

City of Healdsburg

California



Healdsburg Ridge



Comprehensive Annual Financial Report Year Ended June 30, 2011

CITY OF HEALDSBURG
FINANCIAL STATEMENTS
JUNE 30, 2011

CITY OF HEALDSBURG
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2011

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CITY OF HEALDSBURG ADMINISTRATION

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Visit us at www.ci.healdsburg.ca.us

February 21, 2012

Honorable Mayor and City Council Members
401 Grove Street
Healdsburg, CA 95448

Honorable Mayor, Members of the City Council, and Citizens of the City of Healdsburg:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Healdsburg for the fiscal year ended June 30, 2011. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the report of the independent auditors.

This report consists of management's representations concerning the finances of the City of Healdsburg. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Healdsburg has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Healdsburg's financial statements. Because the cost of internal controls should not outweigh their benefits, the City of Healdsburg's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert, to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

ANNUAL AUDIT

Moss, Levy & Hartzheim, LLP, a firm of licensed certified public accountants has audited the City of Healdsburg's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Healdsburg for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Healdsburg's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

CITY OF HEALDSBURG PROFILE

The City of Healdsburg, incorporated in 1867, is located in Sonoma County, the center of California's north coast premium wine growing region. Healdsburg continues to show strength as a regional retail, service and tourist destination.

The City operates under the Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and four Council members. The governing council is responsible for the City's ordinances, operating resolutions, adoption of the annual budget, appointing commissions and committees, and hiring the City Manager and City Attorney. The City Manager is responsible for implementing the policies, ordinances and directives of the City Council, for overseeing the day-to-day operations of the City and for appointing the Assistant City Manager and the Directors of the City's departments. The Council is elected on a nonpartisan basis. Council members are elected to four-year staggered terms and each year the Mayor is elected by a majority vote of the City Council.

The City provides a full range of services and activities which is summarized as follows:

General Government Activities

Police and Fire services
Non-Enterprise capital projects
Economic development and
business expansion
Preservation of low and moderate
income housing and neighborhoods
Assistance toward development of
affordable housing
Downtown revitalization and business retention

Enterprise Activities

Water Utility, including production
Sewer Utility, including collection and treatment
of sanitary and storm drain waste water
Electric Utility
Planning and Building
Transit
Airport
Meeting Center (Villa)
School Services
Parks and recreation, including a
municipal golf course and pool
Streets and roads

FACTORS AFFECTING FINANCIAL CONDITION

Budgeting Control

The City of Healdsburg operates on a fiscal year basis, beginning July 1 and ending June 30. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation and adoption in June prior to the beginning of the fiscal year.

Upon adoption by the City Council, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. The City's budgetary procedures are further discussed in the Notes to the Basic Financial Statements and can be found in the financial section of this report.

Activities of all funds of the City are included in the annual appropriated budget. The level of budgetary control is by fund, although budgets are adopted within funds at the department level in all operating funds and at the project level in the capital project funds. Only the City Council has the authority to increase total appropriations subject only to the appropriation limitations established by State law. Budget appropriations lapse at the end of the fiscal year, with the exception of contract commitments and capital improvement projects, which are carried over until the commitment is met, or the project has been completed. Quarterly financial reports are presented to the City Council to help them evaluate budget performance.

For the Future

Several factors will impact the City's budget for the fiscal year 2011-12 and beyond. These factors include the State's growing budget deficit and the health of local area economies; increases in health insurance and retirement plan costs, as well as increases to services and supplies. While voter approved Proposition 1A may continue to help protect the City from some of the state's future takeaways and other revenues continue to be raided as the State's budget deficit balloons. The City's sales and transient occupancy tax revenues appear to have begun a recovery.

With the recent California Supreme Court opinion in *CRA v. Matosantos* upholding the validity of AB1x26, the bill that dissolves all the redevelopment agencies in the State, much remains uncertain.

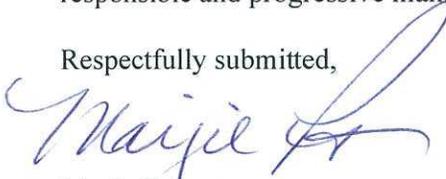
City Council continues to be proactive in planning for an uncertain financial future by reviewing reserve policies, looking for ways to increase efficiencies and reduce costs, and reviewing fees and charges to more fully recover the cost of City services.

For fiscal year 2011-12 the City Council adopted a General Fund budget with a deficit of \$619,604. Without increased revenue, severe service reductions will become necessary.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to other members of the City staff who assisted and contributed to its preparation. We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

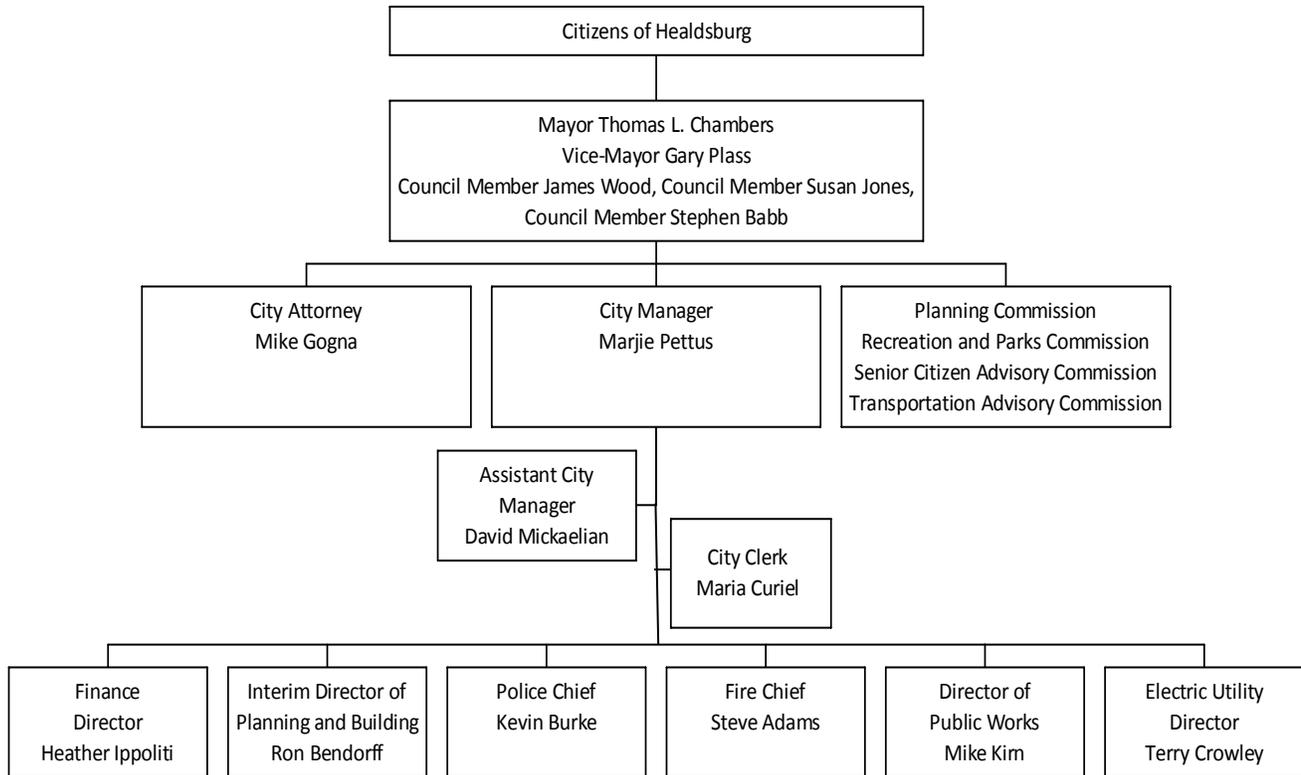
Respectfully submitted,



Marjie Pettus
City Manager

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City of Healdsburg Organizational Chart



City of Healdsburg

June 30, 2011

Elected Officials

Thomas L. Chambers
Mayor

Gary Plass
Vice Mayor

James Wood
Council Member

Susan Jones
Council Member

Stephen Babb
Council Member

Appointed Officials

Marjie Pettus
City Manager

Mike Gogna
City Attorney

David Mickaelian
Assistant City Manager

Maria Curiel
City Clerk

Heather Ippoliti
Finance Director

Steve Adams
Fire Chief

Kevin Burke
Police Chief

Terry Crowley
Electric Utility Director

Mike Kirn
Director of Public Works

Ron Bendorff
Interim Director of
Planning and Building

FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Healdsburg
Healdsburg, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Healdsburg (City), as of and for the fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in note 1 of the notes to basic financial statements effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59 – *Financial Instruments Omnibus*.

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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 1, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Moss, Levy & Hartzheim

Moss, Levy and Hartzheim, LLP
Culver City, California
February 1, 2012

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

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 as of and for the fiscal year ended June 30, 2011. 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

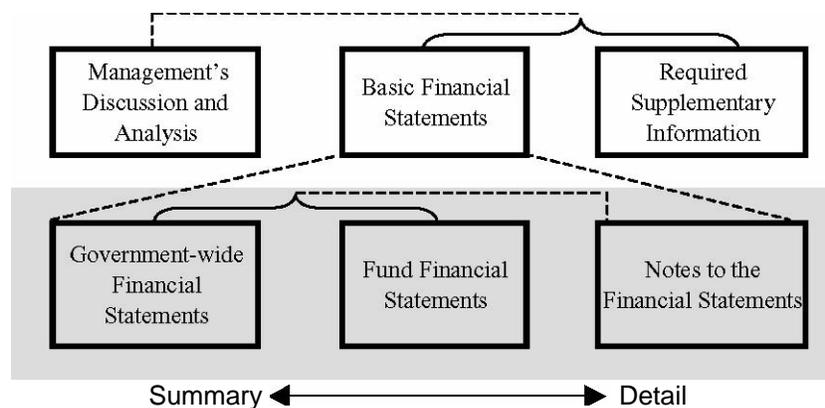
Financial Highlights

- City assets exceeded its liabilities by \$158.7 million (net assets) at June 30, 2011. Of this amount, \$33.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net assets increased by \$5 million during the fiscal year, compared to an increase of \$2.7 million in the prior year. The decrease attributable to the City's governmental activities was \$1 million, while the business type activities increased by \$6 million.
- At the close of fiscal year 2010-11, City governmental funds reported combined ending fund balance of \$56.9 million, an increase of \$18.4 million.
- At the end of fiscal year 2010-11, unreserved fund balance for the General Fund was \$6.4 million, or 94 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



Government-wide Financial Statements. The government-wide financial statements are comprised of the Statement of Net Assets and Statement of Activities. These two statements are designed to

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

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

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

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

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

The government-wide financial statements include the City itself, as well as, the Healdsburg Redevelopment Agency (RDA). Although these entities are legally separate, they function for all practical purposes as a part of the City, and therefore have been included as blended component units as an integral part of the primary government.

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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty 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, RDA Debt Service Fund, RDA Commercial & Industrial Capital Projects Fund, and the RDA Low/Moderate Income Housing Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of supplementary combining statements.

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, community services and other 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.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

Government-Wide Financial Analysis

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

NET ASSETS
June 30, 2011 and 2010

ASSETS	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 73,516,571	\$ 54,628,508	\$ 34,126,188	\$ 28,560,365	\$ 107,642,759	\$ 83,188,873
Capital assets	35,042,807	37,437,192	119,279,853	120,203,316	154,322,660	157,640,508
Total assets	<u>108,559,378</u>	<u>92,065,700</u>	<u>153,406,041</u>	<u>148,763,681</u>	<u>261,965,419</u>	<u>240,829,381</u>
LIABILITIES						
Current liabilities	5,932,696	4,274,283	2,851,458	3,003,533	8,784,154	7,277,816
Long-term liabilities	55,817,179	40,020,266	38,647,902	39,781,344	94,465,081	79,801,610
Total liabilities	<u>61,749,875</u>	<u>44,294,549</u>	<u>41,499,360</u>	<u>42,784,877</u>	<u>103,249,235</u>	<u>87,079,426</u>
NET ASSETS						
Invested in capital assets						
net of related debt	4,699,274	4,629,048	80,098,271	79,968,236	84,797,545	84,597,284
Restricted	31,354,056	32,184,722	8,923,157	23,793,528	40,277,213	55,978,250
Unrestricted	10,756,173	10,957,381	22,885,253	2,217,040	33,641,426	13,174,421
Total net assets	<u>\$ 46,809,503</u>	<u>\$ 47,771,151</u>	<u>\$ 111,906,681</u>	<u>\$ 105,978,804</u>	<u>\$ 158,716,184</u>	<u>\$ 153,749,955</u>

By far the largest portion of the City's net assets (53%) reflects its investment in capital assets (e.g. land, buildings, utility plant, machinery, equipment, vehicles, and infrastructure), net of any related outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net assets (\$40.3 million or 25 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$33.6 million (21 percent) may be used to meet the government's ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

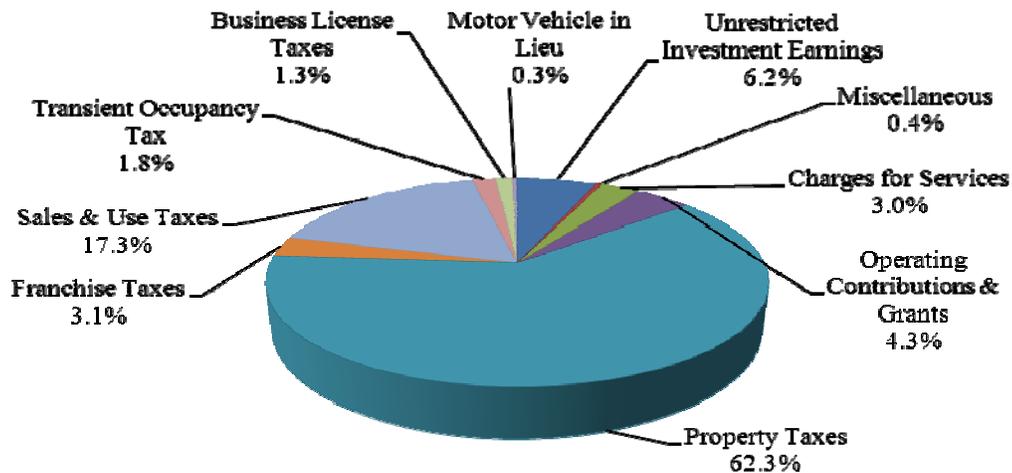
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

The statement of activities shows how the government's net assets changed during fiscal year 2010-11 as compared to 2009-10. The City's net assets increased overall by \$5 million during the current fiscal year.

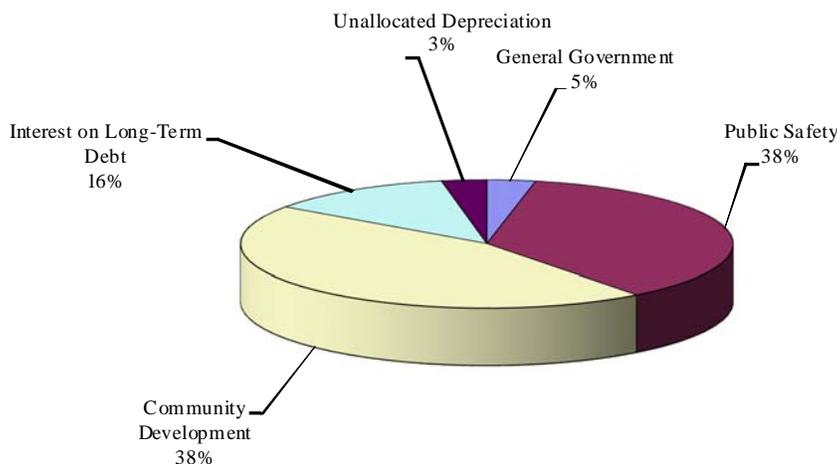
Governmental Activities. Significant revenues of the governmental activities are taxes (84.5%), which include property taxes, sales taxes, franchise taxes, business license taxes, motor vehicle in lieu and transient occupancy taxes. Program revenues are 7.3% of the total revenues of the governmental activities, which include charges for services and operating contributions and grants.

**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2011**



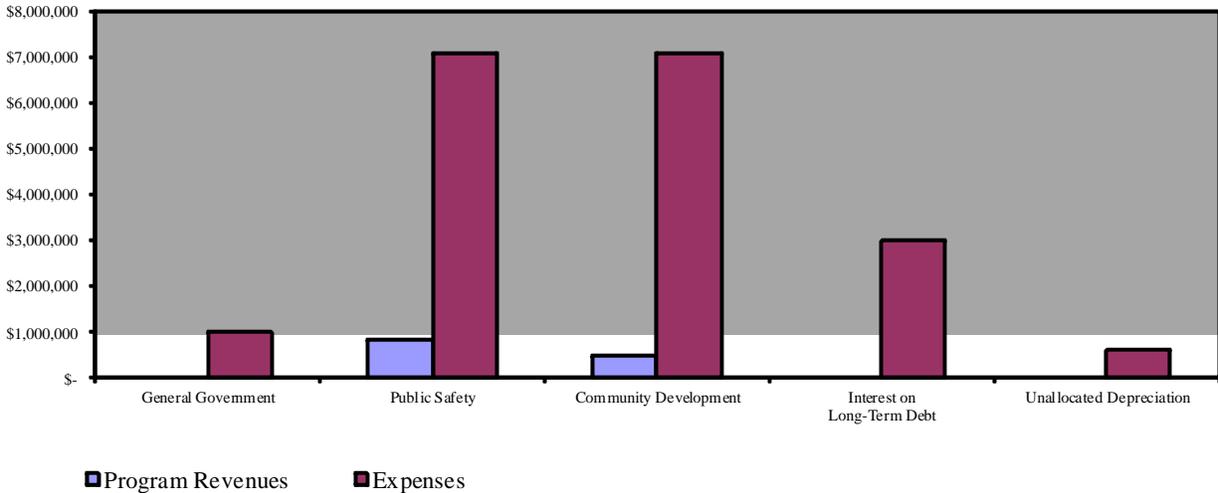
As for expenditures, community development expenses are the most significant (38%) of all governmental activities expenses, followed by public safety (38%), interest on long-term debt (16%) and general government (5%). Depreciation expense is 3% of the total expenses for governmental activities

**EXPENSES BY FUNCTION/PROGRAM – GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2011**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

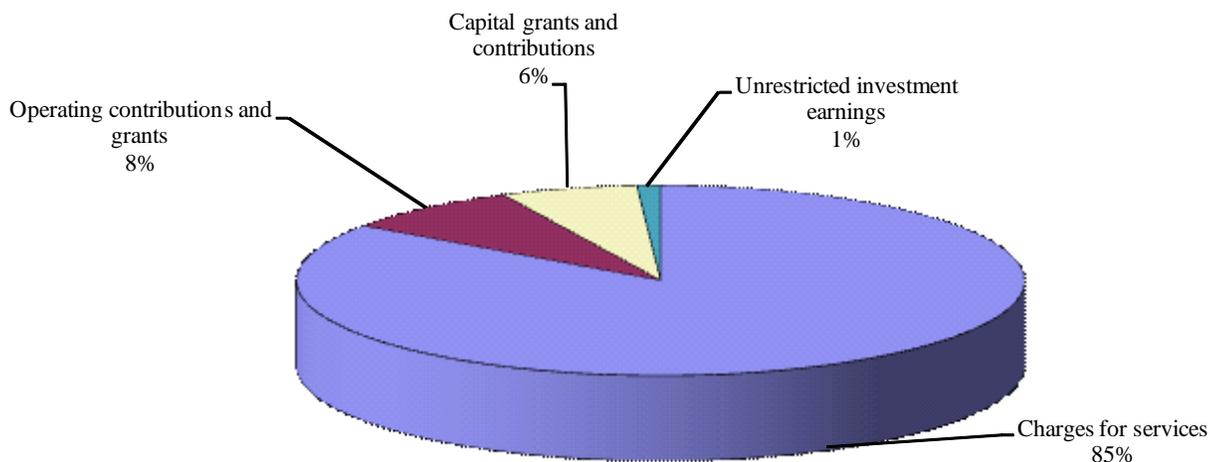
**COMPARISON OF EXPENSES AND PROGRAM REVENUES –
 GOVERNMENTAL ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2011**



Business-Type Activities. In the fiscal year ended June 30, 2011, business-type activities increased the City's net assets by \$5.9 million. Key elements of this change are as follows:

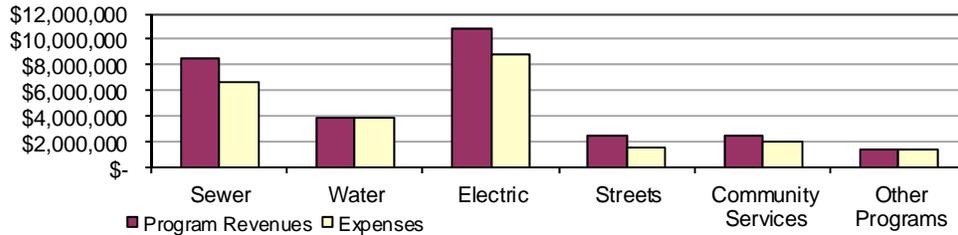
- Charges for services increased by \$1,066,693 (4.2%).
- Operating expenses decreased by \$6,554,818 (21.3%).
- Transfers from government activities decreased by \$1,125,910 (79%) primarily due to decreased funding of projects by the redevelopment agency.
- Unrestricted investment earnings decreased by \$33,245 (9.6%), primarily due to the decrease in the rate of return on investments during the current fiscal year.

**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2011**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

**EXPENSES AND PROGRAM REVENUES –
BUSINESS-TYPE ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2011**



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, 2011, the City's governmental funds reported total ending fund balances of \$56,967,998, an increase of \$18,385,360 from the prior fiscal year. Approximately 9% of the total ending fund balances (\$5,164,894) 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 capital projects in the redevelopment agency (\$23,245,119).

General Fund revenues were \$448,547 (7%) more than in the prior fiscal year, and expenditures decreased by \$612,529 (8%). An increase in sales tax accounted for a significant portion of the increase in revenues. Decreases in both general government and public safety accounted 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 include Water, Sewer, Electric, Streets and Community Services. The major changes in enterprise net assets are a half million dollar increase to \$15.8 million in the Water Fund, a \$2.1 million increase to \$39.5 million in the Sewer Fund, and a \$1.2 million increase to \$23 million in the Streets Fund. These increases are generally due to revenues exceeding expenditures and transfers out. The Electric Fund reported an increase in net assets of \$2.2 million with an ending balance of \$21 million, which was primarily the result of a decrease in operating expenditures.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

The City also maintains internal service funds to account for Insurance and Benefits, Vehicle Maintenance, Information Services and Building Maintenance. The Internal Service Funds had a decrease in net assets of \$1 million during the fiscal year, ending with a balance of \$8.5 million. This decrease is primarily attributable to decreased operating revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2011, amounted to \$154,322,660 (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 \$4,076,542.

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Land and land rights	\$ 14,344,330	\$ 15,854,546	\$ 5,056,630	\$ 4,983,902
Rights of way	6,681,379	6,681,379	-	-
Construction in progress	122,154	-	3,434,729	7,849,154
Buildings	16,821,900	16,822,911	7,007,574	7,007,574
Streets	-	-	26,413,982	26,382,459
Utility Systems	-	-	104,988,044	99,854,385
Drainage	-	-	9,477,795	9,463,020
Machinery and equipment	7,265,447	8,053,100	2,449,997	2,449,997
Operations	-	-	2,964,993	1,672,265
Infrastructure	1,332,175	1,332,175	-	-
Total	\$ 46,567,385	\$ 48,744,111	\$ 161,793,744	\$ 159,662,756

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

Long-Term Liabilities. The City's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled \$99,273,032 June 30, 2011. Of this total, \$59,491,689 (60%) was in governmental activities and \$39,781,343 (40%) was in business-type activities. The City's outstanding long-term liabilities increased by \$15,858,811 (19%) in fiscal year 2011 due to a December 2010 redevelopment agency bond issue.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
General obligation bonds	\$ 3,085,000	\$ 3,545,000	\$ -	\$ -
Certificates of Participation	-	-	14,825,000	15,430,000
Tax Allocation Bonds	55,095,000	37,860,000	-	-
Revenue Bonds	-	-	25,635,000	26,150,000
Compensated absences	1,535,695	1,448,599	-	-
Capital Leases	14,741	19,076	-	-
OPEB	283,000	186,000	-	-
Bond discount	(355,308)	(246,323)	(189,672)	(199,080)
Deferred amount on refunding	(166,439)	(262,080)	(488,985)	(516,971)
Total	\$ 59,491,689	\$ 42,550,272	\$ 39,781,343	\$ 40,863,949

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a \$72,560 decrease in appropriations of expenditures between the original budget and the final amended budget for the fiscal year ended June 30, 2011. The public safety budgets were increased slightly.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the City Budget for the fiscal year 2011-12, the City Council and management were conservative as to the projected growth of revenues and expenditures. Continuing uncertainty in the economy and the flattening of primary revenues was a primary concern. Property tax and sales tax revenue were estimated to remain flat.

The Supreme Court decision on December 29, 2011 dissolving redevelopment agencies was not anticipated in our fiscal year 2011-12 projections. Much is still unclear on how the implementation of AB 1X 26 will impact the City's finances as a whole.

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

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CITY OF HEALDSBURG
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 46,608,924	\$ 29,369,041	\$ 75,977,965
Cash and investments with fiscal agents	13,444,336		13,444,336
Restricted cash and investments		30,000	30,000
Receivables:			
Accounts	709,828	3,568,478	4,278,306
Taxes	909,037	306,349	1,215,386
Notes	7,709,440	9,000	7,718,440
Interest	110,119	57,508	167,627
Due from other governments	144,581	435,875	580,456
Internal balances	2,619,682	(2,619,682)	
Deferred charges	1,215,068	599,761	1,814,829
Prepaid expenses	15,468	770,369	785,837
Inventory	30,088	1,599,489	1,629,577
Capital assets, not being depreciated	21,147,863	8,491,359	29,639,222
Capital assets, net of accumulated depreciation	13,894,944	110,788,494	124,683,438
Total Assets	108,559,378	153,406,041	261,965,419
LIABILITIES			
Accounts payable	948,052	361,794	1,309,846
Interest payable	1,231,132	464,807	1,695,939
Deposits payable	16,903	890,681	907,584
Claims payable	61,364		61,364
Unearned revenue	735	735	1,470
Noncurrent liabilities:			
Due within one year	2,639,671	1,133,441	3,773,112
Due in more than one year	56,852,018	38,647,902	95,499,920
Total Liabilities	61,749,875	41,499,360	103,249,235
NET ASSETS			
Invested in capital assets, net of related debt	4,699,274	80,098,271	84,797,545
Restricted for:			
Capital projects		8,923,157	8,923,157
Community development	15,353,581		15,353,581
Housing	13,917,388		13,917,388
Landscaping and lighting	327,681		327,681
Public safety	238,836		238,836
Parks and recreation	28,448		28,448
Streets, highway, and related purposes	1,488,122		1,488,122
Unrestricted	10,756,173	22,885,253	33,641,426
Total Net assets	\$ 46,809,503	\$ 111,906,681	\$ 158,716,184

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 1,003,644	\$ 3,830	\$ 10,114	\$ -
Public safety	7,106,219	383,294	458,909	
Community development	7,111,436	162,931	305,115	970
Interest on long-term debt	3,011,864			
Unallocated depreciation	587,352			
Total Governmental Activities	18,820,515	550,055	774,138	970
Business-type Activities:				
Water	3,855,227	3,937,175		
Sewer	6,626,738	8,451,995		
Electric	8,758,690	10,774,283		
Streets	1,535,623	648,863		1,814,658
Community services	2,025,925	620,229	1,876,661	
Other enterprises	1,445,896	890,984	552,148	
Total Business-type Activities	24,248,099	25,323,529	2,428,809	1,814,658
Total Government	\$ 43,068,614	\$ 25,873,584	\$ 3,202,947	\$ 1,815,628

General Revenues:

Taxes:

Property taxes

Franchise taxes

Sales and use taxes

Transit occupancy tax

Business license taxes

Motor vehicle in lieu, unrestricted

Investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, July 1, 2010

Net Assets, June 30, 2011

Net (Expenses) Revenues and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (989,700)	\$ -	\$ (989,700)
(6,264,016)		(6,264,016)
(6,642,420)		(6,642,420)
(3,011,864)		(3,011,864)
(587,352)		(587,352)
<u>(17,495,352)</u>		<u>(17,495,352)</u>
	81,948	81,948
	1,825,257	1,825,257
	2,015,593	2,015,593
	927,898	927,898
	470,965	470,965
	<u>(2,764)</u>	<u>(2,764)</u>
	5,318,897	5,318,897
<u>(17,495,352)</u>	<u>5,318,897</u>	<u>(12,176,455)</u>
11,321,066		11,321,066
562,219		562,219
3,148,950		3,148,950
321,332		321,332
239,715		239,715
60,216		60,216
1,117,337	311,866	1,429,203
65,413		65,413
<u>(297,114)</u>	<u>297,114</u>	
<u>16,539,134</u>	<u>608,980</u>	<u>17,148,114</u>
(956,218)	5,927,877	4,971,659
<u>47,765,721</u>	<u>105,978,804</u>	<u>153,744,525</u>
<u>\$ 46,809,503</u>	<u>\$ 111,906,681</u>	<u>\$ 158,716,184</u>

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2011**

	General	Redevelopment Agency Debt Service	Capital Projects Fund Redevelopment Agency Commercial and Industrial
ASSETS			
Cash and investments	\$ 4,668,653	\$ 1,682,490	\$ 15,298,501
Cash and investments with fiscal agents		7,230,467	4,252,769
Receivables:			
Accounts	41,517		535,917
Taxes	832,014	36,678	
Notes			12,391
Interest	10,728	3,282	28,597
Due from other governments	105,846		
Prepaid expenditures	5,578	5,250	
Due from other funds	860,469		3,695,000
Total Assets	\$ 6,524,805	\$ 8,958,167	\$ 23,823,175
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 128,558	\$ -	\$ 29,748
Deposits payable	15,849		
Due to other funds			
Deferred revenue			548,308
Total Liabilities	144,407		578,056
Fund Balances:			
Nonspendable:			
Prepaid expenditures	5,578	5,250	
Restricted	109,044	8,952,917	23,245,119
Committed	542,972		
Unassigned	5,722,804		
Total Fund Balances	6,380,398	8,958,167	23,245,119
Total Liabilities and Fund Balances	\$ 6,524,805	\$ 8,958,167	\$ 23,823,175

See accompanying notes to basic financial statements

<u>Capital Projects Fund Redevelopment Agency Low/Moderate Income Housing</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,852,786	\$ 10,308,222	\$ 37,810,652
1,961,100		13,444,336
	114,352	691,786
	40,345	909,037
6,090,292	1,589,081	7,691,764
29,602	20,747	92,956
	38,735	144,581
4,500	140	15,468
		4,555,469
<u>\$ 13,938,280</u>	<u>\$ 12,111,622</u>	<u>\$ 65,356,049</u>
\$ 20,892	\$ 76,694	\$ 255,892
		15,849
	521,422	521,422
6,090,292	956,288	7,594,888
<u>6,111,184</u>	<u>1,554,404</u>	<u>8,388,051</u>
4,500	140	15,468
7,822,596	11,024,927	51,154,603
	90,061	633,033
	(557,910)	5,164,894
<u>7,827,096</u>	<u>10,557,218</u>	<u>56,967,998</u>
<u>\$ 13,938,280</u>	<u>\$ 12,111,622</u>	<u>\$ 65,356,049</u>

See accompanying notes to basic financial statements

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CITY OF HEALDSBURG
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2011

Fund balances of governmental funds \$ 56,967,998

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

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

Capital assets	\$ 40,424,339	
Less: accumulated depreciation	<u>(7,267,267)</u>	33,157,072

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds. 1,215,068

Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (1,231,132)

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

General obligation bonds	(3,085,000)	
Tax allocation bonds	(55,095,000)	
Discounts	355,308	
Deferred loss on refunding	166,439	
OPEB	<u>(283,000)</u>	(57,941,253)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicle maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 7,047,597

In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by deferred revenue. 7,594,153

Net assets of governmental activities \$ 46,809,503

**CITY OF HEALDSBURG
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011**

	General	Redevelopment Agency Debt Service	Capital Projects Fund Redevelopment Agency Commercial and Industrial
REVENUES			
Property taxes	\$ 1,819,574	\$ 7,225,549	\$ -
Sales and other taxes	4,272,216		
Charges for services	298,401		
Development fees			
Intergovernmental	556,249		
Use of money and property	69,462	13,082	128,926
Other revenues	44,882		
Total Revenues	7,060,784	7,238,631	128,926
EXPENDITURES			
Current:			
General government	191,328		
Public safety	6,628,861		
Community development		166,921	2,429,562
Capital outlay			5,923
Debt service:			
Bond issuance cost		293,932	
Principal payments		1,040,000	
Interest and fiscal charges		2,071,882	
Pass-through payments		3,416,557	
Total Expenditures	6,820,189	6,989,292	2,435,485
Excess of revenues over (under) expenditures	240,595	249,339	(2,306,559)
OTHER FINANCING SOURCES (USES)			
Payments to refunded bond escrow agent		(2,809,101)	
Original issue discount		(170,222)	
Proceeds from debt issuance		21,065,000	
Proceeds from sale of property			
Transfers in	10,040	950,605	14,968,411
Transfers out		(13,653,197)	(1,059,937)
Total Other Financing Sources (Uses)	10,040	5,383,085	13,908,474
Net Change in Fund Balances	250,635	5,632,424	11,601,915
Fund Balances, July 1, 2010	6,129,763	3,325,743	11,643,204
Fund Balances, June 30, 2011	<u>\$ 6,380,398</u>	<u>\$ 8,958,167</u>	<u>\$ 23,245,119</u>

See accompanying notes to basic financial statements

Capital Projects Fund Redevelopment Agency Low/Moderate Income Housing	Other Governmental Funds	Total Governmental Funds
\$ 1,806,387	\$ 624,203	\$ 11,475,713
		4,272,216
	82	298,483
	8,127	8,127
	349,047	905,296
46,742	590,265	848,477
175,638	115,437	335,957
<u>2,028,767</u>	<u>1,687,161</u>	<u>18,144,269</u>
	99,351	290,679
		6,628,861
438,860	262,473	3,297,816
60,492	611,703	678,118
		293,932
	460,000	1,500,000
	126,811	2,198,693
		<u>3,416,557</u>
<u>499,352</u>	<u>1,560,338</u>	<u>18,304,656</u>
<u>1,529,415</u>	<u>126,823</u>	<u>(160,387)</u>
		(2,809,101)
		(170,222)
		21,065,000
1,098,730		1,098,730
77,170	164,052	16,170,278
(868,693)	(1,227,111)	(16,808,938)
<u>307,207</u>	<u>(1,063,059)</u>	<u>18,545,747</u>
1,836,622	(936,236)	18,385,360
<u>5,990,474</u>	<u>11,493,454</u>	<u>38,582,638</u>
<u>\$ 7,827,096</u>	<u>\$ 10,557,218</u>	<u>\$ 56,967,998</u>

See accompanying notes to basic financial statements

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**CITY OF HEALDSBURG
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

NET CHANGE IN FUND BALANCES \$ 18,385,360

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

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

Interest receivable	\$ 239,244	
Notes receivable	<u>(196,431)</u>	42,813

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.

(These do not include internal service funds assets)

Capital outlay expenditures are added back to fund balances	160,363	
Depreciation expense not reported in governmental funds	(587,352)	
Book value of capital assets sold	<u>(1,550,000)</u>	(1,976,989)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Assets, the costs are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	1,500,000	
Payments to escrow agent are added back to fund balance	2,809,101	
Bond proceeds are deducted from fund balance	(21,065,000)	
Deferred charges and original issue discount are added back to fund balance	141,420	
Amortization of deferred loss on refunding	<u>(95,641)</u>	(16,710,120)

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

Postemployment benefit accrual	(97,000)	
Interest payable	<u>(394,796)</u>	(491,796)

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

(205,486)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (956,218)

**CITY OF HEALDSBURG
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2011**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 4,574,483	\$ 13,091,821	\$ 5,961,361	\$ 3,078,445
Restricted cash and investments		30,000		
Accounts receivable - net	678,168	1,091,252	1,700,626	990
Taxes receivable				
Notes and loans receivable	9,000			
Interest receivable	8,924	25,538	11,624	6,005
Due from other governments				
Due from other funds			55,000	
Prepaid expenses			169	
Inventory	138,202	5,594	1,398,577	30,525
Total current assets	<u>5,408,777</u>	<u>14,244,205</u>	<u>9,127,357</u>	<u>3,115,965</u>
Noncurrent:				
Deferred charges, net of accumulated amortization	279,384	320,377		
	<u>279,384</u>	<u>320,377</u>		
Capital Assets:				
Nondepreciable				
Land	310,781	766,902	48,360	
Construction in progress		651,528	118,331	2,387,866
Total nondepreciable capital assets	<u>310,781</u>	<u>1,418,430</u>	<u>166,691</u>	<u>2,387,866</u>
Depreciable				
Buildings	1,480,553	206,166	447,835	
Streets				26,413,982
Utility systems	27,436,979	55,412,317	22,138,748	
Drainage		9,477,795		
Machinery and equipment Operations	631,029	581,929	480,888	18,783
Total depreciable capital assets	<u>29,548,561</u>	<u>65,678,207</u>	<u>23,067,471</u>	<u>26,432,765</u>
Less accumulated depreciation	<u>(8,115,763)</u>	<u>(13,181,776)</u>	<u>(8,741,959)</u>	<u>(8,687,993)</u>
Net depreciable capital assets	<u>21,432,798</u>	<u>52,496,431</u>	<u>14,325,512</u>	<u>17,744,772</u>
Net capital assets	<u>21,743,579</u>	<u>53,914,861</u>	<u>14,492,203</u>	<u>20,132,638</u>
Total noncurrent assets	<u>22,022,963</u>	<u>54,235,238</u>	<u>14,492,203</u>	<u>20,132,638</u>
Total assets	<u>\$ 27,431,740</u>	<u>\$ 68,479,443</u>	<u>\$ 23,619,560</u>	<u>\$ 23,248,603</u>

See accompanying notes to basic financial statements

Enterprise Funds			Governmental -
Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 1,025,141	\$ 1,637,790	\$ 29,369,041	\$ 8,798,272
		30,000	
2,174	95,268	3,568,478	18,042
306,349		306,349	
		9,000	17,676
1,541	3,876	57,508	17,163
270,000	165,875	435,875	
72,000		127,000	
770,200		770,369	
719	25,872	1,599,489	30,088
<u>2,448,124</u>	<u>1,928,681</u>	<u>36,273,109</u>	<u>8,881,241</u>
		599,761	
		599,761	
3,578,780	351,807	5,056,630	
277,004		3,434,729	
<u>3,855,784</u>	<u>351,807</u>	<u>8,491,359</u>	
3,492,157	1,380,863	7,007,574	
		26,413,982	
		104,988,044	
		9,477,795	
429,672	307,696	2,449,997	6,143,046
	2,964,993	2,964,993	
<u>3,921,829</u>	<u>4,653,552</u>	<u>153,302,385</u>	<u>6,143,046</u>
<u>(2,196,668)</u>	<u>(1,589,732)</u>	<u>(42,513,891)</u>	<u>(4,257,311)</u>
<u>1,725,161</u>	<u>3,063,820</u>	<u>110,788,494</u>	<u>1,885,735</u>
<u>5,580,945</u>	<u>3,415,627</u>	<u>119,279,853</u>	<u>1,885,735</u>
<u>5,580,945</u>	<u>3,415,627</u>	<u>119,879,614</u>	<u>1,885,735</u>
<u>\$ 8,029,069</u>	<u>\$ 5,344,308</u>	<u>\$ 156,152,723</u>	<u>\$ 10,766,976</u>

(Continued)

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2011
 (Continued)**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 23,245	\$ 100,419	\$ 18,666	\$ 110,692
Deposits payable	21,449	237,841	218,887	53,007
Due to other funds			2,395,000	
Accrued interest payable	134,573	330,234		
Deferred revenue				
Claims payable, current portion				
Compensated absences				
Capital leases payable				
Certificates of participation and revenue bonds	525,000	640,000		
Unamortized discounts	(5,748)	(3,661)		
Deferred amount on refunding	(15,565)	(6,585)		
Total current liabilities	682,954	1,298,248	2,632,553	163,699
Noncurrent Liabilities:				
Compensated absences				
Capital leases payable				
Certificates of participation and revenue bonds	11,420,000	27,875,000		
Unamortized discounts	(95,963)	(84,300)		
Deferred amount on refunding	(343,222)	(123,613)		
Total noncurrent liabilities	10,980,815	27,667,087		
Total Liabilities	11,663,769	28,965,335	2,632,553	163,699
NET ASSETS				
Investment in capital assets, net of related debt	10,538,461	25,938,397	14,492,203	20,132,638
Restricted for capital projects	1,251,383	4,849,714	2,093,085	728,975
Unrestricted	3,978,127	8,725,997	4,401,719	2,223,291
Total Net Assets	\$ 15,767,971	\$ 39,514,108	\$ 20,987,007	\$ 23,084,904
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				
Net assets of business-type activities				

See accompanying notes to basic financial statements

Enterprise Funds			Governmental -
Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 63,522	\$ 45,250	\$ 361,794	\$ 692,160
27,102	332,395	890,681	1,054
1,300,000	466,047	4,161,047	
		464,807	
735		735	
			61,364
			1,034,839
			4,612
		1,165,000	
		(9,409)	
		(22,150)	
<u>1,391,359</u>	<u>843,692</u>	<u>7,012,505</u>	<u>1,794,029</u>
			500,856
			10,129
		39,295,000	
		(180,263)	
		(466,835)	
		<u>38,647,902</u>	<u>510,985</u>
<u>1,391,359</u>	<u>843,692</u>	<u>45,660,407</u>	<u>2,305,014</u>
5,580,945	3,415,627	80,098,271	1,870,994
		8,923,157	
<u>1,056,765</u>	<u>1,084,989</u>	<u>21,470,888</u>	<u>6,590,968</u>
<u>\$ 6,637,710</u>	<u>\$ 4,500,616</u>	110,492,316	<u>\$ 8,461,962</u>
		<u>1,414,365</u>	
		<u>\$ 111,906,681</u>	

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Operating Revenues			
Charges for services	\$ 3,776,536	\$ 7,023,147	\$ 10,684,778
Development fees	150,511	715,729	4,588
Rental income			
Other operating revenues	10,127	713,119	84,917
Total Operating Revenues	3,937,174	8,451,995	10,774,283
Operating Expenses			
Purchase of power			4,987,522
Maintenance and operation	2,045,612	3,115,193	2,641,452
Administration	437,739	1,994,359	495,142
Insurance and benefits costs			
Depreciation	594,130	1,284,021	410,582
Total Operating Expenses	3,077,481	6,393,573	8,534,698
Operating Income (Loss)	859,693	2,058,422	2,239,585
Non-Operating Revenues (Expenses)			
Interest income	49,626	110,919	50,406
Interest expense	(545,360)		
Amortization	(42,715)	(23,787)	
Taxes			
Intergovernmental grants			
Gain (Loss) on sale of capital assets			
Total Non-Operating Income (Loss)	(538,449)	87,132	50,406
Income (Loss) Before Transfers and Capital Contributions	321,244	2,145,554	2,289,991
Capital Contributions			
Transfers in	214,825	26,696	
Transfers out	(8,515)	(17,030)	(100,000)
Change in Net Assets	527,554	2,155,220	2,189,991
Net Assets, July 1, 2010	15,240,417	37,358,888	18,797,016
Net Assets, June 30, 2011	<u>\$ 15,767,971</u>	<u>\$ 39,514,108</u>	<u>\$ 20,987,007</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
Changes in net assets of business-type activities			

See accompanying notes to basic financial statements

Enterprise Funds				Governmental Activities-
Streets Fund	Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 566	\$ 287,698	\$ 345,883	\$ 22,118,608	\$ 8,266,085
13,182		213,422	1,097,432	
	113,231	305,101	418,332	
635,115	219,300	26,578	1,689,156	26,540
648,863	620,229	890,984	25,323,528	8,292,625
			4,987,522	
550,724	1,546,975	1,153,016	11,052,972	1,935,007
310,623	349,982	153,255	3,741,100	182,631
				7,147,397
526,678	128,968	64,223	3,008,602	480,588
1,388,025	2,025,925	1,370,494	22,790,196	9,745,623
(739,162)	(1,405,696)	(479,510)	2,533,332	(1,452,998)
32,313	7,508	17,729	268,501	71,901
			(545,360)	
			(66,502)	
	1,606,661		1,606,661	
	270,000	552,148	822,148	
				25,960
32,313	1,884,169	569,877	2,085,448	97,861
(706,849)	478,473	90,367	4,618,780	(1,355,137)
1,814,658			1,814,658	
110,963	616,024		968,508	341,546
(1,990)	(477,170)	(66,689)	(671,394)	
1,216,782	617,327	23,678	6,730,552	(1,013,591)
21,868,122	6,020,383	4,476,938		9,475,553
\$ 23,084,904	\$ 6,637,710	\$ 4,500,616		\$ 8,461,962
			(802,675)	
			\$ 5,927,877	

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,894,996	\$ 8,396,992	\$ 10,771,458
Payments to suppliers and users	(2,078,877)	(2,931,828)	(7,789,409)
Payments to employees	(437,739)	(1,994,359)	(495,142)
Net Cash Provided (Used) by Operating Activities	<u>1,378,380</u>	<u>3,470,805</u>	<u>2,486,907</u>
Cash Flows from Non-Capital Financing Activities:			
Taxes			
Intergovernmental grants			
Due to/from other funds			
Advances to/from other funds		(1,039,258)	
Principal paid on loans receivable	11,000		
Transfers in	214,825	26,696	
Transfers out	(8,515)	(17,030)	(100,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>217,310</u>	<u>(1,029,592)</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital grants received			
Acquisitions of capital assets		(212,059)	(66,691)
Interest paid	(549,790)	(5,931)	
Principal payments - long-term debt	(505,000)	(615,000)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,054,790)</u>	<u>(832,990)</u>	<u>(66,691)</u>
Cash Flows from Investing Activities:			
Interest received	67,253	111,935	38,782
Net Cash Provided (Used) by Investing Activities	<u>67,253</u>	<u>111,935</u>	<u>38,782</u>
Net Increase (Decrease) in Cash and Cash Equivalents	608,153	1,720,158	2,358,998
Cash and Cash Equivalents, July 1, 2010	<u>3,966,330</u>	<u>11,401,663</u>	<u>3,602,363</u>
Cash and Cash Equivalents, June 30, 2011	<u>\$ 4,574,483</u>	<u>\$ 13,121,821</u>	<u>\$ 5,961,361</u>
Noncash Transactions			
Amortization of deferred charges	\$ 42,715	\$ 23,787	\$ -
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	\$ 4,574,483	\$ 13,091,821	\$ 5,961,361
Restricted cash and investments		30,000	
Total Cash and Investments	<u>\$ 4,574,483</u>	<u>\$ 13,121,821</u>	<u>\$ 5,961,361</u>

See accompanying notes to basic financial statements

Enterprise Funds				Governmental -
Streets	Community	Other	Totals	Internal Service
Fund	Service	Enterprise		Funds
	Fund	Funds		
\$ 648,218	\$ 628,803	\$ 751,251	\$ 25,091,718	\$ 8,309,204
(744,908)	(1,741,678)	(1,090,499)	(16,377,199)	(8,920,648)
<u>(310,623)</u>	<u>(349,982)</u>	<u>(153,255)</u>	<u>(3,741,100)</u>	<u>(95,535)</u>
(407,313)	(1,462,857)	(492,503)	4,973,419	(706,979)
	1,503,083		1,503,083	
		661,263	661,263	
	400,000	(92,685)	307,315	
		(159,994)	(1,199,252)	
			11,000	5,873
110,963	616,024		968,508	341,546
<u>(1,990)</u>	<u>(477,170)</u>	<u>(66,689)</u>	<u>(671,394)</u>	
108,973	2,041,937	341,895	1,580,523	347,419
1,844,539			1,844,539	
(1,529,385)	(277,004)		(2,085,139)	(12,600)
			(555,721)	
			<u>(1,120,000)</u>	<u>(28,967)</u>
315,154	(277,004)		(1,916,321)	(41,567)
26,308	6,153	13,853	264,284	54,738
26,308	6,153	13,853	264,284	54,738
43,122	308,229	(136,755)	4,901,905	(346,389)
<u>3,035,323</u>	<u>716,912</u>	<u>1,774,545</u>	<u>24,497,136</u>	<u>9,144,661</u>
<u>\$ 3,078,445</u>	<u>\$ 1,025,141</u>	<u>\$ 1,637,790</u>	<u>\$ 29,399,041</u>	<u>\$ 8,798,272</u>
\$ -	\$ -	\$ -	\$ 66,502	\$ -
\$ 3,078,445	\$ 1,025,141	\$ 1,637,790	\$ 29,369,041	\$ 8,798,272
			30,000	
<u>\$ 3,078,445</u>	<u>\$ 1,025,141</u>	<u>\$ 1,637,790</u>	<u>\$ 29,399,041</u>	<u>\$ 8,798,272</u>

(Continued)

CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2011
 (Continued)

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 859,693	\$ 2,058,422	\$ 2,239,585
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	594,130	1,284,021	410,582
(Increase) Decrease in Operating Assets:			
Accounts receivable	(42,178)	(55,003)	(2,825)
Prepaid expenses		2,007	875
Inventory	7,760	(1,401)	25,602
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(59,514)	(55,082)	(90,559)
Deposits payable	18,489	237,841	(96,353)
Deferred revenue			
Claims and judgments payable			
Compensated absences			
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,378,380</u>	<u>\$ 3,470,805</u>	<u>\$ 2,486,907</u>

See accompanying notes to basic financial statements

Enterprise Funds				Governmental -
Streets	Community	Other		Activities
Fund	Service	Enterprise	Totals	Internal Service
	Fund	Funds		Funds
\$ (739,162)	\$ (1,405,696)	\$ (479,510)	\$ 2,533,332	\$ (1,452,998)
526,678	128,968	64,223	3,008,602	480,588
(645)	9,309	(75,966)	(167,308)	16,579
2,440	(223,400)	(22,540)	(220,518)	10,548
			11,861	
(172,422)	4,285	(41,138)	(414,430)	113,986
(24,202)	22,942	126,195	284,912	
	735	(63,767)	(63,032)	
				37,222
				87,096
<u>\$ (407,313)</u>	<u>\$ (1,462,857)</u>	<u>\$ (492,503)</u>	<u>\$ 4,973,419</u>	<u>\$ (706,979)</u>

CITY OF HEALDSBURG
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	<u>Private Purpose Trusts</u>
ASSETS	
Cash and investments	\$ 810,928
Restricted cash and investments	164,293
Interest receivable	<u>1,526</u>
Total assets	<u>976,747</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>29,054</u>
NET ASSETS	
Held in trust for other purposes	<u>947,693</u>
Total Net Assets	<u><u>\$ 947,693</u></u>

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2011

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions	\$ 47
Use of money and property	23,494
Fees and charges	<u>28,298</u>
Total additions	<u>51,839</u>
 DEDUCTIONS	
Community development	<u>124,722</u>
Change in Net Assets	(72,883)
Net Assets, July 1, 2010	<u>1,020,576</u>
Net Assets, June 30, 2011	<u><u>\$ 947,693</u></u>

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

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

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

The component units have been accounted for as "blended" component units of the City. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City. Balances for the Agency are reported as separate funds in the Special Revenue, Debt Service, Capital Projects and Fiduciary Funds. HPFA transactions are recorded in the Redevelopment Agency Debt Service Fund and the Sewer Enterprise Fund. The following criteria were used in determining that the component units were blended:

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

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

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

Separate financial statements for the Agency are available at the City's Administrative Offices. No separate statements are issued for the HPFA.

Description of Joint Powers Authorities Participation

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

Government-Wide and Fund Financial Statements

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Major Governmental Funds

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

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

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Enterprise Funds

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

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

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

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

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

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Type

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

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

Fiduciary Fund Type

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Capital Assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of contribution. Generally, capital asset purchases in excess of \$ 5,000 are capitalized if they have an expected useful life of 3 years or more.

Capital assets include additions to public domain (infrastructure) including certain improvements such as pavement, curb and gutter, sidewalks, traffic control devices, bridges, and right-of-way corridors within the City. The City has valued and recorded all infrastructure asset data as of June 30, 2011.

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

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

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The term "unsecured" refers to taxes on personal property. These taxes are secured by liens on the property being taxed.

The City accrues only those taxes, which are levied for the tax year and received within sixty days after year-end.

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

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

Net Assets and Fund Balance - In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the City has made certain estimates and assumptions relating to the collectability of its receivables (including accounts receivable), and notes receivable, the market value of investments, valuation of capital assets and depreciation expense and OPEB liability, and the ultimate outcome of claims payable. Actual results could differ from those estimates and assumptions.

New Accounting Pronouncements

GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Please refer to note 1 under section "Net Assets and Fund Balance" and note 9 for the effect on these financial statements.

GASB Statement No. 59 – Financial Instruments Omnibus

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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

B. Deficit Fund Balances/Net Assets

Nonmajor Governmental Fund

A deficit fund balance of \$20,336 exists in the North Area Special Revenue Fund. The City plans on removing the deficit through future development contributions and benefit assessments.

A deficit fund balance of \$537,574 exists in the General Capital Projects Fund. The deficit is due to the City incurring costs in advance of receiving revenue.

Nonmajor Enterprise Fund

A deficit net assets of \$40,027 exists in the After School Program Fund. The City plans on removing the deficit through future charges.

C. Excess of Expenditures over Appropriations

Major Governmental Funds:

Redevelopment Agency Debt Service Fund	\$	5,865
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NOTE 3 – CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Unrestricted assets:			
Cash and investments	\$ 75,977,965	\$ 810,928	\$ 76,788,893
Cash and investments with fiscal agents	13,444,336		13,444,336
Restricted assets:			
Cash and investments	30,000	164,293	194,293
Total Cash and Investments	\$ 89,452,301	\$ 975,221	\$ 90,427,522

Cash and investments at June 30, 2011 consisted of the following:

Cash on hand	\$ 1,063
Deposits with financial institutions	2,662,901
Investments	87,763,558
Total Cash and Investments	\$ 90,427,522

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Bankers Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	2 years	30%	None
Commercial Paper	270 days	25%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50,000,000
Sonoma County Pooled Fund	N/A	10%	None
Medium Term Notes	5 years	30%	None
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

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

Investments Authorized by Debt Agreements

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
Money Market Funds	\$ 3,810,144	\$ 3,810,144	\$ -	\$ -	\$ -
Federal Agency Securities	20,996,750		1,000,000	19,996,750	
County Investment Pool	292,489	292,489			
State Investment Pool	49,219,839	49,219,839			
Held by Bond Trustees:					
Money Market Funds	13,444,336	13,444,336			
Total	\$ 87,763,558	\$ 66,766,808	\$ 1,000,000	\$ 19,996,750	\$ -

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 year end for each investment type:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End	
				AAA	Not Rated
Money Market Funds	\$ 3,810,144	N/A	\$ -	\$ -	\$ 3,810,144
Federal Agency Securities	20,996,750	N/A		20,996,750	
County Investment Pool	292,489	N/A			292,489
State Investment Pool	49,219,839	N/A			49,219,839
Held by Bond Trustees:		N/A			
Money Market Funds	13,444,336	N/A		13,444,336	
Total	\$ 87,763,558		\$ -	\$ 34,441,086	\$ 53,322,472

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
FNMA	Federal agency securities	\$ 6,000,000
FHLB	Federal agency securities	8,998,000

Custodial Credit Risk

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

As of June 30, 2011, the City deposits (bank balances) were fully insured by the Federal Depository Insurance Corporation or collateralized under California Law. As of June 30, 2011, 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:

Investment Type	Reported Amount
Federal agency securities	\$ 20,996,750

Investment in State Investment Pool

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investment in County investment Pool

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

NOTE 4 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

A. Due to and from other funds at June 30, 2011 are as follows:

Receivable Funds	Payable Funds	Amount
General Fund	Nonmajor Transit Enterprise Fund	\$ 1,360
	Nonmajor Meeting Center Enterprise Fund	323,585
	Nonmajor After School Program Enterprise Fund	69,102
	Nonmajor General Capital Projects Fund	466,422
Major Electric Enterprise Fund	Nonmajor North Area Fund	55,000
Major Community Service Enterprise Fund	Nonmajor Meeting Center Enterprise Fund	72,000
Major Redevelopment Agency Commercial and Industrial Fund	Major Electric Enterprise Fund	2,395,000
	Major Community Service Enterprise Fund	1,300,000
		<u>\$ 4,682,469</u>

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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

B. Interfund transfers at June 30, 2011 are as follows:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor Public Safety Fund	\$ 10,040
Major Redevelopment Agency Debt Service Fund	Major Redevelopment Agency Commercial and Industrial Fund	125,412
	Major Redevelopment Agency Low/Moderate Income Housing Fund	825,193
Major Redevelopment Agency Commercial and Industrial Fund	Nonmajor General Capital Projects Fund	915,214
	Major Community Service Enterprise Fund	400,000
	Major Redevelopment Agency Debt Service Fund	13,653,197
Major Redevelopment Agency Low/Moderate Income Housing Fund	Major Community Service Enterprise Fund	77,170
Nonmajor Gas Tax Fund	Major Streets Enterprise Fund	1,990
Nonmajor General Capital Projects Fund	Major Redevelopment Agency Commercial and Industrial Fund	160,918
	Major Redevelopment Agency Low/Moderate Income Housing Fund	1,144
Major Water Enterprise Fund	Major Electric Enterprise Fund	100,000
	Major Redevelopment Agency Commercial and Industrial Fund	114,825
Major Sewer Enterprise Fund	Major Redevelopment Agency Low/Moderate Income Housing Fund	26,332
	Major Redevelopment Agency Commercial and Industrial Fund	364
Major Streets Enterprise Fund	Major Water Enterprise Fund	8,515
	Major Sewer Enterprise Fund	17,030
	Nonmajor Gas Tax Fund	2,000
	Major Redevelopment Agency Commercial and Industrial Fund	83,418
Major Community Service Enterprise Fund	Nonmajor Other Special Revenue Fund	5,000
	Major Redevelopment Agency Low/Moderate Income Housing Fund	16,024
	Major Redevelopment Agency Commercial and Industrial Fund	575,000
	Nonmajor Park Development Fees Fund	20,000
Vehicle Maintenance Internal Service Fund	Nonmajor Public Safety Fund	3,751
	Nonmajor Transit Enterprise Fund	66,689
Information Services Internal Service Fund	Nonmajor General Capital Projects Fund	271,106
		<u>\$ 17,480,332</u>

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 – NOTES RECEIVABLE

Notes receivable in the amount of \$7,718,440 at June 30, 2011 consisted of the following:

Housing Loans - Individuals	\$ 2,136,159
Housing Loan - Habitat for Humanity	315,000
Housing Loan - Eden Housing	3,639,133
Housing Loan - Burbank Housing	2,812,563
RDA - UDAG Loan	692,593
RDA - First Time Home Buyer Loans	604,475
RDA - Sprinkler Retrofit Loans	292,013
Water Main Note	9,000
Grease Interceptor Loans	12,390
Employee Computer Loans	17,676
Subtotal	<u>10,531,002</u>
Less: Allowance for uncollectible loan	<u>2,812,562</u>
Total	<u><u>\$ 7,718,440</u></u>

NOTE 6 – CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011
Capital assets, not being depreciated				
Land	\$ 15,854,546	\$ 38,876	\$ (1,549,092)	\$ 14,344,330
Right of ways	6,681,379			6,681,379
Construction in progress		122,154		122,154
Total capital assets, not being depreciated	<u>22,535,925</u>	<u>161,030</u>	<u>(1,549,092)</u>	<u>21,147,863</u>
Capital assets, being depreciated:				
Buildings	16,822,911		(1,011)	16,821,900
Machinery and equipment	8,053,100	130,057	(917,710)	7,265,447
Infrastructure	1,332,175			1,332,175
Total capital assets being depreciated	<u>26,208,186</u>	<u>130,057</u>	<u>(918,721)</u>	<u>25,419,522</u>
Less accumulated depreciation for:				
Buildings	(5,769,906)	(560,708)	103	(6,330,511)
Machinery and equipment	(5,164,059)	(480,588)	850,178	(4,794,469)
Infrastructure	(372,954)	(26,644)		(399,598)
Total accumulated depreciation	<u>(11,306,919)</u>	<u>(1,067,940)</u>	<u>850,281</u>	<u>(11,524,578)</u>
Total capital assets being depreciated, net	<u>14,901,267</u>	<u>(937,883)</u>	<u>(68,440)</u>	<u>13,894,944</u>
Governmental activities capital assets, net	<u><u>\$ 37,437,192</u></u>	<u><u>\$ (776,853)</u></u>	<u><u>\$ (1,617,532)</u></u>	<u><u>\$ 35,042,807</u></u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 – CAPITAL ASSETS (Continued)

A summary of changes in the Business-type Activities capital assets at June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Reductions	Prior Period Adjustments	Transfers	Balance at June 30, 2011
Capital assets, not being depreciated						
Land	\$ 4,983,902	\$ -	\$ -	\$ 45,849	\$ 26,879	\$ 5,056,630
Construction in progress	7,849,154	2,082,588			(6,497,013)	3,434,729
Total capital assets, not being depreciated	12,833,056	2,082,588		45,849	(6,470,134)	8,491,359
Capital assets, being depreciated:						
Buildings	7,007,574					7,007,574
Streets	26,382,459	2,551			28,972	26,413,982
Utility systems	99,854,385				5,133,659	104,988,044
Drainage	9,463,020				14,775	9,477,795
Machinery and equipment	2,449,997					2,449,997
Operations	1,672,265				1,292,728	2,964,993
Total capital assets being depreciated	146,829,700	2,551			6,470,134	153,302,385
Less accumulated depreciation for:						
Buildings	(3,759,286)	(173,061)		(45,849)		(3,978,196)
Streets	(8,153,261)	(524,800)				(8,678,061)
Utility systems	(22,324,300)	(1,970,439)				(24,294,739)
Drainage	(2,947,906)	(189,261)				(3,137,167)
Machinery and equipment	(1,728,443)	(121,807)				(1,850,250)
Operations	(546,244)	(29,234)				(575,478)
Total accumulated depreciation	(39,459,440)	(3,008,602)		(45,849)		(42,513,891)
Total capital assets being depreciated, net	107,370,260	(3,006,051)		(45,849)	6,470,134	110,788,494
Business-type activities capital assets, net	<u>\$ 120,203,316</u>	<u>\$ (923,463)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,279,853</u>

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

Governmental Activities:

Unallocated	\$ 587,352
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	480,588
Total depreciation expense - governmental activities	<u>\$ 1,067,940</u>

Business-type Activities:

Water	\$ 594,130
Sewer	1,284,021
Electric	410,582
Streets	526,678
Community Services	128,968
Airport	39,993
Meeting Center	24,230
Total depreciation expense - business-type activities	<u>\$ 3,008,602</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of the Governmental Activities long-term liability transactions for the fiscal year ended June 30, 2011:

Governmental Activities:

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Due Within One Year
General Obligation Bonds (GO):					
1998 Refunding	\$ 1,155,000	\$ -	\$ (170,000)	\$ 985,000	\$ 175,000
2003 Refunding	2,390,000		(290,000)	2,100,000	305,000
Total GO Bonds	<u>3,545,000</u>		<u>(460,000)</u>	<u>3,085,000</u>	<u>480,000</u>
Tax Allocation Bonds (TAB):					
1995 Series	2,895,000		(2,895,000)		
2002 Series A	12,020,000		(325,000)	11,695,000	335,000
2002 Series C	4,740,000		(130,000)	4,610,000	135,000
2003 Series A	11,130,000		(295,000)	10,835,000	305,000
2003 Series B	5,470,000		(140,000)	5,330,000	145,000
2002 Series B	1,605,000		(45,000)	1,560,000	45,000
2010 Series		21,065,000		21,065,000	150,000
Total TAB Bonds	<u>37,860,000</u>	<u>21,065,000</u>	<u>(3,830,000)</u>	<u>55,095,000</u>	<u>1,115,000</u>
Bond Discount	(246,323)	(170,222)	61,237	(355,308)	(16,488)
Deferred Loss on Refunding	(262,080)		95,641	(166,439)	(8,292)
Compensated Absences	1,448,599	87,096		1,535,695	1,034,839
Capital Lease	19,076		(4,335)	14,741	4,612
OPEB	186,000	127,000	(30,000)	283,000	30,000
Total	<u>\$ 42,550,272</u>	<u>\$ 21,108,874</u>	<u>\$ (4,167,457)</u>	<u>\$ 59,491,689</u>	<u>\$ 2,639,671</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

The following is a summary of the Business-type Activities long-term liability transactions for the year fiscal ended June 30, 2011:

Business-type Activities:

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Due Within One Year
Certificates of Participation (COP) and Bonds:					
2001 A - CSCDA Water	\$ 4,985,000	\$ -	\$ (290,000)	\$ 4,695,000	\$ 305,000
2002 C - CSCDA Water/Wastewater	4,680,000		(130,000)	4,550,000	130,000
2005 D - CSCDA Water/Wastewater	5,765,000		(185,000)	5,580,000	190,000
2006 Wastewater Bonds	26,150,000		(515,000)	25,635,000	540,000
Total COP and Bonds	41,580,000		(1,120,000)	40,460,000	1,165,000
Bond discount	(199,080)		9,408	(189,672)	(9,409)
Deferred amount on refunding	(516,971)		27,986	(488,985)	(22,150)
Total	\$ 40,863,949	\$ -	\$ (1,082,606)	\$ 39,781,343	\$ 1,133,441

Governmental Activities:

a. General Obligation Refunding Bonds:

1998 General Obligation Refunding Bonds

In March 1998, the City issued \$2,675,000 in General Obligation Refunding Bonds to advance refund \$2,410,000 of outstanding 1990 Series B General Obligation Bonds, which were originally issued to provide for capital improvements. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Series B bonds. As a result, the 1990 Series B bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities. Interest on the 1998 bonds varies from 3.80% to 5.05% with semi-annual debt service payments on August 1 and February 1 of each year with principal maturing August 1, 1998 through August 1, 2015. Debt service payments are made from property tax levy authorized by the voters. The 1990 Series B General Obligation Bonds were redeemed on August 1, 2000.

2003 General Obligation Refunding Bonds

In July 2003, the City issued \$3,620,000 in General Obligation Refunding Bonds to advance refund \$3,585,000 of outstanding 1998 General Obligation Bonds, which were originally issued to finance the construction of the police facilities. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 General Obligation Bonds. As a result, the 1998 General Obligation Bonds are considered to be defeased, and the liability for those bonds has been removed from the long-term liabilities. Interest on 2003 bonds varies from 2.5% to 3.6% with semi-annual debt service payments on August 1 and February 1 of each year with principal maturing August 1, 2004 through August 1, 2015. Debt service payments are made from property tax levy authorized by the voters. The 1998 General Obligation Bonds were redeemed on August 1, 2003.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

a. General Obligation Refunding Bonds (Continued):

Future debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 480,000	\$ 109,587	\$ 589,587
2013	530,000	91,430	621,430
2014	560,000	70,822	630,822
2015	685,000	46,595	731,595
2016	830,000	16,535	846,535
	<u>\$ 3,085,000</u>	<u>\$ 334,969</u>	<u>\$ 3,419,969</u>

b. Tax Allocation Bonds:

1995 Series In December 1995, the Agency issued \$3,900,000 1995 Tax Allocation Bonds, The Bonds were issued to finance improvements in the Sotoyome Project Area. Interest on the bonds varies from 4.20% to 7.50% with semi-annual debt service payments on June 1, and December 1 of each year with principal maturing annually December 1, 1996 through December 2025. Debt Service payments will be made from tax increment revenue received by the Agency.

In December 2010, the Agency issued \$21,065,000 of Tax Allocation Bonds which redeemed in full the remaining outstanding balance of the 1995 bonds in the amount of \$2,790,000.

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

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

b. Tax Allocation Bonds (Continued):

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 Agency and allocated to the Low/Moderate income Housing Fund.

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

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

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

Serial bonds maturing after August 1, 2020 are subject to optional redemption. Term bonds maturing in 2025, 2030, and 2034 are subject to mandatory redemption from sinking fund payments made.

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

The current refunding of the 1995 bonds reduced total debt service payments over the next 15 years by approximately \$285 thousand. These savings resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$13 thousand.

Future debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,115,000	\$ 2,848,607	\$ 3,963,607
2013	1,160,000	2,798,720	3,958,720
2014	1,205,000	2,744,797	3,949,797
2015	1,250,000	2,688,111	3,938,111
2016	1,300,000	2,629,135	3,929,135
2017-2021	8,785,000	11,984,440	20,769,440
2022-2026	11,875,000	9,362,435	21,237,435
2027-2031	15,345,000	5,723,360	21,068,360
2032-2035	13,060,000	1,389,656	14,449,656
	<u>\$ 55,095,000</u>	<u>\$ 42,169,261</u>	<u>\$ 97,264,261</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

c. Compensated Absences:

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

d. Capital Lease

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

Fiscal Year Ending June 30,	Lease Payments
2012	\$ 5,556
2013	5,556
2014	5,556
	<u>16,668</u>
Less amount representing interest	(1,927)
	<u><u>\$ 14,741</u></u>

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 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, 2011, the City paid \$30,000 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 thirty years.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

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

Annual OPEB Cost and Net OPEB Obligation (Continued):

The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the 's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 133,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	<u>(14,000)</u>
Annual OPEB cost (expense)	127,000
Actual contributions made	<u>30,000</u>
Increase in net OPEB obligation	97,000
Net OPEB Obligation - beginning of fiscal year	<u>186,000</u>
Net OPEB Obligation - end of fiscal year	<u><u>\$ 283,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2011, 2010 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$ 111,000	\$ 21,000	18.92%	\$ 97,000
6/30/10	119,000	23,000	19.33%	186,000
6/30/11	127,000	30,000	23.62%	283,000

Funded Status and Funding Progress:

As of June 30, 2009, the first actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,851,000, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$ 1,851,000. The covered payroll (annual payroll of active employees covered by the plan) was \$11,699,000 and the ratio of the UAL to the covered payroll was 15.82%.

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

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

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2009, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an investment interest rate of 4.5% per annum, a projected salary increase of 3.75% per annum and a general inflation rate of 3.5% per annum.

Business-type Activities:

a. Certificates of Participation (COP) and Bonds:

2001 A Water CSCDA Certificates

The Bonds were authorized and issued by the California Statewide Communities Development Authority in the amount of \$7,170,000 of refunding revenue bonds on March 1, 2001 to refund the 1992 Water, 1993 REFA, Series C, 1995 Water, and 1996 Water Certificates, which were originally used to finance water improvements. The interest on the bonds varies from 2.9% to 4.5% with semi-annual debt service payments payable on April 1 and October 1 of each year commencing October 1, 2001. Principal on the bonds is payable annually from October 1, 2001 through October 1, 2026. Revenues from the operation of the water utility will be used to make the debt service payments. The proceeds of \$6,886,409 (after the bond discount and payment of underwriter fees, insurance, and other issuance costs of \$283,590) plus the debt service reserves of the refunded issues were used to purchase State and Local Government Securities (SLGS). These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the following Certificates of Participation -1992 Water, 1993 REFA Series C, 1995 Water, and 1996 Water. All of these above-mentioned certificates are considered defeased and the liability for these have been removed from long-term debt. All of the refunded issues have been redeemed.

2002 C Water/Wastewater CSCDA Certificates

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (Continued):

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

2005 D CSCDA Water/Wastewater Certificates

In October 2005, the City through the California Statewide Communities Development Authority issued \$6,505,000 in bonds to provide funds to deacease the 1996 Sewer Improvement Certificates and the 2000 B Water and Sewer CSDA Certificates, which were originally issued to finance sewer improvements. The proceeds of \$6,387,775 (after bond discount, payment of underwriter fees, insurance and other costs plus the debt reserve of \$68,784) were used to purchase State and Local Government securities (SLGS). These SLGS were placed in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1996 Sewer improvement Certificates and the 2000 B Water and Sewer CSDA Certificates.

The refunded securities are considered deaceased and the liability for these have been removed from long-term debt. Interest on the bonds is payable semiannually on each April 1 and October 1 with the principal payments due annually on October 1 of each year. Revenues from the water and wastewater utility will be used for debt service payments.

2006 Wastewater Revenue Bonds

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

Annual Debt Service Requirements

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,165,000	\$ 1,848,064	\$ 3,013,064
2013	1,205,000	1,800,669	3,005,669
2014	1,180,000	1,749,797	2,929,797
2015	1,230,000	1,697,330	2,927,330
2016	1,290,000	1,641,460	2,931,460
2017-2021	7,355,000	7,297,060	14,652,060
2022-2026	8,840,000	5,481,214	14,321,214
2027-2031	9,100,000	3,454,603	12,554,603
2032-2036	9,095,000	1,341,250	10,436,250
	<u>\$ 40,460,000</u>	<u>\$ 26,311,447</u>	<u>\$ 66,771,447</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 – EMPLOYEES' RETIREMENT PLAN

Plan Description

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

Annual Required Contribution

The City is required to contribute at an actuarially determined rate; the current rate is 18.347% for miscellaneous employees and 31.542% for safety employees for the fiscal year ended June 30, 2011 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 has a legal obligation to contribute 8% (9% for safety employees) of each participant's annual covered salary. The City's contributions to CalPERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,913,914, \$2,331,582, and \$2,107,024 respectively, and were equal to required contributions for each fiscal year.

NOTE 9 – NET ASSETS AND FUND BALANCES

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

a. Net Assets

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

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

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

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

The government-wide statement of net assets reports \$40,277,213 of restricted net assets, of which \$356,129 is restricted by enabling legislation.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

b. Fund Balances (Continued)

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

Fund Balances	General	Redevelopment Agency Debt Service	Redevelopment Agency Commercial and Industrial	Redevelopment Agency Low/Moderate Income	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>						
Prepaid expenditures	\$ 5,578	\$ 5,250	-	\$ 4,500	\$ 140	\$ 15,468
Total Nonspendable	5,578	5,250		4,500	140	15,468
<u>Restricted for:</u>						
Community development					87,975	87,975
Housing				7,822,596		7,822,596
Landscaping & lighting					327,681	327,681
Law enforcement	109,044				129,792	238,836
Parks and recreation					28,448	28,448
Road improvements					1,488,122	1,488,122
Debt service		8,952,917			630,932	9,583,849
Redevelopment			23,245,119		8,331,977	31,577,096
Total Restricted	109,044	8,952,917	23,245,119	7,822,596	11,024,927	51,154,603
<u>Committed to:</u>						
Community development	542,972				90,061	633,033
Total Committed	542,972				90,061	633,033
Unassigned:	5,722,804				(557,910)	5,164,894
Total Fund Balances	<u>\$ 6,380,398</u>	<u>\$ 8,958,167</u>	<u>\$ 23,245,119</u>	<u>\$ 7,827,096</u>	<u>\$ 10,557,218</u>	<u>\$ 56,967,998</u>

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY

Background

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

Background (Continued)

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

Organization and Management

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

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

Today, the organization is guided by an ethic of environmental stewardship, fiscal responsibility and community service, coupled with a strong sense of mission to advance the state of the art in renewable energy. Each NCPA Member has agreed to fund a pro rata share of certain assessments by NCPA and enter into power supply contract with NCPA to purchase power in support of bearing the costs of NCPA operations, energy and facilities. While governed by its Members, none of NCPA's obligations are those of its Members unless expressly assumed by them. As computed by NCPA amounts paid by the City to NCPA during the year ending June 30, 2011 were \$4,987,519 for electric power acquisition charges and are reported as an expense of the Electric Utility Fund.

Additionally, the NCPA Commission identified and approved the funding of specific reserves for working capital, accumulated employee's post-retirement medical benefits, and billed property taxes for the geothermal project. The Commission also identified a number of contingent liabilities that may or may not be realized, the cost of which in most cases is difficult to estimate at this time. One such contingent liability is the steam filed depletion which will require funding to cover debt service and operational cost in excess of the expected value of the electric power. The General Operating Reserve (the "GOR") is intended to minimize the number and amount of individual reserves needed for each project, protect NCPA's financial condition and maintain its credit worthiness. These funds are available on demand, but the City has left them with NCPA as a reserve against these contingencies identified by NCPA. The City's GOR balance as computed by NCPA was \$4.5 million as of June 30, 2011. The most recent estimated funding recommended by NCPA equaled \$2.7 million.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

NCPA Power Pool

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

NCPA operates according to the terms and conditions of the CAISO tariff and the Amended and Restated NCPA Metered Subsystem Aggregator Agreement (the "MSSA") with the CAISO, which was approved by the NCPA Commission on August 25, 2011. The MSSA identifies operational terms and conditions that vary from the CAISO tariff, largely allowing NCPA Members to continue to operate as a vertically integrated utility by generally self-providing for resources and services otherwise procured through the CAISO's markets. In conjunction with the execution of the MSSA, NCPA and PG&E entered into an Interconnection Agreement (the "NCPA-PG&E Interconnection Agreement") that provided for the terms and conditions for connecting NCPA resources and member loads to the CAISO-controlled grid, where such CAISO-controlled grid facilities are owned by PG&E and transferred to CAISO operational control through a Transmission Control Agreement between PG&E and the CAISO.

Investment of NCPA Funds

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

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

NCPA Geothermal Project

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

NCPA Geothermal Project (Continued)

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

Geysers Transmission Project

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

NCPA Calaveras Hydroelectric Project

NCPA's Hydroelectric Project Number One (the "Hydroelectric Project") consists of (a) three diversion dams, (b) the 243-MW Collierville Powerhouse, (c) the New Spicer Meadow Dam with a 5.5-MW powerhouse, and (d) associated tunnels located essentially on the North Fork Stanislaus River and on the Stanislaus River in Alpine, Tuolumne and Calaveras Counties, California, together with required transmission facilities.

The Hydroelectric Project, with the exception of certain transmission facilities and three storage reservoirs, is owned by the Calaveras County Water District ("CCWD") and is licensed by FERC pursuant to a 50-year License No. 2409 to CCWD. Pursuant to a Power Purchase Contract, NCPA (i) is entitled to the electric output of the project until February 2032, subject to FERC approval, (ii) managed the construction of the project and (iii) operates the generating and recreational facilities of the project. Under a separate FERC-issued license with an expiration date coterminous with the License No. 2409 (Project No. 11197), NCPA holds the license and owns the 230 kV Collierville-Bellota and 21 kV Spicer Meadows-Cabbage Patch transmission lines for License No. 2409. NCPA also has a separate FERC license for Project No. 11563 (Upper Utica Project), which consists of three storage reservoirs that mainly feed the New Spicer Meadow Reservoir. This license expires in 2033.

After the present FERC license for Project No. 2409 expires in the year 2032, NCPA has the option to continue to purchase project capacity and energy during a subsequent license renewal period. It is estimated that the price will be significantly less than the comparable alternatives at that time. The purchase option includes all capacity and energy which is surplus to needs for power within the boundaries of Calaveras County.

NCPA financed the Hydroelectric Project through the issuance of Hydroelectric Project Number One Revenue Bonds, of which approximately \$449.5 million aggregate principal amount was outstanding as of June 30, 2011 (the "NCPA Hydroelectric Revenue Bonds").

NCPA has sold the capacity of the Hydroelectric Project to certain of its project participants pursuant to "take-or-pay" power sales contracts which require payments to be made whether or not the Hydroelectric Project is completed or operable. Each purchaser is responsible under its power sales contract for paying its entitlement share in the Hydroelectric Project of all of NCPA's costs of the Hydroelectric Project, including debt service on the aforementioned bonds as well as a "step-up" of up to 25% in the event of the unremedied default of another project participant.

**CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

NCPA Calaveras Hydroelectric Project (Continued)

NCPA has estimated the average cost per kWh of power generated from the Hydroelectric Project to be approximately 10.5 cents/kWh in fiscal year 2010-11 (assuming a lower than average water year). The average cost per kWh of power generated from the Hydroelectric Project over the past five years is shown in the following table:

<u>Fiscal Year</u>	<u>Average Cost of Power (cents/kWh)</u>
2004-05	3.383
2005-06	4.076
2006-07	9.342
2007-08	9.026
2008-09	8.200

Under a power purchase agreement with NCPA, the City is obligated to pay roughly 1.66% of the debt service and operating cost.

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 summer 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 nonmembers) 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 \$375 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.

Lodi Energy Center Revenue Bonds, Issue One provided financing for 11 project participants with 55.7857% GES. This financing consisted of \$78,330,000 of fixed rate tax-exempt bonds (Series A) and \$176,625,000 of fixed rate federally taxable direct payment Build America Bonds (Series B). The bonds are of varying principal amounts ranging from \$4,540,000 to \$15,975,000 through June 1, 2040. The tax-exempt bonds yield interest at rates from 1.95% to 4.75% through 2025. The Build America Bonds bear interest at 7.311%, with 35% interest subsidy payments due from the Federal Government semiannually, providing for net interest costs of 4.7522%, maturing on June 1, 2040.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

Interest Rate Swap Agreements

NCPA has entered into interest rate swaps and related agreements to its hydroelectric project. Additional information regarding NCPA debt is disclosed in NCPA's financial statements.

NCPA Condensed Financial Information

The information below summarizes NCPA's audited financial statements as of and for the fiscal year ending June 30, 2011 (in thousands):

Total assets	\$	1,159,956
Total liabilities		1,131,957
Long-term debt		1,053,887
Net assets		27,999
Revenues		268,469
Expenses (including refunds)		274,251
Decrease in net assets		(5,782)

NOTE 11 – POOLED ARRANGEMENT

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

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

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

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 – POOLED ARRANGEMENT (Continued)

The information below summarizes the audited financial statements as of and for the fiscal year ended June 30, 2011, for the Redwood Empire Municipal Insurance Fund in which the City participates.

Total Assets	\$ 17,941,577
Total Liabilities	14,408,878
Total Net Assets	3,532,699
Total Revenues	9,159,160
Total Expenses	10,976,106
(Decrease) in Net Assets	(1,816,946)
Total Long-Term Debt	14,408,878

NOTE 12 – SELF-INSURANCE PLANS

The City is a member of Redwood Empire Municipal insurance Fund (REMIF) as described in Note 11. The City's general liability and workers compensation claims are covered as a member of REMIF. REMIF has a risk sharing arrangement for each insurance program. Each member participating in each program assumes its own losses up to its retention level. The City has a \$5,000 retention level for general liability and workers compensation. The excess amounts presently insured to statutory requirements of the State of California for workers compensation and \$10,000,000 for general liability through a pooled program. Each program's pool is funded by all of the members participating in that program through cash premiums. Excess losses up to the state limits are covered by commercial carriers or other agencies, which REMIF contracts for that purpose. Losses exceeding these excess coverage limits for each program are the responsibility of the individual member for which the loss or claim originated. Claims have not exceeded insurance coverage amounts over the last three fiscal years and there has been no reduction in insurance coverage since the last fiscal year.

Changes in the Internal Service Funds claims liabilities amounts in fiscal year 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Balance, Beginning of Fiscal Year	\$ 24,142	\$ 32,047
Claims and adjustments	388,250	260,033
Claims payments	(351,028)	(267,938)
Balance, End of Fiscal Year	<u>\$ 61,364</u>	<u>\$ 24,142</u>

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

The City has entered into long-term electric power purchase generation assets and electric transmission contracts. These contracts were entered into by NCPA on behalf of various members (see Note 10) including the City. Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements. The City's estimated share of such debt outstanding at June 30, 2011 was \$11.8 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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

California-Oregon Transmission Project

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

Western Area Power Administration

In addition to commitments for power acquisitions through NCPA, the City has entered into a contract with the Western Area Power Administration (Western). Western is a federal Power Management Agency of the U.S. Department of Energy, which among other things is responsible for marketing electricity generated by the Central Valley Project. The contract with Western was renewed for the period January 1, 2005 through December 31, 2024. Fiscal Year 2010-11 yielded 6,167 MWh for the City's 5.1% share of the Western base resource and an expenditure of \$250,696.

ERAF and SERAF Contingency

During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the ERAF and SERAF legislation, together with the effect of this legislation on the City of Healdsburg and its Redevelopment Agency (Agency).

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the CRA filed a class action lawsuit on behalf of all California redevelopment agencies, again challenging the SERAF obligations as unconstitutional.

It is the position of Agency officials that the SERAF contributions required by AB 26 4x are unconstitutional, and that the Agency is not obligated to make these contributions. Accordingly, the Agency supports the CRA's class action lawsuit to overturn the provisions of AB 26 4x.

The Agency made its contribution of \$566,607 for the fiscal year 2010-2011.

The Agency is involved in litigation arising in the normal course of business. In the opinion of the Agency's counsel and management, this litigation will not have a material adverse effect on the financial condition on the Agency.

The Redevelopment Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act). The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies, and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of Continuation Act was to provide a voluntary alternative for local governments to continue redevelopment activities. Taken together, these Acts require the Agency and its sponsoring community (the City) to take several legislative actions to implement their various provisions.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Healdsburg Bridge Project

The Healdsburg Avenue Bridge over the Russian River is a two lane Bridge that was constructed in 1921 and serves as an entry way to the south and east portions of the City. The Bridge is deficient on several accounts: functionally obsolete due to narrow lanes; has not been seismically retrofitted; and is scour and fracture critical. The Healdsburg Bridge Project will rehabilitate the bridge in place and continue its use as a vehicular bridge.

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

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

NOTE 14 – SUBSEQUENT EVENTS

On June 28, 2011, the California Legislature adopted Assembly Bill XI 26 (Dissolution Act) and Assembly Bill XI 27 (Continuation Act) (additional information on this legislation is available in Note 13). On August 22, 2011, the Board of Directors of the Redevelopment Agency adopted the Enforceable Obligation Payment schedule. This schedule is required by the Dissolution Act. No other actions have been taken in light of the stay orders issued by the California Supreme Court *California Redevelopment Assn. v. Matosantos* (S194861). If the Dissolution Act and Continuation Act are upheld, the Agency will be required to make a determination to continue or to dissolve the Agency. These actions will be taken subsequent to the issuance of this report.

On December 29, 2011, the California Supreme Court rendered an opinion upholding the State of California's rights to abolish redevelopment agencies (Assembly Bill 1X 26). The California Supreme Court also rendered an opinion invalidating the State of California's allowance of redevelopment agencies to make payments to various funds benefitting schools and special districts as a condition of continued operation (Assembly Bill 1X 27). Under the timeline of the AB XI26, if the City of Healdsburg does not want to serve as the "successor agency" to its redevelopment agency, then it must submit a resolution to that effect to the County Auditor-Controller by January 13, 2012. If the City wishes to serve as the "successor agency", no action is required and the redevelopment agency will be dissolved starting February 1, 2012.

In August 2011, the City received notification that it was approved to receive USDA funding for a pipeline construction project. The funding is in the form of a \$1 million grant and a \$5 million rural development loan.

The City has evaluated subsequent events through the date of this report, which is February 1, 2012.

REQUIRED SUPPLEMENTAL INFORMATION

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CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 1,847,701	\$ 1,847,701	\$ 1,819,574	\$ (28,127)
Sales and other taxes	3,561,898	3,561,898	4,272,216	710,318
Charges for services	352,703	335,850	298,401	(37,449)
Intergovernmental	273,009	273,009	556,249	283,240
Use of money and property	17,300	24,800	69,462	44,662
Other revenues	1,066,158	25,200	44,882	19,682
Total revenues	7,118,769	6,068,458	7,060,784	992,326
EXPENDITURES				
Current:				
General government:				
City Council	108,685	108,685	117,441	(8,756)
Legal	288,000	233,000	171,913	61,087
Administration	1,075,765	1,101,562	1,108,690	(7,128)
Finance	2,263,633	2,198,854	2,081,576	117,278
Non Departmental			4,655	(4,655)
Administrative overhead	(3,292,947)	(3,292,947)	(3,292,947)	
Public safety:				
Police	4,497,905	4,395,676	4,352,566	43,110
Fire	2,148,705	2,272,356	2,276,295	(3,939)
Total expenditures	7,089,746	7,017,186	6,820,189	196,997
Excess of revenues over (under) expenditures	29,023	(948,728)	240,595	1,189,323
Other financing sources (uses):				
Transfers in		10,340	10,040	(300)
Total other financing sources (uses)		10,340	10,040	(300)
Net change in fund balance	29,023	(938,388)	250,635	1,189,023
Fund balance at beginning of fiscal year	6,129,763	6,129,763	6,129,763	
Fund balance at end of fiscal year	<u>\$ 6,158,786</u>	<u>\$ 5,191,375</u>	<u>\$ 6,380,398</u>	<u>\$ 1,189,023</u>

CITY OF HEALDSBURG
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT BENEFITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Other Post-employment Benefits Plan

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

OTHER SUPPLEMENTAL INFORMATION

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 7,181,697	\$ 7,225,549	\$ 43,852
Use of money and property	17,092	13,082	(4,010)
Total revenues	7,198,789	7,238,631	39,842
EXPENDITURES			
Current:			
Community development	138,137	166,921	(28,784)
Debt service:			
Bond issuance cost	318,200	293,932	24,268
Principal payments	3,830,000	3,830,000	
Interest and fiscal charges	2,015,543	2,090,983	(75,440)
Pass-through payments	3,490,648	3,416,557	74,091
Total expenditures	9,792,528	9,798,393	(5,865)
Excess of revenues over (under) expenditures	(2,593,739)	(2,559,762)	33,977
Other financing sources (uses):			
Proceeds from debt issuance		21,065,000	21,065,000
Original issue discount		(170,222)	(170,222)
Transfers in	950,605	950,605	
Transfers out	(13,653,197)	(13,653,197)	
Total other financing sources (uses)	(12,702,592)	8,192,186	20,894,778
Net change in fund balance	(15,296,331)	5,632,424	20,928,755
Fund balance at beginning of fiscal year	3,325,743	3,325,743	
Fund balance (deficit) at end of fiscal year	\$ (11,970,588)	\$ 8,958,167	\$ 20,928,755

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY COMMERCIAL AND INDUSTRIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Use of money and property	\$ 10,693	\$ 128,926	\$ 118,233
Total revenues	10,693	128,926	118,233
EXPENDITURES			
Current:			
Community development	3,567,950	2,429,562	1,138,388
Capital outlay		5,923	(5,923)
Total expenditures	3,567,950	2,435,485	1,132,465
Excess of revenues over (under) expenditures	(3,557,257)	(2,306,559)	1,250,698
Other financing sources (uses):			
Transfers in	13,653,197	14,968,411	1,315,214
Transfers out	(23,506,109)	(1,059,937)	22,446,172
Total other financing sources (uses)	(9,852,912)	13,908,474	23,761,386
Net change in fund balance	(13,410,169)	11,601,915	25,012,084
Fund balance at beginning of fiscal year	11,643,204	11,643,204	
Fund balance (deficit) at end of fiscal year	\$ (1,766,965)	\$ 23,245,119	\$ 25,012,084

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY LOW/MODERATE INCOME HOUSING
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 1,829,770	\$ 1,806,387	\$ (23,383)
Use of money and property	11,997	46,742	34,745
Other revenues		175,638	175,638
	<u>1,841,767</u>	<u>2,028,767</u>	<u>187,000</u>
EXPENDITURES			
Current:			
Community development	2,320,839	438,860	1,881,979
Capital outlay	2,014,252	60,492	1,953,760
	<u>4,335,091</u>	<u>499,352</u>	<u>3,835,739</u>
Excess of revenues over (under) expenditures	<u>(2,493,324)</u>	<u>1,529,415</u>	<u>4,022,739</u>
Other financing sources (uses):			
Proceeds from sale of property		1,098,730	1,098,730
Transfers in		77,170	77,170
Transfers out	(825,193)	(868,693)	(43,500)
Total other financing sources (uses)	<u>(825,193)</u>	<u>307,207</u>	<u>1,132,400</u>
Net change in fund balance	(3,318,517)	1,836,622	5,155,139
Fund balance at beginning of fiscal year	<u>5,990,474</u>	<u>5,990,474</u>	
Fund balance at end of fiscal year	<u>\$ 2,671,957</u>	<u>\$ 7,827,096</u>	<u>\$ 5,155,139</u>

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011**

	Special Revenue Funds			
	Gas Tax	Redevelopment Agency UDAG Loan	Redevelopment Agency Housing Bond	North Area
Assets				
Cash and investments	\$ 1,449,207	\$ 7,107,498	\$ 463,883	\$ 34,597
Receivables:				
Accounts		52,355		59,800
Taxes				
Notes		984,606	604,475	
Interest	2,827	14,744	904	67
Due from other governments	37,588			
Prepaid expenditures				
Total Assets	<u>\$ 1,489,622</u>	<u>\$ 8,159,203</u>	<u>\$ 1,069,262</u>	<u>\$ 94,464</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,500	\$ -	\$ -	\$ -
Due to other funds				55,000
Deferred revenue		292,013	604,475	59,800
Total Liabilities	<u>1,500</u>	<u>292,013</u>	<u>604,475</u>	<u>114,800</u>
Fund Balances:				
Nonspendable:				
Prepaid expenditures				
Restricted	1,488,122	7,867,190	464,787	
Committed				
Unassigned				(20,336)
Total Fund Balances (Deficits)	<u>1,488,122</u>	<u>7,867,190</u>	<u>464,787</u>	<u>(20,336)</u>
Total Liabilities and Fund Balances	<u>\$ 1,489,622</u>	<u>\$ 8,159,203</u>	<u>\$ 1,069,262</u>	<u>\$ 94,464</u>

Special Revenue Funds

Benjamin Way Maintenance District	Public Safety	Other Special Revenue	Strong Motion Education and Data	Area A Lighting and Landscaping District	Media Center	Park Development Fees
\$ 7,104	\$ 128,634	\$ 89,886	\$ 771	\$ 307,978	\$ 11,198	\$ 28,393
				13,829	2,197	
14	11 1,147	175	2	601	22	55
<u>\$ 7,118</u>	<u>\$ 129,792</u>	<u>\$ 90,061</u>	<u>\$ 773</u>	<u>\$ 322,408</u>	<u>\$ 13,417</u>	<u>\$ 28,448</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,845	\$ 2,197	\$ -
				1,845	2,197	
7,118	129,792	90,061	773	320,563	11,220	28,448
<u>7,118</u>	<u>129,792</u>	<u>90,061</u>	<u>773</u>	<u>320,563</u>	<u>11,220</u>	<u>28,448</u>
<u>\$ 7,118</u>	<u>\$ 129,792</u>	<u>\$ 90,061</u>	<u>\$ 773</u>	<u>\$ 322,408</u>	<u>\$ 13,417</u>	<u>\$ 28,448</u>

(Continued)

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011
(Continued)**

	General Debt Service	General Capital Projects	Permanent Fund Cultural Trust	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 603,239	\$ -	\$ 75,834	\$ 10,308,222
Receivables:				
Accounts				114,352
Taxes	26,516			40,345
Notes				1,589,081
Interest	1,177		148	20,747
Due from other governments				38,735
Prepaid expenditures	140			140
Total Assets	\$ 631,072	\$ -	\$ 75,982	\$ 12,111,622
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 71,152	\$ -	\$ 76,694
Due to other funds		466,422		521,422
Deferred revenue				956,288
Total Liabilities		537,574		1,554,404
Fund Balances:				
Nonspendable:				
Prepaid expenditures	140			140
Restricted	630,932		75,982	11,024,927
Committed				90,061
Unassigned		(537,574)		(557,910)
Total Fund Balances (Deficits)	631,072	(537,574)	75,982	10,557,218
Total Liabilities and Fund Balances	\$ 631,072	\$ -	\$ 75,982	\$ 12,111,622

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**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011**

	Special Revenue Funds			
	Gas Tax	Redevelopment Agency UDAG Loan	Redevelopment Agency Housing Bond	North Area
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Charges for services				
Development fees				
Intergovernmental	305,115			
Use of money and property	12,018	559,360	8,980	305
Other revenues			75,000	
Total Revenues	<u>317,133</u>	<u>559,360</u>	<u>83,980</u>	<u>305</u>
EXPENDITURES:				
Current:				
General government	3,507			
Community development		119,481		1
Capital outlay				
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	<u>3,507</u>	<u>119,481</u>		<u>1</u>
Excess of Revenues Over (Under) Expenditures	<u>313,626</u>	<u>439,879</u>	<u>83,980</u>	<u>304</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,990			
Transfers out	(2,000)			
Total Other Financing Sources (Uses)	<u>(10)</u>			
Net Change in Fund Balances	313,616	439,879	83,980	304
Fund Balances (deficit), July 1, 2010	<u>1,174,506</u>	<u>7,427,311</u>	<u>380,807</u>	<u>(20,640)</u>
Fund Balances (deficit), June 30, 2011	<u>\$ 1,488,122</u>	<u>\$ 7,867,190</u>	<u>\$ 464,787</u>	<u>\$ (20,336)</u>

Special Revenue Funds

Benjamin Way Maintenance District	Public Safety	Other Special Revenue	Strong Motion Education and Data	Area A Lighting and Landscaping District	Media Center	Park Development Fees
\$ -	\$ -	\$ -	\$ -	\$ 165,746	\$ -	\$ -
						82
	43,932					8,127
62	11	853	7	2,636	99	439
	14,920		75		25,442	
62	58,863	853	82	168,382	25,541	8,648
		55,360		9,748	25,441	
				141,992		
		55,360		151,740	25,441	
62	58,863	(54,507)	82	16,642	100	8,648
	(13,791)	(5,000)				(20,000)
	(13,791)	(5,000)				(20,000)
62	45,072	(59,507)	82	16,642	100	(11,352)
7,056	84,720	149,568	691	303,921	11,120	39,800
\$ 7,118	\$ 129,792	\$ 90,061	\$ 773	\$ 320,563	\$ 11,220	\$ 28,448

(Continued)

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011
(Continued)**

	General Debt Service	General Capital Projects	Permanent Fund Cultural Trust	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	\$ 458,457	\$ -	\$ -	\$ 624,203
Charges for services				82
Development fees				8,127
Intergovernmental				349,047
Use of money and property	4,825		670	590,265
Other revenues				115,437
Total Revenues	463,282		670	1,687,161
EXPENDITURES:				
Current:				
General government	5,295			99,351
Community development			999	262,473
Capital outlay		611,703		611,703
Debt service:				
Principal payments	460,000			460,000
Interest and fiscal charges	126,811			126,811
Total Expenditures	592,106	611,703	999	1,560,338
Excess of Revenues Over (Under) Expenditures	(128,824)	(611,703)	(329)	126,823
OTHER FINANCING SOURCES (USES):				
Transfers in		162,062		164,052
Transfers out		(1,186,320)		(1,227,111)
Total Other Financing Sources (Uses)		(1,024,258)		(1,063,059)
Net Change in Fund Balances	(128,824)	(1,635,961)	(329)	(936,236)
Fund Balances (deficit), July 1, 2010	759,896	1,098,387	76,311	11,493,454
Fund Balances (deficit), June 30, 2011	<u>\$ 631,072</u>	<u>\$ (537,574)</u>	<u>\$ 75,982</u>	<u>\$ 10,557,218</u>

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**CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011**

	Gas Tax			Redevelopment Agency UDAG Loan		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services						
Development fees						
Intergovernmental	196,747	305,115	108,368			
Use of money and property	7,000	12,018	5,018	399,000	559,360	160,360
Other revenues						
Total Revenues	<u>203,747</u>	<u>317,133</u>	<u>113,386</u>	<u>399,000</u>	<u>559,360</u>	<u>160,360</u>
EXPENDITURES:						
Current:						
General government	3,207	3,507	(300)			
Community development				119,481	119,481	
Capital outlay	17,000		17,000			
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	<u>20,207</u>	<u>3,507</u>	<u>16,700</u>	<u>119,481</u>	<u>119,481</u>	
Excess of Revenues Over (Under) Expenditures	<u>183,540</u>	<u>313,626</u>	<u>130,086</u>	<u>279,519</u>	<u>439,879</u>	<u>160,360</u>
OTHER FINANCING SOURCES (USES):						
Transfers in		1,990	1,990			
Transfers out		(2,000)	(2,000)	(7,200,000)		7,200,000
Total Other Financing Sources (Uses)		<u>(10)</u>	<u>(10)</u>	<u>(7,200,000)</u>		<u>7,200,000</u>
Net Change in Fund Balances	<u>\$ 183,540</u>	<u>313,616</u>	<u>\$ 130,076</u>	<u>\$ (6,920,481)</u>	<u>439,879</u>	<u>\$ 7,360,360</u>
Fund Balances (deficit), July 1, 2010		<u>1,174,506</u>			<u>7,427,311</u>	
Fund Balances (deficit), June 30, 2011		<u>\$ 1,488,122</u>			<u>\$ 7,867,190</u>	

Redevelopment Agency Housing Bond			North Area			Benjamin Way Maintenance District		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,000	8,980	1,980	350	305	(45)	70	62	(8)
	75,000	75,000				440		(440)
7,000	83,980	76,980	350	305	(45)	510	62	(448)
			1	1				
			1	1				
7,000	83,980	76,980	349	304	(45)	510	62	(448)
(450,000)		450,000						
(450,000)		450,000						
<u>\$ (443,000)</u>	83,980	<u>\$ 526,980</u>	<u>\$ 349</u>	304	<u>\$ (45)</u>	<u>\$ 510</u>	62	<u>\$ (448)</u>
	380,807			(20,640)			7,056	
	<u>\$ 464,787</u>			<u>\$ (20,336)</u>			<u>\$ 7,118</u>	

Continued

**CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011
(Continued)**

	Public Safety			Other Special Revenue		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services						
Development fees						
Intergovernmental	5,000	43,932	38,932			
Use of money and property		11	11	1,520	853	(667)
Other revenues		14,920	14,920	23,340		(23,340)
Total Revenues	<u>5,000</u>	<u>58,863</u>	<u>53,863</u>	<u>24,860</u>	<u>853</u>	<u>(24,007)</u>
EXPENDITURES:						
Current:						
General government				56,372	55,360	1,012
Community development						
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures				<u>56,372</u>	<u>55,360</u>	<u>1,012</u>
Excess of Revenues Over (Under)						
Expenditures	5,000	58,863	53,863	(31,512)	(54,507)	(22,995)
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(13,791)	(13,791)		(5,000)	(5,000)	
Total Other Financing Sources (Uses)	<u>(13,791)</u>	<u>(13,791)</u>		<u>(5,000)</u>	<u>(5,000)</u>	
Net Change in Fund Balances	<u>\$ (8,791)</u>	45,072	<u>\$ 53,863</u>	<u>\$ (36,512)</u>	(59,507)	<u>\$ (22,995)</u>
Fund Balances (deficit), July 1, 2010		84,720			149,568	
Fund Balances (deficit), June 30, 2011		<u>\$ 129,792</u>			<u>\$ 90,061</u>	

Area A Lighting and Landscaping District			Media Center			Park Development Fees		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 154,901	\$ 165,746	\$ 10,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
							82	82
							8,127	8,127
2,643	2,636	(7)	100	99	(1)	100	439	339
			22,900	25,442	2,542			
157,544	168,382	10,838	23,000	25,541	2,541	100	8,648	8,548
10,874	9,748	1,126	25,500	25,441	59	3,200		3,200
156,235	141,992	14,243						
167,109	151,740	15,369	25,500	25,441	59	3,200		3,200
(9,565)	16,642	26,207	(2,500)	100	2,600	(3,100)	8,648	11,748
						(20,000)	(20,000)	
						(20,000)	(20,000)	
\$ (9,565)	16,642	\$ 26,207	\$ (2,500)	100	\$ 2,600	\$ (23,100)	(11,352)	\$ 11,748
	303,921			11,120			39,800	
	\$ 320,563			\$ 11,220			\$ 28,448	

Continued

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011
(Continued)

	Strong Motion Education and Data			General Debt Service		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 465,800	\$ 458,457	\$ (7,343)
Charges for services						
Development fees						
Intergovernmental						
Use of money and property	5	7	2	6,500	4,825	(1,675)
Other revenues	25	75	50			
Total Revenues	30	82	52	472,300	463,282	(9,018)
EXPENDITURES:						
Current:						
General government				5,295	5,295	
Public safety						
Capital outlay						
Debt service:						
Principal payments				460,000	460,000	
Interest and fiscal charges				131,566	126,811	4,755
Total Expenditures				596,861	592,106	4,755
Excess of Revenues Over (Under) Expenditures	30	82	52	(124,561)	(128,824)	(4,263)
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	\$ 30	82	\$ 52	\$ (124,561)	(128,824)	\$ (4,263)
Fund Balances (deficit), July 1, 2010		691			759,896	
Fund Balances (deficit), June 30, 2011		<u>\$ 773</u>			<u>\$ 631,072</u>	

General Capital Projects

Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -
2,919,759	611,703	2,308,056
<u>2,919,759</u>	<u>611,703</u>	<u>2,308,056</u>
<u>(2,919,759)</u>	<u>(611,703)</u>	<u>2,308,056</u>
17,157,943	162,062	(16,995,881)
<u>17,157,943</u>	<u>(1,186,320)</u>	<u>(1,186,320)</u>
<u>17,157,943</u>	<u>(1,024,258)</u>	<u>(18,182,201)</u>
<u>\$ 14,238,184</u>	<u>(1,635,961)</u>	<u>\$ (15,874,145)</u>
	<u>1,098,387</u>	
	<u>\$ (537,574)</u>	

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2011

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
ASSETS			
Current Assets:			
Cash and investments	\$ 1,387,148	\$ -	\$ 230,535
Accounts receivable - net	1,849	69,523	17,032
Interest receivable	2,706		1,131
Due from other governments			136,800
Inventory			25,872
Total current assets	<u>1,391,703</u>	<u>69,523</u>	<u>411,370</u>
Capital Assets:			
Nondepreciable			
Land			119,834
Total nondepreciable capital assets			<u>119,834</u>
Depreciable			
Buildings			186,451
Machinery and equipment			209,510
Operations			2,944,993
Total depreciable capital assets			3,340,954
Less accumulated depreciation			<u>(912,138)</u>
Net depreciable capital assets			<u>2,428,816</u>
Net capital assets			<u>2,548,650</u>
Total noncurrent assets			<u>2,548,650</u>
Total assets	<u>\$ 1,391,703</u>	<u>\$ 69,523</u>	<u>\$ 2,960,020</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ -	\$ 20,107	\$ -	\$ 1,637,790
1,726	5,138		95,268
	39		3,876
		29,075	165,875
			25,872
1,726	25,284	29,075	1,928,681
231,973			351,807
231,973			351,807
1,194,412			1,380,863
98,186			307,696
20,000			2,964,993
1,312,598			4,653,552
(677,594)			(1,589,732)
635,004			3,063,820
866,977			3,415,627
866,977			3,415,627
\$ 868,703	\$ 25,284	\$ 29,075	\$ 5,344,308

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 June 30, 2011
 (continued)

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 7,853	\$ 77	\$ 35,337
Deposits payable	260,970	338	17,043
Due to other funds		1,360	
Total current liabilities	<u>268,823</u>	<u>1,775</u>	<u>52,380</u>
NET ASSETS			
Investment in capital assets, net of related debt			2,548,650
Unrestricted	<u>1,122,880</u>	<u>67,748</u>	<u>358,990</u>
Total Net Assets (Deficit)	<u>\$ 1,122,880</u>	<u>\$ 67,748</u>	<u>\$ 2,907,640</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 1,888	\$ 95	\$ -	\$ 45,250
54,044			332,395
<u>395,585</u>		<u>69,102</u>	<u>466,047</u>
<u>451,517</u>	<u>95</u>	<u>69,102</u>	<u>843,692</u>
866,977			3,415,627
<u>(449,791)</u>	<u>25,189</u>	<u>(40,027)</u>	<u>1,084,989</u>
<u>\$ 417,186</u>	<u>\$ 25,189</u>	<u>\$ (40,027)</u>	<u>\$ 4,500,616</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2011

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
Operating Revenues			
Charges for services	\$ 41,920	\$ 13,798	\$ 209,114
Development fees	213,422		
Rental income			140,304
Other operating revenues	20,232		1,346
Total Operating Revenues	<u>275,574</u>	<u>13,798</u>	<u>350,764</u>
Operating Expenses			
Maintenance and operation	292,650	141,402	304,250
Administration	76,490	6,473	58,532
Depreciation			39,993
Total Operating Expenses	<u>369,140</u>	<u>147,875</u>	<u>402,775</u>
Operating Income (Loss)	<u>(93,566)</u>	<u>(134,077)</u>	<u>(52,011)</u>
Non-Operating Revenues (Expenses)			
Interest income	12,346	247	4,937
Intergovernmental grants		200,691	166,800
Total Non-Operating Income (Loss)	<u>12,346</u>	<u>200,938</u>	<u>171,737</u>
Income (Loss) Before Transfers	(81,220)	66,861	119,726
Transfers out		(66,689)	
Change in Net Assets	(81,220)	172	119,726
Net Assets, July 1, 2010	<u>1,204,100</u>	<u>67,576</u>	<u>2,787,914</u>
Net Assets (Deficit), June 30, 2011	<u>\$ 1,122,880</u>	<u>\$ 67,748</u>	<u>\$ 2,907,640</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 16,816	\$ 64,235	\$ -	\$ 345,883
			213,422
153,877	10,920		305,101
		5,000	26,578
<u>170,693</u>	<u>75,155</u>	<u>5,000</u>	<u>890,984</u>
			1,153,016
183,691	70,761	160,262	153,255
10,308	1,452		64,223
<u>24,230</u>			
<u>218,229</u>	<u>72,213</u>	<u>160,262</u>	<u>1,370,494</u>
<u>(47,536)</u>	<u>2,942</u>	<u>(155,262)</u>	<u>(479,510)</u>
	199		17,729
		184,657	552,148
	<u>199</u>	<u>184,657</u>	<u>569,877</u>
(47,536)	3,141	29,395	90,367
			(66,689)
(47,536)	3,141	29,395	23,678
<u>464,722</u>	<u>22,048</u>	<u>(69,422)</u>	<u>4,476,938</u>
<u>\$ 417,186</u>	<u>\$ 25,189</u>	<u>\$ (40,027)</u>	<u>\$ 4,500,616</u>

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2011**

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 279,064	\$ (119,355)	\$ 345,085
Payments to suppliers and users	(236,607)	(141,395)	(300,748)
Payments to employees	(76,490)	(6,473)	(58,532)
Net Cash Provided (Used) by Operating Activities	<u>(34,033)</u>	<u>(267,223)</u>	<u>(14,195)</u>
Cash Flows from Non-Capital Financing Activities:			
Intergovernmental grants		209,473	229,501
Due to/from other funds		1,360	(171,788)
Advances to/from other funds			(29,524)
Transfers out		(66,689)	
Net Cash Provided (Used) by Non-Capital Financing Activities		<u>144,144</u>	<u>28,189</u>
Cash Flows from Investing Activities:			
Interest received	9,640	247	3,806
Net Cash Provided (Used) by Investing Activities	<u>9,640</u>	<u>247</u>	<u>3,806</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(24,393)	(122,832)	17,800
Cash and Cash Equivalents, July 1, 2010	<u>1,411,541</u>	<u>122,832</u>	<u>212,735</u>
Cash and Cash Equivalents, June 30, 2011	<u>\$ 1,387,148</u>	<u>\$ -</u>	<u>\$ 230,535</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	<u>\$ 1,387,148</u>	<u>\$ -</u>	<u>\$ 230,535</u>
Total Cash and Investments	<u>\$ 1,387,148</u>	<u>\$ -</u>	<u>\$ 230,535</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 171,440	\$ 70,017	\$ 5,000	\$ 751,251
(174,804)	(76,055)	(160,890)	(1,090,499)
(10,308)	(1,452)		(153,255)
(13,672)	(7,490)	(155,890)	(492,503)
		222,289	661,263
144,142		(66,399)	(92,685)
(130,470)			(159,994)
			(66,689)
13,672		155,890	341,895
	160		13,853
	160		13,853
	(7,330)		(136,755)
	27,437		1,774,545
<u>\$ -</u>	<u>\$ 20,107</u>	<u>\$ -</u>	<u>\$ 1,637,790</u>
<u>\$ -</u>	<u>\$ 20,107</u>	<u>\$ -</u>	<u>\$ 1,637,790</u>
<u>\$ -</u>	<u>\$ 20,107</u>	<u>\$ -</u>	<u>\$ 1,637,790</u>

CITY OF HEALDSBURG
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2011
(Continued)

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (93,566)	\$ (134,077)	\$ (52,011)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation			39,993
(Increase) Decrease in Operating Assets:			
Accounts receivable	3,490	(69,386)	(5,679)
Inventory			(22,540)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(47,417)	7	23,747
Deposits payable	103,460		2,295
Deferred revenue		(63,767)	
Net Cash Provided (Used) by Operating Activities	<u>\$ (34,033)</u>	<u>\$ (267,223)</u>	<u>\$ (14,195)</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ (47,536)	\$ 2,942	\$ (155,262)	\$ (479,510)
24,230			64,223
747	(5,138)		(75,966) (22,540)
(11,553) 20,440	(5,294)	(628)	(41,138) 126,195 (63,767)
<u>\$ (13,672)</u>	<u>\$ (7,490)</u>	<u>\$ (155,890)</u>	<u>\$ (492,503)</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2011

	<u>Insurance and Benefit</u>	<u>Vehicle Maintenance</u>	<u>Information Services</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 2,773,791	\$ 3,913,064	\$ 1,078,210
Accounts receivable - net	17,922		
Notes and loans receivable			17,676
Interest receivable	5,412	7,633	2,103
Inventory		27,725	2,363
	<u>2,797,125</u>	<u>3,948,422</u>	<u>1,100,352</u>
Capital Assets:			
Depreciable			
Machinery and equipment		<u>4,279,423</u>	<u>1,863,623</u>
Total depreciable capital assets		4,279,423	1,863,623
Less accumulated depreciation		<u>(2,902,114)</u>	<u>(1,355,197)</u>
Net depreciable capital assets		<u>1,377,309</u>	<u>508,426</u>
Net capital assets		<u>1,377,309</u>	<u>508,426</u>
Total noncurrent assets		<u>1,377,309</u>	<u>508,426</u>
Total assets	<u>\$ 2,797,125</u>	<u>\$ 5,325,731</u>	<u>\$ 1,608,778</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 1,033,207	\$ 8,798,272
120	18,042
	17,676
2,015	17,163
	<u>30,088</u>
<u>1,035,342</u>	<u>8,881,241</u>
	<u>6,143,046</u>
	6,143,046
	<u>(4,257,311)</u>
	<u>1,885,735</u>
	<u>1,885,735</u>
	<u>1,885,735</u>
<u>\$ 1,035,342</u>	<u>\$ 10,766,976</u>

(Continued)

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2011
(Continued)

	Insurance and Benefit	Vehicle Maintenance	Information Services
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 626,278	\$ 20,592	\$ 24,235
Deposits payable	1,054		
Claims payable, current portion	26,429		
Compensated absences	1,034,839		
Capital lease payable		4,612	
Total current liabilities	1,688,600	25,204	24,235
Noncurrent Liabilities:			
Compensated absences	500,856		
Capital lease payable		10,129	
Total noncurrent liabilities	500,856	10,129	
Total Liabilities	2,189,456	35,333	24,235
NET ASSETS			
Investment in capital assets, net of related debt		1,362,568	508,426
Unrestricted	607,669	3,927,830	1,076,117
Total Net Assets	\$ 607,669	\$ 5,290,398	\$ 1,584,543

<u>Building Maintenance</u>	<u>Totals</u>
\$ 21,055	\$ 692,160
	1,054
34,935	61,364
	1,034,839
	4,612
<u>55,990</u>	<u>1,794,029</u>
	500,856
	10,129
	<u>510,985</u>
<u>55,990</u>	<u>2,305,014</u>
	1,870,994
<u>979,352</u>	<u>6,590,968</u>
<u>\$ 979,352</u>	<u>\$ 8,461,962</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2011

	Insurance and Benefit	Vehicle Maintenance	Information Services
Operating Revenues			
Charges for services	\$ 6,259,879	\$ 20,113	\$ 677,046
Other operating revenues		26,190	350
Total Operating Revenues	<u>6,259,879</u>	<u>46,303</u>	<u>677,396</u>
Operating Expenses			
Maintenance and operation		468,004	789,810
Administration		158,129	400
Insurance and benefits costs	6,797,226		
Depreciation		384,471	96,117
Total Operating Expenses	<u>6,797,226</u>	<u>1,010,604</u>	<u>886,327</u>
Operating Income (Loss)	<u>(537,347)</u>	<u>(964,301)</u>	<u>(208,931)</u>
Non-Operating Revenues (Expenses)			
Interest income	21,910	34,356	8,275
Gain (Loss) on sale of capital assets		25,960	
Total Non-Operating Income (Loss)	<u>21,910</u>	<u>60,316</u>	<u>8,275</u>
Income (Loss) Before Transfers	(515,437)	(903,985)	(200,656)
Transfers in		70,440	271,106
Change in Net Assets	(515,437)	(833,545)	70,450
Net Assets, July 1, 2010	<u>1,123,106</u>	<u>6,123,943</u>	<u>1,514,093</u>
Net Assets, June 30, 2011	<u>\$ 607,669</u>	<u>\$ 5,290,398</u>	<u>\$ 1,584,543</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 1,309,047	\$ 8,266,085
	26,540
<u>1,309,047</u>	<u>8,292,625</u>
677,193	1,935,007
24,102	182,631
350,171	7,147,397
	480,588
<u>1,051,466</u>	<u>9,745,623</u>
<u>257,581</u>	<u>(1,452,998)</u>
7,360	71,901
	25,960
<u>7,360</u>	<u>97,861</u>
264,941	(1,355,137)
	341,546
264,941	(1,013,591)
<u>714,411</u>	<u>9,475,553</u>
<u>\$ 979,352</u>	<u>\$ 8,461,962</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2011**

	Insurance and Benefit	Vehicle Maintenance	Information Services
Cash Flows from Operating Activities:			
Receipts from customers	\$ 6,276,423	\$ 46,458	\$ 677,396
Payments to suppliers and users	(6,563,206)	(517,591)	(817,284)
Payments to employees	87,096	(158,129)	(400)
Net Cash Provided (Used) by Operating Activities	<u>(199,687)</u>	<u>(629,262)</u>	<u>(140,288)</u>
Cash Flows from Non-Capital Financing Activities:			
Principal paid on loans receivable			5,873
Transfers in		70,440	271,106
Net Cash Provided (Used) by Non-Capital Financing Activities		<u>70,440</u>	<u>276,979</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets		(12,600)	
Principal payments - long-term debt		(28,967)	
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>(41,567)</u>	
Cash Flows from Investing Activities:			
Interest received	16,498	26,723	6,172
Net Cash Provided (Used) by Investing Activities	<u>16,498</u>	<u>26,723</u>	<u>6,172</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(183,189)	(573,666)	142,863
Cash and Cash Equivalents, July 1, 2010	<u>2,956,980</u>	<u>4,486,730</u>	<u>935,347</u>
Cash and Cash Equivalents, June 30, 2011	<u>\$ 2,773,791</u>	<u>\$ 3,913,064</u>	<u>\$ 1,078,210</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	<u>\$ 2,773,791</u>	<u>\$ 3,913,064</u>	<u>\$ 1,078,210</u>
Total Cash and Investments	<u>\$ 2,773,791</u>	<u>\$ 3,913,064</u>	<u>\$ 1,078,210</u>

Building Maintenance	Totals
\$ 1,308,927	\$ 8,309,204
(1,022,567)	(8,920,648)
<u>(24,102)</u>	<u>(95,535)</u>
262,258	(706,979)
	5,873
	<u>341,546</u>
	347,419
	(12,600)
	<u>(28,967)</u>
	(41,567)
5,345	54,738
<u>5,345</u>	<u>54,738</u>
267,603	(346,389)
<u>765,604</u>	<u>9,144,661</u>
<u>\$ 1,033,207</u>	<u>\$ 8,798,272</u>
<u>\$ 1,033,207</u>	<u>\$ 8,798,272</u>
<u>\$ 1,033,207</u>	<u>\$ 8,798,272</u>

(Continued)

CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2011
(Continued)

	Insurance and Benefit	Vehicle Maintenance	Information Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (537,347)	\$ (964,301)	\$ (208,931)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation		384,471	96,117
(Increase) Decrease in Operating Assets:			
Accounts receivable	16,544	155	
Inventory		9,233	1,315
Increase (Decrease) in Operating Liabilities:			
Accounts payable	220,055	(58,820)	(28,789)
Claims and judgments payable	13,965		
Compensated absences	87,096		
Net Cash Provided (Used) by Operating Activities	\$ (199,687)	\$ (629,262)	\$ (140,288)

<u>Building Maintenance</u>	<u>Totals</u>
\$ 257,581	\$ (1,452,998)
	480,588
(120)	16,579
	10,548
(18,460)	113,986
23,257	37,222
<u> </u>	<u>87,096</u>
<u>\$ 262,258</u>	<u>\$ (706,979)</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
 June 30, 2011

	Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust
ASSETS			
Cash and investments	\$ 28,299	\$ -	\$ 777,932
Restricted cash and investments		164,293	
Interest receivable			1,517
Total assets	28,299	164,293	779,449
LIABILITIES			
Accounts payable and accrued liabilities	28,299	755	
NET ASSETS			
Held in trust for other purposes		163,538	779,449
Total Net Assets	\$ -	\$ 163,538	\$ 779,449

Plaza Flowers Veterans Trust	Totals
\$ 4,697	\$ 810,928
	164,293
<u>9</u>	<u>1,526</u>
<u>4,706</u>	<u>976,747</u>
	<u>29,054</u>
<u>4,706</u>	<u>947,693</u>
<u>\$ 4,706</u>	<u>\$ 947,693</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2011

	Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust
ADDITIONS			
Contributions	\$ -	\$ 47	\$ -
Use of money and property Fees and charges	16,597	6,855	28,298
Total additions	<u>28,298</u>	<u>16,644</u>	<u>6,855</u>
DEDUCTIONS			
Community development	119,530	1,654	3,129
Change in Net Assets	(91,232)	14,990	3,726
Net Assets, July 1, 2010	<u>91,232</u>	<u>148,548</u>	<u>775,723</u>
Net Assets, June 30, 2011	<u>\$ -</u>	<u>\$ 163,538</u>	<u>\$ 779,449</u>

Plaza Flowers Veterans Trust	Totals
\$ -	\$ 47
42	23,494
<u>42</u>	<u>28,298</u>
409	124,722
(367)	(72,883)
<u>5,073</u>	<u>1,020,576</u>
<u>\$ 4,706</u>	<u>\$ 947,693</u>

STATISTICAL SECTION

June 30, 2011

This part of the City of Healdsburg's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Pages</u>
<u>Financial Trends</u>	S2
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	S13
These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and the electric utility.	
<u>Debt Capacity</u>	S33
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	S41
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<u>Operating Information</u>	S44
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

CITY OF HEALDSBURG
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)
(in thousands)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 9,518	\$ 12,454	\$ 13,258	\$ 13,292
Restricted	16,275	11,503	8,786	11,805
Unrestricted	3,743	9,812	12,611	11,909
<i>Total governmental activities net assets</i>	<u>\$ 29,536</u>	<u>\$ 33,769</u>	<u>\$ 34,655</u>	<u>\$ 37,006</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 60,799	\$ 58,677	\$ 64,371	\$ 67,371
Restricted	6,242	6,025	4,004	1,508
Unrestricted	21,027	27,587	27,912	31,013
<i>Total business-type activities net assets</i>	<u>\$ 88,068</u>	<u>\$ 92,289</u>	<u>\$ 96,287</u>	<u>\$ 99,892</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 70,317	\$ 71,131	\$ 77,629	\$ 80,663
Restricted	22,517	17,528	12,790	13,313
Unrestricted	24,770	37,399	40,523	42,922
<i>Total primary government net assets</i>	<u>\$117,604</u>	<u>\$126,058</u>	<u>\$130,942</u>	<u>\$136,898</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 14,431	\$ 14,387	\$ 5,790	\$ 4,629	\$ 4,699
12,501	13,895	23,103	32,292	31,355
13,955	17,577	12,328	10,850	10,756
<u>\$ 40,887</u>	<u>\$ 45,859</u>	<u>\$ 41,221</u>	<u>\$ 47,771</u>	<u>\$ 46,810</u>

\$ 72,951	\$ 78,119	\$ 81,518	\$ 79,968	\$ 80,098
876	-	-	8,663	8,923
29,353	27,159	28,295	17,348	22,885
<u>\$103,180</u>	<u>\$105,278</u>	<u>\$109,813</u>	<u>\$ 105,979</u>	<u>\$ 111,906</u>

\$ 87,382	\$ 92,506	\$ 87,308	\$ 84,597	\$ 84,797
13,377	13,895	23,103	40,955	40,278
43,308	44,736	40,623	28,198	33,641
<u>\$144,067</u>	<u>\$151,137</u>	<u>\$151,034</u>	<u>\$ 153,750</u>	<u>\$ 158,716</u>

CITY OF HEALDSBURG
Changes in Net Assets - Expenses and Program Revenues
Last Nine Fiscal Years
(accrual basis of accounting)
(in thousands)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses:				
<u>Governmental activities:</u>				
General government	\$ 878	\$ 1,191	\$ 709	\$ 1,014
Public safety	4,940	5,022	5,841	6,577
Culture and recreation	27	25	19	32
Community development	5,551	2,852	4,147	4,667
Unallocated infrastructure depreciation	23	23	25	25
Interest on long-term debt	1,790	2,535	2,735	2,657
<i>Total governmental activities expenses</i>	<u>13,209</u>	<u>11,648</u>	<u>13,476</u>	<u>14,972</u>
<u>Business-type activities:</u>				
Water	3,082	3,250	3,593	4,180
Sewer	2,484	2,674	2,882	3,491
Electric	8,547	7,954	9,294	9,372
Streets	1,193	1,250	1,352	1,392
Community Services	-	-	-	-
Other programs	1,863	1,907	2,089	2,483
<i>Total business-type activities</i>	<u>17,169</u>	<u>17,035</u>	<u>19,210</u>	<u>20,918</u>
<i>Total primary government expenses</i>	<u>\$ 30,378</u>	<u>\$ 28,683</u>	<u>\$ 32,686</u>	<u>\$ 35,890</u>
Program revenues:				
<u>Governmental activities:</u>				
Charges for services:				
General government	\$ 462	\$ 539	\$ 764	\$ 815
Public safety	386	387	442	484
Culture and recreation	13	3	-	-
Community development	-	-	-	-
Operating grants and contributions	1,496	1,575	1,874	1,958
Capital grants and contributions	136	1,592	125	143
<i>Total governmental activities program revenues</i>	<u>2,493</u>	<u>4,096</u>	<u>3,205</u>	<u>3,400</u>
<u>Business-type activities:</u>				
Charges for services:				
Water	3,783	4,410	3,953	4,269
Sewer	4,080	4,212	4,324	5,116
Electric	8,569	8,444	9,310	9,006
Streets	989	835	853	1,112
Community Services	-	-	-	-
Other programs	1,172	1,123	1,226	1,395
Operating grants and contributions	758	932	1,022	1,218
Capital grants and contributions	2,286	499	138	526
<i>Total business-type activities program revenues</i>	<u>21,637</u>	<u>20,455</u>	<u>20,826</u>	<u>22,642</u>
<i>Total primary government program revenues</i>	<u>\$ 24,130</u>	<u>\$ 24,551</u>	<u>\$ 24,031</u>	<u>\$ 26,042</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 982	\$ 839	\$ 915	\$ 586	\$ 1,004
6,768	6,995	7,506	6,704	7,106
24	19	21	-	-
4,201	4,818	9,209	8,302	7,111
25	26	27	544	587
2,435	2,353	2,310	2,264	3,012
<u>14,435</u>	<u>15,050</u>	<u>19,988</u>	<u>18,400</u>	<u>18,820</u>
4,719	4,219	4,522	4,501	3,855
5,379	5,996	6,575	7,826	6,627
10,167	10,335	11,865	11,040	8,759
1,399	1,415	1,677	2,167	1,536
-	-	-	3,599	2,026
3,043	3,709	4,757	1,669	1,446
<u>24,707</u>	<u>25,674</u>	<u>29,396</u>	<u>30,802</u>	<u>24,249</u>
<u>\$ 39,142</u>	<u>\$ 40,724</u>	<u>\$ 49,384</u>	<u>\$ 49,202</u>	<u>\$ 43,069</u>
\$ 509	\$ 377	\$ 490	\$ 2	\$ 4
483	498	694	378	383
1	-	-	-	-
403	432	425	23	163
1,000	589	528	643	774
61	85	192	294	1
<u>2,457</u>	<u>1,981</u>	<u>2,329</u>	<u>1,340</u>	<u>1,325</u>
4,343	4,280	4,734	3,818	3,937
6,069	6,512	8,470	7,531	8,452
9,002	9,257	10,089	10,982	10,774
1,087	880	969	650	649
-	-	-	408	620
1,549	1,617	1,693	868	892
2,193	2,438	3,395	-	-
501	181	424	2,560	4,244
<u>24,744</u>	<u>25,165</u>	<u>29,774</u>	<u>26,817</u>	<u>29,568</u>
<u>\$ 27,201</u>	<u>\$ 27,146</u>	<u>\$ 32,103</u>	<u>\$ 28,157</u>	<u>\$ 30,893</u>

CITY OF HEALDSBURG
Changes in Net Assets - General Revenues
Last Nine Fiscal Years
(accrual basis of accounting)
(in thousands)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net revenues (expenses):				
Governmental activities	\$(10,716)	\$ (7,552)	\$(10,271)	\$(11,572)
Business-type activities	4,468	3,420	1,616	1,724
<i>Total net revenues (expenses)</i>	<u>\$ (6,248)</u>	<u>\$ (4,132)</u>	<u>\$ (8,655)</u>	<u>\$ (9,848)</u>
 General revenues and other changes in net assets				
<u>Governmental activities:</u>				
Taxes:				
Property taxes, levied for general purposes	\$ 6,834	\$ 7,388	\$ 8,946	\$ 9,475
Franchise taxes	323	286	304	325
Sales tax	2,793	2,818	2,279	3,045
Transient occupancy taxes	94	-	-	-
Intergovernmental:				
Unrestricted motor vehicle in-lieu	661	720	115	44
Gain from sale of capital assets	390	-	148	-
Investment earnings	732	890	1,037	1,695
Miscellaneous	-	-	-	-
Transfers	(24,511)	(318)	(1,672)	(663)
<i>Total governmental activities</i>	<u>(12,684)</u>	<u>11,784</u>	<u>11,157</u>	<u>13,921</u>
<u>Business-type activities:</u>				
Investment income	561	484	710	1,218
Transfers	24,511	318	1,672	663
<i>Total business-type activities</i>	<u>25,072</u>	<u>802</u>	<u>2,382</u>	<u>1,881</u>
<i>Total primary government</i>	<u>\$ 12,388</u>	<u>\$ 12,586</u>	<u>\$ 13,539</u>	<u>\$ 15,802</u>
 Changes in net assets				
Governmental activities	\$(23,400)	\$ 4,232	\$ 886	\$ 2,349
Business-type activities	29,540	4,222	3,998	3,605
<i>Total primary government</i>	<u>\$ 6,140</u>	<u>\$ 8,454</u>	<u>\$ 4,884</u>	<u>\$ 5,954</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$(11,979)	\$(13,069)	\$(17,659)	\$(17,060)	\$(17,495)
38	(509)	379	(3,986)	5,319
<u>\$(11,941)</u>	<u>\$(13,578)</u>	<u>\$(17,280)</u>	<u>\$(21,046)</u>	<u>\$(12,176)</u>

\$ 10,617	\$ 11,254	\$ 11,668	\$ 11,591	\$ 11,321
369	374	381	379	562
3,334	3,324	3,162	3,078	3,390
272	310	275	272	321
63	52	41	36	60
-	-	-	-	-
2,252	1,857	927	690	1,117
-	-	-	373	65
<u>(1,047)</u>	<u>(787)</u>	<u>(3,434)</u>	<u>(1,423)</u>	<u>(297)</u>
<u>15,860</u>	<u>16,384</u>	<u>13,020</u>	<u>14,996</u>	<u>16,539</u>

2,203	1,820	723	345	312
<u>1,047</u>	<u>787</u>	<u>3,434</u>	<u>1,423</u>	<u>297</u>
<u>3,250</u>	<u>2,607</u>	<u>4,157</u>	<u>1,768</u>	<u>609</u>
<u>\$ 19,110</u>	<u>\$ 18,991</u>	<u>\$ 17,177</u>	<u>\$ 16,764</u>	<u>\$ 17,148</u>

\$ 3,881	\$ 3,315	\$ (4,639)	\$ (2,064)	\$ (956)
<u>3,288</u>	<u>2,098</u>	<u>4,536</u>	<u>(2,218)</u>	<u>5,928</u>
<u>\$ 7,169</u>	<u>\$ 5,413</u>	<u>\$ (103)</u>	<u>\$ (4,282)</u>	<u>\$ 4,972</u>

CITY OF HEALDSBURG
Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 3	\$ 4	\$ -	\$ -
Unreserved	3,743	3,968	4,673	4,537
Restricted for: (Note 9)				
Prepaid Expenditures				
Law Enforcement				
Committed to: (Note 9)				
Community Development				
Unassigned				
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total general fund</i>	<u>\$ 3,746</u>	<u>\$ 3,972</u>	<u>\$ 4,673</u>	<u>\$ 4,537</u>
All other governmental funds				
Reserved	\$ 41,007	\$ 35,214	\$ 33,257	\$ 33,439
Unreserved, reported in:				
Special revenue funds	3,265	3,590	4,274	5,470
Capital projects funds	359	2,768	4,323	2,936
Permanent funds	97	88	83	81
Restricted for: (Note 9)				
Prepaid Expenditures				
Community Development				
Housing				
Landscaping & Lighting				
Law Enforcement				
Parks & Recreation				
Road Improvements				
Debt Service				
Redevelopment				
Committed to: (Note 9)				
Community Development				
Unassigned				
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total all other governmental funds</i>	<u>\$ 44,728</u>	<u>\$ 41,660</u>	<u>\$ 41,937</u>	<u>\$ 41,926</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ -	\$ -	\$ -	\$ 1,199	\$ -
4,726	4,763	4,420	4,931	
				5
				109
				543
				5,723
<u>\$ 4,726</u>	<u>\$ 4,763</u>	<u>\$ 4,420</u>	<u>\$ 6,130</u>	<u>\$ 6,380</u>
\$ 31,650	\$ 29,353	\$ 19,529	\$ 15,767	\$ -
6,932	7,123	8,369	8,835	
3,168	5,714	8,220	7,775	
77	78	78	76	
				10
				88
				7,823
				328
				130
				28
				1,488
				9,584
				31,577
				90
				(558)
<u>\$ 41,827</u>	<u>\$ 42,268</u>	<u>\$ 36,196</u>	<u>\$ 32,453</u>	<u>\$ 50,588</u>

CITY OF HEALDSBURG
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Property taxes	\$ 6,834	\$ 7,388	\$ 8,946	\$ 9,475
Sales and other taxes	3,515	3,414	2,697	3,901
Charges for services	283	311	327	349
Intergovernmental revenue	1,834	1,755	1,616	1,251
Special assessments	324	342	397	482
Development fees and permits	119	86	113	109
Investment income	668	641	1,066	1,621
Miscellaneous fees and charges	93	355	77	72
Other revenues	616	1,682	562	865
<i>Total revenues</i>	<u>14,286</u>	<u>15,974</u>	<u>15,801</u>	<u>18,125</u>
Expenditures:				
Current:				
General government	687	933	582	677
Public safety	4,573	4,601	5,523	6,534
Culture and recreation	27	25	20	32
Community development	2,682	5,039	4,240	4,123
Capital outlay	5,628	4,348	934	2,270
Debt Service:				
Principal retirement	1,300	1,065	1,205	1,325
Interest and fees	1,463	2,209	2,687	2,625
Bond issue costs	417	302	-	-
Pass-through payments	-	208	-	-
<i>Total expenditures</i>	<u>16,777</u>	<u>18,730</u>	<u>15,191</u>	<u>17,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,491)</u>	<u>(2,756)</u>	<u>610</u>	<u>539</u>
Other financing sources (uses):				
Transfers in	19,066	11,582	6,657	4,704
Transfers out	(23,573)	(11,967)	(8,344)	(5,390)
Issuance of bonds	-	3,620	3,299	-
Payment to bond escrow agent	-	(3,470)	(1,807)	-
Bond discount	(242)	(58)	-	-
Sale of capital assets	-	-	563	-
Proceeds from long-term debt	19,370	-	-	-
<i>Total other financing sources (uses)</i>	<u>14,621</u>	<u>(293)</u>	<u>368</u>	<u>(686)</u>
Net change in fund balances	<u>\$ 12,130</u>	<u>\$ (3,049)</u>	<u>\$ 978</u>	<u>\$ (147)</u>
Debt service as a percentage of noncapital expenditures	29%	26%	27%	26%

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 10,617	\$ 11,254	\$ 11,668	\$ 11,591	\$ 11,476
4,267	4,447	4,244	3,728	4,272
366	368	516	531	298
1,070	630	621	747	905
-	-	-	-	-
62	104	215	23	8
2,142	1,732	850	706	849
75	119	106	-	-
601	475	487	161	336
<u>19,200</u>	<u>19,129</u>	<u>18,707</u>	<u>17,487</u>	<u>18,144</u>
630	584	567	577	290
6,760	6,989	7,317	6,934	6,629
38	19	21	-	-
5,722	5,777	8,959	8,308	3,298
948	651	1,016	1,103	678
1,530	1,465	1,515	1,430	1,500
2,405	2,352	2,297	2,199	2,199
-	-	-	-	294
-	-	-	-	3,416
<u>18,033</u>	<u>17,837</u>	<u>21,692</u>	<u>20,551</u>	<u>18,304</u>
<u>1,167</u>	<u>1,292</u>	<u>(2,985)</u>	<u>(3,064)</u>	<u>(160)</u>
4,227	8,553	6,304	4,471	16,170
(5,304)	(9,367)	(9,734)	(5,942)	(16,809)
-	-	-	-	21,065
-	-	-	-	(2,809)
-	-	-	-	(170)
-	-	-	313	1,099
-	-	-	-	-
<u>(1,077)</u>	<u>(814)</u>	<u>(3,430)</u>	<u>(1,158)</u>	<u>18,546</u>
<u>\$ 90</u>	<u>\$ 478</u>	<u>\$ (6,415)</u>	<u>\$ (4,222)</u>	<u>\$ 18,386</u>
23%	22%	18%	19%	23%

CITY OF HEALDSBURG
Governmental Activities Major Tax Revenues By Sources
Last Ten Fiscal Years

Fiscal Year Ended June 30	Property Tax ⁽¹⁾	Sales Tax ⁽³⁾	Franchise	Vehicle License Fee	Transient Occupancy Tax ⁽²⁾	Total
2002	5,995,988	3,020,815	277,732	627,009 ⁽⁴⁾	665,250	10,586,794
2003	6,834,237	2,901,105	322,529	661,106	94,110	10,813,087
2004	7,388,206	2,931,402	286,149	524,319	-	11,130,076
2005	9,124,394	2,850,049	304,290	270,441	-	12,549,174
2006	10,398,001	3,339,276 ⁽⁴⁾	324,924	83,327	23,408	14,168,936
2007	11,434,132	3,407,326	368,610	63,256	272,598	15,545,922
2008	12,134,840	3,534,146	373,725	51,905	310,007	16,404,623
2009	12,591,400	3,272,381	381,153	41,190	275,109	16,561,233
2010	12,529,346	2,910,605	379,153	36,150	271,842	16,127,096
2011	12,399,195	3,148,950	562,219	60,216	321,332	16,491,912

Notes: (1) Property tax includes the Redevelopment Agency.

As of fiscal year 2005 and 2006, the vehicle license fee in lieu is now a permanent shift in the property tax.

(2) Prior to fiscal year 2002-03, the 10% Transient Occupancy Tax (TOT) was a general fund revenue source.

In fiscal year 2002-03, voters approved a measure to make TOT a special tax for Community Services.

In November, 2004, voters approved an additional 2% TOT increase in an effort to maintain current Police and Fire services. This 2% increase was effective June, 1 2006. The TOT rate is 12%.

(3) Sales Tax includes Prop 172, Public Safety Augmentation Fund (PSAF) 1/2 cent sales tax.

(4) Revised

CITY OF HEALDSBURG
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands)

Fiscal Year Ended June 30	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
2002	855,622	55,855	(14,727)	896,750	511,313	51,863	(7,126)	556,050	0.413%
2003	958,459	61,168	(14,690)	1,004,937	568,898	48,453	(7,064)	610,287	0.423%
2004	1,051,348	65,952	(15,093)	1,102,207	623,690	59,215	(7,088)	675,817	0.416%
2005	1,156,126	63,340	(15,611)	1,203,855	666,577	55,390	(7,241)	714,726	0.476%
2006	1,294,557	64,153	(15,460)	1,343,250	737,613	56,117	(7,080)	786,650	0.488%
2007	1,452,121	66,570	(15,298)	1,503,393	823,891	59,842	(6,954)	876,779	0.480%
2008	1,566,697	67,912	(15,035)	1,619,574	876,977	59,584	(6,982)	929,579	0.476%
2009	1,641,106	72,001	(14,892)	1,698,215	915,768	62,279	(6,941)	971,106	0.472%
2010	1,670,739	74,020	(14,812)	1,729,947	932,338	65,300	(6,937)	990,701	0.461%
2011	1,669,030	69,073	(14,613)	1,723,490	926,607	60,545	(6,779)	980,373	0.459%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

CITY OF HEALDSBURG
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of assessed value)

Fiscal Year Ended June 30	City Direct Rates				Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Redevelopment Debt Service	Total Direct Rate	Healdsburg Unified School District Bonds	Dam/Russian River Project	So. Co. Junior College Bond
2002	0.0400	0.0500	0.3300	0.42	0.0600	0.0070	0.0250
2003	0.0400	0.0400	0.3400	0.42	0.0600	0.0070	0.0250
2004	0.0400	0.0400	0.3400	0.42	0.1028	0.0070	0.0250
2005	0.1100	0.0300	0.3400	0.48	0.0975	0.0070	0.0250
2006	0.1200	0.0900	0.2800	0.49	0.1005	0.0070	0.0250
2007	0.1100	0.1000	0.2700	0.48	0.1005	0.0070	0.0250
2008	0.1100	0.1000	0.2700	0.48	0.0930	0.0070	0.0250
2009	0.1000	0.1000	0.2700	0.47	0.0930	0.0070	0.0250
2010	0.1000	0.0800	0.2700	0.46	0.0865	0.0070	0.0250
2011	0.1000	0.0900	0.2700	0.46	0.0865	0.0070	0.0210

Notes: In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of Bonds that benefit the area.

Source: County of Sonoma Auditor-Controller

CITY OF HEALDSBURG
Top Ten Redevelopment Agency Taxpayers
Fiscal Year 2010-11

Assessee	Type of Use	Taxable Value	% of Total Project Value (2)	% of Total Incremental Value (3)
1) Simi Winery, Inc.	Winery	\$ 35,677,112	3.60 %	4.03 %
2) Hotel Healdsburg LLC/H2 Hotel LLC	Hotel	20,738,040	2.09 %	2.34 %
3) Healdsburg Investors LTD/Safeway Stores	Shopping	11,841,993	1.19 %	1.34 %
4) Deas Family LP/STM&D/E&M Electric	Commercial	11,125,941	1.12 %	1.26 %
5) Comcast of California	Processory Interest	8,386,722	0.85 %	0.95 %
6) Mascherini, Carole A TR	Retail/Park/Resid	8,257,629	0.83 %	0.93 %
7) Opperman & Opperman/Opperman & Son	Warehouse/Winery	8,119,189	0.82 %	0.92 %
8) Green Valley Corp/Chiquita Road LLC	Retail/Office/Resid	7,282,943	0.73 %	0.82 %
9) Brixey Sonja Max ET AL	Vacant/ Light Indust	6,501,224	0.66 %	0.74 %
10) Healdsburg Lumber	Lumber Yard/Industry	5,935,625	0.60 %	0.67 %
Total Valuation		\$123,866,418	12.49 %	14.00 %

(1) Based on property descriptions from the County Assessor.

(2) Based upon reported FY 2010-11 Project Area Secured and Unsecured Assessed value of \$992,176, 739.

(3) Based upon reported FY Project Area Secured and Unsecured incremental assessed value of \$884,416,268.

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CITY OF HEALDSBURG
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of Levy</u>	
		<u>Amount</u>	<u>Percent of Levy</u>
2002	5,676,311	5,676,311	100.0%
2003	6,488,479	6,488,479	100.0%
2004	7,069,951	7,069,951	100.0%
2005	7,435,124	7,435,124	100.0%
2006	8,251,526	8,251,526	100.0%
2007	9,134,507	9,134,507	100.0%
2008	9,728,469	9,728,469	100.0%
2009	10,143,393	10,143,393	100.0%
2010	10,256,254	10,256,254	100.0%
2011	10,025,671	10,025,671	100.0%

Notes: The amounts presented include City property taxes and Redevelopment Agency tax increment.

This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Proposition 13 limits cities to levying a tax rate for bonded indebtedness only after 1978.

CITY OF HEALDSBURG
Healdsburg Redevelopment Agency
Sotoyome Redevelopment Project Area
Taxable Value and Tax Increments
Last Ten Fiscal Years
(in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Assessed Valuation (Gross)	<u>\$ 563,176</u>	<u>\$ 617,351</u>	<u>\$ 682,905</u>	<u>\$ 721,967</u>	<u>\$ 793,730</u>
Net Secured	\$ 511,313	\$ 568,898	\$ 623,690	\$ 666,577	\$ 737,613
Net Unsecured	51,863	48,453	59,215	55,390	56,117
Exemptions	<u>(7,126)</u>	<u>(7,064)</u>	<u>(7,088)</u>	<u>(7,241)</u>	<u>(7,080)</u>
Total Assessed Valuation (Net)	<u>\$ 556,050</u>	<u>\$ 610,287</u>	<u>\$ 675,817</u>	<u>\$ 714,726</u>	<u>\$ 786,650</u>
Gross Tax Increment	<u>\$ 4,725,371</u>	<u>\$ 5,509,106</u>	<u>\$ 6,083,344</u>	<u>\$ 6,487,314</u>	<u>\$ 7,425,889</u>

Sources: County of Sonoma Auditor-Controller
Redevelopment Agency Financial Statement

Fiscal Year				
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>\$ 883,733</u>	<u>\$ 936,561</u>	<u>\$ 978,047</u>	<u>\$ 997,638</u>	<u>\$ 987,152</u>
\$ 823,891	\$ 876,977	\$ 915,768	\$ 932,338	\$ 926,607
59,842	59,584	62,279	65,300	60,545
<u>(6,954)</u>	<u>(6,982)</u>	<u>(6,941)</u>	<u>(6,937)</u>	<u>(6,779)</u>
<u>\$ 876,779</u>	<u>\$ 929,579</u>	<u>\$ 971,106</u>	<u>\$ 990,701</u>	<u>\$ 980,373</u>
<u>\$ 8,118,025</u>	<u>\$ 8,609,919</u>	<u>\$ 8,982,454</u>	<u>\$ 9,245,320</u>	<u>\$ 9,031,936</u>

CITY OF HEALDSBURG
Redevelopment Agency of the City of Healdsburg
Sotoyome Redevelopment Project Area
Tax Increment and Tax Revenues
Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year</u>	<u>Gross Increment</u>	<u>Pass Thru to County</u>	<u>AB 1290 Pass Thru</u>	<u>Pass Thru (S)ERAF to State</u>	<u>Low/ Moderate Set - Aside</u>	<u>Net Increment to Agency</u>
2002	4,725,371	1,045,140	69,860	-	945,074	2,665,297 ⁽¹⁾
2003	5,509,106	1,201,433 ⁽¹⁾	149,668	144,620	1,101,911	2,911,474 ⁽¹⁾
2004	6,083,344	1,358,555	229,304	280,725	1,216,988	2,997,772 ⁽¹⁾
2005	6,487,314	1,461,160	281,498	464,810	1,297,463	2,982,383 ⁽¹⁾
2006	7,425,889	1,650,135	377,683	473,900	1,485,178	3,438,993
2007	8,118,025	1,888,393	498,817	-	1,623,605	4,107,210 ⁽¹⁾
2008	8,609,919	2,041,377	576,394	-	1,721,984	4,270,164 ⁽¹⁾
2009	8,982,454	2,151,880	632,847	-	1,796,491	4,401,236 ⁽¹⁾
2010	9,245,320	2,245,388	689,203	2,752,090	1,849,064	1,709,575
2011	9,031,936	2,166,939	640,261	566,607	1,806,387	3,851,742

(1) Revised

CITY OF HEALDSBURG
Schedule of Electric Utility Customers, Energy Sales and Revenue
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Number of Customers</u>										
Residential	4,381	4,387	4,400	4,426	4,449	4,334	4,414	4,371	4,387	4,580
Industrial and heavy commercial	100	89	99	101	105	12	38	54	53	52
Commercial	855	865	858	874	896	854	944	990	988	872
Municipal	72	77	72	75	77	39	81	111	78	79
Outdoor Lighting	20	19	32	18	32	15	15	13	15	15
Total	<u>5,428</u>	<u>5,437</u>	<u>5,461</u>	<u>5,494</u>	<u>5,559</u>	<u>5,254</u>	<u>5,492</u>	<u>5,539</u>	<u>5,521</u>	<u>5,598</u>
<u>Energy Sales (MWH)</u>										
Residential	24,596	25,015	25,892	26,235	26,208	26,500	27,040	27,045	26,995	27,834
Industrial and heavy commercial	3,142	2,945	2,652	3,079	2,045	10,797	17,898	9,146	7,949	8,061
Commercial	34,911	36,259	38,032	39,319	39,525	32,089	26,899	33,970	33,220	33,106
Municipal	4,794	4,628	4,775	4,731	4,900	5,227	5,355	6,884	6,045	6,127
Total	<u>67,443</u>	<u>68,847</u>	<u>71,351</u>	<u>73,364</u>	<u>72,678</u>	<u>74,613</u>	<u>77,192</u>	<u>77,045</u>	<u>74,209</u>	<u>75,128</u>
<u>Revenue (in millions)</u>										
Residential	\$ 3.154	\$ 3.200	\$ 3.315	\$ 3.366	\$ 3.354	\$ 3.379	\$ 3.500	\$ 3.658	\$ 3.890	\$ 4.027
Industrial and heavy commercial	0.378	0.367	0.331	0.360	0.229	1.313	1.796	0.984	0.987	0.992
Commercial	4.013	4.148	4.099	4.568	4.635	3.474	3.119	4.237	4.618	4.556
Municipal	0.434	0.418	0.397	0.449	0.435	0.447	0.520	0.661	0.695	0.698
Outdoor Lighting	0.042	0.042	0.042	0.042	0.042	0.040	0.040	0.040	0.040	0.040
Total	<u>\$ 8.021</u>	<u>\$ 8.175</u>	<u>\$ 8.184</u>	<u>\$ 8.785</u>	<u>\$ 8.695</u>	<u>\$ 8.653</u>	<u>\$ 8.975</u>	<u>\$ 9.580</u>	<u>\$10.230</u>	<u>\$10.313</u>
Total average rate per mwh	<u>\$ 0.119</u>	<u>\$ 0.119</u>	<u>\$ 0.115</u>	<u>\$ 0.120</u>	<u>\$ 0.120</u>	<u>\$ 0.116</u>	<u>\$ 0.116</u>	<u>\$ 0.124</u>	<u>\$ 0.138</u>	<u>\$ 0.137</u>

Source: City of Healdsburg Utility Billing

CITY OF HEALDSBURG
Schedule of Electricity Sold and Revenue per Megawatt Hour
Last Ten Fiscal Years

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>MWH Sold</u>				
July	5,956	6,229	6,113	6,595
August	5,359	6,199	6,821	6,367
September	5,957	6,168	6,408	7,283
October	5,661	5,937	5,838	6,051
November	5,305	5,932	5,464	5,809
December	5,545	5,176	5,874	6,083
January	6,340	6,203	5,769	6,470
February	5,476	5,444	5,977	6,180
March	5,260	4,780	5,683	5,146
April	5,159	6,119	5,570	5,756
May	5,438	4,934	5,802	5,845
June	5,985	5,726	6,033	5,779
Total	<u>67,441</u>	<u>68,847</u>	<u>71,352</u>	<u>73,364</u>
<u>Total Billings</u>				
July	\$ 780,420	\$ 807,825	\$ 791,151	\$ 711,827
August	697,647	800,312	882,496	708,539
September	786,546	804,981	824,884	787,393
October	732,969	760,045	754,070	656,358
November	689,792	778,722	567,221	609,147
December	593,797	552,882	625,634	706,253
January	690,829	673,403	619,909	1,419,090
February	593,782	582,690	649,620	499,890
March	566,423	503,378	605,831	507,107
April	544,544	649,836	577,260	629,314
May	563,299	516,598	632,974	756,124
June	781,609	743,948	653,404	795,546
Total	<u>\$ 8,021,657</u>	<u>\$ 8,174,620</u>	<u>\$ 8,184,454</u>	<u>\$ 8,786,588</u>
<u>Revenue/KWH</u>				
July	\$ 0.13103	\$ 0.12969	\$ 0.12942	\$ 0.10793
August	0.13018	0.12910	0.12937	0.11128
September	0.13203	0.13051	0.12873	0.10811
October	0.12947	0.12802	0.12916	0.10638
November	0.13002	0.13128	0.10381	0.10275
December	0.10708	0.10682	0.10650	0.11411
January	0.10896	0.10851	0.10746	0.21757
February	0.10843	0.10703	0.10869	0.79022
March	0.10768	0.10531	0.10660	0.96400
April	0.10555	0.10620	0.10363	0.10733
May	0.10358	0.10470	0.10910	0.12206
June	0.13059	0.12993	0.10830	0.12934
Average	<u>\$ 0.11871</u>	<u>\$ 0.11809</u>	<u>\$ 0.11423</u>	<u>\$ 0.24842</u>

Source: City of Healdsburg Utility Billing

Fiscal Year

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
6,325	6,629	7,196	7,091	6,433	6,635
6,387	7,306	7,229	6,875	6,500	6,346
6,590	6,085	7,273	7,344	6,790	6,679
5,854	5,931	6,226	6,493	6,531	6,711
6,014	6,021	6,270	6,532	5,929	6,327
6,124	6,218	5,920	6,014	6,180	6,130
6,244	6,616	6,703	7,063	6,490	6,671
5,981	6,913	6,590	5,966	6,203	6,249
5,535	5,675	5,373	6,205	5,746	5,938
5,773	5,702	6,053	5,748	5,827	5,907
5,506	5,569	5,848	5,697	5,628	5,606
6,344	5,948	6,511	6,017	5,952	5,928
<u>72,677</u>	<u>74,613</u>	<u>77,192</u>	<u>77,045</u>	<u>74,209</u>	<u>75,127</u>
\$ 852,912	\$ 866,640	\$ 902,367	\$ 900,274	\$ 967,879	\$ 998,198
840,127	939,364	917,607	850,638	976,082	959,736
856,913	781,332	909,992	931,722	1,040,086	1,004,932
783,802	771,838	783,665	816,845	993,939	1,025,268
633,226	623,653	679,448	689,248	740,320	776,177
676,659	667,647	616,005	638,392	765,488	758,386
690,152	698,881	722,227	879,588	819,856	852,314
632,755	706,404	694,407	722,928	775,979	781,205
596,087	594,563	567,103	750,796	715,202	737,252
616,684	579,772	616,889	678,156	704,567	718,789
707,877	679,596	736,930	837,571	837,652	822,997
808,512	743,621	828,349	883,853	893,378	876,839
<u>\$ 8,695,706</u>	<u>\$ 8,653,311</u>	<u>\$ 8,974,989</u>	<u>\$ 9,580,011</u>	<u>\$10,230,428</u>	<u>\$10,312,093</u>
\$ 0.13485	\$ 0.13073	\$ 0.12540	\$ 0.12696	\$ 0.15046	\$ 0.15044
0.13154	0.12857	0.12693	0.12373	0.15017	0.15123
0.13003	0.12840	0.12512	0.12687	0.15318	0.15046
0.13389	0.13014	0.12587	0.12580	0.15219	0.15277
0.10529	0.10358	0.10836	0.10552	0.12486	0.12268
0.11049	0.10737	0.10405	0.10615	0.12387	0.12372
0.10530	0.10392	0.10775	0.12453	0.12633	0.12776
0.10579	0.10218	0.10537	0.12117	0.12510	0.12501
0.10769	0.10477	0.10555	0.12100	0.12447	0.12416
0.10682	0.10168	0.10191	0.11798	0.12091	0.12168
0.12856	0.12203	0.12601	0.14702	0.14884	0.14681
0.12745	0.12502	0.12722	0.14689	0.15010	0.14791
<u>\$ 0.11897</u>	<u>\$ 0.11569</u>	<u>\$ 0.11579</u>	<u>\$ 0.12446</u>	<u>\$ 0.13754</u>	<u>\$ 0.13709</u>

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CITY OF HEALDSBURG
Top Ten Electric Customers
Current Calendar Year and Nine Years Ago

<u>Electric Customer by Type</u>	<u>2011</u>		<u>2002</u>	
	<u>Electric Charges</u>	<u>Percent of Total Electric Revenue</u>	<u>Electric Charges</u>	<u>Percent of Total Electric Revenue</u>
Municipality	\$ 522,609	4.89115%	\$ 372,646	4.52257%
School	292,108	2.73387%	260,312	3.15924%
Retail	267,611	2.50460%	193,131	2.34391%
Hospital	219,449	2.05385%	133,063	1.61490%
Lodging	202,201	1.89242%	55,441	0.67285%
Winery	156,147	1.46140%	165,337	2.00659%
Industrial	134,485	1.25866%	390,792	4.74279%
Retail	126,886	1.18754%	102,316	1.24174%
Industrial	111,460	1.04317%	70,250	0.85258%
Lodging	87,064	0.81484%	36,939	0.44830%
	<u>\$ 2,120,020</u>	<u>19.8%</u>	<u>\$ 1,780,227</u>	<u>21.6%</u>

Note: The top ten electric customers are categorized by type.

CITY OF HEALDSBURG
Electric Rates
Last Ten Fiscal Years

<u>Type of Customer</u>	<u>Period</u>	<u>Monthly Base Rate</u>	<u>Rate per KWH</u>
Residential	7/1/01 - 12/31/08	324 KWH @	\$0.12168
		Balance @	\$0.13987
Residential	1/1/09 - 6/30/11	324 KWH @	\$0.12168
		324 KWH @	\$0.13987
		324 KWH @	\$0.21889
		Balance @	\$0.27889
Commercial	7/1/01 - 12/31/08	\$0.15614 per KWH	\$0.15614
Commercial	1/1/09 - 6/30/11	\$0.187370 per KWH	\$0.18737

Source: City of Healdsburg Utility Billing

CITY OF HEALDSBURG
Schedule of Net Income
Electric Fund
Last Ten Fiscal Years
(in thousands)

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenues:				
Charges for services	\$ 8,239,704	\$ 8,391,718	\$ 8,366,511	\$ 9,279,807
Development fees	-	-	-	-
Other Revenues	148,242	177,162	77,370	30,300
<i>Total Operating Revenues</i>	<u>8,387,946</u>	<u>8,568,880</u>	<u>8,443,881</u>	<u>9,310,107</u>
Operating Expenses:				
Purchased power	8,597,303	5,626,154	4,910,373	5,888,039
Operations	1,122,220	1,241,154	1,351,066	1,495,744
Administrative	1,185,925	1,227,609	1,197,543	1,514,936
Depreciation	311,980	343,468	353,922	365,971
<i>Total Operating Expense</i>	<u>11,217,428</u>	<u>8,438,385</u>	<u>7,812,904</u>	<u>9,264,690</u>
<i>Operating Income (Loss)</i>	<u>(2,829,482)</u>	<u>130,495</u>	<u>630,977</u>	<u>45,417</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	69,500	15,000	-	-
Investment income	259,678	186,073	141,732	214,544
Interest expense	(12,688)	(5,981)	-	-
Loss from disposal of assets	-	(640)	(8,545)	-
<i>Total Nonoperating Revenues (Expenses)</i>	<u>316,490</u>	<u>194,452</u>	<u>133,187</u>	<u>214,544</u>
Income (Loss) Before Transfers	(2,512,992)	324,947	764,164	259,961
Transfers In (Out)	(2,942)	(180,727)	(265,464)	2,151
Income (Loss) Before Capital Contributions	(2,515,934)	144,220	498,700	262,112
Capital Contributions	552,848	191,082	491,116	131,626
Changes in Net Assets	<u>\$ (1,963,086)</u>	<u>\$ 335,302</u>	<u>\$ 989,816</u>	<u>\$ 393,738</u>

Fiscal Year

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 8,858,296	\$ 8,910,310	\$ 9,163,416	\$ 9,912,726	\$ 10,602,484	\$ 10,684,778
-	36,072	23,617	-	17,396	4,588
148,017	56,239	70,211	176,750	361,978	84,917
<u>9,006,313</u>	<u>9,002,621</u>	<u>9,257,244</u>	<u>10,089,476</u>	<u>10,981,858</u>	<u>10,774,283</u>
5,367,577	5,924,049	5,874,492	7,263,987	5,915,051	4,987,522
2,087,296	2,042,244	2,145,553	2,281,514	3,740,683	2,641,452
1,566,344	1,775,826	1,974,354	1,933,712	1,012,818	495,142
379,103	384,900	422,960	422,960	461,768	410,582
<u>9,400,320</u>	<u>10,127,019</u>	<u>10,417,359</u>	<u>11,902,173</u>	<u>11,130,320</u>	<u>8,534,698</u>
<u>(394,007)</u>	<u>(1,124,398)</u>	<u>(1,160,115)</u>	<u>(1,812,697)</u>	<u>(148,462)</u>	<u>2,239,585</u>
135	287	-	-	-	-
299,762	352,905	228,793	77,336	52,143	50,406
-	-	-	-	-	-
<u>-</u>	<u>(103,756)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>299,897</u>	<u>249,436</u>	<u>228,793</u>	<u>77,336</u>	<u>52,143</u>	<u>50,406</u>
(94,110)	(874,962)	(931,322)	(1,735,361)	(96,319)	2,289,991
<u>(61,620)</u>	<u>(115,000)</u>	<u>181,173</u>	<u>1,351,864</u>	<u>45,995</u>	<u>(100,000)</u>
(155,730)	(989,962)	(750,149)	(383,497)	(50,324)	2,189,991
<u>-</u>	<u>236,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (155,730)</u>	<u>\$ (753,790)</u>	<u>\$ (750,149)</u>	<u>\$ (383,497)</u>	<u>\$ (50,324)</u>	<u>\$ 2,189,991</u>

CITY OF HEALDSBURG
Schedule of Cash Flows
Electric Fund
Last Ten Fiscal Years
(in thousands)

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Cash flows from operating activities:				
Operating income (loss)	\$ (2,829,482)	\$ 130,495	\$ 630,977	\$ 45,417
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	311,980	343,468	353,922	365,971
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(160,500)	175,983	146,882	(460,071)
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in inventory	32,177	(125,070)	67,153	(159,444)
(Increase) decrease in prepaid costs	(55,155)	(429,786)	(232,914)	740,576
Increase (decrease) in accounts payable	(187,026)	230,134	(45,072)	(89,605)
Increase (decrease) in deposits	(572,476)	(11,308)	(224,126)	38,549
Total adjustments	<u>(631,000)</u>	<u>183,421</u>	<u>65,845</u>	<u>435,976</u>
Net cash provided (used) by operating activities	<u>(3,460,482)</u>	<u>313,916</u>	<u>696,822</u>	<u>481,393</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	69,500	-	-	-
(Increase) decrease in due from other funds	87,034	47,327	1,714	2,151
Transfers in (out)	(2,942)	(180,727)	(267,178)	-
Net cash provided (used) by non-capital financing activities	<u>153,592</u>	<u>(133,400)</u>	<u>(265,464)</u>	<u>2,151</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	(834,684)	(465,719)	(475,379)	-
Capital replacement	-	-	-	(512,265)
Sale of capacity assets	-	-	-	-
Contributed capital:				
Construction reimbursement	552,848	191,082	491,116	131,626
Retirement of debt	(9,750)	(165,000)	-	-
Interest paid	(11,861)	-	-	(4,229)
Net cash provided (used) by capital and related financing activities	<u>(303,447)</u>	<u>(439,637)</u>	<u>15,737</u>	<u>(384,868)</u>
Cash flows from investing activities:				
Investment income	359,161	208,156	130,505	174,765
(Increase) decrease in investments	245,225	-	-	-
(Increase) decrease in loan receivables	-	-	20,681	-
Net cash provided (used) by investing activities	<u>604,386</u>	<u>208,156</u>	<u>151,186</u>	<u>174,765</u>
Net increase in cash and cash equivalents	(3,005,951)	(50,965)	598,281	273,441
Cash and cash equivalents at beginning of year	3,206,038	7,673,360	7,622,395	8,220,676
Cash and cash equivalents at end of year	<u>\$ 200,087</u>	<u>\$ 7,622,395</u>	<u>\$ 8,220,676</u>	<u>\$ 8,494,117</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ (394,007)	\$ (1,124,398)	\$ (1,160,115)	\$ (1,812,697)	\$ (148,462)	\$ 2,239,585
379,103	384,900	422,960	422,960	461,768	410,582
165,415	206,790	487	(143,377)	(26,714)	(2,825)
-	-	-	-	-	-
6,020	(56,624)	62,891	(239,347)	161,463	25,602
-	-	-	-	(1,044)	875
(42,327)	49,636	223,608	(235,471)	163,303	(90,559)
178,559	(21,398)	157,279	(50,285)	(210,086)	(96,353)
<u>686,770</u>	<u>563,304</u>	<u>867,225</u>	<u>(245,520)</u>	<u>548,690</u>	<u>247,322</u>
<u>292,763</u>	<u>(561,094)</u>	<u>(292,890)</u>	<u>(2,058,217)</u>	<u>400,228</u>	<u>2,486,907</u>
135	287	-	-	-	-
123,759	1,628	-	3,322,640	(173,723)	-
<u>(181,200)</u>	<u>(115,000)</u>	<u>-</u>	<u>-</u>	<u>45,995</u>	<u>(100,000)</u>
<u>(57,306)</u>	<u>(113,085)</u>	<u>-</u>	<u>3,322,640</u>	<u>(127,728)</u>	<u>(100,000)</u>
-	-	-	-	-	-
(644,167)	(1,533,171)	(3,150,084)	(1,304,260)	(984,393)	(66,691)
-	-	-	-	-	-
-	236,172	181,173	424,224	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(644,167)</u>	<u>(1,296,999)</u>	<u>(2,968,911)</u>	<u>(880,036)</u>	<u>(984,393)</u>	<u>(66,691)</u>
282,877	356,709	274,309	100,985	62,561	38,782
-	-	-	-	-	-
<u>282,877</u>	<u>356,709</u>	<u>274,309</u>	<u>100,985</u>	<u>62,561</u>	<u>38,782</u>
(125,833)	(1,614,469)	(2,987,492)	485,372	(649,332)	2,358,998
8,494,117	8,368,284	6,753,815	3,766,323	4,251,695	3,602,363
<u>\$ 8,368,284</u>	<u>\$ 6,753,815</u>	<u>\$ 3,766,323</u>	<u>\$ 4,251,695</u>	<u>\$ 3,602,363</u>	<u>\$ 5,961,361</u>
<u>\$ -</u>					

CITY OF HEALDSBURG
Schedule of Electricity Purchased
Last Ten Fiscal Years

KW	Fiscal Year			
	2002	2003	2004	2005
July	17,445	18,428	18,328	16,996
August	16,262	17,553	17,418	18,177
September	13,207	16,539	17,889	18,972
October	15,572	14,710	13,903	15,235
November	11,926	11,219	11,539	12,373
December	11,630	11,797	12,233	12,604
January	12,172	11,746	11,984	12,589
February	11,729	11,597	11,770	11,654
March	11,039	11,009	13,299	12,561
April	11,926	10,925	15,253	11,653
May	15,228	15,605	14,463	14,660
June	17,741	18,173	18,151	15,577
Peak Month	June	July	July	September

Note: A kilowatt is 1,000 watts and a watt is a unit of electrical power.

MWH	Fiscal Year			
	2002	2003	2004	2005
July	6,100	6,229	7,046	6,780
August	6,822	6,199	6,652	7,146
September	6,198	6,168	6,500	7,082
October	6,215	5,937	6,358	6,384
November	5,737	5,932	5,896	6,132
December	6,297	5,176	6,375	6,609
January	6,391	6,203	6,302	6,579
February	5,468	5,444	5,754	5,624
March	5,856	4,780	6,124	6,170
April	5,765	6,119	5,959	5,809
May	6,132	4,934	6,291	6,226
June	6,505	5,726	6,716	6,363
Total	73,486	68,847	75,973	76,904

Note: A megawatt hour is 1,000 kilowatt hours and a kilowatt hour is a unit mused to measure electrical usage.

Fiscal Year

2006	2007	2008	2009	2010	2011
18,281	21,064	19,527	20,545	19,537	16,420
16,366	17,651	20,046	20,875	19,643	20,483
14,879	16,722	18,337	19,568	18,261	18,506
12,870	13,101	12,910	14,081	12,771	15,808
12,726	12,453	11,949	12,859	12,263	12,004
12,946	13,029	12,942	13,057	12,903	12,527
11,726	12,964	13,262	12,110	12,224	12,626
11,851	12,201	12,607	11,736	11,574	12,609
12,010	11,887	11,823	11,166	11,291	11,940
12,230	13,338	12,975	15,187	11,421	11,574
14,695	15,826	20,412	15,502	12,004	13,468
19,955	20,545	19,577	17,163	18,060	18,983
June	July	May	August	August	August

2006	2007	2008	2009	2010	2011
7,238	7,699	7,377	7,187	6,862	6,680
6,803	6,798	7,529	7,617	7,066	6,774
6,286	6,501	6,607	7,012	7,013	6,963
6,431	6,528	6,454	6,762	6,431	6,817
6,216	6,335	6,228	6,286	6,183	6,409
6,720	6,934	6,844	7,052	6,855	6,909
6,371	6,849	6,893	6,621	6,659	6,736
5,650	5,919	6,135	5,943	5,826	5,953
6,424	6,307	6,300	6,218	6,281	6,506
5,898	6,065	6,226	5,962	6,060	5,888
6,376	6,464	6,757	6,378	6,184	6,106
7,028	6,882	7,020	6,528	6,752	6,477
77,441	79,281	80,370	79,566	78,172	78,218

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CITY OF HEALDSBURG
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Total Governmental Activities	Business-type Activities	Total Primary Government	Debt Per Capita (1)
	General Obligation Bonds	Tax Allocation Bonds	Special Assessments		Certificates of Participation		
2002	5,945	23,475	2,460	31,880	420	32,300	2.77
2003	5,720	42,420	2,230	50,370	18,665	69,035	5.94
2004	5,635	41,640	2,065	49,340	18,205	67,545	5.80
2005	5,345	42,595	1,715	49,655	17,735	67,390	5.78
2006	5,035	41,690	1,605	48,330	43,865	92,195	7.91
2007	4,710	40,775	1,315	46,800	43,295	90,095	7.74
2008	4,360	39,830	1,145	45,335	42,750	88,085	7.55
2009	3,975	38,860	985	43,820	42,170	85,990	7.29
2010	3,545	37,860	-	41,405	41,580	82,985	7.39
2011	3,085	55,095	-	58,180	40,460	98,640	8.60

(1) State of California Department of Finance revised population estimates for years 2001 through 2010.

Sources: City of Healdsburg Annual Comprehensive Report
State Department of Finance

CITY OF HEALDSBURG
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value (1)	Per Capita (2)
	General Obligation Bonds	Tax Allocation Bonds	Total		
2002	5,945	23,475	29,420	0.663%	527
2003	5,720	42,420	48,140	0.569%	511
2004	5,635	41,640	47,275	0.511%	491
2005	5,345	42,595	47,940	0.444%	483
2006	5,035	41,690	46,725	0.375%	459
2007	4,710	40,775	45,485	0.313%	433
2008	4,360	39,830	44,190	0.269%	404
2009	3,975	38,860	42,835	0.234%	369
2010	3,545	37,860	41,405	0.205%	354
2011	3,085	55,095	58,180	0.179%	309

Note: General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).
Special assessments are not included.

- (1) Assessed value has been used because the actual value of taxable property is not readily available in California.
- (2) State of California Department of Finance revised population estimates for years 2001 through 2010.

Sources: City of Healdsburg Comprehensive Annual Financial Statement
County of Sonoma Auditor-Controller
State Department of Finance

CITY OF HEALDSBURG
Direct and Overlapping Debt
June 30, 2011

	Percentage Applicable (1)	Total Outstanding Debt 6/30/11	City's Share of Debt 6/30/11
<u>Overlapping Debt Repaid with Property Taxes and Assessments:</u>			
Sonoma County Joint Community College District	1.424%	\$ 201,577,865	\$ 2,870,469
Healdsburg Unified School District	29.798%	14,924,998	4,447,351
Healdsburg Unified School District School Facilities Improvements District	43.982%	15,787,434	6,943,629
North Sonoma County Hospital Parcel Tax Obligations	9.041%	8,625,000	<u>779,786</u>
<i>Total overlapping debt repaid with property taxes and assessments</i>			<u>15,041,235</u>
<u>Overlapping General Fund Debt:</u>			
Sonoma County General Fund Obligations	1.440%	40,857,949	588,354
Sonoma County Pension Obligations	1.440%	515,455,000	7,422,552
Sonoma County Office of Education Certificates of Participation	1.440%	2,510,000	36,144
Sonoma County Joint Community College District General Fund Obligations	1.424%	2,095,000	<u>29,833</u>
<i>Total overlapping general fund debt</i>			<u>8,076,883</u>
<i>Total overlapping debt</i>			23,118,118
<u>Direct Debt:</u>			
City of Healdsburg General Obligation Bonds	100.000%	3,085,000	<u>3,085,000</u>
<i>Total direct and overlapping debt</i>			⁽²⁾ <u><u>\$ 26,203,118</u></u>

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed valuation that is within the City's boundaries and dividing it by each unit's total taxable assessed valuation.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF HEALDSBURG
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Assessed valuation	\$ 896,750,774	\$ 1,004,937,097	\$ 1,102,206,452	\$ 1,203,854,951
Conversion percentage	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>
Adjusted assessed valuation	224,187,694	251,234,274	275,551,613	300,963,738
Debt limit percentage	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Debt limit	33,628,154	37,685,141	41,332,742	45,144,561
Total net debt applicable to limit: General obligation bonds	<u>5,945,000</u>	<u>5,720,000</u>	<u>5,635,000</u>	<u>5,345,000</u>
Legal debt margin	<u>\$ 27,683,154</u>	<u>\$ 31,965,141</u>	<u>\$ 35,697,742</u>	<u>\$ 39,799,561</u>
Total debt applicable to the limit as a percentage of debt limit	21.48%	17.89%	15.79%	13.43%

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Fiscal Year

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,343,249,917	\$ 1,503,393,648	\$ 1,619,575,156	\$ 1,698,215,591	\$ 1,729,947,163	\$ 1,723,489,511
<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>
335,812,479	375,848,412	404,893,789	424,553,898	432,486,791	430,872,378
<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
50,371,872	56,377,262	60,734,068	63,683,085	64,873,019	64,630,857
<u>5,035,000</u>	<u>4,710,000</u>	<u>4,360,000</u>	<u>3,975,000</u>	<u>3,545,000</u>	<u>3,085,000</u>
<u>\$ 45,336,872</u>	<u>\$ 51,667,262</u>	<u>\$ 56,374,068</u>	<u>\$ 59,708,085</u>	<u>\$ 61,328,019</u>	<u>\$ 61,545,857</u>
11.11%	9.12%	7.73%	6.66%	5.78%	5.01%

CITY OF HEALDSBURG
Pledged-Revenue Coverage-Water
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	Water Revenue Bonds					Coverage
	Water Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2002	3,026,603	1,787,977	1,238,626	244,287	467,993	1.74
2003	3,782,580	2,054,734	1,727,846	280,000	759,269	1.66
2004	4,410,089	2,097,146	2,312,943	395,000	680,810	2.15
2005	3,953,043	2,483,306	1,469,737	405,000	622,615	1.43
2006	4,268,669	3,128,861	1,139,808	145,000	608,186	1.51
2007	(1) 4,598,262	3,689,522	908,740	465,000	608,265	0.85
2008	(1) 4,421,765	3,201,472	1,220,293	480,000	596,407	1.13
2009	(1) 4,827,350	3,472,007	1,355,343	480,000	581,646	1.28
2010	(1) 3,866,077	3,374,047	492,030	490,000	421,088	0.54
2011	(1) 3,986,800	2,483,351	1,503,449	505,000	549,790	1.43

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest or depreciation expenses.

(1) Includes other income starting in fiscal year 2006-2007.

CITY OF HEALDSBURG
Pledged-Revenue Coverage-Sewer
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	Sewer Revenue Bonds					Coverage
	Sewer Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2002	3,273,173	2,476,220	796,953	54,090	180,010	3.40
2003	4,080,199	1,764,716	2,315,483	60,000	175,953	9.81
2004	4,211,621	1,909,949	2,301,672	65,000	181,481	9.34
2005	4,323,805	2,142,034	2,181,771	65,000	178,462	8.96
2006	5,115,748	2,765,120	2,350,628	70,000	225,861	7.95
2007 (1)	7,215,600	3,529,622	3,685,978	105,000	1,367,707	2.50
2008 (1)	7,388,267	3,709,827	3,678,440	90,000	1,359,236	2.54
2009 (1)	8,710,958	4,227,740	4,483,218	100,000	1,357,557	3.08
2010 (1)	7,667,983	5,264,307	2,403,676	100,000	1,009,246	2.17
2011 (1)	8,562,914	5,109,552	3,453,362	615,000	1,343,099	1.76

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest or depreciation expenses.

(1) Includes other income starting in fiscal year 2006-2007.

CITY OF HEALDSBURG
Schedule of Proportional Share
NCPA Debt Service

Period Ending	Hydroelectric Project Number One	Geothermal Project Number Three	Transmission Project Number One	Comb. Turbine Project Number One	Total Debt Service
01-Jul-02	\$ 499,462	\$ 2,036,351	\$ 56,742	\$ 154,516	\$ 2,747,071
01-Jul-03	416,763	2,095,209	54,468	149,437	2,715,877
01-Jul-04	442,920	2,052,726	54,377	149,226	2,699,249
01-Jul-05	443,506	2,014,254	54,228	149,319	2,661,307
01-Jul-06	451,444	1,128,728	54,564	149,256	1,783,992
01-Jul-07	457,750	1,076,679	54,323	149,313	1,738,065
01-Jul-08	455,836	113,219	54,516	149,303	772,874
01-Jul-09	460,934	1,051,223	54,350	149,325	1,715,832
01-Jul-10	368,772	1,149,410	54,295	149,215	1,721,692
01-Jul-11	359,331	134,001	4,524	12,434	510,290
01-Jul-12	463,634	134,083	-	-	597,717
01-Jul-13	606,540	134,424	-	-	740,964
01-Jul-14	476,185	134,461	-	-	610,646
01-Jul-15	476,335	134,684	-	-	611,019
01-Jul-16	477,100	134,703	-	-	611,803
01-Jul-17	600,834	134,888	-	-	735,722
01-Jul-18	600,926	135,037	-	-	735,963
01-Jul-19	457,155	135,139	-	-	592,294
01-Jul-20	457,449	135,371	-	-	592,820
01-Jul-21	454,454	135,639	-	-	590,093
01-Jul-22	455,355	135,700	-	-	591,055
01-Jul-23	529,893	135,610	-	-	665,503
01-Jul-24	494,034	135,972	-	-	630,006
01-Jul-25	372,229	-	-	-	372,229
01-Jul-26	372,030	-	-	-	372,030
01-Jul-27	371,897	-	-	-	371,897
01-Jul-28	371,798	-	-	-	371,798
01-Jul-29	371,700	-	-	-	371,700
01-Jul-30	371,465	-	-	-	371,465
01-Jul-31	370,995	-	-	-	370,995
01-Jul-32	370,609	-	-	-	370,609
TOTAL	\$ 13,879,335	\$ 14,607,511	\$ 496,387	\$ 1,361,344	\$ 30,344,577

Note: Figures represent gross annual debt service.

CITY OF HEALDSBURG
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ⁽¹⁾	Property Taxable Assessed Value (in thousands) ⁽³⁾	Property Average Assessed Value ⁽³⁾	Unemployment Rate ⁽²⁾
2002	11,650	1,452,800	124,704	5.60%
2003	11,628	1,615,224	138,908	6.10%
2004	11,639	1,778,024	152,764	5.50%
2005	11,661	1,918,581	164,530	5.10%
2006	11,651	2,129,900	182,808	4.60%
2007	11,641	2,380,172	204,465	5.00%
2008	11,668	2,549,153	218,474	6.60%
2009	11,800	2,669,321	226,214	11.00%
2010	11,233	2,720,648	228,032	12.00%
2011	11,475	2,703,863	235,631	10.70%

Note: Unemployment rate for 2011 is a preliminary rate through September, 2011.
State of California Department of Finance revised population estimates for years 2001 through 2010.
State of California EDD revised unemployment rates for years 2001 through 2009.

Sources: (1) State of California Department of Finance
(2) State of California Employment Development Department (EDD)
(3) County of Sonoma Auditor-Controller

CITY OF HEALDSBURG
Full-time City Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Administration	4.85	4.85	3.85	3.85	4.85	5.35	5.35	5.00	4.00	6.00
Finance	12.00	12.50	12.50	12.50	14.00	14.00	14.00	16.00	17.00	17.00
Community Services	8.00	9.50	8.50	9.00	11.50	14.50	14.50	15.00	8.00	6.00
Planning & Building	5.00	5.00	5.00	5.00	7.00	8.00	8.00	8.00	5.00	3.00
Police	27.00	27.60	27.60	28.00	30.00	30.00	30.00	30.50	26.00	25.00
Fire	8.50	8.50	7.50	8.00	10.75	10.75	11.00	12.00	11.00	10.00
Electric	14.00	14.00	14.00	14.50	18.00	17.00	15.00	15.00	12.00	11.00
Public Works	27.00	27.00	27.00	29.00	37.00	40.00	36.50	40.50	30.00	29.00
Total positions:	<u>106.35</u>	<u>108.95</u>	<u>105.95</u>	<u>109.85</u>	<u>133.10</u>	<u>139.60</u>	<u>134.35</u>	<u>142.00</u>	<u>113.00</u>	<u>107.00</u>

Note: Revised fiscal years 2000 through 2006.

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CITY OF HEALDSBURG
Operating Indicators
by Function
Last Nine Fiscal Years

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police:				
Arrests	945	814	778	844
Parking citations issued	2,315	3,435	1,599	3,115
Fire:				
Number of emergency calls	1,362	1,423	1,455	1,400
Inspections	1,674	1,130	1,183	1,100
Public works:				
Street resurfacing (miles)	0.995	0.769	0.040	0.00
Potholes/pavement repaired (sq. ft.)	13,614	21,418	30,273	18,369
Planning and building:				
Commercial building permits	123	117	119	127
New construction commercial building permits	8	10	9	4
Residential building permits	359	399	380	320
New construction residential building permits	25	36	26	46
Parks and recreation:				
Number of recreation classes	10	15	15	165
Number of facility rentals	185	179	173	157
(1) Water:				
Average daily production (millions of gallons)	2.4	2.6	2.3	2.4
(1) Wastewater:				
Average daily sewage treatment (millions of gallons)	1.3	1.3	1.6	1.9

Note: The City of Healdsburg has elected to show only nine years of data on this schedule.

- (1) Water and wastewater operating indicators are per calendar year.
- (1) Water and wastewater 2011 operating indicators are through September, 2011.
- (2) Revised estimates.

Sources: Various City of Healdsburg Departments

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
653	534	749	590	479
2,174	1,961	2,429	2,292	1,562
1,454	1,327	1,253	1,314	1,298
1,092	893	808	2,111	1,928
0.100	0.00	0.677	2.470	0.00
24,535	14,800	9,662	7,500	5,200
109	100	78	83	88
3	5	3	0	1
348	265	283	319	308
25	20	33	10	2
389	498	555	803	842
363	181	380	253	115
2.2	2.9	2.1 (2)	1.8 (2)	2.6
1.8	1.2	1.1 (2)	1.2 (2)	0.9

CITY OF HEALDSBURG
Capital Asset Statistics
by Function
Last Nine Fiscal Years

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police:				
Police stations	1	1	1	1
Fire:				
Fire stations	1	1	1	1
Public works:				
Streets (miles)	43.2	43.2	43.7	44.1
(3) Streetlights	1,200	1,200	1,220	1,240
Traffic signals	13	13	13	12
Parks and recreation:				
Parks	8	8	9	9
Senior centers	1	1	1	1
Swimming pools	1	1	1	1
Tennis courts	2	2	2	2
Meeting centers	1	1	1	1
Museums	1	1	1	1
Boys & girls clubs	1	1	1	1
(1) Water:				
Water mains (miles)	60.1	60.2	60.4	60.5
Maximum daily capacity (hundred cubic feet)	5.5 (3)	5.5 (3)	5.5 (3)	5.5 (3)
(1) Wastewater:				
Sanitary sewers (miles)	- (2)	- (2)	51.4	51.5
Storm sewers (miles)	- (2)	- (2)	26.4	26.3
Maximum daily treatment capacity (millions of gallons/day) / (dry weather/wet weather)	1.6 / 6.5	1.6 / 6.5	1.6 / 6.5	1.6 / 6.5
Electric:				
Number of distribution stations	1	1	1	1
(3) Miles of service lines	52.0	52.5	53.0	53.5

(1) Water and wastewater capital asset statistics are per calendar year.

(1) Water and wastewater 2011 capital asset statistics are through September, 2011.

(2) Information for 2003 and 2004 is not available for sanitary sewers (miles) and storm sewers (miles).

(3) Revised estimates.

(4) Reflects corrections and additions made to the base maps.

Sources: Various City of Healdsburg Departments

Fiscal Year

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1	1	1	1
1	1	1	1
44.1	44.7	44.7	44.8
1,264	1,273	1,273	1,316
12	12	12	12
9	9	9	9
1	1	1	1
1	1	1	1
2	2	2	2
1	2	2	2
1	1	1	1
1	1	1	1
60.7	60.7	59.3	60.5
5.5 (3)	5.5 (3)	5.5	5.5
52.7	52.7	53.0 (3)	53.0
29.9 (4)	29.9 (4)	30.2	31.0
1.6 / 4.0 (3)	1.6 / 4.0 (3)	1.6 / 4.0	1.6 / 4.0
1	1	1	1
54.4	54.7	55.0	55.0

CITY OF HEALDSBURG
Schedule of Net Income
Water Fund
Last Ten Fiscal Years
(in thousands)

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenues:				
Charges for services	\$ 2,909,292	\$ 3,444,666	\$ 3,844,742	\$ 3,709,403
Development fees	-	-	-	-
Other revenues	117,311	337,914	565,347	243,640
<i>Total Operating Revenues</i>	<u>3,026,603</u>	<u>3,782,580</u>	<u>4,410,089</u>	<u>3,953,043</u>
Operating Expenses:				
Operations	1,354,427	1,517,772	1,282,118	1,502,376
Administrative	433,550	536,962	815,028	980,930
Depreciation	297,844	326,350	367,010	440,211
Miscellaneous	-	-	-	-
<i>Total Operating Expenses</i>	<u>2,085,821</u>	<u>2,381,084</u>	<u>2,464,156</u>	<u>2,923,517</u>
<i>Operating Income (Loss)</i>	<u>940,782</u>	<u>1,401,496</u>	<u>1,945,933</u>	<u>1,029,526</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	-	-	-	-
Investment income	202,237	124,305	105,182	148,404
Interest expense	(472,959)	(620,906)	(680,810)	(656,421)
Amortization	-	-	-	-
Gain (Loss) from disposal of assets	-	-	(5,471)	-
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(270,722)</u>	<u>(496,601)</u>	<u>(581,099)</u>	<u>(508,017)</u>
Income (Loss) Before Transfers	670,060	904,895	1,364,834	521,509
Transfers In (Out)	282,014	(181,761)	(257,436)	221,467
Income Before Capital Contributions	952,074	723,134	1,107,398	742,976
Capital Contributions	233,840	21,161	-	-
Changes in Net Assets	<u>\$ 1,185,914</u>	<u>\$ 744,295</u>	<u>\$ 1,107,398</u>	<u>\$ 742,976</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 3,933,797	\$ 4,144,543	\$ 4,094,170	\$ 3,968,150	\$ 3,653,409	\$ 3,776,536
-	194,458	181,329	766,215	143,432	150,511
334,872	3,639	4,983	-	20,916	10,127
<u>4,268,669</u>	<u>4,342,640</u>	<u>4,280,482</u>	<u>4,734,365</u>	<u>3,817,757</u>	<u>3,937,174</u>
1,869,211	2,431,051	2,063,433	2,456,760	2,555,424	2,045,612
1,259,650	1,258,471	1,138,039	1,015,247	818,623	437,739
482,626	487,126	508,359	508,359	603,016	594,130
-	-	-	-	-	-
<u>3,611,487</u>	<u>4,176,648</u>	<u>3,709,831</u>	<u>3,980,366</u>	<u>3,977,063</u>	<u>3,077,481</u>
657,182	165,992	570,651	753,999	(159,306)	859,693
19,163	40,745	-	-	-	-
217,159	214,877	141,283	92,985	48,320	49,626
(608,186)	(608,265)	(596,407)	(581,646)	(560,091)	(545,360)
-	-	-	-	(42,715)	(42,715)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(371,864)</u>	<u>(352,643)</u>	<u>(455,124)</u>	<u>(488,661)</u>	<u>(554,486)</u>	<u>(538,449)</u>
285,318	(186,651)	115,527	265,338	(713,792)	321,244
(63,503)	(62,261)	(242,150)	411,577	36,410	206,310
<u>221,815</u>	<u>(248,912)</u>	<u>(126,623)</u>	<u>676,915</u>	<u>(677,382)</u>	<u>527,554</u>
-	-	-	-	-	-
<u>\$ 221,815</u>	<u>\$ (248,912)</u>	<u>\$ (126,623)</u>	<u>\$ 676,915</u>	<u>\$ (677,382)</u>	<u>\$ 527,554</u>

CITY OF HEALDSBURG
Schedule of Cash Flows
Water Fund
Last Ten Fiscal Years
(in thousands)

	Fiscal Year			
	2002	2003	2004	2005
Cash flows from operating activities:				
Operating income (loss)	\$ 940,782	\$ 1,401,496	\$ 1,945,933	\$ 1,029,526
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	297,844	326,350	367,010	440,211
Amortization	-	-	-	-
Deferred amount on refunding	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(44,799)	16,243	(107,734)	73,920
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in inventory	11,098	(10,228)	(2,467)	(1,398)
(Increase) decrease in prepaid costs	349	(1,058)	1,058	-
Increase (decrease) in accounts payable	113,979	(160,088)	95,243	490,534
Increase (decrease) in other accrued liabilities	-	-	-	-
Increase (decrease) in deposits	3,900	(8,396)	(94)	(996)
Total adjustments	382,371	162,823	353,016	1,002,271
Net cash provided (used) by operating activities	1,323,153	1,564,319	2,298,949	2,031,797
Cash flows from noncapital financing activities:				
Intergovernmental grants	-	-	-	-
(Increase) decrease in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	-	353,281	-	243,754
Principal paid on loans receivable	-	-	-	-
Transfers in (out)	282,014	(535,042)	(257,436)	(22,287)
Net cash provided (used) by noncapital financing activities	282,014	(181,761)	(257,436)	221,467
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	-	-	-	-
Capital replacement	(3,456,560)	(1,363,437)	(1,518,478)	(4,358,814)
Capacity expansion	-	-	-	-
Contributed capital:				
Development/connection/annexation fees	233,840	21,161	-	-
Contributed - other funds	-	-	-	-
Certificates of participation proceeds	-	5,510,000	-	-
Debt issuance Costs	-	-	-	-
Proceeds from sales of capital assets	-	-	-	-
Retirement of debt	(244,287)	(280,000)	(395,000)	(405,000)
Interest paid	(467,993)	(759,269)	(680,810)	(622,615)
Net cash provided (used) by capital and related financing activities	(3,935,000)	3,128,455	(2,594,288)	(5,386,429)
Cash flows from investing activities:				
Investment income	280,893	136,982	104,482	135,229
(Increase) decrease in investments	(357,562)	-	-	-
(Increase) decrease in loans	-	-	14,617	-
Net cash provided (used) by investing activities	(76,669)	136,982	119,099	135,229
Net increase (decrease) in cash and cash equivalents	(2,406,502)	4,647,995	(433,676)	(2,997,936)
Cash and cash equivalents at beginning of year	2,946,999	5,329,778	9,977,773	9,544,097
Cash and cash equivalents at end of year	\$ 540,497	\$ 9,977,773	\$ 9,544,097	\$ 6,546,161
Non-cash capital and related financing activities:				
Acquisition of capital assets	\$ -	\$ -	\$ -	\$ -

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 657,182	\$ 165,992	\$ 570,651	\$ 753,999	\$ (159,306)	\$ 859,693
482,626	487,126	508,359	508,359	603,016	594,130
151,917	42,715	42,715	42,715	-	-
(175,414)	-	-	-	-	-
(125,878)	131,917	(42,346)	97,152	46,275	(42,178)
-	-	-	-	-	-
(8,195)	(36,715)	(10,609)	(6,138)	(5,519)	7,760
-	-	-	-	-	-
(648,348)	99,415	(99,357)	(34,322)	46,825	(59,514)
8,197	-	-	-	-	-
-	6,490	(16,477)	30	565	18,489
(315,095)	730,948	382,285	607,796	691,162	518,687
342,087	896,940	952,936	1,361,795	531,856	1,378,380
-	40,745	-	-	-	-
19,163	-	153,406	411,577	-	-
36,288	-	(395,556)	-	-	-
-	-	-	-	(20,000)	11,000
(99,791)	(62,261)	-	-	36,410	206,310
(44,340)	(21,516)	(242,150)	411,577	16,410	217,310
-	-	-	-	-	-
(1,483,413)	(553,634)	(487,049)	-	(11,346)	-
-	-	-	-	-	-
-	-	-	-	-	-
3,113,428	-	-	-	-	-
(67,458)	-	-	-	-	-
-	-	-	-	-	-
(3,275,000)	(465,000)	(480,000)	(480,000)	(490,000)	(505,000)
(608,186)	(608,265)	(596,407)	(581,646)	(421,088)	(549,790)
(2,320,629)	(1,626,899)	(1,563,456)	(1,061,646)	(922,434)	(1,054,790)
201,134	215,958	161,393	96,826	34,327	67,253
-	-	-	-	-	-
-	-	-	-	-	-
201,134	215,958	161,393	96,826	34,327	67,253
(1,821,748)	(535,517)	(691,277)	808,552	(339,841)	608,153
6,546,161	4,724,413	4,188,896	3,497,619	4,306,171	3,966,330
\$ 4,724,413	\$ 4,188,896	\$ 3,497,619	\$ 4,306,171	\$ 3,966,330	\$ 4,574,483
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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CITY OF HEALDSBURG
Schedule of Water Utility Customers, Usage and Revenue
Last Four Fiscal Years

	<u>Fiscal Year</u>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Number of Customers</u>				
Residential	3,760	3,783	3,974	3,782
Industrial and heavy commercial	43	41	43	41
Commercial	478	605	632	482
Municipal	41	42	46	41
Total	<u>4,322</u>	<u>4,471</u>	<u>4,695</u>	<u>4,346</u>
<u>Water Usage by Customer</u>				
Residential	679,863	620,158	546,579	584,743
Industrial and heavy commercial	25,979	25,352	22,199	22,226
Commercial	196,109	204,814	218,334	193,878
Municipal	20,890	20,492	15,979	16,958
Total	<u>922,841</u>	<u>870,816</u>	<u>803,091</u>	<u>817,805</u>
<u>Revenue</u>				
Residential	\$ 2,933,738	\$ 2,728,654	\$ 2,566,988	\$ 2,689,652
Industrial and heavy commercial	119,505	114,682	105,290	101,923
Commercial	968,105	1,111,810	1,198,703	970,035
Municipal	95,871	92,587	70,988	78,108
Total	<u>\$ 4,117,219</u>	<u>\$ 4,047,733</u>	<u>\$ 3,941,969</u>	<u>\$ 3,839,718</u>
Total average rate per HCF	<u>\$ 4.461</u>	<u>\$ 4.648</u>	<u>\$ 4.908</u>	<u>\$ 4.695</u>

Note: The City of Healdsburg has elected to show only four years of data for this schedule.

CITY OF HEALDSBURG
Schedule of Water Sold and Revenue Per Hundred Cubic Feet
Last Ten Fiscal Years

Water Sold/Hundred Cubic Feet	Fiscal Year				
	2002	2003	2004	2005	2006
July	\$ 122,998	\$ 129,426	\$ 124,590	\$ 136,689	\$ 108,603
August	120,704	134,202	143,876	135,739	115,146
September	128,824	132,107	116,375	118,199	117,354
October	96,824	105,646	111,873	91,168	99,794
November	70,075	88,514	79,424	56,026	65,394
December	48,562	47,080	52,184	46,061	49,983
January	49,833	48,905	41,876	47,940	41,860
February	43,534	44,149	46,506	39,977	37,129
March	46,318	39,681	49,917	40,312	39,383
April	54,006	64,949	69,719	51,007	39,398
May	84,024	48,948	92,292	60,201	57,924
June	117,528	102,559	185,732	84,688	105,440
Total	\$ 983,230	\$ 986,166	\$ 1,114,364	\$ 908,007	\$ 877,408

Total Billings	Fiscal Year				
	2002	2003	2004	2005	2006
July	\$ 316,829	\$ 377,692	\$ 417,302	\$ 466,161	\$ 420,051
August	314,358	388,593	469,705	475,621	439,066
September	328,654	383,287	392,080	436,859	450,506
October	271,307	335,532	371,512	345,351	404,314
November	213,148	296,673	300,077	266,712	298,963
December	168,193	185,751	227,693	207,633	252,180
January	174,432	203,678	202,241	233,643	231,585
February	161,461	187,490	208,838	211,806	218,606
March	167,578	181,951	223,287	211,623	225,122
April	189,216	255,351	271,034	246,422	227,761
May	258,382	212,741	338,499	271,747	284,462
June	336,732	352,706	386,976	347,128	439,690
Total	\$ 2,900,290	\$ 3,361,445	\$ 3,809,244	\$ 3,720,706	\$ 3,892,306

Revenue/Hundred Cubic Feet	Fiscal Year				
	2002	2003	2004	2005	2006
July	\$ 2.575	\$ 2.918	\$ 3.349	\$ 3.410	\$ 3.868
August	2.604	2.896	3.265	3.504	3.813
September	2.551	2.901	3.369	3.696	3.839
October	2.802	3.176	3.321	3.788	4.051
November	3.041	3.352	3.778	4.761	4.572
December	3.463	3.945	4.363	4.508	5.045
January	3.500	4.165	4.830	4.874	5.532
February	3.708	4.247	4.491	5.298	5.888
March	3.617	4.585	4.473	5.250	5.716
April	3.503	3.932	3.888	4.831	5.781
May	3.075	4.346	3.668	4.514	4.911
June	2.865	3.440	2.084	4.099	4.170
Average	\$ 3.108	\$ 3.658	\$ 3.739	\$ 4.397	\$ 4.473

Source: City of Healdsburg Utility Billing

Fiscal Year

2007	2008	2009	2010	2011
\$ 119,167	\$ 119,830	\$ 123,040	\$ 98,792	\$ 97,577
133,042	120,890	108,252	100,005	106,475
111,036	110,211	116,303	105,236	106,080
85,615	91,392	92,373	94,908	100,654
71,071	68,001	75,431	60,219	60,480
51,169	45,453	45,249	48,085	41,496
46,678	46,868	46,024	39,098	41,497
52,100	40,705	39,254	36,482	39,715
39,930	37,305	38,135	73,903	38,054
60,657	56,435	45,918	37,974	41,981
68,925	78,369	64,356	43,072	65,419
91,009	107,382	76,481	65,318	78,374
\$ 930,399	\$ 922,841	\$ 870,816	\$ 803,092	\$ 817,802

2007	2008	2009	2010	2011
\$ 476,008	\$ 477,213	\$ 501,548	\$ 419,868	\$ 412,050
525,229	480,504	442,524	426,559	441,416
454,647	434,443	479,903	443,789	444,057
378,133	391,195	408,024	402,358	433,236
331,862	315,025	342,220	301,571	301,240
263,385	238,909	253,055	260,679	241,649
238,510	248,450	248,820	230,989	232,937
246,171	226,040	229,179	224,004	228,533
227,914	217,297	227,652	446,325	227,864
287,857	288,113	252,119	228,522	232,398
316,482	356,013	312,528	243,968	299,603
378,344	444,016	350,161	313,337	344,735
\$ 4,124,542	\$ 4,117,218	\$ 4,047,733	\$ 3,941,969	\$ 3,839,718

2007	2008	2009	2010	2011
\$ 3.994	\$ 3.982	\$ 4.076	\$ 4.250	\$ 4.223
3.948	3.975	4.088	4.265	4.146
4.095	3.942	4.126	4.217	4.186
4.417	4.280	4.417	4.239	4.304
4.669	4.633	4.537	5.008	4.981
5.147	5.256	5.592	5.421	5.823
5.110	5.301	5.406	5.908	5.613
4.725	5.553	5.838	6.140	5.754
5.708	5.825	5.970	6.039	5.988
4.746	5.105	5.491	6.018	5.536
4.592	4.543	4.856	5.664	4.580
4.157	4.135	4.578	4.797	4.399
\$ 4.609	\$ 4.710	\$ 4.914	\$ 5.163	\$ 4.877

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CITY OF HEALDSBURG
Top Ten Water Customers
Current Calendar Year and Nine Years Ago

<u>Water Customer by Type</u>	<u>2011</u>		<u>2002</u>	
	<u>Water Charges</u>	<u>Percent of Total Water Revenue</u>	<u>Water Charges</u>	<u>Percent of Total Water Revenue</u>
School	\$ 140,247	3.71364%	\$ 77,038	2.64800%
Municipality	107,548	2.84779%	63,488	2.18225%
Municipality	63,355	1.67760%	62,112	2.13495%
Lodging	43,630	1.15529%	9,028	0.31032%
Lodging	39,394	1.04313%	12,759	0.43856%
Housing	38,578	1.02152%	29,846	1.02589%
Housing	34,727	0.91955%	15,601	0.53625%
Housing	32,436	0.85888%	(1)	0.00000%
Winery	30,769	0.81474%	22,666	0.77909%
Housing	24,399	0.64607%	17,779	0.61111%
	<u>\$ 555,083</u>	<u>14.7%</u>	<u>\$ 310,317</u>	<u>10.7%</u>

Note: The top ten water customers are categorized by type.

(1) Business did not exist.

CITY OF HEALDSBURG
Schedule of Net Income
Sewer Fund
Last Ten Fiscal Years

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenues:				
Charges for services	\$ 2,826,766	\$ 3,128,820	\$ 3,517,024	\$ 3,784,084
Development fees	-	-	-	-
Other revenues	446,407	951,379	694,597	539,721
<i>Total Operating Revenues</i>	<u>3,273,173</u>	<u>4,080,199</u>	<u>4,211,621</u>	<u>4,323,805</u>
Operating Expenses:				
Operations	699,797	806,290	926,611	1,083,768
Administrative	853,289	958,426	983,338	1,058,266
Depreciation	461,567	462,182	496,859	542,652
<i>Total Operating Expenses</i>	<u>2,014,653</u>	<u>2,226,898</u>	<u>2,406,808</u>	<u>2,684,686</u>
<i>Operating Income (Loss)</i>	<u>1,258,520</u>	<u>1,853,301</u>	<u>1,804,813</u>	<u>1,639,119</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	-	-	-	-
Investment income	191,295	131,172	111,008	174,054
Interest expense	(185,189)	(182,045)	(181,481)	(184,006)
Amortization	-	-	-	-
Gain (Loss) in disposal of assets	-	-	-	-
<i>Total Nonoperating Revenues (Expenses)</i>	<u>6,106</u>	<u>(50,873)</u>	<u>(70,473)</u>	<u>(9,952)</u>
Income (Loss) Before Transfers	1,264,626	1,802,428	1,734,340	1,629,167
Transfers In (Out)	(337,942)	(81,760)	(147,402)	(126,913)
Income Before Capital Contributions	926,684	1,720,668	1,586,938	1,502,254
Capital Contributions	410,448	47,261	2,525	-
Changes in Net Assets	<u>\$ 1,337,132</u>	<u>\$ 1,767,929</u>	<u>\$ 1,589,463</u>	<u>\$ 1,502,254</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 4,452,952	\$ 5,697,173	\$ 5,920,923	\$ 6,284,447	\$ 6,897,392	\$ 7,023,147
-	368,236	591,047	2,184,460	552,551	715,729
662,796	3,488	331	1,161	80,787	713,119
5,115,748	6,068,897	6,512,301	8,470,068	7,530,730	8,451,995
1,442,812	2,274,011	2,267,114	2,930,291	4,349,794	3,115,193
1,322,308	1,255,611	1,442,713	1,297,449	914,513	1,994,359
565,008	566,819	1,040,531	1,040,531	1,270,269	1,284,021
3,330,128	4,096,441	4,750,358	5,268,271	6,534,576	6,393,573
1,785,620	1,972,456	1,761,943	3,201,797	996,154	2,058,422
7,545	16,042	-	-	-	-
383,602	1,130,661	875,966	240,890	137,253	110,919
(225,861)	(1,367,707)	(1,359,236)	(1,357,557)	(1,345,411)	-
-	-	-	-	(23,787)	(23,787)
-	-	-	-	-	-
165,286	(221,004)	(483,270)	(1,116,667)	(1,231,945)	87,132
1,950,906	1,751,452	1,278,673	2,085,130	(235,791)	2,145,554
(171,975)	(1,880)	(25,000)	3,338,530	468,019	9,666
1,778,931	1,749,572	1,253,673	5,423,660	232,228	2,155,220
-	-	-	-	-	-
<u>\$ 1,778,931</u>	<u>\$ 1,749,572</u>	<u>\$ 1,253,673</u>	<u>\$ 5,423,660</u>	<u>\$ 232,228</u>	<u>\$ 2,155,220</u>

CITY OF HEALDSBURG
Schedule of Cash Flows
Sewer Fund
Last Ten Fiscal Years
(in thousands)

	Fiscal Year			
	2002	2003	2004	2005
Cash flows from operating activities:				
Operating income (loss)	\$ 1,258,520	\$ 1,853,301	\$ 1,804,813	\$ 1,639,119
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	461,567	462,182	496,859	542,652
Amortization	-	-	-	-
Deferred amount in refunding	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	523	(129,344)	(99,910)	18,152
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in inventory	254	(126)	(831)	4
(Increase) decrease in prepaid costs	349	(394)	394	-
Increase (decrease) in accounts payable	2,067	485,153	(433,437)	27,566
Increase (decrease) in deposits	-	(600)	-	-
Total adjustments	464,760	816,871	(36,925)	588,374
Net cash provided (used) by operating activities	1,723,280	2,670,172	1,767,888	2,227,493
Cash flows from noncapital financing activities:				
Intergovernmental grants	-	-	-	-
(Increase) decrease in due from other funds	-	3,282	-	-
Transfers in (out)	(337,942)	(85,042)	(147,402)	(126,913)
Net cash provided (used) by noncapital financing activities	(337,942)	(81,760)	(147,402)	(126,913)
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	-	-	-	-
Capital contributions	-	-	-	-
Capital replacement	(1,647,554)	(1,339,677)	(1,575,152)	(1,006,999)
Capacity expansion	-	-	-	-
Contributed capital:				
Construction reimbursement	410,448	47,261	2,525	-
Certificates of participation proceeds	-	-	-	-
Debt issuance costs	-	-	-	-
Proceeds from sales of capital assets	-	-	-	-
Retirement of debt	-	-	-	-
Interest paid	(180,010)	(175,953)	(181,481)	(178,462)
Retirement of debt	(54,090)	(60,000)	(65,000)	(65,000)
Net cash provided (used) by capital and related financing activities	(1,471,206)	(1,528,369)	(1,819,108)	(1,250,461)
Cash flows from investing activities:				
Investment income	267,700	142,556	112,934	129,141
(Increase) decrease in investments	(222,875)	-	-	-
(Increase) decrease in loans	-	-	18,110	-
Net cash provided (used) by investing activities	44,825	142,556	131,044	129,141
Net increase (decrease) in cash and cash equivalents	(41,043)	1,202,599	(67,578)	979,260
Cash and cash equivalents at beginning of year	1,214,913	6,231,891	7,434,490	7,366,912
Cash and cash equivalents at end of year	\$ 1,173,870	\$ 7,434,490	\$ 7,366,912	\$ 8,346,172
Non-cash capital and related financing activities:				
Acquisition of capital assets	\$ -	\$ -	\$ -	\$ -

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 1,785,620	\$ 1,972,456	\$ 1,761,943	\$ 3,201,797	\$ 996,154	\$ 2,058,422
565,008	566,819	1,040,531	1,040,531	1,270,269	1,284,021
154,109	23,787	23,853	23,787	-	-
(167,361)	-	-	-	-	-
(95,165)	(162,757)	(8,049)	(29,408)	(66,214)	(55,003)
-	-	-	-	-	-
(516)	(5,721)	5,487	(10)	(1,813)	(1,401)
-	-	-	-	(2,007)	2,007
177,968	-	(1,777,560)	(2,856,343)	(655,648)	(55,082)
-	556,198	-	-	-	237,841
634,043	978,326	(715,738)	(1,821,443)	544,587	1,412,383
2,419,663	2,950,782	1,046,205	1,380,354	1,540,741	3,470,805
7,545	16,042	-	-	-	-
-	50,000	-	3,354,431	(1,094,318)	(1,039,258)
(237,468)	(51,880)	(25,000)	(15,901)	468,019	9,666
(229,923)	14,162	(25,000)	3,338,530	(626,299)	(1,029,592)
-	-	-	-	-	-
65,493	-	-	-	-	-
(2,523,002)	(13,653,482)	(13,906,575)	(1,580,300)	(13,819)	(212,059)
-	-	-	-	-	-
-	-	-	-	-	-
29,418,176	-	-	-	-	-
(390,751)	-	-	-	-	-
-	-	-	-	-	-
-	(105,000)	(90,000)	(100,000)	(100,000)	(615,000)
(225,861)	(1,367,707)	(1,359,236)	(1,357,557)	(1,009,246)	(5,931)
(3,250,000)	-	-	-	-	-
23,094,055	(15,126,189)	(15,355,811)	(3,037,857)	(1,123,065)	(832,990)
275,544	1,068,708	1,037,246	268,711	144,934	111,935
-	-	-	-	-	-
-	-	-	-	-	-
275,544	1,068,708	1,037,246	268,711	144,934	111,935
25,559,339	(11,092,537)	(13,297,360)	1,949,738	(63,689)	1,720,158
8,346,172	33,905,511	22,812,974	9,515,614	11,465,352	11,401,663
\$ 33,905,511	\$ 22,812,974	\$ 9,515,614	\$ 11,465,352	\$ 11,401,663	\$ 13,121,821
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF HEALDSBURG
Schedule of Sewer Utility Customers, Usage and Revenue
Last Four Fiscal Years

	<u>Fiscal Year</u>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Number of Customers</u>				
Residential	3,984	4,060	4,059	8,153
Industrial and heavy commercial	55	46	45	64
Commercial	380	591	563	771
Municipal	20	16	16	20
Total	<u>4,439</u>	<u>4,713</u>	<u>4,683</u>	<u>9,008</u>
 <u>Sewer Usage by Customer</u>				
Residential	592,138	432,589	338,235	351,177
Industrial and heavy commercial	28,844	49,409	29,146	31,868
Commercial	104,234	113,493	121,032	109,903
Municipal	5,383	5,414	4,730	4,084
Total	<u>730,599</u>	<u>600,905</u>	<u>493,143</u>	<u>497,032</u>
 <u>Revenue</u>				
Residential	\$ 3,489,276	\$ 3,669,888	\$ 3,883,452	\$ 4,150,945
Industrial and heavy commercial	551,560	411,710	367,136	396,262
Commercial	1,423,990	1,754,751	2,013,945	1,875,352
Municipal	41,611	45,287	51,993	53,724
Total	<u>\$ 5,506,437</u>	<u>\$ 5,881,636</u>	<u>\$ 6,316,526</u>	<u>\$ 6,476,283</u>
Total average rate per HCF	<u>\$ 7.537</u>	<u>\$ 9.788</u>	<u>\$ 12.809</u>	<u>\$ 13.030</u>

Note: The City of Healdsburg has elected to show only four years of data for this schedule.

CITY OF HEALDSBURG
Schedule of Sewer Processed and Revenue Per Hundred Cubic Feet
Last Four Fiscal Years

Sewer Processed/Hundred Cubic Feet	Fiscal Year			
	2008	2009	2010	2011
July	91,229	92,468	43,046	44,414
August	92,952	85,341	43,153	44,192
September	83,620	47,823	44,036	43,443
October	72,378	45,407	44,209	45,431
November	55,056	44,636	42,297	42,176
December	39,053	41,163	39,873	39,887
January	40,001	39,798	38,053	39,970
February	35,895	40,909	38,708	37,571
March	30,333	43,540	38,005	38,790
April	45,449	39,243	38,841	38,721
May	63,404	39,844	41,120	39,954
June	81,229	40,733	41,802	42,466
Total	730,599	600,905	493,143	497,015

Total Billings	Fiscal Year			
	2008	2009	2010	2011
July	\$ 466,731	\$ 534,328	\$ 515,718	\$ 542,419
August	426,027	497,186	534,961	552,437
September	432,536	505,895	528,390	552,323
October	542,171	486,063	546,301	576,358
November	475,599	504,063	539,809	546,313
December	418,608	471,019	518,717	538,648
January	444,314	484,966	507,635	537,208
February	441,882	478,677	513,925	497,908
March	409,951	499,687	514,339	523,769
April	488,312	466,714	519,697	523,841
May	467,736	468,798	528,809	536,201
June	492,570	484,240	548,225	548,596
Total	\$ 5,506,437	\$ 5,881,636	\$ 6,316,526	\$ 6,476,021

Revenue/Hundred Cubic Feet	Fiscal Year			
	2008	2009	2010	2011
July	\$ 5.116	\$ 5.779	\$ 11.981	\$ 12.213
August	\$ 4.583	\$ 5.826	\$ 12.397	\$ 12.501
September	\$ 5.173	\$ 10.578	\$ 11.999	\$ 12.714
October	\$ 7.491	\$ 10.705	\$ 12.357	\$ 12.686
November	\$ 8.638	\$ 11.293	\$ 12.762	\$ 12.953
December	\$ 10.719	\$ 11.443	\$ 13.009	\$ 13.504
January	\$ 11.108	\$ 12.186	\$ 13.340	\$ 13.440
February	\$ 12.310	\$ 11.701	\$ 13.277	\$ 13.252
March	\$ 13.515	\$ 11.477	\$ 13.533	\$ 13.503
April	\$ 10.744	\$ 11.893	\$ 13.380	\$ 13.529
May	\$ 7.377	\$ 11.766	\$ 12.860	\$ 13.420
June	\$ 6.064	\$ 11.888	\$ 13.115	\$ 12.918
Average	\$ 8.509	\$ 10.544	\$ 12.834	\$ 13.052

Note: The City of Healdsburg has elected to show only four years of data for this schedule.

Source: City of Healdsburg Utility Billing

CITY OF HEALDSBURG
Top Ten Sewer Customers
Current Calendar Year and Nine Years Ago

<u>Sewer Customer by Type</u>	<u>2011</u>		<u>2002</u>	
	<u>Sewer Charges</u>	<u>Percent of Total Sewer Revenue</u>	<u>Sewer Charges</u>	<u>Percent of Total Sewer Revenue</u>
Lodging	\$ 171,624	2.44369%	\$ 25,207	0.89173%
Winery	127,051	1.80903%	69,181	2.44736%
Lodging	118,344	1.68506%	8,692	0.30749%
Housing	80,518	1.14647%	34,796	1.23095%
Brewery	75,164	1.07023%	33,634	1.18984%
Restaurant	63,209	0.90001%	2,651	0.09378%
Towing	61,569	0.87666%	7,026	0.24855%
School	59,830	0.85190%	45,499	1.60958%
Retail	57,784	0.82277%	27,643	0.97790%
Housing	50,748	0.72258%	18,804	0.66521%
	<u>\$ 865,841</u>	<u>12.3%</u>	<u>\$ 273,133</u>	<u>9.7%</u>

Note: The top ten sewer customers are categorized by type.