

City of Healdsburg

California



Healdsburg Avenue Bridge

Comprehensive Annual Financial Report Year Ended June 30, 2010



**CITY OF HEALDSBURG
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 June 30, 2010**

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CITY OF HEALDSBURG ADMINISTRATION

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

February 22, 2011

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, 2010. 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, 2010, 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, 2010, 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

Redevelopment Activities

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
Project Area drainage, water and street projects

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 2010-11 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, redevelopment funds and other revenues continue to be raided as the State's budget deficit balloons. Local growth has slowed as the economy as a whole has weakened. The City's property tax and sales tax revenue remains flat, while the transient occupancy tax appears to be have begun a recovery.

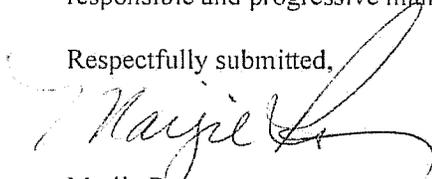
City Council has been proactive in planning for an uncertain financial future by establishing reserve policies, restructuring departments intended to increase efficiencies and reduce costs, and reviewing fees and charges to more fully recover the cost of City services.

For fiscal year 2010-11 the City Council adopted a balanced General Fund budget with the use of one-time monies. 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.

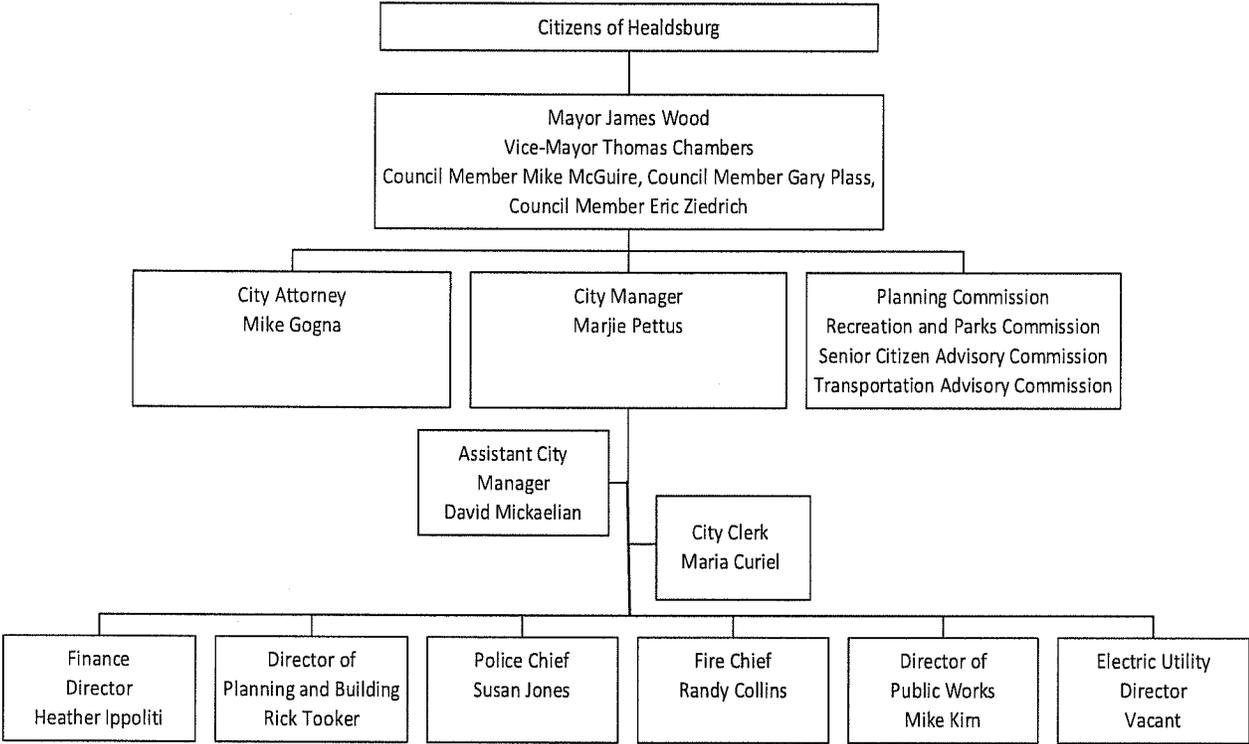
Respectfully submitted,



Marjie Pettus
City Manager

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City of Healdsburg Organizational Chart



City of Healdsburg

June 30, 2010

Elected Officials

James Wood
Mayor

Thomas Chambers
Vice Mayor

Gary Plass
Council Member

Eric Ziedrich
Council Member

Mike McGuire
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

Rick Tooker
Director of Planning and Building

Susan Jones
Police Chief

Randy Collins
Fire Chief

Mike Kirn
Director of Public Works

Vacant
Electric Utility Director

FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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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, 2010, 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 the basis financial statements, effective July 1, 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting Intangible Assets*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

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, 2010, and the respective changes in financial position and, where applicable, cash flows 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 January 5, 2011, 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 12, the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund and the Postemployment Retiree Benefits Funding Progress on pages 75 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 Financial Statements for the Nonmajor Governmental Funds, Nonmajor Fund Budgetary Comparison Schedules, Internal Service Funds, and Agency Funds, 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 Fund Budgetary Comparison Schedules, Internal Service Funds, and Agency Funds 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
Beverly Hills, California
January 5, 2011

**CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010**

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, 2010. 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

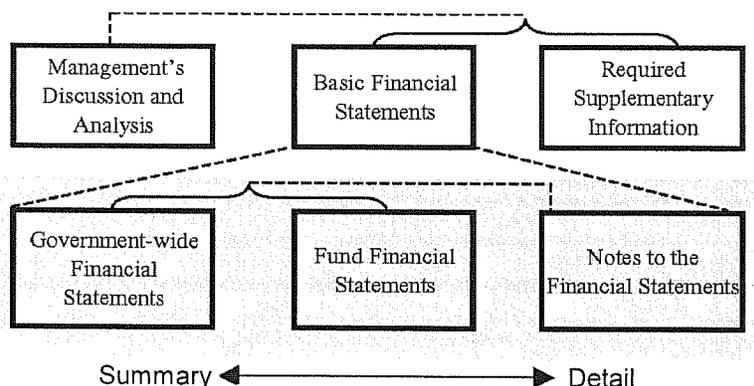
Financial Highlights

- City assets exceeded its liabilities by \$153.7 million (net assets) at June 30, 2010. Of this amount, \$28.2 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net assets increased by \$2.7 million during the fiscal year, compared to a decrease of \$103 thousand in the prior year. The increase attributable to the City's governmental activities was \$6.5 million, while the business-type activities decreased by \$3.8 million.
- At the close of fiscal year 2009-10, City governmental funds reported combined ending fund balance of \$38.6 million, a decrease of \$2 million.
- At the end of fiscal year 2009-10, unreserved fund balance for the General Fund was \$4.9 million, or 66 percent of total General Fund expenditures.

Overview of the Basic Financial Statements

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

REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010

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

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

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

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

The government-wide financial statements include the City itself, as well as, the Redevelopment Agency of the City of Healdsburg (Agency). 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

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010

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

The City maintains twenty-three 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

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010

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, 2010

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, 2010 and 2009

ASSETS	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Current and other asset:	\$ 54,628,508	\$ 52,137,072	\$ 28,560,365	\$ 31,542,985	\$ 83,188,873	\$ 83,680,057
Capital assets	37,437,192	37,781,695	120,203,316	122,338,305	157,640,508	160,120,000
Total assets	<u>92,065,700</u>	<u>89,918,767</u>	<u>148,763,681</u>	<u>153,881,290</u>	<u>240,829,381</u>	<u>243,800,057</u>
LIABILITIES						
Current liabilities	4,274,283	3,387,754	3,003,533	2,400,481	7,277,816	5,788,235
Long-term liabilities	40,020,266	45,309,729	39,781,344	41,667,882	79,801,610	86,977,611
Total liabilities	<u>44,294,549</u>	<u>48,697,483</u>	<u>42,784,877</u>	<u>44,068,363</u>	<u>87,079,426</u>	<u>92,765,846</u>
NET ASSETS						
Invested in capital assets						
net of related debt	4,629,048	5,789,810	79,968,236	81,518,209	84,597,284	87,308,019
Restricted	32,291,840	23,103,351	8,662,920	-	40,954,760	23,103,351
Unrestricted	10,850,263	12,328,123	17,347,648	28,294,718	28,197,911	40,622,841
Total net assets	<u>\$ 47,771,151</u>	<u>\$ 41,221,284</u>	<u>\$ 105,978,804</u>	<u>\$ 109,812,927</u>	<u>\$ 153,749,955</u>	<u>\$ 151,034,211</u>

By far the largest portion of the City's net assets (55%) 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.

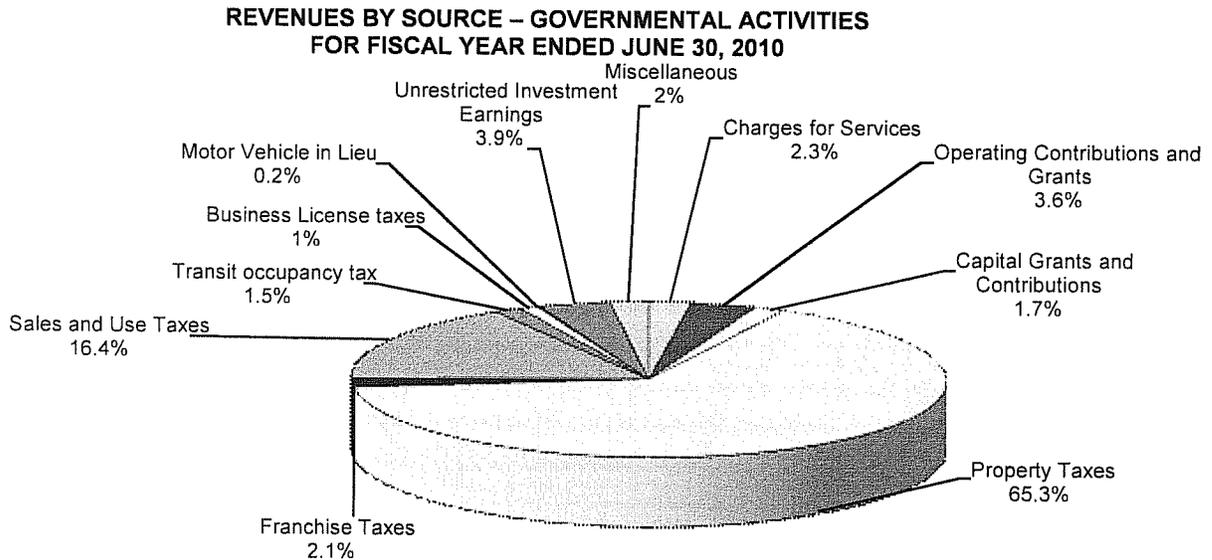
Another portion of the City's net assets (\$41 million or 27 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$28.2 million (18 percent) may be used to meet the government's ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010

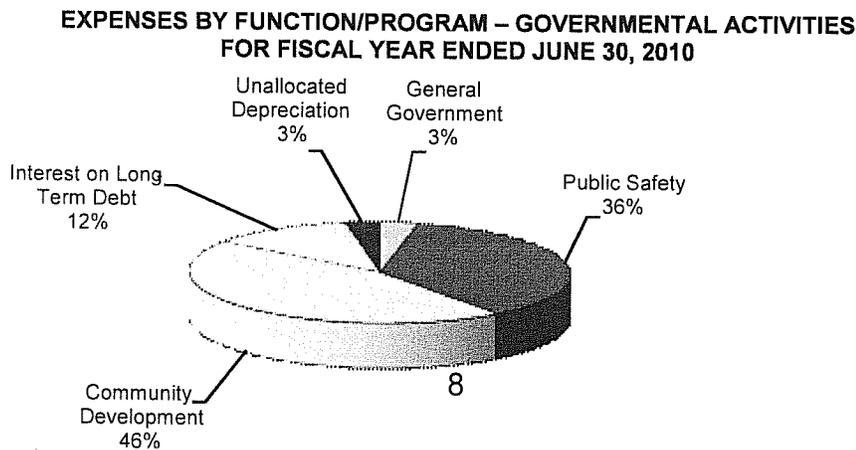
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

The statement of activities shows how the government's net assets changed during fiscal year 2009-10 as compared to 2008-09. The City's net assets increased overall by \$2.7 million during the current fiscal year.

Governmental activities. Significant revenues of the governmental activities are taxes (85%), which include property taxes, sales taxes, franchise taxes and transient occupancy taxes. Program revenues are 7.5% of the total revenues of the governmental activities, which include charges for services, operating contributions and grants, and capital contributions and grants.

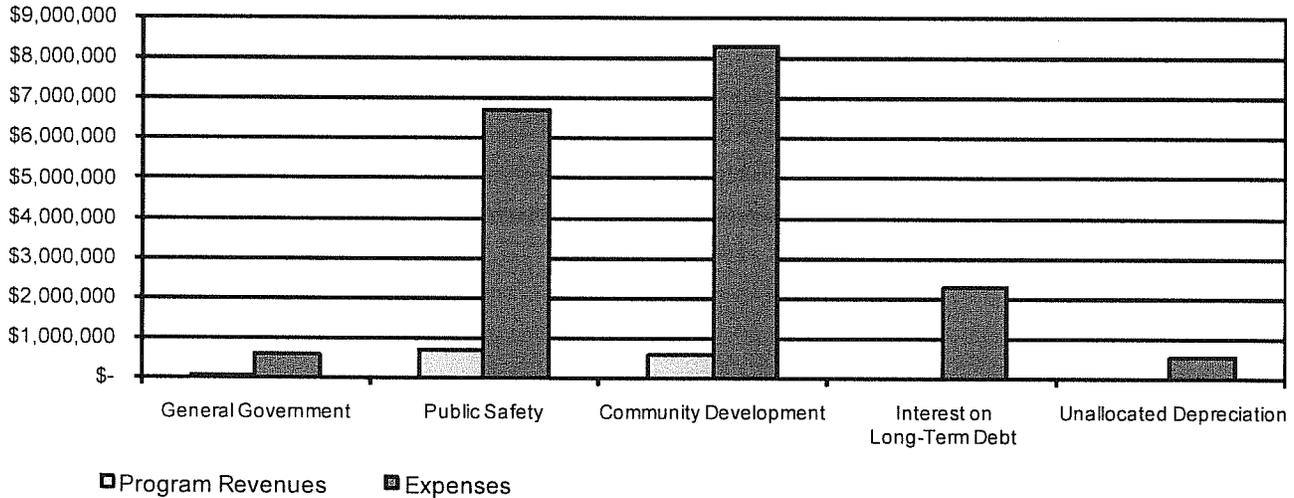


As for expenditures, community development expenses are the most significant (45%) of all governmental activities expenses, followed by public safety (36%), interest on long-term debt (12%) and general government (3%). Depreciation expense is 4% of the total expenses for governmental activities.



**CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010**

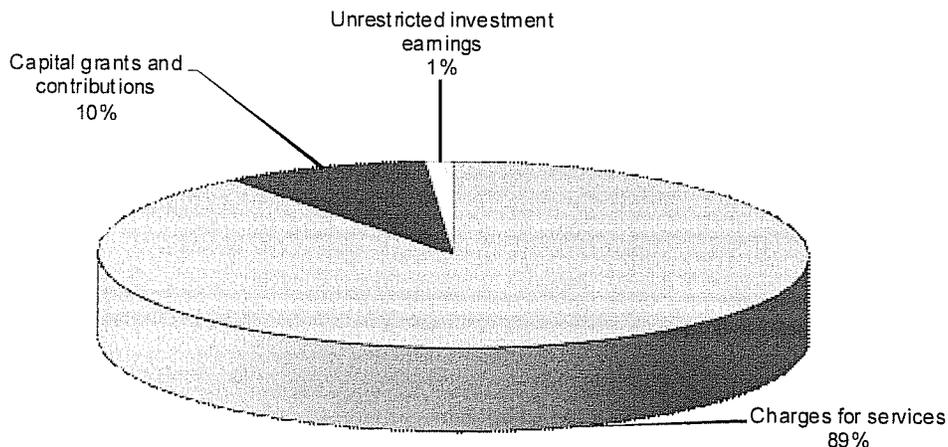
**COMPARISON OF EXPENSES AND PROGRAM REVENUES –
GOVERNMENTAL ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2010**



Business-type activities. In the fiscal year ended June 30, 2010, business-type activities decreased the City's net assets by \$3.8 million. Key elements of this change are as follows:

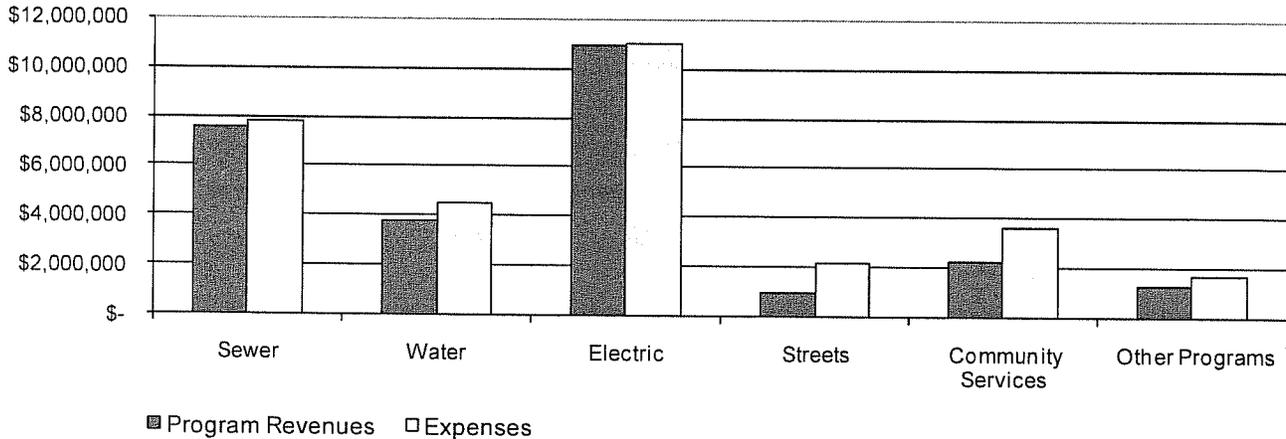
- Charges for services decreased by \$1,698,215 (6.5%).
- Operating expenses increased by \$1,407,473 (5.4%).
- Transfers from government activities decreased by \$2,010,552 (58%) primarily due to decreased funding of projects by the RDA.
- Unrestricted investment earnings decreased by \$349,273 (48%), 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, 2010**



CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010

**EXPENSES AND PROGRAM REVENUES –
 BUSINESS-TYPE ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2010**



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, 2010, the City's governmental funds reported total ending fund balances of \$38,582,638, a decrease of \$2,033,599 from the prior fiscal year. Approximately 56% of the total ending fund balances (\$21,617,186) constituted unreserved fund balances, which are considered available for appropriation. The remainder of the fund balances is reserved to indicate that it is not available for new spending because it has already been committed. The most significant of the reserved fund balances is reserved for low/moderate income housing (\$5,990,474).

General Fund revenues were \$637,066 (9%) less than in the prior fiscal year, and expenditures decreased by \$192,187 (3%). A decrease in sales tax accounted for a significant portion of the decrease in revenues. 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 Community Services and Planning/Building funds. The major changes in enterprise net assets are a \$0.7 million decrease to \$15.2 million in the Water Fund, a \$1.8 million decrease to \$37.3 million in the Sewer Fund, and a \$0.7 million decrease to \$21.9 million in the Streets Fund. These increases are generally due to revenues exceeding expenditures and transfers out.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010

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 an increase in net assets of \$0.8 million during the fiscal year, ending with a balance of \$9.5 million. This increase is primarily attributable to decreased operating expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2010, amounted to \$157,640,508 (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 \$4,176,493.

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Land and land rights	\$ 15,854,546	\$ 15,854,546	\$ 4,983,902	\$ 4,983,902
Rights of way	6,681,379	6,681,379	-	-
Construction in progress	-	698,069	7,849,154	8,521,692
Buildings	16,822,911	15,522,410	7,007,574	7,007,543
Streets	-	-	26,382,459	26,326,542
Utility Systems	-	-	99,854,385	98,508,032
Drainage	-	-	9,463,020	9,463,020
Machinery and equipment	8,053,100	8,399,168	2,449,997	2,406,571
Operations	-	-	1,672,265	1,544,347
Infrastructure	1,332,175	1,332,175	-	-
Total	\$ 48,744,111	\$ 48,487,747	\$ 159,662,756	\$ 158,761,649

Additional information on the City's capital assets can be found in Note 5 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 \$83,414,221 June 30, 2010. Of this total, \$42,550,272 (51%) was in governmental activities and \$40,863,949 (49%) was in business-type activities. The City's outstanding long-term liabilities decreased by \$3,653,390 (4%) in fiscal year 2010.

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
General obligation bonds	\$ 3,545,000	\$ 3,975,000	\$ -	\$ -
Certificates of Participation	-	-	15,430,000	16,020,000
Tax Allocation Bonds	37,860,000	38,860,000	-	-
Revenue Bonds	-	-	26,150,000	26,150,000
Special Assessments	-	985,000	-	-
Compensated absences	1,448,599	1,709,913	-	-
Capital Leases	19,076	-	-	-
OPEB	186,000	90,000	-	-
Bond discount	(246,323)	(220,184)	(199,080)	(208,488)
Deferred amount on refunding	(262,080)	-	(516,971)	(293,630)
Total	\$ 42,550,272	\$ 45,399,729	\$ 40,863,949	\$ 41,667,882

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a \$31,565 increase in appropriations between the original budget and the final amended budget for the fiscal year ended June 30, 2010. The Public Safety budgets was increased slightly.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the City Budget for the fiscal year 2010-11, 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.

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.

CITY OF HEALDSBURG
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 30,986,843	\$ 24,497,136	\$ 55,483,979
Cash and investments with fiscal agents	10,040,753		10,040,753
Receivables:			
Accounts	585,847	3,401,170	3,987,017
Taxes	936,736	202,771	1,139,507
Notes	7,850,091	20,000	7,870,091
Interest	80,912	53,294	134,206
Special assessment	5,142		5,142
Due from other governments	225,841	304,868	530,709
Internal balances	2,708,944	(2,708,944)	
Deferred charges	1,163,532	628,869	1,792,401
Prepaid expenses	3,231	549,851	553,082
Inventory	40,636	1,611,350	1,651,986
Capital assets, not being depreciated,	22,535,925	12,833,056	35,368,981
Capital assets, net of accumulated depreciation	14,901,267	107,370,260	122,271,527
Total Assets	92,065,700	148,763,681	240,829,381
LIABILITIES			
Accounts payable	732,770	776,224	1,508,994
Interest payable	836,336	475,168	1,311,504
Deposits payable	150,191	605,769	755,960
Claims payable	24,142		24,142
Unearned revenue	838	63,767	64,605
Noncurrent liabilities:			
Due within one year	2,530,006	1,082,605	3,612,611
Due in more than one year	40,020,266	39,781,344	79,801,610
Total Liabilities	44,294,549	42,784,877	87,079,426
NET ASSETS			
Invested in capital assets, net of related debt	4,629,048	79,968,236	84,597,284
Restricted for:			
Construction of capital assets	1,658,994	8,662,920	10,321,914
Debt service	3,249,303		3,249,303
Streets, highway, and related purposes	1,181,562		1,181,562
Housing	10,462,644		10,462,644
Community development	15,578,306		15,578,306
Public safety	84,720		84,720
Nonexpendable for senior services	76,311		76,311
Unrestricted	10,850,263	17,347,648	28,197,911
Total Net assets	\$ 47,771,151	\$ 105,978,804	\$ 153,749,955

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$ 585,736	\$ 2,286	\$ 41,206	\$ -
Public safety	6,704,313	377,676	193,798	139,990
Community development	8,301,696	23,456	407,294	153,979
Interest on long-term debt	2,263,775			
Unallocated depreciation	544,058			
Total Governmental Activities	18,399,578	403,418	642,298	293,969
Business-type Activities:				
Water	4,501,306	3,817,757		
Sewer	7,826,414	7,530,730		
Electric	11,039,851	10,981,858		
Streets	2,167,249	649,742	280,393	
Community services	3,599,123	408,469	1,830,249	
Other enterprises	1,668,974	868,280	449,408	
Total Business-type Activities	30,802,917	24,256,836	2,560,050	
Total Government	\$ 49,202,495	\$ 24,660,254	\$ 3,202,348	\$ 293,969

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, 2009
- Prior Period Adjustments
- Net Assets, July 1, 2009, restated

Net Assets, June 30, 2010

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (542,244)	\$ -	\$ (542,244)
(5,992,849)		(5,992,849)
(7,716,967)		(7,716,967)
(2,263,775)		(2,263,775)
(544,058)		(544,058)
<u>(17,059,893)</u>		<u>(17,059,893)</u>
	(683,549)	(683,549)
	(295,684)	(295,684)
	(57,993)	(57,993)
	(1,237,114)	(1,237,114)
	(1,360,405)	(1,360,405)
	<u>(351,286)</u>	<u>(351,286)</u>
	<u>(3,986,031)</u>	<u>(3,986,031)</u>
<u>(17,059,893)</u>	<u>(3,986,031)</u>	<u>(21,045,924)</u>
11,591,027		11,591,027
379,152		379,152
2,910,605		2,910,605
271,842		271,842
166,648		166,648
36,150		36,150
690,075	345,111	1,035,186
372,994		372,994
<u>(1,423,024)</u>	<u>1,423,024</u>	
<u>14,995,469</u>	<u>1,768,135</u>	<u>16,763,604</u>
<u>(2,064,424)</u>	<u>(2,217,896)</u>	<u>(4,282,320)</u>
41,221,284	109,812,927	151,034,211
8,614,291	(1,616,227)	6,998,064
<u>49,835,575</u>	<u>108,196,700</u>	<u>158,032,275</u>
<u>\$ 47,771,151</u>	<u>\$ 105,978,804</u>	<u>\$ 153,749,955</u>

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2010**

	General Fund	Redevelopment Agency Debt Service	Capital Projects Fund Redevelopment Agency Commercial and Industrial
ASSETS			
Cash and investments	\$ 3,819,464	\$ 225,896	\$ 4,189,455
Cash and investments with fiscal agents		3,096,756	4,966,618
Receivables:			
Accounts	42,094		388,467
Taxes	783,901		72,198
Notes			
Interest	26,591		26,554
Special assessment			
Due from other governments	202,612		
Prepaid expenditures		3,091	
Due from other funds	314,944		3,466,788
Advances receivable	1,199,252		
	<u>\$ 6,388,858</u>	<u>\$ 3,325,743</u>	<u>\$ 13,110,080</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 108,066	\$ -	\$ 20,409
Deposits payable	150,191		
Due to other funds			1,058,000
Deferred revenue	838		388,467
	<u>259,095</u>	<u>-</u>	<u>1,466,876</u>
Fund Balances:			
Reserved for notes receivable			
Reserved for low/moderate income housing			
Reserved for prepaid expenditures		3,091	
Reserved for debt service		3,322,652	
Reserved for multi-year programs			4,966,618
Reserved for advances	1,199,252		
Unreserved reported in:			
General fund	4,930,511		
Special revenue funds			
Capital projects funds			6,676,586
Permanent fund			
	<u>6,129,763</u>	<u>3,325,743</u>	<u>11,643,204</u>
Total Fund Balances	<u>6,129,763</u>	<u>3,325,743</u>	<u>11,643,204</u>
Total Liabilities and Fund Balances	<u>\$ 6,388,858</u>	<u>\$ 3,325,743</u>	<u>\$ 13,110,080</u>

See accompanying notes to basic financial statements

Capital Projects Fund Redevelopment Agency Low/Moderate Income Housing	Other Governmental Funds	Total Governmental Funds
\$ 3,953,735	\$ 9,653,632	\$ 21,842,182
1,977,379		10,040,753
	120,665	551,226
35,260	45,377	936,736
6,068,742	1,757,800	7,826,542
26,554	1,213	80,912
	5,142	5,142
	23,229	225,841
	140	3,231
	1,058,000	4,839,732
		1,199,252
<u>\$ 12,061,670</u>	<u>\$ 12,665,198</u>	<u>\$ 47,551,549</u>
\$ 2,454	\$ 22,613	\$ 153,542
		150,191
	55,000	1,113,000
6,068,742	1,094,131	7,552,178
<u>6,071,196</u>	<u>1,171,744</u>	<u>8,968,911</u>
5,990,474	723,469	723,469
		5,990,474
	140	3,231
	759,756	4,082,408
		4,966,618
		1,199,252
		4,930,511
	8,835,391	8,835,391
	1,098,387	7,774,973
	76,311	76,311
<u>5,990,474</u>	<u>11,493,454</u>	<u>38,582,638</u>
<u>\$ 12,061,670</u>	<u>\$ 12,665,198</u>	<u>\$ 47,551,549</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, 2010**

Fund balances of governmental funds		\$ 38,582,638
<p>Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:</p>		
<p>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)</p>		
Capital assets	\$ 41,814,079	
Less: accumulated depreciation	<u>(6,680,018)</u>	35,134,061
<p>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.</p>		
		1,163,532
<p>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.</p>		
		(836,336)
<p>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)</p>		
General obligation bonds	(3,545,000)	
Tax allocation bonds	(37,860,000)	
Discounts	246,323	
Deferred loss on refunding	262,080	
OPEB	<u>(186,000)</u>	(41,082,597)
<p>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.</p>		
		7,258,513
<p>In governmental funds, other long-term assets are not available to pay for current-period expenditures, and therefore, are offset by deferred revenue.</p>		
		<u>7,551,340</u>
Net assets of governmental activities		<u><u>\$ 47,771,151</u></u>

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010**

	General Fund	Redevelopment Agency Debt Service	Capital Projects Fund Redevelopment Agency Commercial and Industrial
REVENUES			
Property taxes	\$ 1,883,826	\$ -	\$ 7,396,256
Sales and other taxes	3,728,247		
Charges for services	379,962		
Development fees			
Intergovernmental	524,458		
Use of money and property	60,158	2,930	70,476
Other revenues	35,586		75,000
	<u>6,612,237</u>	<u>2,930</u>	<u>7,541,732</u>
Total Revenues			
EXPENDITURES			
Current:			
General government	499,003		
Public safety	6,933,715		
Community development			1,768,725
Capital outlay			80,000
Debt service:			
Principal payments		1,000,000	
Interest and fiscal charges		2,056,458	
Pass-through payments			5,686,681
	<u>7,432,718</u>	<u>3,056,458</u>	<u>7,535,406</u>
Total Expenditures			
Excess of revenues over (under) expenditures	<u>(820,481)</u>	<u>(3,053,528)</u>	<u>6,326</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of property			
Transfers in	61,319	2,969,301	339,061
Transfers out			(3,114,743)
	<u>61,319</u>	<u>2,969,301</u>	<u>(2,775,682)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	<u>(759,162)</u>	<u>(84,227)</u>	<u>(2,769,356)</u>
Fund Balances, July 1, 2009	4,419,932	3,409,970	14,412,560
Prior Period Adjustments	2,468,993		
Fund Balances, July 1, 2009, Restated	<u>6,888,925</u>	<u>3,409,970</u>	<u>14,412,560</u>
Fund Balances, June 30, 2010	<u>\$ 6,129,763</u>	<u>\$ 3,325,743</u>	<u>\$ 11,643,204</u>

See accompanying notes to basic financial statements

Capital Projects Fund Redevelopment Agency Low/Moderate Income Housing	Other Governmental Funds	Total Governmental Funds
\$ 1,849,064	\$ 461,883	\$ 11,591,029
		3,728,247
	150,950	530,912
	23,230	23,230
	221,627	746,085
51,349	520,647	705,560
25,387	25,452	161,425
<u>1,925,800</u>	<u>1,403,789</u>	<u>17,486,488</u>
	78,021	577,024
		6,933,715
501,890	350,508	2,621,123
549,000	473,846	1,102,846
	430,000	1,430,000
	142,869	2,199,327
		<u>5,686,681</u>
<u>1,050,890</u>	<u>1,475,244</u>	<u>20,550,716</u>
<u>874,910</u>	<u>(71,455)</u>	<u>(3,064,228)</u>
312,599		312,599
412,323	688,553	4,470,557
<u>(1,509,761)</u>	<u>(1,316,921)</u>	<u>(5,941,425)</u>
<u>(784,839)</u>	<u>(628,368)</u>	<u>(1,158,269)</u>
<u>90,071</u>	<u>(699,823)</u>	<u>(4,222,497)</u>
5,900,403	12,473,372	40,616,237
	(280,095)	2,188,898
<u>5,900,403</u>	<u>12,193,277</u>	<u>42,805,135</u>
<u>\$ 5,990,474</u>	<u>\$ 11,493,454</u>	<u>\$ 38,582,638</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, 2010**

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 \$ (4,222,497)

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

Note 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.

Note receivable	\$ 311,959	
Interest receivable	118,500	430,459

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.

Capital outlay expenditures are added back to fund balances	602,855	
Depreciation expense not reported in governmental funds	(544,058)	58,797

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	1,430,000	
Amortization of discounts	(13,680)	
Amortization of deferred loss on refunding	(25,488)	
Amortization of deferred charges	(69,720)	1,321,112

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):

Postretirement benefit accrual	(96,000)	
Interest payable	44,440	(51,560)

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.

399,265

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (2,064,424)

**CITY OF HEALDSBURG
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2010**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
ASSETS				
Current Assets:				
Cash and investments	\$ 3,966,330	\$ 11,371,663	\$ 3,602,363	\$ 3,035,323
Accounts receivable - net	635,990	1,036,249	1,697,801	345
Taxes receivable				
Notes and loans receivable	20,000			
Interest receivable	26,554	26,554		
Due from other governments				29,879
Due from other funds			55,000	
Prepaid expenses		2,007	1,044	
Inventory	145,962	4,193	1,424,179	32,965
Total current assets	<u>4,794,836</u>	<u>12,440,666</u>	<u>6,780,387</u>	<u>3,098,512</u>
Noncurrent:				
Deferred charges, net of accumulated amortization	294,950	333,919		
Restricted cash and investments		30,000		
	<u>294,950</u>	<u>363,919</u>		
Capital Assets:				
Nondepreciable				
Land	310,781	766,902	48,360	
Construction in progress		454,244	5,185,298	890,006
Total nondepreciable capital assets	<u>310,781</u>	<u>1,221,146</u>	<u>5,233,658</u>	<u>890,006</u>
Depreciable				
Buildings	1,480,553	206,166	447,835	
Streets				26,382,459
Utility systems	27,436,978	55,412,317	17,005,090	
Drainage		9,463,020		
Machinery and equipment	631,029	581,929	480,888	18,783
Operations				
Total depreciable capital assets	<u>29,548,560</u>	<u>65,663,432</u>	<u>17,933,813</u>	<u>26,401,242</u>
Less accumulated depreciation	<u>(7,521,636)</u>	<u>(11,897,754)</u>	<u>(8,331,377)</u>	<u>(8,161,315)</u>
Net depreciable capital assets	<u>22,026,924</u>	<u>53,765,678</u>	<u>9,602,436</u>	<u>18,239,927</u>
Net capital assets	<u>22,337,705</u>	<u>54,986,824</u>	<u>14,836,094</u>	<u>19,129,933</u>
Total noncurrent assets	<u>22,632,655</u>	<u>55,350,743</u>	<u>14,836,094</u>	<u>19,129,933</u>
Total assets	<u>\$ 27,427,491</u>	<u>\$ 67,791,409</u>	<u>\$ 21,616,481</u>	<u>\$ 22,228,445</u>

See accompanying notes to basic financial statements

Enterprise Funds			Governmental Activities - Internal Service Funds
Community Service Fund	Other Enterprise Funds	Totals	
\$ 716,912	\$ 1,774,545	\$ 24,467,136	\$ 9,144,661
11,483	19,302	3,401,170	34,621
202,771		202,771	
		20,000	23,549
186		53,294	
	274,989	304,868	
72,000		127,000	
546,800		549,851	
719	3,332	1,611,350	40,636
<u>1,550,871</u>	<u>2,072,168</u>	<u>30,737,440</u>	<u>9,243,467</u>
		628,869	
		30,000	
		<u>658,869</u>	
3,506,053	351,806	4,983,902	
26,878	1,292,728	7,849,154	
<u>3,532,931</u>	<u>1,644,534</u>	<u>12,833,056</u>	
3,492,157	1,380,863	7,007,574	
		26,382,459	
		99,854,385	
		9,463,020	
429,672	307,696	2,449,997	6,930,032
	1,672,265	1,672,265	
<u>3,921,829</u>	<u>3,360,824</u>	<u>146,829,700</u>	<u>6,930,032</u>
<u>(2,021,851)</u>	<u>(1,525,507)</u>	<u>(39,459,440)</u>	<u>(4,626,901)</u>
<u>1,899,978</u>	<u>1,835,317</u>	<u>107,370,260</u>	<u>2,303,131</u>
<u>5,432,909</u>	<u>3,479,851</u>	<u>120,203,316</u>	<u>2,303,131</u>
<u>5,432,909</u>	<u>3,479,851</u>	<u>120,862,185</u>	<u>2,303,131</u>
<u>\$ 6,983,780</u>	<u>\$ 5,552,019</u>	<u>\$ 151,599,625</u>	<u>\$ 11,546,598</u>

(Continued)

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2010
 (Continued)**

	Enterprise Funds			
	Water Fund	Sewer Fund	Electric Fund	Streets Fund
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 82,759	\$ 155,501	\$ 109,225	\$ 283,114
Deposits payable	2,960		315,240	77,209
Due to other funds			2,395,000	
Accrued interest payable	139,003	336,165		
Deferred revenue				
Claims payable, current portion				
Compensated absences				
Capital leases payable				
Certificates of participation and revenue bonds	505,000	615,000		
Unamortized discounts	(5,748)	(3,660)		
Deferred amount on refunding	(21,402)	(6,585)		
Total current liabilities	<u>702,572</u>	<u>1,096,421</u>	<u>2,819,465</u>	<u>360,323</u>
Noncurrent Liabilities:				
Claims payable				
Compensated absences				
Advances from other funds		1,039,258		
Capital leases payable				
Certificates of participation and revenue bonds	11,945,000	28,515,000		
Unamortized discounts	(101,711)	(87,961)		
Deferred amount on refunding	(358,787)	(130,197)		
Total noncurrent liabilities	<u>11,484,502</u>	<u>29,336,100</u>		
Total Liabilities	<u>12,187,074</u>	<u>30,432,521</u>	<u>2,819,465</u>	<u>360,323</u>
NET ASSETS				
Investment in capital assets, net of related debt	10,670,303	26,419,146	14,836,094	19,129,933
Restricted for capital assets	1,196,192	4,678,292	2,070,111	718,325
Unrestricted	3,373,922	6,261,450	1,890,811	2,019,864
Total Net Assets	<u>\$ 15,240,417</u>	<u>\$ 37,358,888</u>	<u>\$ 18,797,016</u>	<u>\$ 21,868,122</u>

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

Net assets of business-type activities

Enterprise Funds			Governmental Activities -
Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 59,237	\$ 86,388	\$ 776,224	\$ 579,228
4,160	206,200	605,769	
900,000	558,732	3,853,732	
		475,168	
	63,767	63,767	
			24,142
			1,034,839
			4,335
		1,120,000	
		(9,408)	
		(27,987)	
<u>963,397</u>	<u>915,087</u>	<u>6,857,265</u>	<u>1,642,544</u>
			413,760
	159,994	1,199,252	
			14,741
		40,460,000	
		(189,672)	
		(488,984)	
	<u>159,994</u>	<u>40,980,596</u>	<u>428,501</u>
<u>963,397</u>	<u>1,075,081</u>	<u>47,837,861</u>	<u>2,071,045</u>
5,432,909	3,479,851	79,968,236	2,303,131
		8,662,920	
<u>587,474</u>	<u>997,087</u>	<u>15,130,608</u>	<u>7,172,422</u>
<u>\$ 6,020,383</u>	<u>\$ 4,476,938</u>	<u>103,761,764</u>	<u>\$ 9,475,553</u>
		<u>2,217,040</u>	
		<u>\$ 105,978,804</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, 2010**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Operating Revenues			
Charges for services	\$ 3,653,409	\$ 6,897,392	\$ 10,602,484
Development fees	143,432	552,551	17,396
Rental income			
Other operating revenues	20,916	80,787	361,978
Total Operating Revenues	3,817,757	7,530,730	10,981,858
Operating Expenses			
Purchase of power			5,915,051
Maintenance and operation	2,555,424	4,349,794	3,740,683
Administration	818,623	914,513	1,012,818
Insurance and benefits costs			
Depreciation	603,016	1,270,269	461,768
Total Operating Expenses	3,977,063	6,534,576	11,130,320
Operating Income (Loss)	(159,306)	996,154	(148,462)
Non-Operating Revenues (Expenses)			
Interest income	48,320	137,253	52,143
Interest expense	(560,091)	(1,345,411)	
Amortization	(42,715)	(23,787)	
Taxes			
Intergovernmental grants			
Gain (Loss) on sale of capital assets			
Total Non-Operating Income (Loss)	(554,486)	(1,231,945)	52,143
Income (Loss) Before Capital Contributions and Transfers	(713,792)	(235,791)	(96,319)
Transfers in	181,807	686,115	51,715
Transfers out	(145,397)	(218,096)	(5,720)
Change in Net Assets	(677,382)	232,228	(50,324)
Net Assets, July 1, 2009	15,814,375	39,122,112	18,779,094
Prior Period Adjustments	103,424	(1,995,452)	68,246
Net Assets, July 1, 2009, Restated	15,917,799	37,126,660	18,847,340
Net Assets, June 30, 2010	\$ 15,240,417	\$ 37,358,888	\$ 18,797,016

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- Internal
Streets Fund	Community Service Fund	Other Enterprise Funds	Totals	Service Funds
\$ -	\$ 252,229	\$ 315,400	\$ 21,720,914	\$ 10,568,425
633,407		260,451	1,607,237	
	67,745	236,291	304,036	
16,335	88,495	56,138	624,649	
649,742	408,469	868,280	24,256,836	10,568,425
			5,915,051	
1,601,372	2,995,720	1,412,210	16,655,203	1,764,124
88,887	445,165	209,179	3,489,185	68,487
				7,535,613
524,756	158,238	63,898	3,081,945	550,490
2,215,015	3,599,123	1,685,287	29,141,384	9,918,714
(1,565,273)	(3,190,654)	(817,007)	(4,884,548)	649,711
29,967	5,734	19,071	292,488	87,354
			(1,905,502)	
			(66,502)	
65,208	1,329,466	37,497	1,432,171	
215,185	500,783	411,911	1,127,879	
				(22,550)
310,360	1,835,983	468,479	880,534	64,804
(1,254,913)	(1,354,671)	(348,528)	(4,004,014)	714,515
646,211	311,035	64,629	1,941,512	47,844
(77,133)	(72,142)		(518,488)	
(685,835)	(1,115,778)	(283,899)	(2,580,990)	762,359
22,553,957	6,766,912	4,922,531		8,713,194
	369,249	(161,694)		
22,553,957	7,136,161	4,760,837		8,713,194
\$ 21,868,122	\$ 6,020,383	\$ 4,476,938		\$ 9,475,553
			363,094	
			\$ (2,217,896)	

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010**

	Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,864,032	\$ 7,464,516	\$ 10,955,144
Payments to suppliers and users	(2,513,553)	(5,009,262)	(9,542,098)
Payments to employees	(818,623)	(914,513)	(1,012,818)
Net Cash Provided (Used) by Operating Activities	531,856	1,540,741	400,228
Cash Flows from Non-Capital Financing Activities:			
Taxes			
Intergovernmental grants			
Due to/from other funds			
Advances to/from other funds		(1,094,318)	(173,723)
Principal paid on loans receivable	(20,000)		
Transfers in	181,807	686,115	51,715
Transfers out	(145,397)	(218,096)	(5,720)
Net Cash Provided (Used) by Non-Capital Financing Activities	16,410	(626,299)	(127,728)
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets	(11,346)	(13,819)	(984,393)
Interest paid	(421,088)	(1,009,246)	
Principal payments - long-term debt	(490,000)	(100,000)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(922,434)	(1,123,065)	(984,393)
Cash Flows from Investing Activities:			
Interest received	34,327	144,934	62,561
Net Cash Provided (Used) by Investing Activities	34,327	144,934	62,561
Net Increase (Decrease) in Cash and Cash Equivalents	(339,841)	(63,689)	(649,332)
Cash and Cash Equivalents, July 1, 2009	4,306,171	11,465,352	4,251,695
Cash and Cash Equivalents, June 30, 2010	<u>\$ 3,966,330</u>	<u>\$ 11,401,663</u>	<u>\$ 3,602,363</u>
Noncash Transactions			
Amortization of deferred charges	\$ 42,715	\$ 23,787	\$ -
Disposition of assets	\$ 151,539	\$ 161,397	\$ 168,854
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	\$ 3,966,330	\$ 11,371,663	\$ 3,602,363
Restricted cash and investments		30,000	
Total Cash and Investments	<u>\$ 3,966,330</u>	<u>\$ 11,401,663</u>	<u>\$ 3,602,363</u>

See accompanying notes to basic financial statements

Enterprise Funds				Governmental Activities -
Streets Fund	Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 1,166,250	\$ 404,180	\$ 1,010,796	\$ 24,864,918	\$ 10,558,458
(1,482,922)	(3,116,920)	(1,261,886)	(22,926,641)	(9,631,802)
(88,887)	(445,165)	(209,179)	(3,489,185)	(329,801)
(405,559)	(3,157,905)	(460,269)	(1,550,908)	596,855
65,208	1,344,908	37,497	1,447,613	
185,306	500,783	313,114	999,203	
	577,461	11,271	588,732	
		(1,700)	(1,269,741)	
			(20,000)	(1,721)
646,211	311,035	64,629	1,941,512	47,844
(77,133)	(72,142)		(518,488)	
819,592	2,662,045	424,811	3,168,831	46,123
(576,574)	(26,878)	(30,747)	(1,643,757)	(145,108)
			(1,430,334)	
			(590,000)	(5,556)
(576,574)	(26,878)	(30,747)	(3,664,091)	(150,664)
47,314	8,914	26,112	324,162	114,853
47,314	8,914	26,112	324,162	114,853
(115,227)	(513,824)	(40,093)	(1,722,006)	607,167
3,150,550	1,230,736	1,814,638	26,219,142	8,537,494
<u>\$ 3,035,323</u>	<u>\$ 716,912</u>	<u>\$ 1,774,545</u>	<u>\$ 24,497,136</u>	<u>\$ 9,144,661</u>
\$ -	\$ -	\$ -	\$ 66,502	\$ -
\$ 4,845	\$ 256,015	\$ -	\$ 742,650	\$ -
\$ 3,035,323	\$ 716,912	\$ 1,774,545	\$ 24,467,136	\$ 9,144,661
			30,000	
<u>\$ 3,035,323</u>	<u>\$ 716,912</u>	<u>\$ 1,774,545</u>	<u>\$ 24,497,136</u>	<u>\$ 9,144,661</u>

(Continued)

See accompanying notes to basic financial statements

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2010
 (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)	\$ (159,306)	\$ 996,154	\$ (148,462)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	603,016	1,270,269	461,768
(Increase) Decrease in Operating Assets:			
Accounts receivable	46,275	(66,214)	(26,714)
Prepaid expenses		(2,007)	(1,044)
Inventory	(5,519)	(1,813)	161,463
Increase (Decrease) in Operating Liabilities:			
Accounts payable	46,825	(655,648)	163,303
Deposits payable	565		(210,086)
Deferred revenue			
Claims and judgments payable			
Compensated absences			
Net Cash Provided (Used) by Operating Activities	<u>\$ 531,856</u>	<u>\$ 1,540,741</u>	<u>\$ 400,228</u>

See accompanying notes to basic financial statements

Enterprise Funds				Governmental Activities -
Streets Fund	Community Service Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ (1,565,273)	\$ (3,190,654)	\$ (817,007)	\$ (4,884,548)	\$ 649,711
524,756	158,238	63,898	3,081,945	550,490
516,508	(4,289)	78,749	544,315	(9,967)
(13,661)	(223,400)	5,432	(226,451)	(15,121)
96,296	153,587	(8,003)	(203,640)	(309,039)
35,815	(51,387)	152,895	(72,198)	
		63,767	63,767	
				(7,905)
				(261,314)
<u>\$ (405,559)</u>	<u>\$ (3,157,905)</u>	<u>\$ (460,269)</u>	<u>\$ (1,550,908)</u>	<u>\$ 596,855</u>

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

	<u>Private Purpose Trusts</u>
ASSETS	
Cash and investments	\$ 874,108
Restricted cash and investments	<u>149,350</u>
Total assets	<u>1,023,458</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>2,882</u>
NET ASSETS	
Held in trust for other purposes	<u>1,020,576</u>
Total Net Assets	<u>\$ 1,020,576</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, 2010

	Private Purpose Trusts
ADDITIONS	
Contributions	\$ 59,000
Use of money and property	18,403
Fees and charges	52,744
Total additions	130,147
 DEDUCTIONS	
Community development	68,892
Change in Net Assets	61,255
Net Assets, July 1, 2009	959,321
Net Assets, June 30, 2010	\$ 1,020,576

See accompanying notes to basic financial statements

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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 9 and 10).

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, 2010

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, 2010

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, 2010

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 revenues derived from specific revenue sources. 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 the accumulation of resources for the payment of long-term debt principal and interest.

The Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the City except for those capital facilities financed by Enterprise 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

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, 2010

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, 2010.

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, 2010**

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 Equity – In the government-wide financial statements and proprietary 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 enabling legislation (such as citizens, public interest groups, or the judiciary - can compel a government to honor) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other net assets are considered unrestricted.

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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. 51 – Accounting and Financial Reporting for Intangible Assets

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

B. Deficit Fund Balances/Net Assets

Nonmajor Governmental Fund

A deficit fund balance of \$20,640 exists in the North Area Special Revenue Fund. The City plans on removing the deficit through future development contributions and benefit assessments.

Nonmajor Enterprise Fund

A deficit net assets of \$69,422 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	\$	13,094
Redevelopment Agency Low/Moderate Income Housing Fund		409,950

Nonmajor Governmental Funds:

Redevelopment Agency UDAG Loan Fund	2,515
Redevelopment Agency Housing Bond Fund	149,500
Media Center Fund	24,952
General Debt Service Fund	230

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2010 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	\$ 55,453,979	\$ 874,108	\$ 56,328,087
Cash and investments with fiscal agents	10,040,753		10,040,753
Restricted assets:			
Cash and investments	30,000	149,350	179,350
 Total Cash and Investments	 <u>\$ 65,524,732</u>	 <u>\$ 1,023,458</u>	 <u>\$ 66,548,190</u>

Cash and investments at June 30, 2010 consisted of the following:

Cash on hand	\$ 1,020
Deposits with financial institutions	2,325,130
Investments	<u>64,222,040</u>
 Total Cash and Investments	 <u>\$ 66,548,190</u>

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	None	None
United States Government Sponsored Enterprise Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Repurchase Agreements	1 day	2.50%	10%
Medium-Term Notes	5 years	30%	10%
County Pooled Investment Funds	N/A	10%	10%
Local Agency Investment Fund (LAIF)	N/A	10%	50 million per account

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	None	None	None
United States Government Sponsored			
Enterprise Securities	None	None	None
Banker's Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

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:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Money Market Funds	\$ 6,619,534	\$ 6,619,534	\$ -	\$ -
Federal Agency Securities	27,102,020	3,105,520	4,000,000	19,996,500
County Investment Pool	439,814	439,814		
State Investment Pool	20,019,919	20,019,919		
Held by Bond Trustees:				
Money Market Funds	10,040,753	10,040,753		
Total	\$ 64,222,040	\$ 40,225,540	\$ 4,000,000	\$ 19,996,500

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's, as of 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	\$ 6,619,534	N/A	\$ -	\$ -	\$ 6,619,534
Federal Agency Securities	27,102,020	N/A		27,102,020	
County Investment Pool	439,814	N/A			439,814
State Investment Pool	20,019,919	N/A			20,019,919
Held by Bond Trustees:		N/A			
Money Market Funds	10,040,753	N/A		10,040,753	
Total	\$ 64,222,040		\$ -	\$ 37,142,773	\$ 27,079,267

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	\$ 8,999,500
FHLB	Federal agency securities	9,105,520
FHLMC	Federal agency securities	6,997,000

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

As of June 30, 2010, the City deposits (bank balances) were fully insured by the Federal Depository Insurance Corporation or collateralized under California Law. As of June 30, 2010, the City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Federal agency securities	\$ 27,102,020

Investment in State Investment Pool

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

Investment in County investment Pool

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

A. Due to and from other funds at June 30, 2010 are as follows:

Receivable Funds	Payable Funds	Amount
General Fund	Nonmajor Meeting Center Enterprise Fund	\$ 179,443
	Nonmajor After School Program Enterprise Fund	135,501
Major Redevelopment Agency Commercial and Industrial Fund	Major Electric Enterprise Fund	2,395,000
	Major Community Service Enterprise Fund	900,000
	Nonmajor Airport Enterprise Fund	171,788
Nonmajor General Capital Projects Fund	Major Redevelopment Agency Commercial and Industrial Fund	1,058,000
Major Electric Enterprise Fund	Nonmajor North Area Fund	55,000
Major Community Service Enterprise Fund	Nonmajor Meeting Center Enterprise Fund	72,000
		<u>\$ 4,966,732</u>

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

B. Advances receivable and payable from other funds at June 30, 2010 are as follows:

Receivable Fund	Payable Funds	Amount
General Fund	Major Sewer Enterprise Fund	\$ 1,039,258
	Nonmajor Airport Enterprise Fund	29,524
	Nonmajor Meeting Center Enterprise Fund	130,470
		<u>\$ 1,199,252</u>

The Advances payable to the General Fund bear a zero percent interest. There is no repayment schedule as repayment will be made when funds are available.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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

C. Interfund transfers at June 30, 2010 are as follows:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor Public Safety Fund	\$ 6,631
	Nonmajor Special Assessment Fund	20,614
	Nonmajor General Capital Projects Fund	14,164
	Nonmajor Area A Special Assessment District Fund	19,910
Major Redevelopment Agency Debt Service Fund	Major Redevelopment Agency Commercial and Industrial Fund	2,147,941
	Major Redevelopment Agency Low/Moderate Income Housing Fund	821,360
Major Redevelopment Agency Commercial and Industrial Fund	Nonmajor General Capital Projects Fund	318,658
	Major Redevelopment Agency Low/Moderate Income Housing Fund	8,283
	Major Community Service Enterprise Fund	12,120
Major Redevelopment Agency Low/Moderate Income Housing Fund	Nonmajor General Capital Projects Fund	412,323
Nonmajor Gas Tax Fund	Major Streets Enterprise Fund	74,302
Nonmajor Area A Lighting and Landscaping District Fund	Major Community Service Enterprise Fund	15,219
Nonmajor General Capital Projects Fund	Major Redevelopment Agency Commercial and Industrial Fund	37,441
	Major Redevelopment Agency Low/Moderate Income Housing Fund	558,760
	Major Streets Enterprise Fund	2,831
Major Water Enterprise Fund	Nonmajor General Capital Projects Fund	73,398
	Major Redevelopment Agency Commercial and Industrial Fund	108,409

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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

D. Interfund transfers at June 30, 2010 are as follows (Continued):

Transfers In	Transfers Out	Amount
Major Sewer Enterprise Fund	Major Redevelopment Agency Low/Moderate Income Housing Fund	\$ 31,358
	Nonmajor General Capital Projects Fund	73,398
	Major Redevelopment Agency Commercial and Industrial Fund	581,359
Major Electric Enterprise Fund	Nonmajor General Capital Projects Fund	51,715
Major Streets Enterprise Fund	Major Water Enterprise Fund	145,397
	Major Sewer Enterprise Fund	218,096
	Nonmajor Gas Tax Fund	243,799
	Major Redevelopment Agency Commercial and Industrial Fund	38,919
Major Community Service Enterprise Fund	Nonmajor Other Special Revenue Fund	5,000
	Nonmajor General Capital Projects Fund	2,125
	Major Redevelopment Agency Low/Moderate Income Housing Fund	90,000
	Major Redevelopment Agency Commercial and Industrial Fund	200,674
	Nonmajor Park Development Fees Fund	13,236
Nonmajor Planning and Building Enterprise Fund	Nonmajor General Capital Projects Fund	19,826
Nonmajor Meeting Center Enterprise Fund	Major Community Service Enterprise Fund	34,138
Nonmajor School Service Enterprise Fund	Major Community Service Enterprise Fund	10,665
Vehicle Maintenance Internal Service Fund	Nonmajor Public Safety Fund	42,124
Information Services Internal Service Fund	Major Electric Enterprise Fund	5,720
		<u>\$ 6,459,913</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, 2010

NOTE 5 – NOTES RECEIVABLE

Notes receivable in the amount of \$7,870,091 at June 30, 2010 consisted of the following:

Housing Loans - Individuals	\$ 2,082,609
Housing Loan - Habitat for Humanity	449,000
Housing Loan - Eden Housing	3,537,133
Housing Loan - Burbank Housing	2,790,621
RDA - UDAG Loan	723,469
RDA - First Time Home Buyer Loans	839,350
RDA - Sprinkler Retrofit Loans	194,981
Water Main Note	20,000
Employee Computer Loans	<u>23,549</u>
Subtotal	10,660,712
Less: Allowance for uncollectible loan	<u>2,790,621</u>
Total	<u><u>\$ 7,870,091</u></u>

NOTE 6 – CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2010 is as follows:

	Balance at July 1, 2009	Additions	Reductions	Transfers	Balance at June 30, 2010
Capital assets, not being depreciated					
Land	\$ 15,854,546	\$ -	\$ -	\$ -	\$ 15,854,546
Right of ways	6,681,379				6,681,379
Construction in progress	698,069		(423)	(697,646)	
Total capital assets, not being depreciated	<u>23,233,994</u>		<u>(423)</u>	<u>(697,646)</u>	<u>22,535,925</u>
Capital assets, being depreciated:					
Buildings	15,522,410	602,855		697,646	16,822,911
Machinery and equipment	8,399,168	242,290	(588,358)		8,053,100
Infrastructure	1,332,175				1,332,175
Total capital assets being depreciated	<u>25,253,753</u>	<u>845,145</u>	<u>(588,358)</u>	<u>697,646</u>	<u>26,208,186</u>
Less accumulated depreciation for:					
Buildings	(5,252,492)	(517,414)			(5,769,906)
Machinery and equipment	(5,107,250)	(550,490)	493,681		(5,164,059)
Infrastructure	(346,310)	(26,644)			(372,954)
Total accumulated depreciation	<u>(10,706,052)</u>	<u>(1,094,548)</u>	<u>493,681</u>		<u>(11,306,919)</u>
Total capital assets being depreciated, net	<u>14,547,701</u>	<u>(249,403)</u>	<u>(94,677)</u>	<u>697,646</u>	<u>14,901,267</u>
Governmental activities capital assets, net	<u><u>\$ 37,781,695</u></u>	<u><u>\$ (249,403)</u></u>	<u><u>\$ (95,100)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,437,192</u></u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 6 – CAPITAL ASSETS (Continued)

A summary of changes in the Business-type Activities capital assets at June 30, 2010 is as follows:

	Balance at July 1, 2009	Additions	Reductions	Prior Period Adjustments	Transfers	Balance at June 30, 2010
Capital assets, not being depreciated						
Land	\$ 4,983,902	\$ -	\$ -	\$ -	\$ -	\$ 4,983,902
Construction in progress	8,521,692	1,600,331	(742,650)		(1,530,219)	7,849,154
Total capital assets, not being depreciated	13,505,594	1,600,331	(742,650)		(1,530,219)	12,833,056
Capital assets, being depreciated:						
Buildings	7,007,543				31	7,007,574
Streets	26,326,542				55,917	26,382,459
Utility systems	98,508,032				1,346,353	99,854,385
Drainage	9,463,020					9,463,020
Machinery and equipment	2,406,571	43,426				2,449,997
Operations	1,544,347				127,918	1,672,265
Total capital assets being depreciated	145,256,055	43,426			1,530,219	146,829,700
Less accumulated depreciation for:						
Buildings	\$ (3,605,399)	\$ (199,736)	\$ -	\$ 45,849	\$ -	\$ (3,759,286)
Streets	(7,629,579)	(523,682)				(8,153,261)
Utility systems	(20,325,227)	(1,999,073)				(22,324,300)
Drainage	(2,758,646)	(189,260)				(2,947,906)
Machinery and equipment	(1,586,874)	(141,569)				(1,728,443)
Operations	(517,619)	(28,625)				(546,244)
Total accumulated depreciation	(36,423,344)	(3,081,945)		45,849		(39,459,440)
Total capital assets being depreciated, net	108,832,711	(3,038,519)		45,849	1,530,219	107,370,260
Business-type activities capital assets, net	\$ 122,338,305	\$ (1,438,188)	\$ (742,650)	\$ 45,849	\$ -	\$ 120,203,316

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

Governmental Activities:

Unallocated	\$ 544,058
Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets	550,490
Total depreciation expense - governmental activities	<u>\$ 1,094,548</u>

Business-type Activities:

Water	\$ 603,016
Sewer	1,270,269
Electric	461,768
Streets	524,756
Community Services	158,238
Airport	39,443
Meeting Center	24,455
Total depreciation expense - business-type activities	<u>\$ 3,081,945</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 2010:

Governmental Activities:

	Balance at July 1, 2009	Prior Period Adjustments	Additions	Reductions	Balance at June 30, 2010	Due Within One Year
General Obligation Bonds (GO):						
1998 Refunding	\$ 1,315,000	\$ -	\$ -	\$ (160,000)	\$ 1,155,000	\$ 170,000
2003 Refunding	2,660,000			(270,000)	2,390,000	290,000
Total GO Bonds	<u>3,975,000</u>			<u>(430,000)</u>	<u>3,545,000</u>	<u>460,000</u>
Tax Allocation Bonds (TAB):						
1995 Series	2,995,000			(100,000)	2,895,000	105,000
2002 Series A	12,335,000			(315,000)	12,020,000	325,000
2002 Series C	4,865,000			(125,000)	4,740,000	130,000
2003 Series A	11,415,000			(285,000)	11,130,000	295,000
2003 Series B	5,605,000			(135,000)	5,470,000	140,000
2002 Series B	1,645,000			(40,000)	1,605,000	45,000
Total TAB Bonds	<u>38,860,000</u>			<u>(1,000,000)</u>	<u>37,860,000</u>	<u>1,040,000</u>
Bond Discount	<u>(220,184)</u>	<u>(39,819)</u>		<u>13,680</u>	<u>(246,323)</u>	<u>(13,680)</u>
Deferred Loss on Refunding		<u>(287,568)</u>		<u>25,488</u>	<u>(262,080)</u>	<u>(25,488)</u>
Special Assessments:						
Area A	<u>985,000</u>	<u>(985,000)</u>				
Compensated Absences	<u>1,709,913</u>			<u>(261,314)</u>	<u>1,448,599</u>	<u>1,034,839</u>
Capital Lease			<u>24,632</u>	<u>(5,556)</u>	<u>19,076</u>	<u>4,335</u>
OPEB	<u>90,000</u>		<u>119,000</u>	<u>(23,000)</u>	<u>186,000</u>	<u>30,000</u>
Total	<u>\$ 45,399,729</u>	<u>\$ (1,312,387)</u>	<u>\$ 143,632</u>	<u>\$ (1,680,702)</u>	<u>\$ 42,550,272</u>	<u>\$ 2,530,006</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 2010:

Business-type Activities:

	Balance at July 1, 2009	Reclass	Additions	Reductions	Balance at June 30, 2010	Due Within One Year
Certificates of Participation (COP) and Bonds:						
2001 A - CSCDA Water	\$ 5,260,000	\$ -	\$ -	\$ (275,000)	\$ 4,985,000	\$ 290,000
2002 C - CSCDA Water/Wastewater	4,805,000			(125,000)	4,680,000	130,000
2005 D - CSCDA Water/Wastewater	5,955,000			(190,000)	5,765,000	185,000
2006 Wastewater Bonds	26,150,000				26,150,000	515,000
Total COP and Bonds	42,170,000			(590,000)	41,580,000	1,120,000
Bond discount	(208,488)			9,408	(199,080)	(9,408)
Deferred amount on refunding	(293,630)	(251,328)		27,987	(516,971)	(27,987)
Total	\$ 41,667,882	\$ (251,328)	\$ -	\$ (552,605)	\$ 40,863,949	\$ 1,082,605

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, 2010**

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
2011	\$ 460,000	\$ 126,392	\$ 586,392
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>\$ 3,545,000</u>	<u>\$ 461,361</u>	<u>\$ 4,006,361</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.

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, 2010

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.

Future debt service requirements on these bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,040,000	\$ 1,997,864	\$ 3,037,864
2012	1,080,000	1,950,226	3,030,226
2013	1,125,000	1,898,083	3,023,083
2014	1,175,000	1,842,322	3,017,322
2015	1,225,000	1,783,423	3,008,423
2016-2020	7,020,000	7,890,496	14,910,496
2021-2025	8,895,000	5,766,850	14,661,850
2026-2030	11,080,000	3,039,677	14,119,677
2031-2032	5,220,000	293,458	5,513,458
	<u>\$ 37,860,000</u>	<u>\$ 26,462,399</u>	<u>\$ 64,322,399</u>

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.

**CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued):

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
2011	\$ 5,556
2012	5,556
2013	5,556
2014	5,556
	22,224
Less amount representing interest	(3,148)
	\$ 19,076

e. Other Post-employment Benefits (OPEB):

Plan Description:

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

Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the City, the City's City 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, 2010, the City paid \$23,000 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, 2010

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 City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 122,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	(7,000)
Annual OPEB cost (expense)	119,000
Actual contributions made	23,000
Increase in net OPEB obligation	96,000
Net OPEB Obligation - beginning of fiscal year	90,000
Net OPEB Obligation - end of fiscal year	\$ 186,000

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, 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%	\$ 96,000
6/30/10	119,000	23,000	19.33%	186,000

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, 2010

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, 2010

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 defease the 1996 Sewer Improvement Certificates and the 2000 B Water and Sewer CSDA Certificates, which were originally issued to finance sewer improvements. The proceeds 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 defeased and the liability for these have been removed from long-term debt. At June 30, 2010, \$4,910,000 of the 2000 B Water/Wastewater CSCDA Certificates remained outstanding. The 1996 Sewer Certificates have been redeemed. 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
2011	\$ 1,120,000	\$ 1,890,261	\$ 3,010,261
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
2016-2020	7,050,000	7,608,660	14,658,660
2021-2025	8,605,000	5,878,839	14,483,839
2026-2030	8,970,000	3,860,623	12,830,623
2031-2035	9,190,000	1,774,215	10,964,215
2036	1,865,000	93,250	1,958,250
	<u>\$ 41,580,000</u>	<u>\$ 28,201,708</u>	<u>\$ 69,781,708</u>

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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 City 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 18.145% for miscellaneous employees and 31.523% for safety employees for the fiscal year ended June 30, 2010 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, 2010, 2009, and 2008 were \$2,331,582, \$2,107,024, and \$2,531,000 respectively, and were equal to required contributions for each fiscal year.

NOTE 9 – RESERVES AND DESIGNATION OF FUND EQUITY

The City may set up “reserves” of fund equity to segregate fund balances that are not available for appropriations for expenditures in future periods, or which are legally set aside for a specific future use. Fund designations may also be established to indicate tentative plans for financial resources utilization in a future period. Each of the City’s reserves and designations are described below:

- a. Reserve for notes receivable, prepaid expenditures, and advances are amounts, which are considered not to be current resources to be available to pay for expenditures.
- b. Reserve for low and moderate income housing represents amounts set-aside In the Redevelopment Agency Low/Moderate Income Housing Capital Projects Fund.
- c. Reserves for debt service represent amounts accumulated in accordance with bond indenture or similar covenant.
- d. Reserve for multi-year programs are bond proceeds restricted for capital improvements.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY

Background

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

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

NCPA has supplied many services to its Members in the past and expects to continue to do so in the future. NCPA has been instrumental in litigating and negotiating with Pacific Gas and Electric Company (PG&E), the California Independent System Operator (CAISO) and the Western Area Power Administration of the federal government (Western) to keep wholesale power and transmission and other ancillary services rates at levels which have resulted in substantial savings when compared to rates sought by each of those suppliers. It is anticipated that NCPA will continue to litigate and/or negotiate on behalf of its Members to maintain rates at levels which will result in continued advantage to its Members.

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, 2010 were \$6,408,724 for electric power acquisition charges and are reported as an expense of the Electric Utility Fund.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

Organization and Management (Continued)

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 \$4.1 million as of June 30, 2010.

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 December 4, 2008. 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.

The CAISO recently implemented a complete overhaul of its tariff, replacing the market design embodied under the current CAISO tariff with an updated market design and tariff which has been entitled the Market Redesign and Technology Upgrade (MRTU). This overhaul largely changes how generation units are scheduled, transmission rights are allocated, and wholesale energy, capacity and ancillary service costs are allocated to NCPA and its Members. NCPA has been an active participant in FERC proceedings, CAISO-led stakeholder meetings, and market simulations to test market participant scheduling and settlement systems in advance of MRTU implementation to ensure that Member interests were protected and that NCPA would be able to operate successfully under the new market design. NCPA has also negotiated amendments to the current MSSA to adapt to the changes anticipated as a result of MRTU. While MRTU is still in its first months of operation, NCPA has seen reasonable results so far, though it has also seen inexplicable charges which have been raised with the CAISO through the settlements process and elsewhere.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

Investment of NCPA Funds

All funds of NCPA (except bond proceeds which are invested pursuant to the indenture under which such bonds are issued) are invested in accordance with NCPA's investment policy and guidelines (the "Investment Policy") as authorized by Sections 53600 et seq. of the Government Code of the State of California. The Investment Policy and monthly activity reports are approved by the NCPA Commission.

The following securities, if and to the extent the same are at the time legal and in compliance with the applicable bond covenants and agreements for investment of NCPA's funds, are authorized investments under the Investment Policy: (i) securities of the U.S. Government, or its agencies, (ii) certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies, (iii) negotiable certificates of deposit, (iv) bankers acceptances, (v) Local Agency Investment Fund (State Pool) demand deposits, (vi) repurchase agreements, (vii) passbook savings account demand deposits, (viii) municipal bonds, and (ix) commercial paper.

The Investment Policy provides the following guidelines, among others. All rated securities must be rated by Moody's or S&P as "A" or better. All certificates of deposit must mature within one year. All collateralized certificates of deposit must mature within one year. Certificates of deposit with a face value in excess of \$100,000 will be collateralized by Treasury Department securities or first mortgage loans. The Treasury bills or notes must be at least 110% of the face value of the certificate of deposit collateralized in excess of the first \$100,000. The value of first mortgages must be at least 150% of the face value of the certificate of deposit balance secured in excess of the first \$100,000. The portfolio will be diversified with holdings from at least several of the major eligible market sectors. Except for obligations issued or guaranteed by the U.S. Government, federal agencies or Government-sponsored corporations and the Local Agency Investment Fund, no more than 10% of an NCPA construction project or of the NCPA operating funds portfolio will be invested in the securities of any one issuer. Unless otherwise restricted, all holdings will be of sufficient size and held in issues which are actively traded to facilitate transactions at a minimum cost and accurate market valuation. Buying and selling securities before settlement or the use of reverse repurchase agreements for speculative purposes is not authorized. A reverse repurchase agreement may be used only in infrequent circumstances and only to prevent a material loss that would otherwise result from the sale of an investment for liquidity purposes. Any reverse repurchase agreements must be specifically reported to the Commission along with the reasons therefore on a timely basis.

The Investment Policy may be changed at any time at the discretion of the Commission subject to the State law provisions relating to authorized investments. Any exception to the Investment Policy must be formally approved by the Commission. There can be no assurance; therefore, that the State law and/or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy, or that the objectives of NCPA with respect to investments will not change.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

NCFA 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.

As noted above, the Geothermal Project consists of two operating electric generating stations (Plant 1 and Plant 2), each with two 55 MW (nameplate rating) turbine generator units. Plant 1 and Plant 2 were originally developed and operated as separate projects referred to as "Geothermal Project Number 2" and "Geothermal Project Number 3," respectively. Plant 1 and Plant 2 are now operated together as the Project pursuant to the terms of the Geothermal Operating Agreement.

Steam for NCPA's geothermal plants comes from lands in the Geysers Area, which are leased by NCPA from the federal government. NCPA operates these steam-supply areas. Operation of the geothermal plants at high generation levels, together with high steam usage by others in the same area, resulted in a decline in the steam production from the steam wells at a rate greater than expected. As a result, by April 1988, for the purpose of slowing the decline in the steam field capability, NCPA changed its steam field production from base-load to load-following and reduced average annual generation. These changes were effective in reducing the decline in steam production.

Beginning in 1991, along with other steam field operators in the area, NCPA began implementing various operating strategies to further reduce the rate of decline in steam production. NCPA has modified both steam turbine units at Plant 1 and the associated steam collection system to enable generation with lower pressure steam at higher mass-flow rates to optimize the utilization of the available steam resource.

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%.

During Fiscal Years 2008-09 and 2009-10, NCPA has been undertaking certain capital improvements to the Geothermal Project, including: (i) the acquisition of a spare turbine rotor, as well as the replacement of the existing Unit 4 turbine rotor at Plant 2 with a new turbine rotor designed for lower pressure, which will avoid one-time operation and maintenance costs of \$3 million, and is expected to result in operation and maintenance cost savings of approximately \$150,000 per year; (ii) the design, permitting and construction of a 1 MW photovoltaic solar project to be constructed at the Middletown Treatment Plant in Lake County, which is expected to provide nearly 100% of the power needs for the 300 kW booster pump station presently under construction at the treatment plant; and (iii) the construction of a 1 MW photovoltaic solar project located at the Clearlake Southeast Treatment Plant in Lake County, completed in December of 2008, which provides approximately 25% of the power needs for the existing pump station located at the treatment plant. The pump stations at the Middletown Treatment Plant and the Clearlake Southeast Treatment Plant are part of the Southeast Geysers Effluent Pipeline Project.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

NCPA Geothermal Project (Continued)

NCPA financed the Geothermal Project with Geothermal Project Number 3 Revenue Bonds, of which \$35.6 million were outstanding as of June 30, 2010 (including Geothermal Project Number 3 Revenue Bonds issued to finance the capital improvements to the Geothermal Project described in the preceding paragraph). The remaining annual debt service on these bonds ranges from \$1.8 million to \$3.48 million, with final maturity of July 1, 2024. Each of the Project Participants participates in the Geothermal Project and has financial obligations with respect thereto.

Annual generation of the Project was approximately 113 MW gross ("MWG") for calendar year ("CY") 2010. Based on current operating protocols and forecasted operations, after CY 2010 both the average and peak capacity are expected to continue to decrease, reaching approximately 107 MWG by CY 2012 and 70 MWG by CY 2034. Under terms of the federal geothermal leasehold agreements, which became effective August 1, 1974, the leasehold had a 10-year primary term with provision for renewal as long thereafter as geothermal steam is produced or utilized, but not longer than 40 years. At the expiration of that period, if geothermal steam is still being produced, NCPA has preferential right to renew the leasehold for a second term. The leasehold also requires NCPA to remove its leasehold improvements including the geothermal plants and steam gathering system when and if NCPA abandons the leasehold. These decommissioning costs are currently estimated to total approximately \$24.1 million. NCPA has begun collecting about one percent per annum of the expected decommissioning costs and is expected to continue to do so through 2010. The decommissioning cost plan will be re-evaluated at that time.

NCPA has estimated the cost per kWh of power generated at the Geothermal Project to be 38.0 cents per kWh for Plant 1 and 36.0 cents per kWh for Plant 2 in Fiscal Year 2010-11. A purchase power agreement with NCPA obligates the City for a 3.31% share of the operating costs and debt service of the geothermal project. Total outstanding debt of the NCPA Geothermal Project as of June 30, 2010 is \$63 million.

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 financed the Geysers Transmission Project through the issuance of Transmission Project Number One Revenue Bonds, of which \$875 thousand million were outstanding as of June 30, 2010. The final maturity of the Transmission Project Number One Revenue Bonds is August 15, 2010. Alameda, Lodi, Palo Alto and Roseville, together with Biggs, Gridley, Healdsburg, Lompoc, Ukiah and Plumas Sierra, are participants in the Geysers Transmission Project.

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.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

NCPA Calaveras Hydroelectric Project (Continued)

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.

In February 1990, the operating portions of the project were declared substantially complete and commercially operable. The project has been supplying peak load requirements of the project participants therein and complementing other resources available to them through NCPA.

The load-following characteristics of the project, together with the ability to schedule Western energy deliveries, give NCPA a great degree of flexibility in meeting the hourly and daily variations which occur in the project participants’ loads.

NCPA financed the Hydroelectric Project through the issuance of Hydroelectric Project Number One Revenue Bonds, of which approximately \$458.5 million aggregate principal amount was outstanding as of June 30, 2010 (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.

Biggs and Gridley have transferred their shares of Hydroelectric Project output to Santa Clara. Each project participant remains obligated for all payments due from such project participant in the event moneys received from transferees pursuant to such arrangements are insufficient to satisfy all payments. Redding, Turlock, Truckee Donner, Port of Oakland and BART, which are Members of NCPA, are not project participants in the Hydroelectric Project, and have no financial or other responsibility or liability associated with the acquisition, construction, maintenance, operation or financing of the Hydroelectric Project.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

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 2009-10 (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 1.66% of the debt service and operating cost.

Combustion Turbine Project Number One

The Combustion Turbine Project Number One (the "Combustion Turbine Project") consists of five combustion turbine units, each nominally rated 25 MW. Two units are located in each of Roseville and Alameda and one in Lodi. The Combustion Turbine Project provides capacity (i) that is economically dispatched during the peak load period to the extent permitted by air quality restrictions and (ii) to be used to meet the capacity reserve requirements. Such reserve capacity is operated only during emergency periods when other resources are unexpectedly out of service.

NCPA financed the Combustion Turbine Project through the issuance of Combustion Turbine Project Number One Revenue Bonds, of which \$4.06 million were outstanding as of June 30, 2010. The debt service on these bonds is approximately \$4.06 million annually, with a final maturity of August 15, 2010. Alameda, Lodi and Roseville, together with Healdsburg, Lompoc, Santa Clara, Ukiah and Plumas-Sierra, are participants in Combustion Turbine Project Number One. [Roseville subsequently acquired 34 MW of the NCPA Combustion Turbine Project from Lodi, and swapped ownership positions with the other joint owners such that Roseville acquired full entitlements to the NCPA Combustion Turbine Project units located in the City of Roseville. Each project participant remains obligated for all payments due from such project participant in the event moneys received from transferees, such as Roseville, pursuant to such arrangements are insufficient to satisfy all payments.] NCPA continues to operate the units on Roseville's behalf. The City is obligated to pay 3.5% of the debt service and operating costs.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 – NORTHERN CALIFORNIA POWER AGENCY (Continued)

Power Purchase Contracts

NCPA, on behalf of Healdsburg, Palo Alto, Ukiah, Lodi and Roseville, has negotiated a seasonal exchange agreement with Seattle City Light for 60 MW of summer capacity and energy and a return of 46 MW of capacity and energy in the winter. Deliveries under the agreement began June 1, 1995 and will terminate no earlier than May 31, 2014. Effective May 31, 2008, Healdsburg, Palo Alto and Roseville assigned their participation percentages to Santa Clara.

NCPA, on behalf of Biggs, Gridley, Healdsburg, Lompoc and Ukiah may enter into supply agreements for terms of up to five years utilizing Commission approved Edison Electric Institute and Western States Power Pool Power Purchase Agreements. Procurement terms and conditions are governed by a Market Purchase Program agreement between NCPA and the participating Members listed in the preceding sentence. Purchase amounts are limited to 115% of each participating members forecast net open position associated with the period of the procurement. The Program was approved by the NCPA Commission on July 26, 2007, with a term of five years, which is extended for one year on each anniversary of the agreement as to each participant that does not withdraw from the agreement or have their participation terminated.

Future Power Supply Resources

NCPA is currently in the process of developing a new NCPA Project, the "Lodi Energy Center," a proposed 280 MW base load combined cycle natural gas-fired combustion turbine generating station (one gas turbine and one steam turbine). NCPA has developed a Second Phase Agreement that addresses the terms and conditions of, and provides for the allocation of costs of, those NCPA Members as well as certain other public agency participants, which are not members of NCPA, electing to participate in the development of the project. The Second Phase Agreement has been executed by all parties and does not commit the parties to continue their participation beyond the development phase. The project is currently under construction with estimated commercial operation in spring 2012. The City's project member participation percentage in the Lodi Energy Center is 1.569%.

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 year ending June 30, 2010 (in thousands):

Total assets	\$	1,171,565
Total liabilities		1,137,784
Long-term debt		1,053,130
Net assets		33,781
Revenues		304,345
Expenses (including refunds)		302,578
Increase in net assets		1,767

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 – POOLED ARRANGEMENT

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

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

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

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

The information below summarizes the audited financial statements as of and for the year ended June 30, 2010, for the Redwood Empire Municipal Insurance Fund in which the City participates.

Total Assets	\$ 19,028,937
Total Liabilities	13,679,292
Total Net Assets	5,349,645
Total Revenues	8,422,520
Total Expenses	7,925,517
Increase in Net Assets	497,003
Total Long-Term Debt	3,319,819

NOTE 12 – SELF-INSURANCE PLANS

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 12 – SELF-INSURANCE PLANS (Continued)

Changes in the Internal Service Funds claims liabilities amounts in fiscal year 2010 and 2009 were as follows:

	2010	2009
Balance, Beginning of Fiscal Year	\$ 32,047	\$ 77,489
Claims and adjustments	260,033	29,099
Claims payments	(267,938)	(74,541)
Balance, End of Fiscal Year	\$ 24,142	\$ 32,047

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 and electric transmission contracts. These contracts were entered into by NCPA on behalf of various members (see Note 9) 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, 2010 was \$13.5 million. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

California-Oregon Transmission Project

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

Western Area Power Administration

In addition to commitments for power acquisitions through NCPA, the City has entered into a contract with the Western Area Power Administration (Western). Western is a federal Power Management Agency of the U.S. Department of Energy, which among other things is responsible for marketing electricity generated by the Central Valley Project. The contract with Western was renewed for the period January 1, 2005 through December 31, 2024. Fiscal Year 2009-10 yielded 4,051 MWh for the City's 5.1% share of the Western base resource and an expenditure of \$260,495. In an average water year the contract provides the City an estimated 6,300 MWh at an average cost of \$64.3/MWh.

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).

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

ERAF and SERAF Contingency (Continued)

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.

The Agency's estimated SERAF contribution for fiscal year 2010-2011 is \$566,100. However, 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. However, the Agency has made the contribution for fiscal year 2009-2010.

NOTE 14 – PROPOSITION 1A SECURITIZATION PROGRAM

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Healdsburg was \$194,158.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California.

Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 15 – SUBSEQUENT EVENTS

Low/Moderate Income Housing Loan

The Redevelopment Agency of the City of Healdsburg (Agency) provides down payment assistance through loans of amounts not to exceed \$75,000 to Low/Moderate Income Housing Families. One of the homes has been taken over by the bank trustee and likely will be foreclosed on or sold at auction in the fiscal year 2010-2011. The Agency may not receive any repayment on its trust deed from the sale proceeds.

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 16 – RELATED PARTY TRANSACTION

Loan Receivable – Loan Forgiven

The Redevelopment Agency of the City of Healdsburg (Agency) had issued a housing loan in 2004 as a second trust deed for the purchase of a property. Subsequently the debtor's parent became a Council Member (Board Member). The property was sold to the Agency in 2009-2010 and the equity of the house was insufficient to pay off the housing loan in full, and the remaining balance of the loan was forgiven by the Agency. The amount of the loan forgiven is calculated to be approximately \$40,000.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Period adjustments were made due to the following reasons.

Reason for adjustments	Government-wide Statements	General Fund	Special Assessment Fund	Water Fund
(Overstatement) Understatement of advances	\$ -	\$ 2,468,993	\$ -	\$ -
(Overstatement) of cash and investments	(280,095)		(280,095)	
Understatement of accounts receivable	871,984			103,424
Understatement of prepaid expenses	323,400			
Understatement of deferred charges	857,625			
Understatement of loans receivable	3,866,914			
Overstatement of accumulated depreciation	45,849			
Overstatement of bonds payable	985,000			
Understatement of bond discounts	39,819			
Understatement of deferred losses on refunding	287,568			
	<u>\$ 6,998,064</u>	<u>\$ 2,468,993</u>	<u>\$ (280,095)</u>	<u>\$ 103,424</u>

Reason for adjustments	Sewer Fund	Electric Fund	Community Service Fund	Airport Fund
(Overstatement) Understatement of advances	\$ (2,133,576)	(173,723)	\$ -	\$ (31,224)
(Overstatement) of cash and investments				
Understatement of accounts receivable	138,124	241,969		
Understatement of prepaid expenses			323,400	
Overstatement of accumulated depreciation			45,849	
	<u>\$ (1,995,452)</u>	<u>\$ 68,246</u>	<u>\$ 369,249</u>	<u>\$ (31,224)</u>

Reason for adjustments	Meeting Center Fund
(Overstatement) Understatement of advances	<u>\$ (130,470)</u>

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,985,050	\$ 1,832,850	\$ 1,883,826	\$ 50,976
Sales and other taxes	4,123,088	3,550,888	3,728,247	177,359
Charges for services	322,581	307,529	379,962	72,433
Intergovernmental	262,000	413,017	524,458	111,441
Use of money and property	154,660	1,358,341	60,158	(1,298,183)
Other revenues	2,650	2,650	35,586	32,936
Total revenues	<u>6,850,029</u>	<u>7,465,275</u>	<u>6,612,237</u>	<u>(853,038)</u>
EXPENDITURES				
Current:				
General government:				
City Council	27,140	27,140	25,488	1,652
Legal	60,000	60,000	50,809	9,191
Administration	224,707	224,707	213,225	11,482
Finance	160,599	160,599	155,886	4,713
Non Departmental	54,550	58,650	53,595	5,055
Public safety:				
Police	4,493,262	4,376,762	4,430,360	(53,598)
Fire	2,384,789	2,528,754	2,503,355	25,399
Total expenditures	<u>7,405,047</u>	<u>7,436,612</u>	<u>7,432,718</u>	<u>3,894</u>
Excess of revenues over (under) expenditures	<u>(555,018)</u>	<u>28,663</u>	<u>(820,481)</u>	<u>(849,144)</u>
Other financing sources (uses):				
Transfers in			61,319	61,319
Total other financing sources (uses)			<u>61,319</u>	<u>61,319</u>
Net change in fund balance	<u>(555,018)</u>	<u>28,663</u>	<u>(759,162)</u>	<u>(787,825)</u>
Fund balance at beginning of fiscal year	4,419,932	4,419,932	4,419,932	
Prior period adjustments			2,468,993	2,468,993
Fund balance at beginning of fiscal year, restated	<u>4,419,932</u>	<u>4,419,932</u>	<u>6,888,925</u>	<u>2,468,993</u>
Fund balance at end of fiscal year	<u>\$ 3,864,914</u>	<u>\$ 4,448,595</u>	<u>\$ 6,129,763</u>	<u>\$ 1,681,168</u>

**CITY OF HEALDSBURG
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$ 10,000	\$ 2,930	\$ (7,070)
Total revenues	<u>10,000</u>	<u>2,930</u>	<u>(7,070)</u>
EXPENDITURES			
Debt service:			
Principal payments	1,000,000	1,000,000	
Interest and fiscal charges	<u>2,043,364</u>	<u>2,056,458</u>	<u>(13,094)</u>
Total expenditures	<u>3,043,364</u>	<u>3,056,458</u>	<u>(13,094)</u>
Excess of revenues over (under) expenditures	<u>(3,033,364)</u>	<u>(3,053,528)</u>	<u>(20,164)</u>
Other financing sources (uses):			
Transfers in	<u>3,040,864</u>	<u>2,969,301</u>	<u>(71,563)</u>
Total other financing sources (uses)	<u>3,040,864</u>	<u>2,969,301</u>	<u>(71,563)</u>
Net change in fund balance	7,500	(84,227)	(91,727)
Fund balance at beginning of fiscal year	<u>3,409,970</u>	<u>3,409,970</u>	
Fund balance at end of fiscal year	<u>\$ 3,417,470</u>	<u>\$ 3,325,743</u>	<u>\$ (91,727)</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY COMMERCIAL AND INDUSTRIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 7,301,255	\$ 7,396,256	\$ 95,001
Use of money and property	185,000	70,476	(114,524)
Other revenues		75,000	75,000
	<u>7,486,255</u>	<u>7,541,732</u>	<u>55,477</u>
EXPENDITURES			
Current:			
Community development	2,707,033	1,768,725	938,308
Capital outlay		80,000	(80,000)
Pass-through payments	5,676,054	5,686,681	(10,627)
	<u>8,383,087</u>	<u>7,535,406</u>	<u>847,681</u>
Excess of revenues over (under) expenditures	<u>(896,832)</u>	<u>6,326</u>	<u>903,158</u>
Other financing sources (uses):			
Transfers in	300,000	339,061	39,061
Transfers out	(6,091,153)	(3,114,743)	2,976,410
Total other financing sources (uses)	<u>(5,791,153)</u>	<u>(2,775,682)</u>	<u>3,015,471</u>
Net change in fund balance	(6,687,985)	(2,769,356)	3,918,629
Fund balance at beginning of fiscal year	<u>14,412,560</u>	<u>14,412,560</u>	
Fund balance at end of fiscal year	<u>\$ 7,724,575</u>	<u>\$ 11,643,204</u>	<u>\$ 3,918,629</u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY LOW/MODERATE INCOME HOUSING
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 1,825,314	\$ 1,849,064	\$ 23,750
Use of money and property	55,000	51,349	(3,651)
Other revenues		25,387	25,387
	<u>1,880,314</u>	<u>1,925,800</u>	<u>45,486</u>
EXPENDITURES			
Current:			
Community development	640,940	501,890	139,050
Capital outlay		549,000	(549,000)
	<u>640,940</u>	<u>1,050,890</u>	<u>(409,950)</u>
Excess of revenues over (under) expenditures	<u>1,239,374</u>	<u>874,910</u>	<u>(364,464)</u>
Other financing sources (uses):			
Proceeds from sale of property		312,599	312,599
Transfers in		412,323	412,323
Transfers out	(3,340,743)	(1,509,761)	1,830,982
	<u>(3,340,743)</u>	<u>(784,839)</u>	<u>2,555,904</u>
Total other financing sources (uses)	<u>(3,340,743)</u>	<u>(784,839)</u>	<u>2,555,904</u>
Net change in fund balance	(2,101,369)	90,071	2,191,440
Fund balance at beginning of fiscal year	<u>5,900,403</u>	<u>5,900,403</u>	
Fund balance at end of fiscal year	<u>\$ 3,799,034</u>	<u>\$ 5,990,474</u>	<u>\$ 2,191,440</u>

CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2010

	Special Revenue Funds			
	Gas Tax	Redevelopment Agency UDAG Loan	Redevelopment Agency Housing Bond	North Area
Assets				
Cash and investments	\$ 1,154,038	\$ 6,643,872	\$ 380,807	\$ 34,360
Receivables:				
Accounts		58,757		59,800
Taxes				
Notes		918,450	839,350	
Interest		1,213		
Special assessment				
Due from other governments	20,468			
Prepaid expenditures				
Due from other funds				
Total Assets	\$ 1,174,506	\$ 7,622,292	\$ 1,220,157	\$ 94,160
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds				55,000
Deferred revenue		194,981	839,350	59,800
Total Liabilities		194,981	839,350	114,800
Fund Balances:				
Reserved for notes receivable		723,469		
Reserved for prepaid expenditures				
Reserved for debt service				
Unreserved:				
Undesignated	1,174,506	6,703,842	380,807	(20,640)
Total Fund Balances	1,174,506	7,427,311	380,807	(20,640)
Total Liabilities and Fund Balances	\$ 1,174,506	\$ 7,622,292	\$ 1,220,157	\$ 94,160

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
\$ 7,036	\$ 81,943	\$ 149,568	\$ 691	\$ 306,642	\$ 13,189	\$ 39,800
20	16				2,072	
	2,761			5,142		
<u>\$ 7,056</u>	<u>\$ 84,720</u>	<u>\$ 149,568</u>	<u>\$ 691</u>	<u>\$ 311,784</u>	<u>\$ 15,261</u>	<u>\$ 39,800</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,863	\$ 4,141	\$ -
				7,863	4,141	
7,056	84,720	149,568	691	303,921	11,120	39,800
7,056	84,720	149,568	691	303,921	11,120	39,800
<u>\$ 7,056</u>	<u>\$ 84,720</u>	<u>\$ 149,568</u>	<u>\$ 691</u>	<u>\$ 311,784</u>	<u>\$ 15,261</u>	<u>\$ 39,800</u>

(Continued)

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2010
(Continued)**

	Debt Service Funds		Capital Projects Funds	
	General Debt Service	Special Assessment	General Capital Projects	Area A Special Assessment District
Assets				
Cash and investments	\$ 714,379	\$ -	\$ 50,996	\$ -
Receivables:				
Accounts				
Taxes	45,377			
Notes				
Interest				
Special assessment				
Due from other governments				
Prepaid expenditures	140			
Due from other funds			1,058,000	
Total Assets	<u>\$ 759,896</u>	<u>\$ -</u>	<u>\$ 1,108,996</u>	<u>\$ -</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 10,609	\$ -
Due to other funds				
Deferred revenue				
Total Liabilities			10,609	
Fund Balances:				
Reserved for notes receivable				
Reserved for prepaid expenditures	140			
Reserved for debt service	759,756			
Unreserved:				
Undesignated			1,098,387	
Total Fund Balances	759,896		1,098,387	
Total Liabilities and Fund Balances	<u>\$ 759,896</u>	<u>\$ -</u>	<u>\$ 1,108,996</u>	<u>\$ -</u>

<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Cultural Trust</u>	
\$ 76,311	\$ 9,653,632
	120,665
	45,377
	1,757,800
	1,213
	5,142
	23,229
	140
	<u>1,058,000</u>
<u>\$ 76,311</u>	<u>\$ 12,665,198</u>
\$ -	\$ 22,613
	55,000
	<u>1,094,131</u>
	<u>1,171,744</u>
	723,469
	140
	759,756
<u>76,311</u>	<u>10,010,089</u>
<u>76,311</u>	<u>11,493,454</u>
<u>\$ 76,311</u>	<u>\$ 12,665,198</u>

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010**

	Special Revenue Funds			
	Gas Tax	Redevelopment Agency UDAG Loan	Redevelopment Agency Housing Bond	North Area
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Charges for services				
Development fees				
Intergovernmental	202,748			
Use of money and property	13,358	490,061	7,262	397
Other revenues				
Total Revenues	216,106	490,061	7,262	397
EXPENDITURES:				
Current:				
General government				
Community development	500	15,958	150,000	
Capital outlay				
Debt service:				
Principal payments				
Interest and fiscal charges				
Total Expenditures	500	15,958	150,000	
Excess of Revenues Over (Under) Expenditures	215,606	474,103	(142,738)	397
OTHER FINANCING SOURCES (USES):				
Transfers in	74,302			
Transfers out	(243,799)			
Total Other Financing Sources (Uses)	(169,497)			
Net Change in Fund Balances	46,109	474,103	(142,738)	397
Fund Balances, July 1, 2009	1,128,397	6,953,208	523,545	(21,037)
Prior Period Adjustments				
Fund Balances, July 1, 2009, Restated	1,128,397	6,953,208	523,545	(21,037)
Fund Balances, June 30, 2010	<u>\$ 1,174,506</u>	<u>\$ 7,427,311</u>	<u>\$ 380,807</u>	<u>\$ (20,640)</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
				150,950		
				3,322		23,230
82	15,557 16	1,377	10		142	225
440			62		24,950	
522	15,573	1,377	72	154,272	25,092	23,455
					25,002	
20		31,431		150,098		
20		31,431		150,098	25,002	
502	15,573	(30,054)	72	4,174	90	23,455
				15,219		(13,236)
	(48,755)	(5,000)				(13,236)
	(48,755)	(5,000)		15,219		(13,236)
502	(33,182)	(35,054)	72	19,393	90	10,219
6,554	117,902	184,622	619	284,528	11,030	29,581
6,554	117,902	184,622	619	284,528	11,030	29,581
\$ 7,056	\$ 84,720	\$ 149,568	\$ 691	\$ 303,921	\$ 11,120	\$ 39,800

(Continued)

**CITY OF HEALDSBURG
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010
(Continued)**

	Debt Service Funds		Capital Projects Funds	
	General Debt Service	Special Assessment	General Capital Projects	Area A Special Assessment District
REVENUES:				
Property taxes	\$ 461,883	\$ -	\$ -	\$ -
Charges for services				
Development fees				
Intergovernmental				
Use of money and property	6,823			
Other revenues				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	<u>468,706</u>			
EXPENDITURES:				
Current:				
General government			53,019	
Community development				
Capital outlay			473,846	
Debt service:				
Principal payments	430,000			
Interest and fiscal charges	142,869			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>572,869</u>		<u>526,865</u>	
Excess of Revenues Over (Under) Expenditures	<u>(104,163)</u>		<u>(526,865)</u>	
OTHER FINANCING SOURCES (USES):				
Transfers in			599,032	
Transfers out		(20,614)	(965,607)	(19,910)
		<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)		<u>(20,614)</u>	<u>(366,575)</u>	<u>(19,910)</u>
Net Change in Fund Balances	<u>(104,163)</u>	<u>(20,614)</u>	<u>(893,440)</u>	<u>(19,910)</u>
Fund Balances, July 1, 2009	864,059	300,709	1,991,827	19,910
Prior Period Adjustments		(280,095)		
Fund Balances, July 1, 2009, Restated	<u>864,059</u>	<u>20,614</u>	<u>1,991,827</u>	<u>19,910</u>
Fund Balances, June 30, 2010	<u>\$ 759,896</u>	<u>\$ -</u>	<u>\$ 1,098,387</u>	<u>\$ -</u>

Permanent Fund	Total Nonmajor Governmental Funds
Cultural Trust	
\$ -	\$ 461,883
	150,950
	23,230
	221,627
894	520,647
	25,452
<u>894</u>	<u>1,403,789</u>
	78,021
2,501	350,508
	473,846
	430,000
	142,869
<u>2,501</u>	<u>1,475,244</u>
<u>(1,607)</u>	<u>(71,455)</u>
	688,553
	<u>(1,316,921)</u>
	(628,368)
<u>(1,607)</u>	<u>(699,823)</u>
77,918	12,473,372
	<u>(280,095)</u>
<u>77,918</u>	<u>12,193,277</u>
<u>\$ 76,311</u>	<u>\$ 11,493,454</u>

**CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010**

	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	110,000	202,748	92,748			
Use of money and property	7,000	13,358	6,358	470,000	490,061	20,061
Other revenues						
Total Revenues	117,000	216,106	99,106	470,000	490,061	20,061
EXPENDITURES:						
Current:						
General government						
Community development	500	500		13,443	15,958	(2,515)
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures	500	500		13,443	15,958	(2,515)
Excess of Revenues Over (Under) Expenditures	116,500	215,606	99,106	456,557	474,103	17,546
OTHER FINANCING SOURCES (USES):						
Transfers in		74,302	74,302			
Transfers out	(216,500)	(243,799)	(27,299)	(50,000)		50,000
Total Other Financing Sources (Uses)	(216,500)	(169,497)	47,003	(50,000)		50,000
Net Change in Fund Balances	\$ (100,000)	46,109	\$ 146,109	\$ 406,557	474,103	\$ 67,546
Fund Balances, July 1, 2009		1,128,397			6,953,208	
Fund Balances, June 30, 2010		<u>\$ 1,174,506</u>			<u>\$ 7,427,311</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,000	7,262	2,262	600	397	(203)	100	82	(18)
						440	440	
5,000	7,262	2,262	600	397	(203)	540	522	(18)
500	150,000	(149,500)	100		100	440	20	420
500	150,000	(149,500)	100		100	440	20	420
4,500	(142,738)	(147,238)	500	397	(103)	100	502	402
<u>\$ 4,500</u>	<u>(142,738)</u>	<u>\$ (147,238)</u>	<u>\$ 500</u>	<u>397</u>	<u>\$ (103)</u>	<u>\$ 100</u>	<u>502</u>	<u>\$ 402</u>
	<u>523,545</u>			<u>(21,037)</u>			<u>6,554</u>	
	<u>\$ 380,807</u>			<u>\$ (20,640)</u>			<u>\$ 7,056</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, 2010
(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		15,557	15,557			
Use of money and property		16	16	6,000	1,377	(4,623)
Other revenues						
Total Revenues		15,573	15,573	6,000	1,377	(4,623)
EXPENDITURES:						
Current:						
General government						
Community development				50,000	31,431	18,569
Capital outlay						
Debt service:						
Principal payments						
Interest and fiscal charges						
Total Expenditures				50,000	31,431	18,569
Excess of Revenues Over (Under) Expenditures		15,573	15,573	(44,000)	(30,054)	13,946
OTHER FINANCING SOURCES (USES):						
Transfers in						
Transfers out	(44,963)	(48,755)	(3,792)	(150,000)	(5,000)	145,000
Total Other Financing Sources (Uses)	(44,963)	(48,755)	(3,792)	(150,000)	(5,000)	145,000
Net Change in Fund Balances	\$ (44,963)	(33,182)	\$ 11,781	\$ (194,000)	(35,054)	\$ 158,946
Fund Balances, July 1, 2009		117,902			184,622	
Fund Balances, June 30, 2010		<u>\$ 84,720</u>			<u>\$ 149,568</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
154,759	150,950	(3,809)				65,000	23,230	(41,770)
4,570	3,322	(1,248)	60,000		(60,000)	2,000	225	(1,775)
			25,000	24,950	(50)			
159,329	154,272	(5,057)	85,200	25,092	(60,108)	67,000	23,455	(43,545)
			50	25,002	(24,952)			
155,443	150,098	5,345						
155,443	150,098	5,345	50	25,002	(24,952)			
3,886	4,174	288	85,150	90	(85,060)	67,000	23,455	(43,545)
	15,219	15,219					(13,236)	(13,236)
	15,219	15,219					(13,236)	(13,236)
<u>\$ 3,886</u>	<u>19,393</u>	<u>\$ 15,507</u>	<u>\$ 85,150</u>	<u>90</u>	<u>\$ (85,060)</u>	<u>\$ 67,000</u>	<u>10,219</u>	<u>\$ (56,781)</u>
	284,528			11,030			29,581	
	<u>\$ 303,921</u>			<u>\$ 11,120</u>			<u>\$ 39,800</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, 2010
(Continued)**

	General Debt Service			General Capital Projects		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ 469,477	\$ 461,883	\$ (7,594)	\$ -	\$ -	\$ -
Charges for services						
Development fees						
Intergovernmental						
Use of money and property	15,000	6,823	(8,177)			
Other revenues						
Total Revenues	<u>484,477</u>	<u>468,706</u>	<u>(15,771)</u>			
EXPENDITURES:						
Current:						
General government					53,019	(53,019)
Public safety						
Capital outlay				5,951,038	473,846	5,477,192
Debt service:						
Principal payments	430,000	430,000				
Interest and fiscal charges	142,639	142,869	(230)			
Total Expenditures	<u>572,639</u>	<u>572,869</u>	<u>(230)</u>	<u>5,951,038</u>	<u>526,865</u>	<u>5,424,173</u>
Excess of Revenues Over (Under)						
Expenditures	<u>(88,162)</u>	<u>(104,163)</u>	<u>(16,001)</u>	<u>(5,951,038)</u>	<u>(526,865)</u>	<u>5,424,173</u>
OTHER FINANCING SOURCES (USES):						
Transfers in				5,751,038	599,032	(5,152,006)
Transfers out					(965,607)	(965,607)
Total Other Financing Sources (Uses)				<u>5,751,038</u>	<u>(366,575)</u>	<u>(6,117,613)</u>
Net Change in Fund Balances	<u>\$ (88,162)</u>	<u>(104,163)</u>	<u>\$ (16,001)</u>	<u>\$ (200,000)</u>	<u>(893,440)</u>	<u>\$ (693,440)</u>
Fund Balances, July 1, 2009		<u>864,059</u>			<u>1,991,827</u>	
Fund Balances, June 30, 2010		<u>\$ 759,896</u>			<u>\$ 1,098,387</u>	

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CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2010

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
ASSETS			
Current Assets:			
Cash and investments	\$ 1,411,541	\$ 122,832	\$ 212,735
Accounts receivable - net	5,339	137	11,353
Due from other governments		8,782	199,500
Inventory			3,332
Total current assets	<u>1,416,880</u>	<u>131,751</u>	<u>426,920</u>
Capital Assets:			
Nondepreciable			
Land			119,834
Construction in progress			1,292,728
Total nondepreciable capital assets			<u>1,412,562</u>
Depreciable			
Buildings			186,451
Machinery and equipment			209,510
Operations			1,652,265
Total depreciable capital assets			2,048,226
Less accumulated depreciation			<u>(872,144)</u>
Net depreciable capital assets			<u>1,176,082</u>
Net capital assets			<u>2,588,644</u>
Total noncurrent assets			<u>2,588,644</u>
Total assets	<u>\$ 1,416,880</u>	<u>\$ 131,751</u>	<u>\$ 3,015,564</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ - 2,473	\$ 27,437	\$ - 66,707	\$ 1,774,545 19,302 274,989 3,332
<u>2,473</u>	<u>27,437</u>	<u>66,707</u>	<u>2,072,168</u>
231,972			351,806 1,292,728
<u>231,972</u>			<u>1,644,534</u>
1,194,412 98,186 20,000			1,380,863 307,696 1,672,265
1,312,598			3,360,824
<u>(653,363)</u>			<u>(1,525,507)</u>
<u>659,235</u>			<u>1,835,317</u>
<u>891,207</u>			<u>3,479,851</u>
<u>891,207</u>			<u>3,479,851</u>
<u>\$ 893,680</u>	<u>\$ 27,437</u>	<u>\$ 66,707</u>	<u>\$ 5,552,019</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2010
(continued)

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 55,270	\$ 70	\$ 11,590
Deposits payable	157,510	338	14,748
Due to other funds			171,788
Deferred revenue		63,767	
Total current liabilities	<u>212,780</u>	<u>64,175</u>	<u>198,126</u>
Noncurrent Liabilities:			
Advances from other funds			29,524
Total noncurrent liabilities			<u>29,524</u>
Total Liabilities	<u>212,780</u>	<u>64,175</u>	<u>227,650</u>
NET ASSETS			
Investment in capital assets, net of related debt			2,588,644
Unrestricted	<u>1,204,100</u>	<u>67,576</u>	<u>199,270</u>
Total Net Assets (Deficit)	<u>\$ 1,204,100</u>	<u>\$ 67,576</u>	<u>\$ 2,787,914</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 13,441	\$ 5,389	\$ 628	\$ 86,388
33,604			206,200
251,443		135,501	558,732
			63,767
<u>298,488</u>	<u>5,389</u>	<u>136,129</u>	<u>915,087</u>
<u>130,470</u>			<u>159,994</u>
<u>130,470</u>			<u>159,994</u>
<u>428,958</u>	<u>5,389</u>	<u>136,129</u>	<u>1,075,081</u>
891,207			3,479,851
(426,485)	22,048	(69,422)	997,087
<u>\$ 464,722</u>	<u>\$ 22,048</u>	<u>\$ (69,422)</u>	<u>\$ 4,476,938</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2010

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
Operating Revenues			
Charges for services	\$ -	\$ 18,023	\$ 218,877
Development fees	260,451		
Rental income			107,879
Other operating revenues	7,208	9,500	39,430
Total Operating Revenues	<u>267,659</u>	<u>27,523</u>	<u>366,186</u>
Operating Expenses			
Purchase of power			
Maintenance and operation	348,711	207,522	343,395
Administration	192,024		17,155
Depreciation			39,443
Total Operating Expenses	<u>540,735</u>	<u>207,522</u>	<u>399,993</u>
Operating Income (Loss)	<u>(273,076)</u>	<u>(179,999)</u>	<u>(33,807)</u>
Non-Operating Revenues (Expenses)			
Interest income	15,689	246	2,947
Taxes		37,497	
Intergovernmental grants		88,806	199,500
Total Non-Operating Income (Loss)	<u>15,689</u>	<u>126,549</u>	<u>202,447</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(257,387)</u>	<u>(53,450)</u>	<u>168,640</u>
Transfers in	19,826		
Change in Net Assets	<u>(237,561)</u>	<u>(53,450)</u>	<u>168,640</u>
Net Assets, July 1, 2009	1,441,661	121,026	2,650,498
Prior Period Adjustments			(31,224)
Net Assets, July 1, 2009, Restated	<u>1,441,661</u>	<u>121,026</u>	<u>2,619,274</u>
Net Assets (Deficit), June 30, 2010	<u>\$ 1,204,100</u>	<u>\$ 67,576</u>	<u>\$ 2,787,914</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 13,975	\$ 64,235	\$ 290	\$ 315,400
117,852	10,560		260,451
			236,291
			56,138
131,827	74,795	290	868,280
221,213	95,769	195,600	1,412,210
24,455			209,179
			63,898
245,668	95,769	195,600	1,685,287
(113,841)	(20,974)	(195,310)	(817,007)
	189		19,071
			37,497
		123,605	411,911
	189	123,605	468,479
(113,841)	(20,785)	(71,705)	(348,528)
34,138	10,665		64,629
(79,703)	(10,120)	(71,705)	(283,899)
674,895	32,168	2,283	4,922,531
(130,470)			(161,694)
544,425	32,168	2,283	4,760,837
<u>\$ 464,722</u>	<u>\$ 22,048</u>	<u>\$ (69,422)</u>	<u>\$ 4,476,938</u>

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2010**

	Enterprise Funds		
	Planning and Building Fund	Transit Fund	Airport Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$ 329,124	\$ 91,153	\$ 375,431
Payments to suppliers and users	(179,741)	(207,333)	(362,718)
Payments to employees	(192,024)		(17,155)
Net Cash Provided (Used) by Operating Activities	<u>(42,641)</u>	<u>(116,180)</u>	<u>(4,442)</u>
Cash Flows from Non-Capital Financing Activities:			
Taxes		37,497	
Intergovernmental grants		95,246	103,886
Due to/from other funds			(126,212)
Advances to/from other funds			(1,700)
Transfers in	19,826		
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>19,826</u>	<u>132,743</u>	<u>(24,026)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets			(30,747)
Net Cash Provided (Used) by Capital and Related Financing Activities			<u>(30,747)</u>
Cash Flows from Investing Activities:			
Interest received	20,976	325	4,536
Net Cash Provided (Used) by Investing Activities	<u>20,976</u>	<u>325</u>	<u>4,536</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,839)	16,888	(54,679)
Cash and Cash Equivalents, July 1, 2009	<u>1,413,380</u>	<u>105,944</u>	<u>267,414</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 1,411,541</u>	<u>\$ 122,832</u>	<u>\$ 212,735</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	<u>\$ 1,411,541</u>	<u>\$ 122,832</u>	<u>\$ 212,735</u>
Total Cash and Investments	<u>\$ 1,411,541</u>	<u>\$ 122,832</u>	<u>\$ 212,735</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ 130,942	\$ 83,856	\$ 290	\$ 1,010,796
(220,863)	(95,259)	(195,972)	(1,261,886)
(89,921)	(11,403)	(195,682)	(460,269)
			37,497
		113,982	313,114
55,783		81,700	11,271
			(1,700)
34,138	10,665		64,629
89,921	10,665	195,682	424,811
			(30,747)
			(30,747)
	275		26,112
	275		26,112
	(463)		(40,093)
	27,900		1,814,638
\$ -	\$ 27,437	\$ -	\$ 1,774,545
\$ -	\$ 27,437	\$ -	\$ 1,774,545
\$ -	\$ 27,437	\$ -	\$ 1,774,545

**CITY OF HEALDSBURG
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2010
 (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)	\$ (273,076)	\$ (179,999)	\$ (33,807)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation			39,443
(Increase) Decrease in Operating Assets:			
Accounts receivable	61,465	(137)	9,245
Inventory			5,432
Increase (Decrease) in Operating Liabilities:			
Accounts payable	11,460	(129)	(26,354)
Deposits payable	157,510	318	1,599
Deferred revenue		63,767	
Net Cash Provided (Used) by Operating Activities	<u>\$ (42,641)</u>	<u>\$ (116,180)</u>	<u>\$ (4,442)</u>

Enterprise Funds

Meeting Center Fund	School Service Fund	After School Program Fund	Totals
\$ (113,841)	\$ (20,974)	\$ (195,310)	\$ (817,007)
24,455			63,898
(885)	9,061		78,749 5,432
6,882 (6,532)	510	(372)	(8,003) 152,895 63,767
<u>\$ (89,921)</u>	<u>\$ (11,403)</u>	<u>\$ (195,682)</u>	<u>\$ (460,269)</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

	<u>Insurance and Benefit</u>	<u>Vehicle Maintenance</u>	<u>Information Services</u>
ASSETS			
Current Assets:			
Cash and investments	\$ 2,956,980	\$ 4,486,730	\$ 935,347
Accounts receivable - net	34,466	155	
Notes and loans receivable			23,549
Inventory		36,958	3,678
	<u>2,991,446</u>	<u>4,523,843</u>	<u>962,574</u>
Total current assets			
Capital Assets:			
Depreciable			
Machinery and equipment		5,066,409	1,863,623
		<u>5,066,409</u>	<u>1,863,623</u>
Total depreciable capital assets			
		5,066,409	1,863,623
Less accumulated depreciation		<u>(3,367,821)</u>	<u>(1,259,080)</u>
Net depreciable capital assets			
		1,698,588	604,543
		<u>1,698,588</u>	<u>604,543</u>
Net capital assets			
		1,698,588	604,543
		<u>1,698,588</u>	<u>604,543</u>
Total noncurrent assets			
		1,698,588	604,543
		<u>1,698,588</u>	<u>604,543</u>
Total assets			
	<u>\$ 2,991,446</u>	<u>\$ 6,222,431</u>	<u>\$ 1,567,117</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 765,604	\$ 9,144,661
	34,621
	23,549
	<u>40,636</u>
<u>765,604</u>	<u>9,243,467</u>
	<u>6,930,032</u>
	6,930,032
	<u>(4,626,901)</u>
	<u>2,303,131</u>
	<u>2,303,131</u>
	<u>2,303,131</u>
<u>\$ 765,604</u>	<u>\$ 11,546,598</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

	<u>Insurance and Benefit</u>	<u>Vehicle Maintenance</u>	<u>Information Services</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 407,277	\$ 79,412	\$ 53,024
Claims payable, current portion	12,464		
Compensated absences	1,034,839		
Capital lease payable		4,335	
	<u>1,454,580</u>	<u>83,747</u>	<u>53,024</u>
Total current liabilities			
Noncurrent Liabilities:			
Compensated absences	413,760		
Capital lease payable		14,741	
	<u>413,760</u>	<u>14,741</u>	
Total noncurrent liabilities			
	<u>1,868,340</u>	<u>98,488</u>	<u>53,024</u>
Total Liabilities			
NET ASSETS			
Investment in capital assets, net of related debt		1,679,512	604,543
Unrestricted	1,123,106	4,444,431	909,550
	<u>1,123,106</u>	<u>4,444,431</u>	<u>909,550</u>
Total Net Assets			
	<u>\$ 1,123,106</u>	<u>\$ 6,123,943</u>	<u>\$ 1,514,093</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 39,515	\$ 579,228
11,678	24,142
	1,034,839
	4,335
<u>51,193</u>	<u>1,642,544</u>
	413,760
	<u>14,741</u>
	428,501
<u>51,193</u>	<u>2,071,045</u>
	2,284,055
<u>714,411</u>	<u>7,191,498</u>
<u>\$ 714,411</u>	<u>\$ 9,475,553</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2010

	Insurance and Benefit	Vehicle Maintenance	Information Services
Operating Revenues			
Charges for services	\$ 7,477,048	\$ 1,103,703	\$ 905,275
Total Operating Revenues	<u>7,477,048</u>	<u>1,103,703</u>	<u>905,275</u>
Operating Expenses			
Maintenance and operation		424,676	775,423
Administration		13,525	2,241
Insurance and benefits costs	7,191,879		
Depreciation		440,392	110,098
Total Operating Expenses	<u>7,191,879</u>	<u>878,593</u>	<u>887,762</u>
Operating Income (Loss)	<u>285,169</u>	<u>225,110</u>	<u>17,513</u>
Non-Operating Revenues (Expenses)			
Interest income	30,141	39,650	10,599
Gain (Loss) on sale of capital assets		(22,369)	(181)
Total Non-Operating Income (Loss)	<u>30,141</u>	<u>17,281</u>	<u>10,418</u>
Income (Loss) Before Transfers	315,310	242,391	27,931
Transfers in		42,124	5,720
Change in Net Assets	315,310	284,515	33,651
Net Assets, July 1, 2009	<u>807,796</u>	<u>5,839,428</u>	<u>1,480,442</u>
Net Assets, June 30, 2010	<u>\$ 1,123,106</u>	<u>\$ 6,123,943</u>	<u>\$ 1,514,093</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 1,082,399	\$ 10,568,425
<u>1,082,399</u>	<u>10,568,425</u>
564,025	1,764,124
52,721	68,487
343,734	7,535,613
	<u>550,490</u>
<u>960,480</u>	<u>9,918,714</u>
<u>121,919</u>	<u>649,711</u>
6,964	87,354
	<u>(22,550)</u>
<u>6,964</u>	<u>64,804</u>
128,883	714,515
	<u>47,844</u>
128,883	762,359
<u>585,528</u>	<u>8,713,194</u>
<u>\$ 714,411</u>	<u>\$ 9,475,553</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2010

	Insurance and Benefit	Vehicle Maintenance	Information Services
Cash Flows from Operating Activities:			
Receipts from customers	\$ 7,467,236	\$ 1,103,548	\$ 905,275
Payments to suppliers and users	(7,511,645)	(392,852)	(841,765)
Payments to employees	(261,314)	(13,525)	(2,241)
Net Cash Provided (Used) by Operating Activities	<u>(305,723)</u>	<u>697,171</u>	<u>61,269</u>
Cash Flows from Non-Capital Financing Activities:			
Principal paid on loans receivable			(1,721)
Transfers in		42,124	5,720
Net Cash Provided (Used) by Non-Capital Financing Activities		<u>42,124</u>	<u>3,999</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisitions of capital assets		(132,692)	(12,416)
Principal payments - long-term debt		(5,556)	
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>(138,248)</u>	<u>(12,416)</u>
Cash Flows from Investing Activities:			
Interest received	40,294	53,034	13,223
Net Cash Provided (Used) by Investing Activities	<u>40,294</u>	<u>53,034</u>	<u>13,223</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(265,429)	654,081	66,075
Cash and Cash Equivalents, July 1, 2009	<u>3,222,409</u>	<u>3,832,649</u>	<u>869,272</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 2,956,980</u>	<u>\$ 4,486,730</u>	<u>\$ 935,347</u>
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets			
Cash and investments	\$ 2,956,980	\$ 4,486,730	\$ 935,347
Restricted cash and investments			
Total Cash and Investments	<u>\$ 2,956,980</u>	<u>\$ 4,486,730</u>	<u>\$ 935,347</u>

<u>Building Maintenance</u>	<u>Totals</u>
\$ 1,082,399	\$ 10,558,458
(885,540)	(9,631,802)
<u>(52,721)</u>	<u>(329,801)</u>
144,138	596,855
	(1,721)
	<u>47,844</u>
	46,123
	(145,108)
	<u>(5,556)</u>
	(150,664)
<u>8,302</u>	<u>114,853</u>
<u>8,302</u>	<u>114,853</u>
152,440	607,167
<u>613,164</u>	<u>8,537,494</u>
<u>\$ 765,604</u>	<u>\$ 9,144,661</u>
\$ 765,604	\$ 9,144,661
<u>\$ 765,604</u>	<u>\$ 9,144,661</u>

**CITY OF HEALDSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 2010

(Continued)

	Enterprise Funds		
	Insurance and Benefit	Vehicle Maintenance	Information Services
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 285,169	\$ 225,110	\$ 17,513
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation		440,392	110,098
(Increase) Decrease in Operating Assets:			
Accounts receivable	(9,812)	(155)	
Prepaid expenses			
Inventory		(10,608)	(4,513)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(313,893)	42,432	(61,829)
Claims and judgments payable	(5,873)		
Compensated absences	(261,314)		
Net Cash Provided (Used) by Operating Activities	<u>\$ (305,723)</u>	<u>\$ 697,171</u>	<u>\$ 61,269</u>

Enterprise Funds

<u>Building Maintenance</u>	<u>Totals</u>
\$ 121,919	\$ 649,711
	550,490
	(9,967)
	(15,121)
24,251	(309,039)
(2,032)	(7,905)
<u> </u>	<u>(261,314)</u>
<u>\$ 144,138</u>	<u>\$ 596,855</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2010

	Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust
ASSETS			
Cash and investments	\$ 94,114	\$ (802)	\$ 775,723
Restricted cash and investments		149,350	
Total assets	94,114	148,548	775,723
LIABILITIES			
Accounts payable and accrued liabilities	2,882		
NET ASSETS			
Held in trust for other purposes	91,232	148,548	775,723
Total Net Assets	\$ 91,232	\$ 148,548	\$ 775,723

Plaza Flowers Veterans Trust	Totals
\$ 5,073	\$ 874,108
	149,350
<u>5,073</u>	<u>1,023,458</u>
	<u>2,882</u>
<u>5,073</u>	<u>1,020,576</u>
<u>\$ 5,073</u>	<u>\$ 1,020,576</u>

CITY OF HEALDSBURG
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2010

	Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust
ADDITIONS			
Contributions	\$ 59,000	\$ -	\$ -
Use of money and property	243	8,988	9,111
Fees and charges	52,744		
Total additions	<u>111,987</u>	<u>8,988</u>	<u>9,111</u>
DEDUCTIONS			
Community development	<u>56,880</u>	<u>1,532</u>	<u>10,000</u>
Change in Net Assets	55,107	7,456	(889)
Net Assets, July 1, 2009	<u>36,125</u>	<u>141,092</u>	<u>776,612</u>
Net Assets, June 30, 2010	<u>\$ 91,232</u>	<u>\$ 148,548</u>	<u>\$ 775,723</u>

Plaza Flowers Veterans Trust	Totals
\$ -	\$ 59,000
61	18,403
	<u>52,744</u>
<u>61</u>	<u>130,147</u>
480	<u>68,892</u>
(419)	61,255
<u>5,492</u>	<u>959,321</u>
<u>\$ 5,073</u>	<u>\$ 1,020,576</u>

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STATISTICAL SECTION

June 30, 2010

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 Eight 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>

Note: The City of Healdsburg implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 14,431	\$ 14,387	\$ 5,790	\$ 4,629
12,501	13,895	23,103	32,185
13,955	17,577	12,328	10,957
<u>\$ 40,887</u>	<u>\$ 45,859</u>	<u>\$ 41,221</u>	<u>\$ 47,771</u>

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

\$ 87,382	\$ 92,506	\$ 87,308	\$ 84,597
13,377	13,895	23,103	40,848
43,308	44,736	40,623	28,305
<u>\$144,067</u>	<u>\$151,137</u>	<u>\$151,034</u>	<u>\$ 153,750</u>

CITY OF HEALDSBURG
Changes in Net Assets - Expenses and Program Revenues
Last Eight 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>

Note: The City of Healdsburg implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Healdsburg Comprehensive Annual Financial Report

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

CITY OF HEALDSBURG
Changes in Net Assets - General Revenues
Last Eight 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	<u>4,468</u>	<u>3,420</u>	<u>1,616</u>	<u>1,724</u>
<i>Total net revenues (expenses)</i>	<u><u>\$ (6,248)</u></u>	<u><u>\$ (4,132)</u></u>	<u><u>\$ (8,655)</u></u>	<u><u>\$ (9,848)</u></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	<u>(24,511)</u>	<u>(318)</u>	<u>(1,672)</u>	<u>(663)</u>
<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	<u>24,511</u>	<u>318</u>	<u>1,672</u>	<u>663</u>
<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><u>\$ 12,388</u></u>	<u><u>\$ 12,586</u></u>	<u><u>\$ 13,539</u></u>	<u><u>\$ 15,802</u></u>
 Changes in net assets				
Governmental activities	\$(23,400)	\$ 4,232	\$ 886	\$ 2,349
Business-type activities	<u>29,540</u>	<u>4,222</u>	<u>3,998</u>	<u>3,605</u>
<i>Total primary government</i>	<u><u>\$ 6,140</u></u>	<u><u>\$ 8,454</u></u>	<u><u>\$ 4,884</u></u>	<u><u>\$ 5,954</u></u>

Note: The City of Healdsburg implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$(11,979)	\$(13,069)	\$(17,659)	\$(17,060)
<u>38</u>	<u>(509)</u>	<u>379</u>	<u>(3,986)</u>
<u>\$(11,941)</u>	<u>\$(13,578)</u>	<u>\$(17,280)</u>	<u>\$(21,046)</u>

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

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

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

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund:				
Reserved	\$ 3	\$ 4	\$ -	\$ -
Unreserved	<u>3,743</u>	<u>3,968</u>	<u>4,673</u>	<u>4,537</u>
<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	<u>97</u>	<u>88</u>	<u>83</u>	<u>81</u>
<i>Total all other governmental funds</i>	<u>\$ 44,728</u>	<u>\$ 41,660</u>	<u>\$ 41,937</u>	<u>\$ 41,926</u>

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

Fiscal Year			
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ 1,199
<u>4,726</u>	<u>4,763</u>	<u>4,420</u>	<u>4,931</u>
<u>\$ 4,726</u>	<u>\$ 4,763</u>	<u>\$ 4,420</u>	<u>\$ 6,130</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
<u>77</u>	<u>78</u>	<u>78</u>	<u>76</u>
<u>\$ 41,827</u>	<u>\$ 42,268</u>	<u>\$ 36,196</u>	<u>\$ 32,453</u>

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
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	94	-	-
Advance to refund bond escrow agent	-	208	-	-
<i>Total expenditures</i>	<u>16,777</u>	<u>18,522</u>	<u>15,191</u>	<u>17,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,491)</u>	<u>(2,548)</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>\$ (2,841)</u>	<u>\$ 978</u>	<u>\$ (147)</u>
Debt service as a percentage of noncapital expenditures	29%	25%	27%	26%

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

Source: City of Healdsburg Comprehensive Annual Financial Report

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

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 Tax	Vehicle License Fee	Transient Occupancy Tax ⁽²⁾	Total
2001	5,416,899	2,730,137	236,590	560,676 ⁽⁴⁾	537,923	9,482,225
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

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				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2001	734,835	56,077	(14,401)	776,511	461,685	51,169	(7,205)	505,649	0.450%
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%

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				Total Direct Rate	Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Redevelopment Debt Service	Redevelopment Program		Healdsburg Unified Bonds	Dam/Russian River Project	So. Co. Junior College Bond
2001	0.0400	0.0500	0.1700	0.1900	0.45	0.6500	0.0070	0.0000
2002	0.0400	0.0500	0.1600	0.1700	0.42	0.0600	0.0070	0.0250
2003	0.0400	0.0400	0.1300	0.2100	0.42	0.0600	0.0070	0.0250
2004	0.0400	0.0400	0.1500	0.1900	0.42	0.1028	0.0070	0.0250
2005	0.1100	0.0300	0.1600	0.1800	0.48	0.0975	0.0070	0.0250
2006	0.1200	0.0900	0.1500	0.1300	0.49	0.1005	0.0070	0.0250
2007	0.1100	0.1000	0.1300	0.1500	0.49	0.1005	0.0070	0.0250
2008	0.1100	0.1000	0.1200	0.1500	0.48	0.0930	0.0070	0.0250
2009	0.1000	0.1000	0.1200	0.1500	0.47	0.0930	0.0070	0.0250
2010	0.1000	0.1100	0.1600	0.0800	0.46	0.0865	0.0070	0.0250

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.

CITY OF HEALDSBURG
Top Ten Redevelopment Agency Taxpayers
Fiscal Year 2009-10

Assessee	Type of Use	Taxable Value	% of Total Project Value (2)	% of Total Incremental Value (3)
1) Simi Winery, Inc.	Winery	\$ 30,766,538	3.06 %	3.43 %
2) Hotel Healdsburg, LLC	Hotel	18,167,850	1.81 %	2.02 %
3) Mascherini, Carole A TR	Property Management	6,743,453	0.67 %	0.75 %
4) Brixey Sonja Max ET AL	Industrial	6,516,671	0.65 %	0.73 %
5) Dry Creek Inn, LTD	Hotel	5,840,348	0.58 %	0.65 %
6) Westland Financial III, LLC	Financial	5,731,357	0.57 %	0.64 %
7) Syar Industries	Industrial	5,661,798	0.56 %	0.63 %
8) Healdsburg Investors, LTD	Retail	5,624,948	0.56 %	0.63 %
9) Lloyd Group Holdings, Inc.	Business Consulting	4,748,149	0.47 %	0.53 %
10) Grove Street, LLC	Industrial	4,700,100	0.47 %	0.52 %
Total Valuation		\$ 94,501,212	9.40 %	10.53 %

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

(2) Based upon reported FY 2009-10 Project Area Secured and Unsecured Assessed value of \$1,005,224,134.

(3) Based upon reported FY Project Area Secured and Unsecured incremental assessed value of \$897,463,663.

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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>
2001	5,182,699	5,182,699	100.0%
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%

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.

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

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Total Assessed Valuation (Gross)	\$ 512,854	\$ 563,176	\$ 617,351	\$ 682,905	\$ 721,967
Net Secured	\$ 461,685	\$ 511,313	\$ 568,898	\$ 623,690	\$ 666,577
Net Unsecured	51,169	51,863	48,453	59,215	55,390
Exemptions	(7,205)	(7,126)	(7,064)	(7,088)	(7,241)
Total Assessed Valuation (Net)	\$ 505,649	\$ 556,050	\$ 610,287	\$ 675,817	\$ 714,726
Gross Tax Increment	\$ 4,322,409	\$ 4,725,371	\$ 5,509,106	\$ 6,083,344	\$ 6,487,314

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

Fiscal Year				
2006	2007	2008	2009	2010
\$ 793,730	\$ 883,733	\$ 936,561	\$ 978,047	\$ 997,638
\$ 737,613	\$ 823,891	\$ 876,977	\$ 915,768	\$ 932,338
56,117	59,842	59,584	62,279	65,300
(7,080)	(6,954)	(6,982)	(6,941)	(6,937)
\$ 786,650	\$ 876,779	\$ 929,579	\$ 971,106	\$ 990,701
\$ 7,425,889	\$ 8,118,025	\$ 8,609,919	\$ 8,982,454	\$ 9,245,320

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 ERAF to State</u>	<u>Low/ Moderate Set - Aside</u>	<u>Net Increment to Agency</u>
2001	4,322,409	907,898 ⁽¹⁾	-	-	864,538	2,549,973 ⁽¹⁾
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

(1) Revised

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Number of Customers</u>										
Residential	4,351	4,381	4,387	4,400	4,426	4,449	4,334	4,414	4,371	4,387
Industrial and heavy commercial	78	100	89	99	101	105	12	38	54	53
Commercial	817	855	865	858	874	896	854	944	990	988
Municipal	74	72	77	72	75	77	39	81	111	78
Outdoor Lighting	43	20	19	32	18	32	15	15	13	15
Total	5,363	5,428	5,437	5,461	5,494	5,559	5,254	5,492	5,539	5,521
<u>Energy Sales (MWH)</u>										
Residential	25,028	24,596	25,015	25,892	26,235	26,208	26,500	27,040	27,045	26,995
Industrial and heavy commercial	3,695	3,142	2,945	2,652	3,079	2,045	10,797	17,898	9,146	7,949
Commercial	35,682	34,911	36,259	38,032	39,319	39,525	32,089	26,899	33,970	33,220
Municipal	4,540	4,794	4,628	4,775	4,731	4,900	5,227	5,355	6,884	6,045
Total	68,945	67,443	68,847	71,351	73,364	72,678	74,613	77,192	77,045	74,209
<u>Revenue (in millions)</u>										
Residential	\$ 3.073	\$ 3.154	\$ 3.200	\$ 3.315	\$ 3.366	\$ 3.354	\$ 3.379	\$ 3.500	\$ 3.658	\$ 3.890
Industrial and heavy commercial	0.393	0.378	0.367	0.331	0.360	0.229	1.313	1.796	0.984	0.987
Commercial	3.801	4.013	4.148	4.099	4.568	4.635	3.474	3.119	4.237	4.618
Municipal	0.375	0.434	0.418	0.397	0.449	0.435	0.447	0.520	0.661	0.695
Outdoor Lighting	0.040	0.042	0.042	0.042	0.042	0.042	0.040	0.040	0.040	0.040
Total	\$ 7.682	\$ 8.021	\$ 8.175	\$ 8.184	\$ 8.785	\$ 8.695	\$ 8.653	\$ 8.975	\$ 9.580	\$10.230
Total average rate per mwh	\$ 0.111	\$ 0.119	\$ 0.119	\$ 0.115	\$ 0.120	\$ 0.120	\$ 0.116	\$ 0.116	\$ 0.124	\$ 0.138

Source: City of Healdsburg Utility Billing Department

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>MWH Sold</u>				
July	5,939	5,956	6,229	6,113
August	6,085	5,359	6,199	6,821
September	6,319	5,957	6,168	6,408
October	5,903	5,661	5,937	5,838
November	5,759	5,305	5,932	5,464
December	5,756	5,545	5,176	5,874
January	5,942	6,340	6,203	5,769
February	5,710	5,476	5,444	5,977
March	5,131	5,260	4,780	5,683
April	5,166	5,159	6,119	5,570
May	5,186	5,438	4,934	5,802
June	6,053	5,985	5,726	6,033
Total	<u>68,949</u>	<u>67,441</u>	<u>68,847</u>	<u>71,352</u>
<u>Total Billings</u>				
July	\$ 722,003	\$ 780,420	\$ 807,825	\$ 791,151
August	735,508	697,647	800,312	882,496
September	773,672	786,546	804,981	824,884
October	724,567	732,969	760,045	754,070
November	694,730	689,792	778,722	567,221
December	584,830	593,797	552,882	625,634
January	599,428	690,829	673,403	619,909
February	578,460	593,782	582,690	649,620
March	518,509	566,423	503,378	605,831
April	508,492	544,544	649,836	577,260
May	504,507	563,299	516,598	632,974
June	736,195	781,609	743,948	653,404
Total	<u>\$ 7,680,901</u>	<u>\$ 8,021,657</u>	<u>\$ 8,174,620</u>	<u>\$ 8,184,454</u>
<u>Revenue/KWH</u>				
July	\$ 0.12156	\$ 0.13103	\$ 0.12969	\$ 0.12942
August	0.12087	0.13018	0.12910	0.12937
September	0.12243	0.13203	0.13051	0.12873
October	0.12274	0.12947	0.12802	0.12916
November	0.12063	0.13002	0.13128	0.10381
December	0.10160	0.10708	0.10682	0.10650
January	0.10087	0.10896	0.10851	0.10746
February	0.10130	0.10843	0.10703	0.10869
March	0.10105	0.10768	0.10531	0.10660
April	0.09843	0.10555	0.10620	0.10363
May	0.09728	0.10358	0.10470	0.10910
June	0.12162	0.13059	0.12993	0.10830
Average	<u>\$ 0.11140</u>	<u>\$ 0.11894</u>	<u>\$ 0.11874</u>	<u>\$ 0.11471</u>

Source: City of Healdsburg Utility Billing Department

Fiscal Year					
2005	2006	2007	2008	2009	2010
6,595	6,325	6,629	7,196	7,091	6,433
6,367	6,387	7,306	7,229	6,875	6,500
7,283	6,590	6,085	7,273	7,344	6,790
6,051	5,854	5,931	6,226	6,493	6,531
5,809	6,014	6,021	6,270	6,532	5,929
6,083	6,124	6,218	5,920	6,014	6,180
6,470	6,244	6,616	6,703	7,063	6,490
6,180	5,981	6,913	6,590	5,966	6,203
5,146	5,535	5,675	5,373	6,205	5,746
5,756	5,773	5,702	6,053	5,748	5,827
5,845	5,506	5,569	5,848	5,697	5,628
5,779	6,344	5,948	6,511	6,017	5,952
<u>73,364</u>	<u>72,677</u>	<u>74,613</u>	<u>77,192</u>	<u>77,045</u>	<u>74,209</u>
\$ 711,827	\$ 852,912	\$ 866,640	\$ 902,367	\$ 900,274	\$ 967,879
708,539	840,127	939,364	917,607	850,638	976,082
787,393	856,913	781,332	909,992	931,722	1,040,086
656,358	783,802	771,838	783,665	816,845	993,939
609,147	633,226	623,653	679,448	689,248	740,320
706,253	676,659	667,647	616,005	638,392	765,488
1,419,090	690,152	698,881	722,227	879,588	819,856
499,890	632,755	706,404	694,407	722,928	775,979
507,107	596,087	594,563	567,103	750,796	715,202
629,314	616,684	579,772	616,889	678,156	704,567
756,124	707,877	679,596	736,930	837,571	837,652
795,546	808,512	743,621	828,349	883,853	893,378
<u>\$ 8,786,588</u>	<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>
\$ 0.10793	\$ 0.13485	\$ 0.13073	\$ 0.12540	\$ 0.12696	\$ 0.15046
0.11128	0.13154	0.12857	0.12693	0.12373	0.15017
0.10811	0.13003	0.12840	0.12512	0.12687	0.15318
0.10638	0.13389	0.13014	0.12587	0.12580	0.15219
0.10275	0.10529	0.10358	0.10836	0.10552	0.12486
0.11411	0.11049	0.10737	0.10405	0.10615	0.12387
0.21757	0.10530	0.10392	0.10775	0.12453	0.12633
0.79022	0.10579	0.10218	0.10537	0.12117	0.12510
0.96400	0.10769	0.10477	0.10555	0.12100	0.12447
0.10733	0.10682	0.10168	0.10191	0.11798	0.12091
0.12206	0.12856	0.12203	0.12601	0.14702	0.14884
0.12934	0.12745	0.12502	0.12722	0.14689	0.15010
<u>\$ 0.11977</u>	<u>\$ 0.11965</u>	<u>\$ 0.11598</u>	<u>\$ 0.11627</u>	<u>\$ 0.12434</u>	<u>\$ 0.13786</u>

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

Electric Customer by Type	2010		2001	
	Electric Charges	Percent of Total Electric Revenue	Electric Charges	Percent of Total Electric Revenue
Municipality	\$ 623,898	5.88445%	\$ 272,562	3.70465%
School	287,983	2.71618%	194,309	2.64104%
Retail	275,378	2.59730%	181,824	2.47134%
Hospital	213,875	2.01722%	(1)	0.00000%
Winery	172,652	1.62841%	137,101	1.86347%
Lodging	146,658	1.38324%	(1)	0.00000%
Industrial	145,430	1.37166%	414,845	5.63855%
Retail	125,160	1.18048%	87,123	1.18417%
Industrial	112,444	1.06054%	66,056	0.89783%
Lodging	64,320	0.60665%	37,405	0.50841%
	<u>\$ 2,167,798</u>	<u>20.4%</u>	<u>\$ 1,391,225</u>	<u>18.9%</u>

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

(1) Business did not exist.

CITY OF HEALDSBURG
Electric Rates
Last Nine Fiscal Years

Type of Customer	Period	Monthly Base Rate	Rate per KWH
Residential	7/1/01 - 12/31/08	324 KWH @	\$0.12168
		Balance @	\$0.13987
Residential	1/1/09 - 6/30/10	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 - 6/30/10	\$0.187370 per KWH	\$0.18737

Source: City of Healdsburg Utility Billing Department

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Revenues:				
Charges for services	\$ 7,357,293	\$ 8,239,704	\$ 8,391,718	\$ 8,366,511
Development fees	-	-	-	-
Other Revenues	85,163	148,242	177,162	77,370
<i>Total Operating Revenues</i>	<u>7,442,456</u>	<u>8,387,946</u>	<u>8,568,880</u>	<u>8,443,881</u>
Operating Expenses:				
Purchased power	5,684,650	8,597,303	5,626,154	4,910,373
Operations	1,204,423	1,122,220	1,241,154	1,351,066
Administrative	901,891	1,185,925	1,227,609	1,197,543
Depreciation	274,093	311,980	343,468	353,922
<i>Total Operating Expense</i>	<u>8,065,057</u>	<u>11,217,428</u>	<u>8,438,385</u>	<u>7,812,904</u>
<i>Operating Income (Loss)</i>	<u>(622,601)</u>	<u>(2,829,482)</u>	<u>130,495</u>	<u>630,977</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	-	69,500	15,000	-
Investment income	535,405	259,678	186,073	141,732
Interest expense	(13,138)	(12,688)	(5,981)	-
Loss from disposal of assets	(174,726)	-	(640)	(8,545)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>347,541</u>	<u>316,490</u>	<u>194,452</u>	<u>133,187</u>
Income (Loss) Before Transfers	(275,060)	(2,512,992)	324,947	764,164
Transfers In (Out)	(875,400)	(2,942)	(180,727)	(265,464)
Income (Loss) Before Capital Contributions	(1,150,460)	(2,515,934)	144,220	498,700
Capital Contributions	771,208	552,848	191,082	491,116
Changes in Net Assets	<u>\$ (379,252)</u>	<u>\$ (1,963,086)</u>	<u>\$ 335,302</u>	<u>\$ 989,816</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 9,279,807	\$ 8,858,296	\$ 8,910,310	\$ 9,163,416	\$ 9,912,726	\$ 10,602,484
-	-	36,072	23,617	-	17,396
30,300	148,017	56,239	70,211	176,750	361,978
<u>9,310,107</u>	<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>
5,888,039	5,367,577	5,924,049	5,874,492	7,263,987	5,915,051
1,495,744	2,087,296	2,042,244	2,145,553	2,281,514	3,740,683
1,514,936	1,566,344	1,775,826	1,974,354	1,933,712	1,012,818
365,971	379,103	384,900	422,960	422,960	461,768
<u>9,264,690</u>	<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>
45,417	(394,007)	(1,124,398)	(1,160,115)	(1,812,697)	(148,462)
-	135	287	-	-	-
214,544	299,762	352,905	228,793	77,336	52,143
-	-	-	-	-	-
-	-	(103,756)	-	-	-
<u>214,544</u>	<u>299,897</u>	<u>249,436</u>	<u>228,793</u>	<u>77,336</u>	<u>52,143</u>
259,961	(94,110)	(874,962)	(931,322)	(1,735,361)	(96,319)
2,151	(61,620)	(115,000)	181,173	1,351,864	45,995
<u>262,112</u>	<u>(155,730)</u>	<u>(989,962)</u>	<u>(750,149)</u>	<u>(383,497)</u>	<u>(50,324)</u>
131,626	-	236,172	-	-	-
<u>\$ 393,738</u>	<u>\$ (155,730)</u>	<u>\$ (753,790)</u>	<u>\$ (750,149)</u>	<u>\$ (383,497)</u>	<u>\$ (50,324)</u>

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Cash flows from operating activities:				
Operating income (loss)	\$ (622,602)	\$ (2,829,482)	\$ 130,495	\$ 630,977
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	274,093	311,980	343,468	353,922
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(181,460)	(160,500)	175,983	146,882
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in inventory	60,245	32,177	(125,070)	67,153
(Increase) decrease in prepaid costs	403,247	(55,155)	(429,786)	(232,914)
Increase (decrease) in accounts payable	101,177	(187,026)	230,134	(45,072)
Increase (decrease) in deposits	(432,978)	(572,476)	(11,308)	(224,126)
Total adjustments	<u>224,324</u>	<u>(631,000)</u>	<u>183,421</u>	<u>65,845</u>
Net cash provided (used) by operating activities	<u>(398,278)</u>	<u>(3,460,482)</u>	<u>313,916</u>	<u>696,822</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	-	69,500	-	-
(Increase) decrease in due from other funds	(1,726,953)	87,034	47,327	1,714
Transfers in (out)	(875,400)	(2,942)	(180,727)	(267,178)
Net cash provided (used) by non-capital financing activities	<u>(2,602,353)</u>	<u>153,592</u>	<u>(133,400)</u>	<u>(265,464)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	(792,389)	(834,684)	(465,719)	(475,379)
Capital replacement	-	-	-	-
Capacity expansion	-	-	-	-
Contributed capital:				
Construction reimbursement	771,208	552,848	191,082	491,116
Retirement of debt	(9,750)	(9,750)	(165,000)	-
Interest paid	(12,310)	(11,861)	-	-
Net cash provided (used) by capital and related financing activities	<u>(43,241)</u>	<u>(303,447)</u>	<u>(439,637)</u>	<u>15,737</u>
Cash flows from investing activities:				
Investment income	589,907	359,161	208,156	130,505
(Increase) decrease in investments	3,572,392	245,225	-	-
(Increase) decrease in loan receivables	4,247	-	-	20,681
Net cash provided (used) by investing activities	<u>4,166,546</u>	<u>604,386</u>	<u>208,156</u>	<u>151,186</u>
Net increase in cash and cash equivalents	1,122,674	(3,005,951)	(50,965)	598,281
Cash and cash equivalents at beginning of year	2,059,564	3,206,038	7,673,360	7,622,395
Cash and cash equivalents at end of year	<u>\$ 3,182,238</u>	<u>\$ 200,087</u>	<u>\$ 7,622,395</u>	<u>\$ 8,220,676</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ (174,726)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 45,417	\$ (394,007)	\$ (1,124,398)	\$ (1,160,115)	\$ (1,812,697)	\$ (148,462)
365,971	379,103	384,900	422,960	422,960	461,768
(460,071)	165,415	206,790	487	(143,377)	(26,714)
-	-	-	-	-	-
(159,444)	6,020	(56,624)	62,891	(239,347)	161,463
740,576	-	-	-	-	(1,044)
(89,605)	(42,327)	49,636	223,608	(235,471)	163,303
38,549	178,559	(21,398)	157,279	(50,285)	(210,086)
435,976	686,770	563,304	867,225	(245,520)	548,690
481,393	292,763	(561,094)	(292,890)	(2,058,217)	400,228
-	135	287	-	-	-
2,151	123,759	1,628	-	3,322,640	(173,723)
-	(181,200)	(115,000)	-	-	45,995
2,151	(57,306)	(113,085)	-	3,322,640	(127,728)
-	-	-	-	-	-
(512,265)	(644,167)	(1,533,171)	(3,150,084)	(1,304,260)	(984,393)
-	-	-	-	-	-
131,626	-	236,172	181,173	424,224	-
-	-	-	-	-	-
(4,229)	-	-	-	-	-
(384,868)	(644,167)	(1,296,999)	(2,968,911)	(880,036)	(984,393)
174,765	282,877	356,709	274,309	100,985	62,561
-	-	-	-	-	-
-	-	-	-	-	-
174,765	282,877	356,709	274,309	100,985	62,561
273,441	(125,833)	(1,614,469)	(2,987,492)	485,372	(649,332)
8,220,676	8,494,117	8,368,284	6,753,815	3,766,323	4,251,695
\$ 8,494,117	\$ 8,368,284	\$ 6,753,815	\$ 3,766,323	\$ 4,251,695	\$ 3,602,363
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Fiscal Year

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

June
July
May
August
August

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

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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		
2001	6,135	3,620	2,755	12,510	3,350	15,860	1.39
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	6.96

Note: Percentage of personal income not available.

(1) State of California Department of Finance revised population estimates for years 2001 through 2009.

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		
2001	6,135	3,620	9,755	0.790%	554
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%	333

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 2009.

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, 2010

2009-10 Assessed Valuation	\$ 1,752,344,431
Redevelopment Agency Incremental Valuation	897,463,663
<i>Adjusted Assessed Valuation:</i>	\$ 854,880,768

	Percentage Applicable (1)	Total Outstanding Debt 6/30/10	City's Share of Debt 6/30/10
<u>Overlapping Debt Repaid with Property Taxes and Assessments:</u>			
Sonoma County Joint Community College District	1.393%	\$ 205,864,565	\$ 2,867,693
Healdsburg Unified School District	30.083%	16,229,998	4,882,470
Healdsburg Unified School District School Facilities Improvements District No. 1	43.679%	16,380,313	7,154,757
City of Healdsburg 1915 Act Bonds	0.000%	-	-
North Sonoma County Hospital Parcel Tax Obligations	100.000%	825,000	825,000
	9.324%	9,235,000	861,071
<i>Total overlapping debt repaid with property taxes and assessments</i>			16,590,991
<u>Overlapping General Fund Debt:</u>			
Sonoma County General Fund Obligations	1.408%	45,809,752	645,001
Sonoma County Pension Obligations	1.408%	246,795,000	3,474,874
Sonoma County Office of Education Certificates of Participation	1.408%	2,740,000	38,579
Sonoma County Joint Community College District General Fund Obligation:	1.393%	2,210,000	30,785
<i>Total overlapping general fund debt</i>			4,189,239
<i>Total overlapping debt</i>			20,780,230
<u>Direct Debt:</u>			
City of Healdsburg General Obligation Bonds	100.000%	3,545,000	3,545,000
<i>Total direct and overlapping debt</i>			(2) \$ 24,325,230

(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.

Ratios to 2009-10 Assessed Valuation:

Direct Debt (\$3,545,000).....0.20%

Ratios to Adjust Assessed Valuation:

Total Direct and Overlapping Debt2.85%

State School Building Aid Repayable as of 6/30/10: \$0

Source: MuniServices, LLC

CITY OF HEALDSBURG
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Assessed valuation	\$ 776,511,143	\$ 896,750,774	\$ 1,004,937,097	\$ 1,102,206,452
Conversion percentage	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>
Adjusted assessed valuation	194,127,786	224,187,694	251,234,274	275,551,613
Debt limit percentage	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Debt limit	29,119,168	33,628,154	37,685,141	41,332,742
Total net debt applicable to limit: General obligation bonds	<u>6,135,000</u>	<u>5,945,000</u>	<u>5,720,000</u>	<u>5,635,000</u>
Legal debt margin	<u>\$ 22,984,168</u>	<u>\$ 27,683,154</u>	<u>\$ 31,965,141</u>	<u>\$ 35,697,742</u>
Total debt applicable to the limit as a percentage of debt limit	26.69%	21.48%	17.89%	15.79%

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.

Information for 1997 is not presented as assessed values from the County of Sonoma is not available.

Sources: City of Healdsburg Finance Department
County of Sonoma Auditor-Controller

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,203,854,951	\$ 1,343,249,917	\$ 1,503,393,648	\$ 1,619,575,156	\$ 1,698,215,591	\$ 1,729,947,163
<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>
300,963,738	335,812,479	375,848,412	404,893,789	424,553,898	432,486,791
<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
45,144,561	50,371,872	56,377,262	60,734,068	63,683,085	64,873,019
<u>5,345,000</u>	<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>\$ 39,799,561</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>
13.43%	11.11%	9.12%	7.73%	6.66%	5.78%

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	
2001	3,221,247	2,169,590	1,051,657	165,000	812,483	1.08
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

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	
2001	3,251,756	1,428,812	1,822,944	-	263,346	6.92
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

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	371,779	1,149,410	54,295	149,215	1,724,699
01-Jul-11	463,049	134,001	4,524	12,434	614,008
01-Jul-12	463,322	134,083	-	-	597,405
01-Jul-13	578,000	134,424	-	-	712,424
01-Jul-14	474,837	134,461	-	-	609,298
01-Jul-15	474,852	134,684	-	-	609,536
01-Jul-16	474,997	134,703	-	-	609,700
01-Jul-17	598,731	134,888	-	-	733,619
01-Jul-18	598,824	135,037	-	-	733,861
01-Jul-19	455,218	135,139	-	-	590,357
01-Jul-20	455,490	135,371	-	-	590,861
01-Jul-21	452,536	135,639	-	-	588,175
01-Jul-22	453,458	135,700	-	-	589,158
01-Jul-23	462,587	135,610	-	-	598,197
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	<u>\$ 13,873,052</u>	<u>\$ 14,607,511</u>	<u>\$ 496,387</u>	<u>\$ 1,361,344</u>	<u>\$ 30,338,294</u>

Note: Figures represent gross annual debt service.

Source: Northern California Power Agency (NCPA) Annual Budget

CITY OF HEALDSBURG
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population ⁽¹⁾</u>	<u>Property Taxable Assessed Value (in thousands) ⁽³⁾</u>	<u>Property Average Assessed Value ⁽³⁾</u>	<u>Unemployment Rate ⁽²⁾</u>
2001	11,388	1,282,160	112,589	4.40%
2002	11,650	1,452,800	124,704	5.90%
2003	11,628	1,615,224	138,908	6.30%
2004	11,639	1,778,024	152,764	5.30%
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	5.20%
2008	11,668	2,549,153	218,474	7.00%
2009	11,800	2,669,321	226,214	11.60%
2010	11,931	2,720,648	228,032	12.00%

Note: Unemployment rate for 2010 is a preliminary rate through August, 2010.
State of California Department of Finance revised population estimates for years 2001 through 2009.
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 and Part-Time City Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>2001</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>
Administration	4.85	4.85	4.85	3.85	3.85	4.85	5.35	5.35	5.00	4.00
Finance	12.00	12.00	12.50	12.50	12.50	14.00	14.00	14.00	16.00	17.00
Community Services	8.00	8.00	9.50	8.50	9.00	11.50	14.50	14.50	15.00	8.00
Electric Utility	15.00	14.00	14.00	14.00	14.50	18.00	17.00	15.00	15.00	12.00
Fire	8.50	8.50	8.50	7.50	8.00	10.75	10.75	11.00	12.00	11.00
Planning & Building	5.00	5.00	5.00	5.00	5.00	7.00	8.00	8.00	8.00	5.00
Police	25.00	27.00	27.60	27.60	28.00	30.00	30.00	30.00	30.50	26.00
Public Works	26.00	27.00	27.00	27.00	29.00	37.00	40.00	36.50	40.50	30.00
Total positions:	<u>104.35</u>	<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>

Note: Revised fiscal years 2000 through 2006.

Source: City of Healdsburg Operating Budget

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CITY OF HEALDSBURG
Operating Indicators
by Function
Last Eight Fiscal Years

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police:					
Arrests	945	814	778	844	653
Parking citations issued	2,315	3,435	1,599	3,115	2,174
Fire:					
Number of emergency calls	1,362	1,423	1,455	1,400	1,454
Inspections	1,674	1,130	1,183	1,100	1,092
Public works:					
Street resurfacing (miles)	0.995	0.769	0.040	0.00	0.100
Potholes/pavement repaired (sq. ft.)	13,614	21,418	30,273	18,369	24,535
Planning and building:					
Commercial building permits	123	117	119	127	109
New construction commercial building permits	8	10	9	4	3
Residential building permits	359	399	380	320	348
New construction residential building permits	25	36	26	46	25
Parks and recreation:					
Number of recreation classes	10	15	15	165	389
Number of facility rentals	185	179	173	157	363
(1) Water:					
Average daily production (millions of gallons)	2.4	2.6	2.3	2.4	2.2
(1) Wastewater:					
Average daily sewage treatment (millions of gallons)	1.3	1.3	1.6	1.9	1.8

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

(1) Water and wastewater operating indicators are per calendar year.

(1) Water and wastewater 2010 operating indicators are through September, 2010.

(1) Revised estimates.

Sources: Various City of Healdsburg Departments

Fiscal Year		
<u>2008</u>	<u>2009</u>	<u>2010</u>
534	749	590
1,961	2,429	2,292
1,327	1,253	1,314
893	808	2,111
0.00	0.677	2.470
14,800	9,662	7,500
100	78	83
5	3	-
265	283	319
20	33	10
498	555	803
181	380	253
2.9	2.1 (2)	1.8
1.2	1.1 (2)	1.2

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police:					
Police stations	1	1	1	1	1
Fire:					
Fire stations	1	1	1	1	1
Public works:					
Streets (miles)	43.2	43.2	43.7	44.1	44.1
(3) Streetlights	1,200	1,200	1,220	1,240	1,260
Traffic signals	13	13	13	12	12
Parks and recreation:					
Parks	8	8	9	9	9
Senior centers	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	2	2	2	2	2
Meeting centers	1	1	1	1	1
Museums	1	1	1	1	1
Boys & girls clubs	1	1	1	1	1
(1) Water:					
Water mains (miles)	60.1	60.2	60.4	60.5	60.5
Maximum daily capacity (hundred cubic feet)	5.5 (5)	5.5 (5)	5.5 (5)	5.5 (5)	5.5 (5)
(1) Wastewater:					
Sanitary sewers (miles)	- (2)	- (2)	51.4	51.5	51.5
Storm sewers (miles)	- (2)	- (2)	26.4	26.3	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	1.6 / 6.5
Electric:					
Number of distribution stations	1	1	1	1	1
(3) Miles of service lines	52.0	52.5	53.0	53.5	54.0

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

- (1) Water and wastewater capital asset statistics are per calendar year.
- (1) Water and wastewater 2010 capital asset statistics are through September, 2010.
- (2) Information for 2003 and 2004 is not available for sanitary sewers (miles) and storm sewers (miles).
- (3) Revised estimates for 2003, 2004, 2005 and 2006.
- (4) Reflects corrections and additions made to the base maps.
- (5) Revised estimates.

Sources: Various City of Healdsburg Departments

Fiscal Year		
<u>2008</u>	<u>2009</u>	<u>2010</u>
1	1	1
1	1	1
44.1	44.7	44.7
1,264	1,273	1,273
12	12	12
9	9	9
1	1	1
1	1	1
2	2	2
1	2	2
1	1	1
1	1	1
60.7	60.7	59.3
5.5 (5)	5.5 (5)	5.5
52.7	52.7	50.3
29.9 (4)	29.9 (4)	30.2
1.6 / 4.0 (5)	1.6 / 4.0 (5)	1.6 / 4.0
1	1	1
54.4	54.7	55.0

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Revenues:				
Charges for services	\$ 2,671,027	\$ 2,909,292	\$ 3,444,666	\$ 3,844,742
Development fees	-	-	-	-
Other revenues	550,220	117,311	337,914	565,347
<i>Total Operating Revenues</i>	<u>3,221,247</u>	<u>3,026,603</u>	<u>3,782,580</u>	<u>4,410,089</u>
Operating Expenses:				
Operations	1,660,270	1,354,427	1,517,772	1,282,118
Administrative	509,320	433,550	536,962	815,028
Depreciation	292,935	297,844	326,350	367,010
Miscellaneous	-	-	-	-
<i>Total Operating Expenses</i>	<u>2,462,525</u>	<u>2,085,821</u>	<u>2,381,084</u>	<u>2,464,156</u>
<i>Operating Income (Loss)</i>	<u>758,722</u>	<u>940,782</u>	<u>1,401,496</u>	<u>1,945,933</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	-	-	-	-
Investment income	547,840	202,237	124,305	105,182
Interest expense	(451,480)	(472,959)	(620,906)	(680,810)
Amortization	-	-	-	-
Loss from disposal of assets	(128,719)	-	-	(5,471)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(32,359)</u>	<u>(270,722)</u>	<u>(496,601)</u>	<u>(581,099)</u>
Income (Loss) Before Transfers	726,363	670,060	904,895	1,364,834
Transfers In (Out)	375,850	282,014	(181,761)	(257,436)
Income Before Capital Contributions	1,102,213	952,074	723,134	1,107,398
Capital Contributions	202,854	233,840	21,161	-
Changes in Net Assets	<u>\$ 1,305,067</u>	<u>\$ 1,185,914</u>	<u>\$ 744,295</u>	<u>\$ 1,107,398</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 3,709,403	\$ 3,933,797	\$ 4,144,543	\$ 4,094,170	\$ 3,968,150	\$ 3,653,409
-	-	194,458	181,329	766,215	143,432
243,640	334,872	3,639	4,983	-	20,916
<u>3,953,043</u>	<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>
1,502,376	1,869,211	2,431,051	2,063,433	2,456,760	2,555,424
980,930	1,259,650	1,258,471	1,138,039	1,015,247	818,623
440,211	482,626	487,126	508,359	508,359	603,016
-	-	-	-	-	-
<u>2,923,517</u>	<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>1,029,526</u>	<u>657,182</u>	<u>165,992</u>	<u>570,651</u>	<u>753,999</u>	<u>(159,306)</u>
-	19,163	40,745	-	-	-
148,404	217,159	214,877	141,283	92,985	48,320
(656,421)	(608,186)	(608,265)	(596,407)	(581,646)	(560,091)
-	-	-	-	-	(42,715)
-	-	-	-	-	-
<u>(508,017)</u>	<u>(371,864)</u>	<u>(352,643)</u>	<u>(455,124)</u>	<u>(488,661)</u>	<u>(554,486)</u>
521,509	285,318	(186,651)	115,527	265,338	(713,792)
221,467	(63,503)	(62,261)	(242,150)	411,577	36,410
742,976	221,815	(248,912)	(126,623)	676,915	(677,382)
-	-	-	-	-	-
<u>\$ 742,976</u>	<u>\$ 221,815</u>	<u>\$ (248,912)</u>	<u>\$ (126,623)</u>	<u>\$ 676,915</u>	<u>\$ (677,382)</u>

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Cash flows from operating activities:				
Operating income (loss)	\$ 758,722	\$ 940,782	\$ 1,401,496	\$ 1,945,933
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	292,935	297,844	326,350	367,010
Amortization	-	-	-	-
Deferred amount on refunding	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(110,651)	(44,799)	16,243	(107,734)
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in inventory	(21,087)	11,098	(10,228)	(2,467)
(Increase) decrease in prepaid costs	(23)	349	(1,058)	1,058
Increase (decrease) in accounts payable	194,320	113,979	(160,088)	95,243
Increase (decrease) in other accrued liabilities	-	-	-	-
Increase (decrease) in deposits	3,859	3,900	(8,396)	(94)
Total adjustments	<u>359,353</u>	<u>382,371</u>	<u>162,823</u>	<u>353,016</u>
Net cash provided (used) by operating activities	<u>1,118,075</u>	<u>1,323,153</u>	<u>1,564,319</u>	<u>2,298,949</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	-	-	-	-
(Increase) decrease in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	-	-	353,281	-
Principal paid on loans receivable	-	-	-	-
Transfers in (out)	375,850	282,014	(535,042)	(257,436)
Net cash provided (used) by noncapital financing activities	<u>375,850</u>	<u>282,014</u>	<u>(181,761)</u>	<u>(257,436)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	-	-	-	-
Capital replacement	(1,003,448)	(3,456,560)	(1,363,437)	(1,518,478)
Capacity expansion	-	-	-	-
Contributed capital:				
Development/connection/annexation fees	202,854	233,840	21,161	-
Contributed - other funds	-	-	-	-
Certificates of participation proceeds	10,136,304	-	5,510,000	-
Debt issuance Costs	-	-	-	-
Retirement of debt	(7,135,000)	(244,287)	(280,000)	(395,000)
Interest paid	(812,483)	(467,993)	(759,269)	(680,810)
Net cash provided (used) by capital and related financing activities	<u>1,388,227</u>	<u>(3,935,000)</u>	<u>3,128,455</u>	<u>(2,594,288)</u>
Cash flows from investing activities:				
Investment income	505,175	280,893	136,982	104,482
(Increase) decrease in investments	(1,480,698)	(357,562)	-	-
(Increase) decrease in loans	39,410	-	-	14,617
Net cash provided (used) by investing activities	<u>(936,113)</u>	<u>(76,669)</u>	<u>136,982</u>	<u>119,099</u>
Net increase (decrease) in cash and cash equivalents	1,946,039	(2,406,502)	4,647,995	(433,676)
Cash and cash equivalents at beginning of year	1,000,960	2,946,999	5,329,778	9,977,773
Cash and cash equivalents at end of year	<u>\$ 2,946,999</u>	<u>\$ 540,497</u>	<u>\$ 9,977,773</u>	<u>\$ 9,544,097</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ (128,719)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 1,029,526	\$ 657,182	\$ 165,992	\$ 570,651	\$ 753,999	\$ (159,306)
440,211	482,626	487,126	508,359	508,359	603,016
-	151,917	42,715	42,715	42,715	-
-	(175,414)	-	-	-	-
73,920	(125,878)	131,917	(42,346)	97,152	46,275
-	-	-	-	-	-
(1,398)	(8,195)	(36,715)	(10,609)	(6,138)	(5,519)
-	-	-	-	-	-
490,534	(648,348)	99,415	(99,357)	(34,322)	46,825
-	8,197	-	-	-	-
(996)	-	6,490	(16,477)	30	565
1,002,271	(315,095)	730,948	382,285	607,796	691,162
2,031,797	342,087	896,940	952,936	1,361,795	531,856
-	-	40,745	-	-	-
-	19,163	-	153,406	411,577	-
243,754	36,288	-	(395,556)	-	-
-	-	-	-	-	(20,000)
(22,287)	(99,791)	(62,261)	-	-	36,410
221,467	(44,340)	(21,516)	(242,150)	411,577	16,410
-	-	-	-	-	-
(4,358,814)	(1,483,413)	(553,634)	(487,049)	-	(11,346)
-	-	-	-	-	-
-	-	-	-	-	-
-	3,113,428	-	-	-	-
-	(67,458)	-	-	-	-
(405,000)	(3,275,000)	(465,000)	(480,000)	(480,000)	(490,000)
(622,615)	(608,186)	(608,265)	(596,407)	(581,646)	(421,088)
(5,386,429)	(2,320,629)	(1,626,899)	(1,563,456)	(1,061,646)	(922,434)
135,229	201,134	215,958	161,393	96,826	34,327
-	-	-	-	-	-
-	-	-	-	-	-
135,229	201,134	215,958	161,393	96,826	34,327
(2,997,936)	(1,821,748)	(535,517)	(691,277)	808,552	(339,841)
9,544,097	6,546,161	4,724,413	4,188,896	3,497,619	4,306,171
\$ 6,546,161	\$ 4,724,413	\$ 4,188,896	\$ 3,497,619	\$ 4,306,171	\$ 3,966,330
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Fiscal Year		
	2008	2009	2010
<u>Number of Customers</u>			
Residential	3,760	3,783	3,974
Industrial and heavy commercial	43	41	43
Commercial	478	605	632
Municipal	41	42	46
Total	<u>4,322</u>	<u>4,471</u>	<u>4,695</u>
<u>Water Usage by Customer</u>			
Residential	679,863	620,158	546,579
Industrial and heavy commercial	25,979	25,352	22,199
Commercial	196,109	204,814	218,334
Municipal	20,890	20,492	15,979
Total	<u>922,841</u>	<u>870,816</u>	<u>803,091</u>
<u>Revenue (in millions)</u>			
Residential	\$2,933,738	\$2,728,654	\$2,566,988
Industrial and heavy commercial	119,505	114,682	105,290
Commercial	968,105	1,111,810	1,198,703
Municipal	95,871	92,587	70,988
Total	<u>\$4,117,219</u>	<u>\$4,047,733</u>	<u>\$3,941,969</u>
Total average rate per HCF	<u>\$ 4.461</u>	<u>\$ 4.648</u>	<u>\$ 4.908</u>

Note: The City of Healdsburg has elected to show only three 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				
	2001	2002	2003	2004	2005
July	\$ 120,565	\$ 122,998	\$ 129,426	\$ 124,590	\$ 136,689
August	119,845	120,704	134,202	143,876	135,739
September	217,593	128,824	132,107	116,375	118,199
October	8,651	96,824	105,646	111,873	91,168
November	71,730	70,075	88,514	79,424	56,026
December	151,493	48,562	47,080	52,184	46,061
January	47,985	49,833	48,905	41,876	47,940
February	42,371	43,534	44,149	46,506	39,977
March	42,520	46,318	39,681	49,917	40,312
April	56,940	54,006	64,949	69,719	51,007
May	82,539	84,024	48,948	92,292	60,201
June	127,578	117,528	102,559	185,732	84,688
Total	\$ 1,089,810	\$ 983,230	\$ 986,166	\$ 1,114,364	\$ 908,007

Total Billings	Fiscal Year				
	2001	2002	2003	2004	2005
July	\$ 290,991	\$ 316,829	\$ 377,692	\$ 417,302	\$ 466,161
August	292,455	314,358	388,593	469,705	475,621
September	540,325	328,654	383,287	392,080	436,859
October	18,874	271,307	335,532	371,512	345,351
November	201,770	213,148	296,673	300,077	266,712
December	154,596	168,193	185,751	227,693	207,633
January	155,795	174,432	203,678	202,241	233,643
February	140,012	161,461	187,490	208,838	211,806
March	143,159	167,578	181,951	223,287	211,623
April	169,252	189,216	255,351	271,034	246,422
May	224,054	258,382	212,741	338,499	271,747
June	317,661	336,732	352,706	386,976	347,128
Total	\$ 2,648,944	\$ 2,900,290	\$ 3,361,445	\$ 3,809,244	\$ 3,720,706

Revenue/Hundred Cubic Feet	Fiscal Year				
	2001	2002	2003	2004	2005
July	\$ 2.414	\$ 2.575	\$ 2.918	\$ 3.349	\$ 3.410
August	2.440	2.604	2.896	3.265	3.504
September	2.483	2.551	2.901	3.369	3.696
October	2.182	2.802	3.176	3.321	3.788
November	2.813	3.041	3.352	3.778	4.761
December	1.020	3.463	3.945	4.363	4.508
January	3.247	3.500	4.165	4.830	4.874
February	3.304	3.708	4.247	4.491	5.298
March	3.367	3.617	4.585	4.473	5.250
April	2.972	3.503	3.932	3.888	4.831
May	2.715	3.075	4.346	3.668	4.514
June	2.490	2.865	3.440	2.084	4.099
Average	\$ 2.431	\$ 2.950	\$ 3.409	\$ 3.418	\$ 4.098

Source: City of Healdsburg Utility Billing Department

Fiscal Year				
2006	2007	2008	2009	2010
\$ 108,603	\$ 119,167	\$ 119,830	\$ 123,040	\$ 98,792
115,146	133,042	120,890	108,252	100,005
117,354	111,036	110,211	116,303	105,236
99,794	85,615	91,392	92,373	94,908
65,394	71,071	68,001	75,431	60,219
49,983	51,169	45,453	45,249	48,085
41,860	46,678	46,868	46,024	39,098
37,129	52,100	40,705	39,254	36,482
39,383	39,930	37,305	38,135	73,903
39,398	60,657	56,435	45,918	37,974
57,924	68,925	78,369	64,356	43,072
105,440	91,009	107,382	76,481	65,318
<u>\$ 877,408</u>	<u>\$ 930,399</u>	<u>\$ 922,841</u>	<u>\$ 870,816</u>	<u>\$ 803,092</u>

2006	2007	2008	2009	2010
\$ 420,051	\$ 476,008	\$ 477,213	\$ 501,548	\$ 419,868
439,066	525,229	480,504	442,524	426,559
450,506	454,647	434,443	479,903	443,789
404,314	378,133	391,195	408,024	402,358
298,963	331,862	315,025	342,220	301,571
252,180	263,385	238,909	253,055	260,679
231,585	238,510	248,450	248,820	230,989
218,606	246,171	226,040	229,179	224,004
225,122	227,914	217,297	227,652	446,325
227,761	287,857	288,113	252,119	228,522
284,462	316,482	356,013	312,528	243,968
439,690	378,344	444,016	350,161	313,337
<u>\$ 3,892,306</u>	<u>\$ 4,124,542</u>	<u>\$ 4,117,218</u>	<u>\$ 4,047,733</u>	<u>\$ 3,941,969</u>

2006	2007	2008	2009	2010
\$ 3.868	\$ 3.994	\$ 3.982	\$ 4.076	\$ 4.250
3.813	3.948	3.975	4.088	4.265
3.839	4.095	3.942	4.126	4.217
4.051	4.417	4.280	4.417	4.239
4.572	4.669	4.633	4.537	5.008
5.045	5.147	5.256	5.592	5.421
5.532	5.110	5.301	5.406	5.908
5.888	4.725	5.553	5.838	6.140
5.716	5.708	5.825	5.970	6.039
5.781	4.746	5.105	5.491	6.018
4.911	4.592	4.543	4.856	5.664
4.170	4.157	4.135	4.578	4.797
<u>\$ 4.436</u>	<u>\$ 4.433</u>	<u>\$ 4.461</u>	<u>\$ 4.648</u>	<u>\$ 4.908</u>

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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>2010</u>		<u>2001</u>	
	<u>Water Charges</u>	<u>Percent of Total Water Revenue</u>	<u>Water Charges</u>	<u>Percent of Total Water Revenue</u>
School	\$ 125,334	3.15850%	\$ 113,969	4.26686%
Municipality	91,624	2.30899%	57,436	2.15033%
Municipality	57,058	1.43790%	28,473	1.06599%
Housing	52,603	1.32563%	28,132	1.05323%
Housing	49,545	1.24857%	19,209	0.71916%
Lodging	41,449	1.04454%	12,920	0.48371%
Winery	30,498	0.76857%	24,791	0.92814%
Lodging	25,516	0.64302%	(1)	0.00000%
Housing	21,134	0.53259%	14,354	0.53740%
Retail	19,003	0.47889%	15,537	0.58169%
	<u>\$ 513,764</u>	<u>12.9%</u>	<u>\$ 314,821</u>	<u>11.8%</u>

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

(1) Business did not exist.

Source: City of Healdsburg Utility Billing Department

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Revenues:				
Charges for services	\$ 2,461,635	\$ 2,826,766	\$ 3,128,820	\$ 3,517,024
Development fees	-	-	-	-
Other revenues	790,121	446,407	951,379	694,597
<i>Total Operating Revenues</i>	<u>3,251,756</u>	<u>3,273,173</u>	<u>4,080,199</u>	<u>4,211,621</u>
Operating Expenses:				
Operations	682,268	699,797	806,290	926,611
Administrative	746,544	853,289	958,426	983,338
Depreciation	434,226	461,567	462,182	496,859
<i>Total Operating Expenses</i>	<u>1,863,038</u>	<u>2,014,653</u>	<u>2,226,898</u>	<u>2,406,808</u>
<i>Operating Income (Loss)</i>	<u>1,388,718</u>	<u>1,258,520</u>	<u>1,853,301</u>	<u>1,804,813</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	-	-	-	-
Investment income	501,221	191,295	131,172	111,008
Interest expense	(178,442)	(185,189)	(182,045)	(181,481)
Amortization	-	-	-	-
Loss in disposal of assets	(190,477)	-	-	-
<i>Total Nonoperating Revenues (Expenses)</i>	<u>132,302</u>	<u>6,106</u>	<u>(50,873)</u>	<u>(70,473)</u>
Income (Loss) Before Transfers	1,521,020	1,264,626	1,802,428	1,734,340
Transfers In (Out)	(325,400)	(337,942)	(81,760)	(147,402)
Income Before Capital Contributions	1,195,620	926,684	1,720,668	1,586,938
Capital Contributions	440,261	410,448	47,261	2,525
Changes in Net Assets	<u>\$ 1,635,881</u>	<u>\$ 1,337,132</u>	<u>\$ 1,767,929</u>	<u>\$ 1,589,463</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 3,784,084	\$ 4,452,952	\$ 5,697,173	\$ 5,920,923	\$ 6,284,447	\$ 6,897,392
-	-	368,236	591,047	2,184,460	552,551
<u>539,721</u>	<u>662,796</u>	<u>3,488</u>	<u>331</u>	<u>1,161</u>	<u>80,787</u>
<u>4,323,805</u>	<u>5,115,748</u>	<u>6,068,897</u>	<u>6,512,301</u>	<u>8,470,068</u>	<u>7,530,730</u>
1,083,768	1,442,812	2,274,011	2,267,114	2,930,291	4,349,794
1,058,266	1,322,308	1,255,611	1,442,713	1,297,449	914,513
<u>542,652</u>	<u>565,008</u>	<u>566,819</u>	<u>1,040,531</u>	<u>1,040,531</u>	<u>1,270,269</u>
<u>2,684,686</u>	<u>3,330,128</u>	<u>4,096,441</u>	<u>4,750,358</u>	<u>5,268,271</u>	<u>6,534,576</u>
<u>1,639,119</u>	<u>1,785,620</u>	<u>1,972,456</u>	<u>1,761,943</u>	<u>3,201,797</u>	<u>996,154</u>
-	7,545	16,042	-	-	-
174,054	383,602	1,130,661	875,966	240,890	137,253
(184,006)	(225,861)	(1,367,707)	(1,359,236)	(1,357,557)	(1,345,411)
-	-	-	-	-	(23,787)
-	-	-	-	-	-
<u>(9,952)</u>	<u>165,286</u>	<u>(221,004)</u>	<u>(483,270)</u>	<u>(1,116,667)</u>	<u>(1,231,945)</u>
1,629,167	1,950,906	1,751,452	1,278,673	2,085,130	(235,791)
<u>(126,913)</u>	<u>(171,975)</u>	<u>(1,880)</u>	<u>(25,000)</u>	<u>3,338,530</u>	<u>468,019</u>
1,502,254	1,778,931	1,749,572	1,253,673	5,423,660	232,228
-	-	-	-	-	-
<u>\$ 1,502,254</u>	<u>\$ 1,778,931</u>	<u>\$ 1,749,572</u>	<u>\$ 1,253,673</u>	<u>\$ 5,423,660</u>	<u>\$ 232,228</u>

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Cash flows from operating activities:				
Operating income (loss)	\$ 1,338,718	\$ 1,258,520	\$ 1,853,301	\$ 1,804,813
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	434,226	461,567	462,182	496,859
Amortization	-	-	-	-
Deferred amount in refunding	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(33,873)	523	(129,344)	(99,910)
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in inventory	40	254	(126)	(831)
(Increase) decrease in prepaid costs	(23)	349	(394)	394
Increase (decrease) in accounts payable	(103,690)	2,067	485,153	(433,437)
Increase (decrease) in deposits	-	-	(600)	-
Total adjustments	<u>296,680</u>	<u>464,760</u>	<u>816,871</u>	<u>(36,925)</u>
Net cash provided (used) by operating activities	<u>1,635,398</u>	<u>1,723,280</u>	<u>2,670,172</u>	<u>1,767,888</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	-	-	-	-
(Increase) decrease in due from other funds	-	-	3,282	-
Transfers in (out)	(325,400)	(337,942)	(85,042)	(147,402)
Net cash provided (used) by noncapital financing activities	<u>(325,400)</u>	<u>(337,942)</u>	<u>(81,760)</u>	<u>(147,402)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	-	-	-	-
Capital contributions	-	-	-	-
Capital replacement	(2,348,656)	(1,647,554)	(1,339,677)	(1,575,152)
Capacity expansion	-	-	-	-
Contributed capital:				
Construction reimbursement	440,261	410,448	47,261	2,525
Certificates of participation proceeds	2,572,497	-	-	-
Debt issuance costs	-	-	-	-
Retirement of debt	-	-	-	-
Interest paid	(263,346)	(180,010)	(175,953)	(181,481)
Retirement of debt	-	(54,090)	(60,000)	(65,000)
Net cash provided (used) by capital and related financing activities	<u>400,756</u>	<u>(1,471,206)</u>	<u>(1,528,369)</u>	<u>(1,819,108)</u>
Cash flows from investing activities:				
Investment income	451,788	267,700	142,556	112,934
(Increase) decrease in investments	(1,245,880)	(222,875)	-	-
(Increase) decrease in loans	7,066	-	-	18,110
Net cash provided (used) by investing activities	<u>(787,026)</u>	<u>44,825</u>	<u>142,556</u>	<u>131,044</u>
Net increase (decrease) in cash and cash equivalents	973,728	(41,043)	1,202,599	(67,578)
Cash and cash equivalents at beginning of year	241,185	1,214,913	6,231,891	7,434,490
Cash and cash equivalents at end of year	<u>\$ 1,214,913</u>	<u>\$ 1,173,870</u>	<u>\$ 7,434,490</u>	<u>\$ 7,366,912</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ (190,477)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 1,639,119	\$ 1,785,620	\$ 1,972,456	\$ 1,761,943	\$ 3,201,797	\$ 996,154
542,652	565,008	566,819	1,040,531	1,040,531	1,270,269
-	154,109	23,787	23,853	23,787	-
-	(167,361)	-	-	-	-
18,152	(95,165)	(162,757)	(8,049)	(29,408)	(66,214)
-	-	-	-	-	-
4	(516)	(5,721)	5,487	(10)	(1,813)
-	-	-	-	-	(2,007)
27,566	177,968	-	(1,777,560)	(2,856,343)	(655,648)
-	-	556,198	-	-	-
588,374	634,043	978,326	(715,738)	(1,821,443)	544,587
2,227,493	2,419,663	2,950,782	1,046,205	1,380,354	1,540,741
-	7,545	16,042	-	-	-
-	-	50,000	-	3,354,431	(1,094,318)
(126,913)	(237,468)	(51,880)	(25,000)	(15,901)	468,019
(126,913)	(229,923)	14,162	(25,000)	3,338,530	(626,299)
-	-	-	-	-	-
-	65,493	-	-	-	-
(1,006,999)	(2,523,002)	(13,653,482)	(13,906,575)	(1,580,300)	(13,819)
-	-	-	-	-	-
-	29,418,176	-	-	-	-
-	(390,751)	-	-	-	-
-	-	(105,000)	(90,000)	(100,000)	(100,000)
(178,462)	(225,861)	(1,367,707)	(1,359,236)	(1,357,557)	(1,009,246)
(65,000)	(3,250,000)	-	-	-	-
(1,250,461)	23,094,055	(15,126,189)	(15,355,811)	(3,037,857)	(1,123,065)
129,141	275,544	1,068,708	1,037,246	268,711	144,934
-	-	-	-	-	-
-	-	-	-	-	-
129,141	275,544	1,068,708	1,037,246	268,711	144,934
979,260	25,559,339	(11,092,537)	(13,297,360)	1,949,738	(63,689)
7,366,912	8,346,172	33,905,511	22,812,974	9,515,614	11,465,352
\$ 8,346,172	\$ 33,905,511	\$ 22,812,974	\$ 9,515,614	\$ 11,465,352	\$ 11,401,663
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

	Fiscal Year		
	2008	2009	2010
<u>Number of Customers</u>			
Residential	3,984	4,060	4,059
Industrial and heavy commercial	55	46	45
Commercial	380	591	563
Municipal	20	16	16
Total	<u>4,438</u>	<u>4,713</u>	<u>4,683</u>
<u>Sewer Usage by Customer</u>			
Residential	592,138	432,589	338,235
Industrial and heavy commercial	28,844	49,409	29,146
Commercial	104,234	113,493	121,032
Municipal	5,383	5,414	4,730
Total	<u>730,599</u>	<u>600,905</u>	<u>493,143</u>
<u>Revenue</u>			
Residential	\$3,489,276	\$3,669,888	\$3,883,452
Industrial and heavy commercial	551,560	411,710	367,136
Commercial	1,423,990	1,754,751	2,013,945
Municipal	41,611	45,287	51,993
Total	<u>\$5,506,437</u>	<u>\$5,881,636</u>	<u>\$6,316,526</u>
Total average rate per HCF	<u>\$ 7.537</u>	<u>\$ 9.788</u>	<u>\$ 12.809</u>

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

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

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

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

<u>Revenue/Hundred Cubic Feet</u>	<u>Fiscal Year</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
July	\$ 5.116	\$ 5.779	\$ 11.981
August	4.583	5.826	12.397
September	5.173	10.578	11.999
October	7.491	10.705	12.357
November	8.638	11.293	12.762
December	10.719	11.443	13.009
January	11.108	12.186	13.340
February	12.310	11.701	13.277
March	13.515	11.477	13.533
April	10.744	11.893	13.380
May	7.377	11.766	12.860
June	6.064	11.888	13.115
Average	\$ 7.537	\$ 9.788	\$ 12.809

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

Source: City of Healdsburg Utility Billing Department

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

<u>Sewer Customer by Type</u>	<u>2010</u>		<u>2001</u>	
	Sewer Charges	Percent of Total Sewer Revenue	Sewer Charges	Percent of Total Sewer Revenue
Lodging	\$ 130,756	1.89573%	\$ - (1)	0.00000%
Winery	117,141	1.69834%	60,581	2.46101%
Lodging	109,093	1.58166%	18,228	0.74048%
Housing	88,578	1.28422%	28,620	1.16264%
Retail	87,634	1.27054%	19,410	0.78850%
Brewery	74,086	1.07412%	22,588	0.91760%
Housing	72,833	1.05595%	31,362	1.27403%
School	59,241	0.85889%	51,613	2.09670%
Restaurant	56,964	0.82588%	603	0.02450%
Winery	45,718	0.66283%	4,524	0.18378%
	<u>\$ 842,044</u>	<u>12.2%</u>	<u>\$ 237,529</u>	<u>9.6%</u>

Note: The top ten sewer customers are categorized by type.
(1) Business did not exist.

Source: City of Healdsburg Utility Billing Department