

City of Healdsburg

California



Wastewater Treatment Plant Construction Progress



April 25, 2007

Comprehensive Annual Financial Report Year Ended June 30, 2007

**CITY OF HEALDSBURG
HEALDSBURG, CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

JUNE 30, 2007

Prepared by the Finance Department

CITY OF HEALDSBURG

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF HEALDSBURG ADMINISTRATION

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Healdsburg, CA 95448-4723

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December 14, 2007

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, 2007. 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, 2007, 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, 2007, 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 2007-2008 and beyond. These factors include the State's growing budget deficit problem and the health of local area economies; increases in health insurance and retirement plan costs. The voter approved Proposition 1A should continue to help protect the City from future revenue raids, however there is uncertainty as the State's budget deficit continue to balloon with the slow moving resolution to its fiscal crisis. The economy as a whole continues to struggle due to a weakening economy. Due to the ongoing crumbling real estate market, local property tax revenue remains a stable revenue source, yet slow growth is looming ahead. Sales tax growth is expected to decline into the future. Conversely, transient occupancy tax has experienced growth largely due to successful promotion of Healdsburg as a tourist destination.

For fiscal year 2007-2008 the City Council adopted a general fund budget with a budgetary gap that signals the growth trends of expenditures outpacing projected revenues. It is anticipated that this budgetary gap will be closed with a combination of revenues above forecasted expectations and available reserves above policy levels to fund the City Council's goal for maintaining public safety services.

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 help to preserve the financial health of the City of Healdsburg and to provide the flexibility to make up for revenue shortfalls when the State puts pressure on City resources and when the economic climate changes.

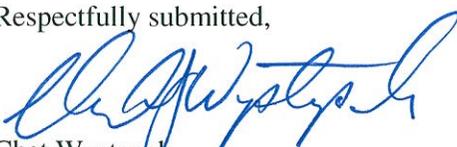
AWARDS AND ACKNOWLEDGEMENTS

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, 2006. 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 Wysteppek
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, 2006

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.



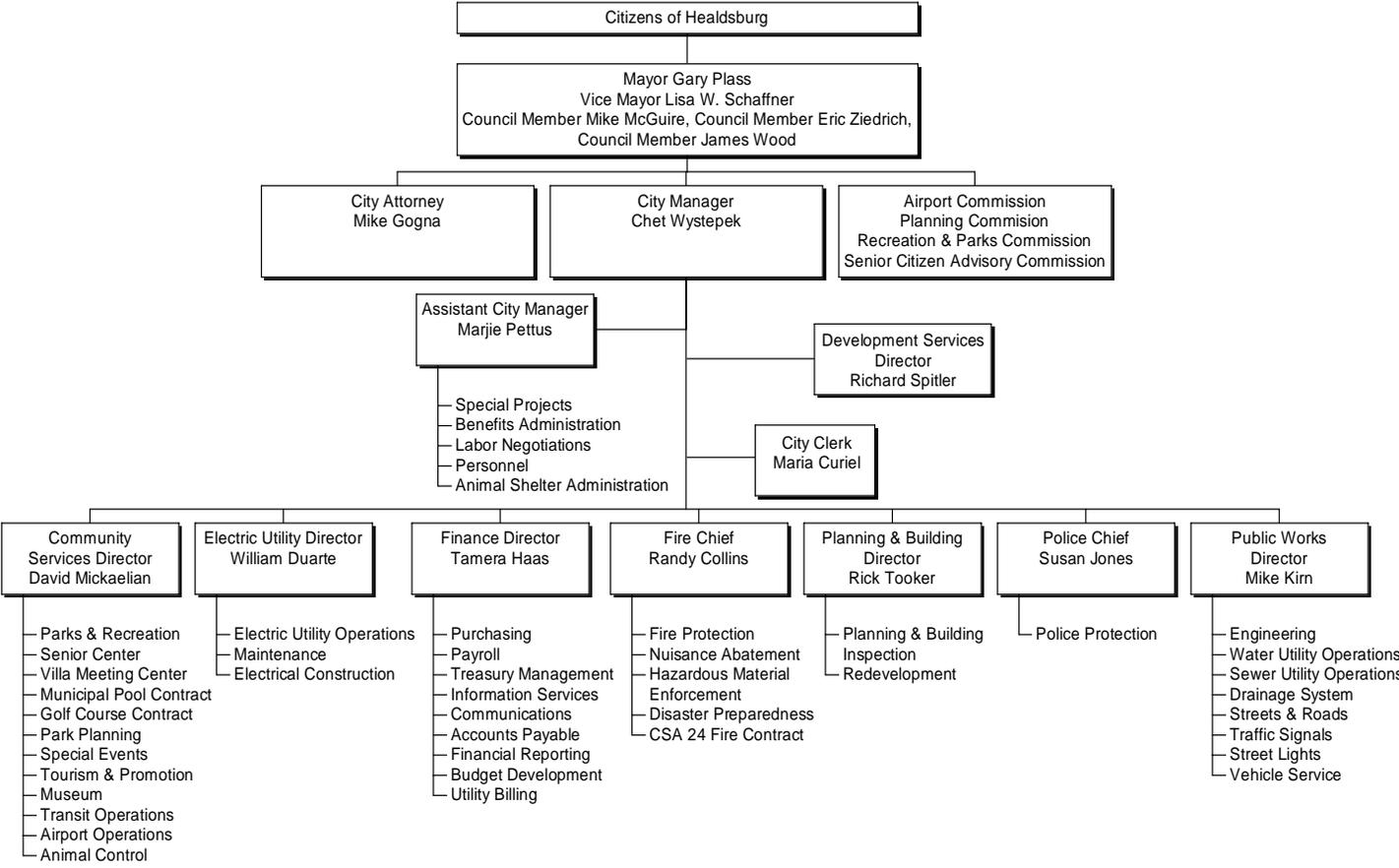
A handwritten signature in black ink, appearing to read "Thomas J. Flannery".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Healdsburg Organization Chart



CITY OF HEALDSBURG

JUNE 30, 2007

Elected Officials

Gary Plass
Mayor

Lisa W. Schaffner
Vice Mayor

Mike McGuire
Council Member

Eric Ziedrich
Council Member

James Wood
Council Member

Appointed Officials

Chet J. Wysteppek
City Manager

Mike Gogna
City Attorney

Marjie Pettus
Assistant City Manager

Tamera Haas
Finance Director

Maria Curiel
City Clerk

David Mickaelian
Community Services Director

Bill Duarte
Electric Utility Director

Mike Kirn
Public Works Director

Susan Jones
Police Chief

Randy Collins
Fire Chief

Rick Tooker
Planning and Building Director

Richard Spitler
Development Services Director

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October 23, 2007

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, 2007, 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, 2007, 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.

- 1 -

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In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2007 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.

Diehl, Evans and Company, LLP

CITY OF HEALDSBURG
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2007

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, 2007. 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 \$144.1 million (net assets) at June 30, 2007. Of this amount, \$43.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net assets increased by \$7.2 million during the fiscal year, compared to an increase of \$6.0 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 \$3.9 million.
- At the close of fiscal year 2006-07, City governmental funds reported combined ending fund balance of \$46.6 million, an increase of \$0.1 million.
- At the end of fiscal year 2006-07, fund balances and net assets for the City's governmental funds and proprietary funds was \$155.8 million. The majority of these funds are restricted by law for specific purposes. The least restrictive category is the General Fund, which represents \$4.7 million or 3% of the entire City fund balances and net assets.

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, 2007

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.

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

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 Redevelopment Agency Low/Moderate Income 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.

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

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 pages 32 - 33 of this report.

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, 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 - 130 of this report.

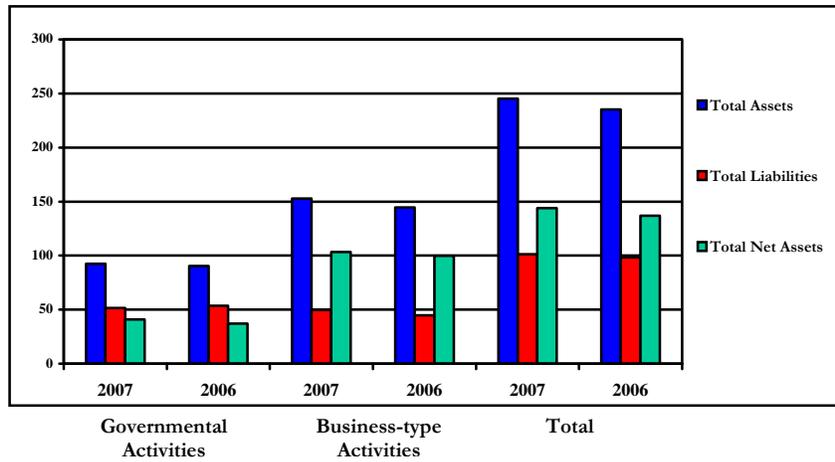
CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

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 \$144.1 million in 2007 and by \$136.9 million in 2006, as summarized below:

Condensed Statements of Net Assets
(In Millions of Dollars)



	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	\$ 56.3	\$ 55.3	\$ 48.5	\$ 59.8	\$ 104.8	\$ 115.1
Capital assets (net of accumulated depreciation)	36.1	35.2	104.4	84.9	140.5	120.1
Total Assets	92.4	90.5	152.9	144.7	245.3	235.2
Liabilities:						
Current and other liabilities	3.3	3.8	7.0	1.5	10.3	5.3
Noncurrent liabilities	48.2	49.7	42.7	43.3	90.9	93.0
Total Liabilities	51.5	53.5	49.7	44.8	101.2	98.3
Net Assets:						
Invested in capital assets, net of related debt	14.4	13.3	73.0	67.4	87.4	80.7
Restricted	12.5	11.8	0.9	1.5	13.4	13.3
Unrestricted	14.0	11.9	29.3	31.0	43.3	42.9
Total Net Assets	\$ 40.9	\$ 37.0	\$ 103.2	\$ 99.9	\$ 144.1	\$ 136.9

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, 2007

Analysis of Net Assets

The largest portion (60.7 percent) of the City's net assets reflects its investment of \$87.4 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 (\$13.4 million or 9.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$43.3 million (30.0 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 2006-07 as compared to 2005-06. The City's net assets increased overall by \$7.2 million during the current fiscal year.

Governmental activities increased the City's net assets by \$4.9 million before transfers for the current year. Compared to 2005-06, the City recognized an overall \$1.4 million increase in revenues, the net result of an increase in charges for services (\$0.1 million), a decrease in operating grants and contributions (\$1.0 million), and an increase in general revenues (\$2.3 million). Total expenses decreased by \$0.5 million, which included an increase to public safety (\$0.2 million), a decrease to community development (\$0.5 million) and a decrease in interest on long-term debt (\$0.2 million). Public safety is the largest expense function (46.9 percent), followed by community development (29.1 percent), interest on long-term debt (16.8 percent), general government (6.8 percent), unallocated depreciation (.2 percent) and culture and recreation (.2 percent). General revenues such as property and sales tax are not shown by program, but are primarily used to support public safety program activities.

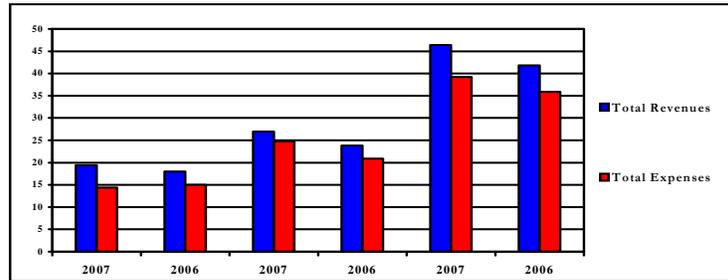
Business-type activities increased the City's net assets by \$2.2 million before transfers for the current year. Compared to 2005-06, business-type activities generated \$3.1 million more in revenue, which was the result of increases in each of the following: charges for services (\$1.1 million), operating grants and contributions (\$1.0 million), and general revenues (\$1.0 million). Total expenses increased by \$3.8 million, which included increases to the following programs: water (\$0.5 million), sewer (\$1.9 million), electric (\$0.8 million), and other programs (\$0.6 million). The primary source of revenue for business-type activities is charges for services, and the electric utility fees provide the largest share (40.8 percent), followed by sewer (27.5 percent), water (19.7 percent), other programs (7.0 percent) and streets (4.9 percent).

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

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

Condensed Statements of Activities
(In Millions of Dollars)



	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 1.4	\$ 1.3	\$ 22.1	\$ 20.9	\$ 23.5	\$ 22.2
Operating grants and contributions	1.0	2.0	2.2	1.2	3.2	3.2
Capital grants and contributions	0.1	0.1	0.5	0.5	0.6	0.6
General revenues	<u>16.9</u>	<u>14.6</u>	<u>2.2</u>	<u>1.2</u>	<u>19.1</u>	<u>15.8</u>
Total Revenues	<u>19.4</u>	<u>18.0</u>	<u>27.0</u>	<u>23.8</u>	<u>46.4</u>	<u>41.8</u>
Expenses:						
General government	1.0	1.0	0.0	0.0	1.0	1.0
Public safety	6.8	6.6	0.0	0.0	6.8	6.6
Community development	4.2	4.7	0.0	0.0	4.2	4.7
Interest on long-term debt	2.4	2.7	0.0	0.0	2.4	2.7
Water	0.0	0.0	4.7	4.2	4.7	4.2
Sewer	0.0	0.0	5.4	3.5	5.4	3.5
Electric	0.0	0.0	10.2	9.4	10.2	9.4
Streets	0.0	0.0	1.4	1.4	1.4	1.4
Other programs	<u>0.0</u>	<u>0.0</u>	<u>3.1</u>	<u>2.4</u>	<u>3.1</u>	<u>2.4</u>
Total Expenses	<u>14.4</u>	<u>15.0</u>	<u>24.8</u>	<u>20.9</u>	<u>39.2</u>	<u>35.9</u>
Change in Net Assets before						
Transfers	5.0	3.0	2.2	2.9	7.2	5.9
Transfers	<u>(1.1)</u>	<u>(.7)</u>	<u>1.1</u>	<u>.7</u>	<u>0.0</u>	<u>0.0</u>
Change in Net Assets	<u>3.9</u>	<u>2.3</u>	<u>3.3</u>	<u>3.6</u>	<u>7.2</u>	<u>5.9</u>
Net Assets Beginning						
of Year	<u>37.0</u>	<u>34.7</u>	<u>99.9</u>	<u>96.3</u>	<u>136.9</u>	<u>131.0</u>
Net Assets End of Year	<u>\$ 40.9</u>	<u>\$ 37.0</u>	<u>\$ 103.2</u>	<u>\$ 99.9</u>	<u>\$ 144.1</u>	<u>\$ 136.9</u>

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

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, 2007, the City's governmental funds reported combined total fund balance of \$46.5 million, which is equal in comparison with the prior year. Of the \$46.5 million, \$14.9 million, or 32 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 (\$10.5 million) and for multi-year programs (\$16.5 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, compared with \$4.5 million last year, an increase of \$0.2 million. This increase was the result of revenues increasing by \$0.5 million, while expenditures increased by only \$0.3 million.

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, 2007 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 \$17.6 million at the end of the current year, a decrease of \$0.7 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 \$0.2 million decrease to \$15.3 million in the Water Fund, a \$1.7 million increase to \$32.4 million in the Sewer Fund, and a \$0.6 million increase to \$23.8 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 \$0.8 million with an ending balance of \$19.9 million, which was the result of an increase of \$0.7 million in operating expenses.

See independent auditors' report

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

The City also maintains internal service funds to account for Insurance and Benefits, Vehicle Maintenance, Information Services and Building Maintenance. The Internal Service Funds had an increase in net assets of \$0.9 million during the fiscal year, ending with a balance of \$7.1 million. This increase is primarily attributable to an increase in charges for services to cover increases in insurance and benefit costs and additional funding for the City's future vehicle and equipment replacement.

General Fund Budgetary Highlights

At June 30, 2007, unreserved general fund balance was \$4.7 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 67 percent of total General Fund expenditures, an increase of 1 percent from prior year.

- The City budgeted \$6.5 million total revenue, but reported actual revenue of \$7.3 million with a variance of \$0.8 million.
- \$0.2 million increase in property taxes due to the increase in tax revenue from rising property value.
- \$0.4 million increase in sales and other taxes due to sales tax exceeding budget projection.
- Total expenditures exceeded the City's budgeted amount by \$0.2 million due to funding adjustment to vehicle and equipment replacement for public safety.
- Overall, the City ended the year with a positive budget variance of \$0.7 million, having budgeted \$0.3 million decrease to fund balance, but ending the year with a net increase of \$0.4 million.

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, 2007 amounts to \$140.5 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 2006-07 was \$20.4 million or 15 percent.

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

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.
- Significant progress made on construction of the wastewater treatment plant.
- Started phase one of the Badger Substation upgrade.
- Completed ongoing streets and utility systems improvements.

Capital assets are summarized below:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land and land rights	\$ 15.0	\$ 14.4	\$ 5.0	\$ 5.0	\$ 20.0	\$ 19.4
Right of way	6.7	6.7	0.0	0.0	6.7	6.7
Construction in progress	0.5	0.5	33.0	13.7	33.5	14.2
Buildings	10.2	10.4	3.1	2.9	13.3	13.3
Streets	0.0	0.0	17.5	17.7	17.5	17.7
Utility systems	0.0	0.0	37.2	39.8	37.2	39.8
Drainage	0.0	0.0	6.7	3.8	6.7	3.8
Machinery and equipment	2.6	2.2	1.1	1.2	3.7	3.4
Operations	0.0	0.0	0.8	0.8	0.8	0.8
Infrastructure	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>
Total Capital Assets, Net	<u>\$ 36.1</u>	<u>\$ 35.2</u>	<u>\$ 104.4</u>	<u>\$ 84.9</u>	<u>\$ 140.5</u>	<u>\$ 120.1</u>

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

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

Long-term Debt

At the end of fiscal year 2006-07 the City had total bonded debt outstanding of \$90.1 million. Outstanding debt is summarized as follows:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 4.7	\$ 5.0	\$ 0.0	\$ 0.0	\$ 4.7	\$ 5.0
Tax allocation bonds	40.8	41.7	0.0	0.0	40.8	41.7
Special assessments	1.3	1.6	0.0	0.0	1.3	1.6
Certificates of participation and Revenue Bonds	<u>0.0</u>	<u>0.0</u>	<u>43.3</u>	<u>43.9</u>	<u>43.3</u>	<u>43.9</u>
Total	<u>\$ 46.8</u>	<u>\$ 48.3</u>	<u>\$ 43.3</u>	<u>\$ 43.9</u>	<u>\$ 90.1</u>	<u>\$ 92.2</u>

The City's total bonds outstanding at the end of the year were \$90.1 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.

Economic Factors and Next Year's Budgets and Rates

In preparing the budget for 2007-08, management looked at the following economic factors:

- Factors impacting the budget are modest 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.
- The demand for Police and Fire services continues to grow faster than the existing permanent revenue sources. The City Council appropriated one-time revenues and contingency reserves in the budget to close the gap for the fourth year in a row. The City's General Fund expenditures are projected to increase by 15% to fund public safety needs. The City is actively pursuing other revenue generating ideas to replace declining sales tax revenues.
- Public Safety budgets were developed to maintain existing 2006-07 service levels, while fully funding information services and vehicle replacements.

CITY OF HEALDSBURG
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

The City continues to grow gradually with new hotels, and other commercial development, construction of street improvements, park construction, and various other projects. The 2007-08 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 2007-08 budget can be obtained by contacting the City's Finance Department.

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

CITY OF HEALDSBURG

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 2)	\$ 24,497,358	\$ 29,340,338	\$ 53,837,696
Receivables:			
Interest	386,171	415,084	801,255
Accounts	192,656	2,749,624	2,942,280
Taxes	1,063,181	205,257	1,268,438
Loans	2,007,593	-	2,007,593
Special assessments	1,315,000	-	1,315,000
Notes	22,445	-	22,445
Due from other governments	62,015	10,996	73,011
Internal balances	(999,400)	999,400	-
Inventory	60,019	1,577,528	1,637,547
Deferred charges	419,399	996,563	1,415,962
Restricted assets:			
Cash and investments (Note 2)	27,285,219	12,182,242	39,467,461
Capital assets (Note 4):			
Land	15,039,940	4,983,902	20,023,842
Right of way	6,681,379	-	6,681,379
Infrastructure, net	990,935	-	990,935
Depreciable buildings, net	10,221,068	3,082,926	13,303,994
Depreciable streets, net	-	17,523,048	17,523,048
Depreciable utility systems, net	-	37,229,089	37,229,089
Depreciable drainage, net	-	6,731,582	6,731,582
Depreciable machinery and equipment, net	2,630,720	1,087,439	3,718,159
Depreciable operations, net	-	744,533	744,533
Construction in progress	516,783	33,009,018	33,525,801
TOTAL ASSETS	92,392,481	152,868,569	245,261,050
LIABILITIES:			
Accounts payable and accrued liabilities	1,863,677	6,307,253	8,170,930
Deposits payable	23,348	634,265	657,613
Unearned revenue	1,412,121	-	1,412,121
Noncurrent liabilities (Note 5):			
Due within one year	3,102,707	545,000	3,647,707
Due in more than one year	45,103,828	42,202,041	87,305,869
TOTAL LIABILITIES	51,505,681	49,688,559	101,194,240
NET ASSETS:			
Invested in capital assets, net of related debt	14,431,038	72,950,872	87,381,910
Restricted for:			
Debt service	4,638,408	-	4,638,408
Capital projects	-	875,865	875,865
Community development	7,554,065	-	7,554,065
Public safety	16,949	-	16,949
Culture and recreation	214,616	-	214,616
Nonexpendable for senior services	77,322	-	77,322
Unrestricted	13,954,402	29,353,273	43,307,675
TOTAL NET ASSETS	\$ 40,886,800	\$ 103,180,010	\$ 144,066,810

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

CITY OF HEALDSBURG

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 982,029	\$ 508,746	\$ 53,965	\$ -
Public safety	6,767,789	483,321	511,785	-
Culture and recreation	23,950	1,061	5,071	-
Community development	4,201,068	403,320	428,650	60,789
Unallocated infrastructure depreciation	25,286	-	-	-
Interest on long-term debt	2,435,281	-	-	-
Total governmental activities	14,435,403	1,396,448	999,471	60,789
Business-type activities:				
Water	4,719,391	4,342,640	40,745	-
Sewer	5,378,835	6,068,897	16,042	-
Electric	10,166,486	9,002,621	287	236,172
Streets	1,399,418	1,087,069	128,012	82,469
Other programs	3,042,742	1,549,268	2,008,017	182,212
Total business-type activities	24,706,872	22,050,495	2,193,103	500,853
TOTAL PRIMARY GOVERNMENT	\$ 39,142,275	\$ 23,446,943	\$ 3,192,574	\$ 561,642

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

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
\$ (419,318)	\$ -	\$ (419,318)
(5,772,683)	-	(5,772,683)
(17,818)	-	(17,818)
(3,308,309)	-	(3,308,309)
(25,286)	-	(25,286)
<u>(2,435,281)</u>	<u>-</u>	<u>(2,435,281)</u>
<u>(11,978,695)</u>	<u>-</u>	<u>(11,978,695)</u>
-	(336,006)	(336,006)
-	706,104	706,104
-	(927,406)	(927,406)
-	(101,868)	(101,868)
<u>-</u>	<u>696,755</u>	<u>696,755</u>
<u>-</u>	<u>37,579</u>	<u>37,579</u>
<u>(11,978,695)</u>	<u>37,579</u>	<u>(11,941,116)</u>
10,617,295	-	10,617,295
368,610	-	368,610
3,333,611	-	3,333,611
272,598	-	272,598
63,256	-	63,256
2,251,902	2,202,926	4,454,828
<u>(1,047,504)</u>	<u>1,047,504</u>	<u>-</u>
<u>15,859,768</u>	<u>3,250,430</u>	<u>19,110,198</u>
3,881,073	3,288,009	7,169,082
<u>37,005,727</u>	<u>99,892,001</u>	<u>136,897,728</u>
<u>\$ 40,886,800</u>	<u>\$ 103,180,010</u>	<u>\$ 144,066,810</u>

CITY OF HEALDSBURG

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	ASSETS	General	Redevelopment Agency Debt Service
		<u>General</u>	<u>Service</u>
Cash and investments		\$ 3,974,519	\$ 216,053
Receivables:			
Accounts		15,862	-
Taxes		867,942	-
Loans		-	-
Interest		39,251	-
Special assessments		-	-
Due from other governments		39,659	-
Restricted cash and investments		-	3,160,486
TOTAL ASSETS		<u>\$ 4,937,233</u>	<u>\$ 3,376,539</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ 49,339	\$ 9,564
Deposits		23,348	-
Due to other funds		-	-
Deferred revenue		138,232	-
TOTAL LIABILITIES		<u>210,919</u>	<u>9,564</u>
FUND BALANCES:			
Reserved:			
Low and moderate income housing		-	-
Debt service		-	3,366,975
Community and economic development		-	-
Multi-year programs		-	-
Unreserved, Reported In:			
General fund		4,726,314	-
Special revenue fund		-	-
Capital projects fund		-	-
Permanent fund		-	-
TOTAL FUND BALANCES		<u>4,726,314</u>	<u>3,366,975</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 4,937,233</u>	<u>\$ 3,376,539</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
\$ 920,320	\$ 1,952,919	\$ 10,223,208	\$ 17,287,019
-	-	154,473	170,335
123,554	30,889	40,796	1,063,181
-	983,000	1,024,593	2,007,593
110,362	76,756	95,807	322,176
-	-	1,315,000	1,315,000
-	-	22,356	62,015
16,406,866	7,428,346	289,521	27,285,219
<u>\$ 17,561,102</u>	<u>\$ 10,471,910</u>	<u>\$ 13,165,754</u>	<u>\$ 49,512,538</u>
\$ 35,005	\$ 3,627	\$ 76,691	\$ 174,226
-	-	-	23,348
-	-	55,000	55,000
-	983,000	1,585,249	2,706,481
<u>35,005</u>	<u>986,627</u>	<u>1,716,940</u>	<u>2,959,055</u>
-	9,485,283	-	9,485,283
-	-	1,271,433	4,638,408
1,011,759	-	-	1,011,759
16,514,338	-	-	16,514,338
-	-	-	4,726,314
-	-	6,931,861	6,931,861
-	-	3,168,198	3,168,198
-	-	77,322	77,322
<u>17,526,097</u>	<u>9,485,283</u>	<u>11,448,814</u>	<u>46,553,483</u>
<u>\$ 17,561,102</u>	<u>\$ 10,471,910</u>	<u>\$ 13,165,754</u>	<u>\$ 49,512,538</u>

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CITY OF HEALDSBURG

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

For the year ended June 30, 2007

	General	Redevelopment Agency Debt Service
	<u>General</u>	<u>Service</u>
REVENUES:		
Property taxes	\$ 1,764,179	\$ -
Sales and other taxes	4,267,160	-
Charges for services	366,083	-
Intergovernmental revenue	641,473	-
Development fees and permits	-	-
Investment income	184,501	96,049
Miscellaneous fees and charges	75,138	-
Other revenues	12,903	-
TOTAL REVENUES	<u>7,311,437</u>	<u>96,049</u>
EXPENDITURES:		
Current:		
General government	344,100	-
Public safety	6,760,260	-
Culture and recreation	-	-
Community development	-	-
Capital outlay	-	-
Debt Service:		
Principal retirement	-	915,000
Interest and fees	-	2,060,444
TOTAL EXPENDITURES	<u>7,104,360</u>	<u>2,975,444</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>207,077</u>	<u>(2,879,395)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	3,078,366
Transfers out	(18,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,000)</u>	<u>3,078,366</u>
NET CHANGE IN FUND BALANCES	189,077	198,971
FUND BALANCES - BEGINNING OF YEAR	<u>4,537,237</u>	<u>3,168,004</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,726,314</u>	<u>\$ 3,366,975</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
\$ 6,494,420	\$ 1,623,605	\$ 735,091	\$ 10,617,295
-	-	-	4,267,160
-	-	-	366,083
-	-	428,158	1,069,631
-	-	62,160	62,160
942,761	434,522	483,727	2,141,560
-	-	-	75,138
82,527	-	505,582	601,012
<u>7,519,708</u>	<u>2,058,127</u>	<u>2,214,718</u>	<u>19,200,039</u>
193,640	69,020	23,138	629,898
-	-	-	6,760,260
-	-	37,727	37,727
4,564,248	983,270	173,901	5,721,419
-	-	948,037	948,037
-	-	615,000	1,530,000
-	-	344,887	2,405,331
<u>4,757,888</u>	<u>1,052,290</u>	<u>2,142,690</u>	<u>18,032,672</u>
<u>2,761,820</u>	<u>1,005,837</u>	<u>72,028</u>	<u>1,167,367</u>
32,149	-	1,115,980	4,226,495
(3,505,291)	(875,424)	(905,143)	(5,303,858)
<u>(3,473,142)</u>	<u>(875,424)</u>	<u>210,837</u>	<u>(1,077,363)</u>
(711,322)	130,413	282,865	90,004
<u>18,237,419</u>	<u>9,354,870</u>	<u>11,165,949</u>	<u>46,463,479</u>
<u>\$ 17,526,097</u>	<u>\$ 9,485,283</u>	<u>\$ 11,448,814</u>	<u>\$ 46,553,483</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, 2007

Net change in fund balances - total governmental funds		\$ 90,004
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 outlay: (\$1,249,547) exceeded depreciation (\$589,621) in the current period		659,926
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		52,161
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		1,530,000
Certain loans are recorded as expenditures in the governmental funds when issued. Repayments on these long-term loans are recorded as revenue in the governmental funds when collected. However, neither of these transactions have an effect on net assets:		
Loans issued	\$ 1,283,000	
Loans collected	<u>(75,000)</u>	
		1,208,000
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	\$ 4,930	
Amortization of issuance costs	(21,886)	
Amortization of bond discount	<u>(12,994)</u>	
		(29,950)
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:		<u>370,932</u>
Change in net assets of governmental activities:		<u><u>\$ 3,881,073</u></u>

See independent auditors' report and notes to basic financial statements

CITY OF HEALDSBURG

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

June 30, 2007

		<u>Business-type Activities - Enterprise Funds</u>		
ASSETS		<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>
CURRENT ASSETS:				
Cash and investments		\$ 3,313,031	\$ 11,506,597	\$ 6,753,815
Accounts receivable		633,647	794,454	1,286,228
Taxes receivable		-	-	-
Interest receivable		36,512	223,335	79,583
Due from other governments		-	-	-
Notes receivable		-	-	-
Due from other funds		-	-	55,000
Inventory		123,696	7,857	1,409,186
TOTAL CURRENT ASSETS		<u>4,106,886</u>	<u>12,532,243</u>	<u>9,583,812</u>
NONCURRENT ASSETS:				
Deferred issuance cost		621,980	374,583	-
Restricted cash and investments		875,865	11,306,377	-
Capital assets:				
Land		310,781	766,902	48,360
Building		1,449,917	206,166	447,835
Streets		-	-	-
Utility systems		21,582,278	18,277,638	14,489,913
Drainage		-	9,125,876	-
Machinery and equipment		521,638	571,688	453,857
Operations		-	-	-
Construction in progress		5,622,840	22,597,011	2,457,623
Less accumulated depreciation		(5,901,900)	(8,546,423)	(7,023,689)
TOTAL NONCURRENT ASSETS		<u>25,083,399</u>	<u>54,679,818</u>	<u>10,873,899</u>
TOTAL ASSETS		<u>29,190,285</u>	<u>67,212,061</u>	<u>20,457,711</u>
LIABILITIES				
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities		321,152	5,606,449	126,639
Deposits from others		18,842	-	418,332
Due to other funds		-	-	-
Claims payable		-	-	-
Compensated absences		-	-	-
Certificates of participation and revenue bonds		455,000	90,000	-
TOTAL CURRENT LIABILITIES		<u>794,994</u>	<u>5,696,449</u>	<u>544,971</u>
NONCURRENT LIABILITIES:				
Certificates of participation and revenue bonds		13,131,208	29,070,833	-
TOTAL LIABILITIES		<u>13,926,202</u>	<u>34,767,282</u>	<u>544,971</u>
NET ASSETS:				
Invested in capital assets, net of related debt		9,999,345	25,144,402	10,873,899
Restricted for capital replacement		875,865	-	-
Unrestricted		4,388,873	7,300,377	9,038,841
TOTAL NET ASSETS		<u>\$ 15,264,083</u>	<u>\$ 32,444,779</u>	<u>\$ 19,912,740</u>

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
\$ 4,979,024	\$ 2,787,871	\$ 29,340,338	\$ 7,210,339
825	34,470	2,749,624	22,321
-	205,257	205,257	-
49,321	26,333	415,084	63,995
-	10,996	10,996	-
-	-	-	22,445
-	72,000	127,000	-
-	36,789	1,577,528	60,019
<u>5,029,170</u>	<u>3,173,716</u>	<u>34,425,827</u>	<u>7,379,119</u>
-	-	996,563	-
-	-	12,182,242	-
-	3,857,859	4,983,902	-
-	4,201,177	6,305,095	-
24,145,664	-	24,145,664	-
-	-	54,349,829	-
-	-	9,125,876	-
10,739	737,368	2,295,290	5,905,005
-	1,222,027	1,222,027	-
1,303,894	1,027,650	33,009,018	-
(6,627,448)	(2,945,704)	(31,045,164)	(3,799,585)
<u>18,832,849</u>	<u>8,100,377</u>	<u>117,570,342</u>	<u>2,105,420</u>
<u>23,862,019</u>	<u>11,274,093</u>	<u>151,996,169</u>	<u>9,484,539</u>
26,827	226,186	6,307,253	651,501
68,705	128,386	634,265	-
-	72,000	72,000	-
-	-	-	102,366
-	-	-	1,652,707
-	-	545,000	-
<u>95,532</u>	<u>426,572</u>	<u>7,558,518</u>	<u>2,406,574</u>
-	-	42,202,041	-
<u>95,532</u>	<u>426,572</u>	<u>49,760,559</u>	<u>2,406,574</u>
18,832,849	8,100,377	72,950,872	2,105,420
-	-	875,865	-
<u>4,933,638</u>	<u>2,747,144</u>	<u>28,408,873</u>	<u>4,972,545</u>
<u>\$ 23,766,487</u>	<u>\$ 10,847,521</u>	102,235,610	<u>\$ 7,077,965</u>
		944,400	
		<u>\$ 103,180,010</u>	

CITY OF HEALDSBURG

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

For the year ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
OPERATING REVENUES:			
Charges for services	\$ 4,144,543	\$ 5,697,173	\$ 8,910,310
Development fees	194,458	368,236	36,072
Rental income	-	-	-
Other revenues	3,639	3,488	56,239
TOTAL OPERATING REVENUES	4,342,640	6,068,897	9,002,621
OPERATING EXPENSES:			
Purchased power	-	-	5,924,049
Operations	2,431,051	2,274,011	2,042,244
Administrative	1,258,471	1,255,611	1,775,826
Insurance costs	-	-	-
Depreciation	487,126	566,819	384,900
TOTAL OPERATING EXPENSES	4,176,648	4,096,441	10,127,019
OPERATING INCOME (LOSS)	165,992	1,972,456	(1,124,398)
NONOPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Intergovernmental grants	40,745	16,042	287
Investment income	214,877	1,130,661	352,905
Loss from disposal of assets	-	-	(103,756)
Interest expense	(608,265)	(1,367,707)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(352,643)	(221,004)	249,436
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(186,651)	1,751,452	(874,962)
CAPITAL CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	-	236,172
Transfers in	-	50,000	-
Transfers out	(62,261)	(51,880)	(115,000)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	(62,261)	(1,880)	121,172
CHANGE IN NET ASSETS	(248,912)	1,749,572	(753,790)
TOTAL NET ASSETS - BEGINNING OF YEAR	15,512,995	30,695,207	20,666,530
TOTAL NET ASSETS - END OF YEAR	\$ 15,264,083	\$ 32,444,779	\$ 19,912,740
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
\$ -	\$ 301,711	\$ 19,053,737	\$ 10,089,690
1,083,343	491,766	2,173,875	-
-	424,628	424,628	-
3,726	331,162	398,254	63,662
<u>1,087,069</u>	<u>1,549,267</u>	<u>22,050,494</u>	<u>10,153,352</u>
-	-	5,924,049	-
562,563	2,323,010	9,632,879	2,187,663
411,802	574,133	5,275,843	90,119
-	-	-	6,944,922
489,231	183,060	2,111,136	382,883
<u>1,463,596</u>	<u>3,080,203</u>	<u>22,943,907</u>	<u>9,605,587</u>
<u>(376,527)</u>	<u>(1,530,936)</u>	<u>(893,413)</u>	<u>547,765</u>
82,469	2,008,017	2,090,486	-
128,012	182,212	367,298	-
217,648	116,210	2,032,301	282,405
-	-	(103,756)	-
-	(1,708)	(1,977,680)	-
<u>428,129</u>	<u>2,304,731</u>	<u>2,408,649</u>	<u>282,405</u>
<u>51,602</u>	<u>773,795</u>	<u>1,515,236</u>	<u>830,170</u>
-	-	236,172	-
567,084	1,290,905	1,907,989	104,701
(500)	(705,686)	(935,327)	-
<u>566,584</u>	<u>585,219</u>	<u>1,208,834</u>	<u>104,701</u>
618,186	1,359,014	2,724,070	934,871
<u>23,148,301</u>	<u>9,488,507</u>		<u>6,143,094</u>
<u>\$ 23,766,487</u>	<u>\$ 10,847,521</u>		<u>\$ 7,077,965</u>

563,939
\$ 3,288,009

CITY OF HEALDSBURG

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 4,474,557	\$ 5,906,140	\$ 9,209,411
Payments to suppliers	(1,617,138)	(1,356,954)	(7,532,055)
Payments to employees	(1,960,479)	(1,598,404)	(2,238,450)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>896,940</u>	<u>2,950,782</u>	<u>(561,094)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Taxes	-	-	-
Intergovernmental grants	40,745	16,042	287
Cash received from other funds	-	50,000	1,628
Cash paid to other funds	(62,261)	(51,880)	(115,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(21,516)</u>	<u>14,162</u>	<u>(113,085)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets - capital replacement	(553,634)	(13,653,482)	(1,533,171)
Capital contributions	-	-	236,172
Retirement of debt	(465,000)	(105,000)	-
Interest paid	(608,265)	(1,367,707)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,626,899)</u>	<u>(15,126,189)</u>	<u>(1,296,999)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	<u>215,958</u>	<u>1,068,708</u>	<u>356,709</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(535,517)	(11,092,537)	(1,614,469)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,724,413</u>	<u>33,905,511</u>	<u>8,368,284</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,188,896</u>	<u>\$ 22,812,974</u>	<u>\$ 6,753,815</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 165,992	\$ 1,972,456	\$ (1,124,398)
Depreciation	487,126	566,819	384,900
Amortization	42,715	23,787	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	131,917	(162,757)	206,790
(Increase) decrease in inventory	(36,715)	(5,721)	(56,624)
Increase (decrease) in accounts payable	99,415	556,198	49,636
Increase (decrease) in deposits	6,490	-	(21,398)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 896,940</u>	<u>\$ 2,950,782</u>	<u>\$ (561,094)</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
\$ 1,088,566	\$ 1,551,978	\$ 22,230,652	\$ 10,154,053
(561,452)	(1,554,859)	(12,622,458)	(8,597,517)
(443,682)	(1,314,439)	(7,555,454)	(371,692)
<u>83,432</u>	<u>(1,317,320)</u>	<u>2,052,740</u>	<u>1,184,844</u>
82,469	2,008,765	2,091,234	-
128,015	182,212	367,301	-
567,084	1,331,322	1,950,034	104,701
(500)	(629,314)	(858,955)	-
<u>777,068</u>	<u>2,892,985</u>	<u>3,549,614</u>	<u>104,701</u>
(360,129)	(871,727)	(16,972,143)	(603,702)
-	-	236,172	-
-	-	(570,000)	-
-	(1,708)	(1,977,680)	-
<u>(360,129)</u>	<u>(873,435)</u>	<u>(19,283,651)</u>	<u>(603,702)</u>
<u>208,188</u>	<u>107,205</u>	<u>1,956,768</u>	<u>266,406</u>
708,559	809,435	(11,724,529)	952,249
4,270,465	1,978,436	53,247,109	6,258,090
<u>\$ 4,979,024</u>	<u>\$ 2,787,871</u>	<u>\$ 41,522,580</u>	<u>\$ 7,210,339</u>
\$ (376,527)	\$ (1,530,936)	\$ (893,413)	\$ 547,765
489,231	183,060	2,111,136	382,883
-	-	66,502	-
1,497	2,711	180,158	700
-	(9,818)	(108,878)	(2,449)
(31,092)	129,716	803,873	255,945
323	(92,053)	(106,638)	-
<u>\$ 83,432</u>	<u>\$ (1,317,320)</u>	<u>\$ 2,052,740</u>	<u>\$ 1,184,844</u>

CITY OF HEALDSBURG

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2007

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Cash and investments (Note 2)	\$ 908,197
Interest receivable	<u>8,920</u>
 TOTAL ASSETS	 917,117
LIABILITIES:	
Accounts payable	<u>6,294</u>
NET ASSETS:	
Held in trust for other purposes	<u>\$ 910,823</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, 2007

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Contributions	\$ 25,470
Investment income	39,359
Fees and charges	34,367
Transfers in	<u>50,000</u>
TOTAL ADDITIONS	149,196
DEDUCTIONS:	
Community development	<u>126,236</u>
CHANGE IN NET ASSETS	22,960
NET ASSETS - BEGINNING OF YEAR	<u>887,863</u>
NET ASSETS - END OF YEAR	<u><u>\$ 910,823</u></u>

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

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

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, 2007

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 9 and 10)

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

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, 2007

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, 2007

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, 2007

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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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, 2007.

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, 2007

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, 2007

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, Sonoma County Investment Fund, Banker’s Acceptances and Commercial Paper.

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, 2007

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 valuation of property held for resale, 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, 2007 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of <u>Net Assets</u>	Fiduciary Fund Statement of <u>Net Assets</u>	<u>Total</u>
Unrestricted assets:			
Cash and investments	\$ 53,837,696	\$ 908,197	\$ 54,745,893
Restricted assets:			
Cash and investments	<u>39,467,461</u>	<u>-</u>	<u>39,467,461</u>
Total Cash and Investments	<u>\$ 93,305,157</u>	<u>\$ 908,197</u>	<u>\$ 94,213,354</u>

Cash and investments at June 30, 2007 consisted of the following:

Cash on hand	\$ 1,420
Deposits with financial institutions	795,457
Investments	<u>93,416,477</u>
Total Cash and Investments	<u>\$ 94,213,354</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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, 2007

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, 2007

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)	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Sonoma County Investment Pool	263,831	-	-	263,831
Banker's Acceptance	3,471,989	-	-	3,471,989
Federal Farm Credit Bank (FFCB)	1,994,060	-	1,994,060	3,988,120
Federal Home Loan Bank (FHLB)	24,417,720	12,970,630	10,980,940	48,369,290
Federal Home Loan Mortgage Corporation (FHLMC)	5,979,000	-	998,180	6,977,180
Federal National Mortgage Association (FNMA)	4,991,580	-	-	4,991,580
Farmer Mac Discount Note (FDMRN)	1,045,800	-	-	1,045,800
Money Market Mutual Funds	13,329,418	-	-	13,329,418
Investment Contracts	<u>9,979,269</u>	<u>-</u>	<u>-</u>	<u>9,979,269</u>
	<u>\$ 66,472,667</u>	<u>\$ 12,970,630</u>	<u>\$ 13,973,180</u>	<u>\$ 93,416,477</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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, 2007	Minimum Legal Rating	AAA	P-1	Unrated
LAIF	\$ 1,000,000	N/A	\$ -	\$ -	\$ 1,000,000
Sonoma County Investment Pool	263,831	N/A	-	-	263,831
Banker's Acceptance	3,471,989	P-1	-	3,471,989	-
FFCB	3,988,120	AAA	3,988,120	-	-
FHLB	48,369,290	AAA	48,369,290	-	-
FHLMC	6,977,180	AAA	6,977,180	-	-
FNMA	4,991,580	AAA	4,991,580	-	-
FDRMN	1,045,800	AAA	1,045,800	-	-
Money Market Mutual Funds	13,329,418	N/A	-	-	13,329,418
Investment Contracts	<u>9,979,269</u>	N/A	<u>-</u>	<u>-</u>	<u>9,979,269</u>
Total	<u>\$ 93,416,477</u>		<u>\$ 65,371,970</u>	<u>\$ 3,471,989</u>	<u>\$ 24,572,518</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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 Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$ 48,369,290
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	6,977,180
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	4,991,580
Bank of New York	Investment Contracts	9,979,269

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, 2007, 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, 2007

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, 2007 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Enterprise	Other Governmental Funds	\$ 55,000
Other Enterprise Funds	Other Enterprise Funds	<u>72,000</u>
		<u>\$ 127,000</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, 2007

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

The compositions of the City's interfund transfer balances as of June 30, 2007 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Redevelopment Agency Debt Service	Redevelopment Agency Commercial/Industrial	\$ 2,243,806
	Redevelopment Agency Low/Moderate Income	834,560
Redevelopment Agency Commercial/Industrial	Water Enterprise	32,149
Other Governmental Funds	General	3,000
	Redevelopment Agency Commercial/Industrial	239,098
	Redevelopment Agency Low/Moderate Income	40,864
	Water Enterprise	25,500
	Sewer Enterprise	25,500
	Electric Enterprise	115,000
	Streets Enterprise	500
	Other Governmental Funds	70,518
	Other Enterprise Funds	596,000
Sewer Enterprise	Redevelopment Agency Commercial/Industrial	50,000
Streets Enterprise	Redevelopment Agency Commercial/Industrial	126,000
	Other Governmental Funds	441,084
Other Enterprise Funds	Redevelopment Agency Commercial/Industrial	846,387
	Other Governmental Funds	378,682
	Other Enterprise Funds	65,836

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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>
Internal Service	General	\$ 15,000
	Other Governmental Fund	14,859
	Water Enterprise	4,612
	Sewer Enterprise	26,380
	Other Enterprise Funds	<u>43,850</u>
		<u>\$ 6,239,185</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.

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, 2007

4. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2007 is as follows:

Governmental Activities:

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 14,437,652	\$ 602,288	\$ -	\$ 15,039,940
Right of way	6,681,379	-	-	6,681,379
Construction in progress	<u>516,783</u>	<u>-</u>	<u>-</u>	<u>516,783</u>
Total capital assets, not being depreciated	<u>21,635,814</u>	<u>602,288</u>	<u>-</u>	<u>22,238,102</u>
Capital assets, being depreciated:				
Buildings	14,092,315	341,423	-	14,433,738
Machinery and equipment	5,893,880	888,986	-	6,782,866
Infrastructure	<u>1,264,321</u>	<u>20,552</u>	<u>-</u>	<u>1,284,873</u>
Total capital assets being depreciated	<u>21,250,516</u>	<u>1,250,961</u>	<u>-</u>	<u>22,501,477</u>
Less accumulated depreciation for:				
Buildings	(3,723,637)	(489,033)	-	(4,212,670)
Machinery and equipment	(3,693,960)	(458,186)	-	(4,152,146)
Infrastructure	<u>(268,652)</u>	<u>(25,286)</u>	<u>-</u>	<u>(293,938)</u>
Total accumulated depreciation	<u>(7,686,249)</u>	<u>(972,505)</u>	<u>-</u>	<u>(8,658,754)</u>
Total capital assets being depreciated, net	<u>13,564,267</u>	<u>278,456</u>	<u>-</u>	<u>13,842,723</u>
Governmental activities capital assets, net	<u>\$ 35,200,081</u>	<u>\$ 880,744</u>	<u>\$ -</u>	<u>\$ 36,080,825</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

4. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activities capital assets at June 30, 2007 is as follows:

Business-type Activities:

	Balance at June 30, 2006	Additions	Deletions	Balance at June 30, 2007
Capital assets, not being depreciated:				
Land and land rights	\$ 4,983,902	\$ -	\$ -	\$ 4,983,902
Construction in progress	<u>13,746,486</u>	<u>21,457,125</u>	<u>(2,194,593)</u>	<u>33,009,018</u>
Total capital assets, not being depreciated	<u>18,730,388</u>	<u>21,457,125</u>	<u>(2,194,593)</u>	<u>37,992,920</u>
Capital assets, being depreciated:				
Buildings	5,918,822	386,273	-	6,305,095
Streets	23,869,738	275,926	-	24,145,664
Utility systems	52,784,574	1,565,255	-	54,349,829
Drainage	9,028,872	97,004	-	9,125,876
Machinery and equipment	2,295,290	-	-	2,295,290
Operations	<u>1,222,027</u>	<u>-</u>	<u>-</u>	<u>1,222,027</u>
Total capital assets being depreciated	<u>95,119,323</u>	<u>2,324,458</u>	<u>-</u>	<u>97,443,781</u>
Less accumulated depreciation for:				
Buildings	(3,040,638)	(181,531)	-	(3,222,169)
Streets	(6,134,458)	(488,158)	-	(6,622,616)
Utility systems	(16,029,885)	(1,090,855)	-	(17,120,740)
Drainage	(2,213,500)	(180,794)	-	(2,394,294)
Machinery and equipment	(1,046,991)	(160,860)	-	(1,207,851)
Operations	<u>(468,556)</u>	<u>(8,938)</u>	<u>-</u>	<u>(477,494)</u>
Total accumulated depreciation	<u>(28,934,028)</u>	<u>(2,111,136)</u>	<u>-</u>	<u>(31,045,164)</u>
Total capital assets being depreciated, net	<u>66,185,295</u>	<u>213,322</u>	<u>-</u>	<u>66,398,617</u>
Business-type activities capital assets, net	<u>\$ 84,915,683</u>	<u>\$ 21,670,447</u>	<u>\$ (2,194,593)</u>	<u>\$ 104,391,537</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

4. CAPITAL ASSETS (CONTINUED):

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

Governmental Activities:

General government	\$	357,993
Public safety		206,343
Unallocated infrastructure depreciation		25,286
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>382,883</u>
Total depreciation expense - governmental activities	\$	<u>972,505</u>

Business-type Activities:

Water	\$	487,126
Sewer		566,819
Electric		384,900
Streets		489,231
Other programs		<u>183,060</u>
Total depreciation expense - business-type activities	\$	<u>2,111,136</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

5. LONG-TERM LIABILITIES:

The following is a summary of the Governmental Activities long-term liability transactions for the year ended June 30, 2007:

Governmental Activities:

	Balance at <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2007</u>	Due Within <u>One Year</u>
General Obligation Bonds (GO):					
1998 Refunding	\$ 1,755,000	\$ -	\$ (140,000)	\$ 1,615,000	\$ 145,000
2003 Refunding	<u>3,280,000</u>	<u>-</u>	<u>(185,000)</u>	<u>3,095,000</u>	<u>205,000</u>
Total GO Bonds	<u>5,035,000</u>	<u>-</u>	<u>(325,000)</u>	<u>4,710,000</u>	<u>350,000</u>
Tax Allocation Bonds (TAB):					
1995 Series	3,265,000	-	(85,000)	3,180,000	90,000
2002 Series A	13,215,000	-	(285,000)	12,930,000	295,000
2002 Series C	5,210,000	-	(110,000)	5,100,000	115,000
2003 Series A	12,245,000	-	(270,000)	11,975,000	275,000
2003 Series B	5,995,000	-	(130,000)	5,865,000	130,000
2002 Series B	<u>1,760,000</u>	<u>-</u>	<u>(35,000)</u>	<u>1,725,000</u>	<u>40,000</u>
Total TAB Bonds	<u>41,690,000</u>	<u>-</u>	<u>(915,000)</u>	<u>40,775,000</u>	<u>945,000</u>
Special Assessments:					
Foss Creek	75,000	-	(75,000)	-	-
Area A	<u>1,530,000</u>	<u>-</u>	<u>(215,000)</u>	<u>1,315,000</u>	<u>155,000</u>
Total Special Assessments	<u>1,605,000</u>	<u>-</u>	<u>(290,000)</u>	<u>1,315,000</u>	<u>155,000</u>
Compensated absences	<u>1,586,794</u>	<u>2,038,319</u>	<u>(1,972,406)</u>	<u>1,652,707</u>	<u>1,652,707</u>
Bond discount	<u>(259,166)</u>	<u>-</u>	<u>12,994</u>	<u>(246,172)</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 49,657,628</u>	<u>\$ 2,038,319</u>	<u>\$ (3,489,412)</u>	<u>\$ 48,206,535</u>	<u>\$ 3,102,707</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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, 2007:

Business-type Activities:

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2007</u>	<u>Due Within One Year</u>
Certificates of Participation (COP) and Bonds:					
2001 A - CSCDA Water	\$ 6,040,000	\$ -	\$ (255,000)	\$ 5,785,000	\$ 255,000
2003 C - CSCDA Water/ Wastewater	5,170,000	-	(120,000)	5,050,000	120,000
2005 D - CSDA Water/ Wastewater	6,505,000	-	(195,000)	6,310,000	170,000
2006 Wastewater Bonds	<u>26,150,000</u>	<u>-</u>	<u>-</u>	<u>26,150,000</u>	<u>-</u>
Total COP and Bonds	43,865,000	-	(570,000)	43,295,000	545,000
Bond discount	(236,726)	-	9,408	(227,318)	-
Deferred amount on refunding	<u>(334,128)</u>	<u>-</u>	<u>13,487</u>	<u>(320,641)</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 43,294,146</u>	<u>\$ -</u>	<u>\$ (547,105)</u>	<u>\$ 42,747,041</u>	<u>\$ 545,000</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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>
2008	\$ 350,000	\$ 167,435	\$ 517,435
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
2013-2016	<u>2,605,000</u>	<u>225,383</u>	<u>2,830,383</u>
	<u>\$ 4,710,000</u>	<u>\$ 925,219</u>	<u>\$ 5,635,219</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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, 2007

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
2008	\$ 945,000	\$ 2,115,929	\$ 3,060,929
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
2013-2017	6,135,000	8,900,672	15,035,672
2018-2022	7,715,000	7,106,456	14,821,456
2023-2027	9,735,000	4,753,706	14,488,706
2028-2032	<u>12,155,000</u>	<u>1,753,364</u>	<u>13,908,364</u>
	<u>\$ 40,775,000</u>	<u>\$ 32,699,459</u>	<u>\$ 73,474,459</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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. The advance refunding resulted in a decrease in cash flows of \$534,720 and an economic gain of \$55,779. 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 June 30,	Principal	Interest	Total
2008	\$ 155,000	\$ 44,947	\$ 199,947
2009	150,000	40,345	190,345
2010	155,000	35,539	190,539
2011	160,000	30,260	190,260
2012	165,000	24,489	189,489
2013-2016	<u>530,000</u>	<u>34,683</u>	<u>564,683</u>
	<u>\$ 1,315,000</u>	<u>\$ 210,263</u>	<u>\$ 1,525,263</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, 2007

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.

2003 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, 2007

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, 2007, \$5,640,000 of the 2000 B Water/Wastewater CSCDA Certificates remained outstanding. The 1996 Sewer Certificates have been redeemed. The advance refunding resulted in a decrease in cash flows of \$434,590 and an economic gain of \$204,164. 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 will be 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, 2007

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 \$33,987,186 are as follows:

Year Ending June 30,	Certificates of Participation and Bonds		
	Principal	Interest	Total
2008	\$ 545,000	\$ 1,946,168	\$ 2,491,168
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
2013-2017	6,255,000	8,470,607	14,725,607
2018-2022	7,680,000	6,973,003	14,653,003
2023-2027	8,920,000	5,073,665	13,993,665
2028-2032	9,185,000	3,050,106	12,235,106
2033-2037	<u>7,255,000</u>	<u>895,995</u>	<u>8,150,995</u>
	<u>\$ 43,295,000</u>	<u>\$ 33,987,186</u>	<u>\$ 77,282,186</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, 2007

6. EMPLOYEES' RETIREMENT PLAN (CONTINUED):

Annual Required Contribution

The City is required to contribute at an actuarially determined rate; the current rate is 19.638% for miscellaneous employees and 32.575% for safety employees for the fiscal year ended June 30, 2007 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, 2007, 2006 and 2005 were \$2,209,118, \$1,768,067 and \$1,286,275, 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 low and moderate income housing represents amounts set-aside in the Redevelopment Agency Low/Moderate Income Capital Projects Fund.
- b. Reserves for debt service represent amounts accumulated in accordance with bond indenture or similar covenant.
- c. Reserve for community and economic development has been established to reflect bond proceeds restricted for capital improvements.
- 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, 2007

8. NORTHERN CALIFORNIA POWER AGENCY:

The City is a member of Northern California Power Agency (NCPA), which operates under a joint powers agreement among public agencies consisting of eleven cities with publicly owned electric distribution systems, one irrigation district, one public utility district, one port authority, a transit authority and two associate member entities. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell, and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities. 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 ended June 30, 2007, of \$5,294,548 included \$5,294,048 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 \$3.6 million at June 30, 2007. This amount represents the City's portion of funds which resulted from the reconciliations of several prior years' budgets for programs. 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, 2007

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 at June 30, 2007 is \$101,910 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. At June 30, 2007 approximately \$483,450 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, 2007

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. At June 30, 2007 approximately \$15,125 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. At June 30, 2007, approximately \$3,300 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 ended June 30, 2007 (in thousands):

Total assets	\$	883,058
Total liabilities (excluding long-term debt)		230,378
Long-term debt		628,183
Accumulated net revenues		24,497
Revenues		323,077
Expenses (including refunds)		328,345
Decrease in accumulated net revenues		(5,268)

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

8. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

NCPA Condensed Financial Information (Continued)

Maturities (Principal) of NCPA's long-term debt as of June 30, 2007 are as follows (in thousands) (audited):

2008	\$	37,060
2009		38,205
2010		38,715
2011		43,645
2012		18,050
2013 and after		493,110
Less: Unamortized net discount and premium		(3,542)
Less: Current portion		<u>(37,060)</u>
Total	\$	<u>628,183</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, 2007

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, 2007, for the Redwood Empire Municipal Insurance Fund in which the City participates.

Total Assets	\$	17,799,324
Total Liabilities		13,474,112
Total Net Assets		4,325,212
Total Revenues		8,321,430
Total Expenses		7,995,047
Increase in Net Assets		326,383
Total Long-Term Debt		6,904,768

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, 2007

11. INDIVIDUAL FUND DISCLOSURES:

- a. The fund which has a deficit fund balance at June 30, 2007 was as follows:

Special Revenue Fund:

North Area \$ 28,319

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

- b. Funds where expenditures exceeded appropriations:

General Fund \$ 204,412

Special Revenue Funds:

Gas Tax	254
North Area	38
Park Fees	353
Media Center	30,193
TDA	5
Redevelopment Agency UDAG Loan	9,762
Street Development Fees	28
Public Safety	24
Other	752

Debt Service Fund:

General	104,746
Street Assessment	65,479

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

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, 2007 was \$12.2 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, 2007

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. 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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,652,502	\$ 1,652,502	\$ 1,764,179	\$ 111,677
Sales and other taxes	3,830,754	3,830,754	4,267,160	436,406
Charges for services	281,757	281,757	366,083	84,326
Intergovernmental revenues	527,277	527,277	641,473	114,196
Investment income	79,175	79,175	184,501	105,326
Miscellaneous fees and charges	79,603	79,603	75,138	(4,465)
Other revenues	6,952	6,952	12,903	5,951
TOTAL REVENUES	6,458,020	6,458,020	7,311,437	853,417
EXPENDITURES:				
Current:				
General government	234,625	234,625	344,100	(109,475)
Public safety	6,540,323	6,665,323	6,760,260	(94,937)
TOTAL EXPENDITURES	6,774,948	6,899,948	7,104,360	(204,412)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(316,928)	(441,928)	207,077	649,005
OTHER FINANCING USES:				
Transfers out	(15,000)	(15,000)	(18,000)	(3,000)
NET CHANGE IN FUND BALANCE	(331,928)	(456,928)	189,077	646,005
FUND BALANCE - BEGINNING OF YEAR	4,537,237	4,537,237	4,537,237	-
FUND BALANCE - END OF YEAR	\$ 4,205,309	\$ 4,080,309	\$ 4,726,314	\$ 646,005

See independent auditors' report and note to required supplementary information

CITY OF HEALDSBURG

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

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, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Other Governmental Funds
ASSETS					
Cash and investments	\$ 5,999,089	\$ 937,258	\$ 3,210,339	\$ 76,522	\$ 10,223,208
Receivables:					
Accounts	151,966	-	2,507	-	154,473
Taxes	5,020	35,776	-	-	40,796
Loan	1,024,593	-	-	-	1,024,593
Interest	59,712	8,878	26,417	800	95,807
Special assessments	-	1,315,000	-	-	1,315,000
Due from other governments	22,356	-	-	-	22,356
Restricted cash and investments	-	289,521	-	-	289,521
TOTAL ASSETS	\$ 7,262,736	\$ 2,586,433	\$ 3,239,263	\$ 77,322	\$ 13,165,754
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 5,626	\$ -	\$ 71,065	\$ -	\$ 76,691
Due to other funds	55,000	-	-	-	55,000
Deferred revenue	270,249	1,315,000	-	-	1,585,249
TOTAL LIABILITIES	330,875	1,315,000	71,065	-	1,716,940
FUND BALANCES:					
Reserved for:					
Debt service	-	1,271,433	-	-	1,271,433
Unreserved, reported in:					
Special revenue funds	6,931,861	-	-	-	6,931,861
Capital projects funds	-	-	3,168,198	-	3,168,198
Permanent fund	-	-	-	77,322	77,322
TOTAL FUND BALANCES	6,931,861	1,271,433	3,168,198	77,322	11,448,814
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,262,736	\$ 2,586,433	\$ 3,239,263	\$ 77,322	\$ 13,165,754

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, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Other Governmental Funds
REVENUES:					
Property taxes	\$ 144,076	\$ 591,015	\$ -	\$ -	\$ 735,091
Intergovernmental revenues	428,158	-	-	-	428,158
Development fees and permits	62,160	-	-	-	62,160
Investment income	307,590	56,030	116,575	3,532	483,727
Other revenues	505,582	-	-	-	505,582
TOTAL REVENUES	1,447,566	647,045	116,575	3,532	2,214,718
EXPENDITURES:					
Current:					
General government	14,130	1,261	7,633	114	23,138
Culture and recreation	30,727	-	-	7,000	37,727
Community development	173,901	-	-	-	173,901
Capital outlay	-	-	948,037	-	948,037
Debt service:					
Principal retirement	-	615,000	-	-	615,000
Interest and fees	-	344,887	-	-	344,887
TOTAL EXPENDITURES	218,758	961,148	955,670	7,114	2,142,690
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,228,808	(314,103)	(839,095)	(3,582)	72,028
OTHER FINANCING SOURCES (USES):					
Transfers in	30,000	-	1,085,980	-	1,115,980
Transfers out	(890,284)	-	(14,859)	-	(905,143)
TOTAL OTHER FINANCING SOURCES (USES)	(860,284)	-	1,071,121	-	210,837
NET CHANGE IN FUND BALANCES	368,524	(314,103)	232,026	(3,582)	282,865
FUND BALANCES - BEGINNING OF YEAR	6,563,337	1,585,536	2,936,172	80,904	11,165,949
FUND BALANCES - END OF YEAR	\$ 6,931,861	\$ 1,271,433	\$ 3,168,198	\$ 77,322	\$ 11,448,814

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, 2007

	<u>Gas Tax</u>	<u>North Area</u>	<u>Airport Grant</u>
ASSETS			
Cash and investments	\$ 152,003	\$ 26,416	\$ 34,496
Receivables:			
Accounts	-	45,249	-
Taxes	-	-	-
Loans	-	-	-
Interest	1,790	265	345
Due from other governments	22,356	-	-
	<u>176,149</u>	<u>71,930</u>	<u>34,841</u>
TOTAL ASSETS	<u>\$ 176,149</u>	<u>\$ 71,930</u>	<u>\$ 34,841</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	55,000	-
Deferred revenue	-	45,249	-
	<u>-</u>	<u>100,249</u>	<u>-</u>
TOTAL LIABILITIES	-	100,249	-
FUND BALANCES (DEFICIT):			
Unreserved, undesignated	<u>176,149</u>	<u>(28,319)</u>	<u>34,841</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 176,149</u>	<u>\$ 71,930</u>	<u>\$ 34,841</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>
\$ 208,825	\$ 12,281	\$ 3,271	\$ 4,499,958	\$ 197,870	\$ 19,591
-	2,165	-	104,552	-	-
-	-	-	-	-	-
-	-	-	799,593	225,000	-
2,487	133	33	43,458	1,778	197
-	-	-	-	-	-
<u>\$ 211,312</u>	<u>\$ 14,579</u>	<u>\$ 3,304</u>	<u>\$ 5,447,561</u>	<u>\$ 424,648</u>	<u>\$ 19,788</u>
\$ -	\$ 4,326	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	225,000	-
-	4,326	-	-	225,000	-
<u>211,312</u>	<u>10,253</u>	<u>3,304</u>	<u>5,447,561</u>	<u>199,648</u>	<u>19,788</u>
<u>\$ 211,312</u>	<u>\$ 14,579</u>	<u>\$ 3,304</u>	<u>\$ 5,447,561</u>	<u>\$ 424,648</u>	<u>\$ 19,788</u>

(Continued)

CITY OF HEALDSBURG

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2007

	Area A Lighting and Landscaping District	Benjamin Way Maintenance District
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 396,915	\$ 5,227
Receivables:		
Accounts	-	-
Taxes	5,020	-
Loans	-	-
Interest	3,714	52
Due from other governments	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 405,649</u>	 <u>\$ 5,279</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 1,300	\$ -
Due to other funds	-	-
Deferred revenue	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 1,300	 -
FUND BALANCES (DEFICIT):		
Unreserved, undesignated	<u>404,349</u>	<u>5,279</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 405,649</u>	 <u>\$ 5,279</u>

See independent auditors' report.

<u>Public Safety</u>	<u>Other</u>	<u>Total Other Special Revenue Funds</u>
\$ 16,780	\$ 425,456	\$ 5,999,089
-	-	151,966
-	-	5,020
-	-	1,024,593
169	5,291	59,712
<u>-</u>	<u>-</u>	<u>22,356</u>
<u>\$ 16,949</u>	<u>\$ 430,747</u>	<u>\$ 7,262,736</u>
\$ -	\$ -	\$ 5,626
-	-	55,000
<u>-</u>	<u>-</u>	<u>270,249</u>
-	-	330,875
<u>16,949</u>	<u>430,747</u>	<u>6,931,861</u>
<u>\$ 16,949</u>	<u>\$ 430,747</u>	<u>\$ 7,262,736</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2007

	Gas Tax	North Area	Airport Grant
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	223,690	-	116,284
Development fees and permits	-	11,700	-
Investment income	7,898	1,168	1,523
Other revenues	-	-	-
	<u>231,588</u>	<u>12,868</u>	<u>117,807</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	254	38	49
Culture and recreation	-	-	-
Community development	-	-	-
	<u>254</u>	<u>38</u>	<u>49</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>231,334</u>	<u>12,830</u>	<u>117,758</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(308,845)	-	(182,515)
	<u>(308,845)</u>	<u>-</u>	<u>(182,515)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(77,511)	12,830	(64,757)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>253,660</u>	<u>(41,149)</u>	<u>99,598</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 176,149</u>	<u>\$ (28,319)</u>	<u>\$ 34,841</u>

See independent auditors' report.

Park Fees	Media Center	TDA	Redevelopment Agency UDAG Loan	Redevelopment Agency Housing Bond	Street Development Fees
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	88,184	-	-	-
49,947	-	-	-	-	-
10,973	587	146	225,585	18,129	871
203	26,218	-	403,229	75,000	-
<u>61,123</u>	<u>26,805</u>	<u>88,330</u>	<u>628,814</u>	<u>93,129</u>	<u>871</u>
353	19	5	9,762	253	28
-	-	-	-	-	-
-	60,174	-	50,000	-	-
<u>353</u>	<u>60,193</u>	<u>5</u>	<u>59,762</u>	<u>253</u>	<u>28</u>
60,770	(33,388)	88,325	569,052	92,876	843
-	30,000	-	-	-	-
(148,500)	-	(88,185)	-	-	-
<u>(148,500)</u>	<u>30,000</u>	<u>(88,185)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(87,730)	(3,388)	140	569,052	92,876	843
299,042	13,641	3,164	4,878,509	106,772	18,945
<u>\$ 211,312</u>	<u>\$ 10,253</u>	<u>\$ 3,304</u>	<u>\$ 5,447,561</u>	<u>\$ 199,648</u>	<u>\$ 19,788</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, 2007

	Area A Lighting and Landscaping District	Benjamin Way Maintenance District
	<u> </u>	<u> </u>
REVENUES:		
Property taxes	\$ 144,076	\$ -
Intergovernmental revenues	-	-
Development fees and permits	-	-
Investment income	16,385	231
Other revenues	492	440
	<u> </u>	<u> </u>
TOTAL REVENUES	<u>160,953</u>	<u>671</u>
EXPENDITURES:		
Current:		
General government	2,586	7
Culture and recreation	30,727	-
Community development	63,727	-
	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>97,040</u>	<u>7</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>63,913</u>	<u>664</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	-	-
	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	63,913	664
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>340,436</u>	<u>4,615</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 404,349</u>	<u>\$ 5,279</u>

See independent auditors' report.

<u>Public Safety</u>	<u>Other</u>	<u>Total Other Special Revenue Funds</u>
\$ -	\$ -	\$ 144,076
-	-	428,158
513	-	62,160
747	23,347	307,590
-	-	505,582
<u>1,260</u>	<u>23,347</u>	<u>1,447,566</u>
24	752	14,130
-	-	30,727
-	-	173,901
<u>24</u>	<u>752</u>	<u>218,758</u>
<u>1,236</u>	<u>22,595</u>	<u>1,228,808</u>
-	-	30,000
-	(162,239)	(890,284)
<u>-</u>	<u>(162,239)</u>	<u>(860,284)</u>
1,236	(139,644)	368,524
<u>15,713</u>	<u>570,391</u>	<u>6,563,337</u>
<u>\$ 16,949</u>	<u>\$ 430,747</u>	<u>\$ 6,931,861</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 222,823	\$ 222,823	\$ 223,690	\$ 867
Investment income	500	500	7,898	7,398
TOTAL REVENUES	223,323	223,323	231,588	8,265
EXPENDITURES:				
Current:				
General government	-	-	254	(254)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	223,323	223,323	231,334	8,011
OTHER FINANCING USES:				
Transfers out	(336,000)	(336,000)	(308,845)	27,155
NET CHANGE IN FUND BALANCE	(112,677)	(112,677)	(77,511)	35,166
FUND BALANCE - BEGINNING OF YEAR	253,660	253,660	253,660	-
FUND BALANCE - END OF YEAR	\$ 140,983	\$ 140,983	\$ 176,149	\$ 35,166

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ -	\$ -	\$ 11,700	\$ 11,700
Investment income	400	400	1,168	768
TOTAL REVENUES	400	400	12,868	12,468
EXPENDITURES:				
Current:				
General government	-	-	38	(38)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	400	400	12,830	12,430
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(41,149)	(41,149)	(41,149)	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (40,749)</u>	<u>\$ (40,749)</u>	<u>\$ (28,319)</u>	<u>\$ 12,430</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ 75,000	\$ 75,000	\$ 49,947	\$ (25,053)
Investment income	2,652	2,652	10,973	8,321
Other revenues	-	-	203	203
TOTAL REVENUES	77,652	77,652	61,123	(16,529)
EXPENDITURES:				
Current:				
General government	-	-	353	(353)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	77,652	77,652	60,770	(16,882)
OTHER FINANCING USES:				
Transfers out	(75,000)	(75,000)	(148,500)	(73,500)
NET CHANGE IN FUND BALANCE	2,652	2,652	(87,730)	(90,382)
FUND BALANCE - BEGINNING OF YEAR	299,042	299,042	299,042	-
FUND BALANCE - END OF YEAR	\$ 301,694	\$ 301,694	\$ 211,312	\$ (90,382)

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 587	\$ 587
Other revenues	-	-	26,218	26,218
TOTAL REVENUES	-	-	26,805	26,805
EXPENDITURES:				
Current:				
General government	-	-	19	(19)
Community development	30,000	30,000	60,174	(30,174)
TOTAL EXPENDITURES	30,000	30,000	60,193	(30,193)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,000)	(30,000)	(33,388)	(3,388)
OTHER FINANCING SOURCES:				
Transfers in	30,000	30,000	30,000	-
NET CHANGE IN FUND BALANCE	-	-	(3,388)	(3,388)
FUND BALANCE - BEGINNING OF YEAR	13,641	13,641	13,641	-
FUND BALANCE - END OF YEAR	\$ 13,641	\$ 13,641	\$ 10,253	\$ (3,388)

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 243,632	\$ 243,632	\$ 88,184	\$ (155,448)
Investment income	-	-	146	146
TOTAL REVENUES	243,632	243,632	88,330	(155,302)
EXPENDITURES:				
Current:				
General government	-	-	5	(5)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	243,632	243,632	88,325	(155,307)
OTHER FINANCING USES:				
Transfers out	(172,451)	(172,451)	(88,185)	84,266
NET CHANGE IN FUND BALANCE	71,181	71,181	140	(71,041)
FUND BALANCE - BEGINNING OF YEAR	3,164	3,164	3,164	-
FUND BALANCE - END OF YEAR	\$ 74,345	\$ 74,345	\$ 3,304	\$ (71,041)

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 112,000	\$ 112,000	\$ 225,585	\$ 113,585
Other revenues	380,000	380,000	403,229	23,229
TOTAL REVENUES	492,000	492,000	628,814	136,814
EXPENDITURES:				
Current:				
General government	-	-	9,762	(9,762)
Community development	50,000	50,000	50,000	-
TOTAL EXPENDITURES	50,000	50,000	59,762	(9,762)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	442,000	442,000	569,052	127,052
FUND BALANCE - BEGINNING OF YEAR	4,878,509	4,878,509	4,878,509	-
FUND BALANCE - END OF YEAR	\$ 5,320,509	\$ 5,320,509	\$ 5,447,561	\$ 127,052

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 400	\$ 400	\$ 871	\$ 471
EXPENDITURES:				
Current:				
General government	-	-	28	(28)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	400	400	843	443
FUND BALANCE - BEGINNING OF YEAR	18,945	18,945	18,945	-
FUND BALANCE - END OF YEAR	\$ 19,345	\$ 19,345	\$ 19,788	\$ 443

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 144,132	\$ 144,132	\$ 144,076	\$ (56)
Investment income	1,900	1,900	16,385	14,485
Other revenues	-	-	492	492
TOTAL REVENUES	<u>146,032</u>	<u>146,032</u>	<u>160,953</u>	<u>14,921</u>
EXPENDITURES:				
Current:				
General government	3,500	3,500	2,586	914
Culture and recreation	71,886	71,886	30,727	41,159
Community development	<u>32,164</u>	<u>32,164</u>	<u>63,727</u>	<u>(31,563)</u>
TOTAL EXPENDITURES	<u>107,550</u>	<u>107,550</u>	<u>97,040</u>	<u>10,510</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	38,482	38,482	63,913	25,431
FUND BALANCE - BEGINNING OF YEAR	<u>340,436</u>	<u>340,436</u>	<u>340,436</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 378,918</u>	<u>\$ 378,918</u>	<u>\$ 404,349</u>	<u>\$ 25,431</u>

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 231	\$ 231
Other revenues	440	440	440	-
TOTAL REVENUES	440	440	671	231
EXPENDITURES:				
Current:				
General government	440	440	7	433
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	664	664
FUND BALANCE - BEGINNING OF YEAR	4,615	4,615	4,615	-
FUND BALANCE - END OF YEAR	\$ 4,615	\$ 4,615	\$ 5,279	\$ 664

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ -	\$ -	\$ 513	\$ 513
Investment income	300	300	747	447
TOTAL REVENUES	300	300	1,260	960
EXPENDITURES:				
Current:				
General government	-	-	24	(24)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	300	300	1,236	936
FUND BALANCE - BEGINNING OF YEAR	15,713	15,713	15,713	-
FUND BALANCE - END OF YEAR	\$ 16,013	\$ 16,013	\$ 16,949	\$ 936

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 23,347	\$ 23,347
EXPENDITURES:				
Current:				
General government	-	-	752	(752)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	22,595	22,595
OTHER FINANCING USES:				
Transfers out	(320,000)	(320,000)	(162,239)	157,761
NET CHANGE IN FUND BALANCE	(320,000)	(320,000)	(139,644)	180,356
FUND BALANCE - BEGINNING OF YEAR	570,391	570,391	570,391	-
FUND BALANCE - END OF YEAR	<u>\$ 250,391</u>	<u>\$ 250,391</u>	<u>\$ 430,747</u>	<u>\$ 180,356</u>

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, 2007

		General	Special Assessment	Total Other Debt Service Funds
ASSETS		<u> </u>	<u> </u>	<u> </u>
Cash and investments		\$ 918,277	\$ 18,981	\$ 937,258
Receivables:				
Taxes		35,776	-	35,776
Interest		8,688	190	8,878
Special assessments		-	1,315,000	1,315,000
Restricted cash and investments		<u>308</u>	<u>289,213</u>	<u>289,521</u>
TOTAL ASSETS		<u><u>\$ 963,049</u></u>	<u><u>\$ 1,623,384</u></u>	<u><u>\$ 2,586,433</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Deferred revenue		\$ -	\$ 1,315,000	\$ 1,315,000
FUND BALANCES:				
Reserved for:				
Debt service		<u>963,049</u>	<u>308,384</u>	<u>1,271,433</u>
TOTAL LIABILITIES AND FUND BALANCES		<u><u>\$ 963,049</u></u>	<u><u>\$ 1,623,384</u></u>	<u><u>\$ 2,586,433</u></u>

See independent auditors' report.

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
OTHER DEBT SERVICE FUNDS

For the year ended June 30, 2007

	General	Special Assessment	Total Other Debt Service Funds
REVENUES:			
Property taxes	\$ 418,616	\$ 172,399	\$ 591,015
Investment income	39,605	16,425	56,030
	<u>458,221</u>	<u>188,824</u>	<u>647,045</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	1,234	27	1,261
Debt service:			
Principal retirement	325,000	290,000	615,000
Interest and fees	283,265	61,622	344,887
	<u>609,499</u>	<u>351,649</u>	<u>961,148</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(151,278)	(162,825)	(314,103)
FUND BALANCES - BEGINNING OF YEAR	<u>1,114,327</u>	<u>471,209</u>	<u>1,585,536</u>
FUND BALANCES - END OF YEAR	<u>\$ 963,049</u>	<u>\$ 308,384</u>	<u>\$ 1,271,433</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 547,000	\$ 547,000	\$ 418,616	\$ (128,384)
Investment income	10,000	10,000	39,605	29,605
TOTAL REVENUES	557,000	557,000	458,221	(98,779)
EXPENDITURES:				
Current:				
General government	-	-	1,234	(1,234)
Debt service:				
Principal retirement	325,000	325,000	325,000	-
Interest and fees	179,753	179,753	283,265	(103,512)
TOTAL EXPENDITURES	504,753	504,753	609,499	(104,746)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	52,247	52,247	(151,278)	(203,525)
FUND BALANCE - BEGINNING OF YEAR	1,114,327	1,114,327	1,114,327	-
FUND BALANCE - END OF YEAR	\$ 1,166,574	\$ 1,166,574	\$ 963,049	\$ (203,525)

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 286,170	\$ 286,170	\$ 172,399	\$ (113,771)
Investment income	3,060	3,060	16,425	13,365
TOTAL REVENUES	289,230	289,230	188,824	(100,406)
EXPENDITURES:				
Current:				
General government	-	-	27	(27)
Debt service:				
Principal retirement	225,000	225,000	290,000	(65,000)
Interest and fees	61,170	61,170	61,622	(452)
TOTAL EXPENDITURES	286,170	286,170	351,649	(65,479)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,060	3,060	(162,825)	(165,885)
FUND BALANCE - BEGINNING OF YEAR	471,209	471,209	471,209	-
FUND BALANCE - END OF YEAR	\$ 474,269	\$ 474,269	\$ 308,384	\$ (165,885)

See independent auditors' report.

CITY OF HEALDSBURG

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

REDEVELOPMENT AGENCY DEBT SERVICE FUND

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 30,000	\$ 30,000	\$ 96,049	\$ 66,049
EXPENDITURES:				
Debt service:				
Principal retirement	915,000	915,000	915,000	-
Interest and fees	2,157,195	2,157,195	2,060,444	96,751
TOTAL EXPENDITURES	3,072,195	3,072,195	2,975,444	96,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,042,195)	(3,042,195)	(2,879,395)	162,800
OTHER FINANCING SOURCES:				
Transfers in	3,072,195	3,072,195	3,078,366	6,171
NET CHANGE IN FUND BALANCE	30,000	30,000	198,971	168,971
FUND BALANCE - BEGINNING OF YEAR	3,168,004	3,168,004	3,168,004	-
FUND BALANCE - END OF YEAR	\$ 3,198,004	\$ 3,198,004	\$ 3,366,975	\$ 168,971

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, 2007

	Area A Special Assessment District	General	Total Other Capital Projects Funds
ASSETS Cash and investments Receivables: Accounts Interest TOTAL ASSETS	\$ 16,533 2,507 167 <u>19,207</u>	\$ 3,193,806 - 26,250 <u>3,220,056</u>	\$ 3,210,339 2,507 26,417 <u>3,239,263</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES: Accounts payable	\$ -	\$ 71,065	\$ 71,065
FUND BALANCES: Unreserved, reported in: Capital projects funds TOTAL FUND BALANCES TOTAL LIABILITIES AND FUND BALANCES	19,207 <u>19,207</u> <u>19,207</u>	3,148,991 <u>3,148,991</u> <u>3,220,056</u>	3,168,198 <u>3,168,198</u> <u>3,239,263</u>

See independent auditors' report.

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
OTHER CAPITAL PROJECTS FUNDS

For the year ended June 30, 2007

	Area A Special Assessment District	General	Total Other Capital Projects Funds
REVENUES:			
Investment income	\$ 736	\$ 115,839	\$ 116,575
TOTAL REVENUES	<u>736</u>	<u>115,839</u>	<u>116,575</u>
EXPENDITURES:			
Current:			
General government	24	7,609	7,633
Capital outlay	-	948,037	948,037
TOTAL EXPENDITURES	<u>24</u>	<u>955,646</u>	<u>955,670</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>712</u>	<u>(839,807)</u>	<u>(839,095)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	1,085,980	1,085,980
Transfers out	-	(14,859)	(14,859)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>1,071,121</u>	<u>1,071,121</u>
NET CHANGE IN FUND BALANCES	712	231,314	232,026
FUND BALANCES - BEGINNING OF YEAR	<u>18,495</u>	<u>2,917,677</u>	<u>2,936,172</u>
FUND BALANCES - END OF YEAR	<u>\$ 19,207</u>	<u>\$ 3,148,991</u>	<u>\$ 3,168,198</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.

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, 2007

ASSETS	Planning and Building	Transit
CURRENT ASSETS:		
Cash and investments	\$ 1,424,665	\$ 93,569
Accounts receivable	6,920	62
Taxes receivable	-	-
Interest receivable	13,794	1,024
Due from other governments	-	10,996
Due from other funds	-	-
Inventory	-	-
	<u>1,445,379</u>	<u>105,651</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>1,445,379</u>	<u>105,651</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	128,710	221
Deposits from others	64,839	546
Due to other funds	-	-
	<u>193,549</u>	<u>767</u>
TOTAL CURRENT LIABILITIES		
	<u>193,549</u>	<u>767</u>
NET ASSETS		
Invested in capital assets, net of related debt	-	-
Unrestricted	1,251,830	104,884
	<u>1,251,830</u>	<u>104,884</u>
TOTAL NET ASSETS		
	<u>\$ 1,251,830</u>	<u>\$ 104,884</u>

See independent auditors' report.

<u>Airport</u>	<u>Meeting Center</u>	<u>School Services</u>	<u>Community Services</u>	<u>Total</u>
\$ 290,006	\$ -	\$ 16,479	\$ 963,152	\$ 2,787,871
22,970	4,371	-	147	34,470
-	-	-	205,257	205,257
1,686	-	-	9,829	26,333
-	-	-	-	10,996
-	-	-	72,000	72,000
36,070	-	-	719	36,789
<u>350,732</u>	<u>4,371</u>	<u>16,479</u>	<u>1,251,104</u>	<u>3,173,716</u>
119,834	231,972	-	3,506,053	3,857,859
186,451	1,194,381	-	2,820,345	4,201,177
209,511	98,185	-	429,672	737,368
1,202,027	20,000	-	-	1,222,027
363,749	31	-	663,870	1,027,650
(770,906)	(504,325)	-	(1,670,473)	(2,945,704)
<u>1,310,666</u>	<u>1,040,244</u>	<u>-</u>	<u>5,749,467</u>	<u>8,100,377</u>
<u>1,661,398</u>	<u>1,044,615</u>	<u>16,479</u>	<u>7,000,571</u>	<u>11,274,093</u>
2,056	9,102	296	85,801	226,186
7,630	45,814	-	9,557	128,386
-	72,000	-	-	72,000
<u>9,686</u>	<u>126,916</u>	<u>296</u>	<u>95,358</u>	<u>426,572</u>
1,310,666	1,040,244	-	5,749,467	8,100,377
341,046	(122,545)	16,183	1,155,746	2,747,144
<u>\$ 1,651,712</u>	<u>\$ 917,699</u>	<u>\$ 16,183</u>	<u>\$ 6,905,213</u>	<u>\$ 10,847,521</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2007

	Planning and Building	Transit
OPERATING REVENUES:		
Charges for services	\$ -	\$ 19,060
Development fees	491,766	-
Rental income	-	-
Other revenues	153,364	-
	<u>645,130</u>	<u>19,060</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations	491,618	161,341
Administrative	118,603	76,421
Depreciation	-	-
	<u>610,221</u>	<u>237,762</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>34,909</u>	<u>(218,702)</u>
NONOPERATING REVENUES (EXPENSES):		
Taxes	-	48,296
Intergovernmental grants	-	173,097
Interest expense	-	-
Investment income	60,873	4,519
	<u>60,873</u>	<u>225,912</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
INCOME (LOSS) BEFORE TRANSFERS	95,782	7,210
TRANSFERS IN	-	47,667
TRANSFERS OUT	(500)	-
	<u>95,282</u>	<u>54,877</u>
CHANGE IN NET ASSETS		
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>1,156,548</u>	<u>50,007</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,251,830</u>	<u>\$ 104,884</u>

See independent auditors' report.

<u>Airport</u>	<u>Meeting Center</u>	<u>School Services</u>	<u>Community Services</u>	<u>Total</u>
\$ 197,968	\$ 20,652	\$ 61,266	\$ 2,765	\$ 301,711
-	-	-	-	491,766
94,128	272,568	22,060	35,872	424,628
1,931	-	-	175,867	331,162
<u>294,027</u>	<u>293,220</u>	<u>83,326</u>	<u>214,504</u>	<u>1,549,267</u>
231,644	270,982	79,840	1,087,585	2,323,010
30,906	4,694	27,749	315,760	574,133
30,898	42,018	-	110,144	183,060
<u>293,448</u>	<u>317,694</u>	<u>107,589</u>	<u>1,513,489</u>	<u>3,080,203</u>
<u>579</u>	<u>(24,474)</u>	<u>(24,263)</u>	<u>(1,298,985)</u>	<u>(1,530,936)</u>
-	-	-	1,959,721	2,008,017
-	-	-	9,115	182,212
(1,708)	-	-	-	(1,708)
7,441	-	-	43,377	116,210
<u>5,733</u>	<u>-</u>	<u>-</u>	<u>2,012,213</u>	<u>2,304,731</u>
6,312	(24,474)	(24,263)	713,228	773,795
182,515	34,736	31,100	994,887	1,290,905
-	-	-	(705,186)	(705,686)
188,827	10,262	6,837	1,002,929	1,359,014
<u>1,462,885</u>	<u>907,437</u>	<u>9,346</u>	<u>5,902,284</u>	<u>9,488,507</u>
<u>\$ 1,651,712</u>	<u>\$ 917,699</u>	<u>\$ 16,183</u>	<u>\$ 6,905,213</u>	<u>\$ 10,847,521</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS

For the year ended June 30, 2007

	Planning and Building	Transit
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 638,460	\$ 17,758
Payments to suppliers	(301,472)	(44,754)
Payments to employees	<u>(232,100)</u>	<u>(193,152)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>104,888</u>	 <u>(220,148)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes	-	48,296
Intergovernmental grants	-	173,097
Cash received from other funds	-	88,084
Cash paid to other funds	<u>(500)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	 <u>(500)</u>	 <u>309,477</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	<u>57,886</u>	<u>3,495</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 162,274	 92,824
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>1,262,391</u>	 <u>745</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 1,424,665</u>	 <u>\$ 93,569</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 34,909	\$ (218,702)
Depreciation	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(6,670)	(1,302)
(Increase) decrease in inventory	-	-
Increase (decrease) in accounts payable and accrued liabilities	117,220	(186)
Increase (decrease) in deposits	<u>(40,571)</u>	<u>42</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 104,888</u>	 <u>\$ (220,148)</u>

See independent auditors' report.

<u>Airport</u>	<u>Meeting Center</u>	<u>School Services</u>	<u>Community Services</u>	<u>Total</u>
\$ 295,752	\$ 293,597	\$ 91,826	\$ 214,585	\$ 1,551,978
(266,338)	(166,483)	(85,724)	(690,088)	(1,554,859)
(40,584)	(164,790)	(27,749)	(656,064)	(1,314,439)
(11,170)	(37,676)	(21,647)	(1,131,567)	(1,317,320)
-	-	-	1,960,469	2,008,765
-	-	-	9,115	182,212
182,515	34,736	31,100	994,887	1,331,322
(1,628)	-	-	(627,186)	(629,314)
180,887	34,736	31,100	2,337,285	2,892,985
-	-	-	(871,727)	(871,727)
(1,708)	-	-	-	(1,708)
(1,708)	-	-	(871,727)	(873,435)
6,554	-	-	39,270	107,205
174,563	(2,940)	9,453	373,261	809,435
115,443	2,940	7,026	589,891	1,978,436
<u>\$ 290,006</u>	<u>\$ -</u>	<u>\$ 16,479</u>	<u>\$ 963,152</u>	<u>\$ 2,787,871</u>
\$ 579	\$ (24,474)	\$ (24,263)	\$ (1,298,985)	\$ (1,530,936)
30,898	42,018	-	110,144	183,060
1,725	377	8,500	81	2,711
(9,818)	-	-	-	(9,818)
(35,165)	1,528	(5,884)	52,203	129,716
611	(57,125)	-	4,990	(92,053)
<u>\$ (11,170)</u>	<u>\$ (37,676)</u>	<u>\$ (21,647)</u>	<u>\$ (1,131,567)</u>	<u>\$ (1,317,320)</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, 2007

	Insurance and Benefit	Vehicle Maintenance
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 2,837,674	\$ 3,212,897
Accounts receivable	17,115	4,681
Notes receivable	-	-
Interest receivable	25,881	28,917
Inventory	-	59,788
	2,880,670	3,306,283
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS:		
Capital assets:		
Equipment	-	4,386,743
Less: accumulated depreciation	-	(2,819,608)
	-	1,567,135
TOTAL NONCURRENT ASSETS		
	2,880,670	4,873,418
TOTAL ASSETS		
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	501,285	14,127
Claims payable	67,746	-
Compensated absences	1,652,707	-
	2,221,738	14,127
TOTAL CURRENT LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	-	1,567,135
Unrestricted	658,932	3,292,156
	\$ 658,932	\$ 4,859,291
TOTAL NET ASSETS		

See independent auditors' report.

<u>Information Services</u>	<u>Building Maintenance</u>	<u>Total</u>
\$ 866,835	\$ 292,933	\$ 7,210,339
-	525	22,321
22,445	-	22,445
7,851	1,346	63,995
231	-	60,019
<u>897,362</u>	<u>294,804</u>	<u>7,379,119</u>
1,518,262	-	5,905,005
<u>(979,977)</u>	<u>-</u>	<u>(3,799,585)</u>
<u>538,285</u>	<u>-</u>	<u>2,105,420</u>
<u>1,435,647</u>	<u>294,804</u>	<u>9,484,539</u>
107,238	28,851	651,501
-	34,620	102,366
<u>-</u>	<u>-</u>	<u>1,652,707</u>
<u>107,238</u>	<u>63,471</u>	<u>2,406,574</u>
538,285	-	2,105,420
<u>790,124</u>	<u>231,333</u>	<u>4,972,545</u>
<u>\$ 1,328,409</u>	<u>\$ 231,333</u>	<u>\$ 7,077,965</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2007

	Insurance and Benefit	Vehicle Maintenance
OPERATING REVENUES:		
Charges for services	\$ 7,012,583	\$ 1,273,917
Other revenues	-	40,984
	<u>7,012,583</u>	<u>1,314,901</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations	-	514,461
Administrative	10,704	17,360
Insurance and benefits costs	6,944,922	-
Depreciation	-	296,268
	<u>6,955,626</u>	<u>828,089</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	56,957	486,812
NONOPERATING REVENUES:		
Investment income	114,213	127,606
	<u>114,213</u>	<u>127,606</u>
INCOME BEFORE TRANSFERS	171,170	614,418
OTHER FINANCING SOURCES:		
Transfers in	-	-
	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	171,170	614,418
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>487,762</u>	<u>4,244,873</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 658,932</u>	<u>\$ 4,859,291</u>

See independent auditors' report.

<u>Information Services</u>	<u>Building Maintenance</u>	<u>Total</u>
\$ 999,549	\$ 803,641	\$ 10,089,690
-	22,678	63,662
<u>999,549</u>	<u>826,319</u>	<u>10,153,352</u>
870,255	802,947	2,187,663
51,760	10,295	90,119
-	-	6,944,922
<u>86,615</u>	<u>-</u>	<u>382,883</u>
<u>1,008,630</u>	<u>813,242</u>	<u>9,605,587</u>
(9,081)	13,077	547,765
<u>34,648</u>	<u>5,938</u>	<u>282,405</u>
25,567	19,015	830,170
<u>89,701</u>	<u>15,000</u>	<u>104,701</u>
115,268	34,015	934,871
<u>1,213,141</u>	<u>197,318</u>	<u>6,143,094</u>
<u>\$ 1,328,409</u>	<u>\$ 231,333</u>	<u>\$ 7,077,965</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2007

	Insurance and Benefit	Vehicle Maintenance
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 7,007,131	\$ 1,316,503
Payments to suppliers	(6,708,943)	(458,456)
Payments to employees	<u> -</u>	<u> (93,123)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	298,188	764,924
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(216,944)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u> 106,508</u>	<u> 119,050</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	404,696	667,030
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u> 2,432,978</u>	<u> 2,545,867</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u> \$ 2,837,674</u></u>	<u><u> \$ 3,212,897</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 56,957	\$ 486,812
Depreciation	-	296,268
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,452)	1,602
(Increase) decrease in inventory	-	(2,449)
Increase (decrease) in accounts payable and accrued liabilities	<u> 246,683</u>	<u> (17,309)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u> \$ 298,188</u></u>	<u><u> \$ 764,924</u></u>

See independent auditors' report.

<u>Information Services</u>	<u>Building Maintenance</u>	<u>Total</u>
\$ 1,004,100	\$ 826,319	\$ 10,154,053
(588,360)	(841,758)	(8,597,517)
<u>(253,825)</u>	<u>(24,744)</u>	<u>(371,692)</u>
161,915	(40,183)	1,184,844
89,701	15,000	104,701
(386,758)	-	(603,702)
<u>34,586</u>	<u>6,262</u>	<u>266,406</u>
(100,556)	(18,921)	952,249
<u>967,391</u>	<u>311,854</u>	<u>6,258,090</u>
<u>\$ 866,835</u>	<u>\$ 292,933</u>	<u>\$ 7,210,339</u>
\$ (9,081)	\$ 13,077	547,765
86,615	-	382,883
4,550	-	700
-	-	(2,449)
<u>79,831</u>	<u>(53,260)</u>	<u>255,945</u>
<u>\$ 161,915</u>	<u>\$ (40,183)</u>	<u>\$ 1,184,844</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, 2007

	Industrial Development Authority	Redevelopment Agency DBD
ASSETS:		
Cash and investments	\$ 5,746	\$ 22,639
Interest receivable	<u>58</u>	<u>28</u>
 TOTAL ASSETS	 5,804	 22,667
LIABILITIES:		
Accounts payable	<u>-</u>	<u>6,294</u>
NET ASSETS:		
Held in trust for other purposes	<u>\$ 5,804</u>	<u>\$ 16,373</u>

See independent auditors' report.

Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
\$ 130,345	\$ 743,690	\$ 5,777	\$ 908,197
1,313	7,463	58	8,920
131,658	751,153	5,835	917,117
-	-	-	6,294
<u>\$ 131,658</u>	<u>\$ 751,153</u>	<u>\$ 5,835</u>	<u>\$ 910,823</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2007

	Industrial Development Authority	Redevelopment Agency DBD
ADDITIONS:		
Contributions	\$ -	\$ 25,000
Investment income	255	123
Fees and charges	-	34,367
Transfers in	-	-
	<hr/>	<hr/>
TOTAL ADDITIONS	255	59,490
DEDUCTIONS:		
Community development	<hr/> 8	<hr/> 62,974
CHANGE IN NET ASSETS	247	(3,484)
NET ASSETS - BEGINNING OF YEAR	<hr/> 5,557	<hr/> 19,857
NET ASSETS - END OF YEAR	<hr/> <u>\$ 5,804</u>	<hr/> <u>\$ 16,373</u>

See independent auditors' report.

Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
\$ 470	\$ -	\$ -	\$ 25,470
5,792	32,932	257	39,359
-	-	-	34,367
-	50,000	-	50,000
6,262	82,932	257	149,196
186	63,060	8	126,236
6,076	19,872	249	22,960
125,582	731,281	5,586	887,863
<u>\$ 131,658</u>	<u>\$ 751,153</u>	<u>\$ 5,835</u>	<u>\$ 910,823</u>

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2007

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 Five Fiscal Years
(accrual basis of accounting)
(in thousands)

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

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

**Fiscal
Year**

2007

\$ 14,431
12,501
13,955
\$ 40,887

\$ 72,951
876
29,353
\$ 103,180

\$ 87,382
13,377
43,308
\$ 144,067

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

	Fiscal Year			
	2003	2004	2005	2006
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**
2007

\$ 982
6,768
24
4,201
25
2,435
14,435

4,719
5,379
10,167
1,399
3,043
24,707

\$ 39,142

\$ 509
483
1
403
1,000
61
2,457

4,343
6,069
9,002
1,087
1,549
2,193
501
24,744

\$ 27,201

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net revenues (expenses):				
Governmental activities	\$ (10,716)	\$ (7,552)	\$ (10,271)	\$ (11,572)
Business-type activities	4,468	3,420	1,616	1,724
<i>Total net revenues (expenses)</i>	<u>\$ (6,248)</u>	<u>\$ (4,132)</u>	<u>\$ (8,655)</u>	<u>\$ (9,848)</u>
General revenues and other changes in net assets				
<u>Governmental activities:</u>				
Taxes:				
Property taxes, levied for general purposes	\$ 6,834	\$ 7,388	\$ 8,946	\$ 9,475
Franchise taxes	323	286	304	325
Sales tax	2,793	2,818	2,279	3,045
Transient occupancy taxes	94	-	-	-
Intergovernmental:				
Unrestricted motor vehicle in-lieu	661	720	115	44
Gain from sale of capital assets	390	-	148	-
Investment earnings	732	890	1,037	1,695
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**

2007

\$ (11,979)
38

\$ (11,941)

\$ 10,617
369
3,334
272

63
-
2,252
(1,047)

15,860

2,203
1,047

3,250

\$ 19,110

\$ 3,881
3,288

\$ 7,169

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

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 3	\$ 4	\$ -	\$ -
Unreserved	3,743	3,968	4,673	4,537
<i>Total general fund</i>	\$ 3,746	\$ 3,972	\$ 4,673	\$ 4,537
 All other governmental funds				
Reserved	\$ 41,007	\$ 35,214	\$ 33,257	\$ 33,439
Unreserved, reported in:				
Special revenue funds	3,265	3,590	4,274	5,470
Capital projects funds	359	2,768	4,323	2,936
Permanent funds	97	88	83	81
<i>Total all other governmental funds</i>	\$ 44,728	\$ 41,660	\$ 41,937	\$ 41,926

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

**Fiscal
Year**

2007

\$ -
4,726
\$ 4,726

\$ 31,650

6,932
3,168
77

\$ 41,827

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues:				
Property taxes	\$ 6,834	\$ 7,388	\$ 8,946	\$ 9,475
Sales and other taxes	3,515	3,414	2,697	3,901
Charges for services	283	311	327	349
Intergovernmental revenue	1,834	1,755	1,616	1,251
Special assessments	324	342	397	482
Development fees and permits	119	86	113	109
Investment income	668	641	1,066	1,621
Miscellaneous fees and charges	93	355	77	72
Other revenues	616	1,682	562	865
<i>Total revenues</i>	<u>14,286</u>	<u>15,974</u>	<u>15,801</u>	<u>18,125</u>
Expenditures:				
Current:				
General government	687	933	582	677
Public safety	4,573	4,601	5,523	6,534
Culture and recreation	27	25	20	32
Community development	2,682	5,039	4,240	4,123
Capital outlay	5,628	4,348	934	2,270
Debt Service:				
Principal retirement	1,300	1,065	1,205	1,325
Interest and fees	1,463	2,209	2,687	2,625
Bond issue costs	417	94	-	-
Advance to refund bond escrow agent	-	208	-	-
<i>Total expenditures</i>	<u>16,777</u>	<u>18,522</u>	<u>15,191</u>	<u>17,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,491)</u>	<u>(2,548)</u>	<u>610</u>	<u>539</u>
Other financing sources (uses):				
Transfers in	19,066	11,582	6,657	4,704
Transfers out	(23,573)	(11,967)	(8,344)	(5,390)
Issuance of bonds	-	3,620	3,299	-
Payment to bond escrow agent	-	(3,470)	(1,807)	-
Bond discount	(242)	(58)	-	-
Sale of capital assets	-	-	563	-
Proceeds from long-term debt	19,370	-	-	-
<i>Total other financing sources (uses)</i>	<u>14,621</u>	<u>(293)</u>	<u>368</u>	<u>(686)</u>
Net change in fund balances	<u>\$ 12,130</u>	<u>\$ (2,841)</u>	<u>\$ 978</u>	<u>\$ (147)</u>
Debt service as a percentage of noncapital expenditures	29%	25%	27%	26%

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

Fiscal Year
<u>2007</u>
\$ 10,617
4,267
366
1,070
-
62
2,142
75
601
<u>19,200</u>

630
6,760
38
5,722
948
1,530
2,405
-
-
<u>18,033</u>

1,167

4,227
(5,304)
-
-
-
-
-
<u>(1,077)</u>
<u>\$ 90</u>

23%

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

Fiscal Year Ended June 30	Property Tax (1)	Sales Tax (3)	Franchise Tax	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	560,880	537,923	9,482,429
2002	5,995,988	3,020,815	277,732	627,274	665,250	10,587,059
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

- 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 sales tax for fiscal year 2006.
- (5) The City of Healdsburg has elected to show only eight 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				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
1998	\$ 586,832	\$ 33,221	\$ (14,185)	\$ 605,868	\$ 385,576	\$ 25,320	\$ (7,227)	\$ 403,669	0.375%
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%

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 Eight 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

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 Bond that benefit the area.

The City of Healdsburg has elected to show only eight 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>2007</u>		<u>1998</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	\$ 383,218	31.6%	\$ 168,828	69.55%
Hotel	211,455	17.45%	-	(1) 0.00%
Housing	115,669	9.55%	-	(1) 0.00%
Industrial	108,849	8.98%	33,860	13.95%
Self storage	77,279	6.38%	-	(2) 0.00%
Industrial	71,864	5.93%	40,054	16.50%
Property management	63,595	5.25%	-	(2) 0.00%
Hotel	62,683	5.17%	-	(1) 0.00%
Winery	59,507	4.91%	-	(2) 0
Property management	57,412	4.74%	-	(2) 0.00%
Totals	<u>\$ 1,211,531</u>	<u>100.00%</u>	<u>\$ 242,742</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 1998.
- (2) Business not in top 25 property tax payers in 1998.

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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>
1998	\$ 3,728,001	\$ 3,728,001	100.0%
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%

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				
	1998	1999	2000	2001	2002
Total Assessed Valuation (Gross)	\$ 410,896	\$ 434,230	\$ 471,209	\$ 512,854	\$ 563,176
Net Secured	\$ 385,576	\$ 403,801	\$ 428,072	\$ 461,685	\$ 511,313
Net Unsecured	25,320	30,429	43,137	51,169	51,863
Exemptions	(7,227)	(7,255)	(7,248)	(7,205)	(7,126)
Total Assessed Valuation (Net)	\$ 403,669	\$ 426,975	\$ 463,961	\$ 505,649	\$ 556,050
Gross Tax Increment	\$ 3,148,209	\$ 3,495,808	\$ 3,849,868	\$ 4,322,409	\$ 4,725,371

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

Fiscal Year				
2003	2004	2005	2006	2007
\$ 617,351	\$ 682,905	\$ 721,967	\$ 793,730	\$ 883,733
\$ 568,898	\$ 623,690	\$ 666,577	\$ 737,613	\$ 823,891
48,453	59,215	55,390	56,117	59,842
(7,064)	(7,088)	(7,241)	(7,080)	(6,954)
\$ 610,287	\$ 675,817	\$ 714,726	\$ 786,650	\$ 876,779
\$ 5,509,106	\$ 6,083,344	\$ 6,487,314	\$ 7,425,889	\$ 8,118,025

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

<u>Fiscal Year</u>	<u>Gross Increment</u>	<u>Pass Thru to County</u>	<u>AB 1290 Pass Thru</u>	<u>Pass Thru ERAF to State</u>	<u>Low/ Moderate Set - Aside</u>	<u>Net Increment to Agency</u>
1998	\$ 3,148,209	\$ 640,236 ⁽¹⁾	\$ -	\$ -	\$ 629,642	\$ 1,878,331 ⁽¹⁾
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

(1) Revised

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

	<u>Fiscal Year</u>									
	<u>1998</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>Number of Customers</u>										
Residential	3,933	3,872	4,192	4,351	4,381	4,387	4,400	4,426	4,449	4,324
Industrial and heavy commercial	83	87	80	78	100	89	99	101	105	106
Commercial	781	819	834	817	855	865	858	874	896	850
Municipal	65	64	66	74	72	77	72	75	77	38
Outdoor Lighting	41	42	60	43	20	19	32	18	32	14
Total	4,903	4,884	5,232	5,363	5,428	5,437	5,461	5,494	5,559	5,332
<u>Energy Sales (MWH)</u>										
Residential	22,822	23,552	23,446	25,028	24,596	25,015	25,892	26,235	26,208	26,500
Industrial and heavy commercial	2,676	3,485	3,197	3,695	3,142	2,945	2,652	3,079	2,045	10,797
Commercial	34,764	34,323	33,417	35,099	34,326	35,676	37,449	38,736	38,942	31,506
Municipal	4,754	4,959	4,975	4,540	4,794	4,628	4,775	4,731	4,900	5,200
Outdoor Lighting	584	585	585	583	585	583	583	583	583	583
Total	65,600	66,904	65,620	68,945	67,443	68,847	71,351	73,364	72,678	74,586
<u>Revenue (in millions)</u>										
Residential	\$ 2.749	\$ 2.891	\$ 2.883	\$ 3.073	\$ 3.154	\$ 3.200	\$ 3.315	\$ 3.366	\$ 3.354	\$ 3.438
Industrial and heavy commercial	0.296	0.377	0.342	0.393	0.378	0.367	0.331	0.360	0.229	1.130
Commercial	3.667	3.679	3.632	3.801	4.013	4.148	4.099	4.568	4.635	3.772
Municipal	0.375	0.407	0.401	0.375	0.434	0.418	0.397	0.449	0.435	0.436
Outdoor Lighting	0.039	0.042	0.041	0.040	0.042	0.042	0.042	0.042	0.042	0.042
Total	\$ 7.126	\$ 7.396	\$ 7.299	\$ 7.682	\$ 8.021	\$ 8.175	\$ 8.184	\$ 8.785	\$ 8.695	\$ 8.818
Total average rate per mwh	\$ 0.109	\$ 0.111	\$ 0.111	\$ 0.111	\$ 0.119	\$ 0.119	\$ 0.115	\$ 0.120	\$ 0.120	\$ 0.118

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			
	1998	1999	2000	2001
MWH Sold				
July	5,711	5,562	5,648	5,939
August	5,867	6,421	5,649	6,085
September	5,937	6,358	4,870	6,319
October	5,642	5,444	5,595	5,903
November	5,541	5,604	5,585	5,759
December	5,331	5,522	5,175	5,756
January	5,635	5,903	6,243	5,942
February	5,318	5,305	5,192	5,710
March	5,127	5,096	5,219	5,131
April	4,880	5,438	5,480	5,166
May	5,193	4,948	5,328	5,186
June	5,417	5,303	5,636	6,053
Total	<u>65,599</u>	<u>66,904</u>	<u>65,620</u>	<u>68,949</u>
Total Billings				
July	\$ 656,492	\$ 671,528	\$ 692,743	\$ 722,003
August	699,997	780,065	688,545	735,508
September	699,392	749,469	585,033	773,672
October	665,868	670,085	685,507	724,567
November	650,609	668,750	670,965	694,730
December	514,425	549,073	529,404	584,830
January	572,904	608,149	642,128	599,428
February	522,153	514,981	520,977	578,460
March	509,542	510,713	527,653	518,509
April	474,375	542,747	537,206	508,492
May	510,582	486,301	518,346	504,507
June	648,465	644,267	699,600	736,195
Total	<u>\$ 7,124,804</u>	<u>\$ 7,396,128</u>	<u>\$ 7,298,107</u>	<u>\$ 7,680,901</u>
Revenue/KWH				
July	\$ 0.11495	\$ 0.12074	\$ 0.12270	\$ 0.12156
August	0.11931	0.12147	0.12190	0.12087
September	0.11780	0.11788	0.12010	0.12243
October	0.11802	0.12309	0.12250	0.12274
November	0.11742	0.11933	0.12020	0.12063
December	0.09650	0.09943	0.10230	0.10160
January	0.10167	0.10302	0.10290	0.10087
February	0.09819	0.09707	0.10030	0.10130
March	0.09938	0.10022	0.10110	0.10105
April	0.09721	0.09981	0.09800	0.09843
May	0.09832	0.09828	0.09730	0.09728
June	0.11971	0.12149	0.12410	0.12162
Average	<u>\$ 0.10861</u>	<u>\$ 0.11055</u>	<u>\$ 0.11122</u>	<u>\$ 0.11140</u>

Source: City of Healdsburg Utility Billing Department

Fiscal Year

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
5,956	6,229	6,113	6,595	6,325	6,629
5,359	6,199	6,821	6,367	6,387	7,306
5,957	6,168	6,408	7,283	6,590	6,085
5,661	5,937	5,838	6,051	5,854	5,931
5,305	5,932	5,464	5,809	6,014	6,021
5,545	5,176	5,874	6,083	6,124	6,218
6,340	6,203	5,769	6,470	6,244	6,725
5,476	5,444	5,977	6,180	5,981	6,913
5,260	4,780	5,683	5,146	5,535	5,675
5,159	6,119	5,570	5,756	5,773	5,702
5,438	4,934	5,802	5,845	5,506	5,569
5,985	5,726	6,033	5,779	6,344	5,948
<u>67,441</u>	<u>68,847</u>	<u>71,352</u>	<u>73,364</u>	<u>72,677</u>	<u>74,722</u>
\$ 780,420	\$ 807,825	\$ 791,151	\$ 711,827	\$ 852,912	\$ 866,640
697,647	800,312	882,496	708,539	840,127	939,364
786,546	804,981	824,884	787,393	856,913	781,332
732,969	760,045	754,070	643,711	783,802	771,838
689,792	778,722	567,221	596,860	633,226	623,653
593,797	552,882	625,634	694,119	676,659	667,647
690,829	673,403	619,909	1,407,682	690,152	698,881
593,782	582,690	649,620	488,355	632,755	706,404
566,423	503,378	605,831	496,073	596,087	594,563
544,544	649,836	577,260	617,779	616,684	579,772
563,299	516,598	632,974	713,446	707,877	679,596
781,609	743,948	653,404	747,436	808,512	743,621
<u>\$ 8,021,657</u>	<u>\$ 8,174,620</u>	<u>\$ 8,184,454</u>	<u>\$ 8,613,220</u>	<u>\$ 8,695,706</u>	<u>\$ 8,653,311</u>
\$ 0.13103	\$ 0.12969	\$ 0.12942	\$ 0.10793	\$ 0.13485	\$ 0.13073
0.13018	0.12910	0.12937	0.11128	0.13154	0.12857
0.13203	0.13051	0.12873	0.10811	0.13003	0.12840
0.12947	0.12802	0.12916	0.10638	0.13389	0.13014
0.13002	0.13128	0.10381	0.10275	0.10529	0.10358
0.10708	0.10682	0.10650	0.11411	0.11049	0.10737
0.10896	0.10851	0.10746	0.21757	0.10530	0.10392
0.10843	0.10703	0.10869	0.79022	0.10579	0.10218
0.10768	0.10531	0.10660	0.96400	0.10769	0.10477
0.10555	0.10620	0.10363	0.10733	0.10682	0.10168
0.10358	0.10470	0.10910	0.12206	0.12856	0.12203
0.13059	0.12993	0.10830	0.12934	0.12745	0.12502
<u>\$ 0.11894</u>	<u>\$ 0.11874</u>	<u>\$ 0.11471</u>	<u>\$ 0.11740</u>	<u>\$ 0.11965</u>	<u>\$ 0.11581</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>2007</u>		<u>1998</u>	
	<u>Electric Charges</u>	<u>Percent of Total Electric Revenue</u>	<u>Electric Charges</u>	<u>Percent of Total Electric Revenue</u>
School	\$ 236,758	2.73873%	\$ - ⁽²⁾	0.00000%
Grocery store	217,013	2.51033%	186,891	2.70060%
Industrial	216,444	2.50374%	301,137	4.35147%
Municipal	187,078	2.16405%	- ⁽²⁾	0.00000%
Winery	183,341	2.12082%	169,812	2.45380%
Hospital	143,953	1.66519%	- ⁽¹⁾	0.00000%
Hotel	124,595	1.44127%	- ⁽¹⁾	0.00000%
Grocery store	103,042	1.19195%	89,291 ⁽²⁾	1.29027%
Industrial	101,137	1.16992%	69,641	1.00632%
Housing	60,634	0.70139%	- ⁽²⁾	0.00000%
	<u>\$ 1,573,995</u>	<u>18.2%</u>	<u>\$ 816,772</u>	<u>11.8%</u>

CITY OF HEALDSBURG
Electric Rates
Last Seven 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	2001-2007	324 KWH @ Balance @	\$0.12168 \$0.13987
Commercial	2001-2007	\$0.15614 per KWH	\$0.15614

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

- (1) Customer not in business in 1998.
- (2) Information is not available.

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

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Operating Revenues:				
Charges for services	\$ 6,916,923	\$ 7,016,103	\$ 7,034,610	\$ 7,357,293
Development fees	-	-	-	-
Other Revenues	3,436	8,331	6,577	85,163
<i>Total Operating Revenues</i>	<u>6,920,359</u>	<u>7,024,434</u>	<u>7,041,187</u>	<u>7,442,456</u>
Operating Expenses:				
Purchased power	4,583,568	3,827,387	4,631,989	5,684,650
Operations	655,861	777,565	859,526	1,204,423
Administrative	826,285	836,624	890,836	901,891
Depreciation	273,224	276,846	262,526	274,093
<i>Total Operating Expense</i>	<u>6,338,938</u>	<u>5,718,422</u>	<u>6,644,877</u>	<u>8,065,057</u>
<i>Operating Income (Loss)</i>	<u>581,421</u>	<u>1,306,012</u>	<u>396,310</u>	<u>(622,601)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	-	-	-	-
Investment income	519,502	604,540	672,157	535,405
Interest expense	(19,166)	(16,347)	(13,813)	(13,138)
Loss from disposal of assets	(4,662)	(41,747)	(76,820)	(174,726)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>495,674</u>	<u>546,446</u>	<u>581,524</u>	<u>347,541</u>
Income (Loss) Before Transfers	1,077,095	1,852,458	977,834	(275,060)
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(273,350)</u>	<u>(875,400)</u>
Income (Loss) Before Capital Contributions	1,077,095	1,852,458	704,484	(1,150,460)
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>771,208</u>
Changes in Net Assets	<u>\$ 1,077,095</u>	<u>\$ 1,852,458</u>	<u>\$ 704,484</u>	<u>\$ (379,252)</u>

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 8,239,704	\$ 8,391,718	\$ 8,366,511	\$ 9,279,807	\$ 8,858,296	\$ 8,910,310
-	-	-	-	-	36,072
148,242	177,162	77,370	30,300	148,017	56,239
<u>8,387,946</u>	<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>
8,597,303	5,626,154	4,910,373	5,888,039	5,367,577	5,924,049
1,122,220	1,241,154	1,351,066	1,495,744	2,087,296	2,042,244
1,185,925	1,227,609	1,197,543	1,514,936	1,566,344	1,775,826
311,980	343,468	353,922	365,971	379,103	384,900
<u>11,217,428</u>	<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>(2,829,482)</u>	<u>130,495</u>	<u>630,977</u>	<u>45,417</u>	<u>(394,007)</u>	<u>(1,124,398)</u>
69,500	15,000	-	-	135	287
259,678	186,073	141,732	214,544	299,762	352,905
(12,688)	(5,981)	-	-	-	-
<u>-</u>	<u>(640)</u>	<u>(8,545)</u>	<u>-</u>	<u>-</u>	<u>(103,756)</u>
<u>316,490</u>	<u>194,452</u>	<u>133,187</u>	<u>214,544</u>	<u>299,897</u>	<u>249,436</u>
<u>(2,512,992)</u>	<u>324,947</u>	<u>764,164</u>	<u>259,961</u>	<u>(94,110)</u>	<u>(874,962)</u>
<u>(2,942)</u>	<u>(180,727)</u>	<u>(265,464)</u>	<u>2,151</u>	<u>(61,620)</u>	<u>(115,000)</u>
<u>(2,515,934)</u>	<u>144,220</u>	<u>498,700</u>	<u>262,112</u>	<u>(155,730)</u>	<u>(989,962)</u>
<u>552,848</u>	<u>191,082</u>	<u>491,116</u>	<u>131,626</u>	<u>-</u>	<u>236,172</u>
<u>\$ (1,963,086)</u>	<u>\$ 335,302</u>	<u>\$ 989,816</u>	<u>\$ 393,738</u>	<u>\$ (155,730)</u>	<u>\$ (753,790)</u>

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

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Cash flows from operating activities:				
Operating income (loss)	\$ 581,421	\$ 1,306,012	\$ 396,310	\$ (622,602)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	273,224	276,846	262,526	274,093
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	7,504	(95,880)	(145,072)	(181,460)
(Increase) decrease in due from other government:	(6,355)	8,111	11,215	-
(Increase) decrease in inventory	(56,342)	10,300	(392,202)	60,245
(Increase) decrease in prepaid costs	(348,411)	348,391	(425,652)	403,247
Increase (decrease) in accounts payable	160,201	(132,193)	14,464	101,177
Increase (decrease) in deposits	(6,440)	(1,097)	3,026	(432,978)
Total adjustments	<u>23,381</u>	<u>414,478</u>	<u>(671,695)</u>	<u>224,324</u>
Net cash provided (used) by operating activities	<u>604,802</u>	<u>1,720,490</u>	<u>(275,385)</u>	<u>(398,278)</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	-	-	-	-
(Increase) decrease in due from other fund:	359,701	(5,989)	(478,399)	(1,726,953)
Transfers in (out)	-	-	(273,350)	(875,400)
Net cash provided (used) by non-capital financing activities	<u>359,701</u>	<u>(5,989)</u>	<u>(751,749)</u>	<u>(2,602,353)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	(361,656)	(1,014,041)	(371,383)	(792,389)
Capital replacement	(206,271)	-	-	-
Capacity expansion	(235,529)	-	-	-
Contributed capital:				
Construction reimbursement	687,039	977,900	632,651	771,208
Retirement of debt	(42,750)	(42,748)	(9,750)	(9,750)
Interest paid	(18,338)	(15,520)	(12,986)	(12,310)
Net cash provided (used) by capital and related financing activities	<u>(177,505)</u>	<u>(94,409)</u>	<u>238,532</u>	<u>(43,241)</u>
Cash flows from investing activities:				
Investment income	505,422	590,543	619,909	589,907
(Increase) decrease in investment:	-	(1,102,150)	(5,244,626)	3,572,392
(Increase) decrease in loan receivable:	1,698,679	-	(24,928)	4,247
Net cash provided (used) by investing activities	<u>2,204,101</u>	<u>(511,607)</u>	<u>(4,649,645)</u>	<u>4,166,546</u>
Net increase in cash and cash equivalents	2,991,099	1,120,463	(5,418,247)	1,122,674
Cash and cash equivalents at beginning of year	3,366,249	6,357,348	7,477,811	2,059,564
Cash and cash equivalents at end of year	<u>\$ 6,357,348</u>	<u>\$ 7,477,811</u>	<u>\$ 2,059,564</u>	<u>\$ 3,182,238</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ (4,662)</u>	<u>\$ (41,747)</u>	<u>\$ (76,820)</u>	<u>\$ (174,726)</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ (2,829,482)	\$ 130,495	\$ 630,977	\$ 45,417	\$ (394,007)	\$ (1,124,398)
311,980	343,468	353,922	365,971	379,103	384,900
(160,500)	175,983	146,882	(460,071)	165,415	206,790
-	-	-	-	-	-
32,177	(125,070)	67,153	(159,444)	6,020	(56,624)
(55,155)	(429,786)	(232,914)	740,576	-	-
(187,026)	230,134	(45,072)	(89,605)	(42,327)	49,636
(572,476)	(11,308)	(224,126)	38,549	178,559	(21,398)
<u>(631,000)</u>	<u>183,421</u>	<u>65,845</u>	<u>435,976</u>	<u>686,770</u>	<u>563,304</u>
<u>(3,460,482)</u>	<u>313,916</u>	<u>696,822</u>	<u>481,393</u>	<u>292,763</u>	<u>(561,094)</u>
69,500	-	-	-	135	287
87,034	47,327	1,714	2,151	123,759	1,628
(2,942)	(180,727)	(267,178)	-	(181,200)	(115,000)
<u>153,592</u>	<u>(133,400)</u>	<u>(265,464)</u>	<u>2,151</u>	<u>(57,306)</u>	<u>(113,085)</u>
(834,684)	(465,719)	(475,379)	-	-	-
-	-	-	(512,265)	(644,167)	(1,533,171)
-	-	-	-	-	-
552,848	191,082	491,116	131,626	-	236,172
(9,750)	(165,000)	-	-	-	-
(11,861)	-	-	(4,229)	-	-
<u>(303,447)</u>	<u>(439,637)</u>	<u>15,737</u>	<u>(384,868)</u>	<u>(644,167)</u>	<u>(1,296,999)</u>
359,161	208,156	130,505	174,765	282,877	356,709
245,225	-	-	-	-	-
-	-	20,681	-	-	-
<u>604,386</u>	<u>208,156</u>	<u>151,186</u>	<u>174,765</u>	<u>282,877</u>	<u>356,709</u>
(3,005,951)	(50,965)	598,281	273,441	(125,833)	(1,614,469)
<u>3,206,038</u>	<u>7,673,360</u>	<u>7,622,395</u>	<u>8,220,676</u>	<u>8,494,117</u>	<u>8,368,284</u>
<u>\$ 200,087</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HEALDSBURG
Schedule of Electricity Purchased
Last Ten Fiscal Years

KW	Fiscal Year				
	1998	1999	2000	2001	2002
July	15,927	16,258	17,714	16,315	17,445
August	15,941	17,417	15,742	16,545	16,262
September	15,332	14,856	14,970	16,820	13,207
October	12,606	11,768	13,657	12,778	15,572
November	13,089	11,688	11,953	12,639	11,926
December	12,490	12,307	12,739	12,700	11,630
January	12,082	12,156	12,741	12,610	12,172
February	11,966	11,901	11,836	12,214	11,729
March	11,466	11,958	11,683	11,343	11,039
April	11,823	11,590	11,699	11,890	11,926
May	11,464	14,900	16,766	17,156	15,228
June	14,172	14,700	16,971	15,800	17,741
Peak Month	August	August	July	May	June

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

MWH	Fiscal Year				
	1998	1999	2000	2001	2002
July	5,865	6,442	5,631	6,344	6,100
August	6,113	6,679	7,174	6,814	6,822
September	5,724	6,072	7,344	6,501	6,198
October	5,286	5,990	5,486	6,249	6,215
November	4,171	5,619	4,327	6,003	5,737
December	5,892	6,169	6,278	6,322	6,297
January	5,971	6,111	5,983	6,333	6,391
February	5,412	5,441	5,394	5,576	5,468
March	5,805	5,905	5,727	5,771	5,856
April	5,509	5,450	5,535	5,471	5,765
May	5,483	6,121	6,102	6,243	6,132
June	5,971	6,032	6,073	6,139	6,505
Total	67,202	72,031	71,054	73,766	73,486

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

Fiscal Year				
2003	2004	2005	2006	2007
18,428	18,328	16,996	18,281	21,064
17,553	17,418	18,177	16,366	17,651
16,539	17,889	18,972	14,879	16,722
14,710	13,903	15,235	12,870	13,101
11,219	11,539	12,373	12,726	12,453
11,797	12,233	12,604	12,946	13,029
11,746	11,984	12,589	11,726	12,964
11,597	11,770	11,654	11,851	12,201
11,009	13,299	12,561	12,010	11,887
10,925	15,253	11,653	12,230	13,338
15,605	14,463	14,660	14,695	15,826
18,173	18,151	15,577	19,955	20,545
July	July	September	June	July

Fiscal Year				
2003	2004	2005	2006	2007
6,229	7,046	6,780	7,238	7,699
6,199	6,652	7,146	6,803	6,798
6,168	6,500	7,082	6,286	6,501
5,937	6,358	6,384	6,431	6,528
5,932	5,896	6,132	6,216	6,335
5,176	6,375	6,609	6,720	6,934
6,203	6,302	6,579	6,371	6,849
5,444	5,754	5,624	5,650	5,919
4,780	6,124	6,170	6,424	6,307
6,119	5,959	5,809	5,898	6,065
4,934	6,291	6,226	6,376	6,464
5,726	6,716	6,363	7,028	6,882
<u>68,847</u>	<u>75,973</u>	<u>76,904</u>	<u>77,441</u>	<u>79,281</u>

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

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities		Total Primary Government	Debt Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Special Assessments	Total Governmental Activities	Certificates of Participation		
1998	\$ 6,615	\$ 4,935	\$ 3,290	\$ 14,840	\$ 4,180	\$ 19,020	\$ 1.88
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

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	
	General Obligation Bonds	Tax Allocation Bonds	Total	Assessed Value (1)	Per Capita
1998	\$ 6,615	\$ 4,935	\$ 11,550	1.092%	\$ 640
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

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, 2007

2006-2007 Assessed Valuation	\$ 1,521,578,868
Redevelopment Agency Incremental Valuation	778,859,792
<i>Adjusted Assessed Valuation:</i>	\$ 742,719,076

	Percentage Applicable (1)	Total Outstanding Debt 6/30/07	City's Share of Debt 6/30/07
<u>Overlapping Debt Repaid with Property Taxes and Assessments:</u>			
Sonoma County Joint Community College District	1.319%	\$ 134,353,223	\$ 1,772,119
Healdsburg Unified School District	31.253%	19,379,998	6,056,831
Healdsburg Unified School District School Facilities Improvements District No. 1	45.076%	17,885,883	8,062,241
City of Healdsburg 1915 Act Bonds	100.000%	1,395,000	1,395,000
<i>Total overlapping debt repaid with property taxes and assessments</i>			17,286,191
<u>Overlapping General Fund Debt:</u>			
Sonoma County General Fund Obligations	1.333%	34,350,000	457,886
Sonoma County Pension Obligations	1.333%	286,925,000	3,824,710
Sonoma County Office of Education Certificates of Participation	1.333%	3,400,000	45,322
Sonoma County Joint Community College District General Fund Obligation:	1.319%	2,525,000	33,305
<i>Total overlapping general fund debt</i>			4,361,223
<i>Total overlapping debt</i>			21,647,414
<u>Direct Debt:</u>			
City of Healdsburg General Obligation Bonds	100.000%		4,710,000
<i>Total direct and overlapping debt</i>			\$ 26,357,414

(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 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 2006-07 Assessed Valuation:
Direct Debt (\$4,710,000).....1.14%

Ratios to Adjust Assessed Valuation:
Total Direct and Overlapping Debt3.55%

State School Building Aid Repayable as of 6/30/07: \$0

CITY OF HEALDSBURG
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Assessed valuation	\$ 605,867,271	\$ 641,649,307	\$ 698,659,995	\$ 776,511,143
Conversion percentage	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>
Adjusted assessed valuation	151,466,818	160,412,327	174,664,999	194,127,786
Debt limit percentage	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Debt limit	22,720,023	24,061,849	26,199,750	29,119,168
Total net debt applicable to limit: General obligation bonds	<u>6,615,000</u>	<u>6,470,000</u>	<u>6,310,000</u>	<u>6,135,000</u>
Legal debt margin	<u>\$ 16,105,023</u>	<u>\$ 17,591,849</u>	<u>\$ 19,889,750</u>	<u>\$ 22,984,168</u>
Total debt applicable to the limit as a percentage of debt limit	41.07%	36.78%	31.72%	26.69%

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.

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 896,750,774	\$ 1,004,937,097	\$ 1,102,206,452	\$ 1,203,854,951	\$ 1,343,249,917	\$ 1,503,393,648
<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>	<u>25.00%</u>
224,187,694	251,234,274	275,551,613	300,963,738	335,812,479	375,848,412
<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
33,628,154	37,685,141	41,332,742	45,144,561	50,371,872	56,377,262
<u>5,945,000</u>	<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>\$ 27,683,154</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>
21.48%	17.89%	15.79%	13.43%	11.11%	9.12%

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	
1998	\$ 1,906,386	\$ 1,307,539	\$ 598,847	\$ 137,145	\$ 456,722	\$ 1.01
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

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	
1998	\$ 1,677,288	\$ 1,090,577	\$ 586,711	\$ 14,683	\$ 216,382	\$ 2.54
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

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	<u>\$ 13,950,999</u>	<u>\$ 12,633,461</u>	<u>\$ 496,388</u>	<u>\$ 1,361,344</u>	<u>\$ 28,442,192</u>

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)
1998	10,100	\$ 1,009,537	\$ 99,954	0.00%
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	11,653	1,452,800	124,672	5.60%
2003	11,635	1,615,224	138,825	6.10%
2004	11,665	1,778,024	152,424	5.50%
2005	11,689	1,918,581	164,136	4.90%
2006	11,680	2,129,900	182,354	4.50%
2007	11,706	2,380,172	203,329	4.90%

Note: Unemployment rate for 2007 is a preliminary rate through September, 2007.
Unemployment rate information is not available for 1998 and 1999.

Sources: (1) State of California Department of Finance - Revised population estimates for years 2000 through 2006
(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**

Employer	<u>2007</u>		<u>1998 (1)</u>	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
School	324	2.77		
Municipality	180	1.54		
Hospital	169	1.44		
Winery	167	1.43		
Medical Center	102	0.87		
Housing	100	0.85		
Grocery Store	82	0.70		
Grocery Store	80	0.68		
Health & Swim Club	77	0.66		
Industrial	75	0.64		
City of Healdsburg Population:	11,706		9,875	

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

(1) Information for 1998 is not available.

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

Function	Full-time and Part-time Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Administration	4.85	4.85	4.85	4.85	4.85	4.85	3.85	3.85	4.85	4.85
Finance	16.00	16.00	12.00	12.00	12.00	12.50	12.50	12.50	12.00	12.00
Community Services	5.50	5.50	7.00	8.00	8.00	9.50	8.50	9.00	10.50	11.00
Electric Utility	12.00	10.00	14.00	15.00	14.00	14.00	14.00	14.50	18.00	18.00
Fire	8.00	8.00	8.00	8.50	8.50	8.50	7.50	8.00	11.50	11.50
Planning & Building	4.50	4.00	4.00	5.00	5.00	5.00	5.00	5.00	7.00	7.00
Police	25.00	25.00	25.00	25.00	27.00	27.60	27.60	28.00	30.00	30.00
Public Works	27.00	27.00	26.00	26.00	27.00	27.00	27.00	29.00	38.00	38.00
Total positions:	<u>102.85</u>	<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>131.85</u>	<u>132.35</u>

Note: Revised fiscal years 1998 through 2006.

CITY OF HEALDSBURG
Operating Indicators
by Function
Last Five Fiscal Years

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police:					
Arrests	945	814	778	844	653
Parking citations issued	2,315	3,435	1,599	3,115	2,174
Fire:					
Number of emergency calls	1,362	1,423	1,455	1,400	1,454
Inspections	1,674	1,130	1,183	1,100	1,092
Public works:					
Street resurfacing (miles)	0.995	0.769	0.040	0.00	0.100
Potholes/pavement repaired (sq. ft.)	13,614	21,418	30,273	18,369	24,535
Planning and building:					
Commercial building permits	123	117	119	127	108
New construction commercial building permits	8	10	9	4	4
Residential building permits	359	399	380	320	348
New construction residential building permits	25	36	26	46	25
Parks and recreation:					
Number of recreation classes	10	15	15	165	389
Number of facility rentals	185	179	173	157	363
(1) Water:					
Average daily production (millions of gallons)	2.4	2.6	2.3	2.4	2.4
(1) Wastewater:					
Average daily sewage treatment (millions of gallons)	1.3	1.3	1.6	1.9	2.0

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

- (1) Water and wastewater operating indicators are per calendar year
- (1) Water and wastewater 2007 operating indicators are through September, 2007

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police:					
Police stations	1	1	1	1	1
Fire:					
Fire stations	1	1	1	1	1
Public works:					
Streets (miles)	43.2	43.2	43.7	44.1	44.1
(3) Streetlights	1,200	1,200	1,220	1,240	1,260
Traffic signals	13	13	13	12	12
Parks and recreation:					
Parks	8	8	9	9	9
Senior centers	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	2	2	2	2	2
Meeting centers	1	1	1	1	1
Museums	1	1	1	1	1
Boys & girls clubs	1	1	1	1	1
(1) Water:					
Water mains (miles)	60.08	60.16	60.36	60.47	60.47
Maximum daily capacity (hundred cubic feet)	45.2	45.2	45.2	45.2	45.2
(1) Wastewater:					
Sanitary sewers (miles)	(2)	(2)	51.4	51.5	51.5
Storm sewers (miles)	(2)	(2)	26.4	26.3	26.3
Maximum daily treatment capacity (millions of gallons/day) / (dry weather/wet weather)	1.6 / 6.5	1.6 / 6.5	1.6 / 6.5	1.6 / 6.5	1.6 / 6.5
Electric:					
Number of distribution stations	1	1	1	1	1
(3) Miles of service lines	52.0	52.5	53.0	53.5	54.0

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

- (1) Water and wastewater capital asset statistics are per calendar year
- (1) Water and wastewater 2007 capital asset statistics are through September, 2007
- (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.

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

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Operating Revenues:				
Charges for services	\$ 1,860,618	\$ 2,224,131	\$ 2,455,946	\$ 2,671,027
Development fees	-	-	-	-
Other revenues	45,768	23,796	11,590	550,220
<i>Total Operating Revenues</i>	<u>1,906,386</u>	<u>2,247,927</u>	<u>2,467,536</u>	<u>3,221,247</u>
Operating Expenses:				
Operations	814,111	1,102,837	1,083,534	1,660,270
Administrative	493,428	476,717	438,603	509,320
Depreciation	223,450	266,307	302,469	292,935
Miscellaneous	-	-	-	-
<i>Total Operating Expenses</i>	<u>1,530,989</u>	<u>1,845,861</u>	<u>1,824,606</u>	<u>2,462,525</u>
<i>Operating Income (Loss)</i>	<u>375,397</u>	<u>402,066</u>	<u>642,930</u>	<u>758,722</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	15,155	2,183	-	-
Investment income	353,151	203,983	225,955	547,840
Interest expense	(471,541)	(437,190)	(420,335)	(451,480)
Loss from disposal of assets	(100,292)	(9,865)	(23,622)	(128,719)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(203,527)</u>	<u>(240,889)</u>	<u>(218,002)</u>	<u>(32,359)</u>
Income (Loss) Before Transfers	171,870	161,177	424,928	726,363
Transfers In (Out)	-	-	(98,200)	375,850
Income Before Capital Contributions	171,870	161,177	326,728	1,102,213
Capital Contributions	-	-	-	202,854
Changes in Net Assets	<u>\$ 171,870</u>	<u>\$ 161,177</u>	<u>\$ 326,728</u>	<u>\$ 1,305,067</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 2,909,292	\$ 3,444,666	\$ 3,844,742	\$ 3,709,403	\$ 3,933,797	\$ 4,144,543
-	-	-	-	-	194,458
117,311	337,914	565,347	243,640	334,872	3,639
<u>3,026,603</u>	<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>
1,354,427	1,517,772	1,282,118	1,502,376	1,869,211	2,431,051
433,550	536,962	815,028	980,930	1,259,650	1,258,471
297,844	326,350	367,010	440,211	482,626	487,126
-	-	-	-	-	-
<u>2,085,821</u>	<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>
940,782	1,401,496	1,945,933	1,029,526	657,182	165,992
-	-	-	-	19,163	40,745
202,237	124,305	105,182	148,404	217,159	214,877
(472,959)	(620,906)	(680,810)	(656,421)	(608,186)	(608,265)
-	-	(5,471)	-	-	-
<u>(270,722)</u>	<u>(496,601)</u>	<u>(581,099)</u>	<u>(508,017)</u>	<u>(371,864)</u>	<u>(352,643)</u>
670,060	904,895	1,364,834	521,509	285,318	(186,651)
282,014	(181,761)	(257,436)	221,467	(63,503)	(62,261)
952,074	723,134	1,107,398	742,976	221,815	(248,912)
233,840	21,161	-	-	-	-
<u>\$ 1,185,914</u>	<u>\$ 744,295</u>	<u>\$ 1,107,398</u>	<u>\$ 742,976</u>	<u>\$ 221,815</u>	<u>\$ (248,912)</u>

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

	Fiscal Year			
	1998	1999	2000	2001
Cash flows from operating activities:				
Operating income (loss)	\$ 375,397	\$ 402,066	\$ 642,930	\$ 758,722
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	223,450	266,307	302,469	292,935
Amortization	-	-	-	-
Deferred amount on refunding	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	4,893	(123,531)	(51,580)	(110,651)
(Increase) decrease in due from other governments	(73,824)	27,009	61,653	-
(Increase) decrease in inventory	6,878	(485)	(5,964)	(21,087)
(Increase) decrease in prepaid costs	(7)	(13)	(10)	(23)
Increase (decrease) in accounts payable	144,952	(152,361)	(21,771)	194,320
Increase (decrease) in other accrued liabilities	-	-	-	-
Increase (decrease) in deposits	882	3,115	(2,700)	3,859
Total adjustments	<u>307,224</u>	<u>20,041</u>	<u>282,097</u>	<u>359,353</u>
Net cash provided (used) by operating activities	<u>682,621</u>	<u>422,107</u>	<u>925,027</u>	<u>1,118,075</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	-	2,183	-	-
(Increase) decrease in due from other funds	15,155	350,000	190,000	-
Increase (decrease) in due to other funds	(540,000)	-	-	-
Transfers in (out)	-	-	(98,200)	375,850
Net cash provided (used) by noncapital financing activities	<u>(524,845)</u>	<u>352,183</u>	<u>91,800</u>	<u>375,850</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	-	(1,177,121)	-	-
Capital replacement	(1,095,076)	-	(994,589)	(1,003,448)
Capacity expansion	(2,558,019)	-	-	-
Contributed capital:				
Development/connection/annexation fees	-	630,774	808,451	202,854
Contributed - other funds	468,544	-	-	-
Certificates of participation proceeds	(137,145)	-	-	10,136,304
Debt issuance Costs	-	-	-	-
Retirement of debt	-	(162,144)	(155,144)	(7,135,000)
Interest paid	(456,722)	(422,330)	(405,496)	(812,483)
Net cash provided (used) by capital and related financing activities	<u>(3,778,418)</u>	<u>(1,130,821)</u>	<u>(746,778)</u>	<u>1,388,227</u>
Cash flows from investing activities:				
Investment income	352,539	227,923	206,284	505,175
(Increase) decrease in investments	(145,777)	(505)	(500,000)	(1,480,698)
(Increase) decrease in loans	-	-	(54,027)	39,410
Net cash provided (used) by investing activities	<u>206,762</u>	<u>227,418</u>	<u>(347,743)</u>	<u>(936,113)</u>
Net increase (decrease) in cash and cash equivalents	(3,413,880)	(129,113)	(77,694)	1,946,039
Cash and cash equivalents at beginning of year	<u>4,621,647</u>	<u>1,207,767</u>	<u>1,078,654</u>	<u>1,000,960</u>
Cash and cash equivalents at end of year	<u>\$ 1,207,767</u>	<u>\$ 1,078,654</u>	<u>\$ 1,000,960</u>	<u>\$ 2,946,999</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ (100,291)</u>	<u>\$ -</u>	<u>\$ (23,622)</u>	<u>\$ (128,719)</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 940,782	\$ 1,401,496	\$ 1,945,933	\$ 1,029,526	\$ 657,182	\$ 165,992
297,844	326,350	367,010	440,211	482,626	487,126
-	-	-	-	151,917	42,715
-	-	-	-	(175,414)	-
(44,799)	16,243	(107,734)	73,920	(125,878)	131,917
-	-	-	-	-	-
11,098	(10,228)	(2,467)	(1,398)	(8,195)	(36,715)
349	(1,058)	1,058	-	-	-
113,979	(160,088)	95,243	490,534	(648,348)	99,415
-	-	-	-	8,197	-
3,900	(8,396)	(94)	(996)	-	6,490
<u>382,371</u>	<u>162,823</u>	<u>353,016</u>	<u>1,002,271</u>	<u>(315,095)</u>	<u>730,948</u>
<u>1,323,153</u>	<u>1,564,319</u>	<u>2,298,949</u>	<u>2,031,797</u>	<u>342,087</u>	<u>896,940</u>
-	-	-	-	-	40,745
-	-	-	-	19,163	-
-	353,281	-	243,754	36,288	-
<u>282,014</u>	<u>(535,042)</u>	<u>(257,436)</u>	<u>(22,287)</u>	<u>(99,791)</u>	<u>(62,261)</u>
<u>282,014</u>	<u>(181,761)</u>	<u>(257,436)</u>	<u>221,467</u>	<u>(44,340)</u>	<u>(21,516)</u>
-	-	-	-	-	-
(3,456,560)	(1,363,437)	(1,518,478)	(4,358,814)	(1,483,413)	(553,634)
-	-	-	-	-	-
233,840	21,161	-	-	-	-
-	-	-	-	-	-
-	5,510,000	-	-	3,113,428	-
-	-	-	-	(67,458)	-
(244,287)	(280,000)	(395,000)	(405,000)	(3,275,000)	(465,000)
<u>(467,993)</u>	<u>(759,269)</u>	<u>(680,810)</u>	<u>(622,615)</u>	<u>(608,186)</u>	<u>(608,265)</u>
<u>(3,935,000)</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>
280,893	136,982	104,482	135,229	201,134	215,958
(357,562)	-	-	-	-	-
-	-	14,617	-	-	-
<u>(76,669)</u>	<u>136,982</u>	<u>119,099</u>	<u>135,229</u>	<u>201,134</u>	<u>215,958</u>
(2,406,502)	4,647,995	(433,676)	(2,997,936)	(1,821,748)	(535,517)
<u>2,946,999</u>	<u>5,329,778</u>	<u>9,977,773</u>	<u>9,544,097</u>	<u>6,546,161</u>	<u>4,724,413</u>
<u>\$ 540,497</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Water Sold/Hundred Cubic Feet	Fiscal Year				
	1998	1999	2000	2001	2002
July	\$ 119,625	\$ 94,098	\$ 124,006	\$ 120,565	\$ 122,998
August	139,487	135,762	125,072	119,845	120,704
September	112,813	119,448	103,036	217,593	128,824
October	92,941	103,846	103,860	8,651	96,824
November	75,646	76,280	77,746	71,730	70,075
December	45,455	48,932	50,628	151,493	48,562
January	44,931	52,084	55,095	47,985	49,833
February	39,433	38,840	44,171	42,371	43,534
March	38,803	39,852	34,009	42,520	46,318
April	40,930	46,017	61,625	56,940	54,006
May	50,155	64,504	75,098	82,539	84,024
June	63,595	104,760	96,390	127,578	117,528
Total	<u>\$ 863,814</u>	<u>\$ 924,423</u>	<u>\$ 950,736</u>	<u>\$ 1,089,810</u>	<u>\$ 983,230</u>

Total Billings	Fiscal Year				
	1998	1999	2000	2001	2002
July	\$ 208,061	\$ 203,715	\$ 277,183	\$ 290,991	\$ 316,829
August	236,396	277,541	284,246	292,455	314,358
September	201,602	249,641	232,324	540,325	328,654
October	196,647	228,998	247,081	18,874	271,307
November	165,812	181,375	201,201	201,770	213,148
December	114,830	131,430	145,122	154,596	168,193
January	115,288	138,061	145,569	155,795	174,432
February	108,191	113,418	131,064	140,012	161,461
March	106,582	118,801	128,168	143,159	167,578
April	113,351	128,293	169,873	169,252	189,216
May	128,089	163,752	194,035	224,054	258,382
June	148,085	238,927	239,254	317,661	336,732
Total	<u>\$ 1,842,934</u>	<u>\$ 2,173,952</u>	<u>\$ 2,395,120</u>	<u>\$ 2,648,944</u>	<u>\$ 2,900,290</u>

Revenue/Hundred Cubic Feet	Fiscal Year				
	1998	1999	2000	2001	2002
July	\$ 1.739	\$ 2.165	\$ 2.235	\$ 2.414	\$ 2.575
August	1.695	2.044	2.273	2.440	2.604
September	1.787	2.090	2.255	2.483	2.551
October	2.116	2.205	2.379	2.182	2.802
November	2.192	2.378	2.588	2.813	3.041
December	2.526	2.686	2.866	1.020	3.463
January	2.566	2.651	2.642	3.247	3.500
February	2.744	2.920	2.967	3.304	3.708
March	2.747	2.981	3.769	3.367	3.617
April	2.769	2.788	2.757	2.972	3.503
May	2.554	2.539	2.584	2.715	3.075
June	2.329	2.281	2.482	2.490	2.865
Average	<u>\$ 2.133</u>	<u>\$ 2.352</u>	<u>\$ 2.519</u>	<u>\$ 2.431</u>	<u>\$ 2.950</u>

Source: City of Healdsburg Utility Billing Department

Fiscal Year				
2003	2004	2005	2006	2007
\$ 129,426	\$ 124,590	\$ 136,689	\$ 108,603	\$ 119,167
134,202	143,876	135,739	115,146	133,042
132,107	116,375	118,199	117,354	111,036
105,646	111,873	91,168	99,794	85,615
88,514	79,424	56,026	65,394	71,071
47,080	52,184	46,061	49,983	51,169
48,905	41,876	47,940	41,860	46,678
44,149	46,506	39,977	37,129	52,100
39,681	49,917	40,312	39,383	39,930
64,949	69,719	51,007	39,398	60,657
48,948	92,292	60,201	57,924	68,925
102,559	185,732	84,688	105,440	91,009
<u>\$ 986,166</u>	<u>\$ 1,114,364</u>	<u>\$ 908,007</u>	<u>\$ 877,408</u>	<u>\$ 930,399</u>

Fiscal Year				
2003	2004	2005	2006	2007
\$ 377,692	\$ 417,302	\$ 466,161	\$ 420,051	\$ 476,008
388,593	469,705	475,621	439,066	525,229
383,287	392,080	436,859	450,506	454,647
335,532	371,512	345,351	404,314	378,133
296,673	300,077	266,712	298,963	331,862
185,751	227,693	207,633	252,180	263,385
203,678	202,241	233,643	231,585	238,510
187,490	208,838	211,806	218,606	246,171
181,951	223,287	211,623	225,122	227,914
255,351	271,034	246,422	227,761	287,857
212,741	338,499	271,747	284,462	316,482
352,706	386,976	347,128	439,690	378,344
<u>\$ 3,361,445</u>	<u>\$ 3,809,244</u>	<u>\$ 3,720,706</u>	<u>\$ 3,892,306</u>	<u>\$ 4,124,542</u>

Fiscal Year				
2003	2004	2005	2006	2007
\$ 2.918	\$ 3.349	\$ 3.410	\$ 3.868	\$ 3.994
2.896	3.265	3.504	3.813	3.948
2.901	3.369	3.696	3.839	4.095
3.176	3.321	3.788	4.051	4.417
3.352	3.778	4.761	4.572	4.669
3.945	4.363	4.508	5.045	5.147
4.165	4.830	4.874	5.532	5.110
4.247	4.491	5.298	5.888	4.725
4.585	4.473	5.250	5.716	5.708
3.932	3.888	4.831	5.781	4.746
4.346	3.668	4.514	4.911	4.592
3.440	2.084	4.099	4.170	4.157
<u>\$ 3.409</u>	<u>\$ 3.418</u>	<u>\$ 4.098</u>	<u>\$ 4.436</u>	<u>\$ 4.433</u>

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

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Operating Revenues:				
Charges for services	\$ 1,585,660	\$ 1,882,704	\$ 2,142,903	\$ 2,461,635
Development fees	-	-	-	-
Other revenues	91,628	42,902	642	790,121
<i>Total Operating Revenues</i>	<u>1,677,288</u>	<u>1,925,606</u>	<u>2,143,545</u>	<u>3,251,756</u>
Operating Expenses:				
Operations	647,522	848,612	801,228	682,268
Administrative	443,145	500,628	443,019	746,544
Depreciation	366,880	418,628	475,136	434,226
<i>Total Operating Expenses</i>	<u>1,457,547</u>	<u>1,767,868</u>	<u>1,719,383</u>	<u>1,863,038</u>
<i>Operating Income (Loss)</i>	<u>219,741</u>	<u>157,738</u>	<u>424,162</u>	<u>1,388,718</u>
Nonoperating Revenues (Expenses):				
Intergovernmental grants	1,405	93	-	-
Investment income	179,167	75,980	178,311	501,221
Interest expense	(218,657)	(52,082)	(50,490)	(178,442)
Loss in disposal of assets	(1,573)	(8,616)	(39,624)	(190,477)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(39,658)</u>	<u>15,375</u>	<u>88,197</u>	<u>132,302</u>
Income (Loss) Before Transfers	180,083	173,113	512,359	1,521,020
Transfers In (Out)	-	-	434,800	(325,400)
Income Before Capital Contributions	180,083	173,113	947,159	1,195,620
Capital Contributions	-	-	-	440,261
Changes in Net Assets	<u>\$ 180,083</u>	<u>\$ 173,113</u>	<u>\$ 947,159</u>	<u>\$ 1,635,881</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 2,826,766	\$ 3,128,820	\$ 3,517,024	\$ 3,784,084	\$ 4,452,952	\$ 5,697,173
-	-	-	-	-	368,236
<u>446,407</u>	<u>951,379</u>	<u>694,597</u>	<u>539,721</u>	<u>662,796</u>	<u>3,488</u>
<u>3,273,173</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>
699,797	806,290	926,611	1,083,768	1,442,812	2,274,011
853,289	958,426	983,338	1,058,266	1,322,308	1,255,611
<u>461,567</u>	<u>462,182</u>	<u>496,859</u>	<u>542,652</u>	<u>565,008</u>	<u>566,819</u>
<u>2,014,653</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>1,258,520</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>
-	-	-	-	7,545	16,042
191,295	131,172	111,008	174,054	383,602	1,130,661
(185,189)	(182,045)	(181,481)	(184,006)	(225,861)	(1,367,707)
-	-	-	-	-	-
<u>6,106</u>	<u>(50,873)</u>	<u>(70,473)</u>	<u>(9,952)</u>	<u>165,286</u>	<u>(221,004)</u>
1,264,626	1,802,428	1,734,340	1,629,167	1,950,906	1,751,452
<u>(337,942)</u>	<u>(81,760)</u>	<u>(147,402)</u>	<u>(126,913)</u>	<u>(171,975)</u>	<u>(1,880)</u>
926,684	1,720,668	1,586,938	1,502,254	1,778,931	1,749,572
<u>410,448</u>	<u>47,261</u>	<u>2,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,337,132</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>

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

	Fiscal Year			
	1998	1999	2000	2001
Cash flows from operating activities:				
Operating income (loss)	\$ 219,741	\$ 157,738	\$ 424,162	\$ 1,338,718
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	366,880	418,628	475,136	434,226
Amortization	-	-	-	-
Deferred amount in refunding	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(45,837)	(42,437)	(41,075)	(33,873)
(Increase) decrease in due from other governments	(12,445)	10,895	12,866	-
(Increase) decrease in inventory	(95)	52	23	40
(Increase) decrease in prepaid costs	(7)	(13)	(10)	(23)
Increase (decrease) in accounts payable	(115,265)	253,582	(91,870)	(103,690)
Increase (decrease) in deposits	(182)	-	782	-
Total adjustments	<u>193,049</u>	<u>640,707</u>	<u>355,852</u>	<u>296,680</u>
Net cash provided (used) by operating activities	<u>412,790</u>	<u>798,445</u>	<u>780,014</u>	<u>1,635,398</u>
Cash flows from noncapital financing activities:				
Intergovernmental grants	1,405	93	-	-
(Increase) decrease in due from other funds	-	-	(190,000)	-
Transfers in (out)	540,000	(350,000)	434,800	(325,400)
Net cash provided (used) by noncapital financing activities	<u>541,405</u>	<u>(349,907)</u>	<u>244,800</u>	<u>(325,400)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets:				
Developer financed	-	(436,504)	-	-
Capital contributions	-	-	-	-
Capital replacement	(239,048)	-	(417,787)	(2,348,656)
Capacity expansion	(2,137,278)	-	-	-
Contributed capital:				
Construction reimbursement	1,276,075	879,194	1,478,099	440,261
Certificates of participation proceeds	(14,683)	(14,683)	(14,684)	2,572,497
Debt issuance costs	-	-	-	-
Retirement of debt	-	-	-	-
Interest paid	(216,382)	(49,808)	(48,215)	(263,346)
Retirement of debt	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,331,316)</u>	<u>378,199</u>	<u>997,413</u>	<u>400,756</u>
Cash flows from investing activities:				
Investment income	178,994	68,256	145,594	451,788
(Increase) decrease in investments	3,681	(602,993)	(2,986,273)	(1,245,880)
(Increase) decrease in loans	-	-	(25,176)	7,066
Net cash provided (used) by investing activities	<u>182,675</u>	<u>(534,737)</u>	<u>(2,865,855)</u>	<u>(787,026)</u>
Net increase (decrease) in cash and cash equivalents	(194,446)	292,000	(843,538)	973,728
Cash and cash equivalents at beginning of year	987,169	792,723	1,084,723	241,185
Cash and cash equivalents at end of year	<u>\$ 792,723</u>	<u>\$ 1,084,723</u>	<u>\$ 241,185</u>	<u>\$ 1,214,913</u>
Non-cash capital and related financing activities:				
Acquisition of capital assets	<u>\$ (1,573)</u>	<u>\$ (8,616)</u>	<u>\$ (39,624)</u>	<u>\$ (190,477)</u>

Source: City of Healdsburg Comprehensive Annual Financial Report

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 1,258,520	\$ 1,853,301	\$ 1,804,813	\$ 1,639,119	\$ 1,785,620	\$ 1,972,456
461,567	462,182	496,859	542,652	565,008	566,819
-	-	-	-	154,109	23,787
-	-	-	-	(167,361)	-
523	(129,344)	(99,910)	18,152	(95,165)	(162,757)
-	-	-	-	-	-
254	(126)	(831)	4	(516)	(5,721)
349	(394)	394	-	-	-
2,067	485,153	(433,437)	27,566	177,968	-
-	(600)	-	-	-	556,198
<u>464,760</u>	<u>816,871</u>	<u>(36,925)</u>	<u>588,374</u>	<u>634,043</u>	<u>978,326</u>
<u>1,723,280</u>	<u>2,670,172</u>	<u>1,767,888</u>	<u>2,227,493</u>	<u>2,419,663</u>	<u>2,950,782</u>
-	-	-	-	7,545	16,042
-	3,282	-	-	-	50,000
<u>(337,942)</u>	<u>(85,042)</u>	<u>(147,402)</u>	<u>(126,913)</u>	<u>(237,468)</u>	<u>(51,880)</u>
<u>(337,942)</u>	<u>(81,760)</u>	<u>(147,402)</u>	<u>(126,913)</u>	<u>(229,923)</u>	<u>14,162</u>
-	-	-	-	-	-
-	-	-	-	65,493	-
<u>(1,647,554)</u>	<u>(1,339,677)</u>	<u>(1,575,152)</u>	<u>(1,006,999)</u>	<u>(2,523,002)</u>	<u>(13,653,482)</u>
-	-	-	-	-	-
410,448	47,261	2,525	-	-	-
-	-	-	-	29,418,176	-
-	-	-	-	(390,751)	-
-	-	-	-	-	(105,000)
<u>(180,010)</u>	<u>(175,953)</u>	<u>(181,481)</u>	<u>(178,462)</u>	<u>(225,861)</u>	<u>(1,367,707)</u>
<u>(54,090)</u>	<u>(60,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>(3,250,000)</u>	<u>-</u>
<u>(1,471,206)</u>	<u>(1,528,369)</u>	<u>(1,819,108)</u>	<u>(1,250,461)</u>	<u>23,094,055</u>	<u>(15,126,189)</u>
267,700	142,556	112,934	129,141	275,544	1,068,708
<u>(222,875)</u>	-	-	-	-	-
-	-	18,110	-	-	-
<u>44,825</u>	<u>142,556</u>	<u>131,044</u>	<u>129,141</u>	<u>275,544</u>	<u>1,068,708</u>
(41,043)	1,202,599	(67,578)	979,260	25,559,339	(11,092,537)
<u>1,214,913</u>	<u>6,231,891</u>	<u>7,434,490</u>	<u>7,366,912</u>	<u>8,346,172</u>	<u>33,905,511</u>
<u>\$ 1,173,870</u>	<u>\$ 7,434,490</u>	<u>\$ 7,366,912</u>	<u>\$ 8,346,172</u>	<u>\$ 33,905,511</u>	<u>\$ 22,812,974</u>
<u>\$ -</u>	<u>\$ -</u>				