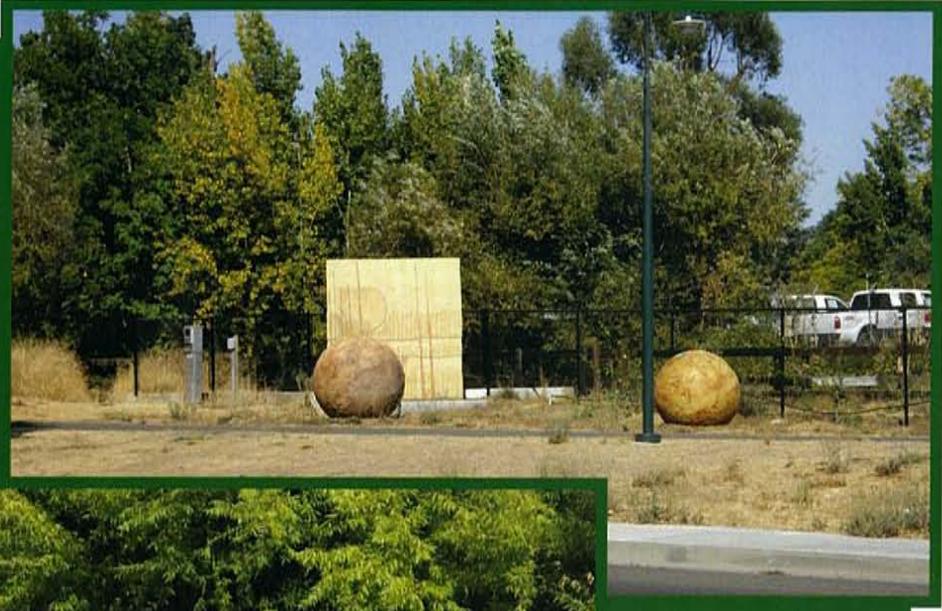


City of Healdsburg

California



Comprehensive Annual Financial Report Year Ended June 30, 2008



**CITY OF HEALDSBURG
HEALDSBURG, CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

FISCAL YEAR ENDED JUNE 30, 2008

Prepared by the Finance Department

CITY OF HEALDSBURG
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CITY OF HEALDSBURG ADMINISTRATION

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Healdsburg, CA 95448-4723

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December 5, 2008

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, 2008. 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) and should be read in conjunction with it. 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 that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

ANNUAL AUDIT

Diehl, Evans & Company, 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, 2008, 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, 2008, 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.

The City of Healdsburg was not required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-128, Audits of State and Local Governments.

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 a four member Council. 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. In addition, a five-year Capital Improvement Program is updated annually, at which time budget for new projects and revisions for existing projects are adopted. 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 projects 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 assess and evaluate budget performance.

For the Future

Several factors will impact the City's budget for the fiscal year 2008-2009 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. Although the real estate market has experienced a downturn countywide, the City's property tax revenue remains stable. Sales tax growth is projected to decline during the year, however transient occupancy tax has experienced moderate growth largely due to successful promotion of Healdsburg as a tourist destination.

For fiscal year 2008-2009 the City Council adopted a general fund budget with a budgetary deficit of \$760 thousand. It is anticipated that this budgetary gap will be narrowed with the implementation of cost saving measures and revenue transfers in an effort to reduce the reliance on reserves while still maintaining public safety service levels.

City Council has been proactive in planning for an uncertain financial future by:

- Establishing and maintaining reserve policies for the General Fund, Water, Sewer, Electric and Community Services Enterprise Funds.
- Supporting the future strategic development of a plan to help the City study various revenue enhancements to help absorb the changes in the local economic structure, such as the loss of a car dealership or adverse State actions.
- Continuous review of fees and charges to more fully recover the cost of City Services.
- Enacting a ballot measure passed by voters for an additional 2% Transient Occupancy Tax effective June 1, 2006 to sustain Police and Fire services with a new permanent revenue source.

These types of actions have helped to preserve the financial health of the City of Healdsburg and to provide the flexibility to make up for some of the revenue shortfalls when the State puts pressure on City resources and when the economic climate changes.

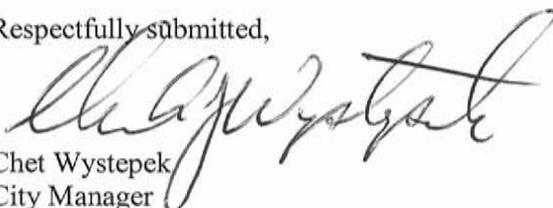
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Healdsburg for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Chet Wystepok
City Manager

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Healdsburg
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



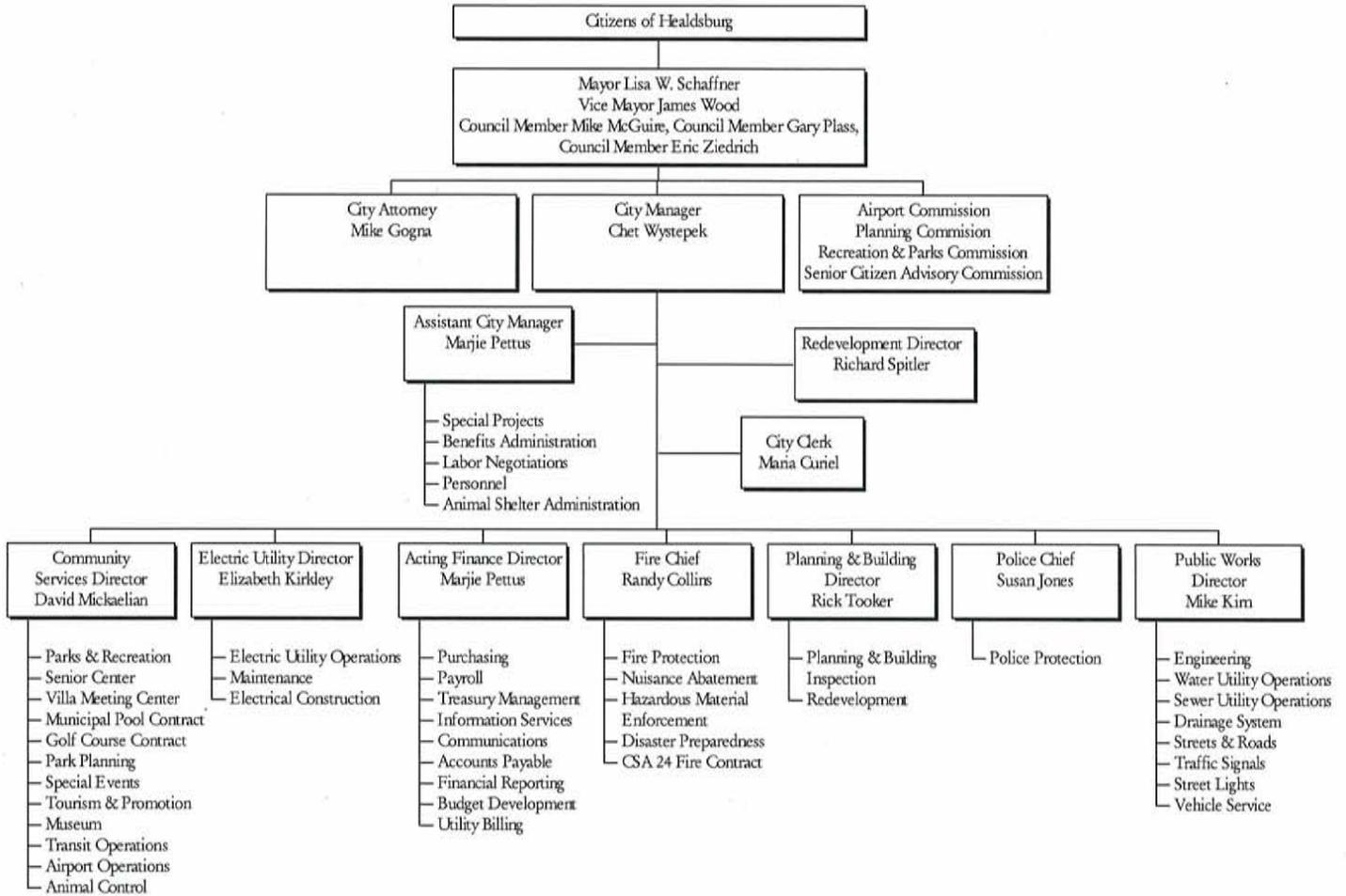
Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

City of Healdsburg Organization Chart



City of Healdsburg

June 30, 2008

Elected Officials

Lisa W. Schaffner
Mayor

James Wood
Vice Mayor

Gary Plass
Council Member

Mike McGuire
Council Member

Eric Ziedrich
Council Member

Appointed Officials

Chet J. Wystepok
City Manager

Marjie Pettus
Assistant City Manager

Maria Curiel
City Clerk

Elizabeth Kirkley
Electric Utility Director

Susan Jones
Police Chief

Rick Tooker
Planning and Building Director

Mike Gogna
City Attorney

Marjie Pettus
Acting Finance Director

David Mickaelian
Community Services Director

Mike Kirn
Public Works Director

Randy Collins
Fire Chief

Richard Spitler
Redevelopment Director

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*A PROFESSIONAL CORPORATION

October 31, 2008

INDEPENDENT AUDITORS' REPORT

The Honorable City Council
of the City of Healdsburg
Healdsburg, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Healdsburg, California, as of and for the year ended June 30, 2008, 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 of Healdsburg'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 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.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the 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 our report dated October 31, 2008, on our consideration of the City of Healdsburg's internal control over financial reporting and 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.

The management's discussion and analysis and the other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and express no opinion on it. The budgetary comparison schedule and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. The introductory section, other supplementary information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diery, Evans and Company, LLP

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

As management of the City of Healdsburg (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

Financial Highlights

- City assets exceeded its liabilities by \$151.1 million (net assets) at June 30, 2008. Of this amount, \$44.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net assets increased by \$5.4 million during the fiscal year, compared to an increase of \$7.2 million in the prior year. The increase attributable to the City's business type activities was \$3.3 million, while the governmental activities increased by \$2.1 million.
- At the close of fiscal year 2007-08, City governmental funds reported combined ending fund balance of \$47.0 million, an increase of \$0.5 million.
- At the end of fiscal year 2007-08, unreserved fund balance for the General Fund was \$4.7 million, or 64 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis are 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
- 3) Notes to the basic financial statements.

This report also contains other supplemental information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The *Statement of Net Assets* presents information on all of the City's assets and 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 is improving or deteriorating.

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid (e.g., uncollected taxes or earned but unused vacation leave).

Government-wide financial statements distinguish City governmental activities that are principally supported by taxes and intergovernmental revenues from other business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the City and the Healdsburg Redevelopment Agency, a blended component unit, include general government, public safety, culture and recreation and community development. Business type activities of the city include water utility, sewer utility, electric utility, streets and other programs.

The government-wide financial statements can be found on pages 15 - 17 of this report.

Fund Financial Statements

Fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

The City maintains several individual governmental funds organized by their type. They are Special Revenue, Debt Service, Capital Projects and Permanent Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Redevelopment Agency Debt Service, Redevelopment Commercial/Industrial Capital Projects, and General Capital Projects which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the other governmental funds is provided in the form of combining statements beginning on page 77 of this report.

The City adopts an annual appropriated budget for its General Fund, certain special revenue funds and debt service funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget. These statements are on pages 74, 90 - 100 and 104 - 106 of this report.

The basic governmental fund financial statements can be found on pages 18 - 25 of this report.

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 are fund used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the operations of water, sewer, electric, streets and other programs.
- ***Internal Service Funds:*** These are fund that used to report activities that provide internal services for the City. The City uses internal service funds to account for its insurance and benefits, vehicle service and replacement, information systems and equipment and government buildings. 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. Individual fund data for the internal service funds is provided in the form of combining statements beginning on page 119 of this report.

The basic proprietary fund financial statements can be found on pages 26 - 31 of this report.

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 statement because the resources of those funds are not available to support the City's own programs. The basic fiduciary fund financial statements can be found on page 32 of this report.

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34 - 71 of this report.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information that includes a Budgetary Comparison Schedule for the General Fund. Required supplementary information can be found on pages 74 and 75 of this report.

Combining statements for other governmental funds, internal service funds, fiduciary funds and budgetary comparison schedules for certain individual funds are presented immediately following the required supplementary information. Combining financial statements and schedules can be found on pages 77 - 131 of this report.

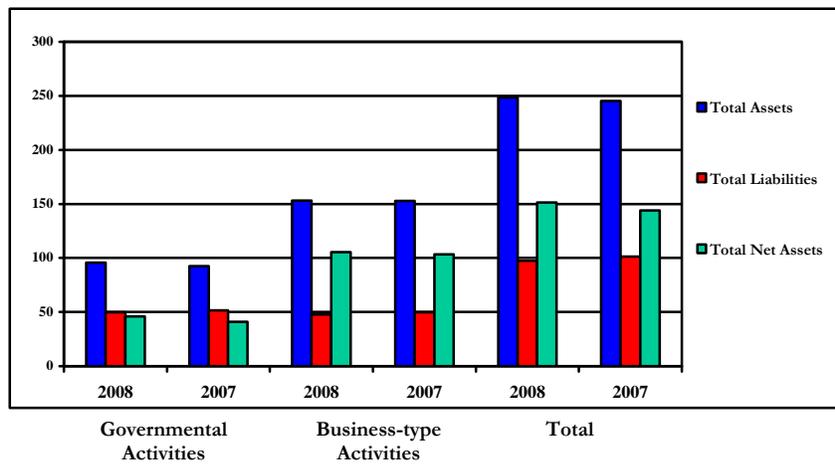
CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

Government-Wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, city assets exceeded liabilities by \$151.2 million in 2008 and by \$144.1 million in 2007, as summarized below:

Condensed Statements of Net Assets
(In Millions of Dollars)



	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	\$ 57.8	\$ 56.3	\$ 33.0	\$ 48.5	\$ 90.8	\$ 104.8
Capital assets (net of accumulated depreciation)	37.9	36.1	120.0	104.4	157.9	140.5
Total Assets	<u>95.7</u>	<u>92.4</u>	<u>153.0</u>	<u>152.9</u>	<u>248.7</u>	<u>245.3</u>
Liabilities:						
Current and other liabilities	3.1	3.3	5.5	7.0	8.6	10.3
Noncurrent liabilities	46.7	48.2	42.2	42.7	88.9	90.9
Total Liabilities	<u>49.8</u>	<u>51.5</u>	<u>47.7</u>	<u>49.7</u>	<u>97.5</u>	<u>101.2</u>
Net Assets:						
Invested in capital assets, net of related debt	14.4	14.4	78.1	61.7	92.5	76.1
Restricted	13.9	12.5	0.0	0.9	13.9	13.4
Unrestricted	17.6	14.0	27.2	40.6	44.8	54.6
Total Net Assets	<u>\$ 45.9</u>	<u>\$ 40.9</u>	<u>\$ 105.3</u>	<u>\$ 103.2</u>	<u>\$ 151.2</u>	<u>\$ 144.1</u>

A more detailed Statement of Net Assets is shown on page 15.
See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

Analysis of Net Assets

The largest portion (61.2 percent) of the City's net assets reflects its investment of \$92.5 million in capital assets (land, buildings and improvements, equipment, infrastructure, and construction in progress, net of accumulated depreciation); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, 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 (\$13.9 million or 9.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$44.8 million (29.6 percent) may be used to meet the government's ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

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

Statement of Activities

The statement of activities shows how the government's net assets changed during fiscal year 2007-08 as compared to 2006-07. The City's net assets increased overall by \$5.4 million during the current fiscal year.

Governmental activities increased the City's net assets by \$4.1 million before transfers for the current year. Compared to 2006-07, the City recognized an overall \$.3 million decrease in revenues, the net result of a decrease in charges for services (\$0.1 million), a decrease in operating grants and contributions, due to loss of Indian Gaming Grant (\$.4 million), and an increase in general revenues, primarily property taxes (\$0.2 million). Total expenses increased by \$0.6 million, which included an increase to public safety personnel costs (\$0.2 million) and an increase to community development, primarily county pass-throughs (\$0.6 million), and a decrease in general government (\$0.2 million). Public safety is the largest expense function (46.5 percent), followed by community development (32.0 percent), interest on long-term debt (15.6 percent), and general government (5.6 percent). General revenues such as property and sales tax are not shown by program, but are primarily used to support public safety program activities.

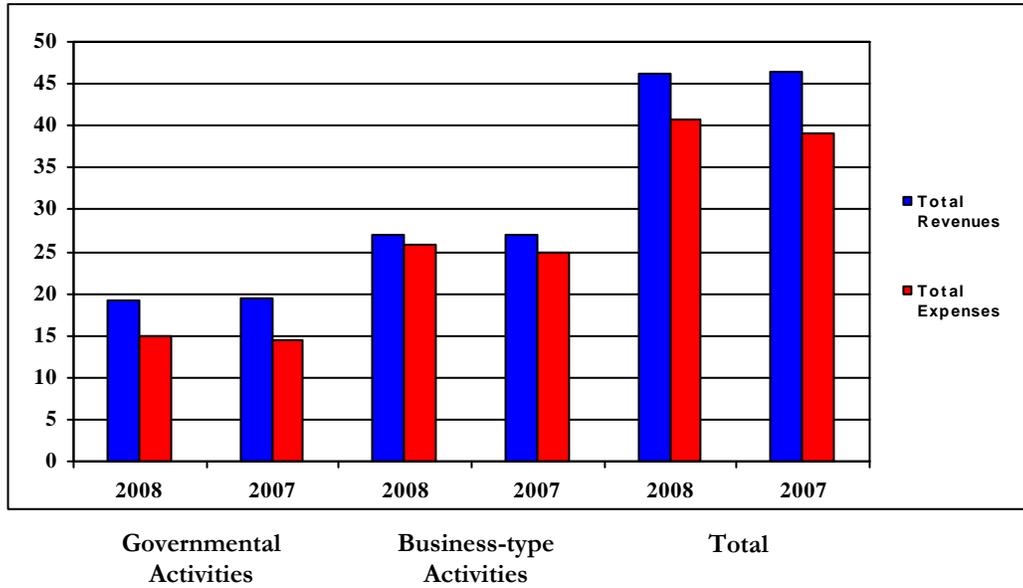
Business-type activities increased the City's net assets by \$1.3 million before transfers for the current year. Compared to 2006-07, business-type activities decreased \$0.1 million in revenue, which was the net result of following: increases in charges for services, due to increase in rates (\$0.4 million), decrease in operating grants and contributions (\$0.3 million), and decreases to capital grants and contributions (\$0.1 million) and general revenues (\$0.4 million). Total expenses increased by \$0.8 million, as follows: sewer operations for new treatment plant (\$0.6 million), electric administrative salaries and benefits (\$0.1 million), and other programs (\$0.6 million), and a decrease to water (\$0.5 million).

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

Statement of Activities: A more detailed Statement of Activities is shown on pages 16 – 17.

Condensed Statements of Net Assets
(In Millions of Dollars)



	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1.3	\$ 1.4	\$ 22.5	\$ 22.1	\$ 23.8	\$ 23.5
Operating grants and contributions	0.6	1.0	2.4	2.2	3.0	3.2
Capital grants and contributions	0.1	0.1	0.2	0.5	0.3	0.6
General revenues:						
Taxes	15.2	14.6	0.0	0.0	18.9	19.1
Intergovernmental	0.1	0.1	0.0	0.0	0.1	0.1
Investment Earnings	1.8	2.2	1.8	2.2	3.6	3.6
Total Revenues	19.1	19.4	26.9	27.0	46.0	46.4

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

Statement of Activities (continued):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Expenses:						
General government	0.8	1.0	0.0	0.0	0.8	1.0
Public safety	7.0	6.8	0.0	0.0	7.0	6.8
Community development	4.8	4.2	0.0	0.0	4.8	4.2
Interest on long-term debt	2.4	2.4	0.0	0.0	2.4	2.4
Water	0.0	0.0	4.2	4.7	4.2	4.7
Sewer	0.0	0.0	6.0	5.4	6.0	5.4
Electric	0.0	0.0	10.3	10.2	10.3	10.2
Streets	0.0	0.0	1.4	1.4	1.4	1.4
Other programs	<u>0.0</u>	<u>0.0</u>	<u>3.7</u>	<u>3.1</u>	<u>3.7</u>	<u>3.1</u>
Total Expenses	<u>15.0</u>	<u>14.4</u>	<u>25.6</u>	<u>24.8</u>	<u>40.6</u>	<u>39.2</u>
Change in Net Assets before						
Transfers	4.1	5.0	1.3	2.2	5.4	7.2
Transfers	<u>(0.8)</u>	<u>(1.1)</u>	<u>0.8</u>	<u>1.1</u>	<u>0.0</u>	<u>0.0</u>
Change in Net Assets	3.3	3.9	2.1	3.3	5.4	7.2
Net Assets Beginning						
of Year, as Restated	<u>42.5</u>	<u>38.6</u>	<u>103.2</u>	<u>99.9</u>	<u>145.7</u>	<u>138.5</u>
Net Assets End of Year	<u>\$ 45.8</u>	<u>\$ 42.5</u>	<u>\$ 105.3</u>	<u>\$ 103.2</u>	<u>\$ 151.1</u>	<u>\$ 145.7</u>

Governmental Funds

As noted earlier, 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. Refer to pages 18 - 25 for more detail of governmental funds.

As of June 30, 2008, the City's governmental funds reported combined total fund balance of \$47.0 million, which is \$0.5 million higher in comparison with the prior year. Of the \$47.0 million, \$17.7 million, or 38 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for debt service (\$4.6 million), redevelopment projects from bond funding (\$8.9 million) and for multi-year programs (\$15.2 million).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund reported total fund balance of \$4.7 million, the same as last year.

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

The City's major debt service fund is used to report the accumulation of resources for and the payment of principal and interest of long-term debt for the City's Redevelopment Agency. At June 30, 2008 the Redevelopment Agency Debt Service fund reported a fund balance of \$3.4 million.

The City's capital projects funds are used to account for capital outlay associated with the Redevelopment Commercial/Industrial improvements, Redevelopment Low/Moderate Income Housing projects, and General projects not supported by enterprise funds. The Redevelopment Commercial/Industrial Capital Projects fund balance was \$15.1 million at the end of the current year, a decrease of \$2.4 million from prior year.

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 and Streets funds. The major changes in enterprise net assets are a \$0.1 million decrease to \$15.1 million in the Water Fund, a \$1.3 million increase to \$33.7 million in the Sewer Fund, and a \$0.6 million increase to \$24.3 million in the Streets Fund. These increases are generally due to revenues exceeding expenditures and transfers out. The Electric Fund reported a decrease in net assets of \$0.6 million with an ending balance of \$19.2 million, which was primarily the result of an increase of \$0.5 million in operating expenses.

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 \$1.1 million during the fiscal year, ending with a balance of \$8.1 million. This increase is primarily attributable to an increase in charges for services to cover increases in insurance and benefit costs and additional funding required for the City's future vehicle and equipment replacement.

General Fund Budgetary Highlights

At June 30, 2008, unreserved general fund balance was \$4.8 million. Note that unreserved fund balance includes amounts designated by the City in accordance with the City's reserve policy. Unreserved fund balance, which includes designated funds, represents 66 percent of total General Fund expenditures, a decrease of 1 percent from prior year.

- The City budgeted \$6.9 million total revenue, but reported actual revenue of \$7.3 million with a variance of \$0.4 million.
- \$0.2 million increase in sales and other taxes due to transient occupancy tax exceeding budget projection.
- Total expenditures were less than the City's budgeted amount by \$0.3 million due to salary, services and supply savings in the area of public safety.

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

- Overall, the City ended the year with a positive budget variance of \$0.8 million, having budgeted \$0.7 million decrease to fund balance, but ending the year with a net increase of \$37 thousand.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$157.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings & improvements, equipment, infrastructure, and construction in progress. The total net increase in capital assets for fiscal year 2007-08 was \$17.4 million or 12 percent.

Major capital asset events during the current fiscal year included the following:

- Purchased land for potential development of commercial/industrial and low/moderate income housing projects.
- Purchased airport hangars to promote airport economic development.
- Completed construction of the wastewater treatment plant.
- Continued with phase one of the Badger Substation upgrade.
- Completed ongoing streets and utility systems improvements.
- Completed significant Villa Chanticleer building improvements.
- Completed ongoing streets and utility systems improvement.

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

Capital assets are summarized below:

Capital Assets (Net of Accumulated Depreciation)
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and land rights	\$ 15.8	\$ 15.0	\$ 5.0	\$ 5.0	\$ 20.8	\$ 20.0
Right of way	6.7	6.7	0.0	0.0	6.7	6.7
Construction in progress	0.5	0.5	8.8	33.0	9.3	33.5
Buildings	10.4	10.2	2.9	3.1	13.3	13.3
Streets	0.0	0.0	17.4	17.5	17.4	17.5
Utility systems	0.0	0.0	77.0	37.2	77.0	37.2
Drainage	0.0	0.0	6.9	6.7	6.9	6.7
Machinery and equipment	3.5	2.6	1.0	1.1	4.5	3.7
Operations	0.0	0.0	1.0	0.8	1.0	0.8
Infrastructure	1.0	1.0	0.0	0.0	1.0	1.0
Total Capital Assets, Net	\$ 37.9	\$ 36.0	\$ 120.0	\$ 104.4	\$ 157.9	\$ 140.4

Additional information on the City's capital assets can be found in Note 4 in the notes to the basic financial statements.

Long-term Debt

At the end of fiscal year 2007-08 the City had total bonded debt outstanding of \$88.0 million. Outstanding debt is summarized as follows:

Outstanding Debt – General Obligation and Revenue Bonds
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 4.4	\$ 4.7	\$ 0.0	\$ 0.0	\$ 4.4	\$ 4.7
Tax allocation bonds	39.8	40.8	0.0	0.0	39.8	40.8
Special assessments	1.1	1.3	0.0	0.0	1.1	1.3
Certificates of participation and Revenue Bonds	0.0	0.0	42.7	43.3	42.7	43.3
Total	\$ 45.3	\$ 46.8	\$ 42.7	\$ 43.3	\$ 88.0	\$ 90.1

The City's total bonds outstanding at the end of the year were \$88.0 million, a decrease of \$2.1 million from the prior year. This decrease was the result of principal payments made during the year.

Additional information on the City's long-term debt can be found in Note 5 in the notes to the basic financial statements.

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

Economic Factors and Next Year's Budgets and Rates

In preparing the budget for 2008-09, and during the first quarter of the fiscal year, management looked at the following economic factors:

- Factors impacting the budget are slow local economic growth, rising Public Employee Retirement System costs, medical insurance rates, and a continuation of budget deficit problems at the Federal and State level.
- Due to the statewide economic downturn consumer spending continues to face a downward trend which may have a negative impact on sales tax revenue.
- The demand for Police and Fire services continues to grow faster than the existing permanent General Fund revenue sources. The City adopted a General Fund budget that included implementation of several cost saving measures, but still is projecting a \$762 thousand deficit.
- Public Safety budgets were developed to maintain prior year staffing levels, but do not include funding for replacement of vehicles and equipment.

The City continues to grow gradually with new hotels, and other commercial development, construction of street improvements, park construction, and various other projects. The 2008-09 budget is a reflection of the City's commitment to the residents of Healdsburg. The City's conservative approach has provided for a consistent high level of services that have continued through the use of one-time revenue sources. The City has made a commitment to allocate resources for public safety, cultural/social programs, and infrastructure improvements. A copy of the City's 2008-09 budget can be viewed by visiting the City's website at: www.ci.healdsburg.ca.us.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, all inquiries can be made to:

City of Healdsburg
Department of Finance
401 Grove Street
Healdsburg, CA 95448-4723
(707) 431-3310

See independent auditors' report

CITY OF HEALDSBURG

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 2)	\$ 27,406,958	\$ 25,307,242	\$ 52,714,200
Receivables:			
Interest	174,044	174,019	348,063
Accounts	131,876	2,843,806	2,975,682
Taxes	903,673	288,437	1,192,110
Loans	3,510,448	-	3,510,448
Special assessments	1,145,000	-	1,145,000
Notes	22,090	-	22,090
Due from other governments	106,775	10,735	117,510
Internal balances	(1,079,867)	1,079,867	-
Inventory	39,941	1,572,062	1,612,003
Deferred charges	397,513	952,911	1,350,424
Restricted assets:			
Cash and investments (Note 2)	25,003,309	745,540	25,748,849
Capital assets (Note 4):			
Land	15,854,546	4,983,902	20,838,448
Right of way	6,681,379	-	6,681,379
Infrastructure, net	966,760	-	966,760
Depreciable buildings, net	10,470,582	2,924,752	13,395,334
Depreciable streets, net	-	17,355,209	17,355,209
Depreciable utility systems, net	-	77,003,928	77,003,928
Depreciable drainage, net	-	6,886,551	6,886,551
Depreciable machinery and equipment, net	3,378,984	974,774	4,353,758
Depreciable operations, net	-	1,046,790	1,046,790
Construction in progress	517,206	8,808,213	9,325,419
TOTAL ASSETS	95,631,217	152,958,738	248,589,955
LIABILITIES:			
Accounts payable and accrued liabilities	1,875,777	4,617,822	6,493,599
Deposits payable	29,403	837,695	867,098
Unearned revenue	1,145,000	-	1,145,000
Noncurrent liabilities (Note 5):			
Due within one year	3,125,326	580,000	3,705,326
Due in more than one year	43,596,822	41,644,986	85,241,808
TOTAL LIABILITIES	49,772,328	47,680,503	97,452,831
NET ASSETS:			
Invested in capital assets, net of related debt	14,387,366	78,119,310	92,506,676
Restricted for:			
Debt service	4,617,531	-	4,617,531
Community development	8,957,781	-	8,957,781
Culture and recreation	241,441	-	241,441
Nonexpendable for senior services	78,028	-	78,028
Unrestricted	17,576,742	27,158,925	44,735,667
TOTAL NET ASSETS	\$ 45,858,889	\$ 105,278,235	\$ 151,137,124

See independent auditors' report and notes to basic financial statements.

CITY OF HEALDSBURG

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 838,802	\$ 376,663	\$ 15,670	\$ -
Public safety	6,995,119	498,276	285,954	-
Culture and recreation	19,178	-	-	-
Community development	4,818,064	431,583	287,435	85,249
Unallocated infrastructure depreciation	25,728	-	-	-
Interest on long-term debt	2,353,334	-	-	-
Total governmental activities	15,050,225	1,306,522	589,059	85,249
Business-type activities:				
Water	4,218,730	4,280,482	-	-
Sewer	5,996,588	6,512,301	-	-
Electric	10,334,757	9,257,244	-	181,173
Streets	1,414,695	880,235	543,219	-
Other programs	3,708,744	1,616,622	1,893,852	-
Total business-type activities	25,673,514	22,546,884	2,437,071	181,173
TOTAL PRIMARY GOVERNMENT	\$ 40,723,739	\$ 23,853,406	\$ 3,026,130	\$ 266,422

General revenues:

Taxes:

Property taxes, levied for general purposes

Franchise taxes

Sales tax

Transient occupancy taxes

Intergovernmental:

Unrestricted motor vehicle in-lieu

Investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net assets - Beginning of year, as restated

Net assets - End of year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (446,469)	\$ -	\$ (446,469)
(6,210,889)	-	(6,210,889)
(19,178)	-	(19,178)
(4,013,797)	-	(4,013,797)
(25,728)	-	(25,728)
<u>(2,353,334)</u>	<u>-</u>	<u>(2,353,334)</u>
<u>(13,069,395)</u>	<u>-</u>	<u>(13,069,395)</u>
-	61,752	61,752
-	515,713	515,713
-	(896,340)	(896,340)
-	8,759	8,759
<u>-</u>	<u>(198,270)</u>	<u>(198,270)</u>
<u>-</u>	<u>(508,386)</u>	<u>(508,386)</u>
<u>(13,069,395)</u>	<u>(508,386)</u>	<u>(13,577,781)</u>
11,253,827	-	11,253,827
373,725	-	373,725
3,324,266	-	3,324,266
310,007	-	310,007
51,905	-	51,905
1,857,049	1,819,816	3,676,865
<u>(786,795)</u>	<u>786,795</u>	<u>-</u>
<u>16,383,984</u>	<u>2,606,611</u>	<u>18,990,595</u>
3,314,589	2,098,225	5,412,814
<u>42,544,300</u>	<u>103,180,010</u>	<u>145,724,310</u>
<u>\$ 45,858,889</u>	<u>\$ 105,278,235</u>	<u>\$ 151,137,124</u>

CITY OF HEALDSBURG

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

		General	Redevelopment Agency Debt Service
ASSETS		<u> </u>	<u> </u>
Cash and investments		\$ 3,980,285	\$ 299,595
Receivables:			
Accounts		25,445	-
Taxes		784,189	-
Notes		-	-
Interest		23,888	-
Special assessments		-	-
Due from other governments		33,408	-
Due from other funds		-	-
Restricted cash and investments		-	3,116,525
TOTAL ASSETS		<u>\$ 4,847,215</u>	<u>\$ 3,416,120</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ 54,752	\$ 17,341
Deposits		29,403	-
Due to other funds		-	-
Deferred revenue		-	-
TOTAL LIABILITIES		<u>84,155</u>	<u>17,341</u>
FUND BALANCES:			
Reserved:			
Notes receivable		-	-
Low and moderate income housing		-	-
Debt service		-	3,398,779
Multi-year programs		-	-
Unreserved, Reported In:			
General fund		4,763,060	-
Special revenue fund		-	-
Capital projects fund		-	-
Permanent fund		-	-
TOTAL FUND BALANCES		<u>4,763,060</u>	<u>3,398,779</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 4,847,215</u>	<u>\$ 3,416,120</u>

See independent auditors' report and notes to basic financial statements.

Capital Projects Funds			
Redevelopment Agency Commercial/ Industrial	Redevelopment Agency Low/Moderate Income	Other Governmental Funds	Total Governmental Funds
\$ 397,031	\$ 2,442,480	\$ 12,762,413	\$ 19,881,804
-	-	92,415	117,860
59,307	14,827	45,350	903,673
-	2,190,500	1,319,948	3,510,448
8,104	19,313	83,460	134,765
-	-	1,145,000	1,145,000
-	-	73,367	106,775
498,000	-	1,058,000	1,556,000
15,218,273	6,401,458	267,053	25,003,309
<u>\$ 16,180,715</u>	<u>\$ 11,068,578</u>	<u>\$ 16,847,006</u>	<u>\$ 52,359,634</u>
\$ 15,807	\$ 5,585	\$ 82,149	\$ 175,634
-	-	-	29,403
1,058,000	-	55,000	1,113,000
-	2,190,500	1,820,000	4,010,500
<u>1,073,807</u>	<u>2,196,085</u>	<u>1,957,149</u>	<u>5,328,537</u>
-	-	644,450	644,450
-	8,872,493	-	8,872,493
-	-	1,218,752	4,617,531
15,218,273	-	-	15,218,273
-	-	-	4,763,060
-	-	7,123,360	7,123,360
(111,365)	-	5,825,267	5,713,902
-	-	78,028	78,028
<u>15,106,908</u>	<u>8,872,493</u>	<u>14,889,857</u>	<u>47,031,097</u>
<u>\$ 16,180,715</u>	<u>\$ 11,068,578</u>	<u>\$ 16,847,006</u>	<u>\$ 52,359,634</u>

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CITY OF HEALDSBURG

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2008

Fund balances - total governmental funds		\$ 47,031,097
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		34,960,374
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,865,500
Internal service funds are used by management to charge the costs of self-insurance, information services and capital replacements to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		8,131,312
Internal balances included in internal service funds which are payable from the enterprise funds.		(1,522,867)
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Assets:		
General obligation bonds	\$ (4,360,000)	
Tax allocation bonds payable	(39,830,000)	
Special assessment bonds payable	(1,145,000)	
Bond discount	233,178	
Deferred charges for issuance costs	397,513	
Total long-term liabilities		(44,704,309)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(902,218)
Net assets of governmental activities		<u>\$ 45,858,889</u>

See independent auditors' report and notes to basic financial statements.

CITY OF HEALDSBURG

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2008

	General	Redevelopment Agency Debt Service
REVENUES:		
Property taxes	\$ 1,849,683	\$ -
Sales and other taxes	4,447,112	-
Charges for services	367,953	-
Intergovernmental revenue	353,800	-
Development fees and permits	-	-
Investment income	168,747	29,295
Rental income	-	-
Miscellaneous fees and charges	119,304	-
Other revenues	15,781	-
TOTAL REVENUES	7,322,380	29,295
EXPENDITURES:		
Current:		
General government	313,344	-
Public safety	6,989,391	-
Culture and recreation	-	-
Community development	-	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	945,000
Interest and fees	-	2,131,446
TOTAL EXPENDITURES	7,302,735	3,076,446
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,645	(3,047,151)
OTHER FINANCING SOURCES (USES):		
Transfers in	17,101	3,078,955
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES (USES)	17,101	3,078,955
NET CHANGE IN FUND BALANCES	36,746	31,804
FUND BALANCES - BEGINNING OF YEAR	4,726,314	3,366,975
FUND BALANCES - END OF YEAR	\$ 4,763,060	\$ 3,398,779

See independent auditors' report and notes to basic financial statements.

Capital Projects Funds			
Redevelopment Agency Commercial/ Industrial	Redevelopment Agency Low/Moderate Income	Other Governmental Funds	Total Governmental Funds
\$ 6,887,935	\$ 1,721,984	\$ 794,225	\$ 11,253,827
-	-	-	4,447,112
-	-	-	367,953
-	-	276,311	630,111
-	-	103,641	103,641
621,607	350,059	562,381	1,732,089
-	-	426,515	426,515
-	-	-	119,304
-	-	33,011	48,792
<u>7,509,542</u>	<u>2,072,043</u>	<u>2,196,084</u>	<u>19,129,344</u>
162,182	70,764	37,596	583,886
-	-	-	6,989,391
-	-	19,178	19,178
5,180,639	447,763	148,867	5,777,269
-	-	650,768	650,768
-	-	520,000	1,465,000
-	-	220,374	2,351,820
<u>5,342,821</u>	<u>518,527</u>	<u>1,596,783</u>	<u>17,837,312</u>
<u>2,166,721</u>	<u>1,553,516</u>	<u>599,301</u>	<u>1,292,032</u>
1,378,974	298,475	3,779,254	8,552,759
(5,964,884)	(2,464,781)	(937,512)	(9,367,177)
<u>(4,585,910)</u>	<u>(2,166,306)</u>	<u>2,841,742</u>	<u>(814,418)</u>
(2,419,189)	(612,790)	3,441,043	477,614
<u>17,526,097</u>	<u>9,485,283</u>	<u>11,448,814</u>	<u>46,553,483</u>
<u>\$ 15,106,908</u>	<u>\$ 8,872,493</u>	<u>\$ 14,889,857</u>	<u>\$ 47,031,097</u>

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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 year ended June 30, 2008

Net change in fund balances - total governmental funds		\$	477,614
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalizable capital outlays (\$1,609,973) exceeded depreciation (\$ 625,004) in the current period			984,969
Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds.			
Taxes			(86,360)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These amounts are the net effect of these differences in the treatment of long-term debt:			
Principal payments			1,465,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:			
Interest and related items	\$	33,366	
Amortization of issuance costs		(21,886)	
Amortization of bond discount		(12,994)	
			(1,514)
Internal service funds are used by management to charge the costs of self-insurance, information services and capital replacements to individual funds. A portion of the net income of the internal service funds is reported with governmental activities.			474,880
Change in net assets of governmental activities		\$	<u>3,314,589</u>

See independent auditors' report and notes to basic financial statements.

CITY OF HEALDSBURG

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2008

ASSETS	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
CURRENT ASSETS:			
Cash and investments	\$ 2,752,905	\$ 9,514,788	\$ 3,766,323
Accounts receivable	675,993	802,503	1,285,741
Taxes receivable	-	-	-
Interest receivable	16,402	62,056	34,067
Notes receivable	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	55,000
Inventory	134,305	2,370	1,346,295
TOTAL CURRENT ASSETS	3,579,605	10,381,717	6,487,426
NONCURRENT ASSETS:			
Deferred issuance cost	591,908	361,003	-
Restricted cash and investments	744,714	826	-
Capital assets:			
Land	310,781	766,902	48,360
Building	1,480,552	206,166	447,835
Streets	-	-	-
Utility systems	27,436,979	53,180,251	15,088,482
Drainage	-	9,463,020	-
Machinery and equipment	619,682	571,690	453,858
Operations	-	-	-
Construction in progress	151,538	1,263,826	5,009,137
Less accumulated depreciation	(6,410,259)	(9,586,954)	(7,446,649)
TOTAL NONCURRENT ASSETS	24,925,895	56,226,730	13,601,023
TOTAL ASSETS	28,505,500	66,608,447	20,088,449
LIABILITIES			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	221,795	3,828,889	350,247
Deposits from others	2,365	-	575,611
Due to other funds	-	-	-
Claims payable	-	-	-
Compensated absences	-	-	-
Certificates of participation and revenue bonds	480,000	100,000	-
TOTAL CURRENT LIABILITIES	704,160	3,928,889	925,858
NONCURRENT LIABILITIES:			
Certificates of participation and revenue bonds	12,663,880	28,981,106	-
TOTAL LIABILITIES	13,368,040	32,909,995	925,858
NET ASSETS:			
Invested in capital assets, net of related debt	10,445,393	27,143,972	13,601,023
Unrestricted	4,692,067	6,554,480	5,561,568
TOTAL NET ASSETS	\$ 15,137,460	\$ 33,698,452	\$ 19,162,591

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Net assets of business-type activities

See independent auditors' report and notes to basic financial statements.

Business-type Activities - Enterprise Funds (Continued)			Governmental Activities
Streets Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 5,622,569	\$ 3,650,657	\$ 25,307,242	\$ 7,525,154
54,768	24,801	2,843,806	14,016
-	288,437	288,437	-
34,997	26,497	174,019	40,114
-	-	-	22,090
-	10,735	10,735	-
-	72,000	127,000	-
41,996	47,096	1,572,062	39,106
<u>5,754,330</u>	<u>4,120,223</u>	<u>30,323,301</u>	<u>7,640,480</u>
-	-	952,911	-
-	-	745,540	-
-	3,857,859	4,983,902	-
-	4,201,177	6,335,730	-
24,472,033	-	24,472,033	-
-	-	95,705,712	-
-	-	9,463,020	-
10,739	737,368	2,393,337	7,114,297
-	1,544,347	1,544,347	-
1,338,886	1,044,826	8,808,213	423
(7,122,731)	(3,155,582)	(33,722,175)	(4,205,637)
<u>18,698,927</u>	<u>8,229,995</u>	<u>121,682,570</u>	<u>2,909,083</u>
<u>24,453,257</u>	<u>12,350,218</u>	<u>152,005,871</u>	<u>10,549,563</u>
35,171	181,720	4,617,822	720,435
91,000	168,719	837,695	-
-	570,000	570,000	-
-	-	-	77,490
-	-	-	1,620,326
-	-	580,000	-
<u>126,171</u>	<u>920,439</u>	<u>6,605,517</u>	<u>2,418,251</u>
-	-	41,644,986	-
<u>126,171</u>	<u>920,439</u>	<u>48,250,503</u>	<u>2,418,251</u>
18,698,927	8,229,995	78,119,310	2,909,083
5,628,159	3,199,784	25,636,058	5,222,229
<u>\$ 24,327,086</u>	<u>\$ 11,429,779</u>	103,755,368	<u>\$ 8,131,312</u>
		<u>1,522,867</u>	
		<u>\$ 105,278,235</u>	

CITY OF HEALDSBURG

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the year ended June 30, 2008

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
OPERATING REVENUES:			
Charges for services	\$ 4,094,170	\$ 5,920,923	\$ 9,163,416
Development fees	181,329	591,047	23,617
Rental income	-	-	-
Other revenues	4,983	331	70,211
TOTAL OPERATING REVENUES	4,280,482	6,512,301	9,257,244
OPERATING EXPENSES:			
Purchased power	-	-	5,874,492
Operations	2,063,433	2,267,114	2,145,553
Administrative	1,138,039	1,442,713	1,974,354
Insurance and benefit costs	-	-	-
Capital outlay	-	-	-
Depreciation	508,359	1,040,531	422,960
TOTAL OPERATING EXPENSES	3,709,831	4,750,358	10,417,359
OPERATING INCOME (LOSS)	570,651	1,761,943	(1,160,115)
NONOPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Intergovernmental grants	-	-	-
Investment income	141,283	875,966	228,793
Interest expense	(596,407)	(1,359,236)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(455,124)	(483,270)	228,793
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	115,527	1,278,673	(931,322)
CAPITAL CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	-	181,173
Transfers in	153,406	-	-
Transfers out	(395,556)	(25,000)	-
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	(242,150)	(25,000)	181,173
CHANGE IN NET ASSETS	(126,623)	1,253,673	(750,149)
TOTAL NET ASSETS - BEGINNING OF YEAR	15,264,083	32,444,779	19,912,740
TOTAL NET ASSETS - END OF YEAR	\$ 15,137,460	\$ 33,698,452	\$ 19,162,591

Adjustment to reflect the consolidation of internal
service fund activities related to enterprise funds:
Change in net assets of business-type activities (page 17)

See independent auditors' report and notes to basic financial statements.

Business-type Activities - Enterprise Funds (Continued)			Governmental Activities
Streets Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ -	\$ 346,510	\$ 19,525,019	\$ 10,898,012
879,661	428,868	2,104,522	-
-	368,237	368,237	-
574	473,007	549,106	17,265
<u>880,235</u>	<u>1,616,622</u>	<u>22,546,884</u>	<u>10,915,277</u>
-	-	5,874,492	-
486,210	2,569,133	9,531,443	2,205,834
517,938	938,367	6,011,411	96,205
-	-	-	7,450,866
-	41,201	41,201	-
495,283	209,878	2,677,011	406,052
<u>1,499,431</u>	<u>3,758,579</u>	<u>24,135,558</u>	<u>10,158,957</u>
<u>(619,196)</u>	<u>(2,141,957)</u>	<u>(1,588,674)</u>	<u>756,320</u>
82,852	1,596,278	1,679,130	-
460,367	297,574	757,941	-
235,040	177,954	1,659,036	269,404
-	-	(1,955,643)	-
<u>778,259</u>	<u>2,071,806</u>	<u>2,140,464</u>	<u>269,404</u>
<u>159,063</u>	<u>(70,151)</u>	<u>551,790</u>	<u>1,025,724</u>
-	-	181,173	-
401,536	2,177,576	2,732,518	27,916
-	(1,525,167)	(1,945,723)	(293)
<u>401,536</u>	<u>652,409</u>	<u>967,968</u>	<u>27,623</u>
560,599	582,258	1,519,758	1,053,347
<u>23,766,487</u>	<u>10,847,521</u>		<u>7,077,965</u>
<u>\$ 24,327,086</u>	<u>\$ 11,429,779</u>		<u>\$ 8,131,312</u>
		<u>578,467</u>	
		<u>\$ 2,098,225</u>	

CITY OF HEALDSBURG

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2008

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 4,238,136	\$ 6,504,252	\$ 9,257,731
Payments to suppliers	(1,511,532)	(3,497,347)	(6,818,774)
Payments to employees	(1,773,668)	(1,960,700)	(2,731,847)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>952,936</u>	<u>1,046,205</u>	<u>(292,890)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Taxes	-	-	-
Intergovernmental grants	-	-	-
Cash received from other funds	153,406	-	-
Cash paid to other funds	(395,556)	(25,000)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(242,150)</u>	<u>(25,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets - capital replacement	(487,049)	(13,906,575)	(3,150,084)
Capital contributions	-	-	181,173
Retirement of debt	(480,000)	(90,000)	-
Interest paid	(596,407)	(1,359,236)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,563,456)</u>	<u>(15,355,811)</u>	<u>(2,968,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	<u>161,393</u>	<u>1,037,246</u>	<u>274,309</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(691,277)	(13,297,360)	(2,987,492)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,188,896</u>	<u>22,812,974</u>	<u>6,753,815</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,497,619</u>	<u>\$ 9,515,614</u>	<u>\$ 3,766,323</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 570,651	\$ 1,761,943	\$ (1,160,115)
Depreciation	508,359	1,040,531	422,960
Amortization	42,715	23,853	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(42,346)	(8,049)	487
(Increase) decrease in inventory	(10,609)	5,487	62,891
(Increase) decrease in other current assets	-	-	-
Increase (decrease) in accounts payable	(99,357)	(1,777,560)	223,608
Increase (decrease) in deposits	(16,477)	-	157,279
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 952,936</u>	<u>\$ 1,046,205</u>	<u>\$ (292,890)</u>

See independent auditors' report and notes to basic financial statements.

Business-type Activities - Enterprise Funds (Continued)			Governmental Activities
Streets Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 826,292	\$ 1,626,552	\$ 22,452,963	\$ 10,923,937
(464,896)	(2,203,415)	(14,495,964)	(9,350,904)
(550,609)	(1,359,727)	(8,376,551)	(369,411)
<u>(189,213)</u>	<u>(1,936,590)</u>	<u>(419,552)</u>	<u>1,203,622</u>
82,852	1,513,098	1,595,950	-
460,367	297,574	757,941	-
401,536	2,177,576	2,732,518	27,916
<u>-</u>	<u>(1,027,167)</u>	<u>(1,447,723)</u>	<u>(293)</u>
<u>944,755</u>	<u>2,961,081</u>	<u>3,638,686</u>	<u>27,623</u>
(361,361)	(339,497)	(18,244,566)	(1,209,715)
-	-	181,173	-
-	-	(570,000)	-
<u>-</u>	<u>421</u>	<u>(1,955,222)</u>	<u>-</u>
<u>(361,361)</u>	<u>(339,076)</u>	<u>(20,588,615)</u>	<u>(1,209,715)</u>
<u>249,364</u>	<u>177,371</u>	<u>1,899,683</u>	<u>293,285</u>
643,545	862,786	(15,469,798)	314,815
<u>4,979,024</u>	<u>2,787,871</u>	<u>41,522,580</u>	<u>7,210,339</u>
<u>\$ 5,622,569</u>	<u>\$ 3,650,657</u>	<u>\$ 26,052,782</u>	<u>\$ 7,525,154</u>
\$ (619,196)	\$ (2,141,957)	\$ (1,588,674)	\$ 756,320
495,283	209,878	2,677,011	406,052
-	-	66,568	-
(53,943)	20,664	(83,187)	8,660
(41,996)	(10,307)	5,466	20,913
-	(10,735)	(10,735)	-
8,344	(44,466)	(1,689,431)	11,677
<u>22,295</u>	<u>40,333</u>	<u>203,430</u>	<u>-</u>
<u>\$ (189,213)</u>	<u>\$ (1,936,590)</u>	<u>\$ (419,552)</u>	<u>\$ 1,203,622</u>

CITY OF HEALDSBURG

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2008

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Cash and investments (Note 2)	\$ 911,501
Interest receivable	<u>5,817</u>
TOTAL ASSETS	917,318
LIABILITIES:	
Accounts payable	<u>2,537</u>
NET ASSETS:	
Held in trust for other purposes	<u><u>\$ 914,781</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF HEALDSBURG

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the year ended June 30, 2008

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Contributions	\$ 48,076
Investment income	38,877
Fees and charges	37,774
Transfers in	<u>50,000</u>
TOTAL ADDITIONS	174,727
DEDUCTIONS:	
Community development	<u>170,769</u>
CHANGE IN NET ASSETS	3,958
NET ASSETS - BEGINNING OF YEAR	<u>910,823</u>
NET ASSETS - END OF YEAR	<u><u>\$ 914,781</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

1. 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 Healdsburg Redevelopment Agency (Agency), the Healdsburg Public Improvement Corporation (HPIC) and the Healdsburg Financing Authority (HFA).

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board Statement (GASB) 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. HPIC transactions are included in the Water and Electric Enterprise Funds. HFA transactions are recorded in the Redevelopment Agency Debt Service 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, HPIC and HFA. In addition, the Agency, HPIC and HFA 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 City and HPIC are financially interdependent. The City makes annual lease payments to HPIC, which are used for debt service on the certificates issued by HPIC.

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

Separate financial statements for the Agency and HPIC are available at the City's Administrative Offices.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 8 and 9).

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.

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

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other funds in the aggregate for governmental and proprietary funds. Fiduciary statements, even though excluded from the government-wide financial statements include financial information that primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 and fiduciary 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 which the taxes are levied. Revenue from grants, entitlements, and donations is 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. 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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general 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.

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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Major Governmental Funds (Continued)

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

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

Major Enterprise Funds

The Water Fund accounts for the activities of water utility to the residents of the city.

The Sewer Fund accounts for the activities of sewer utility 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 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 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 a government, 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.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 be 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 year-end.

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 market 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) which includes certain improvements including 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, 2008.

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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital Assets (Continued)

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 15 years
Machinery and equipment	10 years
Office furniture, computers and equipment	3 to 10 years
Leased property	5 to 10 years
Infrastructure	50 years

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

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.

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

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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property Tax Levy, Collection and Maximum Rates (Continued)

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 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.

See independent auditors’ report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

1. 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 collectibility of its receivables (including accounts receivable), and notes receivable, the market value of investments, valuation of capital assets and depreciation expense, and the ultimate outcome of claims payable. Actual results could differ from those estimates and assumptions.

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments at June 30, 2008 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	\$ 52,714,200	\$ 911,501	\$ 53,625,701
Restricted assets:			
Cash and investments	<u>25,748,849</u>	<u>-</u>	<u>25,748,849</u>
Total Cash and Investments	<u>\$ 78,463,049</u>	<u>\$ 911,501</u>	<u>\$ 79,374,550</u>

Cash and investments at June 30, 2008 consisted of the following:

Cash on hand	\$ 1,075
Deposits with financial institutions	3,148,405
Investments	<u>76,225,070</u>
Total Cash and Investments	<u>\$ 79,374,550</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

2. CASH AND INVESTMENTS (CONTINUED):

Investment 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Enterprise Securities	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	180 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Repurchase Agreements	1 day	2.5%	10%
Medium-Term Notes	5 years	30%	10%
County Pooled Investment Funds	N/A	10%	10%
Local Agency Investment Fund (LAIF)	N/A	10%	10%

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

N/A - Not Applicable

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

2. 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 Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. 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

N/A - Not Applicable

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	
Local Agency Investment Fund (LAIF)	\$ 5,000,162	\$ -	\$ -	\$ 5,000,162
Sonoma County Investment Pool	276,529	-	-	276,529
Federal Farm Credit Bank (FFCB)	-	1,000,000	3,000,000	4,000,000
Federal Home Loan Bank (FHLB)	17,549,115	8,519,207	11,078,560	37,146,882
Federal Home Loan Mortgage Corporation (FHLMC)	-	-	3,000,000	3,000,000
Federal National Mortgage Association (FNMA)	-	-	2,000,000	2,000,000
Money Market Mutual Funds	<u>24,801,497</u>	<u>-</u>	<u>-</u>	<u>24,801,497</u>
	<u>\$ 47,627,303</u>	<u>\$ 9,519,207</u>	<u>\$ 19,078,560</u>	<u>\$ 76,225,070</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

2. 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	Total as of June 30, 2008	Minimum Legal Rating	AAA	Unrated
LAIF	\$ 5,000,162	N/A	\$ -	\$ 5,000,162
Sonoma County Investment Pool	276,529	N/A	-	276,529
FFCB	4,000,000	AAA	4,000,000	-
FHLB	37,146,882	AAA	37,146,882	-
FHLMC	3,000,000	AAA	3,000,000	-
FNMA	2,000,000	AAA	2,000,000	-
Money Market Mutual Funds	<u>24,801,497</u>	AAA	<u>24,801,497</u>	<u>-</u>
Total	<u>\$ 76,225,070</u>		<u>\$ 70,948,379</u>	<u>\$ 5,276,691</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	U.S. Government Sponsored Enterprise Securities	\$ 4,000,000
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	37,146,882

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. At June 30, 2008, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized under California Law.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

2. CASH AND INVESTMENTS (CONTINUED):

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.

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

Due to and from other funds at June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Redevelopment Agency Commercial/Industrial	Other Enterprise Funds	\$ 498,000
Other Governmental Funds	Redevelopment Agency Commercial/Industrial	1,058,000
Electric Enterprise Fund	Other Governmental Funds	55,000
Other Enterprise Funds	Other Enterprise Funds	<u>72,000</u>
		<u>\$ 1,683,000</u>

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

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

The compositions of the City's interfund transfer balances as of June 30, 2008 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 17,101
Redevelopment Agency Debt Service	Redevelopment Agency Commercial/Industrial	2,246,990
	Redevelopment Agency Low/Moderate Income	831,965
Redevelopment Agency Commercial/Industrial	Other Governmental Funds	9,583
	Water Enterprise	20,556
	Other Enterprise Funds	1,348,835
Redevelopment Agency Low/Moderate Income	Other Governmental Funds	298,475
Other Governmental Funds	Redevelopment Agency Commercial/Industrial	1,716,684
	Redevelopment Agency Low/Moderate Income	1,632,816
	Water Enterprise	375,000
	Sewer Enterprise	25,000
	Other Enterprise Funds	29,461
	Internal Service Funds	293
Water Enterprise	Redevelopment Agency Commercial/Industrial	153,406
Streets Enterprise	Redevelopment Agency Commercial/Industrial	201,000
	Other Governmental Funds	200,536

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

The compositions of the City's interfund transfer balances (Continued):

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Enterprise Funds	Redevelopment Agency	
	Commercial/Industrial	\$ 1,646,804
	Other Governmental Funds	383,901
	Other Enterprise Funds	146,871
Internal Service	Other Governmental Funds	<u>27,916</u>
		<u>\$ 11,313,193</u>

The Redevelopment Agency Debt Service Fund received funds to pay for debt service.

The Other Governmental Funds received funds to pay for capital improvements and operating expenditures.

The Streets Enterprise Fund received funds to pay for street related improvements.

The Other Enterprise Funds transferred funds to the Redevelopment Agency Commercial/Industrial to pay for capital improvements.

All other transfers between funds were used for payment of operating expenditures or expenses.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

4. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2008 is as follows:

Governmental Activities:

	Balance at <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 15,039,940	\$ 814,606	\$ -	\$ 15,854,546
Right of way	6,681,379	-	-	6,681,379
Construction in progress	<u>516,783</u>	<u>423</u>	<u>-</u>	<u>517,206</u>
Total capital assets, not being depreciated	<u>22,238,102</u>	<u>815,029</u>	<u>-</u>	<u>23,053,131</u>
Capital assets, being depreciated:				
Buildings	14,433,738	764,014	-	15,197,752
Machinery and equipment	6,782,866	1,239,092	-	8,021,958
Infrastructure	<u>1,284,873</u>	<u>1,553</u>	<u>-</u>	<u>1,286,426</u>
Total capital assets being depreciated	<u>22,501,477</u>	<u>2,004,659</u>	<u>-</u>	<u>24,506,136</u>
Less accumulated depreciation for:				
Buildings	(4,212,670)	(514,500)	-	(4,727,170)
Machinery and equipment	(4,152,146)	(490,828)	-	(4,642,974)
Infrastructure	<u>(293,938)</u>	<u>(25,728)</u>	<u>-</u>	<u>(319,666)</u>
Total accumulated depreciation	<u>(8,658,754)</u>	<u>(1,031,056)</u>	<u>-</u>	<u>(9,689,810)</u>
Total capital assets being depreciated, net	<u>13,842,723</u>	<u>973,603</u>	<u>-</u>	<u>14,816,326</u>
Governmental activities capital assets, net	<u>\$ 36,080,825</u>	<u>\$ 1,788,632</u>	<u>\$ -</u>	<u>\$ 37,869,457</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

4. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activities capital assets at June 30, 2008 is as follows:

Business-type Activities:

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
Capital assets, not being depreciated:				
Land and land rights	\$ 4,983,902	\$ -	\$ -	\$ 4,983,902
Construction in progress	<u>33,009,018</u>	<u>18,095,478</u>	<u>(42,296,283)</u>	<u>8,808,213</u>
Total capital assets, not being depreciated	<u>37,992,920</u>	<u>18,095,478</u>	<u>(42,296,283)</u>	<u>13,792,115</u>
Capital assets, being depreciated:				
Buildings	6,305,095	30,635	-	6,335,730
Streets	24,145,664	326,369	-	24,472,033
Utility systems	54,349,829	41,355,883	-	95,705,712
Drainage	9,125,876	337,144	-	9,463,020
Machinery and equipment	2,295,290	98,047	-	2,393,337
Operations	<u>1,222,027</u>	<u>322,320</u>	<u>-</u>	<u>1,544,347</u>
Total capital assets being depreciated	<u>97,443,781</u>	<u>42,470,398</u>	<u>-</u>	<u>139,914,179</u>
Less accumulated depreciation for:				
Buildings	(3,222,169)	(188,809)	-	(3,410,978)
Streets	(6,622,616)	(494,208)	-	(7,116,824)
Utility systems	(17,120,740)	(1,581,044)	-	(18,701,784)
Drainage	(2,394,294)	(182,175)	-	(2,576,469)
Machinery and equipment	(1,207,851)	(210,712)	-	(1,418,563)
Operations	<u>(477,494)</u>	<u>(20,063)</u>	<u>-</u>	<u>(497,557)</u>
Total accumulated depreciation	<u>(31,045,164)</u>	<u>(2,677,011)</u>	<u>-</u>	<u>(33,722,175)</u>
Total capital assets being depreciated, net	<u>66,398,617</u>	<u>39,793,387</u>	<u>-</u>	<u>106,192,004</u>
Business-type activities capital assets, net	<u>\$ 104,391,537</u>	<u>\$ 57,888,865</u>	<u>\$ (42,296,283)</u>	<u>\$ 119,984,119</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

4. CAPITAL ASSETS (CONTINUED):

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

Governmental Activities:

General government	\$	310,027
Public safety		289,249
Unallocated infrastructure depreciation		25,728
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>406,052</u>
Total depreciation expense - governmental activities	\$	<u>1,031,056</u>

Business-type Activities:

Water	\$	508,359
Sewer		1,040,531
Electric		422,960
Streets		495,283
Other programs		<u>209,878</u>
Total depreciation expense - business-type activities	\$	<u>2,677,011</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. LONG-TERM LIABILITIES:

The following is a summary of the Governmental Activities long-term liability transactions for the year ended June 30, 2008:

Governmental Activities:

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Due Within One Year</u>
General Obligation Bonds (GO):					
1998 Refunding	\$ 1,615,000	\$ -	\$ (145,000)	\$ 1,470,000	\$ 155,000
2003 Refunding	<u>3,095,000</u>	<u>-</u>	<u>(205,000)</u>	<u>2,890,000</u>	<u>230,000</u>
Total GO Bonds	<u>4,710,000</u>	<u>-</u>	<u>(350,000)</u>	<u>4,360,000</u>	<u>385,000</u>
Tax Allocation Bonds (TAB):					
1995 Series	3,180,000	-	(90,000)	3,090,000	95,000
2002 Series A	12,930,000	-	(295,000)	12,635,000	300,000
2002 Series C	5,100,000	-	(115,000)	4,985,000	120,000
2003 Series A	11,975,000	-	(275,000)	11,700,000	285,000
2003 Series B	5,865,000	-	(130,000)	5,735,000	130,000
2002 Series B	<u>1,725,000</u>	<u>-</u>	<u>(40,000)</u>	<u>1,685,000</u>	<u>40,000</u>
Total TAB Bonds	<u>40,775,000</u>	<u>-</u>	<u>(945,000)</u>	<u>39,830,000</u>	<u>970,000</u>
Special Assessments:					
Area A	<u>1,315,000</u>	<u>-</u>	<u>(170,000)</u>	<u>1,145,000</u>	<u>150,000</u>
Compensated absences	<u>1,652,707</u>	<u>1,678,483</u>	<u>(1,710,864)</u>	<u>1,620,326</u>	<u>1,620,326</u>
Bond discount	<u>(246,172)</u>	<u>-</u>	<u>12,994</u>	<u>(233,178)</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 48,206,535</u>	<u>\$ 1,678,483</u>	<u>\$ (3,162,870)</u>	<u>\$ 46,722,148</u>	<u>\$ 3,125,326</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. LONG-TERM LIABILITIES (CONTINUED):

The following is a summary of the Business-type Activities long-term liability transactions for the year ended June 30, 2008:

Business-type Activities:

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Due Within One Year</u>
Certificates of Participation (COP) and Bonds:					
2001 A - CSCDA Water	\$ 5,785,000	\$ -	\$ (255,000)	\$ 5,530,000	\$ 270,000
2002 C - CSCDA Water/ Wastewater	5,050,000	-	(120,000)	4,930,000	125,000
2005 D - CSDA Water/ Wastewater	6,310,000	-	(170,000)	6,140,000	185,000
2006 Wastewater Bonds	<u>26,150,000</u>	<u>-</u>	<u>-</u>	<u>26,150,000</u>	<u>-</u>
Total COP and Bonds	43,295,000	-	(545,000)	42,750,000	580,000
Bond discount	(227,318)	-	9,421	(217,897)	-
Deferred amount on refunding	<u>(320,641)</u>	<u>-</u>	<u>13,524</u>	<u>(307,117)</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 42,747,041</u>	<u>\$ -</u>	<u>\$ (522,055)</u>	<u>\$ 42,224,986</u>	<u>\$ 580,000</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities:

a. General Obligation Refunding Bonds:

1998 General Obligation Refunding Bonds

In March 1998, the City issued \$2,675,000 in General Obligation Refunding Bonds to advance refund \$2,410,000 of outstanding 1990 Series B General Obligation Bonds, which were originally issued to provide for capital improvements. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Series B bonds. As a result, the 1990 Series B bonds are considered to be defeased, and the liability for those bonds has been removed from the long-term liabilities. Interest on 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 B General Obligation 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 bonds varies from 2.5% to 3.6% with semi-annual debt service payments on August 1 and February 1 of each year with principal maturing August 1, 2004 through August 1, 2015. Debt service payments are made from property tax levy authorized by the voters. The 1998 General Obligation Bonds were redeemed on August 1, 2003.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 385,000	\$ 154,914	\$ 539,914
2010	430,000	141,139	571,139
2011	460,000	126,391	586,391
2012	480,000	109,957	589,957
2013	530,000	91,430	621,430
2014-2016	<u>2,075,000</u>	<u>133,953</u>	<u>2,208,953</u>
	<u>\$ 4,360,000</u>	<u>\$ 757,784</u>	<u>\$ 5,117,784</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

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 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 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.

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.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. 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:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 970,000	\$ 2,080,374	\$ 3,050,374
2010	1,000,000	2,040,863	3,040,863
2011	1,040,000	1,997,865	3,037,865
2012	1,080,000	1,950,230	3,030,230
2013	1,125,000	1,898,082	3,023,082
2014-2018	6,410,000	8,584,803	14,994,803
2019-2023	8,090,000	6,682,568	14,772,568
2024-2028	10,160,000	4,209,366	14,369,366
2029-2032	9,955,000	1,139,380	11,094,380
	<u>\$ 39,830,000</u>	<u>\$ 30,583,531</u>	<u>\$ 70,413,531</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

c. Special Assessment Debt with Government Commitment:

Proceeds from the assessment bonds issued for each district were used to construct improvements that benefited the property owners in that district. In June 2005, bonds in the amount of \$1,530,000 were issued to refund in advance bonds outstanding of \$1,700,000. Debt service payments are made from special assessment taxes collected from property owners by the County of Sonoma. The City has recorded the bonds as a liability because they may make temporary advance payment of debt service if sufficient funds have not been collected. Also, the assessments receivable have been recorded in a Debt Service Fund offset by an equal amount of deferred revenues in accordance with the provisions of GASB Statement 6.

Future debt service requirements on these bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 150,000	\$ 39,700	\$ 189,700
2010	155,000	34,894	189,894
2011	160,000	29,616	189,616
2012	165,000	23,843	188,843
2013	175,000	17,551	192,551
2014-2016	<u>340,000</u>	<u>15,520</u>	<u>355,520</u>
	<u>\$ 1,145,000</u>	<u>\$ 161,124</u>	<u>\$ 1,306,124</u>

d. Compensated Absences:

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

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities:

e. 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 was 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. As of June 30, 2007, 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.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

e. 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 CSCDA 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 CSCDA Certificates.

The refunded securities are considered defeased and the liability for these have been removed from long-term debt. At June 30, 2008, \$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 were 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 April 1 commencing April 1, 2011. Revenues from the operation of the wastewater utility will be used for debt service payments.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

5. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued):

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

Annual Debt Service Requirements

Annual debt service requirements to maturity for proprietary long-term liabilities, including interest of \$32,041,018 are as follows:

Year Ending June 30,	Certificates of Participation and Bonds		
	Principal	Interest	Total
2009	\$ 580,000	\$ 1,928,996	\$ 2,508,996
2010	590,000	1,910,317	2,500,317
2011	1,120,000	1,890,263	3,010,263
2012	1,165,000	1,848,066	3,013,066
2013	1,205,000	1,800,670	3,005,670
2014-2018	6,460,000	8,194,086	14,654,086
2019-2023	8,025,000	6,628,463	14,653,463
2024-2028	8,880,000	4,666,576	13,546,576
2029-2033	9,395,000	2,631,830	12,026,830
2034-2037	5,330,000	541,751	5,871,750
	<u>\$ 42,750,000</u>	<u>\$ 32,041,018</u>	<u>\$ 74,791,018</u>

6. 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.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

6. EMPLOYEES' RETIREMENT PLAN (CONTINUED):

Annual Required Contribution

The City is required to contribute at an actuarially determined rate; the current rate is 19.33% for miscellaneous employees and 32.479% for safety employees for the fiscal year ended June 30, 2008 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 7% (9% for safety employees) of each participant's annual covered salary. The City's contributions to CalPERS for the years ended June 30, 2008, 2007 and 2006 were \$2,531,000, \$2,209,118 and \$1,768,067, respectively, and were equal to required contributions for each year.

7. RESERVES AND DESIGNATIONS OF FUND EQUITY:

The City may set up "reserves" of fund equity to segregate fund balances which are not appropriable for expenditure 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 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 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.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

8. NORTHERN CALIFORNIA POWER AGENCY:

The City is a member of Northern California Power Agency (NCPA), which is headquartered in Roseville, California. NCPA is a not-for-profit joint powers agency that represents and provides support for 17 member communities and districts in Northern and Central California. NCPA was founded in 1968 as a forum through which community-owned utilities could prevent costly market abuses employed by private utilities at the time, and to make investments to ensure an affordable, reliable and clean future energy supply for the electric ratepayers served. Each NCPA member has agreed to fund a pro rata share of certain assessments by NCPA and enter into power supply contracts 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. Amounts paid by the City to NCPA during the year ending June 30, 2008, of \$5,874,492 included \$5,873,992 for purchased power and \$500 in advances and assessments and are reported as an expense of the Electric Fund.

The City's interest in NCPA projects and reserves, as computed by NCPA, was \$3.8 million as of June 30, 2008. This amount represents the City's portion of funds which resulted from the reconciliations of several prior years' budgets. It is recognized that all the funds credited to the City are linked to the collection of revenue from the City's ratepayers, or to the settlement of disputes relating to electric power supply and that the money was collected from the City's ratepayers to pay power bills.

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 field depletion which will require funding to cover debt service and operational costs in excess of the expected value of the electric power. The General Operating Reserve 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.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

8. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 3.31% share of the operating costs and debt service of two of NCPA's 110-megawatt steam powered generating plants, Project Number 1 and Project Number 2. Total outstanding debt of the NCPA Geothermal Project as of June 30, 2008 is \$77,345 thousand.

NCPA's Geothermal project has experienced a greater than originally anticipated decline in steam production from geothermal wells on its leasehold property. Results of the continuing well analysis program indicate that the potential productive capacity of the geothermal steam reservoir is less than originally estimated. Therefore, NCPA has modified the operations of the Geothermal Project to reduce the average annual output from past levels. As a result, the per unit cost of energy generated by the projects will be higher than anticipated.

NCPA will continue to monitor the wells while pursuing alternatives for improving and extending reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and is attempting to increase water reinjection at strategic locations. NCPA, other steam developers, and the Lake County Sanitation District constructed a wastewater pipeline project that greatly increased the amount of water available for reinjection.

Calaveras Hydroelectric Project

In July 1981, NCPA agreed with the Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project and to finance its construction. Debt service payments began in February 1990 when the operating portions were declared substantially complete. Under a power purchase agreement with NCPA, the City is obligated to pay 1.66% of the debt service and operating costs. As of June 30, 2008 approximately \$478,485 thousand in long-term debt used to finance this project was outstanding. NCPA has initiated a series of restructurings and early calls which will reduce annual debt service and comparative cost of energy from this resource. The City chose to lower debt service payment obligations by making a \$1,603,580 debt reduction payment in early 2002.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

8. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

NCPA Combustion Turbine Project

In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities, began full commercial operation in June 1986, providing reserve and peaking power. Under the NCPA power purchase agreement, the City is obligated to pay 3.5% of the debt service and operating costs. The Combustion Turbine Project was completed in June 1990. Project participation costs are substantially less than the cost of power which would otherwise be purchased. As of June 30, 2008 approximately \$11,615 thousand in long-term debt related to this project was outstanding.

Geothermal Public Power Line

In 1983, NCPA, Sacramento Municipal Utility District, Santa Clara, and the Modesto Irrigation District (joint owners) initiated studies for a Geothermal Public Power Line. The transmission line will carry power generated at several existing and planned geothermal plants in the Geysers area to a location where the joint owners can receive it for transmission to their load centers. NCPA has an 18.5% share of the project. The City has a 6.61% participation in NCPA's share. In 1989, the construction of the proposed Geothermal Public Power Line was discontinued. In December 1998, NCPA issued \$10 million in revenue bonds to defease the remaining variable rate refunding bonds used to finance this project. As of June 30, 2008, approximately \$2,525 thousand in long-term debt related to this project was outstanding.

Interest Rate Swap Agreement

NCPA has entered into interest rate swaps and related agreements related to its hydro electric 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, 2008 (in thousands):

Total assets	\$	863,095
Total liabilities (excluding long-term debt)		243,495
Long-term debt		593,696
Net assets		25,904
Revenues		346,317
Expenses (including refunds)		344,910
Increase in accumulated net revenues		1,407

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

8. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

NCPA Condensed Financial Information (Continued)

Maturities (Principal) of NCPA's long-term debt as of June 30, 2008 are as follows (in thousands) (audited):

2009	\$	38,205
2010		38,815
2011		43,745
2012		18,170
2013		19,175
2014 and after		476,070
Less: Unamortized net discount and premium		(2,279)
Less: Current portion		<u>(38,205)</u>
Total	\$	<u>593,696</u>

The City does not include its net investment in NCPA in the proprietary fund financial statements because it is a separate legal entity and the JPA's obligations and liabilities are not those of the City.

NCPA Financial Information

NCPA'S financial statements can be obtained from NCPA, 180 Cirby Way, Roseville, CA 95678.

9. 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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

9. POOLED ARRANGEMENT (CONTINUED):

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, 2008, for the Redwood Empire Municipal Insurance Fund in which the City participates.

Total Assets	\$	18,401,188
Total Liabilities		14,007,048
Total Net Assets		4,394,140
Total Revenues		8,363,776
Total Expenses		8,294,848
Increase in Net Assets		68,928
Total Long-Term Debt		7,250,623

10. SELF-INSURANCE PLANS:

The City is a member of Redwood Empire Municipal Insurance Fund (REMIF) as described in Note 9. 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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

11. INDIVIDUAL FUND DISCLOSURES:

- a. The funds which have a deficit fund balance at June 30, 2008 were as follows:

Special Revenue Fund:		
North Area	\$	23,144
Enterprise Fund:		
After School Program		639

The City plans on removing the deficit in the North Area Special Revenue Fund through future development contributions and benefit assessments.

The City plans on removing the deficit in the After School Program Enterprise Fund through contributions from the Community Services Enterprise Fund.

- b. Funds where expenditures exceeded appropriations:

Special Revenue Funds:		
Gas Tax	\$	300
North Area		54
Park Fees		353
Redevelopment Agency UDAG Loan		5,024
Other		735
Debt Service Fund:		
General		2,709
Street Assessment		18,629
Redevelopment Agency Debt Service		15,516

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

12. COMMITMENTS AND CONTINGENCIES:

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

The City has entered into long-term electric power purchase and electric transmission contracts. These contracts were entered into by Northern California Power Agency (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, 2008 was \$11.08 million. Under certain circumstances, the City may also be responsible for a portion of the costs of operating these entities. 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.

Seattle City Light

NCPA has negotiated a 21-year seasonal power exchange agreement with Seattle City Light for 60 MW of summer capacity and 90,580 MWh of energy and a return of 46 MW of capacity and 108,696 of energy in the winter. The City's share of the summer capacity is 1.6 MW. The net cost to the City is mitigated by the cost difference between supplying energy and receiving free capacity.

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 members of NCPA are entitled to 30.4 percent of the transfer capacity of COTP. The City's share is .21 percent. Each member of NCPA is responsible for developing its own uses for its share of the COTP transfer capability.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2008

12. COMMITMENTS AND CONTINGENCIES (CONTINUED):

Western Area Power Administration

In addition to commitments for power purchase through NCPA, the City has entered into a contract with 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 September 30, 2010. The estimated annual commitment for purchasing power is \$127,700. The contract provides an estimated 6,300 MWh at an average cost of \$20MWh. Healdsburg's share is 9.1% of the Western contract.

13. RESTATEMENT OF NET ASSETS:

Net assets as of July 1, 2008 were restated from \$40,886,800 to \$42,544,300 to record \$1,657,500 in notes receivable, which were not reported in the June 30, 2007 financial statements.

14. FACTORS AFFECTING THE UTILITY INDUSTRY:

Financial Difficulties at Investor-Owned Utilities

In early 2001, Pacific Gas and Electric Corporation (PG&E), the major investor-owned power utility in Northern California declared bankruptcy. The City of Healdsburg Electric Utility does not have direct financial exposure to PG&E, however, because of the existing interconnection agreement through NCPA, there was risk that PG&E would not perform transmission service as called for in the agreement. The City, through NCPA, was able to replace the PG&E Interconnection Agreement with a new Transmission Agreement with the California ISO. The agreement became effective on October 1, 2002.

See independent auditors' report.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HEALDSBURG

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,758,800	\$ 1,758,800	\$ 1,849,683	\$ 90,883
Sales and other taxes	4,213,158	4,213,158	4,447,112	233,954
Charges for services	300,652	300,652	367,953	67,301
Intergovernmental revenues	407,809	407,809	353,800	(54,009)
Investment income	146,000	146,000	168,747	22,747
Miscellaneous fees and charges	73,610	73,610	119,304	45,694
Other revenues	6,952	6,952	15,781	8,829
TOTAL REVENUES	6,906,981	6,906,981	7,322,380	415,399
EXPENDITURES:				
Current:				
General government	254,046	254,046	313,344	(59,298)
Public safety	7,360,885	7,360,885	6,989,391	371,494
TOTAL EXPENDITURES	7,614,931	7,614,931	7,302,735	312,196
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(707,950)	(707,950)	19,645	727,595
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	17,101	17,101
Transfers out	(15,000)	(15,000)	-	15,000
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	(15,000)	17,101	32,101
NET CHANGE IN FUND BALANCE	(722,950)	(722,950)	36,746	759,696
FUND BALANCE - BEGINNING OF YEAR	4,726,314	4,726,314	4,726,314	-
FUND BALANCE - END OF YEAR	\$ 4,003,364	\$ 4,003,364	\$ 4,763,060	\$ 759,696

See independent auditors' report and note to required supplementary information.

CITY OF HEALDSBURG

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

1. BUDGETS AND BUDGETARY ACCOUNTING:

The City operates under the general laws of the State of California and annually adopts a budget to be effective July 1st for the ensuing fiscal year for certain governmental funds. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the City's various departments. The City Manager is authorized to transfer budgeted amounts between functional categories. The City Council may amend the budget by resolution during the fiscal year. All annual appropriations lapse at year-end.

Budget information is presented for the General Fund, all Special Revenue Funds except for Airport Grant and Redevelopment Agency Housing Bond Special Revenue Funds, and all Debt Service Funds budgeted on a basis consistent with generally accepted accounting principles. No budgetary comparisons are presented for the Airport Grant and Redevelopment Agency Housing Bond Special Revenue Funds, Capital Projects funds and the Permanent Fund as these funds do not have budgets adopted or the budgets adopted are primarily long-term budgets which emphasize capital outlay plans extending over one year. The City prefers to leave its original budget unaltered during the year. This enables the effectiveness of individual departments in meeting budget objectives to be evaluated, and the adequacy of the budget itself to be judged. The only exceptions to this are the appropriations of unanticipated revenues, the revision of appropriations to reflect major economic events materially affecting estimated revenues, and the refocusing of particular programs requiring the reallocation of existing resources. Several supplemental appropriations were approved during the course of the year. Expenditures in excess of budgeted amounts are allowed by law but must be approved individually by the City Council.

See independent auditors' report.

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OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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.

DEBT SERVICE FUNDS

The Debt Service Funds are used to account for accumulation of resources for the payment of long-term debt principal and interest.

CAPITAL PROJECTS FUNDS

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

PERMANENT FUND

The Permanent Fund is used to account and administer funds of the Cultural Center.

CITY OF HEALDSBURG

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Other Governmental Funds
ASSETS					
Cash and investments	\$ 7,016,036	\$ 903,915	\$ 4,764,932	\$ 77,530	\$ 12,762,413
Receivables:					
Accounts	92,306	-	109	-	92,415
Taxes	1,881	43,469	-	-	45,350
Notes	1,319,450	-	-	498	1,319,948
Interest	42,553	4,735	36,172	-	83,460
Special assessments	-	1,145,000	-	-	1,145,000
Due from other governments	73,367	-	-	-	73,367
Due from other funds	-	-	1,058,000	-	1,058,000
Restricted cash and investments	-	267,053	-	-	267,053
TOTAL ASSETS	\$ 8,545,593	\$ 2,364,172	\$ 5,859,213	\$ 78,028	\$ 16,847,006
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 47,783	\$ 420	\$ 33,946	\$ -	\$ 82,149
Due to other funds	55,000	-	-	-	55,000
Deferred revenue	675,000	1,145,000	-	-	1,820,000
TOTAL LIABILITIES	777,783	1,145,420	33,946	-	1,957,149
FUND BALANCES:					
Reserved for:					
Notes receivable	644,450	-	-	-	644,450
Debt service	-	1,218,752	-	-	1,218,752
Unreserved, reported in:					
Special revenue funds	7,123,360	-	-	-	7,123,360
Capital projects funds	-	-	5,825,267	-	5,825,267
Permanent fund	-	-	-	78,028	78,028
TOTAL FUND BALANCES	7,767,810	1,218,752	5,825,267	78,028	14,889,857
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,545,593	\$ 2,364,172	\$ 5,859,213	\$ 78,028	\$ 16,847,006

See independent auditors' report.

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Other Governmental Funds
REVENUES:					
Property taxes	\$ 144,004	\$ 650,221	\$ -	\$ -	\$ 794,225
Intergovernmental revenues	276,311	-	-	-	276,311
Development fees and permits	103,641	-	-	-	103,641
Investment income	293,440	38,771	226,827	3,343	562,381
Rental income	426,515	-	-	-	426,515
Other revenues	33,011	-	-	-	33,011
TOTAL REVENUES	1,276,922	688,992	226,827	3,343	2,196,084
EXPENDITURES:					
Current:					
General government	21,390	1,299	12,270	2,637	37,596
Culture and recreation	19,178	-	-	-	19,178
Community development	148,867	-	-	-	148,867
Capital outlay	-	-	650,768	-	650,768
Debt service:					
Principal retirement	-	520,000	-	-	520,000
Interest and fees	-	220,374	-	-	220,374
TOTAL EXPENDITURES	189,435	741,673	663,038	2,637	1,596,783
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,087,487	(52,681)	(436,211)	706	599,301
OTHER FINANCING SOURCES (USES):					
Transfers in	350,000	-	3,429,254	-	3,779,254
Transfers out	(601,538)	-	(335,974)	-	(937,512)
TOTAL OTHER FINANCING SOURCES (USES)	(251,538)	-	3,093,280	-	2,841,742
NET CHANGE IN FUND BALANCES	835,949	(52,681)	2,657,069	706	3,441,043
FUND BALANCES - BEGINNING OF YEAR	6,931,861	1,271,433	3,168,198	77,322	11,448,814
FUND BALANCES - END OF YEAR	\$ 7,767,810	\$ 1,218,752	\$ 5,825,267	\$ 78,028	\$ 14,889,857

See independent auditors' report.

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OTHER SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for revenues derived from specific sources. These funds are required by statute or ordinance to finance particular functions or activities of government. The various funds and sources are:

Gas Tax - Accounts for revenues received from State of California Street and Highway Code Sections 2105, 2106, 2107, and 2107.5 for the purpose of maintenance and construction of the City streets.

North Area - Accounts for revenues received from property owners and/or advanced by the City to plan for infrastructure for the North Area.

Airport Grant - Accounts for revenues received from the State Division of Aeronautics for airport improvements.

Park Fees - Accounts for revenues received from fees collected to pay for parks.

Media Center - Accounts for revenues received from fees imposed for public access television.

Transportation Development Act (TDA) - Accounts for revenues received under State of California Transportation Development Act Articles III, IV and VII, for the purpose of providing pedestrian/bike paths, transit operations, and maintenance and construction of streets and roads.

Redevelopment Agency - Urban Development Action Grant (UDAG) Loan - Accounts for revenues received from the repayment of principal and interest on the Vineyard Plaza loan to Healdsburg Investors utilizing the proceeds of U.S. Department of Housing and & Urban Development UDAG Grant.

Redevelopment Agency - Housing Bond - Accounts for revenues received from repayment of mortgages supported by Sonoma County Home Financing Authority bonds in excess of debt service.

Street Development Fees - Accounts for revenues received from fees imposed on development or intensified use to mitigate the resulting demand for off-site or oversized street improvements.

Area A Lighting and Landscaping District - Accounts for revenues received from Lighting and Landscaping District assessments in Area A and associated maintenance.

Benjamin Way Maintenance District - Accounts for revenues received from the maintenance of private streets and the maintenance thereof.

Public Safety - Accounts for revenues received for special grants and funding for Public Safety.

Other - Accounts for revenues received for grants and annexation fees for capital projects.

CITY OF HEALDSBURG

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

June 30, 2008

	<u>Gas Tax</u>	<u>North Area</u>	<u>Airport Grant</u>
ASSETS			
Cash and investments	\$ 226,281	\$ 31,657	\$ -
Receivables:			
Accounts	-	41,349	-
Taxes	-	-	-
Notes	-	-	-
Interest	1,092	199	-
Due from other governments	<u>73,367</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 300,740</u>	 <u>\$ 73,205</u>	 <u>\$ -</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ -	\$ 41,349	\$ -
Due to other funds	-	55,000	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>-</u>	 <u>96,349</u>	 <u>-</u>
FUND BALANCES (DEFICIT):			
Reserved for:			
Notes receivable	-	-	-
Unreserved, undesignated	<u>300,740</u>	<u>(23,144)</u>	<u>-</u>
 TOTAL FUND BALANCES (DEFICIT)	 <u>300,740</u>	 <u>(23,144)</u>	 <u>-</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 300,740</u>	 <u>\$ 73,205</u>	 <u>\$ -</u>

See independent auditors' report.

<u>Park Fees</u>	<u>Media Center</u>	<u>TDA</u>	<u>Redevelopment Agency UDAG Loan</u>	<u>Redevelopment Agency Housing Bond</u>	<u>Street Development Fees</u>
\$ 240,155	\$ 12,758	\$ -	\$ 5,693,916	\$ 210,450	\$ -
-	2,110	-	48,847	-	-
-	-	-	-	-	-
-	-	-	644,450	675,000	-
1,286	74	-	34,594	1,324	-
-	-	-	-	-	-
<u>\$ 241,441</u>	<u>\$ 14,942</u>	<u>\$ -</u>	<u>\$ 6,421,807</u>	<u>\$ 886,774</u>	<u>\$ -</u>
\$ -	\$ 4,213	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	675,000	-
-	4,213	-	-	675,000	-
-	-	-	644,450	-	-
241,441	10,729	-	5,777,357	211,774	-
241,441	10,729	-	6,421,807	211,774	-
<u>\$ 241,441</u>	<u>\$ 14,942</u>	<u>\$ -</u>	<u>\$ 6,421,807</u>	<u>\$ 886,774</u>	<u>\$ -</u>

(Continued)

CITY OF HEALDSBURG

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2008

	Area A Lighting and Landscaping District	Benjamin Way Maintenance District
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 230,326	\$ 5,922
Receivables:		
Accounts	-	-
Taxes	1,881	-
Notes	-	-
Interest	1,269	37
Due from other governments	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 233,476</u>	 <u>\$ 5,959</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 2,221	\$ -
Due to other funds	-	-
Deferred revenue	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>2,221</u>	 <u>-</u>
FUND BALANCES (DEFICIT):		
Reserved for:		
Notes receivable	-	-
Unreserved, undesignated	<u>231,255</u>	<u>5,959</u>
 TOTAL FUND BALANCES (DEFICIT)	 <u>231,255</u>	 <u>5,959</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 233,476</u>	 <u>\$ 5,959</u>

See independent auditors' report.

Public Safety	Other	Total Other Special Revenue Funds
\$ -	\$ 364,571	\$ 7,016,036
-	-	92,306
-	-	1,881
-	-	1,319,450
-	2,678	42,553
-	-	73,367
<u>\$ -</u>	<u>\$ 367,249</u>	<u>\$ 8,545,593</u>
\$ -	\$ -	\$ 47,783
-	-	55,000
-	-	675,000
<u>-</u>	<u>-</u>	<u>777,783</u>
-	-	644,450
<u>-</u>	<u>367,249</u>	<u>7,123,360</u>
<u>-</u>	<u>367,249</u>	<u>7,767,810</u>
<u>\$ -</u>	<u>\$ 367,249</u>	<u>\$ 8,545,593</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER SPECIAL REVENUE FUNDS

For the year ended June 30, 2008

	Gas Tax	North Area	Airport Grant
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	217,555	-	58,756
Development fees and permits	-	3,900	-
Investment income	7,336	1,329	-
Rental income	-	-	-
Other revenues	-	-	-
TOTAL REVENUES	224,891	5,229	58,756
EXPENDITURES:			
Current:			
General government	300	54	-
Culture and recreation	-	-	-
Community development	-	-	-
TOTAL EXPENDITURES	300	54	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	224,591	5,175	58,756
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(100,000)	-	(93,597)
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)	-	(93,597)
NET CHANGE IN FUND BALANCES	124,591	5,175	(34,841)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	176,149	(28,319)	34,841
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 300,740	\$ (23,144)	\$ -

See independent auditors' report.

<u>Park Fees</u>	<u>Media Center</u>	<u>TDA</u>	<u>Redevelopment Agency UDAG Loan</u>	<u>Redevelopment Agency Housing Bond</u>	<u>Street Development Fees</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
81,604	-	-	-	-	-
8,640	496	-	254,381	12,489	-
-	-	-	426,515	-	-
238	25,664	-	6,669	-	-
<u>90,482</u>	<u>26,160</u>	<u>-</u>	<u>687,565</u>	<u>12,489</u>	<u>-</u>
353	20	-	13,319	363	-
-	-	-	-	-	-
-	25,664	-	50,000	-	-
<u>353</u>	<u>25,684</u>	<u>-</u>	<u>63,319</u>	<u>363</u>	<u>-</u>
90,129	476	-	624,246	12,126	-
-	-	-	350,000	-	-
<u>(60,000)</u>	<u>-</u>	<u>(3,304)</u>	<u>-</u>	<u>-</u>	<u>(19,788)</u>
<u>(60,000)</u>	<u>-</u>	<u>(3,304)</u>	<u>350,000</u>	<u>-</u>	<u>(19,788)</u>
30,129	476	(3,304)	974,246	12,126	(19,788)
211,312	10,253	3,304	5,447,561	199,648	19,788
<u>\$ 241,441</u>	<u>\$ 10,729</u>	<u>\$ -</u>	<u>\$ 6,421,807</u>	<u>\$ 211,774</u>	<u>\$ -</u>

(Continued)

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

For the year ended June 30, 2008

	Area A Lighting and Landscaping District	Benjamin Way Maintenance District
	<u> </u>	<u> </u>
REVENUES:		
Property taxes	\$ 144,004	\$ -
Intergovernmental revenues	-	-
Development fees and permits	-	-
Investment income	8,519	250
Rental income	-	-
Other revenues	-	440
	<u> </u>	<u> </u>
TOTAL REVENUES	<u>152,523</u>	<u>690</u>
EXPENDITURES:		
Current:		
General government	6,236	10
Culture and recreation	19,178	-
Community development	73,203	-
	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>98,617</u>	<u>10</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>53,906</u>	<u>680</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	(227,000)	-
	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(227,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(173,094)	680
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>404,349</u>	<u>5,279</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 231,255</u>	<u>\$ 5,959</u>

See independent auditors' report.

<u>Public Safety</u>	<u>Other</u>	<u>Total Other Special Revenue Funds</u>
\$ -	\$ -	\$ 144,004
-	-	276,311
153	17,984	103,641
-	-	293,440
-	-	426,515
-	-	33,011
<u>153</u>	<u>17,984</u>	<u>1,276,922</u>
-	735	21,390
-	-	19,178
-	-	148,867
<u>-</u>	<u>735</u>	<u>189,435</u>
<u>153</u>	<u>17,249</u>	<u>1,087,487</u>
-	-	350,000
<u>(17,102)</u>	<u>(80,747)</u>	<u>(601,538)</u>
<u>(17,102)</u>	<u>(80,747)</u>	<u>(251,538)</u>
(16,949)	(63,498)	835,949
<u>16,949</u>	<u>430,747</u>	<u>6,931,861</u>
<u>\$ -</u>	<u>\$ 367,249</u>	<u>\$ 7,767,810</u>

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 226,000	\$ 226,000	\$ 217,555	\$ (8,445)
Investment income	4,000	4,000	7,336	3,336
TOTAL REVENUES	230,000	230,000	224,891	(5,109)
EXPENDITURES:				
Current:				
General government	-	-	300	(300)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	230,000	230,000	224,591	(5,409)
OTHER FINANCING USES:				
Transfers out	(100,000)	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCE	130,000	130,000	124,591	(5,409)
FUND BALANCE - BEGINNING OF YEAR	176,149	176,149	176,149	-
FUND BALANCE - END OF YEAR	\$ 306,149	\$ 306,149	\$ 300,740	\$ (5,409)

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

NORTH AREA SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ -	\$ -	\$ 3,900	\$ 3,900
Investment income	400	400	1,329	929
TOTAL REVENUES	400	400	5,229	4,829
EXPENDITURES:				
Current:				
General government	-	-	54	(54)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	400	400	5,175	4,775
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(28,319)	(28,319)	(28,319)	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (27,919)</u>	<u>\$ (27,919)</u>	<u>\$ (23,144)</u>	<u>\$ 4,775</u>

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK FEES SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ 75,000	\$ 75,000	\$ 81,604	\$ 6,604
Investment income	3,000	3,000	8,640	5,640
Other revenues	-	-	238	238
TOTAL REVENUES	78,000	78,000	90,482	12,482
EXPENDITURES:				
Current:				
General government	-	-	353	(353)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	78,000	78,000	90,129	12,129
OTHER FINANCING USES:				
Transfers out	(60,000)	(60,000)	(60,000)	-
NET CHANGE IN FUND BALANCE	18,000	18,000	30,129	12,129
FUND BALANCE - BEGINNING OF YEAR	211,312	211,312	211,312	-
FUND BALANCE - END OF YEAR	\$ 229,312	\$ 229,312	\$ 241,441	\$ 12,129

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MEDIA CENTER SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 496	\$ 496
Other revenues	26,000	26,000	25,664	(336)
TOTAL REVENUES	26,000	26,000	26,160	160
EXPENDITURES:				
Current:				
General government	-	-	20	(20)
Community development	30,000	30,000	25,664	4,336
TOTAL EXPENDITURES	30,000	30,000	25,684	4,316
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,000)	(4,000)	476	4,476
FUND BALANCE - BEGINNING OF YEAR	10,253	10,253	10,253	-
FUND BALANCE - END OF YEAR	\$ 6,253	\$ 6,253	\$ 10,729	\$ 4,476

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TDA SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING USES:				
Transfers out	-	-	(3,304)	(3,304)
NET CHANGE IN FUND BALANCE	-	-	(3,304)	(3,304)
FUND BALANCE - BEGINNING OF YEAR	3,304	3,304	3,304	-
FUND BALANCE - END OF YEAR	\$ 3,304	\$ 3,304	\$ -	\$ (3,304)

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REDEVELOPMENT AGENCY UDAG LOAN SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 135,000	\$ 135,000	\$ 254,381	\$ 119,381
Rental income	397,000	397,000	426,515	29,515
Other revenues	-	-	6,669	6,669
TOTAL REVENUES	532,000	532,000	687,565	155,565
EXPENDITURES:				
Current:				
General government	8,295	8,295	13,319	(5,024)
Community development	50,000	50,000	50,000	-
TOTAL EXPENDITURES	58,295	58,295	63,319	(5,024)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	473,705	473,705	624,246	150,541
OTHER FINANCING SOURCES:				
Transfers in	-	-	350,000	350,000
NET CHANGE IN FUND BALANCE	473,705	473,705	974,246	500,541
FUND BALANCE - BEGINNING OF YEAR	5,447,561	5,447,561	5,447,561	-
FUND BALANCE - END OF YEAR	\$ 5,921,266	\$ 5,921,266	\$ 6,421,807	\$ 500,541

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STREET DEVELOPMENT FEES SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 600	\$ 600	\$ -	\$ (600)
TOTAL REVENUES	600	600	-	(600)
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	600	600	-	(600)
OTHER FINANCING USES:				
Transfers out	-	-	(19,788)	(19,788)
NET CHANGE IN FUND BALANCE	600	600	(19,788)	(20,388)
FUND BALANCE - BEGINNING OF YEAR	19,788	19,788	19,788	-
FUND BALANCE - END OF YEAR	\$ 20,388	\$ 20,388	\$ -	\$ (20,388)

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AREA A LIGHTING AND LANDSCAPING DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 148,194	\$ 148,194	\$ 144,004	\$ (4,190)
Investment income	5,950	5,950	8,519	2,569
TOTAL REVENUES	154,144	154,144	152,523	(1,621)
EXPENDITURES:				
Current:				
General government	8,725	8,725	6,236	2,489
Culture and recreation	97,363	97,363	19,178	78,185
Community development	36,796	36,796	73,203	(36,407)
TOTAL EXPENDITURES	142,884	142,884	98,617	44,267
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,260	11,260	53,906	42,646
OTHER FINANCING USES:				
Transfers out	(227,000)	(227,000)	(227,000)	-
NET CHANGE IN FUND BALANCE	(215,740)	(215,740)	(173,094)	42,646
FUND BALANCE - BEGINNING OF YEAR	404,349	404,349	404,349	-
FUND BALANCE - END OF YEAR	\$ 188,609	\$ 188,609	\$ 231,255	\$ 42,646

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

BENJAMIN WAY MAINTENANCE DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 100	\$ 100	\$ 250	\$ 150
Other revenues	440	440	440	-
TOTAL REVENUES	540	540	690	150
EXPENDITURES:				
Current:				
General government	440	440	10	430
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100	100	680	580
FUND BALANCE - BEGINNING OF YEAR	5,279	5,279	5,279	-
FUND BALANCE - END OF YEAR	\$ 5,379	\$ 5,379	\$ 5,959	\$ 580

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC SAFTEY SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ 400	\$ 400	\$ 153	\$ (247)
Investment income	500	500	-	(500)
TOTAL REVENUES	900	900	153	(747)
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	900	900	153	(747)
OTHER FINANCING USES:				
Transfers out	-	-	(17,102)	(17,102)
NET CHANGE IN FUND BALANCE	900	900	(16,949)	(17,849)
FUND BALANCE - BEGINNING OF YEAR	16,949	16,949	16,949	-
FUND BALANCE - END OF YEAR	<u>\$ 17,849</u>	<u>\$ 17,849</u>	<u>\$ -</u>	<u>\$ (17,849)</u>

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

OTHER SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ -	\$ -	\$ 17,984	\$ 17,984
EXPENDITURES:				
Current:				
General government	-	-	735	(735)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	17,249	17,249
OTHER FINANCING USES:				
Transfers out	-	-	(80,747)	(80,747)
NET CHANGE IN FUND BALANCE	-	-	(63,498)	(63,498)
FUND BALANCE - BEGINNING OF YEAR	430,747	430,747	430,747	-
FUND BALANCE - END OF YEAR	\$ 430,747	\$ 430,747	\$ 367,249	\$ (63,498)

See independent auditors' report.

OTHER AND MAJOR DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of resources for, and the payment of long-term debt principal and interest. The various Debt Service Funds are:

OTHER DEBT SERVICE FUNDS:

General Debt Service - Accounts for the long-term debt service of the City.

Special Assessment Debt Service - Accounts for the long-term debt service of the City's special assessment districts.

MAJOR DEBT SERVICE FUND:

Redevelopment Agency Debt Service - Accounts for the long-term debt service of the Redevelopment Agency.

CITY OF HEALDSBURG
 COMBINING BALANCE SHEET
 OTHER DEBT SERVICE FUNDS

June 30, 2008

	General	Special Assessment	Total Other Debt Service Funds
ASSETS			
Cash and investments	\$ 884,063	\$ 19,852	\$ 903,915
Receivables:			
Taxes	43,469	-	43,469
Interest	4,610	125	4,735
Special assessments	-	1,145,000	1,145,000
Restricted cash and investments	-	267,053	267,053
TOTAL ASSETS	\$ 932,142	\$ 1,432,030	\$ 2,364,172
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 420	\$ -	\$ 420
Deferred revenue	-	1,145,000	1,145,000
TOTAL LIABILITIES	420	1,145,000	1,145,420
FUND BALANCES:			
Reserved for:			
Debt service	931,722	287,030	1,218,752
TOTAL LIABILITIES AND FUND BALANCES	\$ 932,142	\$ 1,432,030	\$ 2,364,172

See independent auditors' report.

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
OTHER DEBT SERVICE FUNDS

For the year ended June 30, 2008

	General	Special Assessment	Total Other Debt Service Funds
REVENUES:			
Property taxes	\$ 457,459	\$ 192,762	\$ 650,221
Investment income	31,358	7,413	38,771
	<u>488,817</u>	<u>200,175</u>	<u>688,992</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	1,265	34	1,299
Debt service:			
Principal retirement	350,000	170,000	520,000
Interest and fees	168,879	51,495	220,374
	<u>520,144</u>	<u>221,529</u>	<u>741,673</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,327)	(21,354)	(52,681)
FUND BALANCES - BEGINNING OF YEAR	<u>963,049</u>	<u>308,384</u>	<u>1,271,433</u>
FUND BALANCES - END OF YEAR	<u>\$ 931,722</u>	<u>\$ 287,030</u>	<u>\$ 1,218,752</u>

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL DEBT SERVICE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 492,435	\$ 492,435	\$ 457,459	\$ (34,976)
Investment income	25,000	25,000	31,358	6,358
TOTAL REVENUES	517,435	517,435	488,817	(28,618)
EXPENDITURES:				
Current:				
General government	-	-	1,265	(1,265)
Debt service:				
Principal retirement	350,000	350,000	350,000	-
Interest and fees	167,435	167,435	168,879	(1,444)
TOTAL EXPENDITURES	517,435	517,435	520,144	(2,709)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(31,327)	(31,327)
FUND BALANCE - BEGINNING OF YEAR	963,049	963,049	963,049	-
FUND BALANCE - END OF YEAR	\$ 963,049	\$ 963,049	\$ 931,722	\$ (31,327)

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL ASSESSMENT DEBT SERVICE FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 199,794	\$ 199,794	\$ 192,762	\$ (7,032)
Investment income	3,106	3,106	7,413	4,307
TOTAL REVENUES	<u>202,900</u>	<u>202,900</u>	<u>200,175</u>	<u>(2,725)</u>
EXPENDITURES:				
Current:				
General government	-	-	34	(34)
Debt service:				
Principal retirement	155,000	155,000	170,000	(15,000)
Interest and fees	<u>47,900</u>	<u>47,900</u>	<u>51,495</u>	<u>(3,595)</u>
TOTAL EXPENDITURES	<u>202,900</u>	<u>202,900</u>	<u>221,529</u>	<u>(18,629)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(21,354)	(21,354)
FUND BALANCE - BEGINNING OF YEAR	<u>308,384</u>	<u>308,384</u>	<u>308,384</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 308,384</u>	<u>\$ 308,384</u>	<u>\$ 287,030</u>	<u>\$ (21,354)</u>

See independent auditors' report.

CITY OF HEALDSBURG

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REDEVELOPMENT AGENCY DEBT SERVICE FUND - MAJOR FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 30,000	\$ 30,000	\$ 29,295	\$ (705)
EXPENDITURES:				
Debt service:				
Principal retirement	945,000	945,000	945,000	-
Interest and fees	2,115,930	2,115,930	2,131,446	(15,516)
TOTAL EXPENDITURES	3,060,930	3,060,930	3,076,446	(15,516)
EXCESS OF REVENUES OVER (Under) EXPENDITURES	(3,030,930)	(3,030,930)	(3,047,151)	(16,221)
OTHER FINANCING SOURCES:				
Transfers in	3,060,930	3,060,930	3,078,955	18,025
NET CHANGE IN FUND BALANCE	30,000	30,000	31,804	1,804
FUND BALANCE - BEGINNING OF YEAR	3,366,975	3,366,975	3,366,975	-
FUND BALANCE - END OF YEAR	\$ 3,396,975	\$ 3,396,975	\$ 3,398,779	\$ 1,804

See independent auditors' report.

OTHER CAPITAL PROJECTS FUNDS

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

Area A Special Assessment District - Accounts for revenues received from a prospective sale of assessment land and oversizing advances from Enterprise funds.

General Capital Projects Fund - Accounts for non-enterprise projects acquired by the City.

CITY OF HEALDSBURG
 COMBINING BALANCE SHEET
 OTHER CAPITAL PROJECTS FUNDS

June 30, 2008

	ASSETS	Area A Special Assessment District	General	Total Other Capital Projects Funds
Cash and investments		\$ 17,294	\$ 4,747,638	\$ 4,764,932
Receivables:				
Accounts		109	-	109
Interest		2,507	33,665	36,172
Due from other funds		-	1,058,000	1,058,000
		<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS		<u>\$ 19,910</u>	<u>\$ 5,839,303</u>	<u>\$ 5,859,213</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ -	\$ 33,946	\$ 33,946
FUND BALANCES:				
Unreserved, reported in:				
Capital projects funds		<u>19,910</u>	<u>5,805,357</u>	<u>5,825,267</u>
		<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 19,910</u>	<u>\$ 5,839,303</u>	<u>\$ 5,859,213</u>

See independent auditors' report.

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
OTHER CAPITAL PROJECTS FUNDS

For the year ended June 30, 2008

	Area A Special Assessment District	General	Total Other Capital Projects Funds
REVENUES:			
Investment income	\$ 733	\$ 226,094	\$ 226,827
TOTAL REVENUES	733	226,094	226,827
EXPENDITURES:			
Current:			
General government	30	12,240	12,270
Capital outlay	-	650,768	650,768
TOTAL EXPENDITURES	30	663,008	663,038
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	703	(436,914)	(436,211)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	3,429,254	3,429,254
Transfers out	-	(335,974)	(335,974)
TOTAL OTHER FINANCING SOURCES (USES)	-	3,093,280	3,093,280
NET CHANGE IN FUND BALANCES	703	2,656,366	2,657,069
FUND BALANCES - BEGINNING OF YEAR	19,207	3,148,991	3,168,198
FUND BALANCES - END OF YEAR	<u>\$ 19,910</u>	<u>\$ 5,805,357</u>	<u>\$ 5,825,267</u>

See independent auditors' report.

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OTHER ENTERPRISE FUNDS

The Enterprise Funds account for the financing of self-supporting activities which render services to the general public on a user charge basis or a fixed payment schedule. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, operations, maintenance, financing and related debt service, and billings and collections. The various Enterprise Funds are:

Planning and Building - Accounts for the provision of planning and building development within the City.

Transit - Accounts for the provision of public transit service to the residents of the City.

Airport - Accounts for the operation of the City airport.

Meeting Center - Accounts for the provision of group meetings and conference facilities to the residents of the City wherein the primary revenue sources are rental fees and service charges.

School Services - Accounts for the provision of services to the Healdsburg Schools.

After School Program - Accounts for the opportunity to learn, grow and improve academic achievement through a safe and healthy environment.

Community Services - Accounts for the activities of the government's parks maintenance and community cultural activity operations.

CITY OF HEALDSBURG

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS

June 30, 2008

ASSETS	<u>Planning and Building</u>	<u>Transit</u>
CURRENT ASSETS:		
Cash and investments	\$ 1,455,522	\$ 97,128
Accounts receivable	250	34
Taxes receivable	-	-
Interest receivable	9,294	141
Due from other governments	-	10,735
Due from other funds	-	-
Inventory	-	-
	<u>1,465,066</u>	<u>108,038</u>
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS:		
Capital assets:		
Land	-	-
Building	-	-
Machinery and equipment	-	-
Operations	-	-
Construction in progress	-	-
Less: accumulated depreciation	-	-
	<u>-</u>	<u>-</u>
TOTAL NONCURRENT ASSETS		
	<u>-</u>	<u>-</u>
TOTAL ASSETS		
	<u>1,465,066</u>	<u>108,038</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	46,338	451
Deposits from others	63,340	299
Due to other funds	-	-
	<u>109,678</u>	<u>750</u>
TOTAL CURRENT LIABILITIES		
	<u>109,678</u>	<u>750</u>
NET ASSETS		
Invested in capital assets, net of related debt	-	-
Unrestricted	1,355,388	107,288
	<u>1,355,388</u>	<u>107,288</u>
TOTAL NET ASSETS (DEFICIT)		
	<u>\$ 1,355,388</u>	<u>\$ 107,288</u>

See independent auditors' report.

<u>Airport</u>	<u>Meeting Center</u>	<u>School Services</u>	<u>After School Program</u>	<u>Community Services</u>	<u>Total</u>
\$ 817,031	\$ 3,337	\$ 33,212	\$ 29	\$ 1,244,398	\$ 3,650,657
22,036	2,394	-	-	87	24,801
-	-	-	-	288,437	288,437
5,097	-	74	-	11,891	26,497
-	-	-	-	-	10,735
-	-	-	-	72,000	72,000
46,377	-	-	-	719	47,096
<u>890,541</u>	<u>5,731</u>	<u>33,286</u>	<u>29</u>	<u>1,617,532</u>	<u>4,120,223</u>
119,834	231,972	-	-	3,506,053	3,857,859
186,451	1,194,381	-	-	2,820,345	4,201,177
209,510	98,186	-	-	429,672	737,368
1,524,347	20,000	-	-	-	1,544,347
169,655	31	-	-	875,140	1,044,826
(801,804)	(566,617)	-	-	(1,787,161)	(3,155,582)
<u>1,407,993</u>	<u>977,953</u>	<u>-</u>	<u>-</u>	<u>5,844,049</u>	<u>8,229,995</u>
<u>2,298,534</u>	<u>983,684</u>	<u>33,286</u>	<u>29</u>	<u>7,461,581</u>	<u>12,350,218</u>
31,711	13,736	5,568	668	83,248	181,720
11,719	90,964	-	-	2,397	168,719
498,000	72,000	-	-	-	570,000
<u>541,430</u>	<u>176,700</u>	<u>5,568</u>	<u>668</u>	<u>85,645</u>	<u>920,439</u>
1,407,993	977,953	-	-	5,844,049	8,229,995
349,111	(170,969)	27,718	(639)	1,531,887	3,199,784
<u>\$ 1,757,104</u>	<u>\$ 806,984</u>	<u>\$ 27,718</u>	<u>\$ (639)</u>	<u>\$ 7,375,936</u>	<u>\$ 11,429,779</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENSES AND
AND CHANGES IN NET ASSETS - OTHER ENTERPRISE FUNDS

For the year ended June 30, 2008

	Planning and Building	Transit
OPERATING REVENUES:		
Charges for services	\$ -	\$ 19,733
Development fees	428,868	-
Rental income	-	-
Other revenues	144,066	-
	<u>572,934</u>	<u>19,733</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations	399,682	176,783
Administrative	107,112	95,965
Capital outlay	-	-
Depreciation	-	-
	<u>506,794</u>	<u>272,748</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>66,140</u>	<u>(253,015)</u>
NONOPERATING REVENUES (EXPENSES):		
Taxes	-	46,227
Intergovernmental grants	-	204,938
Investment income	62,418	950
	<u>62,418</u>	<u>252,115</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
INCOME (LOSS) BEFORE TRANSFERS	128,558	(900)
TRANSFERS IN	-	3,304
TRANSFERS OUT	(25,000)	-
	<u>103,558</u>	<u>2,404</u>
CHANGE IN NET ASSETS		
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>1,251,830</u>	<u>104,884</u>
TOTAL NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 1,355,388</u>	<u>\$ 107,288</u>

See independent auditors' report.

Airport	Meeting Center	School Services	After School Program	Community Services	Total
\$ 243,492	\$ 13,480	\$ 66,833	\$ -	\$ 2,972	\$ 346,510
-	-	-	-	-	428,868
106,621	162,428	4,900	-	94,288	368,237
1,531	-	-	-	327,410	473,007
<u>351,644</u>	<u>175,908</u>	<u>71,733</u>	<u>-</u>	<u>424,670</u>	<u>1,616,622</u>
281,195	279,887	75,427	85,767	1,270,392	2,569,133
83,475	9,444	30,137	15,000	597,234	938,367
40,611	-	-	-	590	41,201
30,898	62,292	-	-	116,688	209,878
<u>436,179</u>	<u>351,623</u>	<u>105,564</u>	<u>100,767</u>	<u>1,984,904</u>	<u>3,758,579</u>
<u>(84,535)</u>	<u>(175,715)</u>	<u>(33,831)</u>	<u>(100,767)</u>	<u>(1,560,234)</u>	<u>(2,141,957)</u>
-	-	-	-	1,550,051	1,596,278
-	-	-	92,128	508	297,574
34,230	-	495	-	79,861	177,954
<u>34,230</u>	<u>-</u>	<u>495</u>	<u>92,128</u>	<u>1,630,420</u>	<u>2,071,806</u>
(50,305)	(175,715)	(33,336)	(8,639)	70,186	(70,151)
861,026	65,000	44,871	8,000	1,195,375	2,177,576
(705,329)	-	-	-	(794,838)	(1,525,167)
105,392	(110,715)	11,535	(639)	470,723	582,258
<u>1,651,712</u>	<u>917,699</u>	<u>16,183</u>	<u>-</u>	<u>6,905,213</u>	<u>10,847,521</u>
<u>\$ 1,757,104</u>	<u>\$ 806,984</u>	<u>\$ 27,718</u>	<u>\$ (639)</u>	<u>\$ 7,375,936</u>	<u>\$ 11,429,779</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS

For the year ended June 30, 2008

	Planning and Building	Transit
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 579,604	\$ 20,022
Payments to suppliers	(404,606)	(21,468)
Payments to employees	(186,059)	(251,297)
	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	(11,061)	(252,743)
	<u> </u>	<u> </u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes	-	46,227
Intergovernmental grants	-	204,938
Cash received from other funds	-	3,304
Cash paid to other funds	(25,000)	-
	<u> </u>	<u> </u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(25,000)	254,469
	<u> </u>	<u> </u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	-
Interest paid	-	-
	<u> </u>	<u> </u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	66,918	1,833
	<u> </u>	<u> </u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,857	3,559
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,424,665	93,569
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,455,522</u>	<u>\$ 97,128</u>
	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 66,140	\$ (253,015)
Depreciation	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	6,670	11,024
(Increase) decrease in inventory	-	-
(Increase) decrease in other current assets	-	(10,735)
Increase (decrease) in accounts payable and accrued liabilities	(82,372)	230
Increase (decrease) in deposits	(1,499)	(247)
	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (11,061)</u>	<u>\$ (252,743)</u>
	<u> </u>	<u> </u>

See independent auditors' report.

<u>Airport</u>	<u>Meeting Center</u>	<u>School Services</u>	<u>After School Program</u>	<u>Community Services</u>	<u>Total</u>
\$ 352,578	\$ 177,885	\$ 71,733	\$ -	\$ 424,730	\$ 1,626,552
(299,964)	(68,364)	(70,155)	(85,099)	(1,253,759)	(2,203,415)
(81,880)	(171,184)	(30,137)	(15,000)	(624,170)	(1,359,727)
(29,266)	(61,663)	(28,559)	(100,099)	(1,453,199)	(1,936,590)
-	-	-	-	1,466,871	1,513,098
-	-	-	92,128	508	297,574
861,026	65,000	44,871	8,000	1,195,375	2,177,576
(207,329)	-	-	-	(794,838)	(1,027,167)
653,697	65,000	44,871	100,128	1,867,916	2,961,081
(128,227)	-	-	-	(211,270)	(339,497)
-	-	421	-	-	421
(128,227)	-	421	-	(211,270)	(339,076)
30,821	-	-	-	77,799	177,371
527,025	3,337	16,733	29	281,246	862,786
290,006	-	16,479	-	963,152	2,787,871
<u>\$ 817,031</u>	<u>\$ 3,337</u>	<u>\$ 33,212</u>	<u>\$ 29</u>	<u>\$ 1,244,398</u>	<u>\$ 3,650,657</u>
\$ (84,535)	\$ (175,715)	\$ (33,831)	\$ (100,767)	\$ (1,560,234)	\$ (2,141,957)
30,898	62,292	-	-	116,688	209,878
934	1,976	-	-	60	20,664
(10,307)	-	-	-	-	(10,307)
-	-	-	-	-	(10,735)
29,655	4,634	5,272	668	(2,553)	(44,466)
4,089	45,150	-	-	(7,160)	40,333
<u>\$ (29,266)</u>	<u>\$ (61,663)</u>	<u>\$ (28,559)</u>	<u>\$ (100,099)</u>	<u>\$ (1,453,199)</u>	<u>\$ (1,936,590)</u>

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INTERNAL SERVICE FUNDS

The Internal Service Funds are used to finance and account for special activities and services performed by organizational units within a governmental jurisdiction for other organizational units within the same governmental jurisdiction. The Internal Service Funds are:

Insurance and Benefit Service - Accounts for insurance, employee fringe benefits, and accrued compensated absences charged to the individual funds.

Vehicle Maintenance Service - Accounts for acquisition and maintenance of City vehicles charged to the individual funds.

Information Services - Accounts for acquisition and maintenance of City data processing equipment and software charged to the individual funds.

Building Maintenance Service - Accounts for maintenance costs for public buildings maintained by the City charged to the individual funds.

CITY OF HEALDSBURG

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2008

ASSETS	<u>Insurance and Benefit</u>	<u>Vehicle Maintenance</u>
CURRENT ASSETS:		
Cash and investments	\$ 3,061,103	\$ 3,360,913
Accounts receivable	8,249	5,242
Notes receivable	-	-
Interest receivable	18,152	15,724
Inventory	-	39,941
TOTAL CURRENT ASSETS	<u>3,087,504</u>	<u>3,421,820</u>
NONCURRENT ASSETS:		
Capital assets:		
Equipment	-	5,320,222
Construction in progress	-	-
Less: accumulated depreciation	-	(3,142,580)
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>2,177,642</u>
TOTAL ASSETS	<u>3,087,504</u>	<u>5,599,462</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	558,657	15,207
Claims payable	31,260	-
Compensated absences	1,620,326	-
TOTAL CURRENT LIABILITIES	<u>2,210,243</u>	<u>15,207</u>
NET ASSETS		
Invested in capital assets, net of related debt	-	2,177,642
Unrestricted	877,261	3,406,613
TOTAL NET ASSETS	<u>\$ 877,261</u>	<u>\$ 5,584,255</u>

See independent auditors' report.

<u>Information Services</u>	<u>Building Maintenance</u>	<u>Total</u>
\$ 692,314	\$ 410,824	\$ 7,525,154
-	525	14,016
22,090	-	22,090
4,700	1,538	40,114
(835)	-	39,106
718,269	412,887	7,640,480
1,794,075	-	7,114,297
423	-	423
(1,063,057)	-	(4,205,637)
731,441	-	2,909,083
1,449,710	412,887	10,549,563
118,783	27,788	720,435
-	46,230	77,490
-	-	1,620,326
118,783	74,018	2,418,251
731,441	-	2,909,083
599,486	338,869	5,222,229
\$ 1,330,927	\$ 338,869	\$ 8,131,312

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENSES AND
AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

For the year ended June 30, 2008

	Insurance and Benefit	Vehicle Maintenance
OPERATING REVENUES:		
Charges for services	\$ 7,552,320	\$ 1,448,388
Other revenues	28	11,085
	<u>7,552,348</u>	<u>1,459,473</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations	-	499,217
Administrative	5,063	17,923
Insurance and benefits costs	7,450,866	-
Depreciation	-	322,972
	<u>7,455,929</u>	<u>840,112</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	96,419	619,361
NONOPERATING REVENUES:		
Investment income	<u>121,910</u>	<u>105,603</u>
INCOME (LOSS) BEFORE TRANSFERS	218,329	724,964
OTHER FINANCING SOURCES:		
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	218,329	724,964
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>658,932</u>	<u>4,859,291</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 877,261</u>	<u>\$ 5,584,255</u>

See independent auditors' report.

Information Services	Building Maintenance	Total
\$ 966,008	\$ 931,296	\$ 10,898,012
4,201	1,951	17,265
<u>970,209</u>	<u>933,247</u>	<u>10,915,277</u>
887,751	818,866	2,205,834
56,045	17,174	96,205
-	-	7,450,866
83,080	-	406,052
<u>1,026,876</u>	<u>836,040</u>	<u>10,158,957</u>
(56,667)	97,207	756,320
<u>31,562</u>	<u>10,329</u>	<u>269,404</u>
(25,105)	107,536	1,025,724
27,916	-	27,916
(293)	-	(293)
2,518	107,536	1,053,347
<u>1,328,409</u>	<u>231,333</u>	<u>7,077,965</u>
<u>\$ 1,330,927</u>	<u>\$ 338,869</u>	<u>\$ 8,131,312</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2008

	Insurance and Benefit	Vehicle Maintenance
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 7,561,214	\$ 1,458,912
Payments to suppliers	(7,467,424)	(381,019)
Payments to employees	<u> -</u>	<u> (115,194)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u> 93,790</u>	 <u> 962,699</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	-	-
Cash paid to other funds	<u> -</u>	<u> -</u>
 NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	 <u> -</u>	 <u> -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	<u> -</u>	<u> (933,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u> 129,639</u>	<u> 118,796</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u> 223,429</u>	 <u> 148,016</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u> 2,837,674</u>	<u> 3,212,897</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u> \$ 3,061,103</u></u>	<u><u> \$ 3,360,913</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 96,419	\$ 619,361
Depreciation	-	322,972
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	8,866	(561)
(Increase) decrease in inventory	-	19,847
Increase (decrease) in accounts payable and accrued liabilities	<u> (11,495)</u>	<u> 1,080</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u><u> \$ 93,790</u></u>	 <u><u> \$ 962,699</u></u>

See independent auditors' report.

Information Services	Building Maintenance	Total
\$ 970,564	\$ 933,247	\$ 10,923,937
(714,770)	(787,691)	(9,350,904)
(216,415)	(37,802)	(369,411)
<u>39,379</u>	<u>107,754</u>	<u>1,203,622</u>
27,916	-	27,916
(293)	-	(293)
<u>27,623</u>	<u>-</u>	<u>27,623</u>
(276,236)	-	(1,209,715)
<u>34,713</u>	<u>10,137</u>	<u>293,285</u>
(174,521)	117,891	314,815
<u>866,835</u>	<u>292,933</u>	<u>7,210,339</u>
<u>\$ 692,314</u>	<u>\$ 410,824</u>	<u>\$ 7,525,154</u>
\$ (56,667)	\$ 97,207	756,320
83,080	-	406,052
355	-	8,660
1,066	-	20,913
<u>11,545</u>	<u>10,547</u>	<u>11,677</u>
<u>\$ 39,379</u>	<u>\$ 107,754</u>	<u>\$ 1,203,622</u>

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FIDUCIARY FUNDS

The Trust Funds are used to account for assets held by the City in a fiduciary capacity for individuals, governmental entities and others. Such funds are operated by carrying out the specifications of trust indentures, statutes, ordinances or other governing regulations. The various Fiduciary Funds are:

Industrial Development Authority - Accounts for and administer funds of the Industrial Development Authority.

Redevelopment Agency - Downtown Business District (DBD) - Accounts for and administer funds of the Downtown Business District.

Senior Center Trust - Accounts for and administer funds of the Senior Center Trust.

Community Benefit Trust - Accounts for and administer funds of the Community Benefit Trust.

Plaza Flowers Veterans Trust - Accounts for and administer funds for purchasing flowers for the Plaza to honor Veterans.

CITY OF HEALDSBURG

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

June 30, 2008

	Industrial Development Authority	Redevelopment Agency DBD
ASSETS:		
Cash and investments	\$ -	\$ 3,227
Interest receivable	-	28
	<hr/>	<hr/>
TOTAL ASSETS	-	3,255
LIABILITIES:		
Accounts payable	-	2,537
	<hr/>	<hr/>
NET ASSETS:		
Held in trust for other purposes	\$ -	\$ 718
	<hr/> <hr/>	<hr/> <hr/>

See independent auditors' report.

Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
\$ 136,622	\$ 765,941	\$ 5,711	\$ 911,501
<u>861</u>	<u>4,891</u>	<u>37</u>	<u>5,817</u>
137,483	770,832	5,748	917,318
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,537</u>
<u>\$ 137,483</u>	<u>\$ 770,832</u>	<u>\$ 5,748</u>	<u>\$ 914,781</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

For the year ended June 30, 2008

	Industrial Development Authority	Redevelopment Agency DBD
ADDITIONS:		
Contributions	\$ -	\$ 47,800
Investment income	-	-
Fees and charges	-	37,774
Transfers in	-	-
TOTAL ADDITIONS	-	85,574
DEDUCTIONS:		
Community development	5,804	101,229
CHANGE IN NET ASSETS	(5,804)	(15,655)
NET ASSETS - BEGINNING OF YEAR	5,804	16,373
NET ASSETS - END OF YEAR	\$ -	\$ 718

See independent auditors' report.

Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
\$ 276	\$ -	\$ -	\$ 48,076
5,786	32,846	245	38,877
-	-	-	37,774
-	50,000	-	50,000
6,062	82,846	245	174,727
237	63,167	332	170,769
5,825	19,679	(87)	3,958
131,658	751,153	5,835	910,823
<u>\$ 137,483</u>	<u>\$ 770,832</u>	<u>\$ 5,748</u>	<u>\$ 914,781</u>

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2008

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 say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	S2
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax and the electric utility.	S13
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	S33
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	S41
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	S43

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

	Fiscal Year			
	2003	2004	2005	2006
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	
2007	2008
\$ 14,431	\$ 14,387
12,501	13,895
13,955	17,577
<u>\$ 40,887</u>	<u>\$ 45,859</u>

\$ 72,951	\$ 78,119
876	-
29,353	27,159
<u>\$ 103,180</u>	<u>\$ 105,278</u>

\$ 87,382	\$ 92,506
13,377	13,895
43,308	44,736
<u>\$ 144,067</u>	<u>\$ 151,137</u>

CITY OF HEALDSBURG
Changes in Net Assets - Expenses and Program Revenues
Last Six 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
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
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.

Fiscal Year	
<u>2007</u>	<u>2008</u>
\$ 982	\$ 839
6,768	6,995
24	19
4,201	4,818
25	26
<u>2,435</u>	<u>2,353</u>
<u>14,435</u>	<u>15,050</u>
4,719	4,219
5,379	5,996
10,167	10,335
1,399	1,415
<u>3,043</u>	<u>3,709</u>
<u>24,707</u>	<u>25,674</u>
<u>\$ 39,142</u>	<u>\$ 40,724</u>
\$ 509	\$ 377
483	498
1	-
403	432
1,000	589
<u>61</u>	<u>85</u>
<u>2,457</u>	<u>1,981</u>
4,343	4,280
6,069	6,512
9,002	9,257
1,087	880
1,549	1,617
2,193	2,438
<u>501</u>	<u>181</u>
<u>24,744</u>	<u>25,165</u>
<u>\$ 27,201</u>	<u>\$ 27,146</u>

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

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

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>
\$ (11,979)	\$ (13,069)
<u>38</u>	<u>(509)</u>
<u>\$ (11,941)</u>	<u>\$ (13,578)</u>

\$ 10,617	\$ 11,254
369	374
3,334	3,324
272	310
63	52
-	-
2,252	1,857
<u>(1,047)</u>	<u>(787)</u>
<u>15,860</u>	<u>16,384</u>

2,203	1,820
<u>1,047</u>	<u>787</u>
<u>3,250</u>	<u>2,607</u>
<u>\$ 19,110</u>	<u>\$ 18,991</u>

\$ 3,881	\$ 3,315
<u>3,288</u>	<u>2,098</u>
<u>\$ 7,169</u>	<u>\$ 5,413</u>

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

	Fiscal Year			
	2003	2004	2005	2006
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 five years of data for this schedule.

Fiscal Year	
<u>2007</u>	<u>2008</u>
\$ -	\$ -
<u>4,726</u>	<u>4,763</u>
<u>\$ 4,726</u>	<u>\$ 4,763</u>
\$ 31,650	\$ 29,353
6,932	7,123
3,168	5,714
<u>77</u>	<u>78</u>
<u>\$ 41,827</u>	<u>\$ 42,268</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Property taxes	\$ 6,834	\$ 7,388	\$ 8,946	\$ 9,475
Sales and other taxes	3,515	3,414	2,697	3,901
Charges for services	283	311	327	349
Intergovernmental revenue	1,834	1,755	1,616	1,251
Special assessments	324	342	397	482
Development fees and permits	119	86	113	109
Investment income	668	641	1,066	1,621
Miscellaneous fees and charges	93	355	77	72
Other revenues	616	1,682	562	865
<i>Total revenues</i>	<u>14,286</u>	<u>15,974</u>	<u>15,801</u>	<u>18,125</u>
Expenditures:				
Current:				
General government	687	933	582	677
Public safety	4,573	4,601	5,523	6,534
Culture and recreation	27	25	20	32
Community development	2,682	5,039	4,240	4,123
Capital outlay	5,628	4,348	934	2,270
Debt Service:				
Principal retirement	1,300	1,065	1,205	1,325
Interest and fees	1,463	2,209	2,687	2,625
Bond issue costs	417	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 six years of data for this schedule.

Fiscal Year	
2007	2008
\$ 10,617	\$ 11,254
4,267	4,447
366	368
1,070	630
-	-
62	104
2,142	1,732
75	119
601	475
<u>19,200</u>	<u>19,129</u>
630	584
6,760	6,989
38	19
5,722	5,777
948	651
1,530	1,465
2,405	2,352
-	-
-	-
<u>18,033</u>	<u>17,837</u>
<u>1,167</u>	<u>1,292</u>
4,227	8,553
(5,304)	(9,367)
-	-
-	-
-	-
-	-
<u>(1,077)</u>	<u>(814)</u>
<u>\$ 90</u>	<u>\$ 478</u>
23%	22%

CITY OF HEALDSBURG
Governmental Activities Major Tax Revenues By Sources
Last Nine Fiscal Years (5)

Fiscal Year Ended June 30	Property Tax (1)	Sales Tax (3)	Franchise	Vehicle License Fee	Transient Occupancy Tax (2)	Total
2000	\$ 4,826,240	\$ 2,468,452	\$ 185,688	\$ 489,116	\$ 505,291	\$ 8,474,787
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

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.

(5) The City of Healdsburg has elected to show only nine years of data for this schedule.

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

Fiscal Year Ended June 30	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
1999	\$ 617,721	\$ 38,246	\$ (14,318)	\$ 641,649	\$ 403,801	\$ 30,429	\$ (7,255)	\$ 426,975	0.364%
2000	665,586	47,428	(14,354)	698,660	428,072	43,137	(7,248)	463,961	0.415%
2001	734,835	56,077	(14,401)	776,511	461,685	51,169	(7,205)	505,649	0.422%
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	0.048%

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 Nine Fiscal Years
(Rate per \$100 of assessed value)

Fiscal Year Ended June 30	City Direct Rates				Overlapping Rates			
	Basic Rate	General Obligation Debt Service	Redevelopment Debt Service	Redevelopment Program	Total Direct Rate	Healdsburg Unified Bonds	Dam/Russian River Project	So. Co. Junior College Bond
2000	\$0.0400	\$0.0500	\$0.1800	\$0.1500	\$0.42	\$0.0686	\$0.0060	\$0.0000
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

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.

The City of Healdsburg has elected to show only nine years of data for this schedule.

CITY OF HEALDSBURG
Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Taxpayer by Business Type</u>	<u>2008</u>		<u>1999</u>	
	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>
Winery	\$ 361,275	27.9%	\$ 184,238	63.25%
Hotel	211,307	16.30%	- (1)	0.00%
Property management	122,904	9.48%	- (2)	0.00%
Housing	122,085	9.42%	- (2)	0.00%
Industrial	100,423	7.75%	29,781	10.22%
Winery	86,601	6.68%	- (2)	0.00%
Self storage	78,309	6.04%	- (2)	0.00%
Property management	74,186	5.72%	36,158	12.41%
Industrial	72,816	5.62%	41,116	14.11%
Property management	66,167	5.11%	- (2)	0.00%
Totals	<u>\$ 1,296,073</u>	<u>100.00%</u>	<u>\$ 291,293</u>	<u>100.00%</u>

Note: The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

(1) Business did not exist in 1999.

(2) Business not in top 25 property tax payers in 1999.

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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>
1999	\$ 4,103,525	\$ 4,103,525	100.0%
2000	4,647,271	4,647,271	100.0%
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%

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

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

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

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

	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total Assessed Valuation (Gross)	\$ 434,230	\$ 471,209	\$ 512,854	\$ 563,176	\$ 617,351
Net Secured	\$ 403,801	\$ 428,072	\$ 461,685	\$ 511,313	\$ 568,898
Net Unsecured	30,429	43,137	51,169	51,863	48,453
Exemptions	<u>(7,255)</u>	<u>(7,248)</u>	<u>(7,205)</u>	<u>(7,126)</u>	<u>(7,064)</u>
Total Assessed Valuation (Net)	<u>\$ 426,975</u>	<u>\$ 463,961</u>	<u>\$ 505,649</u>	<u>\$ 556,050</u>	<u>\$ 610,287</u>
Gross Tax Increment	<u>\$ 3,495,808</u>	<u>\$ 3,849,868</u>	<u>\$ 4,322,409</u>	<u>\$ 4,725,371</u>	<u>\$ 5,509,106</u>

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

Fiscal Year				
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 682,905	\$ 721,967	\$ 793,730	\$ 883,733	\$ 936,561
\$ 623,690	\$ 666,577	\$ 737,613	\$ 823,891	\$ 876,977
59,215	55,390	56,117	59,842	59,584
(7,088)	(7,241)	(7,080)	(6,954)	(6,982)
\$ 675,817	\$ 714,726	\$ 786,650	\$ 876,779	\$ 929,579
\$ 6,083,344	\$ 6,487,314	\$ 7,425,889	\$ 8,118,025	\$ 8,609,919

**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>
1999	\$ 3,495,808	\$ 701,166 ⁽¹⁾	\$ -	\$ -	\$ 699,162	\$ 2,095,480 ⁽¹⁾
2000	3,849,868	798,517 ⁽¹⁾	-	-	769,918	2,281,433 ⁽¹⁾
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	4,606,027
2008	8,609,919	2,041,377	576,394	-	1,721,984	4,846,558

(1) Revised

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

	Fiscal Year									
	<u>1999</u>	<u>2000</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>Number of Customers</u>										
Residential	3,872	4,192	4,351	4,381	4,387	4,400	4,426	4,449	4,334	4,414
Industrial and heavy commercial	87	80	78	100	89	99	101	105	12	38
Commercial	819	834	817	855	865	858	874	896	854	944
Municipal	64	66	74	72	77	72	75	77	39	81
Outdoor Lighting	42	60	43	20	19	32	18	32	15	15
Total	<u>4,884</u>	<u>5,232</u>	<u>5,363</u>	<u>5,428</u>	<u>5,437</u>	<u>5,461</u>	<u>5,494</u>	<u>5,559</u>	<u>5,254</u>	<u>5,492</u>
<u>Energy Sales (MWH)</u>										
Residential	23,552	23,446	25,028	24,596	25,015	25,892	26,235	26,208	26,500	27,040
Industrial and heavy commercial	3,485	3,197	3,695	3,142	2,945	2,652	3,079	2,045	10,797	17,898
Commercial	34,323	33,417	35,099	34,326	35,676	37,449	38,736	38,942	31,506	26,316
Municipal	4,959	4,975	4,540	4,794	4,628	4,775	4,731	4,900	5,227	5,355
Outdoor Lighting	585	585	583	585	583	583	583	583	583	583
Total	<u>66,904</u>	<u>65,620</u>	<u>68,945</u>	<u>67,443</u>	<u>68,847</u>	<u>71,351</u>	<u>73,364</u>	<u>72,678</u>	<u>74,613</u>	<u>77,192</u>
<u>Revenue (in millions)</u>										
Residential	\$ 2.891	\$ 2.883	\$ 3.073	\$ 3.154	\$ 3.200	\$ 3.315	\$ 3.366	\$ 3.354	\$ 3.379	\$ 3.500
Industrial and heavy commercial	0.377	0.342	0.393	0.378	0.367	0.331	0.360	0.229	1.313	1.796
Commercial	3.679	3.632	3.801	4.013	4.148	4.099	4.568	4.635	3.474	3.119
Municipal	0.407	0.401	0.375	0.434	0.418	0.397	0.449	0.435	0.447	0.520
Outdoor Lighting	0.042	0.041	0.040	0.042	0.042	0.042	0.042	0.042	0.040	0.040
Total	<u>\$ 7.396</u>	<u>\$ 7.299</u>	<u>\$ 7.682</u>	<u>\$ 8.021</u>	<u>\$ 8.175</u>	<u>\$ 8.184</u>	<u>\$ 8.785</u>	<u>\$ 8.695</u>	<u>\$ 8.653</u>	<u>\$ 8.975</u>
Total average rate per mwh	<u>\$ 0.111</u>	<u>\$ 0.111</u>	<u>\$ 0.111</u>	<u>\$ 0.119</u>	<u>\$ 0.119</u>	<u>\$ 0.115</u>	<u>\$ 0.120</u>	<u>\$ 0.120</u>	<u>\$ 0.116</u>	<u>\$ 0.116</u>

Source: City of Healdsburg Utility Billing Department

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
MWH Sold				
July	5,562	5,648	5,939	5,956
August	6,421	5,649	6,085	5,359
September	6,358	4,870	6,319	5,957
October	5,444	5,595	5,903	5,661
November	5,604	5,585	5,759	5,305
December	5,522	5,175	5,756	5,545
January	5,903	6,243	5,942	6,340
February	5,305	5,192	5,710	5,476
March	5,096	5,219	5,131	5,260
April	5,438	5,480	5,166	5,159
May	4,948	5,328	5,186	5,438
June	5,303	5,636	6,053	5,985
Total	<u>66,904</u>	<u>65,620</u>	<u>68,949</u>	<u>67,441</u>
Total Billings				
July	\$ 671,528	\$ 692,743	\$ 722,003	\$ 780,420
August	780,065	688,545	735,508	697,647
September	749,469	585,033	773,672	786,546
October	670,085	685,507	724,567	732,969
November	668,750	670,965	694,730	689,792
December	549,073	529,404	584,830	593,797
January	608,149	642,128	599,428	690,829
February	514,981	520,977	578,460	593,782
March	510,713	527,653	518,509	566,423
April	542,747	537,206	508,492	544,544
May	486,301	518,346	504,507	563,299
June	644,267	699,600	736,195	781,609
Total	<u>\$ 7,396,128</u>	<u>\$ 7,298,107</u>	<u>\$ 7,680,901</u>	<u>\$ 8,021,657</u>
Revenue/KWH				
July	\$ 0.12074	\$ 0.12270	\$ 0.12156	\$ 0.13103
August	0.12147	0.12190	0.12087	0.13018
September	0.11788	0.12010	0.12243	0.13203
October	0.12309	0.12250	0.12274	0.12947
November	0.11933	0.12020	0.12063	0.13002
December	0.09943	0.10230	0.10160	0.10708
January	0.10302	0.10290	0.10087	0.10896
February	0.09707	0.10030	0.10130	0.10843
March	0.10022	0.10110	0.10105	0.10768
April	0.09981	0.09800	0.09843	0.10555
May	0.09828	0.09730	0.09728	0.10358
June	0.12149	0.12410	0.12162	0.13059
Average	<u>\$ 0.11055</u>	<u>\$ 0.11122</u>	<u>\$ 0.11140</u>	<u>\$ 0.11894</u>

Source: City of Healdsburg Utility Billing Department

Fiscal Year

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
6,229	6,113	6,595	6,325	6,629	7,196
6,199	6,821	6,367	6,387	7,306	7,229
6,168	6,408	7,283	6,590	6,085	7,273
5,937	5,838	6,051	5,854	5,931	6,226
5,932	5,464	5,809	6,014	6,021	6,270
5,176	5,874	6,083	6,124	6,218	5,920
6,203	5,769	6,470	6,244	6,616	6,703
5,444	5,977	6,180	5,981	6,913	6,590
4,780	5,683	5,146	5,535	5,675	5,373
6,119	5,570	5,756	5,773	5,702	6,053
4,934	5,802	5,845	5,506	5,569	5,848
5,726	6,033	5,779	6,344	5,948	6,511
<u>68,847</u>	<u>71,352</u>	<u>73,364</u>	<u>72,677</u>	<u>74,613</u>	<u>77,192</u>

\$ 807,825	\$ 791,151	\$ 711,827	\$ 852,912	\$ 866,640	\$ 902,367
800,312	882,496	708,539	840,127	939,364	917,607
804,981	824,884	787,393	856,913	781,332	909,992
760,045	754,070	656,358	783,802	771,838	783,665
778,722	567,221	609,147	633,226	623,653	679,448
552,882	625,634	706,253	676,659	667,647	616,005
673,403	619,909	1,419,090	690,152	698,881	722,227
582,690	649,620	499,890	632,755	706,404	694,407
503,378	605,831	507,107	596,087	594,563	567,103
649,836	577,260	629,314	616,684	579,772	616,889
516,598	632,974	756,124	707,877	679,596	736,930
743,948	653,404	795,546	808,512	743,621	828,349
<u>\$ 8,174,620</u>	<u>\$ 8,184,454</u>	<u>\$ 8,786,588</u>	<u>\$ 8,695,706</u>	<u>\$ 8,653,311</u>	<u>\$ 8,974,989</u>

\$ 0.12969	\$ 0.12942	\$ 0.10793	\$ 0.13485	\$ 0.13073	\$ 0.12540
0.12910	0.12937	0.11128	0.13154	0.12857	0.12693
0.13051	0.12873	0.10811	0.13003	0.12840	0.12512
0.12802	0.12916	0.10638	0.13389	0.13014	0.12587
0.13128	0.10381	0.10275	0.10529	0.10358	0.10836
0.10682	0.10650	0.11411	0.11049	0.10737	0.10405
0.10851	0.10746	0.21757	0.10530	0.10392	0.10775
0.10703	0.10869	0.79022	0.10579	0.10218	0.10537
0.10531	0.10660	0.96400	0.10769	0.10477	0.10555
0.10620	0.10363	0.10733	0.10682	0.10168	0.10191
0.10470	0.10910	0.12206	0.12856	0.12203	0.12601
0.12993	0.10830	0.12934	0.12745	0.12502	0.12722
<u>\$ 0.11874</u>	<u>\$ 0.11471</u>	<u>\$ 0.11977</u>	<u>\$ 0.11965</u>	<u>\$ 0.11598</u>	<u>\$ 0.11627</u>

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

<u>Electric Customer by Type</u>	<u>2008</u>		<u>1999</u>	
	<u>Electric Charges</u>	<u>Percent of Total Electric Revenue</u>	<u>Electric Charges</u>	<u>Percent of Total Electric Revenue</u>
Municipal	\$ 389,425	4.24978%	(1)	0.00000%
School	263,392	2.87439%	(1)	0.00000%
Grocery store	228,365	2.49214%	(1)	0.00000%
Industrial	214,744	2.34349%	(1)	0.00000%
Winery	179,295	1.95664%	(1)	0.00000%
Hospital	150,564	1.64310%	(1)	0.00000%
Hotel	133,360	1.45535%	(1)	0.00000%
Industrial	111,267	1.21425%	(1)	0.00000%
Grocery store	109,458	1.19451%	(1)	0.00000%
Real estate	78,762	0.85953%	(1)	0.00000%
	<u>\$ 1,858,632</u>	<u>20.3%</u>	<u>\$ -</u>	<u>0.0%</u>

**CITY OF HEALDSBURG
Electric Rates
Last Eight Fiscal Years**

<u>Type of Customer</u>	<u>Fiscal Year Ended 30-Jun</u>	<u>Monthly Base Rate</u>	<u>Rate per KWH</u>
Residential	2001-2008	324 KWH @ Balance @	\$0.12168 \$0.13987
Commercial	2001-2008	\$0.15614 per KWH	\$0.15614

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

(1) Information is not available.

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

	Fiscal Year			
	1999	2000	2001	2002
Operating Revenues:				
Charges for services	\$ 7,016,103	\$ 7,034,610	\$ 7,357,293	\$ 8,239,704
Development fees	-	-	-	-
Other Revenues	8,331	6,577	85,163	148,242
<i>Total Operating Revenues</i>	<u>7,024,434</u>	<u>7,041,187</u>	<u>7,442,456</u>	<u>8,387,946</u>
Operating Expenses:				
Purchased power	3,827,387	4,631,989	5,684,650	8,597,303
Operations	777,565	859,526	1,204,423	1,122,220
Administrative	836,624	890,836	901,891	1,185,925
Depreciation	276,846	262,526	274,093	311,980
<i>Total Operating Expense</i>	<u>5,718,422</u>	<u>6,644,877</u>	<u>8,065,057</u>	<u>11,217,428</u>
<i>Operating Income (Loss)</i>	<u>1,306,012</u>	<u>396,310</u>	<u>(622,601)</u>	<u>(2,829,482)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	-	-	-	69,500
Investment income	604,540	672,157	535,405	259,678
Interest expense	(16,347)	(13,813)	(13,138)	(12,688)
Loss from disposal of assets	(41,747)	(76,820)	(174,726)	-
<i>Total Nonoperating Revenues (Expenses)</i>	<u>546,446</u>	<u>581,524</u>	<u>347,541</u>	<u>316,490</u>
Income (Loss) Before Transfers	1,852,458	977,834	(275,060)	(2,512,992)
Transfers In (Out)	<u>-</u>	<u>(273,350)</u>	<u>(875,400)</u>	<u>(2,942)</u>
Income (Loss) Before Capital Contributions	1,852,458	704,484	(1,150,460)	(2,515,934)
Capital Contributions	<u>-</u>	<u>-</u>	<u>771,208</u>	<u>552,848</u>
Changes in Net Assets	<u>\$ 1,852,458</u>	<u>\$ 704,484</u>	<u>\$ (379,252)</u>	<u>\$ (1,963,086)</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 8,391,718	\$ 8,366,511	\$ 9,279,807	\$ 8,858,296	\$ 8,910,310	\$ 9,163,416
-	-	-	-	36,072	23,617
177,162	77,370	30,300	148,017	56,239	70,211
<u>8,568,880</u>	<u>8,443,881</u>	<u>9,310,107</u>	<u>9,006,313</u>	<u>9,002,621</u>	<u>9,257,244</u>
5,626,154	4,910,373	5,888,039	5,367,577	5,924,049	5,874,492
1,241,154	1,351,066	1,495,744	2,087,296	2,042,244	2,145,553
1,227,609	1,197,543	1,514,936	1,566,344	1,775,826	1,974,354
343,468	353,922	365,971	379,103	384,900	422,960
<u>8,438,385</u>	<u>7,812,904</u>	<u>9,264,690</u>	<u>9,400,320</u>	<u>10,127,019</u>	<u>10,417,359</u>
<u>130,495</u>	<u>630,977</u>	<u>45,417</u>	<u>(394,007)</u>	<u>(1,124,398)</u>	<u>(1,160,115)</u>
15,000	-	-	135	287	-
186,073	141,732	214,544	299,762	352,905	228,793
(5,981)	-	-	-	-	-
(640)	(8,545)	-	-	(103,756)	-
<u>194,452</u>	<u>133,187</u>	<u>214,544</u>	<u>299,897</u>	<u>249,436</u>	<u>228,793</u>
324,947	764,164	259,961	(94,110)	(874,962)	(931,322)
<u>(180,727)</u>	<u>(265,464)</u>	<u>2,151</u>	<u>(61,620)</u>	<u>(115,000)</u>	<u>-</u>
144,220	498,700	262,112	(155,730)	(989,962)	(931,322)
<u>191,082</u>	<u>491,116</u>	<u>131,626</u>	<u>-</u>	<u>236,172</u>	<u>181,173</u>
<u>\$ 335,302</u>	<u>\$ 989,816</u>	<u>\$ 393,738</u>	<u>\$ (155,730)</u>	<u>\$ (753,790)</u>	<u>\$ (750,149)</u>

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

	Fiscal Year			
	1999	2000	2001	2002
Cash flows from operating activities:				
Operating income (loss)	\$ 1,306,012	\$ 396,310	\$ (622,602)	\$ (2,829,482)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	276,846	262,526	274,093	311,980
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(95,880)	(145,072)	(181,460)	(160,500)
(Increase) decrease in due from other governments	8,111	11,215	-	-
(Increase) decrease in inventory	10,300	(392,202)	60,245	32,177
(Increase) decrease in prepaid costs	348,391	(425,652)	403,247	(55,155)
Increase (decrease) in accounts payable	(132,193)	14,464	101,177	(187,026)
Increase (decrease) in deposits	(1,097)	3,026	(432,978)	(572,476)
Total adjustments	<u>414,478</u>	<u>(671,695)</u>	<u>224,324</u>	<u>(631,000)</u>
Net cash provided (used) by operating activities	<u>1,720,490</u>	<u>(275,385)</u>	<u>(398,278)</u>	<u>(3,460,482)</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	-	-	-	69,500
(Increase) decrease in due from other funds	(5,989)	(478,399)	(1,726,953)	87,034
Transfers in (out)	-	(273,350)	(875,400)	(2,942)
Net cash provided (used) by non-capital financing activities	<u>(5,989)</u>	<u>(751,749)</u>	<u>(2,602,353)</u>	<u>153,592</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	(1,014,041)	(371,383)	(792,389)	(834,684)
Capital replacement	-	-	-	-
Capacity expansion	-	-	-	-
Contributed capital:				
Construction reimbursement	977,900	632,651	771,208	552,848
Retirement of debt	(42,748)	(9,750)	(9,750)	(9,750)
Interest paid	(15,520)	(12,986)	(12,310)	(11,861)
Net cash provided (used) by capital and related financing activities	<u>(94,409)</u>	<u>238,532</u>	<u>(43,241)</u>	<u>(303,447)</u>
Cash flows from investing activities:				
Investment income	590,543	619,909	589,907	359,161
(Increase) decrease in investments	(1,102,150)	(5,244,626)	3,572,392	245,225
(Increase) decrease in loan receivables	-	(24,928)	4,247	-
Net cash provided (used) by investing activities	<u>(511,607)</u>	<u>(4,649,645)</u>	<u>4,166,546</u>	<u>604,386</u>
Net increase in cash and cash equivalents	1,120,463	(5,418,247)	1,122,674	(3,005,951)
Cash and cash equivalents at beginning of year	6,357,348	7,477,811	2,059,564	3,206,038
Cash and cash equivalents at end of year	<u>\$ 7,477,811</u>	<u>\$ 2,059,564</u>	<u>\$ 3,182,238</u>	<u>\$ 200,087</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ (41,747)</u>	<u>\$ (76,820)</u>	<u>\$ (174,726)</u>	<u>\$ -</u>

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 130,495	\$ 630,977	\$ 45,417	\$ (394,007)	\$ (1,124,398)	\$ (1,160,115)
343,468	353,922	365,971	379,103	384,900	422,960
175,983	146,882	(460,071)	165,415	206,790	487
-	-	-	-	-	-
(125,070)	67,153	(159,444)	6,020	(56,624)	62,891
(429,786)	(232,914)	740,576	-	-	-
230,134	(45,072)	(89,605)	(42,327)	49,636	223,608
(11,308)	(224,126)	38,549	178,559	(21,398)	157,279
<u>183,421</u>	<u>65,845</u>	<u>435,976</u>	<u>686,770</u>	<u>563,304</u>	<u>867,225</u>
<u>313,916</u>	<u>696,822</u>	<u>481,393</u>	<u>292,763</u>	<u>(561,094)</u>	<u>(292,890)</u>
-	-	-	135	287	-
47,327	1,714	2,151	123,759	1,628	-
(180,727)	(267,178)	-	(181,200)	(115,000)	-
<u>(133,400)</u>	<u>(265,464)</u>	<u>2,151</u>	<u>(57,306)</u>	<u>(113,085)</u>	<u>-</u>
(465,719)	(475,379)	-	-	-	-
-	-	(512,265)	(644,167)	(1,533,171)	(3,150,084)
-	-	-	-	-	-
191,082	491,116	131,626	-	236,172	181,173
(165,000)	-	-	-	-	-
-	-	(4,229)	-	-	-
<u>(439,637)</u>	<u>15,737</u>	<u>(384,868)</u>	<u>(644,167)</u>	<u>(1,296,999)</u>	<u>(2,968,911)</u>
208,156	130,505	174,765	282,877	356,709	274,309
-	-	-	-	-	-
-	20,681	-	-	-	-
<u>208,156</u>	<u>151,186</u>	<u>174,765</u>	<u>282,877</u>	<u>356,709</u>	<u>274,309</u>
(50,965)	598,281	273,441	(125,833)	(1,614,469)	(2,987,492)
7,673,360	7,622,395	8,220,676	8,494,117	8,368,284	6,753,815
<u>\$ 7,622,395</u>	<u>\$ 8,220,676</u>	<u>\$ 8,494,117</u>	<u>\$ 8,368,284</u>	<u>\$ 6,753,815</u>	<u>\$ 3,766,323</u>
<u>\$ -</u>					

CITY OF HEALDSBURG
Schedule of Electricity Purchased
Last Ten Fiscal Years

KW	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
July	16,258	17,714	16,315	17,445	18,428
August	17,417	15,742	16,545	16,262	17,553
September	14,856	14,970	16,820	13,207	16,539
October	11,768	13,657	12,778	15,572	14,710
November	11,688	11,953	12,639	11,926	11,219
December	12,307	12,739	12,700	11,630	11,797
January	12,156	12,741	12,610	12,172	11,746
February	11,901	11,836	12,214	11,729	11,597
March	11,958	11,683	11,343	11,039	11,009
April	11,590	11,699	11,890	11,926	10,925
May	14,900	16,766	17,156	15,228	15,605
June	14,700	16,971	15,800	17,741	18,173
Peak Month	August	July	May	June	July

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

MWH	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
July	6,442	5,631	6,344	6,100	6,229
August	6,679	7,174	6,814	6,822	6,199
September	6,072	7,344	6,501	6,198	6,168
October	5,990	5,486	6,249	6,215	5,937
November	5,619	4,327	6,003	5,737	5,932
December	6,169	6,278	6,322	6,297	5,176
January	6,111	5,983	6,333	6,391	6,203
February	5,441	5,394	5,576	5,468	5,444
March	5,905	5,727	5,771	5,856	4,780
April	5,450	5,535	5,471	5,765	6,119
May	6,121	6,102	6,243	6,132	4,934
June	6,032	6,073	6,139	6,505	5,726
Total	<u>72,031</u>	<u>71,054</u>	<u>73,766</u>	<u>73,486</u>	<u>68,847</u>

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

Fiscal Year

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
18,328	16,996	18,281	21,064	19,527
17,418	18,177	16,366	17,651	20,046
17,889	18,972	14,879	16,722	18,337
13,903	15,235	12,870	13,101	12,910
11,539	12,373	12,726	12,453	11,949
12,233	12,604	12,946	13,029	12,942
11,984	12,589	11,726	12,964	13,262
11,770	11,654	11,851	12,201	12,607
13,299	12,561	12,010	11,887	11,823
15,253	11,653	12,230	13,338	12,975
14,463	14,660	14,695	15,826	20,412
18,151	15,577	19,955	20,545	19,577
July	September	June	July	May

Fiscal Year

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
7,046	6,780	7,238	7,699	7,377
6,652	7,146	6,803	6,798	7,529
6,500	7,082	6,286	6,501	6,607
6,358	6,384	6,431	6,528	6,454
5,896	6,132	6,216	6,335	6,228
6,375	6,609	6,720	6,934	6,844
6,302	6,579	6,371	6,849	6,893
5,754	5,624	5,650	5,919	6,135
6,124	6,170	6,424	6,307	6,300
5,959	5,809	5,898	6,065	6,226
6,291	6,226	6,376	6,464	6,757
6,716	6,363	7,028	6,882	7,020
<u>75,973</u>	<u>76,904</u>	<u>77,441</u>	<u>79,281</u>	<u>80,370</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
	General Obligation Bonds	Tax Allocation Bonds	Special Assessments		Certificates of Participation		
1999	\$ 6,470	\$ 4,520	\$ 3,165	\$ 14,155	\$ 3,920	\$ 18,075	\$ 1.76
2000	6,310	4,080	2,940	13,330	3,640	16,970	1.55
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	5.93
2004	5,635	41,640	2,065	49,340	18,205	67,545	5.79
2005	5,345	42,595	1,715	49,655	17,735	67,390	5.77
2006	5,035	41,690	1,605	48,330	43,865	92,195	7.89
2007	4,710	40,775	1,315	46,800	43,295	90,095	7.70
2008	4,360	39,830	1,145	45,335	42,750	88,085	7.52

Note: Percentage of personal income not available.

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
	General Obligation Bonds	Tax Allocation Bonds	Total		
1999	\$ 6,470	\$ 4,520	\$ 10,990	1.008%	\$ 645
2000	6,310	4,080	10,390	0.903%	593
2001	6,135	3,620	9,755	0.790%	554
2002	5,945	23,475	29,420	0.663%	526
2003	5,720	42,420	48,140	0.569%	511
2004	5,635	41,640	47,275	0.511%	490
2005	5,345	42,595	47,940	0.444%	482
2006	5,035	41,690	46,725	0.375%	458
2007	4,710	40,775	45,485	0.313%	430
2008	4,360	39,830	44,190	0.269%	402

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.

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, 2008

2007-2008 Assessed Valuation	\$ 1,642,583,759
Redevelopment Agency Incremental Valuation	836,774,053
<i>Adjusted Assessed Valuation:</i>	\$ 805,809,706

	Percentage Applicable (1)	Total Outstanding Debt 6/30/08	City's Share of Debt 6/30/08
<u>Overlapping Debt Repaid with Property Taxes and Assessments:</u>			
Sonoma County Joint Community College District	1.332%	\$ 215,568,364	\$ 2,871,371
Healdsburg Unified School District	31.235%	18,509,998	5,781,598
Healdsburg Unified School District School Facilities Improvements District No. 1	45.058%	17,435,164	7,855,936
City of Healdsburg 1915 Act Bonds	100.000%	1,160,000	1,160,000
<i>Total overlapping debt repaid with property taxes and assessments</i>			17,668,905
<u>Overlapping General Fund Debt:</u>			
Sonoma County General Fund Obligations	1.345%	30,575,000	411,234
Sonoma County Pension Obligations	1.345%	275,540,000	3,706,013
Sonoma County Office of Education Certificates of Participation	1.345%	3,185,000	42,838
Sonoma County Joint Community College District General Fund Obligations	1.332%	2,425,000	32,301
<i>Total overlapping general fund debt</i>			4,192,386
<i>Total overlapping debt</i>			21,861,291
<u>Direct Debt:</u>			
City of Healdsburg General Obligation Bonds	100.000%	4,360,000	4,360,000
<i>Total direct and overlapping debt</i>			\$26,221,291

- (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 2007-08 Assessed Valuation:
Direct Debt (\$0).....0.27%

Ratios to Adjust Assessed Valuation:
Total Direct and Overlapping Debt ... 3.25%

State School Building Aid Repayable as of 6/30/08: \$0

CITY OF HEALDSBURG
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Assessed valuation	\$ 641,649,307	\$ 698,659,995	\$ 776,511,143	\$ 896,750,774
Conversion percentage	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>
Adjusted assessed valuation	160,412,327	174,664,999	194,127,786	224,187,694
Debt limit percentage	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Debt limit	24,061,849	26,199,750	29,119,168	33,628,154
Total net debt applicable to limit: General obligation bonds	<u>6,470,000</u>	<u>6,310,000</u>	<u>6,135,000</u>	<u>5,945,000</u>
Legal debt margin	<u>\$ 17,591,849</u>	<u>\$ 19,889,750</u>	<u>\$ 22,984,168</u>	<u>\$ 27,683,154</u>
Total debt applicable to the limit as a percentage of debt limit	36.78%	31.72%	26.69%	21.48%

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$1,004,937,097	\$1,102,206,452	\$ 1,203,854,951	\$ 1,343,249,917	\$ 1,503,393,648	\$ 1,619,575,156
<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>
251,234,274	275,551,613	300,963,738	335,812,479	375,848,412	404,893,789
<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
37,685,141	41,332,742	45,144,561	50,371,872	56,377,262	60,734,068
<u>5,720,000</u>	<u>5,635,000</u>	<u>5,345,000</u>	<u>5,035,000</u>	<u>4,710,000</u>	<u>4,360,000</u>
<u>\$ 31,965,141</u>	<u>\$ 35,697,742</u>	<u>\$ 39,799,561</u>	<u>\$ 45,336,872</u>	<u>\$ 51,667,262</u>	<u>\$ 56,374,068</u>
17.89%	15.79%	13.43%	11.11%	9.12%	7.73%

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

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$ 2,247,927	\$ 1,527,216	\$ 720,711	\$ 162,144	\$ 422,330	\$ 1.23
2000	2,467,536	1,522,137	945,399	155,144	405,496	1.69
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

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					
	Sewer Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$ 1,925,606	\$ 1,104,217	\$ 821,389	\$ 14,683	\$ 49,808	\$ 12.74
2000	2,143,545	1,244,247	899,298	14,684	48,215	14.30
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

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	54,565	149,256	1,783,993
01-Jul-07	457,750	1,076,679	54,323	149,313	1,738,065
01-Jul-08	457,788	113,219	54,516	149,303	774,826
01-Jul-09	457,806	1,033,322	54,350	149,325	1,694,803
01-Jul-10	325,296	1,082,973	54,295	149,215	1,611,779
01-Jul-11	420,797	-	4,524	12,434	437,755
01-Jul-12	420,919	-	-	-	420,919
01-Jul-13	591,852	-	-	-	591,852
01-Jul-14	583,426	-	-	-	583,426
01-Jul-15	583,605	-	-	-	583,605
01-Jul-16	583,836	-	-	-	583,836
01-Jul-17	589,871	-	-	-	589,871
01-Jul-18	589,908	-	-	-	589,908
01-Jul-19	375,233	-	-	-	375,233
01-Jul-20	375,324	-	-	-	375,324
01-Jul-21	375,361	-	-	-	375,361
01-Jul-22	376,487	-	-	-	376,487
01-Jul-23	431,242	-	-	-	431,242
01-Jul-24	646,375	-	-	-	646,375
01-Jul-25	381,797	-	-	-	381,797
01-Jul-26	381,756	-	-	-	381,756
01-Jul-27	381,739	-	-	-	381,739
01-Jul-28	381,714	-	-	-	381,714
01-Jul-29	381,731	-	-	-	381,731
01-Jul-30	381,792	-	-	-	381,792
01-Jul-31	381,754	-	-	-	381,754
01-Jul-32	381,745	-	-	-	381,745
TOTAL	\$ 13,950,999	\$ 12,633,461	\$ 496,388	\$ 1,361,344	\$ 28,442,192

Note: Figures represent gross annual debt service.

CITY OF HEALDSBURG
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Property Taxable Assessed Value (in thousands) (3)	Property Average Assessed Value (3)	Unemployment Rate (2)
1999	10,250	\$ 1,068,624	\$ 104,256	0.00%
2000	10,915	1,162,621	106,516	3.70%
2001	11,383	1,282,160	112,638	4.10%
2002	11,640	1,452,800	124,811	5.60%
2003	11,616	1,615,224	139,052	6.10%
2004	11,631	1,778,024	152,869	5.50%
2005	11,651	1,918,581	164,671	4.90%
2006	11,648	2,129,900	182,855	4.50%
2007	11,654	2,380,172	204,236	4.90%
2008	11,706	2,549,153	217,765	6.50%

Note: Unemployment rate for 2008 is a preliminary rate through September, 2008.
Unemployment rate information is not available for 1999.

Sources: (1) State of California Department of Finance - Revised population estimates for years 2001 through 2007
(2) State of California Employment Development Department
(3) County of Sonoma Auditor-Controller

CITY OF HEALDSBURG
Top Ten Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2008</u>		<u>1999 (1)</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
School	324	2.77	280	2.73
Municipality	169	1.44	115	1.12
Hospital	157	1.34	296	2.89
Wine industry	100	0.85	- (1)	-
Medical center	96	0.82	- (1)	-
Housing	87	0.74	- (2)	-
Grocery store	80	0.68	123	1.20
Grocery store	77	0.66	- (1)	-
Health and Swim Club	75	0.64	- (2)	-
Industrial	68	0.58	75	0.73
City of Healdsburg Population:	11,706		10,250	

Note: "Total Employment" as used above represents the total employment of all employers located within City limits

- (1) Information for 1999 is not available.
- (2) Business did not exist in 1999.

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

<u>Function</u>	<u>Full-time and Part-time Employees as of June 30</u>									
	<u>1999</u>	<u>2000</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>
Administration	4.85	4.85	4.85	4.85	4.85	3.85	3.85	4.85	5.35	5.00
Finance	16.00	12.00	12.00	12.00	12.50	12.50	12.50	14.00	14.00	16.00
Community Services	5.50	7.00	8.00	8.00	9.50	8.50	9.00	11.50	14.50	15.00
Electric Utility	10.00	14.00	15.00	14.00	14.00	14.00	14.50	18.00	17.00	15.00
Fire	8.00	8.00	8.50	8.50	8.50	7.50	8.00	10.75	10.75	12.00
Planning & Building	4.00	4.00	5.00	5.00	5.00	5.00	5.00	7.00	8.00	8.00
Police	25.00	25.00	25.00	27.00	27.60	27.60	28.00	30.00	30.00	30.50
Public Works	27.00	26.00	26.00	27.00	27.00	27.00	29.00	37.00	40.00	40.50
Total positions:	<u>100.35</u>	<u>100.85</u>	<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>142.00</u>

Note: Revised fiscal years 1998 through 2006.

CITY OF HEALDSBURG
Operating Indicators
by Function
Last Six Fiscal Years

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

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

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

(1) Water and wastewater 2008 operating indicators are through September, 2008.

Fiscal Year	
<u>2007</u>	<u>2008</u>
653	534
2,174	1,961
1,454	1,327
1,092	893
0.100	0.00
24,535	14,800
108	100
4	5
348	265
25	20
389	498
363	181
2.4	2.9
2.0	1.2

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police:				
Police stations	1	1	1	1
Fire:				
Fire stations	1	1	1	1
Public works:				
Streets (miles)	43.2	43.2	43.7	44.1
(3) Streetlights	1,200	1,200	1,220	1,240
Traffic signals	13	13	13	12
Parks and recreation:				
Parks	8	8	9	9
Senior centers	1	1	1	1
Swimming pools	1	1	1	1
Tennis courts	2	2	2	2
Meeting centers	1	1	1	1
Museums	1	1	1	1
Boys & girls clubs	1	1	1	1
(1) Water:				
Water mains (miles)	60.08	60.16	60.36	60.47
Maximum daily capacity (hundred cubic feet)	45.2	45.2	45.2	45.2
(1) Wastewater:				
Sanitary sewers (miles)	(2)	(2)	51.4	51.5
Storm sewers (miles)	(2)	(2)	26.4	26.3
Maximum daily treatment capacity (millions of gallons/day) / (dry weather/wet weather)	1.6 / 6.5	1.6 / 6.5	1.6 / 6.5	1.6 / 6.5
Electric:				
Number of distribution stations	1	1	1	1
(3) Miles of service lines	52.0	52.5	53.0	53.5

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

- (1) Water and wastewater capital asset statistics are per calendar year.
- (1) Water and wastewater 2008 capital asset statistics are through September, 2008.
- (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.

Fiscal Year	
<u>2007</u>	<u>2008</u>
1	1
1	1
44.1	44.1
1,260	1,264
12	12
9	9
1	1
1	1
2	2
1	1
1	1
1	1
60.47	60.70
45.2	45.2
51.5	52.7
26.3	29.9 ⁽⁴⁾
1.6 / 6.5	1.6 / 6.5
1	1
54.0	54.4

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Operating Revenues:				
Charges for services	\$ 2,224,131	\$ 2,455,946	\$ 2,671,027	\$ 2,909,292
Development fees	-	-	-	-
Other revenues	23,796	11,590	550,220	117,311
<i>Total Operating Revenues</i>	<u>2,247,927</u>	<u>2,467,536</u>	<u>3,221,247</u>	<u>3,026,603</u>
Operating Expenses:				
Operations	1,102,837	1,083,534	1,660,270	1,354,427
Administrative	476,717	438,603	509,320	433,550
Depreciation	266,307	302,469	292,935	297,844
Miscellaneous	-	-	-	-
<i>Total Operating Expenses</i>	<u>1,845,861</u>	<u>1,824,606</u>	<u>2,462,525</u>	<u>2,085,821</u>
<i>Operating Income (Loss)</i>	<u>402,066</u>	<u>642,930</u>	<u>758,722</u>	<u>940,782</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	2,183	-	-	-
Investment income	203,983	225,955	547,840	202,237
Interest expense	(437,190)	(420,335)	(451,480)	(472,959)
Loss from disposal of assets	(9,865)	(23,622)	(128,719)	-
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(240,889)</u>	<u>(218,002)</u>	<u>(32,359)</u>	<u>(270,722)</u>
Income (Loss) Before Transfers	161,177	424,928	726,363	670,060
Transfers In (Out)	<u>-</u>	<u>(98,200)</u>	<u>375,850</u>	<u>282,014</u>
Income Before Capital Contributions	161,177	326,728	1,102,213	952,074
Capital Contributions	<u>-</u>	<u>-</u>	<u>202,854</u>	<u>233,840</u>
Changes in Net Assets	<u>\$ 161,177</u>	<u>\$ 326,728</u>	<u>\$ 1,305,067</u>	<u>\$ 1,185,914</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 3,444,666	\$ 3,844,742	\$ 3,709,403	\$ 3,933,797	\$ 4,144,543	\$ 4,094,170
-	-	-	-	194,458	181,329
337,914	565,347	243,640	334,872	3,639	4,983
<u>3,782,580</u>	<u>4,410,089</u>	<u>3,953,043</u>	<u>4,268,669</u>	<u>4,342,640</u>	<u>4,280,482</u>
1,517,772	1,282,118	1,502,376	1,869,211	2,431,051	2,063,433
536,962	815,028	980,930	1,259,650	1,258,471	1,138,039
326,350	367,010	440,211	482,626	487,126	508,359
-	-	-	-	-	-
<u>2,381,084</u>	<u>2,464,156</u>	<u>2,923,517</u>	<u>3,611,487</u>	<u>4,176,648</u>	<u>3,709,831</u>
<u>1,401,496</u>	<u>1,945,933</u>	<u>1,029,526</u>	<u>657,182</u>	<u>165,992</u>	<u>570,651</u>
-	-	-	19,163	40,745	-
124,305	105,182	148,404	217,159	214,877	141,283
(620,906)	(680,810)	(656,421)	(608,186)	(608,265)	(596,407)
-	(5,471)	-	-	-	-
<u>(496,601)</u>	<u>(581,099)</u>	<u>(508,017)</u>	<u>(371,864)</u>	<u>(352,643)</u>	<u>(455,124)</u>
904,895	1,364,834	521,509	285,318	(186,651)	115,527
<u>(181,761)</u>	<u>(257,436)</u>	<u>221,467</u>	<u>(63,503)</u>	<u>(62,261)</u>	<u>(242,150)</u>
723,134	1,107,398	742,976	221,815	(248,912)	(126,623)
<u>21,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 744,295</u>	<u>\$ 1,107,398</u>	<u>\$ 742,976</u>	<u>\$ 221,815</u>	<u>\$ (248,912)</u>	<u>\$ (126,623)</u>

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Cash flows from operating activities:				
Operating income (loss)	\$ 402,066	\$ 642,930	\$ 758,722	\$ 940,782
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	266,307	302,469	292,935	297,844
Amortization	-	-	-	-
Deferred amount on refunding	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(123,531)	(51,580)	(110,651)	(44,799)
(Increase) decrease in due from other governments	27,009	61,653	-	-
(Increase) decrease in inventory	(485)	(5,964)	(21,087)	11,098
(Increase) decrease in prepaid costs	(13)	(10)	(23)	349
Increase (decrease) in accounts payable	(152,361)	(21,771)	194,320	113,979
Increase (decrease) in other accrued liabilities	-	-	-	-
Increase (decrease) in deposits	3,115	(2,700)	3,859	3,900
Total adjustments	<u>20,041</u>	<u>282,097</u>	<u>359,353</u>	<u>382,371</u>
Net cash provided (used) by operating activities	<u>422,107</u>	<u>925,027</u>	<u>1,118,075</u>	<u>1,323,153</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	2,183	-	-	-
(Increase) decrease in due from other funds	350,000	190,000	-	-
Increase (decrease) in due to other funds	-	-	-	-
Transfers in (out)	-	(98,200)	375,850	282,014
Net cash provided (used) by noncapital financing activities	<u>352,183</u>	<u>91,800</u>	<u>375,850</u>	<u>282,014</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	(1,177,121)	-	-	-
Capital replacement	-	(994,589)	(1,003,448)	(3,456,560)
Capacity expansion	-	-	-	-
Contributed capital:				
Development/connection/annexation fees	630,774	808,451	202,854	233,840
Contributed - other funds	-	-	-	-
Certificates of participation proceeds	-	-	10,136,304	-
Debt issuance Costs	-	-	-	-
Retirement of debt	(162,144)	(155,144)	(7,135,000)	(244,287)
Interest paid	(422,330)	(405,496)	(812,483)	(467,993)
Net cash provided (used) by capital and related financing activities	<u>(1,130,821)</u>	<u>(746,778)</u>	<u>1,388,227</u>	<u>(3,935,000)</u>
Cash flows from investing activities:				
Investment income	227,923	206,284	505,175	280,893
(Increase) decrease in investments	(505)	(500,000)	(1,480,698)	(357,562)
(Increase) decrease in loans	-	(54,027)	39,410	-
Net cash provided (used) by investing activities	<u>227,418</u>	<u>(347,743)</u>	<u>(936,113)</u>	<u>(76,669)</u>
Net increase (decrease) in cash and cash equivalents	(129,113)	(77,694)	1,946,039	(2,406,502)
Cash and cash equivalents at beginning of year	1,207,767	1,078,654	1,000,960	2,946,999
Cash and cash equivalents at end of year	<u>\$ 1,078,654</u>	<u>\$ 1,000,960</u>	<u>\$ 2,946,999</u>	<u>\$ 540,497</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ -</u>	<u>\$ (23,622)</u>	<u>\$ (128,719)</u>	<u>\$ -</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year						
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	
\$ 1,401,496	\$ 1,945,933	\$ 1,029,526	\$ 657,182	\$ 165,992	\$ 570,651	
326,350	367,010	440,211	482,626	487,126	508,359	
-	-	-	151,917	42,715	42,715	
-	-	-	(175,414)	-	-	
16,243	(107,734)	73,920	(125,878)	131,917	(42,346)	
-	-	-	-	-	-	
(10,228)	(2,467)	(1,398)	(8,195)	(36,715)	(10,609)	
(1,058)	1,058	-	-	-	-	
(160,088)	95,243	490,534	(648,348)	99,415	(99,357)	
-	-	-	8,197	-	-	
(8,396)	(94)	(996)	-	6,490	(16,477)	
<u>162,823</u>	<u>353,016</u>	<u>1,002,271</u>	<u>(315,095)</u>	<u>730,948</u>	<u>382,285</u>	
<u>1,564,319</u>	<u>2,298,949</u>	<u>2,031,797</u>	<u>342,087</u>	<u>896,940</u>	<u>952,936</u>	
-	-	-	-	40,745	-	
-	-	-	19,163	-	153,406	
353,281	-	243,754	36,288	-	(395,556)	
<u>(535,042)</u>	<u>(257,436)</u>	<u>(22,287)</u>	<u>(99,791)</u>	<u>(62,261)</u>	<u>-</u>	
<u>(181,761)</u>	<u>(257,436)</u>	<u>221,467</u>	<u>(44,340)</u>	<u>(21,516)</u>	<u>(242,150)</u>	
-	-	-	-	-	-	
(1,363,437)	(1,518,478)	(4,358,814)	(1,483,413)	(553,634)	(487,049)	
-	-	-	-	-	-	
21,161	-	-	-	-	-	
-	-	-	-	-	-	
5,510,000	-	-	3,113,428	-	-	
-	-	-	(67,458)	-	-	
(280,000)	(395,000)	(405,000)	(3,275,000)	(465,000)	(480,000)	
<u>(759,269)</u>	<u>(680,810)</u>	<u>(622,615)</u>	<u>(608,186)</u>	<u>(608,265)</u>	<u>(596,407)</u>	
<u>3,128,455</u>	<u>(2,594,288)</u>	<u>(5,386,429)</u>	<u>(2,320,629)</u>	<u>(1,626,899)</u>	<u>(1,563,456)</u>	
136,982	104,482	135,229	201,134	215,958	161,393	
-	-	-	-	-	-	
-	14,617	-	-	-	-	
<u>136,982</u>	<u>119,099</u>	<u>135,229</u>	<u>201,134</u>	<u>215,958</u>	<u>161,393</u>	
4,647,995	(433,676)	(2,997,936)	(1,821,748)	(535,517)	(691,277)	
5,329,778	9,977,773	9,544,097	6,546,161	4,724,413	4,188,896	
<u>\$ 9,977,773</u>	<u>\$ 9,544,097</u>	<u>\$ 6,546,161</u>	<u>\$ 4,724,413</u>	<u>\$ 4,188,896</u>	<u>\$ 3,497,619</u>	
<u>\$ -</u>						

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

	Fiscal Year
<u>Number of Customers</u>	2008
Residential	3,760
Industrial and heavy commercial	43
Commercial	478
Municipal	41
Total	4,322

	Fiscal Year
<u>Water Usage by Customer</u>	2008
Residential	679,863
Industrial and heavy commercial	25,979
Commercial	196,109
Municipal	20,890
Total	922,841

	Fiscal Year
<u>Revenue (in millions)</u>	2008
Residential	\$ 2,933,738
Industrial and heavy commercial	119,505
Commercial	968,105
Municipal	95,871
Total	\$ 4,117,219

Total average rate per HCF	\$ 4.4615
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Note: The City of Healdsburg has elected to show only one year 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				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
July	\$ 94,098	\$ 124,006	\$ 120,565	\$ 122,998	\$ 129,426
August	135,762	125,072	119,845	120,704	134,202
September	119,448	103,036	217,593	128,824	132,107
October	103,846	103,860	8,651	96,824	105,646
November	76,280	77,746	71,730	70,075	88,514
December	48,932	50,628	151,493	48,562	47,080
January	52,084	55,095	47,985	49,833	48,905
February	38,840	44,171	42,371	43,534	44,149
March	39,852	34,009	42,520	46,318	39,681
April	46,017	61,625	56,940	54,006	64,949
May	64,504	75,098	82,539	84,024	48,948
June	104,760	96,390	127,578	117,528	102,559
Total	<u>\$ 924,423</u>	<u>\$ 950,736</u>	<u>\$ 1,089,810</u>	<u>\$ 983,230</u>	<u>\$ 986,166</u>

Total Billings	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
July	\$ 203,715	\$ 277,183	\$ 290,991	\$ 316,829	\$ 377,692
August	277,541	284,246	292,455	314,358	388,593
September	249,641	232,324	540,325	328,654	383,287
October	228,998	247,081	18,874	271,307	335,532
November	181,375	201,201	201,770	213,148	296,673
December	131,430	145,122	154,596	168,193	185,751
January	138,061	145,569	155,795	174,432	203,678
February	113,418	131,064	140,012	161,461	187,490
March	118,801	128,168	143,159	167,578	181,951
April	128,293	169,873	169,252	189,216	255,351
May	163,752	194,035	224,054	258,382	212,741
June	238,927	239,254	317,661	336,732	352,706
Total	<u>\$ 2,173,952</u>	<u>\$ 2,395,120</u>	<u>\$ 2,648,944</u>	<u>\$ 2,900,290</u>	<u>\$ 3,361,445</u>

Revenue/Hundred Cubic Feet	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
July	\$ 2.165	\$ 2.235	\$ 2.414	\$ 2.575	\$ 2.918
August	2.044	2.273	2.440	2.604	2.896
September	2.090	2.255	2.483	2.551	2.901
October	2.205	2.379	2.182	2.802	3.176
November	2.378	2.588	2.813	3.041	3.352
December	2.686	2.866	1.020	3.463	3.945
January	2.651	2.642	3.247	3.500	4.165
February	2.920	2.967	3.304	3.708	4.247
March	2.981	3.769	3.367	3.617	4.585
April	2.788	2.757	2.972	3.503	3.932
May	2.539	2.584	2.715	3.075	4.346
June	2.281	2.482	2.490	2.865	3.440
Average	<u>\$ 2.352</u>	<u>\$ 2.519</u>	<u>\$ 2.431</u>	<u>\$ 2.950</u>	<u>\$ 3.409</u>

Source: City of Healdsburg Utility Billing Department

Fiscal Year

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 124,590	\$ 136,689	\$ 108,603	\$ 119,167	\$ 119,830
143,876	135,739	115,146	133,042	120,890
116,375	118,199	117,354	111,036	110,211
111,873	91,168	99,794	85,615	91,392
79,424	56,026	65,394	71,071	68,001
52,184	46,061	49,983	51,169	45,453
41,876	47,940	41,860	46,678	46,868
46,506	39,977	37,129	52,100	40,705
49,917	40,312	39,383	39,930	37,305
69,719	51,007	39,398	60,657	56,435
92,292	60,201	57,924	68,925	78,369
185,732	84,688	105,440	91,009	107,382
<u>\$ 1,114,364</u>	<u>\$ 908,007</u>	<u>\$ 877,408</u>	<u>\$ 930,399</u>	<u>\$ 922,841</u>

Fiscal Year

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 417,302	\$ 466,161	\$ 420,051	\$ 476,008	\$ 477,213
469,705	475,621	439,066	525,229	480,504
392,080	436,859	450,506	454,647	434,443
371,512	345,351	404,314	378,133	391,195
300,077	266,712	298,963	331,862	315,025
227,693	207,633	252,180	263,385	238,909
202,241	233,643	231,585	238,510	248,450
208,838	211,806	218,606	246,171	226,040
223,287	211,623	225,122	227,914	217,297
271,034	246,422	227,761	287,857	288,113
338,499	271,747	284,462	316,482	356,013
386,976	347,128	439,690	378,344	444,016
<u>\$ 3,809,244</u>	<u>\$ 3,720,706</u>	<u>\$ 3,892,306</u>	<u>\$ 4,124,542</u>	<u>\$ 4,117,218</u>

Fiscal Year

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 3.349	\$ 3.410	\$ 3.868	\$ 3.994	\$ 3.982
3.265	3.504	3.813	3.948	3.975
3.369	3.696	3.839	4.095	3.942
3.321	3.788	4.051	4.417	4.280
3.778	4.761	4.572	4.669	4.633
4.363	4.508	5.045	5.147	5.256
4.830	4.874	5.532	5.110	5.301
4.491	5.298	5.888	4.725	5.553
4.473	5.250	5.716	5.708	5.825
3.888	4.831	5.781	4.746	5.105
3.668	4.514	4.911	4.592	4.543
2.084	4.099	4.170	4.157	4.135
<u>\$ 3.418</u>	<u>\$ 4.098</u>	<u>\$ 4.436</u>	<u>\$ 4.433</u>	<u>\$ 4.461</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>2008</u>		<u>1999</u>	
	<u>Water Charges</u>	<u>Percent of Total Water</u>	<u>Water Charges</u>	<u>Percent of Total Water</u>
School	\$ 137,817	3.36618%	\$ - (1)	0.00000%
Municipal	101,232	2.47259%	- (1)	0.00000%
Municipal	92,809	2.26686%	- (1)	0.00000%
Housing	53,706	1.31177%	- (1)	0.00000%
Hotel	46,013	1.12387%	- (1)	0.00000%
Winery	42,001	1.02587%	- (1)	0.00000%
Housing	41,500	1.01364%	- (1)	0.00000%
Housing	33,227	0.81157%	- (1)	0.00000%
Housing	22,398	0.54707%	- (1)	0.00000%
Retail	22,289	0.54441%	- (1)	0.00000%
	<u>\$ 592,992</u>	<u>14.5%</u>	<u>\$ -</u>	<u>0.00000%</u>

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

(1) Information is not available.

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Operating Revenues:				
Charges for services	\$ 1,882,704	\$ 2,142,903	\$ 2,461,635	\$ 2,826,766
Development fees	-	-	-	-
Other revenues	42,902	642	790,121	446,407
<i>Total Operating Revenues</i>	<u>1,925,606</u>	<u>2,143,545</u>	<u>3,251,756</u>	<u>3,273,173</u>
Operating Expenses:				
Operations	848,612	801,228	682,268	699,797
Administrative	500,628	443,019	746,544	853,289
Depreciation	418,628	475,136	434,226	461,567
<i>Total Operating Expenses</i>	<u>1,767,868</u>	<u>1,719,383</u>	<u>1,863,038</u>	<u>2,014,653</u>
<i>Operating Income (Loss)</i>	<u>157,738</u>	<u>424,162</u>	<u>1,388,718</u>	<u>1,258,520</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	93	-	-	-
Investment income	75,980	178,311	501,221	191,295
Interest expense	(52,082)	(50,490)	(178,442)	(185,189)
Loss in disposal of assets	(8,616)	(39,624)	(190,477)	-
<i>Total Nonoperating Revenues (Expenses)</i>	<u>15,375</u>	<u>88,197</u>	<u>132,302</u>	<u>6,106</u>
Income (Loss) Before Transfers	173,113	512,359	1,521,020	1,264,626
Transfers In (Out)	-	434,800	(325,400)	(337,942)
Income Before Capital Contributions	173,113	947,159	1,195,620	926,684
Capital Contributions	-	-	440,261	410,448
Changes in Net Assets	<u>\$ 173,113</u>	<u>\$ 947,159</u>	<u>\$ 1,635,881</u>	<u>\$ 1,337,132</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 3,128,820	\$ 3,517,024	\$ 3,784,084	\$ 4,452,952	\$ 5,697,173	\$ 5,920,923
-	-	-	-	368,236	591,047
<u>951,379</u>	<u>694,597</u>	<u>539,721</u>	<u>662,796</u>	<u>3,488</u>	<u>331</u>
<u>4,080,199</u>	<u>4,211,621</u>	<u>4,323,805</u>	<u>5,115,748</u>	<u>6,068,897</u>	<u>6,512,301</u>
806,290	926,611	1,083,768	1,442,812	2,274,011	2,267,114
958,426	983,338	1,058,266	1,322,308	1,255,611	1,442,713
<u>462,182</u>	<u>496,859</u>	<u>542,652</u>	<u>565,008</u>	<u>566,819</u>	<u>1,040,531</u>
<u>2,226,898</u>	<u>2,406,808</u>	<u>2,684,686</u>	<u>3,330,128</u>	<u>4,096,441</u>	<u>4,750,358</u>
<u>1,853,301</u>	<u>1,804,813</u>	<u>1,639,119</u>	<u>1,785,620</u>	<u>1,972,456</u>	<u>1,761,943</u>
-	-	-	7,545	16,042	-
131,172	111,008	174,054	383,602	1,130,661	875,966
(182,045)	(181,481)	(184,006)	(225,861)	(1,367,707)	(1,359,236)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(50,873)</u>	<u>(70,473)</u>	<u>(9,952)</u>	<u>165,286</u>	<u>(221,004)</u>	<u>(483,270)</u>
1,802,428	1,734,340	1,629,167	1,950,906	1,751,452	1,278,673
<u>(81,760)</u>	<u>(147,402)</u>	<u>(126,913)</u>	<u>(171,975)</u>	<u>(1,880)</u>	<u>(25,000)</u>
1,720,668	1,586,938	1,502,254	1,778,931	1,749,572	1,253,673
<u>47,261</u>	<u>2,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,767,929</u>	<u>\$ 1,589,463</u>	<u>\$ 1,502,254</u>	<u>\$ 1,778,931</u>	<u>\$ 1,749,572</u>	<u>\$ 1,253,673</u>

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

	Fiscal Year			
	1999	2000	2001	2002
Cash flows from operating activities:				
Operating income (loss)	\$ 157,738	\$ 424,162	\$ 1,338,718	\$ 1,258,520
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	418,628	475,136	434,226	461,567
Amortization	-	-	-	-
Deferred amount in refunding	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(42,437)	(41,075)	(33,873)	523
(Increase) decrease in due from other governments	10,895	12,866	-	-
(Increase) decrease in inventory	52	23	40	254
(Increase) decrease in prepaid costs	(13)	(10)	(23)	349
Increase (decrease) in accounts payable	253,582	(91,870)	(103,690)	2,067
Increase (decrease) in deposits	-	782	-	-
Total adjustments	<u>640,707</u>	<u>355,852</u>	<u>296,680</u>	<u>464,760</u>
Net cash provided (used) by operating activities	<u>798,445</u>	<u>780,014</u>	<u>1,635,398</u>	<u>1,723,280</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	93	-	-	-
(Increase) decrease in due from other funds	-	(190,000)	-	-
Transfers in (out)	(350,000)	434,800	(325,400)	(337,942)
Net cash provided (used) by noncapital financing activities	<u>(349,907)</u>	<u>244,800</u>	<u>(325,400)</u>	<u>(337,942)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	(436,504)	-	-	-
Capital contributions	-	-	-	-
Capital replacement	-	(417,787)	(2,348,656)	(1,647,554)
Capacity expansion	-	-	-	-
Contributed capital:				
Construction reimbursement	879,194	1,478,099	440,261	410,448
Certificates of participation proceeds	(14,683)	(14,684)	2,572,497	-
Debt issuance costs	-	-	-	-
Retirement of debt	-	-	-	-
Interest paid	(49,808)	(48,215)	(263,346)	(180,010)
Retirement of debt	-	-	-	(54,090)
Net cash provided (used) by capital and related financing activities	<u>378,199</u>	<u>997,413</u>	<u>400,756</u>	<u>(1,471,206)</u>
Cash flows from investing activities:				
Investment income	68,256	145,594	451,788	267,700
(Increase) decrease in investments	(602,993)	(2,986,273)	(1,245,880)	(222,875)
(Increase) decrease in loans	-	(25,176)	7,066	-
Net cash provided (used) by investing activities	<u>(534,737)</u>	<u>(2,865,855)</u>	<u>(787,026)</u>	<u>44,825</u>
Net increase (decrease) in cash and cash equivalents	292,000	(843,538)	973,728	(41,043)
Cash and cash equivalents at beginning of year	792,723	1,084,723	241,185	1,214,913
Cash and cash equivalents at end of year	<u>\$ 1,084,723</u>	<u>\$ 241,185</u>	<u>\$ 1,214,913</u>	<u>\$ 1,173,870</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ (8,616)</u>	<u>\$ (39,624)</u>	<u>\$ (190,477)</u>	<u>\$ -</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 1,853,301	\$ 1,804,813	\$ 1,639,119	\$ 1,785,620	\$ 1,972,456	\$ 1,761,943
462,182	496,859	542,652	565,008	566,819	1,040,531
-	-	-	154,109	23,787	23,853
-	-	-	(167,361)	-	-
(129,344)	(99,910)	18,152	(95,165)	(162,757)	(8,049)
-	-	-	-	-	-
(126)	(831)	4	(516)	(5,721)	5,487
(394)	394	-	-	-	-
485,153	(433,437)	27,566	177,968	-	(1,777,560)
(600)	-	-	-	556,198	-
816,871	(36,925)	588,374	634,043	978,326	(715,738)
2,670,172	1,767,888	2,227,493	2,419,663	2,950,782	1,046,205
-	-	-	7,545	16,042	-
3,282	-	-	-	50,000	-
(85,042)	(147,402)	(126,913)	(237,468)	(51,880)	(25,000)
(81,760)	(147,402)	(126,913)	(229,923)	14,162	(25,000)
-	-	-	-	-	-
-	-	-	65,493	-	-
(1,339,677)	(1,575,152)	(1,006,999)	(2,523,002)	(13,653,482)	(13,906,575)
-	-	-	-	-	-
47,261	2,525	-	-	-	-
-	-	-	29,418,176	-	-
-	-	-	(390,751)	-	-
-	-	-	-	(105,000)	(90,000)
(175,953)	(181,481)	(178,462)	(225,861)	(1,367,707)	(1,359,236)
(60,000)	(65,000)	(65,000)	(3,250,000)	-	-
(1,528,369)	(1,819,108)	(1,250,461)	23,094,055	(15,126,189)	(15,355,811)
142,556	112,934	129,141	275,544	1,068,708	1,037,246
-	-	-	-	-	-
-	18,110	-	-	-	-
142,556	131,044	129,141	275,544	1,068,708	1,037,246
1,202,599	(67,578)	979,260	25,559,339	(11,092,537)	(13,297,360)
6,231,891	7,434,490	7,366,912	8,346,172	33,905,511	22,812,974
\$ 7,434,490	\$ 7,366,912	\$ 8,346,172	\$ 33,905,511	\$ 22,812,974	\$ 9,515,614
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

	<u>Fiscal Year</u> <u>2008</u>
<u>Number of Customers</u>	
Residential	3,984
Industrial and heavy commercial	55
Commercial	380
Municipal	<u>20</u>
Total	<u><u>4,439</u></u>

<u>Sewer Usage by Customer</u>	
Residential	592,138
Industrial and heavy commercial	28,844
Commercial	104,234
Municipal	<u>5,383</u>
Total	<u><u>730,599</u></u>

<u>Revenue (in millions)</u>	
Residential	\$ 3,489,276
Industrial and heavy commercial	551,560
Commercial	1,423,990
Municipal	<u>41,611</u>
Total	<u><u>\$ 5,506,437</u></u>

Total average rate per HCF	<u><u>\$ 7.5369</u></u>
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Note: The City of Healdsburg has elected to show only one year of data for this schedule.

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

<u>Sewer Processed/Hundred Cubic Feet</u>	<u>Fiscal Year</u> <u>2008</u>
July	\$ 91,229
August	92,953
September	83,620
October	72,378
November	55,056
December	39,053
January	40,001
February	35,896
March	30,333
April	45,449
May	63,404
June	81,229
Total	<u>\$ 730,601</u>

<u>Total Billings</u>	<u>Fiscal Year</u> <u>2008</u>
July	\$ 466,731
August	426,027
September	432,536
October	542,171
November	475,599
December	418,608
January	444,314
February	441,882
March	409,951
April	488,312
May	467,736
June	492,570
Total	<u>\$ 5,506,437</u>

<u>Revenue/Hundred Cubic Feet</u>	<u>Fiscal Year</u> <u>2008</u>
July	\$ 5.116
August	4.583
September	5.173
October	7.491
November	8.638
December	10.719
January	11.108
February	12.310
March	13.515
April	10.744
May	7.377
June	6.064
Average	<u>\$ 7.537</u>

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

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

<u>Sewer Customer by Type</u>	<u>2008</u>		<u>1999</u>	
	<u>Sewer Charges</u>	<u>Percent of Total Water</u>	<u>Sewer Charges</u>	<u>Percent of Total Water</u>
Winery	\$ 285,207	4.81693%	\$ - (1)	0.00000%
Hotel	111,867	1.88935%	- (1)	0.00000%
Real estate	87,661	1.48053%	- (1)	0.00000%
Housing	76,078	1.28490%	- (1)	0.00000%
Brewery	75,582	1.27652%	- (1)	0.00000%
Housing	72,724	1.22825%	- (1)	0.00000%
Retail	56,711	0.95781%	- (1)	0.00000%
School	49,886	0.84254%	- (1)	0.00000%
Hotel	46,561	0.78638%	- (1)	0.00000%
Hotel	43,171	0.72913%	- (1)	0.00000%
	<u>\$ 905,448</u>	<u>15.3%</u>	<u>\$ -</u>	<u>0.00000%</u>

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

(1) Information is not available.