (loss)	(104,218)	(570,715)	(674,933)	(128,599)
NON-OPERATING REVENUES (EXPENSES)				
Gain(Loss) on replacement of capital assets	(139,572)	(4,500)	(144,072)	1,528
Interest and investment revenue	13,949	5,369	19,318	931
Interest expense	(318,907)	(351,443)	(670,350)	(25,793)
net nonoperating revenues (expenses)	(444,530)	(350,574)	(795,104)	(23,334)
Income (loss) before contributions and transfers	(548,748)	(921,289)	(1,470,037)	(151,933)
Contributions and transfers:				
Capital contributions	1,201,256	281,685	1,482,941	-
Transfers out	(28,001)	(18,155)	(46,156)	-
Transfers in	-	-	-	144,410
Net contributions and transfers	1,173,255	263,530	1,436,785	144,410
Change in net assets	624,507	(657,759)	(33,252)	(7,523)
Total net assets, July 1	7,858,822	5,947,148	13,805,970	928,250
Total net assets, June 30	\$ 8,483,329	\$ 5,289,389	\$ 13,772,718	\$ 920,727

See accompanying notes to the basic financial statements

CITY OF CALISTOGA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Enterprise Funds			Governmental Activities- Internal Service Fund
	Water	Wastewater	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 2,109,138	\$ 1,949,608	\$ 4,058,746	\$ -
Payments to suppliers	(1,072,840)	(771,557)	(1,844,397)	(246,549)
Cash received from other funds for services	-	-	-	327,159
Payments to other funds for services	(82,500)	(82,500)	(165,000)	-
Payments to employees for services	(789,920)	(1,034,558)	(1,824,478)	-
Other operating receipts	53,062	77,448	130,510	6,147
Net cash provided by (used for) operating activities	<u>216,940</u>	<u>138,441</u>	<u>355,381</u>	<u>86,757</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from other funds	14,888	197,622	212,510	-
Advances to other funds	(212,508)	-	(212,508)	-
Transfers out to other funds	(28,001)	(18,155)	(46,156)	-
Transfers in from other funds	-	-	-	144,410
Net cash provided by noncapital financing activities	<u>(225,621)</u>	<u>179,467</u>	<u>(46,154)</u>	<u>144,410</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions and grants	1,388,406	391,800	1,780,206	-
Payments on long-term debt principal	(173,170)	(338,923)	(512,093)	(107,931)
Interest paid on long-term debt	(310,886)	(356,441)	(667,327)	(27,014)
Proceeds from the sale of capital assets	-	-	-	1,528
Purchases of capital assets	(1,535,480)	(19,713)	(1,555,193)	(20,361)
Net cash provided by (used for) capital and related financing activities	<u>(631,130)</u>	<u>(323,277)</u>	<u>(954,407)</u>	<u>(153,778)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest receipts	13,949	5,369	19,318	931
Net cash provided by investing activities	<u>65,329</u>	<u>5,369</u>	<u>19,318</u>	<u>931</u>
Net increase (decrease) in cash and cash equivalents	(625,862)	-	(625,862)	78,320
Balances-beginning of the year	769,695	-	769,695	108,274
Balances-end of the year	<u>\$ 143,833</u>	<u>\$ -</u>	<u>\$ 143,833</u>	<u>\$ 186,594</u>

See accompanying notes to the basic financial statements

CITY OF CALISTOGA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

Enterprise Funds

	Water	Wastewater	Totals	Governmental Activities- Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (104,218)	\$ (570,715)	\$ (674,933)	\$(128,599)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense	349,196	637,323	986,519	223,130
Change in assets and liabilities:				
Decrease(increase) in accounts receivable	(8,604)	59,001	50,397	2,901
Increase(decrease) in other liabilities	14,255	10,833	25,088	
Increase(decrease) in accounts payable	(33,689)	1,999	(31,690)	(14,875)
Increase(decrease) in inventory	-	-	-	4,200
	<u>\$ 216,940</u>	<u>\$ 138,441</u>	<u>\$ 355,381</u>	<u>\$ 86,757</u>
Net cash provided by (used for) operating activities	<u>\$ 216,940</u>	<u>\$ 138,441</u>	<u>\$ 355,381</u>	<u>\$ 86,757</u>

Noncash capital financing activities:

During the 2009 fiscal year, the City capitalized in the water enterprise \$254,500 in assets contributed by developers and capitalized an additional \$50,000 in the wastewater enterprise for contributed capital assets.

See accompanying notes to the basic financial statements

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Calistoga is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

The Calistoga Public Facilities Financing Corporation is a legally separate entity for which the City is financially accountable and it is governed by the elected City Council. The Corporation was formed to provide a method of financing public improvements. The financial activities of the Corporation are blended with those of the City and are reported in the City's governmental funds, and as capital assets of the City and debt obligations of the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *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.

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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the *proprietary fund financial statements*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

Property taxes, sales taxes, transient occupancy 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *HOME Grant and CDBG Open Grant Funds* accounts for resources used for various programs funded partially or entirely by federal grant monies. The *Capital Lease Projects Fund* is used to account for the proceeds from a commercial lease arrangement used to obtain financing for pool, public works, fire station, and other recreational facilities. The *Community Pool Fund* is used to account for donations from the general public restricted for construction of the community swimming pool facility.

The City reports the following major proprietary funds:

The *water fund* accounts for the operations of the City's water treatment and distribution system. The *wastewater fund* accounts for the operation of the City's wastewater treatment plant and collection facilities.

Additionally, the City reports the following fund type:

The internal service fund is used to account for the City's general operating equipment and related services provided to other City departments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the costs of sales and services, administration costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City is authorized by its most recent investment policy to invest in the State of California Local Agency Investment Fund, U.S. Treasury bonds, bills, and notes, obligations issued by US Government agencies, bankers acceptances, repurchase agreements, time deposits, savings and demand accounts. Additional types of investments including mutual and money market funds are also authorized by long-term debt financing agreements and indentures. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Long-term notes receivable are reported as assets in the governmental funds despite their focus on current financial resources, but they are offset by deferred revenue amounts in the governmental funds until such a time that collections on the notes are realized by the funds.

All trade and property tax receivables are not shown net of an allowance for uncollectibles.

Property taxes are levied as of July 1 on property values assessed as of the prior January 1. State statutes provide that the property tax rate be limited generally to one percent of assessed value, be levied by only the County, and be shared by applicable jurisdictions. The County of Napa collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1, and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues in the fiscal year in which they are due to the City.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when used or consumed.

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

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 1,000(\$50,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Under the GASB 34 Implementation Rules, the City is a Phase 3 entity and was not required to record infrastructure assets existing or acquired prior to July 1, 2003 at the date these new financial reporting standards were implemented; and the City has not recorded such assets. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Public domain infrastructure	50
System infrastructure-Utility	50
Vehicles and equipment	5 - 10

5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

8. Comparative Data

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in net assets. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current years' presentation.

2. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this \$ 10,537,355 difference are as follows:

Capital assets	\$ 14,083,141
Less: Accumulated depreciation	<u>(3,545,786)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 10,537,355</u>

Another element of the reconciliation explains that "long-term liabilities" are not due and payable in the current period and are therefore not reported in the funds. The details of this \$ 6,094,420 difference are as follows:

Long-Term Debt Obligations and Related Interest:	
Capital lease obligation	\$ (861,326)
Accrued interest	(106,220)
Capital lease obligation	(4,674,000)
Capitalized debt issuance costs	21,584
Claims and settlements	(134,924)
Compensated absences	<u>(339,534)</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net assets - governmental activities	<u>\$ (6,094,420)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$ 5,744,005 difference and other significant components of the difference are as follows:

Capital outlay; capitalized	\$ 3,984,109
Depreciation expense	(279,669)
Repayment of long-term debt principal	398,941
Internal service fund loss	(7,523)
Long-term receivables-deferred revenues	(201,987)
Long-term loans made and deferred	1,806,032
Other items	<u>44,102</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 5,744,005</u>

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis of consistent with generally accepted accounting principles for all governmental funds and proprietary funds. Appropriations lapse at fiscal year end. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds. The expenditures budgets exclusive of fund transfers were exceeded by the CDBG Open Grant fund by \$652, Asset forfeiture fund by \$2,535, Affordable housing fund by \$924, and police donation fund by \$1,360. These over expenditures were funded by available resources.

4. Detailed Notes on All Funds

A. Deposits and Investments

Deposits and investments at June 30, 2009 consisted of the following:

Demand deposits: (Time deposits and book bank balances)	\$ 732,066
Pooled investments	2,364,758
Investments with trustees	<u>3,294,729</u>
 Total deposits and investments	 <u>\$ 6,391,553</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is that they will be made only in institutions in California, they shall be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than three years. At June 30, 2009, \$872,975 of the City's bank balances of \$ 1,122,975 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent But not in the City's name:	<u>\$ 872,975</u>
--	-------------------

Investments - At June 30, 2009, the City had the following investments.

Investment	Average Maturity	Fair Value
State Investment Pool (LAIF)	235 days	\$ 2,364,758
Goldman Sachs Fin SQ Government Fund	14 days	3,294,405
Blackrock Institutional Treasury Fund	14 days	<u>324</u>
		 <u>\$ 5,659,487</u>

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of five years or less at the time of purchase as prescribed in the California Government Code.

Credit Risk - State law limits investments in various securities to certain level of risk ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with State law as regards securities ratings. The City's investments in mutual funds was rated Aaa and the State Investment Pool is unrated.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in mutual funds and external investment pools are not subject to custodial credit risk because the City's investment is not evidenced by specific securities.

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

B. Receivables

Receivables as of year-end for the government's individual major and non-major funds in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

	General Fund	CDBG Open and HOME Grant	Nonmajor Funds & IS Fund	Total Governmental	Water	Wastewater
Accounts	\$ 37,842	\$ -	\$ 19,564	\$ 57,406	\$ 461,509	\$ 269,181
Taxes	605,590	-	-	605,590	-	-
Interest	5,120	-	-	5,120	-	-
Governments	207,106	-	62,186	269,292	-	-
Special assessments	197,121	-	-	197,121	-	-
Notes	-	3,056,618	847,629	3,904,247	-	-
Totals	\$ 1,052,779	\$3,056,618	\$ 929,379	\$ 5,038,776	\$ 461,509	\$ 269,181

The notes receivable of \$3,904,247 consists of housing rehabilitation loans of \$267,475 bearing interest at rates of 3 to 6 percent and repayable in monthly installments, other loans of \$580,154 including one loan for \$250,000 plus accrued and unpaid interest for the development of low to moderate income apartments, maturing in 2023 and repayable out of residual receipts, and \$1,250,586 in first-time homebuyer assistance loans secured by 4th deeds of trust and repayable in 55 years or under certain conditions including sale of the housing unit.

In addition, the total notes receivable also includes \$1,806,032 of drawn downs on a loan made from the proceeds of a HOME grant funded by a federal grant passed through the State of California. The loan bears interest at 3 percent per annum, matures in 55 years, is secured by a deed of trust on an affordable housing multi-family complex. The loan is repayable starting the first fiscal year following the first year of the project's operations from and to the extent of available cash flows as defined in the agreement.

C. Interfund Transfers, receivables and payables

1. The composition of interfund transfers of June 30, 2009, is as follows:

Transfers in:	General Fund	Non-Major Funds	HOME & Community Pool Funds	Equipment Internal Service	Total Transfers Out
Transfers Out:					
General fund	\$ -	\$ 165,146	\$ 14,324	\$ -	\$ 179,470
Water/wastewater	-	-	-	46,156	46,156
Capital lease	979,133	-	-	-	979,133
Nonmajor funds	465,861	400,540	-	98,254	964,655
Community Pool	1,596,804	-	-	-	1,596,804
Totals	\$ 3,041,798	\$ 565,686	\$ 14,234	\$ 144,410	\$ 3,766,218

The primary transfers out of the general fund were \$146,138 to the debt service fund, 19,008 to the gas tax fund and \$14,324 to the HOME grant and community pool funds. The \$979,133 transfer out of the capital lease fund was made to reimburse the general fund for the community pool project, the \$1,596,804 transfer out of the community pool fund was made to reimburse the general fund for the community pool project and planning costs, and most of transfers out of the nonmajor funds were made to reimburse the general fund for street and public safety costs.

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

2. The composition of interfund balances was:

Receivable Fund	Payable Fund	Asset	Liability
All for cash flow purposes	Gas tax fund	\$ -	\$ 33,516
	CDBG open grant	-	254,267
	Palisades maintenance	-	692
	Water enterprise	-	47,000
	Community pool	-	1,900
	Wastewater	-	100,295
	Police grants and recreation	-	3,873
	HOME and housing grant	-	6,224
General fund		<u>447,767</u>	<u>447,767</u>
Internal service fund	Wastewater enterprise	496,071	496,071
Water	Wastewater and internal service	<u>553,055</u>	<u>553,055</u>
Totals		<u>\$ 1,496,893</u>	<u>\$ 1,496,893</u>

D. Capital Assets

Capital asset activity relating to governmental activities for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,964,744	\$ -	\$ -	\$ 1,964,744
Construction in progress	2,052,196	3,728,359	(5,398,539)	382,016
Total capital assets, not being depreciated	<u>4,016,940</u>	<u>3,728,359</u>	<u>(5,398,539)</u>	<u>2,346,760</u>
Capital assets, being depreciated:				
Buildings	1,619,113	-	-	1,619,113
Machinery and equipment	1,434,307	33,156	-	1,467,463
Equipment- internal service fund	2,945,200	64,224	(48,007)	2,961,417
Improvements	3,028,673	5,716,750	(95,617)	8,649,805
Total capital assets being depreciated	<u>9,027,293</u>	<u>5,814,130</u>	<u>(143,624)</u>	<u>14,697,798</u>
Less accumulated depreciation for:				
Buildings	(1,105,171)	(45,917)	-	(1,151,088)
Machinery and equipment	(1,237,382)	(5,000)	13,359	(1,229,023)
Equipment-internal service	(1,844,750)	(223,130)	48,007	(2,019,873)
Improvements	(923,564)	(228,752)	(13,359)	(1,165,675)
Total accumulated depreciation	<u>(5,110,867)</u>	<u>(502,799)</u>	<u>48,007</u>	<u>(5,565,659)</u>
Total capital assets, being depreciated, net	<u>3,916,426</u>	<u>5,311,331</u>	<u>(95,617)</u>	<u>9,132,139</u>
Governmental activities capital assets, net	<u>\$ 7,933,365</u>	<u>\$ 9,039,690</u>	<u>\$ (5,494,156)</u>	<u>\$ 11,478,899</u>

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity relating to business-type activities for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 781,040	\$ 2,021,798	\$ -	\$ 2,802,838
Water rights	1,589,875	-	(1,589,875)	-
Construction in progress	<u>5,975,750</u>	<u>1,555,192</u>	<u>(7,089,944)</u>	<u>440,998</u>
Total capital assets, not being depreciated	<u>8,346,665</u>	<u>3,576,990</u>	<u>(8,679,819)</u>	<u>3,243,836</u>
Capital assets, being depreciated:				
Wastewater collection and treatment	19,035,422	634,135	(1,500)	19,668,057
Water rights	-	1,589,875	-	1,589,875
Water treatment and distribution system	10,048,402	4,782,694	-	14,831,096
Equipment-wastewater	605,382	-	-	605,382
Equipment-water	<u>772,539</u>	<u>218,245</u>	<u>-</u>	<u>990,784</u>
Total capital assets being depreciated	<u>30,461,745</u>	<u>7,224,949</u>	<u>(1,500)</u>	<u>37,685,194</u>
Less accumulated depreciation for:				
Wastewater collection and treatment system	(4,488,948)	(617,550)	1,930	(5,140,568)
Water treatment and distribution system	<u>(4,636,868)</u>	<u>(338,778)</u>	<u>-</u>	<u>(4,975,646)</u>
Total accumulated depreciation	<u>(9,125,816)</u>	<u>(956,328)</u>	<u>1,930</u>	<u>(10,080,214)</u>
Total capital assets, being depreciated, net	<u>21,335,929</u>	<u>6,268,621</u>	<u>430</u>	<u>27,604,980</u>
Business-type activities capital assets, net	<u>\$ 29,682,594</u>	<u>\$ 9,845,611</u>	<u>\$ (8,679,389)</u>	<u>\$ 30,848,816</u>

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

D. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 15,643
Public safety	34,408
Community services	3,564
Recreation services	63,869
Public works	162,185
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>223,130</u>
Total depreciation expense-governmental activities	<u>\$ 502,799</u>
 Business-type activities:	
Water	\$ 338,778
Wastewater	<u>617,550</u>
Total depreciation expense-governmental activities	<u>\$ 956,328</u>

E. Capital Leases – Governmental Type Activities including Internal Service

The City entered into a lease agreement in an original amount of \$2,253,011 as lessee for financing the advance refunding in fiscal 2003 of another lease arrangement and note payable relating to the Police Facility and Logvy Community Park land acquisition. The original lease agreement qualified as capital leases for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception dates. The assets have been capitalized as general capital assets and the related accumulated depreciation is recorded in the statement of net assets. The lease is payable to Zions First National Bank, bears interest at 4.65 percent per annum, and is payable in semi-annual installments of \$134,521 each October 1 and April 1 through 2012. The City has not pledged any specific revenue source for repayment of the lease, but has agreed to appropriate sufficient resources from any available source to make the repayments.

In fiscal 2008, the City entered into a capital lease arrangement in an original amount of \$4,674,000 with West America Bank for the purpose of obtaining financing to make improvements to pool, recreation, fire, and public works facilities. The lease is payable in semi-annual installments of between \$115,681 and \$213,154 commencing August 1, 2008 and continuing through February 1, 2028. The lease bears interest at 4.95 percent per annum. The leasing arrangement included a lease between the City of Calistoga and the Calistoga Public Facilities Corporation; a blended component unit of the City. The lease receivable and payable between the City and its component unit financing corporation has been eliminated from these financial statements. The city has not pledged any specific revenue source for repayment of the lease, but has agreed to appropriate sufficient resources from any source of legally available funds to make the payments.

The City entered into two lease agreements with an original amount of \$741,900 for financing the purchase of computer equipment, vehicles, a water tender truck and a fire engine. The assets and unspent lease proceeds have been capitalized as deposit in the internal service fund as the proceeds are in an escrow funding account. The leases are payable to Sun Trust Leasing, bear interest at 4.35 percent per annum, and is payable in semi-annual variable installments each February 28 and August 28 through 2018. The City has not pledged any specific revenue source as security for repayment, but has agreed to make sufficient resources available from any legal source for the repayments.

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

E. Capital Leases – Governmental Type Activities including Internal Service (Continued)

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2009 were as follows:

Fiscal Year Ending June 30	Zions First National Bank Lease	Sun Trust Leasing	West America Bank Lease
2010	\$ 269,043	\$ 134,946	\$ 231,362
2011	269,043	71,174	342,644
2012	269,043	71,174	342,644
2013	134,521	58,950	342,644
2014	-	58,950	342,644
2015-2019	-	235,801	2,047,876
2020-2024	-	-	2,131,536
2025-2028	-	-	1,705,229
Total minimum lease payments	941,650	627,995	7,486,579
Less amounts representing interest	(80,324)	(97,210)	(2,812,579)
Net present value of minimum lease payments	<u>\$ 861,326</u>	<u>\$ 530,785</u>	<u>\$ 4,674,000</u>

F. Long-Term Debt

Water Enterprise

Installment Agreement Payable

The City entered into an installment purchase agreement, dated November 8, 2005 between the City and the California Statewide Communities Development Authority (CSCDA) wherein the Authority sold a pool of water and wastewater revenue bonds. A portion of the proceeds of the Authority's revenue bonds, in an original amount of \$5,290,000 were provided to the City to finance expansion of the City's water system and to advance refund the City's outstanding water revenue bonds. In exchange, the City agreed to purchase the water system improvements from the Authority pursuant to the installment agreement.

The City's obligations under the agreement are secured by a first pledge and lien on the water system revenues. The City is obligated to fix, prescribe and collect system revenues in amounts sufficient to enable the City to pay all current operations and maintenance costs of the system, make all required payments on any parity debt and the installment payments, fund any reserve account requirements, and pay all other charges applicable to the system. The City is also required to fix rates such that system net revenues in any one year (subject to certain adjustments) are equal to 120 percent of the annual debt service of the system. In lieu of a monetary reserve, a reserve insurance policy was issued in an initial amount of \$364,379. The agreement bears interest at rates of from 2.75 to 4.625 percent per annum. Annual principal and interest on the agreement are expected to require less than 77 percent of system net revenues as defined. The total interest and principal remaining to be paid on the agreement is \$ 7,599,440. Principal and interest paid for the current fiscal year and total system net revenues as defined were \$358,397 and \$467,363 respectively.

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Water Enterprise (Continued)

Installment Agreement Payable (Continued)

Future debt service on the agreement is:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 155,000	\$ 203,897	\$ 358,897
2011	155,000	199,150	354,150
2012	165,000	194,006	359,006
2013	170,000	188,393	358,393
2015	175,000	182,440	357,440
2015-2019	975,000	641,090	1,616,090
2020-2024	1,185,000	584,393	1,769,393
2025-2029	705,000	339,336	1,044,336
2030-2034	670,000	192,396	862,396
2035-2036	485,000	34,339	519,339
Totals	\$ 4,840,000	\$2,759,440	\$7,599,440

Certificates of Participation

In March 2008, the City entered into an installment purchase agreement with the Calistoga Public Facilities Financing Corporation for \$2,511,170 wherein the City agreed to make installment payments to the Corporation in exchange for the Corporation obtaining financing to fund water treatment plant improvements by issuing Certificates of Participation.

The United States Department of Agriculture (USDA) provided a \$2,511,170 loan to the Corporation to provide financing for the subject improvements and for the repayment to the City of construction costs and other improvements made by the City's to its water enterprise. The USDA provided the loan by purchasing the Certificates of Participation referred to above. The installment agreement receivable and payable between the Corporation and the City has been eliminated from these financial statements as the Corporation is a blended component unit of the City, and the \$2,511,170 is reported by the City as long-term debt (the certificates of participation) of the City's water enterprise fund.

Under the arrangements, the City has pledged net revenues of the water enterprise as security for the payment of the certificates of participation. The City is also obligated to fund a reserve fund in an amount equal to \$134,619 with funding of this reserve to be made over a ten year period. The certificates bear interest at 4.375 percent and principal/interest payments are due each March 1 and September 1 through March 1, 2048.

Annual principal and interest on the agreement are expected to require less than 27 percent of system net revenues as defined. The total interest and principal remaining to be paid on the agreement is \$ 5,228,832. Principal and interest paid for the current fiscal year and total system net revenues as defined were \$125,658 and \$467,463, respectively. Future debt service requirements are:

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

F.Long-Term Debt (Continued)

Water Enterprise (Continued)

Certificates of Participation (Continued)

Fiscal Year	Principal	Interest	Total
2010	\$ 25,000	\$ 108,850	\$ 133,850
2011	26,000	107,756	133,756
2012	28,000	106,618	134,618
2013	29,000	105,392	134,392
2014	30,000	104,126	134,126
2015-2019	171,000	499,754	670,754
2020-2024	211,000	458,980	669,980
2025-2029	262,000	408,580	670,580
2030-2034	325,000	346,060	671,060
2035-2039	402,000	268,358	670,358
2040-2044	497,000	172,546	669,546
2045-2048	482,000	53,812	535,812
Totals	\$ 2,488,000	\$ 2,740,832	\$ 5,228,832

Wastewater Enterprise - Installment Agreement Payable

The City entered into an installment purchase agreement, dated August 1, 2001 between the City and the California Statewide Communities Development Authority (CSCDA) wherein the Authority sold a pool of water and wastewater revenue bonds. A portion of the proceeds of the Authority's revenue bonds, in an original amount of \$3.5 million were provided to the City to finance expansion of the City's wastewater treatment plant and other wastewater improvements. In exchange, the City agreed to purchase the plant expansion improvements from the Authority pursuant to the installment agreement. The City's obligations under the agreement are secured by a first pledge and lien on the wastewater system revenues. The City is obligated to fix, prescribe and collect wastewater system revenues in amounts sufficient to enable the City to pay all current operations and maintenance costs of the system, make all required payments on any parity debt and the installment payments, fund any reserve account requirements, and pay all other charges applicable to the system. The City is also required to fix rates such that system net revenues in any one year (subject to certain adjustments) are equal to 120 percent of the annual debt service of the system. In lieu of a monetary reserve, a reserve insurance policy was issued in an initial amount of \$227,978. The agreement bears interest at rates of from 3.25 to 5.125 percent per annum. Future debt service on the agreement is:

Fiscal Year	Principal	Interest	Total
2010	\$ 75,000	\$ 147,603	\$ 222,603
2011	80,000	144,576	224,576
2012	85,000	141,233	226,233
2013	85,000	137,664	222,664
2014	90,000	133,813	223,813
2015-2019	525,000	599,185	1,124,185
2020-2024	660,000	450,828	1,110,828
2025-2029	840,000	263,000	1,103,000
2030-2032	615,000	46,925	661,925
Totals	\$ 3,055,000	\$ 2,064,827	\$ 5,119,827

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Wastewater Enterprise (Continued)

Installment Agreement Payable (Continued)

Annual principal and interest on the agreement are expected to require less than 72 percent of system net revenues as defined. The total interest and principal remaining to be paid on the agreement is \$ 5,119,827. Principal and interest paid for the current fiscal year and total system net revenues as defined were \$225,434 and \$71,977, respectively.

State of California Revolving Fund Loan

The City obtained a \$5,609,999 loan from the State of California Department of Water Resources under the State Revolving Loan Program for the purpose of obtaining financing to construction the City's wastewater treatment plant. The loan bears interest at 2.6 percent and is secured by a pledge of the City to maintain dedicated sources of revenue sufficient in amounts to provide for repayment of the loan. Principal and interest on the loan is payable in annual installments due each October 30 through 2023. Future debt service based upon the final principal loan balance of is:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 247,392	\$ 116,199	\$ 363,591
2011	253,824	109,767	363,591
2012	260,423	103,168	363,591
2013	267,194	96,397	363,591
2014	274,141	89,450	363,591
2015-2019	1,481,401	336,554	1,817,955
2020-2024	<u>1,684,820</u>	<u>133,691</u>	<u>1,818,511</u>
Totals	<u>\$ 4,469,195</u>	<u>\$ 985,226</u>	<u>\$ 5,454,421</u>

Annual principal and interest on the agreement are expected to require 118 percent of current system net revenues as defined. The total interest and principal remaining to be paid on the agreement is \$ 5,454,421. Principal and interest paid for the current fiscal year and total system net revenues as defined were 363,591 and \$71,977, respectively.

Claims and Settlements

Pursuant to a settlement agreement with Crystal Geysers Water Company, the City has an obligation to pay \$508,379 (discounted amount at 2 %) over a six year period. The remaining amounts due are:

<u>Fiscal Year</u>	<u>Discounted Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 122,549	\$ 2,451	\$ 125,000
Totals	<u>\$ 122,549</u>	<u>\$ 2,451</u>	<u>\$ 125,000</u>

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Wastewater Enterprise (Continued)

Certificates of Participation

In May 2005, the City entered into an installment purchase agreement with the Calistoga Public Facilities Financing Corporation for \$2,028,500 wherein the City agreed to make installment payments to the Corporation in exchange for the Corporation obtaining financing to fund wastewater treatment plant improvements by issuing Certificates of Participation.

The United States Department of Agriculture (USDA) provided a \$2,028,500 loan to the Corporation to provide financing for the subject improvements and for the repayment by the City of a \$1,650,000 interim financing construction note and other improvements to the City's wastewater enterprise. The USDA provided the loan by purchasing the Certificates of Participation referred to above. The installment agreement receivable and payable between the Corporation and the City has been eliminated from these financial statements as the Corporation is a blended component unit of the City, and the \$2,028,500 is reported by the City as long-term debt (the certificates of participation) of the City's wastewater enterprise fund.

Under the arrangements, the City has pledged net revenues of the wastewater enterprise as security for the payment of the certificates of participation. The City is also obligated to fund a reserve fund in an amount equal to \$105,837 with funding of this reserve to be made over a ten year period. The certificates bear interest at 4.25 percent and principal/interest payments are due each November 1 and May 1 through May 1, 2045. Future debt service on the certificates is:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 23,800	\$ 82,569	\$ 106,369
2011	24,800	81,558	106,358
2012	25,700	80,724	106,424
2013	27,000	79,411	106,411
2014	28,100	78,263	106,363
2015-2019	159,300	372,583	531,883
2020-2024	196,000	335,896	531,896
2025-2029	241,400	290,321	531,721
2030-2034	297,500	234,438	531,938
2035-2039	366,200	165,598	531,798
2040-2044	451,000	80,856	531,856
2045	102,000	4,335	106,335
Totals	\$ 1,942,800	\$ 1,886,552	\$ 3,829,352

Annual principal and interest on the agreement are expected to require 35 percent of current system net revenues as defined. The total interest and principal remaining to be paid on the agreement is \$ 3,629,352. Principal and interest paid for the current fiscal year and total system net revenues as defined were 106,337 and \$71,977, respectively

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

4. Detailed Notes on All Funds (Continued)

F. Long-Term Debt (Continued)

Changes in Long-term liabilities

Long-term debt activity for the 2009 fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental					
Activities:					
Capital lease obligation	\$ 1,083,466	\$ -	\$ 222,140	\$ 861,326	\$ 232,385
Capital lease obligation	4,674,000	-	-	4,674,000	-
Compensated absences	338,740	128,000	127,206	339,534	211,534
Capital lease -internal service	638,716	-	107,931	530,785	112,898
Claims and settlements	311,725	-	176,801	134,924	122,549
Total	<u>\$ 7,046,647</u>	<u>\$ 128,000</u>	<u>\$ 634,078</u>	<u>\$ 6,540,569</u>	<u>\$ 660,956</u>
Business-type					
Activities:					
Installment agreement-water	\$ 4,990,000	\$ -	\$ 150,000	\$ 4,840,000	\$ 155,000
Certificates participation - water	2,511,170	-	23,170	2,488,000	25,000
Installment agreement	3,130,000	-	75,000	3,055,000	75,000
Certificates of participation	1,965,600	-	22,800	1,942,800	23,800
State Revolving Fund Loan	4,710,318	-	241,123	4,469,195	247,392
Compensated Absences	114,732	90,000	91,285	113,447	93,447
Total	<u>\$ 17,421,820</u>	<u>\$ 90,000</u>	<u>\$ 603,378</u>	<u>\$ 16,908,442</u>	<u>\$ 619,639</u>

5. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. The City participates as a member of the Public Agency Risk Sharing Authority of California (PARSAC). The Authority is a joint powers agency providing joint protection programs for public entities.

The Authority provides general liability, workers compensation and property insurance coverage to member entities. Under the liability program, the City has a \$10,000 retention limit similar to a deductible with the Authority being responsible for losses above that amount up to \$1 million. The Authority carries purchased excess insurance above that amount to cover losses up to \$25 million. The City has a \$25,000 deductible for workers compensation claims, and PARSAC covers workers compensation claims up to the first \$475,000 per claim and carries excess commercial insurance above that amount to cover losses up to \$50 million. Property coverage is commercial insurance jointly purchased with other public entities throughout the State. The commercial coverage is one billion for the collective members with various sub-limits by type of coverage and property. The City's obligation is to pay annual premiums billed by the Authority. The PARSAC periodically may make retrospective premium adjustments and the City would be required to pay its prorata share of such adjustments.

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

5. Other Information (Continued)

A. Risk Management (Continued)

Liabilities of the City are reported in the statement of net assets for the governmental activities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverage for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended <u>6/30/2009</u>	Year Ended <u>6/30/2008</u>
Unpaid claims, beginning of fiscal year	\$ 311,725	\$ 405,006
Incurred claims (including IBNRs)	-	-
Claim payments	<u>(176,801)</u>	<u>(93,281)</u>
Unpaid claims, end of fiscal year	<u>\$ 134,924</u>	<u>\$ 311,725</u>

B. Contingencies and Commitments

Litigation. The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and allocations. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Contingencies. The City is involved in a contract complaint in arbitration relating to a public works construction project wherein the plaintiff is seeking damages in excess of \$500,000. The City believes that it has meritorious defenses to the complaint. The ultimate outcome of this dispute is not presently determinable, and accordingly, any liability that might result from its settlement is undeterminable at the present time. In another matter, the City has accrued in its general fund an estimated \$744,000 liability for contract retentions and liquidated damages related to the construction contract for the City's new community swimming pool. While the ultimate outcome of this matter is not presently determinable, the City expects that the \$744,000 will be discharged as a result of final contract settlement and resolution with the contractor and or by payments to complete the construction work.

CITY OF CALISTOGA
Notes to the Basic Financial Statements
June 30, 2009

5. Other Information (Continued)

C. Public Employees Retirement System

Plan Description. The City of Calistoga contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer, public employee, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by the State statute and City ordinance. The PERS issues publicly available financial reports which include the financial statements and required supplementary information for the PERS. Copies of PERS annual financial report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

Funding Policy and Annual Pension Cost. The contribution requirements of plan members and the Town are established by and may be amended by PERS. Regular plan members are required to contribute 7.0 percent of their annual covered salary and safety members are required to contribute 9.0 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for regular employees was 16.158 percent of covered payroll and 27.487 percent of covered payroll for safety employees. The City's annual pension cost for the most recent three year period and for each plan is as follows:

Three-year Trend of Information

Plan	Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
<i>Regular employees</i>				
	6/30/07	\$ 333,348	100%	\$ -
	6/30/08	\$ 428,401	100%	\$ -
	6/30/09	\$ 463,350	100%	\$ -
<i>Safety employees</i>				
	6/30/07	\$ 222,567	100%	\$ -
	6/30/08	\$ 307,637	100%	\$ -
	6/30/09	\$ 338,283	100%	

D. Restricted Net Assets and Designated Fund Balances

The \$ 5,481,829 restricted amount in the governmental activities statement of net assets represent amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments. Of the \$5,481,829 for governmental activities, \$4,620,545 is restricted for housing and community development, \$771,552 is restricted for public safety, and \$89,742 is for streets and other purposes. Reserved fund balances consisted of \$447,767 in the general fund reserved for internal balances due from other funds.

Portions of unreserved fund balance in the general fund financial statements totaling \$941,456 are designated to indicate tentative plans for financial resource utilization in future periods, such as for general contingencies, emergencies, infrastructure improvements open space and other matters. Such plans are subject to change, have not been legally authorized, and may not result in expenditures. Unreserved designated fund balances also consisted of the \$ 2,835,941 in the capital lease projects fund to be used for future capital projects.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplementary Information
CITY OF CALISTOGA
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Fund Balance, July 1	\$ 1,710,635	\$ 1,710,635	\$ 1,710,635	\$ -
Resources (inflows):				
Property taxes	1,663,702	1,588,000	1,709,998	121,998
Sales taxes	814,527	809,000	842,610	33,610
Transient occupancy taxes	3,722,085	3,479,463	3,208,611	(270,852)
Other taxes	353,500	322,500	311,292	(11,208)
License and permits	239,500	83,000	89,315	6,315
Fines and forfeits	51,000	55,600	49,810	(5,790)
Interest	70,000	50,000	24,231	(25,769)
Intergovernmental	253,900	1,426,300	926,936	(499,364)
Charges for services	831,300	775,800	557,320	(218,480)
Miscellaneous	50,000	50,000	38,655	(11,345)
Special assessments	-	-	197,122	197,122
Transfers in	1,372,974	2,750,290	3,041,798	291,508
Amounts available for charges to appropriations	<u>11,133,123</u>	<u>13,100,588</u>	<u>12,708,333</u>	<u>(392,255)</u>
Charges to appropriations:				
General Government:				
City council	47,450	79,633	59,033	20,600
Finance	290,450	288,050	279,369	8,681
City clerk	124,200	90,109	91,701	(1,592)
City attorney	100,000	125,000	142,675	(17,675)
City manager	190,700	119,802	183,869	(64,067)
Nondepartmental	127,900	110,884	110,152	732
Economic vitality	348,500	312,172	314,292	(2,120)
Elections	21,800	17,053	17,140	(87)
Risk management	366,600	417,173	319,370	97,803
Personnel	75,050	48,557	63,628	(15,071)
Public Safety:				
Police services	1,747,500	1,719,945	1,712,005	7,940
Police dispatch	441,600	439,900	489,126	(49,226)
Emergency services	55,300	70,633	72,468	(1,835)
Fire protection	836,850	784,803	776,846	7,957
Community Services				
Aquatic services	124,900	85,324	92,270	(6,946)
Community promotions	40,000	40,000	36,144	3,856
Community activities	42,550	39,044	39,168	(124)
Library services	81,900	76,851	77,224	(373)
Sharpsteen Museum	25,250	26,052	18,223	7,829
Handy Van	-	9,551	9,514	37
Recreation Services				
Recreation services	320,100	361,050	332,507	28,543
Education and recreation courses	32,750	53,250	43,916	9,334
Community resource commission	600	2,500	44	2,456
Senior activities	22,800	16,300	16,633	(333)
Public Works				
Administration	158,150	143,359	137,130	6,229
Streets	302,650	305,962	296,724	9,238
Park maintenance	245,100	225,503	211,776	13,727
Shop maintenance	34,150	27,575	28,489	(914)
Pool maintenance	121,600	63,800	62,941	859
Building maintenance	298,750	287,691	288,236	(545)
Planning and building				
Planning commission	6,800	9,750	6,341	3,409
Bicycle advisory	800	800	223	577
Planning	361,000	412,400	396,737	15,663
Building inspection	418,700	301,919	290,940	10,979
Debt service	-	-	125,000	(125,000)
Special projects	210,000	424,116	200,071	224,045
Capital outlay	2,277,450	5,348,893	3,797,715	1,551,178
Transfers out	159,126	-	179,470	(179,470)
Total charges to appropriations	<u>10,059,026</u>	<u>12,885,404</u>	<u>11,319,110</u>	<u>1,566,294</u>
Fund Balance, June 30	<u>\$ 1,074,097</u>	<u>\$ 215,184</u>	<u>\$ 1,389,223</u>	<u>\$ 1,174,039</u>

CITY OF CALISTOGA

Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2009

Note A. Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and expenditures:

Sources/inflows resources:

Actual amounts "available for appropriation" from budgetary comparison schedule:	\$ 12,708,333
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,710,635)
Transfers in from other funds are inflows of budgetary resources but are revenues for financial reporting purposes	<u>(3,041,798)</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 7,955,900</u>

Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 11,319,110
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(179,470)</u>
Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 11,139,640</u>

CITY OF CALISTOGA
Required Supplemental Information For Major Special Revenue Fund
HOME Special Revenue Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget- Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State of California pass-through grants:				
HOME Grant	\$ -	\$ 3,247,184	\$ 1,829,632	\$ (1,417,552)
Interest	-	-	-	-
Total revenues	-	3,247,184	1,829,632	(1,417,552)
Expenditures:				
Current:				
Housing:				
Palisades project loan	-	3,247,184	1,830,856	1,416,328
Total expenditures	-	3,247,184	1,830,856	1,416,328
Excess of revenues over (under) expenditures	-	-	(1,224)	(1,224)
Other financing sources (uses):				
Transfer in from general fund	-	-	12,424	12,424
	-	-	12,424	12,424
Net change in fund balances	-	-	11,200	11,200
Fund balance, July 1	-	-	(11,200)	(11,200)
Fund balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF CALISTOGA
Required Supplemental Information For Major Special Revenue Fund
CDBG Open Grants Special Revenue Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget- Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State of California pass-through grants:				
CDBG planning and technical assistance	\$ 35,000	\$ 35,000	\$ -	\$ (35,000)
CDBG planning and technical assistance	\$ 35,000	\$ 35,000	\$ -	\$ (35,000)
Interest	-	-	839	839
Total revenues	<u>70,000</u>	<u>70,000</u>	<u>839</u>	<u>(69,161)</u>
Expenditures:				
Current:				
Community pool and other projects	-	-	652	(652)
Total expenditures	<u>-</u>	<u>-</u>	<u>652</u>	<u>(652)</u>
Excess of revenues over (under) expenditures	<u>70,000</u>	<u>70,000</u>	<u>187</u>	<u>(69,813)</u>
Other financing uses:				
Transfer out to general fund	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>	<u>70,000</u>
	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>	<u>70,000</u>
Net change in fund balances	-	-	187	187
Fund balance, July 1	-	-	-	-
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187</u>	<u>\$ 187</u>

CITY OF CALISTOGA
Required Supplemental Information For Major Special Revenue Fund
Community Pool Special Revenue Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance With Final Budget- Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous:				
Contributions for Pool Facility	\$ -	\$ -	\$ -	\$ -
Interest	-	15,750	30	(15,720)
Total revenues	-	15,750	30	(15,720)
Expenditures:				
Capital outlay:				
Community pool facility	-	850	850	-
Total expenditures	-	850	850	-
Excess of revenues over(under) expenditures	-	14,900	(820)	(15,720)
Other financing sources (uses)				
Transfer in from general fund	-	-	1,900	1,900
Transfers out to general fund	(560,550)	(1,588,451)	(1,596,804)	(8,353)
	(560,550)	(1,588,451)	(1,594,904)	(6,453)
Extraordinary item:				
Contributions for community pool	-	-	1,597,624	1,597,624
Net change in fund balances	(560,550)	(1,573,551)	1,900	1,575,451
Fund balances, July 1	1,573,551	1,573,551	(1,900)	(1,575,451)
Fund balances, June 30	<u>\$ 1,013,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>