

# *City of Healdsburg*

California



Badger Park Pedestrian Bridge

## Comprehensive Annual Financial Report For the Year Ended June 30, 2005



[www.cityofhealdsburg.org](http://www.cityofhealdsburg.org)

**CITY OF HEALDSBURG  
HEALDSBURG, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

**JUNE 30, 2005**

**Prepared by the Finance Department**

CITY OF HEALDSBURG  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

June 30, 2005

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Transmittal Letter	i
GFOA Certificate of Achievement	iv
Organization Chart	v
List of Elected and Appointed Officials	vi
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Funds:	
Statement of Net Assets	26
Statement of Revenues, Expenses and Changes in Fund Net Assets	28
Statement of Cash Flows	30
Fiduciary Funds:	
Statement of Fiduciary Net Assets	32
Statement of Changes in Fiduciary Net Assets	33
Notes to Basic Financial Statements	34

CITY OF HEALDSBURG  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
 (CONTINUED)

June 30, 2005

	<u>Page Number</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule:	
General Fund	74
Note to Required Supplementary Information	75
 <b>SUPPLEMENTARY INFORMATION:</b>	
Other Governmental Funds:	77
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	79
Other Special Revenue Funds:	81
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	86
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Gas Tax Special Revenue Fund	90
Park Fees Special Revenue Fund	91
TDA Special Revenue Fund	92
Redevelopment Agency UDAG Loan Special Revenue Fund	93
Area A Lighting and Landscaping District Special Revenue Fund	94
Benjamin Way Maintenance District Special Revenue Fund	95
Other and Major Debt Service Funds:	97
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Debt Service Fund	98
Redevelopment Agency Debt Service Fund	99
Special Assessment Debt Service Fund	100
Other Capital Projects Funds:	101
Combining Balance Sheet	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	103

CITY OF HEALDSBURG  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
 (CONTINUED)

June 30, 2005

	<u>Page Number</u>
SUPPLEMENTARY INFORMATION (CONTINUED):	
Other Enterprise Funds:	105
Combining Statement of Net Assets	106
Combining Statement of Revenues, Expenses and Changes in Net Assets	108
Combining Statement of Cash Flows	110
Internal Service Funds:	113
Combining Statement of Net Assets	114
Combining Statement of Revenue, Expenses and Changes in Net Assets	116
Combining Statement of Cash Flows	118
Fiduciary Funds:	121
Combining Statement of Fiduciary Net Assets	122
Combining Statement of Changes in Fiduciary Net Assets	124
STATISTICAL SECTION:	S-1
Government-wide Expenses by Program - Last Three Fiscal Years	S-2
Government-wide Revenues by Source - Last Three Fiscal Years	S-5
Governmental Revenues by Source - Last Ten Fiscal Years	S-6
Governmental Expenditures by Function - Last Ten Fiscal Years	S-6
Property Tax Levies and Collections - Last Ten Fiscal Years	S-8
Assessed Valuation of Taxable Property - Last Ten Fiscal Years	S-9
Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years	S-10
Ratio of General Bonded Debt to Assessed Valuation And Per Capita - Last Ten Fiscal Years	S-12
Special Assessment Billings and Collections - Last Ten Fiscal Years	S-13
Computation of Legal Debt Margin	S-14
Computation of Direct and Overlapping Debt	S-15
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures - Last Ten Fiscal Years	S-16
Demographic Statistics - Last Ten Fiscal Years	S-17
Schedule of Revenue Bond Coverage - Last Ten Fiscal Years	S-18
Construction, Bank Deposits and Property Value - Last Ten Fiscal Years	S-20

CITY OF HEALDSBURG

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
(CONTINUED)

June 30, 2005

	<u>Page Number</u>
STATISTICAL SECTION (CONTINUED):	
Sotoyome Redevelopment Project Area - Largest Secured Property Taxpayers	S-22
Schedule of Insurance and Surety Bonds	S-23
Miscellaneous Statistical Information	S-24
Other:	
Schedule of Ten Major Businesses	S-25
Schedule of Schools Average Daily Attendance - Last Ten Fiscal Years	S-27
Schedule of Net Income (Loss) - Water Fund	S-28
Schedule of Cash Flows - Water Fund	S-30
Schedule of Water Sold and Revenue per Hundred Cubic Feet	S-32
Schedule of Net Income (Loss) - Sewer Fund	S-34
Schedule of Cash Flows - Sewer Fund	S-36
Schedule of Net Income (Loss) - Electric Fund	S-38
Schedule of Cash Flows - Electric Fund	S-40
Schedule of Electric Utility Customers, Sales and Revenue - Last Ten Fiscal Years	S-42
Schedule of Electricity Sold and Revenue per Megawatt Hours - Last Ten Fiscal Years	S-44
Schedule of Electricity Purchased - Last Ten Fiscal Years	S-46
Schedule of Proportional Share - NCPA Debt Service	S-49
Sotoyome Redevelopment Project Area - Taxable Value and Tax Increments	S-50
Sotoyome Redevelopment Project Area - Tax Increment/Tax Reserves	S-52



# CITY OF HEALDSBURG ADMINISTRATION

401 Grove Street  
Healdsburg, CA 95448-4723

Phone: (707) 431-3317  
Fax: (707) 431-3321

Visit us at [www.ci.healdsburg.ca.us](http://www.ci.healdsburg.ca.us)

December 15, 2005

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, 2005. 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 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.

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, 2005, 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, 2005, 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 region 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 the Mayor is elected to a two-year term.

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

Annual budget. The City of Healdsburg operates on a fiscal year basis, beginning July 1 and ending June 30<sup>th</sup>. 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.

## FACTORS AFFECTING FINANCIAL CONDITION

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 governmental 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.

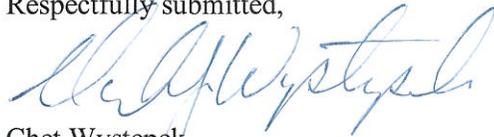
## AWARDS AND ACKNOWLEDGEMENTS

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, 2004. 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 be 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

# 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, 2004

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.



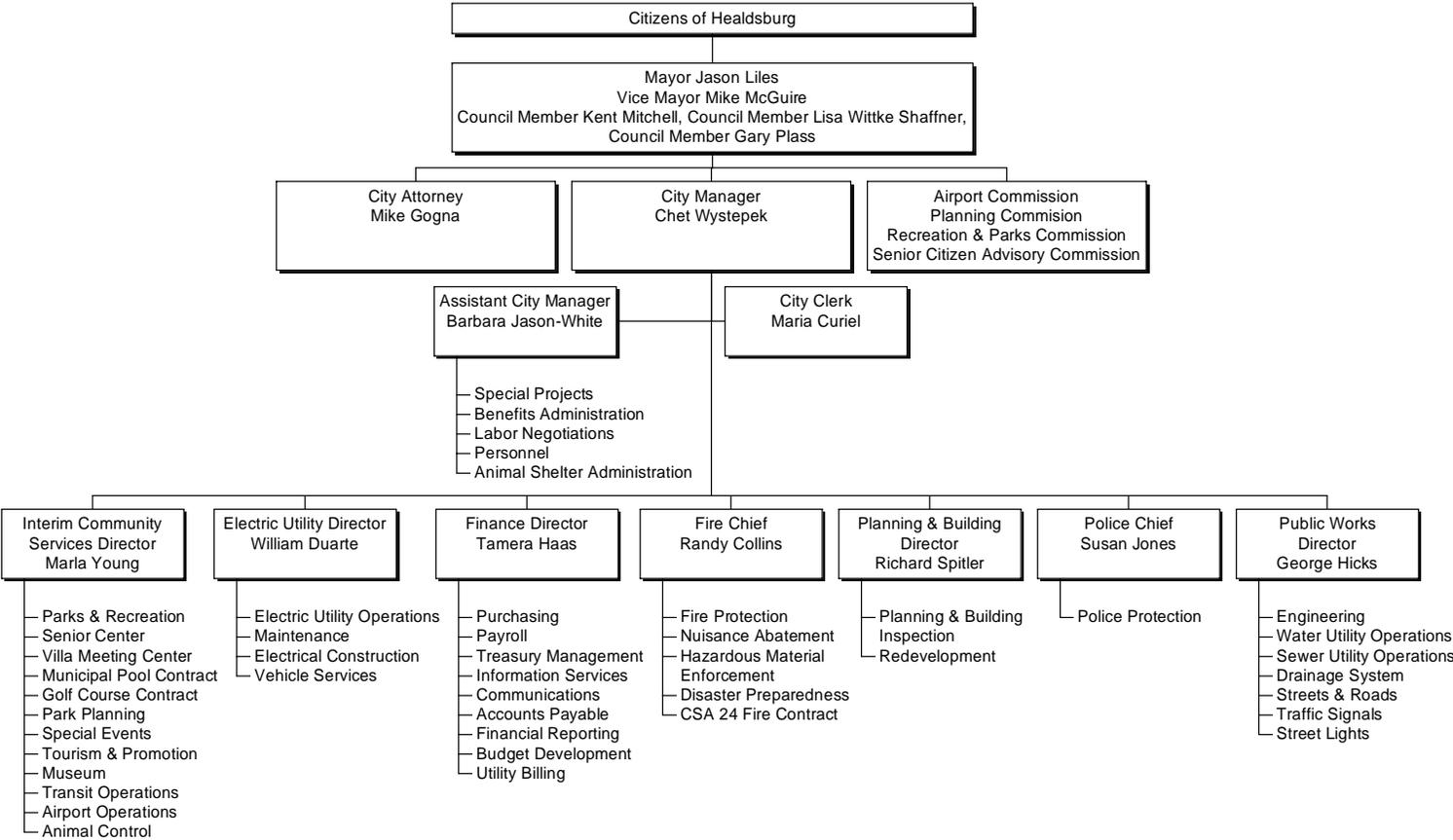
*Nancy L. Zielle*

President

*Jeffrey R. Enos*

Executive Director

# City of Healdsburg Organization Chart



CITY OF HEALDSBURG

JUNE 30, 2005

Elected Officials

Jason Liles  
Mayor

Mike McGuire  
Vice Mayor

Kent Mitchell  
Council Member

Lisa W. Schaffner  
Council Member

Gary Plass  
Council Member

Appointed Officials

Chet J. Wysteppek  
City Manager

Mike Gogna  
City Attorney

Barbara Jason-White  
Assistant City Manager

Tamera Haas  
Finance Director

Marla Young  
Interim Community Services Director

Maria Curiel  
City Clerk

Bill Duarte  
Electric Utility Director

George Hicks  
Public Works Director

Susan Jones  
Police Chief

Randy Collins  
Fire Chief

Richard Spitler  
Planning and Building Director



**DIEHL, EVANS & COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2121 ALTON PARKWAY, SUITE 100  
IRVINE, CALIFORNIA 92606-4956  
(949) 399-0600 • FAX (949) 399-0610  
[www.diehlevents.com](http://www.diehlevents.com)

MICHAEL R. LUDIN, CPA  
CRAIG W. SPRAKER, CPA  
NITIN P. PATEL, CPA  
ROBERT J. CALLANAN, CPA  
\*PHILIP H. HOLTkamp, CPA  
\*THOMAS M. PERLOWSKI, CPA  
\*HARVEY J. SCHROEDER, CPA  
KENNETH R. AMES, CPA

\*A PROFESSIONAL CORPORATION

October 26, 2005

**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, 2005, 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, 2005, 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 -

OTHER OFFICES AT:

2965 ROOSEVELT STREET  
CARLSBAD, CALIFORNIA 92008-2389  
(760) 729-2343 • FAX (760) 729-2234

613 W. VALLEY PARKWAY, SUITE 330  
ESCONDIDO, CALIFORNIA 92025-2598  
(760) 741-3141 • FAX (760) 741-9890

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2005 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 budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.

*Dieryl, Evans and Company, LLP*

## CITY OF HEALSDBURG

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

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, 2005. 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 \$130.9 million (net assets) at June 30, 2005. Of this amount, \$40.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net assets increased by \$4.9 million during the fiscal year, compared to an increase of \$8.5 million in the prior year. The increase attributable to the City's business type activities was \$4 million, while the governmental activities increased by \$.9 million.
- At the close of fiscal year 2004-05, City governmental funds reported combined ending fund balance of \$46.6 million, an increase of \$1 million.
- At the end of fiscal year 2004-05, unreserved fund balance for the General Fund was \$4.6 million, or 80 percent of total General Fund expenditures.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

##### **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 HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-wide financial statements (Continued)**

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 Community 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** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund financial statements (Continued)**

**Governmental funds (Continued)** The City maintains several individual governmental funds organized by their type (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, Community Redevelopment Agency Debt Service, Special Assessment Debt Service, Community Redevelopment Commercial/Industrial Capital Projects, Community Redevelopment Low/Moderate Income Capital Projects and General Capital Projects which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the other governmental funds is provided in the form of combining statements beginning on page 77 of this report.

The City adopts an annual appropriated budget for its General Fund, certain special revenue funds and debt service funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget. These statements are on pages 75 and 90 - 100 of this report.

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

**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** are 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** are used to report activities that provide internal services for the City. The City uses internal service funds to account for its insurance and benefits, vehicle service and replacement, information systems and equipment and government buildings. 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 113 of this report.

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

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund financial statements (Continued)**

**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 and 33 of this report.

**Notes to the basic 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 - 72 of this report.

**Other information**

In addition to the basic 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 - 125 of this report.

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**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 \$131.0 million in 2005 and by \$126.1 million in 2004, as summarized below:

Condensed Statements of Net Assets  
(In millions of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Assets:</b>						
Current and other assets	\$ 55.9	\$ 54.9	\$ 33.7	\$ 35.2	\$ 89.6	\$ 90.1
Capital assets (net of accumulated depreciation)	<u>33.9</u>	<u>34.1</u>	<u>81.9</u>	<u>76.7</u>	<u>115.8</u>	<u>110.8</u>
Total Assets	<u>89.8</u>	<u>89.0</u>	<u>115.6</u>	<u>111.9</u>	<u>205.4</u>	<u>200.9</u>
<b>Liabilities:</b>						
Current and other liabilities	4.4	4.8	1.8	1.6	6.2	6.4
Noncurrent liabilities	<u>50.7</u>	<u>50.4</u>	<u>17.6</u>	<u>18.0</u>	<u>68.3</u>	<u>68.4</u>
Total Liabilities	<u>55.1</u>	<u>55.2</u>	<u>19.4</u>	<u>19.6</u>	<u>74.5</u>	<u>74.8</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	13.3	12.5	64.4	58.7	77.7	71.2
Restricted	8.8	11.5	4.0	6.0	12.8	17.5
Unrestricted	<u>12.6</u>	<u>9.8</u>	<u>27.9</u>	<u>27.6</u>	<u>40.5</u>	<u>37.4</u>
Total Net Assets	<u>\$ 34.7</u>	<u>\$ 33.8</u>	<u>\$ 96.3</u>	<u>\$ 92.3</u>	<u>\$ 131.0</u>	<u>\$ 126.1</u>

A more detailed Statement of Net Assets is shown on page 15.

The largest portion (59.3 percent) of the City's net assets reflects its investment of \$77.7 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.

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Statement of Net Assets (Continued)**

Another portion of the City's net assets (\$12.8 million or 9.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$40.5 million (30.9 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 2004-05 as compared to 2003-04.

The City's net assets increased overall by \$4.9 million during the current fiscal year.

**Governmental activities** increased the City's net assets by \$2.6 million before transfers for the current year. Compared to 2003-04, the City recognized an overall \$.2 million decrease in revenues, the net result of an increase in charges for services (\$.3 million), an increase in operating grants and contributions (\$.3 million), an increase in general revenues (\$.7 million) and a decrease in capital grants and contributions (\$1.5 million). Total expenses increased by \$1.8 million, which included increases to public safety (\$.9 million) and community development (\$1.2 million). Public safety is the largest expense function (43.3 percent), followed by community development (30.8 percent), interest on long-term debt (20.3 percent), general government (5.3 percent), unallocated depreciation (.2 percent) and culture and recreation (.1 percent). General revenues such as property and sales tax are not shown by program, but are effectively used to support program activities citywide.

**Business-type activities** increased the City's net assets by \$2.3 million before transfers for the current year. Compared to 2003-04, business-type activities generated \$.6 million more in revenue, primarily due to an increase in charges for services, and recognized \$2.2 million more in expenses. As shown on page 16, the Electric Fund had total expenses of \$9.3 million. The electric utility fees provide the largest share of revenues of the business-type activity revenues (47.3 percent), followed by sewer (22.0 percent), water (20.1 percent), other programs (6.2 percent) and streets (4.4 percent).

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Statement of Activities (Continued)**

Condensed Statements of Activities  
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 1.2	\$ 0.9	\$ 19.7	\$ 19.0	\$ 20.9	\$ 19.9
Operating grants and contributions	1.9	1.6	1.0	0.9	2.9	2.5
Capital grants and contributions	0.1	1.6	0.1	0.5	0.2	2.1
General revenues	<u>12.8</u>	<u>12.1</u>	<u>0.7</u>	<u>0.5</u>	<u>13.5</u>	<u>12.6</u>
Total Revenues	<u>16.0</u>	<u>16.2</u>	<u>21.5</u>	<u>20.9</u>	<u>37.5</u>	<u>37.1</u>
Expenses:						
General government	0.7	1.2	0.0	0.0	0.7	1.2
Public safety	5.9	5.0	0.0	0.0	5.9	5.0
Community development	4.1	2.9	0.0	0.0	4.1	2.9
Interest on long-term debt	2.7	2.5	0.0	0.0	2.7	2.5
Water	0.0	0.0	3.6	3.2	3.6	3.2
Sewer	0.0	0.0	2.9	2.7	2.9	2.7
Electric	0.0	0.0	9.3	8.0	9.3	8.0
Streets	0.0	0.0	1.3	1.2	1.3	1.2
Other programs	<u>0.0</u>	<u>0.0</u>	<u>2.1</u>	<u>1.9</u>	<u>2.1</u>	<u>1.9</u>
Total Expenses	<u>13.4</u>	<u>11.6</u>	<u>19.2</u>	<u>17.0</u>	<u>32.6</u>	<u>28.6</u>
Change in Net Assets before Transfers	2.6	4.6	2.3	3.9	4.9	8.5
Transfers	<u>(1.7)</u>	<u>(0.3)</u>	<u>1.7</u>	<u>0.3</u>	<u>0.0</u>	<u>0.0</u>
Change in Net Assets	0.9	4.3	4.0	4.2	4.9	8.5
Net Assets Beginning of Year	<u>33.8</u>	<u>29.5</u>	<u>92.3</u>	<u>88.1</u>	<u>126.1</u>	<u>117.6</u>
Net Assets End of Year	<u>\$ 34.7</u>	<u>\$ 33.8</u>	<u>\$ 96.3</u>	<u>\$ 92.3</u>	<u>\$ 131.0</u>	<u>\$ 126.1</u>

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

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**FINANCIAL ANALYSIS OF CITY FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

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, 2005, the City's governmental funds reported combined ending fund balances of \$46.6 million, an increase of \$1.0 million in comparison with the prior year. Of the \$46.6 million, \$13.4 million, or 29 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 (\$4.5 million), redevelopment projects from bond funding (\$27.7 million) and for a variety of other purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund reported a fund balance of \$4.7 million, compared with \$4.0 million last year, an increase of \$0.7 million. The increase was primarily the result of the sale of property.

The City has two major debt service funds that are used to report the accumulation of resources for and the payment of principal and interest of long-term debt. At June 30, 2005, the City's Redevelopment Debt Service fund reported a fund balance of \$3.1 million, and the Special Assessment Debt Service fund reported a fund balance of \$331 thousand, a decrease of \$19 thousand from prior year.

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 \$18.8 million at the end of the current year, a decrease of \$64 thousand from prior year.

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**FINANCIAL ANALYSIS OF CITY FUNDS (CONTINUED)**

**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 \$.7 million increase to \$15.2 million in the Water Fund, a \$1.5 million increase to \$28.9 million in the Sewer Fund, and a \$.4 million increase to \$20.8 million in the Electric Fund. These increases are generally due to revenues exceeding expenditures and transfers out.

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 \$165 thousand during the fiscal year, ending with a balance of \$5.1 million.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

At June 30, 2005, 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 80 percent of total General Fund expenditures.

For the City's General Fund, actual revenues for the year were \$6.0 million, \$0.9 million more than the final budgeted revenues. The majority of the variance was due to a \$1.3 million increase in property taxes and a \$.8 million decrease in sales and other taxes. The City budgeted \$5.1 million total revenue but reported actual revenue of \$6.0 million. Total expenditures exceeded the City's budgeted amount by \$0.5 million.

Overall, the City ended the year with a positive budget variance of \$1.0 million, having budgeted a \$0.3 million decrease to fund balance, but ending the year with a net increase of \$0.7 million.

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**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, 2005 amounts to \$115.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings & improvements, equipment, infrastructure, and construction in progress. The total net increase in capital assets for fiscal year 2004-05 was \$5.0 million or 4 percent.

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

- Purchased land for potential development of commercial/industrial and low/moderate income housing projects.
- Completion of Downtown WiFi project.
- Completion of Badger Park Bridge.
- 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land and land rights	\$ 12.9	\$ 12.4	\$ 4.9	\$ 3.8	\$ 17.8	\$ 16.2
Right of way	6.7	6.7	0.0	0.0	6.7	6.7
Construction in progress	0.5	0.6	10.4	9.6	10.9	10.2
Buildings	10.7	11.2	3.0	3.2	13.7	14.4
Streets	0.0	0.0	17.8	17.2	17.8	17.2
Utility systems	0.0	0.0	39.8	37.1	39.8	37.1
Drainage	0.0	0.0	4.0	3.9	4.0	3.9
Machinery and equipment	2.0	2.3	1.3	1.1	3.3	3.4
Operations	0.0	0.0	0.8	0.8	0.8	0.8
Infrastructure	<u>1.0</u>	<u>0.9</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>0.9</u>
Total Capital Assets, Net	<u>\$ 33.8</u>	<u>\$ 34.1</u>	<u>\$ 82.0</u>	<u>\$ 76.7</u>	<u>\$ 115.8</u>	<u>\$ 110.8</u>

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

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-term debt:**

At the end of fiscal year 2004-05 the City had total bonded debt outstanding of \$67.3 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 5.3	\$ 5.6	\$ 0.0	\$ 0.0	\$ 5.3	\$ 5.6
Tax allocation bonds	42.6	41.6	0.0	0.0	42.6	41.6
Special assessments	1.7	2.1	0.0	0.0	1.7	2.1
Certificates of participation	<u>0.0</u>	<u>0.0</u>	<u>17.7</u>	<u>18.2</u>	<u>17.7</u>	<u>18.2</u>
Total	<u>\$ 49.6</u>	<u>\$ 49.3</u>	<u>\$ 17.7</u>	<u>\$ 18.2</u>	<u>\$ 67.3</u>	<u>\$ 67.5</u>

The City's total bonds outstanding at the end of the year were \$67.3 million, a decrease of \$0.2 million from the prior year. This change was primarily the result of issuing the 2002 Series B tax allocation bonds in the amount of \$1.8 million, refinancing the special assessment Area A bonds resulting in a net reduction of \$0.3 million, and principal payments of \$1.7 million.

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 2005-06, management looked at the following economic factors:

- The State of California has not resolved the budget crisis and is still faced with a \$17 billion shortfall that may take several years to resolve. The City revenues that continue to be at risk include motor vehicle license fees, property taxes, supplemental law enforcement funds and redevelopment tax increments.
- The slowing of sales tax revenue growth due to a weaker economy is expected to continue over the next several years. Sales tax revenue represents 37% of the General Fund revenue, the largest single source.

See independent auditors' report.

CITY OF HEALDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2005

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)**

Economic Factors (Continued):

- The City's costs for the contribution to the Public Employee Retirement System (PERS), the retirement plan for City employees, are increasing steadily, as are the costs of employee health benefits. The rising employee benefit costs will continue to be a challenge over the next several years.

Compared to prior year's budget, the City's General Fund expenditures are projected to increase by 14% to fund public safety needs. City Council appropriated one-time revenues and contingency reserves to balance the budget. The City continues to pursue the securitization of ongoing revenue sources to fund public safety.

The City continues to grow with new hotels, and other commercial development, construction of street improvements, park construction, and various other projects. The 2005-06 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 2005-06 budget can be obtained by contacting the City's Finance Department.

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.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of City finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the City's Finance Department at City of Healdsburg offices at 401 Grove Street, Healdsburg, California or by calling (707) 431-3310.

See independent auditors' report.

## CITY OF HEALDSBURG

## STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments (Note 2)	\$ 22,947,470	\$ 24,556,731	\$ 47,504,201
Receivables:			
Interest	246,115	178,324	424,439
Accounts	690,340	2,871,920	3,562,260
Taxes	1,010,104	174,388	1,184,492
Loans	1,554,294	-	1,554,294
Special assessments	1,710,408	-	1,710,408
Notes	30,925	-	30,925
Due from other governments	97,496	-	97,496
Internal balances	368,650	(368,650)	-
Inventory	47,156	1,454,212	1,501,368
Deferred charges	463,171	832,481	1,295,652
Restricted assets:			
Cash and investments (Note 2)	26,722,327	4,003,601	30,725,928
Capital assets (Note 4):			
Land	12,888,560	4,899,880	17,788,440
Right of way	6,681,379	-	6,681,379
Infrastructure, net	1,020,955	-	1,020,955
Depreciable buildings, net	10,734,898	3,034,037	13,768,935
Depreciable streets, net	-	17,802,830	17,802,830
Depreciable utility systems, net	-	39,798,770	39,798,770
Depreciable drainage, net	-	3,956,641	3,956,641
Depreciable machinery and equipment, net	2,015,753	1,273,732	3,289,485
Depreciable operations, net	-	753,533	753,533
Construction in progress	502,724	10,426,314	10,929,038
<b>TOTAL ASSETS</b>	<b>89,732,725</b>	<b>115,648,744</b>	<b>205,381,469</b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	1,769,302	1,269,421	3,038,723
Deposits payable	33,013	517,675	550,688
Unearned revenue	2,543,083	-	2,543,083
Noncurrent liabilities (Note 5):			
Due within one year	2,659,304	480,000	3,139,304
Due in more than one year	48,072,840	17,094,809	65,167,649
<b>TOTAL LIABILITIES</b>	<b>55,077,542</b>	<b>19,361,905</b>	<b>74,439,447</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	13,257,988	64,370,928	77,628,916
Restricted for:			
Debt service	4,464,507	-	4,464,507
Capital projects	-	4,003,601	4,003,601
Community development	4,042,299	-	4,042,299
Public safety	14,730	-	14,730
Culture and recreation	264,435	-	264,435
Unrestricted	12,611,224	27,912,310	40,523,534
<b>TOTAL NET ASSETS</b>	<b>\$ 34,655,183</b>	<b>\$ 96,286,839</b>	<b>\$ 130,942,022</b>

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

CITY OF HEALDSBURG

STATEMENT OF ACTIVITIES

For the year ended June 30, 2005

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental activities:</b>				
General government	\$ 708,707	\$ 763,559	\$ 114,606	\$ -
Public safety	5,840,711	442,387	422,593	-
Culture and recreation	19,583	605	1,165	105,475
Community development	4,146,956	-	1,335,709	19,700
Unallocated infrastructure depreciation	25,286	-	-	-
Interest on long-term debt	2,735,255	-	-	-
Total governmental activities	13,476,498	1,206,551	1,874,073	125,175
<b>Business-type activities:</b>				
Water	3,593,077	3,953,043	-	-
Sewer	2,882,193	4,323,805	-	-
Electric	9,293,837	9,310,107	-	131,626
Streets	1,352,217	853,272	-	-
Other programs	2,088,670	1,226,118	1,021,923	6,094
Total business-type activities	19,209,994	19,666,345	1,021,923	137,720
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 32,686,492</b>	<b>\$ 20,872,896</b>	<b>\$ 2,895,996</b>	<b>\$ 262,895</b>

General revenues:

Taxes:

Property taxes, levied for general purposes

Franchise taxes

Sales tax

Motor vehicle in-lieu

Gain from sale of capital assets

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
\$ 169,458	\$ -	\$ 169,458
(4,975,731)	-	(4,975,731)
87,662	-	87,662
(2,791,547)	-	(2,791,547)
(25,286)	-	(25,286)
(2,735,255)	-	(2,735,255)
(10,270,699)	-	(10,270,699)
-	359,966	359,966
-	1,441,612	1,441,612
-	147,896	147,896
-	(498,945)	(498,945)
-	165,465	165,465
-	1,615,994	1,615,994
(10,270,699)	1,615,994	(8,654,705)
8,945,585	-	8,945,585
304,290	-	304,290
2,279,016	-	2,279,016
114,500	-	114,500
148,166	-	148,166
1,036,998	709,885	1,746,883
(1,671,743)	1,671,743	-
11,156,812	2,381,628	13,538,440
886,113	3,997,622	4,883,735
33,769,070	92,289,217	126,058,287
<u>\$ 34,655,183</u>	<u>\$ 96,286,839</u>	<u>\$ 130,942,022</u>

CITY OF HEALDSBURG

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2005

		<u>Debt Service Funds</u>		
		<u>General</u>	<u>Redevelopment Agency</u>	<u>Special Assessment</u>
ASSETS				
Cash and investments		\$ 4,122,304	\$ -	\$ 30,158
Receivables:				
Accounts		28,333	-	-
Taxes		863,438	-	-
Loans		-	-	-
Interest		32,132	-	133
Special assessments		-	-	1,710,408
Due from other governments		72,070	-	-
Due from other funds		-	-	-
Restricted cash and investments		-	3,131,234	301,082
		<u>-</u>	<u>3,131,234</u>	<u>301,082</u>
	TOTAL ASSETS	<u>\$ 5,118,277</u>	<u>\$ 3,131,234</u>	<u>\$ 2,041,781</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable		\$ 168,941	\$ 3,710	\$ 480
Deposits		33,013	-	-
Due to other funds		-	-	-
Deferred revenue		243,293	-	1,710,408
		<u>445,247</u>	<u>3,710</u>	<u>1,710,888</u>
	TOTAL LIABILITIES	<u>445,247</u>	<u>3,710</u>	<u>1,710,888</u>
FUND EQUITY:				
Reserved:				
Noncurrent loans receivable		-	-	-
Low and moderate income housing		-	-	-
Debt service		-	3,127,524	330,893
Community and economic development		-	-	-
Unreserved, Reported In:				
General fund		4,673,030	-	-
Special revenue fund		-	-	-
Capital projects fund		-	-	-
Permanent fund		-	-	-
		<u>4,673,030</u>	<u>3,127,524</u>	<u>330,893</u>
	TOTAL FUND EQUITY	<u>4,673,030</u>	<u>3,127,524</u>	<u>330,893</u>
	TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,118,277</u>	<u>\$ 3,131,234</u>	<u>\$ 2,041,781</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
\$ 2,529,566	\$ 1,770,711	\$ 9,343,181	\$ 17,795,920
388,467	-	255,999	672,799
76,246	19,061	51,359	1,010,104
-	-	1,554,294	1,554,294
77,490	50,636	54,998	215,389
-	-	-	1,710,408
-	-	25,426	97,496
-	-	100,000	100,000
16,290,489	6,999,522	-	26,722,327
<u>\$ 19,362,258</u>	<u>\$ 8,839,930</u>	<u>\$ 11,385,257</u>	<u>\$ 49,878,737</u>
\$ 93,833	\$ 6,857	\$ 20,055	\$ 293,876
-	-	-	33,013
100,000	-	55,000	155,000
388,467	-	444,208	2,786,376
<u>582,300</u>	<u>6,857</u>	<u>519,263</u>	<u>3,268,265</u>
-	-	1,179,294	1,179,294
-	8,833,073	-	8,833,073
-	-	1,006,090	4,464,507
18,779,958	-	-	18,779,958
-	-	-	4,673,030
-	-	4,273,855	4,273,855
-	-	4,323,478	4,323,478
-	-	83,277	83,277
<u>18,779,958</u>	<u>8,833,073</u>	<u>10,865,994</u>	<u>46,610,472</u>
<u>\$ 19,362,258</u>	<u>\$ 8,839,930</u>	<u>\$ 11,385,257</u>	<u>\$ 49,878,737</u>

**(This page left blank intentionally)**

CITY OF HEALDSBURG

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

June 30, 2005

Fund balances - total governmental funds		\$ 46,610,472
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		32,152,588
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		243,293
Internal service funds are used by management to charge the costs of self-insurance and capital replacements to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		5,088,338
Internal balances included in internal service funds which are receivable from the enterprise funds.		423,650
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Assets:		
General obligation bonds	\$ (5,345,000)	
Tax allocation bonds payable	(42,595,000)	
Special assessment bonds payable	(1,715,000)	
Bond discount	272,160	
Deferred charges for issuance costs	463,171	
Total long-term liabilities		(48,919,669)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(943,489)
Net assets of governmental activities		<u>\$ 34,655,183</u>

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

CITY OF HEALDSBURG

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

For the year ended June 30, 2005

	Debt Service Funds		
	General	Redevelopment Agency	Special Assessment
REVENUES:			
Property taxes	\$ 1,912,696	\$ -	\$ -
Sales and other taxes	2,697,059	-	-
Charges for services	327,293	-	-
Intergovernmental revenue	817,425	-	-
Special assessments	-	-	397,402
Development fees and permits	-	-	-
Investment income	97,310	32,741	7,833
Miscellaneous fees and charges	77,038	-	-
Other revenues	47,779	-	-
TOTAL REVENUES	<u>5,976,600</u>	<u>32,741</u>	<u>405,235</u>
EXPENDITURES:			
Current:			
General government	299,700	-	-
Public safety	5,523,150	-	-
Culture and recreation	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Debt Service:			
Principal retirement	-	845,000	70,000
Interest and fees	-	2,175,511	310,645
TOTAL EXPENDITURES	<u>5,822,850</u>	<u>3,020,511</u>	<u>380,645</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>153,750</u>	<u>(2,987,770)</u>	<u>24,590</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	3,252,034	-
Transfers out	(15,000)	-	-
Bonds issued	-	-	1,498,947
Payment to refund bond escrow agent	-	-	(1,806,638)
Sale of capital assets	562,802	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>547,802</u>	<u>3,252,034</u>	<u>(307,691)</u>
NET CHANGE IN FUND BALANCES	701,552	264,264	(283,101)
FUND BALANCES - BEGINNING OF YEAR	<u>3,971,478</u>	<u>2,863,260</u>	<u>613,994</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,673,030</u>	<u>\$ 3,127,524</u>	<u>\$ 330,893</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
\$ 5,189,851	\$ 1,297,463	\$ 545,575	\$ 8,945,585
-	-	-	2,697,059
-	-	-	327,293
-	-	799,059	1,616,484
-	-	-	397,402
-	-	112,877	112,877
381,189	260,346	286,568	1,065,987
-	-	-	77,038
8,914	4,286	500,675	561,654
<u>5,579,954</u>	<u>1,562,095</u>	<u>2,244,754</u>	<u>15,801,379</u>
177,228	51,226	53,922	582,076
-	-	-	5,523,150
-	-	19,583	19,583
3,039,736	743,323	457,118	4,240,177
-	-	934,247	934,247
-	-	290,000	1,205,000
-	-	200,618	2,686,774
<u>3,216,964</u>	<u>794,549</u>	<u>1,955,488</u>	<u>15,191,007</u>
<u>2,362,990</u>	<u>767,546</u>	<u>289,266</u>	<u>610,372</u>
7,678	-	3,396,649	6,656,361
(4,235,302)	(2,425,623)	(1,667,820)	(8,343,745)
1,800,000	-	-	3,298,947
-	-	-	(1,806,638)
-	-	-	562,802
<u>(2,427,624)</u>	<u>(2,425,623)</u>	<u>1,728,829</u>	<u>367,727</u>
(64,634)	(1,658,077)	2,018,095	978,099
<u>18,844,592</u>	<u>10,491,150</u>	<u>8,847,899</u>	<u>45,632,373</u>
<u>\$ 18,779,958</u>	<u>\$ 8,833,073</u>	<u>\$ 10,865,994</u>	<u>\$ 46,610,472</u>

**(This page left blank intentionally)**

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, 2005

Net change in fund balances - total governmental funds \$ 978,099

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalizable capital outlays (\$1,027,468) exceeded depreciation (\$531,595) and assets disposed off (\$414,636) in the current period. 81,237

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. 47,911

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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt:

Debt issued or incurred:			
Issuance of debt		\$ (3,298,947)	
Payment to refund bond escrow agent		1,806,638	
Principal payments		<u>1,205,000</u>	
			(287,309)

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		\$ (13,601)	
Amortization of issuance costs		(21,886)	
Amortization of bond discount		<u>(12,994)</u>	
			(48,481)

Internal service funds are used by management to charge the costs of self-insurance and capital replacements to individual funds. A portion of the net income of the internal service funds is reported with governmental activities. 114,656

Change in net assets of governmental activities \$ 886,113

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

CITY OF HEALDSBURG

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS

June 30, 2005

		Business-type Activities - Enterprise Funds		
ASSETS		Water Fund	Sewer Fund	Electric Fund
<b>CURRENT ASSETS:</b>				
Cash and investments		\$ 2,895,018	\$ 7,993,714	\$ 8,494,117
Accounts receivable		639,686	536,532	1,658,433
Taxes receivable		-	-	-
Interest receivable		21,564	53,324	66,502
Notes receivable		-	-	-
Due from other funds		-	-	60,807
Inventory		78,786	1,620	1,358,582
<b>TOTAL CURRENT ASSETS</b>		<b>3,635,054</b>	<b>8,585,190</b>	<b>11,638,441</b>
<b>NONCURRENT ASSETS:</b>				
Deferred issuance cost		708,024	124,457	-
Restricted cash and investments		3,651,143	352,458	-
Capital assets:				
Land		310,781	682,880	48,360
Building		1,449,918	206,166	447,835
Streets		-	-	-
Utility systems		20,546,149	17,613,438	13,620,513
Drainage		-	8,963,378	-
Machinery and equipment		509,575	537,226	366,288
Operations		-	-	-
Construction in progress		4,633,986	2,647,104	1,341,009
Less accumulated depreciation		(4,932,148)	(7,414,595)	(6,259,685)
<b>TOTAL NONCURRENT ASSETS</b>		<b>26,877,428</b>	<b>23,712,512</b>	<b>9,564,320</b>
<b>TOTAL ASSETS</b>		<b>30,512,482</b>	<b>32,297,702</b>	<b>21,202,761</b>
<b>LIABILITIES</b>				
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities		870,085	153,679	119,330
Deposits from others		4,155	-	261,171
Due to other funds		-	-	-
Claims payable		-	-	-
Compensated absences		-	-	-
Certificates of participation		410,000	70,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,284,240</b>	<b>223,679</b>	<b>380,501</b>
<b>NONCURRENT LIABILITIES:</b>				
Certificates of participation		13,937,062	3,157,747	-
<b>TOTAL LIABILITIES</b>		<b>15,221,302</b>	<b>3,381,426</b>	<b>380,501</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt		8,171,199	20,007,850	9,564,320
Restricted for capital projects		3,651,143	352,458	-
Unrestricted		3,468,838	8,555,968	11,257,940
<b>TOTAL NET ASSETS</b>		<b>\$ 15,291,180</b>	<b>\$ 28,916,276</b>	<b>\$ 20,822,260</b>

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
\$ 3,755,861	\$ 1,418,021	\$ 24,556,731	\$ 5,151,550
764	36,505	2,871,920	17,541
-	174,388	174,388	-
24,044	12,890	178,324	30,726
-	-	-	30,925
-	82,911	143,718	-
-	15,224	1,454,212	47,156
<u>3,780,669</u>	<u>1,739,939</u>	<u>29,379,293</u>	<u>5,277,898</u>
-	-	832,481	-
-	-	4,003,601	-
-	3,857,859	4,899,880	-
-	3,814,903	5,918,822	-
23,431,527	-	23,431,527	-
-	-	51,780,100	-
-	-	8,963,378	-
10,739	737,366	2,161,194	4,695,870
-	1,222,027	1,222,027	-
1,333,887	470,327	10,426,313	-
(5,651,381)	(2,599,695)	(26,857,504)	(3,004,189)
<u>19,124,772</u>	<u>7,502,787</u>	<u>86,781,819</u>	<u>1,691,681</u>
<u>22,905,441</u>	<u>9,242,726</u>	<u>116,161,112</u>	<u>6,969,579</u>
32,446	93,881	1,269,421	394,174
66,332	186,017	517,675	-
-	88,718	88,718	-
-	-	-	137,763
-	-	-	1,349,304
-	-	480,000	-
<u>98,778</u>	<u>368,616</u>	<u>2,355,814</u>	<u>1,881,241</u>
-	-	17,094,809	-
<u>98,778</u>	<u>368,616</u>	<u>19,450,623</u>	<u>1,881,241</u>
19,124,772	7,502,787	64,370,928	-
-	-	4,003,601	1,691,681
<u>3,681,891</u>	<u>1,371,323</u>	<u>28,335,960</u>	<u>3,396,657</u>
<u>\$ 22,806,663</u>	<u>\$ 8,874,110</u>	<u>96,710,489</u>	<u>\$ 5,088,338</u>
		(423,650)	
		<u>\$ 96,286,839</u>	

CITY OF HEALDSBURG

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

For the year ended June 30, 2005

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 3,709,403	\$ 3,784,084	\$ 9,279,807
Development fees	238,552	513,032	27,248
Rental income	-	-	-
Miscellaneous	5,088	26,689	3,052
<b>TOTAL OPERATING REVENUES</b>	<b>3,953,043</b>	<b>4,323,805</b>	<b>9,310,107</b>
<b>OPERATING EXPENSES:</b>			
Purchased power	-	-	5,888,039
Operations	1,502,376	1,083,768	1,495,744
Administrative	980,930	1,058,266	1,514,936
Insurance costs	-	-	-
Depreciation	440,211	542,652	365,971
<b>TOTAL OPERATING EXPENSES</b>	<b>2,923,517</b>	<b>2,684,686</b>	<b>9,264,690</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,029,526</b>	<b>1,639,119</b>	<b>45,417</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Taxes	-	-	-
Intergovernmental grants	-	-	-
Investment earnings	148,404	174,054	214,544
Interest expense	(656,421)	(184,006)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(508,017)</b>	<b>(9,952)</b>	<b>214,544</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>521,509</b>	<b>1,629,167</b>	<b>259,961</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>			
Capital contributions	-	-	131,626
Transfers in	243,754	-	2,151
Transfers out	(22,287)	(126,913)	-
<b>TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>221,467</b>	<b>(126,913)</b>	<b>133,777</b>
<b>CHANGE IN NET ASSETS</b>	<b>742,976</b>	<b>1,502,254</b>	<b>393,738</b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>	<b>14,548,204</b>	<b>27,414,022</b>	<b>20,428,522</b>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 15,291,180</b>	<b>\$ 28,916,276</b>	<b>\$ 20,822,260</b>
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
\$ -	221,769	\$ 16,995,063	\$ 7,315,796
840,780	493,493	2,113,105	-
-	349,088	349,088	-
12,492	161,763	209,084	59,270
<u>853,272</u>	<u>1,226,113</u>	<u>19,666,340</u>	<u>7,375,066</u>
-	-	5,888,039	-
440,535	1,496,857	6,019,280	1,849,090
453,184	429,803	4,437,119	84,891
-	-	-	4,981,040
461,676	157,038	1,967,548	455,503
<u>1,355,395</u>	<u>2,083,698</u>	<u>18,311,986</u>	<u>7,370,524</u>
<u>(502,123)</u>	<u>(857,585)</u>	<u>1,354,354</u>	<u>4,542</u>
-	1,021,922	1,021,922	-
-	6,094	6,094	-
74,548	39,969	651,519	95,263
-	-	(840,427)	-
<u>74,548</u>	<u>1,067,985</u>	<u>839,108</u>	<u>95,263</u>
<u>(427,575)</u>	<u>210,400</u>	<u>2,193,462</u>	<u>99,805</u>
-	-	131,626	-
1,199,544	425,234	1,870,683	64,842
(43,567)	(55,373)	(248,140)	-
<u>1,155,977</u>	<u>369,861</u>	<u>1,754,169</u>	<u>64,842</u>
728,402	580,261	3,947,631	164,647
<u>22,078,261</u>	<u>8,293,849</u>		<u>4,923,691</u>
<u>\$ 22,806,663</u>	<u>\$ 8,874,110</u>		<u>\$ 5,088,338</u>

49,991  
\$ 3,997,622

CITY OF HEALDSBURG

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the year ended June 30, 2005

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 4,026,963	\$ 4,341,957	\$ 8,850,036
Payments to suppliers	(845,835)	(1,379,344)	(6,745,523)
Payments to employees	(1,149,331)	(735,120)	(1,623,120)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,031,797</u>	<u>2,227,493</u>	<u>481,393</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Taxes	-	-	-
Intergovernmental grants	-	-	-
Cash received from other funds	243,754	-	2,151
Cash paid to other funds	(22,287)	(126,913)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>221,467</u>	<u>(126,913)</u>	<u>2,151</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets - capital replacement	(4,358,814)	(1,006,999)	(512,265)
Proceeds from sale of capital assets	-	-	-
Capital contributions	-	-	131,626
Retirement of debt	(405,000)	(65,000)	-
Interest paid	(622,615)	(178,462)	(4,229)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(5,386,429)</u>	<u>(1,250,461)</u>	<u>(384,868)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	135,229	129,141	174,765
Loans collected	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>135,229</u>	<u>129,141</u>	<u>174,765</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(2,997,936)</u>	<u>979,260</u>	<u>273,441</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>9,544,097</u>	<u>7,366,912</u>	<u>8,220,676</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 6,546,161</u>	<u>\$ 8,346,172</u>	<u>\$ 8,494,117</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 1,029,526	\$ 1,639,119	\$ 45,417
Depreciation	440,211	542,652	365,971
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	73,920	18,152	(460,071)
(Increase) decrease in inventory	(1,398)	4	(159,444)
(Increase) decrease in prepaid items	-	-	740,576
(increase) decrease in other current assets	-	-	(60,807)
Increase (decrease) in accounts payable	490,534	27,566	(89,605)
Increase (decrease) in deposits	(996)	-	99,356
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,031,797</u>	<u>\$ 2,227,493</u>	<u>\$ 481,393</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
\$ 864,191	\$ 1,119,171	\$ 19,202,318	\$ 7,370,813
(365,585)	(1,280,703)	(10,616,990)	(6,901,089)
(642,364)	(838,189)	(4,988,124)	(299,552)
(143,758)	(999,721)	3,597,204	170,172
-	1,021,922	1,021,922	-
-	6,094	6,094	-
1,199,544	425,234	1,870,683	64,842
(43,567)	(79,606)	(272,373)	-
1,155,977	1,373,644	2,626,326	64,842
(174,721)	(1,145,747)	(7,198,546)	(102,357)
-	-	-	23,264
-	-	131,626	-
-	-	(470,000)	-
-	-	(805,306)	-
(174,721)	(1,145,747)	(8,342,226)	(79,093)
54,080	38,947	532,162	87,983
-	-	-	4,743
54,080	38,947	532,162	92,726
891,578	(732,877)	(1,586,534)	248,647
2,864,283	2,150,898	30,146,866	4,902,903
\$ 3,755,861	\$ 1,418,021	\$ 28,560,332	\$ 5,151,550
\$ (502,123)	\$ (857,586)	\$ 1,354,353	\$ 4,542
461,676	157,038	1,967,548	455,503
10,919	(106,941)	(464,021)	(4,254)
-	98	(160,740)	(12,012)
-	-	740,576	-
-	-	(60,807)	-
(108,095)	(192,330)	128,070	(273,607)
(6,135)	-	92,225	-
\$ (143,758)	\$ (999,721)	\$ 3,597,204	\$ 170,172

CITY OF HEALDSBURG

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2005

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Cash and investments (Note 2)	\$ 864,843
Interest receivable	<u>6,646</u>
 TOTAL ASSETS	 871,489
LIABILITIES:	
Accounts payable	<u>299</u>
NET ASSETS:	
Held in trust for other purposes	<u>\$ 871,190</u>

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

CITY OF HEALDSBURG

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2005

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Contributions	\$ 20,584
Investment income	20,607
Fees and charges	31,383
Other income	<u>50,000</u>
 TOTAL ADDITIONS	 122,574
DEDUCTIONS:	
Community development	<u>95,823</u>
 CHANGE IN NET ASSETS	 26,751
NET ASSETS - BEGINNING OF YEAR	<u>844,439</u>
NET ASSETS - END OF YEAR	<u><u>\$ 871,190</u></u>

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

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

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, 2005

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, 2005

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, 2005

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.

The Special Assessment Debt Service Fund accounts for the resources accumulated and payments made for principle and interest of the City's special assessment districts.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

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, 2005

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, 2005.

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, 2005

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 first-in, first-out (FIFO) method. Inventory of the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure in the General Fund at the time individual inventory items are consumed rather than when purchased. 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, 2005

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.

Deferred Revenue - The deferred revenue reported on the Governmental Funds Balance Sheet represents \$243,294 in funds not available to pay for current expenditures and \$2,543,082 in receivables for which revenues have not been earned.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

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, 2005 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets	Total
Unrestricted assets:			
Cash and investments	\$ 47,504,201	\$ 864,843	\$ 48,369,044
Restricted assets:			
Cash and investments	<u>30,725,928</u>	<u>-</u>	<u>30,725,928</u>
Total Cash and Investments	<u>\$ 78,230,129</u>	<u>\$ 864,843</u>	<u>\$ 79,094,972</u>

Cash and investments at June 30, 2005 consisted of the following:

Cash on hand	\$ 1,400
Deposits with financial institutions	192,965
Investments	<u>78,900,607</u>
Total Cash and Investments	<u>\$ 79,094,972</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

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, 2005

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, 2005

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	\$ 3,897,688	\$ -	\$ -	\$ 3,897,688
Sonoma County Investment Pool	244,421	-	-	244,421
Commercial Paper	999,647	-	-	999,647
Banker's Acceptance	2,488,742	-	-	2,488,742
Federal Farm Credit Bank (FFCB)	3,471,757	2,000,000	-	5,471,757
Federal Home Loan Bank (FHLB)	15,419,907	11,977,376	15,997,375	43,394,658
Federal Home Loan Mortgage Corporation (FHLMC)	4,925,126	494,440	-	5,419,566
Federal National Mortgage Association (FNMA)	992,290	-	-	992,290
Money Market Mutual Funds	<u>15,991,838</u>	<u>-</u>	<u>-</u>	<u>15,991,838</u>
	<u>\$ 48,431,416</u>	<u>\$ 14,471,816</u>	<u>\$ 15,997,375</u>	<u>\$ 78,900,607</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

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 as of year end for each investment type:

<u>Investment Type</u>	<u>Total as of June 30, 2005</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>A-1+</u>	<u>P-1</u>	<u>Unrated</u>
Local Agency						
Investment Fund	\$ 3,897,688	N/A	\$ -	\$ -	\$ -	\$ 3,897,688
Sonoma County						
Investment Pool	244,421	N/A	-	-	-	244,421
Commercial Paper	999,647	A-1+	-	999,647	-	-
Banker's Acceptance	2,488,742	P-1	-	-	2,488,742	-
FFCB	5,471,757	AAA	5,471,757	-	-	-
FHLB	43,394,658	AAA	43,394,658	-	-	-
FHLMC	5,419,566	AAA	5,419,566	-	-	-
FNMA	992,290	AAA	992,290	-	-	-
Money Market						
Mutual Funds	<u>15,991,838</u>	N/A	-	-	-	<u>15,991,838</u>
Total	<u>\$ 78,900,607</u>		<u>\$ 55,278,271</u>	<u>\$ 999,647</u>	<u>\$ 2,488,742</u>	<u>\$ 20,133,947</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	U.S. Government Sponsored Enterprise Securities	\$ 5,471,757
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	43,394,658
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	5,419,566

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, 2005, 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, 2005

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, 2005 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	Redevelopment Agency Commercial/Industrial	\$ 100,000
Electric Enterprise	Other Governmental Funds	55,000
	Other Enterprise Funds	5,807
Other Enterprise Funds	Other Enterprise Funds	<u>82,911</u>
		<u>\$ 243,718</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, 2005

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

The compositions of the City's interfund transfer balances as of June 30, 2005 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Redevelopment Agency Debt Service	Redevelopment Agency Commercial/Industrial	\$ 2,352,305
	Redevelopment Agency Low/Moderate Income	899,729
Redevelopment Agency Commercial/Industrial	Other Enterprise Funds	7,678
Other Governmental Funds	Redevelopment Agency Commercial/Industrial	1,299,994
	Redevelopment Agency Low/Moderate Income	1,525,894
	Other Governmental Funds	383,751
	Sewer Enterprise	100,000
	Streets Enterprise	43,567
	Other Enterprise Funds	43,443
Water Enterprise	Redevelopment Agency Commercial/Industrial	243,754
Electric Enterprise	Other Governmental Funds	2,151
Streets Enterprise	Redevelopment Agency Commercial/Industrial	295,411
	Other Governmental Funds	904,133
Other Enterprise Funds	Redevelopment Agency Commercial/Industrial	43,839
	Other Governmental Funds	377,143
	Other Enterprise Funds	4,252

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

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 Funds	642
	Water Enterprise	22,287
	Sewer Enterprise	<u>26,913</u>
		<u>\$ 8,591,886</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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

4. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2005 is as follows:

**Governmental Activities:**

	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 12,439,005	\$ 864,191	\$ (414,636)	\$ 12,888,560
Right of way	6,681,379	-	-	6,681,379
Construction in progress	<u>583,693</u>	<u>280,150</u>	<u>(361,119)</u>	<u>502,724</u>
Total capital assets, not being depreciated	<u>19,704,077</u>	<u>1,144,341</u>	<u>(775,755)</u>	<u>20,072,663</u>
Capital assets, being depreciated:				
Buildings	13,961,778	19,127	-	13,980,905
Machinery and equipment	5,312,400	206,610	(268,647)	5,250,363
Infrastructure	<u>1,143,453</u>	<u>120,868</u>	<u>-</u>	<u>1,264,321</u>
Total capital assets being depreciated	<u>20,417,631</u>	<u>346,605</u>	<u>(268,647)</u>	<u>20,495,589</u>
Less accumulated depreciation for:				
Buildings	(2,772,768)	(473,239)	-	(3,246,007)
Machinery and equipment	(2,991,417)	(487,174)	243,981	(3,234,610)
Infrastructure	<u>(218,080)</u>	<u>(25,286)</u>	<u>-</u>	<u>(243,366)</u>
Total accumulated depreciation	<u>(5,982,265)</u>	<u>(985,699)</u>	<u>243,981</u>	<u>(6,723,983)</u>
Total capital assets being depreciated, net	<u>14,435,366</u>	<u>(639,094)</u>	<u>(24,666)</u>	<u>13,771,606</u>
Governmental activities capital assets, net	<u>\$ 34,139,443</u>	<u>\$ 505,247</u>	<u>\$ (800,421)</u>	<u>\$ 33,844,269</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

4. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activities capital assets at June 30, 2005 is as follows:

**Business-type Activities:**

	Balance at <u>June 30, 2004</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Balance at <u>June 30, 2005</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 3,830,804	\$ 1,082,226	\$ (13,150)	\$ 4,899,880
Construction in progress	<u>9,506,507</u>	<u>7,024,145</u>	<u>(6,104,338)</u>	<u>10,426,314</u>
Total capital assets, not being depreciated	<u>13,337,311</u>	<u>8,106,371</u>	<u>(6,117,488)</u>	<u>15,326,194</u>
Capital assets, being depreciated:				
Buildings	5,918,822	-	-	5,918,822
Streets	22,428,425	1,023,102	-	23,451,527
Utility systems	48,163,233	3,616,866	-	51,780,099
Drainage	8,666,790	296,590	-	8,963,380
Machinery and equipment	1,894,585	253,459	13,150	2,161,194
Operations	<u>1,195,526</u>	<u>6,500</u>	<u>-</u>	<u>1,202,026</u>
Total capital assets being depreciated	<u>88,267,381</u>	<u>5,196,517</u>	<u>13,150</u>	<u>93,477,048</u>
Less accumulated depreciation for:				
Buildings	(2,727,642)	(157,143)	-	(2,884,785)
Streets	(5,188,094)	(460,603)	-	(5,648,697)
Utility systems	(11,029,638)	(951,691)	-	(11,981,329)
Drainage	(4,740,137)	(266,602)	-	(5,006,739)
Machinery and equipment	(775,359)	(112,103)	-	(887,462)
Operations	<u>(429,081)</u>	<u>(19,412)</u>	<u>-</u>	<u>(448,493)</u>
Total accumulated depreciation	<u>(24,889,951)</u>	<u>(1,967,554)</u>	<u>-</u>	<u>(26,857,505)</u>
Total capital assets being depreciated, net	<u>63,377,430</u>	<u>3,228,963</u>	<u>13,150</u>	<u>66,619,543</u>
Business-type activities capital assets, net	<u>\$ 76,714,741</u>	<u>\$ 11,335,334</u>	<u>\$ (6,104,338)</u>	<u>\$ 81,945,737</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

4. CAPITAL ASSETS (CONTINUED):

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

**Governmental Activities:**

General government	\$ 154,633
Public safety	351,676
Community development	101,375
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>352,729</u>
Total depreciation expense - governmental activities	<u>\$ 985,699</u>

**Business-type Activities:**

Water	\$ 440,211
Sewer	542,652
Electric	365,971
Streets	461,676
Other programs	<u>157,038</u>
Total depreciation expense - business-type activities	<u>\$ 1,967,548</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

5. LONG-TERM LIABILITIES:

The following is a summary of the Governmental Activities long-term liability transactions for the year ended June 30, 2005:

**Governmental Activities:**

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2005</u>	<u>Due Within One Year</u>
<b>General Obligation Bonds (GO):</b>					
1998 Refunding	\$ 2,015,000	\$ -	\$ (125,000)	\$ 1,890,000	\$ 135,000
2003 Refunding	<u>3,620,000</u>	<u>-</u>	<u>(165,000)</u>	<u>3,455,000</u>	<u>175,000</u>
Total GO Bonds	<u>5,635,000</u>	<u>-</u>	<u>(290,000)</u>	<u>5,345,000</u>	<u>310,000</u>
<b>Tax Allocation Bonds (TAB):</b>					
1995 Series	3,420,000	-	(75,000)	3,345,000	80,000
2002 Series A	13,760,000	-	(270,000)	13,490,000	275,000
2002 Series C	5,425,000	-	(105,000)	5,320,000	110,000
2003 Series A	12,790,000	-	(270,000)	12,520,000	275,000
2003 Series B	6,245,000	-	(125,000)	6,120,000	125,000
2002 Series B	<u>-</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>	<u>40,000</u>
Total TAB Bonds	<u>41,640,000</u>	<u>1,800,000</u>	<u>(845,000)</u>	<u>42,595,000</u>	<u>905,000</u>
<b>Special Assessments:</b>					
Foss Creek	255,000	-	(70,000)	185,000	95,000
Area A	<u>1,810,000</u>	<u>1,530,000</u>	<u>(1,810,000)</u>	<u>1,530,000</u>	<u>-</u>
Total Special Assessments	<u>2,065,000</u>	<u>1,530,000</u>	<u>(1,880,000)</u>	<u>1,715,000</u>	<u>95,000</u>
Compensated absences	<u>1,405,388</u>	<u>-</u>	<u>(56,084)</u>	<u>1,349,304</u>	<u>1,349,304</u>
Bond discount	<u>(285,154)</u>	<u>-</u>	<u>12,994</u>	<u>(272,160)</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 50,460,234</u>	<u>\$ 3,330,000</u>	<u>\$ (3,058,090)</u>	<u>\$ 50,732,144</u>	<u>\$ 2,659,304</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

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, 2005:

**Business-type Activities:**

	Balance at <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2005</u>	Due Within <u>One Year</u>
Certificates of Participation (COP):					
1996 Sewer improvements	\$ 835,000	\$ -	\$ (20,000)	\$ 815,000	\$ 20,000
2000 B - CSCDA Water	2,975,000	-	(55,000)	2,920,000	55,000
2000 B - CSCDA Sewer	2,480,000	-	(45,000)	2,435,000	50,000
2001 A - CSCDA Water	6,515,000	-	(235,000)	6,280,000	240,000
2002 C - CSCDA Water/ Wastewater	<u>5,400,000</u>	<u>-</u>	<u>(115,000)</u>	<u>5,285,000</u>	<u>115,000</u>
Total COP Bonds	18,205,000	-	(470,000)	17,735,000	480,000
Bond discount	<u>(166,909)</u>	<u>-</u>	<u>6,718</u>	<u>(160,191)</u>	<u>-</u>
 Total business-type activities long-term liabilities	 <u>\$ 18,038,091</u>	 <u>\$ -</u>	 <u>\$ (463,282)</u>	 <u>\$ 17,574,809</u>	 <u>\$ 480,000</u>

**Governmental Activities:**

a. 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. 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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

5. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

b. 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. 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. The advance refunding resulted in a cash flow decrease of \$1,092,000 (debt service payments between the old and new debt) and an economic gain of \$913,000 (difference between the present value of the old and new debt).

Future debt service requirements on these bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 310,000	\$ 188,712	\$ 498,712
2007	325,000	178,403	503,403
2008	350,000	167,435	517,435
2009	385,000	154,914	539,914
2010	430,000	141,139	571,139
2011-2015	2,715,000	445,196	3,160,196
2016	<u>830,000</u>	<u>16,535</u>	<u>846,535</u>
	<u>\$ 5,345,000</u>	<u>\$ 1,292,334</u>	<u>\$ 6,637,334</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

5. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

c. 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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

5. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

c. 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 Ares. 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
2006	\$ 905,000	\$ 2,174,238	\$ 3,079,238
2007	915,000	2,147,195	3,062,195
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
2011-2015	5,645,000	9,471,924	15,116,924
2016-2020	7,020,000	7,890,392	14,910,392
2021-2025	8,895,000	5,766,842	14,661,842
2026-2030	11,080,000	3,039,679	14,119,679
2031	5,220,000	293,457	5,513,457
	<u>\$ 42,595,000</u>	<u>\$ 37,020,893</u>	<u>\$ 79,615,893</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

5. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

d. 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 95,000	\$ 51,680	\$ 146,680
2007	225,000	55,670	280,670
2008	155,000	47,894	202,894
2009	160,000	43,167	203,167
2010	165,000	38,046	203,046
2011-2015	880,000	95,608	975,608
2016	<u>35,000</u>	<u>753</u>	<u>35,753</u>
	<u>\$ 1,715,000</u>	<u>\$ 332,818</u>	<u>\$ 2,047,818</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

5. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activities:**

e. 1996 Sewer Improvement Certificates:

The Certificates were authorized and issued by the Healdsburg Public Improvement Corporation in the amount of \$950,000 to provide funds for capital improvements to the City's sewer system. The interest on the Certificates varies from 4.60% to 5.375% with semi-annual debt service payments payable on June 1 and December 1 commencing June 1, 1997. Principal on the certificates is payable annually from December 1, 1997 through December 1, 2026. Revenues from the operation of the sewer utility will be used to make the debt service payments.

f. 2000 B Water and Sewer CSCDA Certificates:

The bonds were authorized and issued on July 25, 2000 by the California Statewide Communities Development Authority in the amount of \$3,130,000 for water and \$2,605,000 for sewer totaling \$5,735,000 to provide funds for capital improvements.

The interest on the bond varies from 4.10% to 5.15% with semi-annual debt service payments payable on April 1 and October 1 commencing October 1, 2000 through October 1, 2030. Revenues from the operation of the water and sewer utilities will be used to make debt service payments.

g. 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. 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, 2005, \$1,995,000 remained outstanding on these refunded issues.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

5. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activities (Continued):**

h. 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. Revenues from the operation of the water utility will be used to make the debt service payments.

i. Annual Debt Service Requirements:

Annual debt service requirements to maturity for proprietary long-term liabilities, including interest of \$12,510,448 are as follows:

Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2006	\$ 480,000	\$ 818,341	\$ 1,298,341
2007	505,000	802,170	1,307,170
2008	505,000	785,104	1,290,104
2009	540,000	766,760	1,306,760
2010	550,000	746,894	1,296,894
2011-2015	2,940,000	3,387,451	6,327,451
2016-2020	3,400,000	2,685,213	6,085,213
2021-2025	4,190,000	1,721,367	5,911,367
2026-2030	3,340,000	722,520	4,062,520
2031-2033	1,285,000	74,628	1,359,628
	<u>\$ 17,735,000</u>	<u>\$ 12,510,448</u>	<u>\$ 30,245,448</u>

6. CONDUIT DEBT:

Total bonds outstanding related to special facility revenue bonds is \$5,675,000 at June 30, 2005. These bonds were issued to provide hospital facilities. The City is not liable for repayment of the special facility revenue bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

7. EMPLOYEES' RETIREMENT PLAN:

Plan Description

The City of Healdsburg contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City Ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate is 11.178% for miscellaneous employees and 20.507% for the period July 2004 to December 2004 and 31.415% for the period January 2005 to June 2005 for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS. 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.

Annual Pension Cost

For 2005, the City's annual pension cost of \$1,286,275 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.50% per year cost-of-living adjustments, (d) 3.75% payroll growth, and (e) individual salary growth using a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%. Both (a) and (b) included an inflation component of 3.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2002 was 22 years.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

7. EMPLOYEES' RETIREMENT PLAN (CONTINUED):

Three-Year Trend Information for the Miscellaneous and Safety Plans

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 677,861	100%	\$ -
6/30/04	693,895	100%	-
6/30/05	1,286,275	100%	-

Schedule of Funding Progress for PERS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Liability (AAL) Entry Age (B)</u>	<u>(Overfunded) Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a % of Covered Payroll [(B-A)/C]</u>
6/30/01:						
Misc.	\$ 20,217,598	\$ 19,017,940	\$ (1,199,658)	106.3 %	\$ 4,833,438	(24.819) %
Safety	<u>12,206,895</u>	<u>10,994,782</u>	<u>(1,212,113)</u>	111.0 %	<u>1,792,279</u>	(67.629) %
Total	<u>\$ 32,424,493</u>	<u>\$ 30,012,722</u>	<u>\$ (2,411,771)</u>	108.0 %	<u>\$ 6,625,717</u>	(36.400) %
6/30/02:						
Misc.	\$ 19,491,095	\$ 21,188,667	\$ 1,697,572	92.0 %	\$ 5,483,146	30.960 %
Safety	<u>11,674,901</u>	<u>14,001,327</u>	<u>2,326,426</u>	83.4 %	<u>1,833,680</u>	126.872 %
Total	<u>\$ 31,165,996</u>	<u>\$ 35,189,994</u>	<u>\$ 4,023,998</u>	88.6 %	<u>\$ 7,316,826</u>	54.997 %
6/30/03:						
Misc.	\$ 20,063,233	\$ 25,214,165	\$ 5,150,932	79.6 %	\$ 5,735,518	89.808 %
Safety	<u>11,891,319</u>	<u>15,026,183</u>	<u>3,134,864</u>	79.1 %	<u>2,008,844</u>	156.053 %
Total	<u>\$ 31,954,552</u>	<u>\$ 40,240,348</u>	<u>\$ 8,285,796</u>	79.4 %	<u>\$ 7,744,362</u>	106.991 %

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

8. RESERVES AND DESIGNATIONS OF FUND EQUITY:

The City may set up "reserves" of fund equity to segregate fund balances which are not appropriate 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. Reserves for non-current loans receivable represents amounts which are not available for current expenditures.
- b. Reserve for inventory and prepaid items represents amounts, which are not available to meet current expenditures.
- c. Reserve for low and moderate income housing represents amounts set-aside in the Redevelopment Agency Low/Moderate Income Capital Projects Fund.
- d. Reserves for debt service represent amounts accumulated in accordance with bond indenture or similar covenant.
- e. Reserve for Community and Economic Development has been established to reflect bond proceeds restricted for Capital Improvements.
- f. Reserve for multi-year programs reserves are amounts set aside for long-term capital projects.

9. NORTHERN CALIFORNIA POWER AGENCY:

The City is a member of Northern California Power Agency (NCPA), which operates under a joint powers agreement among fourteen public agencies consisting of eleven cities with publicly owned electric distribution systems, one irrigation district, one public utility district, one port authority and four 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, 2005, of \$5,652,901 included \$5,642,429 for purchased power and \$10,472 in advances and assessments and are reported as an expense of the Electric Fund.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

9. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

The City's interest in NCPA projects and reserves, as computed by NCPA, was \$1.8 million at June 30, 2005. 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.

The City additionally purchased energy directly from the U.S. Department of Energy, Western Area Power Administration totaling \$102,784 and paid assessments totaling \$132,354.

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 2 and Project Number 3. Total outstanding debt of the NCPA Geothermal Project at June 30, 2005 is \$172,525 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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

9. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

NCPA Geothermal Project (Continued)

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, 2005 approximately \$495,880 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.

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, 2005 approximately \$21,720 thousand in long-term debt related to this project was outstanding.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

9. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

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, 2005, approximately \$4,765 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, 2005 (in thousands):

Total assets	\$	956,518
Total liabilities (excluding long-term debt)		236,896
Long-term debt		700,714
Accumulated net revenues		18,908
Revenues		256,745
Expenses (including refunds)		248,637
Increase in accumulated net revenues		8,108

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

9. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

NCPA Condensed Financial Information (Continued)

Maturities (Principal) of NCPA's long-term debt as of June 30, 2005 are as follows (in thousands) (audited):

2006	\$	56,505
2007		36,095
2008		37,060
2009		38,205
2010		38,715
2011 and after		554,805
Less: unamortized net discount and premium		(4,166)
Current portion		<u>(56,505)</u>
Total	\$	<u>700,714</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.

10. 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, 2005

10. POOLED ARRANGEMENT (COntINUED):

Redwood Empire Municipal Insurance Fund (REMIF) (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, 2005, for the Redwood Empire Municipal Insurance Fund in which the City participates.

Total Assets	\$	14,740,997
Total Liabilities		11,866,969
Total Net Assets		2,874,028
Total Revenues		9,198,937
Total Expenses		7,609,053
Increase in Net Assets		1,589,904
Total Long-Term Debt		5,961,018

11. SELF-INSURANCE PLANS:

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

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

12. INDIVIDUAL FUND DISCLOSURES:

- a. The fund which has a deficit fund balance at June 30, 2005 was as follows:

Special Revenue Fund:	
North Area	\$ <u>54,441</u>

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	\$ 498,113
Special Revenue Funds:	
Park Fees	200
TDA	2
Redevelopment Agency UDAG Loan	4,111
Public Safety	22
Debt Service Funds:	
General	492
Special Assessment	53,225

13. COMMITMENTS AND CONTINGENCIES:

There are pending claims and litigation against the City, which are considered normal to the City's operation. City management is of the opinion that potential claims against the City not covered by insurance resulting from such litigation would not materially affect the general purpose 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, 2005 was \$13.3 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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

13. COMMITMENTS AND CONTINGENCIES (CONTINUED):

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.

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.

Other Energy Contracts

The City, through NCPA and its member cities, has also arranged to procure additional power by participating in a contract with CalPine Corporation. The contract, which started in 2002 and expires in December 2011, provides 3 Megawatts of capacity at an aver cost for \$65 per MWh.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2005

14. FACTORS AFFECTING THE UTILITY INDUSTRY:

Assembly Electric Bill 1890

In August 1996, the California legislature unanimously passed a bill related to the restructuring of certain elements of the electric utility industry for Investor Owned Utilities (IOUs). The bill was signed by the governor in September 1996. The bill codifies parts of the California Public Utility Commission's (CPUC) December 20, 1995 policy relating to restructuring, including implementation of direct access, establishment of an Independent System Operations (ISO) and Power Exchange (PX), recovery of competitive transition costs, and funding for public purpose programs. The bill also relates to and affects publicly owned electric utilities, utilities not subject to the CPUC's jurisdiction. The City of Healdsburg is a publicly owned utility under AB 1890 as the City Council retains autonomy and local control. Each publicly owned utility was given the choice of whether or not it would open its service territory to new generation suppliers. The California energy crisis that developed during 2000 has caused a suspension of any consideration of a competitive transition.

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.

15. SUBSEQUENT EVENT:

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, the 2000B Water and Sewer CSCDA Certificates and provide funds for various capital improvements. Interest on the bonds is payable semiannually on each April 1 and October 1 with principal payments due annually on October 1 of each year.

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF HEALDSBURG

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 527,456	\$ 527,456	\$ 1,912,696	\$ 1,385,240
Sales and other taxes	3,410,970	3,410,970	2,697,059	(713,911)
Charges for services	234,521	234,521	327,293	92,772
Intergovernmental revenues	716,781	716,781	817,425	100,644
Investment income	52,000	52,000	97,310	45,310
Miscellaneous fees and charges	72,148	72,148	77,038	4,890
Other revenues	50,084	50,084	47,779	(2,305)
<b>TOTAL REVENUES</b>	<b>5,063,960</b>	<b>5,063,960</b>	<b>5,976,600</b>	<b>912,640</b>
<b>EXPENDITURES:</b>				
Current:				
General government	240,710	240,710	299,700	(58,990)
Public safety	4,823,250	5,084,027	5,523,150	(439,123)
<b>TOTAL EXPENDITURES</b>	<b>5,063,960</b>	<b>5,324,737</b>	<b>5,822,850</b>	<b>(498,113)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(260,777)</b>	<b>153,750</b>	<b>414,527</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(15,000)	(15,000)	(15,000)	-
Sale of capital asset	-	-	562,802	562,802
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>547,802</b>	<b>562,802</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(15,000)</b>	<b>(275,777)</b>	<b>701,552</b>	<b>977,329</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>3,971,478</b>	<b>3,971,478</b>	<b>3,971,478</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 3,956,478</b>	<b>\$ 3,695,701</b>	<b>\$ 4,673,030</b>	<b>\$ 977,329</b>

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

CITY OF HEALDSBURG

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

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, certain Special Revenue Funds and Debt Service Funds budgeted on a basis consistent with generally accepted accounting principles. No budgetary comparisons are presented for certain 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.

**(This page left blank intentionally)**

## **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.

### **GENERAL DEBT SERVICE FUND**

The General Debt Service Fund is used to account for the long-term debt service of the City.

### **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, 2005

	Special Revenue Funds	General Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 4,069,740	\$ 956,271	\$ 4,234,529	\$ 82,641	\$ 9,343,181
Receivables:					
Accounts	182,472	-	73,527	-	255,999
Taxes	5,851	45,508	-	-	51,359
Loan	1,554,294	-	-	-	1,554,294
Interest	28,567	4,661	21,134	636	54,998
Due from other governments	25,426	-	-	-	25,426
Due from other funds	100,000	-	-	-	100,000
<b>TOTAL ASSETS</b>	<b>\$ 5,966,350</b>	<b>\$ 1,006,440</b>	<b>\$ 4,329,190</b>	<b>\$ 83,277</b>	<b>\$ 11,385,257</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 13,993	\$ 350	\$ 5,712	\$ -	\$ 20,055
Due to other funds	55,000	-	-	-	55,000
Deferred revenue	444,208	-	-	-	444,208
<b>TOTAL LIABILITIES</b>	<b>513,201</b>	<b>350</b>	<b>5,712</b>	<b>-</b>	<b>519,263</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Debt service	-	1,006,090	-	-	1,006,090
Noncurrent loans receivable	1,179,294	-	-	-	1,179,294
Unreserved, reported in:					
Special revenue funds	4,273,855	-	-	-	4,273,855
Capital projects funds	-	-	4,323,478	-	4,323,478
Permanent fund	-	-	-	83,277	83,277
<b>TOTAL FUND BALANCES</b>	<b>5,453,149</b>	<b>1,006,090</b>	<b>4,323,478</b>	<b>83,277</b>	<b>10,865,994</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,966,350</b>	<b>\$ 1,006,440</b>	<b>\$ 4,329,190</b>	<b>\$ 83,277</b>	<b>\$ 11,385,257</b>

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, 2005

	Special Revenue Funds	General Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Other Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ -	\$ 545,575	\$ -	\$ -	\$ 545,575
Intergovernmental revenues	799,059	-	-	-	799,059
Development fees and permits	112,877	-	-	-	112,877
Investment income	204,579	14,493	65,524	1,972	286,568
Other revenues	500,675	-	-	-	500,675
<b>TOTAL REVENUES</b>	<b>1,617,190</b>	<b>560,068</b>	<b>65,524</b>	<b>1,972</b>	<b>2,244,754</b>
<b>EXPENDITURES:</b>					
Current:					
General government	53,771	-	23	128	53,922
Culture and recreation	12,583	-	-	7,000	19,583
Community development	457,118	-	-	-	457,118
Capital outlay	-	-	934,247	-	934,247
Debt service:					
Principal retirement	-	290,000	-	-	290,000
Interest and fees	-	200,618	-	-	200,618
<b>TOTAL EXPENDITURES</b>	<b>523,472</b>	<b>490,618</b>	<b>934,270</b>	<b>7,128</b>	<b>1,955,488</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,093,718</b>	<b>69,450</b>	<b>(868,746)</b>	<b>(5,156)</b>	<b>289,266</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	436,834	-	2,959,815	-	3,396,649
Transfers out	(1,132,149)	-	(535,671)	-	(1,667,820)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(695,315)</b>	<b>-</b>	<b>2,424,144</b>	<b>-</b>	<b>1,728,829</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>398,403</b>	<b>69,450</b>	<b>1,555,398</b>	<b>(5,156)</b>	<b>2,018,095</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>5,054,746</b>	<b>936,640</b>	<b>2,768,080</b>	<b>88,433</b>	<b>8,847,899</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 5,453,149</b>	<b>\$ 1,006,090</b>	<b>\$ 4,323,478</b>	<b>\$ 83,277</b>	<b>\$ 10,865,994</b>

See independent auditors' report.

**(This page left blank intentionally)**

## 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, 2005

	<u>Gas Tax</u>	<u>North Area</u>	<u>Airport Grant</u>
<b>ASSETS</b>			
Cash and investments	\$ 61,712	\$ 446	\$ 30,475
Receivables:			
Accounts	-	69,208	59,769
Taxes	-	-	-
Loans	-	-	-
Interest	-	113	152
Due from other governments	22,407	-	-
Due from other funds	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 84,119</u>	<u>\$ 69,767</u>	<u>\$ 90,396</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	55,000	-
Deferred revenue	-	69,208	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>-</u>	<u>124,208</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT):</b>			
Reserved:			
Noncurrent notes receivable	-	-	-
Unreserved, undesignated	84,119	(54,441)	90,396
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES (DEFICIT)	<u>84,119</u>	<u>(54,441)</u>	<u>90,396</u>
	<u>\$ 84,119</u>	<u>\$ 69,767</u>	<u>\$ 90,396</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 84,119</u>	<u>\$ 69,767</u>	<u>\$ 90,396</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>
\$ 177,112	\$ 35,549	\$ 20	\$ 3,019,350	\$ 20,820	\$ 18,199
-	2,719	-	50,776	-	-
-	-	-	-	-	-
-	-	-	1,179,294	375,000	-
996	-	11	21,161	-	135
-	-	3,019	-	-	-
-	-	-	100,000	-	-
<u>\$ 178,108</u>	<u>\$ 38,268</u>	<u>\$ 3,050</u>	<u>\$ 4,370,581</u>	<u>\$ 395,820</u>	<u>\$ 18,334</u>
\$ -	\$ 6,811	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	375,000	-
-	6,811	-	-	375,000	-
-	-	-	1,179,294	-	-
178,108	31,457	3,050	3,191,287	20,820	18,334
178,108	31,457	3,050	4,370,581	20,820	18,334
<u>\$ 178,108</u>	<u>\$ 38,268</u>	<u>\$ 3,050</u>	<u>\$ 4,370,581</u>	<u>\$ 395,820</u>	<u>\$ 18,334</u>

(Continued)

CITY OF HEALDSBURG

COMBINING BALANCE SHEET  
OTHER SPECIAL REVENUE FUNDS  
(CONTINUED)

June 30, 2005

	Area A Lighting and Landscaping District	Benjamin Way Maintenance District
	<u>          </u>	<u>          </u>
ASSETS		
Cash and investments	\$ 248,191	\$ 3,994
Receivables:		
Accounts	-	-
Taxes	5,851	-
Loans	-	-
Interest	1,539	30
Due from other governments	-	-
Due from other funds	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u><u>\$ 255,581</u></u>	 <u><u>\$ 4,024</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 7,182	\$ -
Due to other funds	-	-
Deferred revenue	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>7,182</u>	 <u>-</u>
FUND BALANCES (DEFICIT):		
Reserved:		
Noncurrent notes receivable	-	-
Unreserved, undesignated	<u>248,399</u>	<u>4,024</u>
 TOTAL FUND BALANCES (DEFICIT)	 <u>248,399</u>	 <u>4,024</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 255,581</u></u>	 <u><u>\$ 4,024</u></u>

See independent auditors' report.

<u>Public Safety</u>	<u>Other</u>	<u>Total Other Special Revenue Funds</u>
\$ 14,623	\$ 439,249	\$ 4,069,740
-	-	182,472
-	-	5,851
-	-	1,554,294
107	4,323	28,567
-	-	25,426
-	-	100,000
<u>\$ 14,730</u>	<u>\$ 443,572</u>	<u>\$ 5,966,350</u>
-	-	-
-	-	13,993
-	-	55,000
<u>-</u>	<u>-</u>	<u>444,208</u>
<u>-</u>	<u>-</u>	<u>513,201</u>
-	-	1,179,294
<u>14,730</u>	<u>443,572</u>	<u>4,273,855</u>
<u>14,730</u>	<u>443,572</u>	<u>5,453,149</u>
<u>\$ 14,730</u>	<u>\$ 443,572</u>	<u>\$ 5,966,350</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2005

	Gas Tax	North Area	Airport Grant
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES:			
Intergovernmental revenues	\$ 227,478	\$ -	\$ 114,667
Development fees and permits	-	6,500	-
Investment income	-	349	470
Other revenues	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL REVENUES	<u>227,478</u>	<u>6,849</u>	<u>115,137</u>
EXPENDITURES:			
Current:			
General government	-	22	31
Culture and recreation	-	-	-
Community development	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL EXPENDITURES	<u>-</u>	<u>22</u>	<u>31</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>227,478</u>	<u>6,827</u>	<u>115,106</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	187,602	-	-
Transfers out	(416,006)	-	(34,898)
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(228,404)</u>	<u>-</u>	<u>(34,898)</u>
NET CHANGE IN FUND BALANCES	(926)	6,827	80,208
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>85,045</u>	<u>(61,268)</u>	<u>10,188</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 84,119</u>	<u>\$ (54,441)</u>	<u>\$ 90,396</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>
\$ -	\$ -	\$ 165,002	\$ -	\$ -	\$ -
106,039	-	-	-	-	-
3,087	1,424	33	114,312	-	418
41	27,491	-	399,782	-	-
<u>109,167</u>	<u>28,915</u>	<u>165,035</u>	<u>514,094</u>	<u>-</u>	<u>418</u>
200	43,984	2	7,120	-	27
-	-	-	-	-	-
-	211,908	-	50,000	150,000	-
<u>200</u>	<u>255,892</u>	<u>2</u>	<u>57,120</u>	<u>150,000</u>	<u>27</u>
<u>108,967</u>	<u>(226,977)</u>	<u>165,033</u>	<u>456,974</u>	<u>(150,000)</u>	<u>391</u>
43,443	155,789	50,000	-	-	-
(140,894)	-	(213,851)	-	-	-
<u>(97,451)</u>	<u>155,789</u>	<u>(163,851)</u>	<u>-</u>	<u>-</u>	<u>-</u>
11,516	(71,188)	1,182	456,974	(150,000)	391
<u>166,592</u>	<u>102,645</u>	<u>1,868</u>	<u>3,913,607</u>	<u>170,820</u>	<u>17,943</u>
<u>\$ 178,108</u>	<u>\$ 31,457</u>	<u>\$ 3,050</u>	<u>\$ 4,370,581</u>	<u>\$ 20,820</u>	<u>\$ 18,334</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, 2005

	Area A Lighting and Landscaping District	Benjamin Way Maintenance District
	<u>                    </u>	<u>                    </u>
REVENUES:		
Intergovernmental revenues	\$ 2,912	\$ -
Development fees and permits	-	-
Investment income	70,659	92
Other revenues	<u>72,921</u>	<u>440</u>
 TOTAL REVENUES	 <u>146,492</u>	 <u>532</u>
EXPENDITURES:		
Current:		
General government	1,487	6
Culture and recreation	12,583	-
Community development	<u>45,210</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>59,280</u>	 <u>6</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>87,212</u>	 <u>526</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	<u>(35,000)</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(35,000)</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCES	 52,212	 526
 FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	 <u>196,187</u>	 <u>3,498</u>
 FUND BALANCES (DEFICIT) - END OF YEAR	 <u>\$ 248,399</u>	 <u>\$ 4,024</u>

See independent auditors' report.

Public Safety	Other	Total Other Special Revenue Funds
\$ -	\$ 289,000	\$ 799,059
338	-	112,877
332	13,403	204,579
-	-	500,675
<u>670</u>	<u>302,403</u>	<u>1,617,190</u>
22	870	53,771
-	-	12,583
-	-	457,118
<u>22</u>	<u>870</u>	<u>523,472</u>
<u>648</u>	<u>301,533</u>	<u>1,093,718</u>
-	-	436,834
-	(291,500)	(1,132,149)
<u>-</u>	<u>(291,500)</u>	<u>(695,315)</u>
648	10,033	398,403
<u>14,082</u>	<u>433,539</u>	<u>5,054,746</u>
<u>\$ 14,730</u>	<u>\$ 443,572</u>	<u>\$ 5,453,149</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 225,404	\$ 225,404	\$ 227,478	\$ 2,074
Investment income	3,000	3,000	-	(3,000)
TOTAL REVENUES	<u>228,404</u>	<u>228,404</u>	<u>227,478</u>	<u>(926)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	187,602	187,602
Transfers out	<u>(228,404)</u>	<u>(228,404)</u>	<u>(416,006)</u>	<u>(187,602)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(228,404)</u>	<u>(228,404)</u>	<u>(228,404)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	(926)	(926)
FUND BALANCE - BEGINNING OF YEAR	<u>85,045</u>	<u>85,045</u>	<u>85,045</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 85,045</u>	<u>\$ 85,045</u>	<u>\$ 84,119</u>	<u>\$ (926)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ 61,000	\$ 61,000	\$ 106,039	\$ 45,039
Investment income	400	400	3,087	2,687
Other revenues	-	-	41	41
<b>TOTAL REVENUES</b>	<b>61,400</b>	<b>61,400</b>	<b>109,167</b>	<b>47,767</b>
EXPENDITURES:				
Current:				
General government	-	-	200	(200)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>61,400</b>	<b>61,400</b>	<b>108,967</b>	<b>47,567</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	43,443	43,443
Transfers out	(97,451)	(97,451)	(140,894)	(43,443)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(97,451)</b>	<b>(97,451)</b>	<b>(97,451)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(36,051)</b>	<b>(36,051)</b>	<b>11,516</b>	<b>47,567</b>
FUND BALANCE - BEGINNING OF YEAR	166,592	166,592	166,592	-
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 130,541</b>	<b>\$ 130,541</b>	<b>\$ 178,108</b>	<b>\$ 47,567</b>

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 310,002	\$ 310,002	\$ 165,002	\$ (145,000)
Investment income	-	-	33	33
TOTAL REVENUES	310,002	310,002	165,035	(144,967)
EXPENDITURES:				
Current:				
General government	-	-	2	(2)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	310,002	310,002	165,033	(144,969)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	50,000	50,000
Transfers out	(165,002)	(165,002)	(213,851)	(48,849)
NET CHANGE IN FUND BALANCE	145,000	145,000	1,182	(143,818)
FUND BALANCE - BEGINNING OF YEAR	1,868	1,868	1,868	-
FUND BALANCE - END OF YEAR	\$ 146,868	\$ 146,868	\$ 3,050	\$ (143,818)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 110,000	\$ 110,000	\$ 114,312	\$ 4,312
Other revenues	160,000	160,000	399,782	239,782
<b>TOTAL REVENUES</b>	<b>270,000</b>	<b>270,000</b>	<b>514,094</b>	<b>244,094</b>
EXPENDITURES:				
Current:				
General government	3,009	3,009	7,120	(4,111)
Community development	50,000	50,000	50,000	-
<b>TOTAL EXPENDITURES</b>	<b>53,009</b>	<b>53,009</b>	<b>57,120</b>	<b>(4,111)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>216,991</b>	<b>216,991</b>	<b>456,974</b>	<b>239,983</b>
FUND BALANCE - BEGINNING OF YEAR	3,913,607	3,913,607	3,913,607	-
FUND BALANCE - END OF YEAR	\$ 4,130,598	\$ 4,130,598	\$ 4,370,581	\$ 239,983

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 138,400	\$ 138,400	\$ 2,912	\$ (135,488)
Investment income	2,200	2,200	70,659	68,459
Other revenue	-	-	72,921	72,921
<b>TOTAL REVENUES</b>	<b>140,600</b>	<b>140,600</b>	<b>146,492</b>	<b>5,892</b>
EXPENDITURES:				
Current:				
General government	1,800	1,800	1,487	313
Culture and recreation	68,406	68,406	12,583	55,823
Community development	12,707	12,707	45,210	(32,503)
<b>TOTAL EXPENDITURES</b>	<b>82,913</b>	<b>82,913</b>	<b>59,280</b>	<b>23,633</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>57,687</b>	<b>57,687</b>	<b>87,212</b>	<b>29,525</b>
OTHER FINANCING USES:				
Transfers out	(35,000)	(35,000)	(35,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>22,687</b>	<b>22,687</b>	<b>52,212</b>	<b>29,525</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>196,187</b>	<b>196,187</b>	<b>196,187</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 218,874</b>	<b>\$ 218,874</b>	<b>\$ 248,399</b>	<b>\$ 29,525</b>

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 92	\$ 92
Other revenues	440	440	440	-
TOTAL REVENUES	440	440	532	92
EXPENDITURES:				
Current:				
General government	-	440	6	434
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	440	-	526	526
FUND BALANCE - BEGINNING OF YEAR	3,498	3,498	3,498	-
FUND BALANCE - END OF YEAR	\$ 3,938	\$ 3,498	\$ 4,024	\$ 526

See independent auditors' report.

**(This page left blank intentionally)**

## **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 FUND:**

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

### **MAJOR DEBT SERVICE FUNDS:**

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

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

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 515,500	\$ 515,500	\$ 545,575	\$ 30,075
Investment income	1,000	1,000	14,493	13,493
TOTAL REVENUES	<u>516,500</u>	<u>516,500</u>	<u>560,068</u>	<u>43,568</u>
EXPENDITURES:				
Debt service:				
Principal retirement	290,000	290,000	290,000	-
Interest and fees	<u>200,126</u>	<u>200,126</u>	<u>200,618</u>	<u>(492)</u>
TOTAL EXPENDITURES	<u>490,126</u>	<u>490,126</u>	<u>490,618</u>	<u>(492)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	26,374	26,374	69,450	43,076
FUND BALANCE - BEGINNING OF YEAR	<u>936,640</u>	<u>936,640</u>	<u>936,640</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 963,014</u>	<u>\$ 963,014</u>	<u>\$ 1,006,090</u>	<u>\$ 43,076</u>

See independent auditors' report.

CITY OF HEALDSBURG

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

REDEVELOPMENT AGENCY DEBT SERVICE FUND

For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 32,741	\$ 22,741
EXPENDITURES:				
Debt service:				
Principal retirement	845,000	845,000	845,000	-
Interest and fees	2,262,162	2,262,162	2,175,511	86,651
TOTAL EXPENDITURES	3,107,162	3,107,162	3,020,511	86,651
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,097,162)	(3,097,162)	(2,987,770)	109,392
OTHER FINANCING SOURCES:				
Transfers in	3,065,788	3,065,788	3,252,034	186,246
NET CHANGE IN FUND BALANCE	(31,374)	(31,374)	264,264	295,638
FUND BALANCE - BEGINNING OF YEAR	2,863,260	2,863,260	2,863,260	-
FUND BALANCE - END OF YEAR	\$ 2,831,886	\$ 2,831,886	\$ 3,127,524	\$ 295,638

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 328,000	\$ 328,000	\$ 397,402	\$ 69,402
Investment income	5,000	5,000	7,833	2,833
TOTAL REVENUES	<u>333,000</u>	<u>333,000</u>	<u>405,235</u>	<u>72,235</u>
EXPENDITURES:				
Debt service:				
Principal retirement	180,000	180,000	185,000	(5,000)
Interest and fees	<u>147,420</u>	<u>147,420</u>	<u>195,645</u>	<u>(48,225)</u>
TOTAL EXPENDITURES	<u>327,420</u>	<u>327,420</u>	<u>380,645</u>	<u>(53,225)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,580</u>	<u>5,580</u>	<u>24,590</u>	<u>19,010</u>
OTHER FINANCING SOURCES (USES):				
Bonds issued	-	-	1,498,947	1,498,947
Payment to refund bond escrow agent	<u>-</u>	<u>-</u>	<u>(1,806,638)</u>	<u>(1,806,638)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(307,691)</u>	<u>(307,691)</u>
NET CHANGE IN FUND BALANCES	5,580	5,580	(283,101)	(288,681)
FUND BALANCE - BEGINNING OF YEAR	<u>613,994</u>	<u>613,994</u>	<u>613,994</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 619,574</u>	<u>\$ 619,574</u>	<u>\$ 330,893</u>	<u>\$ (288,681)</u>

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 - Accounts for non-enterprise projects acquired by the City.

CITY OF HEALDSBURG

COMBINING BALANCE SHEET  
OTHER CAPITAL PROJECTS FUNDS

June 30, 2005

	Area A Special Assessment District	General	Total Other Capital Projects Funds
ASSETS			
Cash and investments	\$ 15,358	\$4,219,171	\$ 4,234,529
Receivables:			
Accounts	2,507	71,020	73,527
Interest	114	21,020	21,134
	<u>17,979</u>	<u>4,311,211</u>	<u>4,329,190</u>
TOTAL ASSETS	<u>\$ 17,979</u>	<u>\$4,311,211</u>	<u>\$ 4,329,190</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ -	\$ 5,712	\$ 5,712
FUND BALANCES:			
Unreserved, reported in:			
Capital projects funds	<u>17,979</u>	<u>4,305,499</u>	<u>4,323,478</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,979</u>	<u>\$4,311,211</u>	<u>\$ 4,329,190</u>

See independent auditors' report.

CITY OF HEALDSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
OTHER CAPITAL PROJECTS FUNDS

For the year ended June 30, 2005

	Area A Special Assessment District	General	Total Other Capital Projects Funds
REVENUES:			
Investment income	\$ 353	\$ 65,171	\$ 65,524
EXPENDITURES:			
Current:			
General government	23	-	23
Capital outlay	-	934,247	934,247
TOTAL EXPENDITURES	23	934,247	934,270
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	330	(869,076)	(868,746)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	2,959,815	2,959,815
Transfers out	-	(535,671)	(535,671)
TOTAL OTHER FINANCING SOURCES (USES)	-	2,424,144	2,424,144
NET CHANGE IN FUND BALANCES	330	1,555,068	1,555,398
FUND BALANCES - BEGINNING OF YEAR	17,649	2,750,431	2,768,080
FUND BALANCES - END OF YEAR	\$ 17,979	\$ 4,305,499	\$ 4,323,478

See independent auditors' report.

**(This page left blank intentionally)**

## **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, 2005

ASSETS	Planning and Building	Transit
<b>CURRENT ASSETS:</b>		
Cash and investments	\$ 1,030,522	\$ 8,726
Accounts receivable	321	-
Taxes receivable	-	-
Interest receivable	7,693	-
Due from other funds	-	-
Inventory	-	-
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	1,038,536	8,726
	<hr/>	<hr/>
<b>NONCURRENT ASSETS:</b>		
Capital assets:		
Land	-	-
Building	-	-
Machinery and equipment	-	-
Operations	-	-
Construction in progress	-	-
Less: accumulated depreciation	-	-
	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	-	-
	<hr/>	<hr/>
TOTAL ASSETS	1,038,536	8,726
	<hr/>	<hr/>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	31,585	3,021
Deposits from others	68,597	546
Due to other funds	-	-
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	100,182	3,567
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	-	-
Unrestricted	938,354	5,159
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>\$ 938,354</u>	<u>\$ 5,159</u>

See independent auditors' report.

<u>Airport</u>	<u>Meeting Center</u>	<u>School Services</u>	<u>Community Services</u>	<u>Total</u>
\$ 43,399	\$ -	\$ 12,771	\$ 322,603	\$ 1,418,021
6,445	5,920	22,568	1,251	36,505
-	-	-	174,388	174,388
2,068	-	104	3,025	12,890
-	-	-	82,911	82,911
14,505	-	-	719	15,224
<u>66,417</u>	<u>5,920</u>	<u>35,443</u>	<u>584,897</u>	<u>1,739,939</u>
119,834	231,972	-	3,506,053	3,857,859
186,451	1,194,412	-	2,434,040	3,814,903
209,510	98,184	-	429,672	737,366
1,202,027	20,000	-	-	1,222,027
331,539	-	-	138,788	470,327
(709,111)	(437,010)	-	(1,453,574)	(2,599,695)
<u>1,340,250</u>	<u>1,107,558</u>	<u>-</u>	<u>5,054,979</u>	<u>7,502,787</u>
<u>1,406,667</u>	<u>1,113,478</u>	<u>35,443</u>	<u>5,639,876</u>	<u>9,242,726</u>
11,079	10,825	5,973	31,398	93,881
8,742	99,960	-	8,172	186,017
30,040	58,678	-	-	88,718
<u>49,861</u>	<u>169,463</u>	<u>5,973</u>	<u>39,570</u>	<u>368,616</u>
1,340,250	1,107,558	-	5,054,979	7,502,787
16,556	(163,543)	29,470	545,327	1,371,323
<u>\$ 1,356,806</u>	<u>\$ 944,015</u>	<u>\$ 29,470</u>	<u>\$ 5,600,306</u>	<u>\$ 8,874,110</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2005

	Planning and Building	Transit
OPERATING REVENUES:		
Charges for services	\$ -	\$ 18,634
Development fees	493,493	-
Rental income	-	-
Other revenues	107,014	-
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	600,507	18,634
	<hr/>	<hr/>
OPERATING EXPENSES:		
Operations	321,608	130,643
Administrative	85,399	53,496
Depreciation	-	-
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	407,007	184,139
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	193,500	(165,505)
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES):		
Taxes	-	-
Intergovernmental grants	-	-
Investment income	23,853	-
	<hr/>	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	23,853	-
	<hr/>	<hr/>
INCOME (LOSS) BEFORE TRANSFERS	217,353	(165,505)
	<hr/>	<hr/>
TRANSFERS IN	-	163,851
TRANSFERS OUT	-	-
	<hr/>	<hr/>
CHANGE IN NET ASSETS	217,353	(1,654)
	<hr/>	<hr/>
TOTAL NET ASSETS - BEGINNING OF YEAR	721,001	6,813
	<hr/>	<hr/>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 938,354</u>	<u>\$ 5,159</u>

See independent auditors' report.

Airport	Meeting Center	School Services	Community Services	Total
\$ 113,011	\$ 33,089	\$ 53,577	\$ 3,458	\$ 221,769
-	-	-	-	493,493
97,855	224,213	17,867	9,153	349,088
2,633	-	-	52,116	161,763
213,499	257,302	71,444	64,727	1,226,113
148,108	239,911	52,471	604,116	1,496,857
38,165	8,428	10,992	233,323	429,803
31,148	25,298	-	100,592	157,038
217,421	273,637	63,463	938,031	2,083,698
(3,922)	(16,335)	7,981	(873,304)	(857,585)
-	-	-	1,021,922	1,021,922
-	-	-	6,094	6,094
6,413	-	323	9,380	39,969
6,413	-	323	1,037,396	1,067,985
2,491	(16,335)	8,304	164,092	210,400
34,898	-	-	226,485	425,234
-	-	-	(55,373)	(55,373)
37,389	(16,335)	8,304	335,204	580,261
1,319,417	960,350	21,166	5,265,102	8,293,849
<u>\$ 1,356,806</u>	<u>\$ 944,015</u>	<u>\$ 29,470</u>	<u>\$ 5,600,306</u>	<u>\$ 8,874,110</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS

For the year ended June 30, 2005

	Planning and Building	Transit
	<u>          </u>	<u>          </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 596,347	\$ 18,634
Payments to suppliers	(331,688)	(31,593)
Payments to employees	<u>(172,339)</u>	<u>(149,076)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>92,320</u>	<u>(162,035)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes	-	-
Intergovernmental grants	-	-
Cash received from other funds	-	163,851
Cash paid to other funds	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>163,851</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>23,853</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	116,173	1,816
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>914,349</u>	<u>6,910</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,030,522</u></u>	<u><u>\$ 8,726</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 193,500	\$ (165,505)
Depreciation	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,160)	-
(Increase) decrease in inventory	-	-
Increase (decrease) in accounts payable and accrued liabilities	<u>(97,020)</u>	<u>3,470</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 92,320</u></u>	<u><u>\$ (162,035)</u></u>

See independent auditors' report.

Airport	Meeting Center	School Services	Community Services	Total
\$ 213,802	\$ 257,506	\$ 49,599	\$ (16,717)	\$ 1,119,171
(155,711)	(87,721)	(58,001)	(615,989)	(1,280,703)
(29,374)	(161,383)	(9,193)	(316,824)	(838,189)
28,717	8,402	(17,595)	(949,530)	(999,721)
-	-	-	1,021,922	1,021,922
-	-	-	6,094	6,094
34,898	-	-	226,485	425,234
-	(8,402)	-	(71,204)	(79,606)
34,898	(8,402)	-	1,183,297	1,373,644
(324,643)	-	-	(821,104)	(1,145,747)
6,413	-	328	8,353	38,947
(254,615)	-	(17,267)	(578,984)	(732,877)
298,014	-	30,038	901,587	2,150,898
<u>\$ 43,399</u>	<u>\$ -</u>	<u>\$ 12,771</u>	<u>\$ 322,603</u>	<u>\$ 1,418,021</u>
\$ (3,922)	\$ (16,335)	\$ 7,981	\$ (873,304)	\$ (857,585)
31,148	25,298	-	100,592	157,038
303	204	(21,845)	(81,444)	(106,942)
98	-	-	-	98
1,090	(765)	(3,731)	(95,374)	(192,330)
<u>\$ 28,717</u>	<u>\$ 8,402</u>	<u>\$ (17,595)</u>	<u>\$ (949,530)</u>	<u>\$ (999,721)</u>

**(This page left blank intentionally)**

## **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, 2005

	Insurance and Benefit	Vehicle Maintenance
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 2,150,234	\$ 1,886,858
Accounts receivable	10,893	6,123
Notes receivable	-	-
Interest receivable	10,749	13,391
Inventory	-	46,080
TOTAL CURRENT ASSETS	2,171,876	1,952,452
NONCURRENT ASSETS:		
Capital assets:		
Equipment	-	3,585,348
Less: accumulated depreciation	-	(2,205,265)
TOTAL NONCURRENT ASSETS	-	1,380,083
TOTAL ASSETS	2,171,876	3,332,535
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	315,592	19,225
Claims payable	93,301	-
Accrued compensated absences	1,349,304	-
TOTAL CURRENT LIABILITIES	1,758,197	19,225
NET ASSETS		
Invested in capital assets, net of related debt	-	1,380,083
Unrestricted	413,679	1,933,227
TOTAL NET ASSETS	\$ 413,679	\$ 3,313,310

See independent auditors' report.

<u>Information Services</u>	<u>Building Maintenance</u>	<u>Total</u>
\$ 853,156	\$ 261,302	\$ 5,151,550
-	525	17,541
30,925	-	30,925
5,745	841	30,726
<u>1,076</u>	<u>-</u>	<u>47,156</u>
<u>890,902</u>	<u>262,668</u>	<u>5,277,898</u>
1,110,522	-	4,695,870
<u>(798,924)</u>	<u>-</u>	<u>(3,004,189)</u>
<u>311,598</u>	<u>-</u>	<u>1,691,681</u>
<u>1,202,500</u>	<u>262,668</u>	<u>6,969,579</u>
18,354	41,003	394,174
-	44,462	137,763
<u>-</u>	<u>-</u>	<u>1,349,304</u>
<u>18,354</u>	<u>85,465</u>	<u>1,881,241</u>
311,598	-	1,691,681
<u>872,548</u>	<u>177,203</u>	<u>3,396,657</u>
<u>\$ 1,184,146</u>	<u>\$ 177,203</u>	<u>\$ 5,088,338</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2005

	Insurance and Benefit	Vehicle Maintenance
OPERATING REVENUES:		
Charges for services	\$ 5,169,156	\$ 578,689
Other revenues	-	37,778
	<u>5,169,156</u>	<u>616,467</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations	-	355,230
Administrative	-	10,329
Insurance costs	4,981,040	-
Depreciation	-	312,628
	<u>4,981,040</u>	<u>678,187</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	188,116	(61,720)
NONOPERATING REVENUES:		
Investment income	33,326	41,518
	<u>33,326</u>	<u>41,518</u>
INCOME (LOSS) BEFORE TRANSFERS	221,442	(20,202)
OTHER FINANCING SOURCES:		
Transfers in	-	38,000
	<u>-</u>	<u>38,000</u>
CHANGE IN NET ASSETS	221,442	17,798
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>192,237</u>	<u>3,295,512</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 413,679</u>	<u>\$ 3,313,310</u>

See independent auditors' report.

Information Services	Building Maintenance	Total
\$ 873,342	\$ 694,609	\$ 7,315,796
<u>1,492</u>	<u>20,000</u>	<u>59,270</u>
<u>874,834</u>	<u>714,609</u>	<u>7,375,066</u>
890,725	603,135	1,849,090
56,348	18,214	84,891
-	-	4,981,040
<u>142,875</u>	<u>-</u>	<u>455,503</u>
<u>1,089,948</u>	<u>621,349</u>	<u>7,370,524</u>
(215,114)	93,260	4,542
<u>17,812</u>	<u>2,607</u>	<u>95,263</u>
(197,302)	95,867	99,805
<u>11,842</u>	<u>15,000</u>	<u>64,842</u>
(185,460)	110,867	164,647
<u>1,369,606</u>	<u>66,336</u>	<u>4,923,691</u>
<u><u>\$ 1,184,146</u></u>	<u><u>\$ 177,203</u></u>	<u><u>\$ 5,088,338</u></u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the year ended June 30, 2005

	Insurance and Benefit	Vehicle Maintenance
	<u>                    </u>	<u>                    </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 5,166,267	\$ 615,671
Payments to suppliers	(5,268,848)	(353,821)
Payments to employees	-	(29,656)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(102,581)</u>	<u>232,194</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	-	38,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(69,929)
Proceeds from sale of assets	-	23,264
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(46,665)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	32,523	36,267
Loan proceeds	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>32,523</u>	<u>36,267</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(70,058)	259,796
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,220,292</u>	<u>1,627,062</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,150,234</u></u>	<u><u>\$ 1,886,858</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 188,116	\$ (61,720)
Depreciation	-	312,628
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,889)	(796)
(Increase) decrease in inventory	-	(12,291)
Increase (decrease) in accounts payable and accrued liabilities	(287,808)	(5,627)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (102,581)</u></u>	<u><u>\$ 232,194</u></u>

See independent auditors' report.

Information Services	Building Maintenance	Total
\$ 875,107	\$ 713,768	\$ 7,370,813
(716,982)	(561,438)	(6,901,089)
(229,829)	(40,067)	(299,552)
<u>(71,704)</u>	<u>112,263</u>	<u>170,172</u>
<u>11,842</u>	<u>15,000</u>	<u>64,842</u>
(32,428)	-	(102,357)
<u>-</u>	<u>-</u>	<u>23,264</u>
<u>(32,428)</u>	<u>-</u>	<u>(79,093)</u>
16,533	2,660	87,983
<u>4,743</u>	<u>-</u>	<u>4,743</u>
<u>21,276</u>	<u>2,660</u>	<u>92,726</u>
(71,014)	129,923	248,647
<u>924,170</u>	<u>131,379</u>	<u>4,902,903</u>
<u>\$ 853,156</u>	<u>\$ 261,302</u>	<u>\$ 5,151,550</u>
\$ (215,114)	\$ 93,260	4,542
142,875	-	455,503
272	(841)	(4,254)
279		(12,012)
(16)	19,844	(273,607)
<u>(71,704)</u>	<u>112,263</u>	<u>170,172</u>

**(This page left blank intentionally)**

## **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, 2005

	Industrial Development Authority	Redevelopment Agency DBD
	<u>                    </u>	<u>                    </u>
ASSETS:		
Cash and investments	\$ 5,338	\$ 21,340
Interest receivable	<u>40</u>	<u>191</u>
TOTAL ASSETS	5,378	21,531
LIABILITIES:		
Accounts payable	<u>-</u>	<u>56</u>
NET ASSETS:		
Held in trust for other purposes	<u>\$ 5,378</u>	<u>\$ 21,475</u>

See independent auditors' report.

Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
\$ 119,414	\$ 715,089	\$ 3,662	\$ 864,843
<u>882</u>	<u>5,506</u>	<u>27</u>	<u>6,646</u>
120,296	720,595	3,689	871,489
<u>-</u>	<u>-</u>	<u>243</u>	<u>299</u>
<u>\$ 120,296</u>	<u>\$ 720,595</u>	<u>\$ 3,446</u>	<u>\$ 871,190</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2005

	Industrial Development Authority	Redevelopment Agency DBD
ADDITIONS:		
Contributions	\$ -	\$ 20,000
Investment income	123	593
Fees and charges	-	31,368
Transfers in	-	-
	<hr/>	<hr/>
TOTAL ADDITIONS	123	51,961
DEDUCTIONS:		
Community development	8	56,412
	<hr/>	<hr/>
CHANGE IN NET ASSETS	115	(4,451)
NET ASSETS - BEGINNING OF YEAR	<hr/> 5,263	<hr/> 25,926
NET ASSETS - END OF YEAR	<hr/> <u>\$ 5,378</u>	<hr/> <u>\$ 21,475</u>

See independent auditors' report.

Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
\$ 584	\$ -	\$ -	\$ 20,584
2,736	17,071	84	20,607
-	15	-	31,383
-	50,000	-	50,000
3,320	67,086	84	122,574
178	38,977	248	95,823
3,142	28,109	(164)	26,751
117,154	692,486	3,610	844,439
<u>\$ 120,296</u>	<u>\$ 720,595</u>	<u>\$ 3,446</u>	<u>\$ 871,190</u>

**(This page left blank intentionally)**

**STATISTICAL SECTION**

CITY OF HEALDSBURG

GOVERNMENT-WIDE EXPENSES BY PROGRAM

Last Three Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Community Development</u>	<u>Unallocated Infrastructure Depreciation</u>
2002 - 03	\$ 774,793	\$ 4,763,563	\$ -	\$ 27,167	\$ 3,259,109	\$ 308,696
2003 - 04	1,191,134	5,022,074	-	24,809	2,851,824	22,852
2004 - 05	708,707	5,840,711	-	19,583	4,146,956	25,286

Fiscal year 2002-2003 was the first year of implementation of the government-wide expenses by program. Current year will continue to be added to this schedule until a total of ten years are listed.

Interest on Long-term Debt	Water	Sewer	Electric	Street	Other Programs	Total
\$ 1,790,296	\$ 3,082,159	\$ 2,483,558	\$ 8,547,494	\$ 1,193,051	\$ 1,863,390	\$ 28,093,276
2,534,572	3,250,531	2,673,855	7,953,778	1,249,962	1,907,323	28,682,714
2,735,255	3,593,077	2,882,193	9,293,837	1,352,217	2,088,670	32,686,492

r totals

**(This page left blank intentionally)**

CITY OF HEALDSBURG

GOVERNMENT-WIDE REVENUES BY SOURCE

Last Three Fiscal Years

Fiscal Year	Program Revenues			General Revenues			Total
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment Earnings	Other Revenues	
2002 - 03	\$ 19,701,747	\$ 1,350,911	\$ 715,671	\$ 11,028,468	\$ 597,589	\$ 838,165	\$ 34,232,551
2003 - 04	19,953,213	2,506,915	2,090,434	11,212,042	1,373,923	239	37,136,766
2004 - 05	20,872,896	2,895,996	262,895	11,643,391	1,746,883	148,166	37,570,227

Fiscal year 2002-2003 was the first year of implementation of the government-wide revenues by source. Current year to will continue to be added to this schedule until a total of ten years are listed.

CITY OF HEALDSBURG  
GOVERNMENTAL REVENUES BY SOURCE\*  
LAST TEN FISCAL YEARS

REVENUES	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Property taxes	\$ 591,724	\$ 628,493	\$ 636,989	\$ 681,395
Special assessments	181,942	217,145	287,436	471,013
Sales and franchise taxes	2,714,278	2,839,887	2,869,372	2,897,593
Development fees & permits	841,895	1,359,596	790,474	1,074,368
Investment income	368,447	340,793	288,123	290,052
Intergovernmental revenues	987,498	840,506	1,071,011	1,515,698
Charges for services	118,135	151,192	108,686	118,930
Other revenue	1,370,155	49,554	704,619	1,129,076
Subtotal	<u>7,174,074</u>	<u>6,427,166</u>	<u>6,756,710</u>	<u>8,178,125</u>
Debt financing	2,612,701	1,280,266	2,675,000	-
Total Revenues	<u>\$ 9,786,775</u>	<u>\$ 7,707,432</u>	<u>\$ 9,431,710</u>	<u>\$ 8,178,125</u>

GENERAL EXPENDITURES BY FUNCTION\*  
LAST TEN FISCAL YEARS

EXPENDITURES	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
General government	\$ 204,107	\$ 282,285	\$ 301,790	\$ 347,728
Public safety	2,756,034	2,933,313	3,262,318	3,479,962
Community development	267,373	391,317	553,352	598,295
Public works	136,947	147,750	151,934	150,897
Cultural and recreation	286,133	307,626	370,477	408,636
Capital outlay	2,072,609	3,735,970	342,721	824,417
Debt service (Including note redemption)	802,172	851,263	980,651	878,738
Other expenditures	440,082	886,985	3,632,620	933,824
Total Expenditures	<u>\$ 6,965,457</u>	<u>\$ 9,536,509</u>	<u>\$ 9,595,863</u>	<u>\$ 7,622,497</u>

\* Includes all governmental fund types of the City, except for the revenues and expenditures of the Community Redevelopment Agency and Expendable Trust Funds.

Source: The City's annual financial statements.

<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
\$ 976,372	\$ 1,094,489	\$ 1,270,617	\$ 1,325,131	\$ 1,304,862	\$ 2,458,271
425,696	385,152	424,321	323,632	342,135	397,402
3,328,149	3,697,606	3,915,318	3,515,406	3,414,603	2,697,059
1,376,556	564,113	142,675	119,203	85,949	112,877
425,102	798,823	316,559	135,577	202,536	391,711
1,339,619	1,570,120	2,073,657	1,833,631	1,754,575	1,616,484
290,240	264,751	270,913	283,063	311,082	327,293
495,107	699,103	905,273	245,391	334,652	625,492
<u>8,656,841</u>	<u>9,074,157</u>	<u>9,319,333</u>	<u>7,781,034</u>	<u>7,750,394</u>	<u>8,626,589</u>
-	-	-	-	-	-
<u>\$ 8,656,841</u>	<u>\$ 9,074,157</u>	<u>\$ 9,319,333</u>	<u>\$ 7,781,034</u>	<u>7,750,394</u>	<u>8,626,589</u>

<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
\$ 353,450	\$ 465,798	\$ 733,522	\$ 369,884	\$ 923,623	\$ 353,622
3,531,101	3,833,197	4,058,757	4,572,653	4,601,590	5,523,150
510,129	8,893	5,180	-	96,102	457,118
511,008	551,717	584,390	-	-	-
475,404	534,290	576,737	27,167	24,809	19,583
2,327,136	2,132,504	2,172,396	5,628,557	4,347,572	934,247
983,690	937,439	1,040,942	1,127,005	3,323,744	3,891,774
-	-	-	-	-	-
<u>\$ 8,691,918</u>	<u>\$ 8,463,838</u>	<u>\$ 9,171,924</u>	<u>\$ 11,725,266</u>	<u>13,317,440</u>	<u>11,179,494</u>

CITY OF HEALDSBURG  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Code Area Tax Rate</u>	<u>Secured Taxes Levied</u>	<u>Secured Current Collections</u>	<u>Percent of Levy Collected</u>	<u>Total Taxes Collected</u>
95-96	1.1105%	544,779	544,779	100.0%	573,069
96-97	1.1086%	558,520	558,520	100.0%	583,180
97-98	1.1421%	579,792	579,792	100.0%	651,949
98-99	1.1357%	607,717	607,717	100.0%	714,579
99-00	1.1446%	797,403	797,403	100.0%	997,576
00-01	1.1410%	860,290	860,290	100.0%	1,120,640
01-02	1.1420%	950,940	950,940	100.0%	1,293,268
02-03	1.1520%	979,373	979,373	100.0%	1,342,911
03-04	1.1848%	986,607	986,607	100.0%	1,355,160
04-05	1.1695%	947,810	947,810	100.0%	1,935,989

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

Source: County of Sonoma, Auditor-Controller

CITY OF HEALDSBURG  
 ASSESSED VALUATION OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Net Secured Property</b>	<b>Net Unsecured Property</b>	<b>Net Public Utility</b>	<b>Total Exemptions</b>	<b>Net Taxable Value</b>
95-96	558,520,102	37,953,190	1,380,877	11,042,980	597,854,169
96-97	569,511,034	38,728,964	1,380,877	13,889,167	609,620,875
97-98	572,653,669	35,438,083	-	14,800,591	608,091,752
98-99	603,410,485	40,247,869	-	15,021,297	643,658,354
99-00	651,239,458	49,434,716	-	15,925,564	700,674,174
00-01	720,440,878	56,070,265	-	14,401,380	776,511,143
01-02	840,902,505	55,848,269	-	14,726,600	896,750,774
02-03	943,775,741	61,161,356	-	14,690,200	1,004,937,097
03-04	1,036,261,702	65,944,750	-	15,093,400	1,102,206,452
04-05	1,140,522,375	63,332,576	-	15,611,400	1,203,854,951

Source: County of Sonoma, Auditor-Controller

CITY OF HEALDSBURG  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City Debt Service</u>	<u>County Prop. 13 Tax Rate</u>	<u>School Dist. Debt Service</u>
95-96	0.0500	1.0	0.0546
96-97	0.0500	1.0	0.0526
97-98	0.0500	1.0	0.0862
98-99	0.0500	1.0	0.0797
99-00	0.0700	1.0	0.0686
00-01	0.0700	1.0	0.0650
01-02	0.0700	1.0	0.0650
02-03	0.0600	1.0	0.0850
03-04	0.0500	1.0	0.1278
04-05	0.0400	1.0	0.1225

Tax rate is per \$100 assessed valuation.

Source: County of Sonoma, Auditor-Controller

<u>Russian River Project</u>	<u>Coyote Valley Dam Land Improvement</u>	<u>Total</u>
0.0060	0.0001	1.1086 %
0.0060	0.0000	1.1421
0.0060	0.0000	1.1356
0.0060	0.0000	1.1445
0.0060	0.0000	1.1410
0.0060	0.0000	1.1420
0.0070	0.0000	1.1520
0.0070	0.0000	1.1848
0.0070	0.0000	1.1695
0.0070	0.0000	1.1695

CITY OF HEALDSBURG  
 RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUATION AND PER CAPITA  
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Outstanding Principal</u>	<u>Percent of Valuation</u>	<u>Per Capita Debt</u>
95-96	6,570,000	1.099 %	681.45
96-97	6,460,000	1.060 %	685.37
97-98	* 6,615,000	1.080 %	671.17
98-99	6,470,000	1.005 %	667.91
99-00	6,310,000	0.901 %	645.90
00-01	6,135,000	0.790 %	604.99
01-02	5,945,000	0.663 %	572.19
02-03	5,720,000	0.475 %	526.39
03-04	5,635,000	0.468 %	499.56
04-05	5,345,000	0.444 %	499.56

\* Refunded and reissued

Source: City of Healdsburg, Finance Department

CITY OF HEALDSBURG  
 SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS  
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collected (1)</u>
95-96	108,424	108,424
96-97	271,614	208,953
97-98	362,651	275,113
98-99	362,749	339,135
99-00	364,539	341,266
00-01	345,395	321,395
01-02	325,856	390,249
02-03	339,133	322,172
03-04	342,177	339,404
04-05	339,961	363,261

(1) Includes prepayments and foreclosures.

Source: County of Sonoma, Special Assessments

CITY OF HEALDSBURG  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2005

Assessed Valuation	<u>\$ 1,203,854,951</u>
Debt limit 15% Assessed Value	\$ 180,578,243
Amount of Debt applicable to Debt Limit	<u>(5,345,000)</u>
Legal Debt Margin	<u>\$ 175,233,243</u>

CITY OF HEALDSBURG  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 JUNE 30, 2005

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to Healdsburg</u>	<u>City of Healdsburg Share of Debt</u>
City of Healdsburg 1991 Series A&B City of Healdsburg GO Bond	\$ 5,345,000	100.0%	\$ <u>5,345,000</u>
Total Direct Debt			\$ <u><u>5,345,000</u></u>
City of Healdsburg Public Improvement Corporation	815,000	100.0%	\$ <u>815,000</u>
Total Overlapping Debt			\$ <u><u>815,000</u></u>
Total Direct and Overlapping Debt			\$ <u><u>6,160,000</u></u>

Source: City of Healdsburg, Finance Department

CITY OF HEALDSBURG  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
1995-96	\$ 100,000	\$ 382,758	\$ 482,758	\$ 6,965,457	6.9 %
1996-97	110,000	375,273	485,273	9,536,509	5.1 %
1997-98	110,000	367,409	477,409	9,595,863	5.0 %
1998-99	145,000	308,439	453,439	7,619,774	6.0 %
1999-00	160,000	312,042	472,042	8,692,362	5.4 %
2000-01	175,000	347,850	522,850	8,463,838	6.2 %
2001-02	190,000	297,284	487,284	9,171,924	5.3 %
2002-03	225,000	288,234	513,234	11,725,266	4.4 %
2003-04	235,000	278,035	513,035	13,317,440	3.9 %
2004-05	290,000	198,376	488,376	11,179,494	4.4 %

Source: City of Healdsburg, Finance Department

CITY OF HEALDSBURG  
DEMOGRAPHIC STATISTICS  
LAST TEN YEARS

<u>Year</u>	<u>Population</u>	<u>Population Percent Change</u>	<u>Sonoma County Population</u>	<u>City Population Percent of County</u>
1996	9,800	-0.3 %	427,000	2.3 %
1997	9,875	0.8 %	434,100	2.3 %
1998	10,100	2.3 %	442,000	2.3 %
1999	10,250	1.5 %	449,500	2.3 %
2000	10,915	6.5 %	458,614	2.4 %
2001	11,381	4.3 %	464,764	2.4 %
2002	11,652	2.4 %	469,069	2.5 %
2003	11,634	-0.2 %	471,644	2.5 %
2004	11,651	0.1 %	474,993	2.5 %
2005	11,711	0.5 %	478,440	2.4 %

Sources: State of California  
Department of Finance

CITY OF HEALDSBURG  
 SCHEDULE OF REVENUE BOND COVERAGE  
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenue (1)</u>	<u>Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>
1995-96	\$ 8,994,691	\$ 7,040,064	\$ 1,954,627
1996-97 *	10,840,631	8,206,544	2,634,087
1997-98	11,555,853	8,463,920	3,091,933
1998-99	12,082,470	8,064,099	4,018,371
1999-00	12,728,691	9,148,735	3,579,956
2000-01	15,499,925	12,207,107	3,292,818
2001-02	15,919,780	14,246,511	1,673,269
2002-03	16,873,209	11,914,367	4,958,842
2003-04	17,423,513	11,466,077	5,957,436
2004-05	18,123,957	13,524,059	4,599,898

(1) Electric Enterprise utilities.

(2) Expenses include total operating expenses less depreciation for the Water and Electric Enterprise utilities.

\* Starting in 1996-97 the Sewer Enterprise is included with Water and Electric Enterprises.

<b>DEBT SERVICE REQUIREMENTS</b>			<b>Percent Coverage (in hundreds)</b>
<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
\$ 120,000	\$ 234,683	\$ 354,683	5.51 %
130,000	348,596	478,596	5.50 %
140,000	449,446	589,446	5.25 %
200,000	520,493	720,493	5.58 %
225,000	508,041	733,041	4.88 %
185,000	488,032	673,032	4.89 %
190,000	647,403	837,403	2.00 %
295,000	674,936	969,936	5.11 %
350,000	808,933	1,158,933	5.14 %
470,000	848,652	1,318,652	3.49 %

CITY OF HEALDSBURG  
CONSTRUCTION, BANK DEPOSITS, AND PROPERTY VALUE  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>
1995-96	60	\$ 1,203,883	123	\$ 1,750,546
1996-97	70	2,662,227	191	7,057,756
1997-98	89	3,190,278	219	1,866,699
1998-99	78	2,849,299	174	25,186,371
1999-00	114	6,191,231	370	28,870,290
2000-01	71	4,988,305	315	16,342,221
2001-02	3	6,377,177	224	3,902,676
2002-03	7	9,411,711	16	7,967,449
2003-04	9	7,524,374	25	5,932,318
2004-05	10	6,052,035	28	5,212,640

Note: Bank deposits are FDIC deposits only.

Sources: City of Healdsburg - Building Department  
Federal Deposit Insurance Corporation

<u>Bank Deposits</u> <u>(in millions)</u>	<u>Total</u> <u>Property Value</u> <u>(in thousands)</u>
\$ 175,421	\$ 581,658
218,200	597,854
233,915	609,621
243,592	608,092
261,151	643,658
272,109	700,674
295,324	776,511
301,547	896,751
327,153	1,102,206
306,429	1,203,855
330,213	1,203,855

CITY OF HEALDSBURG  
 HEALDSBURG COMMUNITY REDEVELOPMENT AGENCY  
 SOTOYOME REDEVELOPMENT PROJECT AREA  
 LARGEST SECURED PROPERTY TAXPAYERS  
 FISCAL YEAR 2004 - 2005

<u>Taxpayer</u>	<u>Type of Business</u>
Simi Winery Inc.	Winery
Terradev Hotel Manager, LLC	Hotel
Healdsburg Senior Living	Assisted Living Facility
Davis Mark & Linda	Industrial
Syar Industries, Inc.	Rock and Gravel Manufacturing
Shami Mitri & Suad	Property Management/Rentals
Seghesio Wineries, Inc	Winery
Dry Creek Inn, LTD	Hotel
Grove Street, LLC	Wine Bottling Facility
Healdsburg Investors, LTD	Property Management/Rentals

CITY OF HEALDSBURG  
SCHEDULE OF INSURANCE AND SURETY BONDS  
2004 - 2005 Summary of Policies

<u>Company</u>	<u>Limits/Coverage</u>	<u>Cost</u>
<b><u>LIABILITY</u></b>		
California Joint Powers Risk Management Authority*	\$4,500,000 xs \$500,000. Bodily Injury, property damage, errors & omissions, personal injury. (7/01/04 - 7/01/05)	\$ 771,397
American Reinsurance #9391646	\$10,000,000 x \$5,000,000	
American Reinsurance # 9391720	\$10,000,000 xs \$15,000,000. Bodily injury, property damage, personal injury, errors & omissions, employment practices, liability reinsurance. (7/1/04 - 7/1/05)	
<b><u>WORKERS' COMPENSATION</u></b>		
Continental #W128587841A	Statutory xs \$1,000,000 S.I.R. (7/1/04 - 7/1/05)	\$ 484,163
	\$2,000,000 xs \$1,000,000 S.I.R. for for employers liability. (7/1/04-7/1/05)	
<b><u>PROPERTY</u></b>		
Discover Property & Casualty # D0003Z00030	\$4,975,000 xs \$25,000 S.I.R. (excludes earthquake and flood) (07/01/04 - 07/01/06)	
Federal Insurance Company (CHUBB) #660-74-94	\$195,000,000 xs \$5,000,000 all risk (excludes terrorism, mold, and computer virus) (7/1/04 - 7/1/05)	\$ 232,187
Hartford Steam Boiler Ins. Co. FBP4909988	\$19,995,000 xs \$5,000 S.I.R., <u>Boiler/Machinery</u> - Mechanical breakdown to boilers and other pressure vessels. Fixed rate per city** \$21,250,000 limit for equipment breakdown. (07/01/04 - 07/01/05)	\$ 28,344
Fireman's Fund #S 95 MXX 80828850	\$1,490,000 xs \$10,000 S.I.R. <u>Automobile Physical Damage</u> . Vehicles valued in excess of \$25,000. Damage to vehicles off premises. (07/01/04 - 07/01/05)	\$ 85,268
<b><u>BONDS</u></b>		
Fidelity & Deposit Company of Maryland #CCP 0044417	\$1,975,000 xs \$25,000 S.I.R., <u>Public Employee Blanket Bond</u> . Loss of money, securities, and other property through employee dishonesty. (10/1/04 - 10/1/05)	
	\$1,975,000 xs \$25,000 S.I.R., <u>Honesty Blanket Bond</u> . Coverage for a forgery or alteration loss by a third party. (10/1/04-10/1/05)	
	\$975,000 xs \$25,000 S.I.R. <u>Faithful Performance</u> . Loss of money, securities, and other property through failure to properly supervise. (10/1/04-10/1/05)	\$ 29,282
	\$990,000 - \$10,000 - <u>REMIF Treasurer/CEO Bond</u> . <u>Honesty Blanket Bond</u> . Forgery or alteration, public employee dishonesty, and faithful performance coverage.	\$ 1,572

\* Risk Sharing Self-Funded Pool

\*\* S.I.R. and Limits Different for Healdsburg and Ukiah

Note: Earthquake/Flood Coverage is Purchased Separate of the REMIF Pool.

Source: Redwood Empire Municipal Insurance Fund

CITY OF HEALDSBURG  
MISCELLANEOUS STATISTICAL INFORMATION  
JUNE 30, 2005

Date Incorporated	- February 20 1867
Type of City	- General Law
Form of Government	- Council/City Manager
Police Services	- 1 Station - 17 Sworn Officers - 12 Reserves/Volunteer
Fire Services	- 1 Station - 8 Personnel - 40 Reserves/Volunteer
Cultural/Recreational	- 1 Museum - 1 Library - 1 Senior Center - 7 Parks - 1 Golf Course - 1 Swimming Pool
City Personnel	- 106 Full-Time - 17 Part Time - 52 Reserve/Volunteer - 2 Seasonal Workers - 12 Temporary

NOTE: Positions listed are authorized/budgeted positions and are not necessarily filled.

CITY OF HEALDSBURG  
SCHEDULE OF TEN MAJOR BUSINESSES  
JUNE 30, 2005

<b>Name</b>	<b>Type of Business</b>
D C Power Systems	Solar Material Distributor
Garrett Hardware & Plumbing	Hardware
Healdsburg Lumber Company	Lumber Products
McConnell Chevrolet/Olds/Geo	Car Dealer
Opperman & Son Used Trucks	Car Dealer
Safeway Stores	Grocery Store
W.C. Sanderson Ford	Car Dealer
Silveira Pontiac/Buick/GMC	Car Dealer
Syar Industries	Building Materials
Valero Service Station (Beth Enterprises)	Service Station

Listed in alphabetical order, ranked by State Sales Tax, Gross Retail Sales.

Source: State Board of Equalization

(This page left intentionally blank).

CITY OF HEALDSBURG  
 SCHEDULE OF SCHOOLS AVERAGE DAILY ATTENDANCE  
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Elementary K - 6</u>	<u>Junior High 7 - 8</u>	<u>Senior High 9 - 12</u>
1993-94	1,376	521	1,349
1994-95	1,341	490	1,381
1995-96	1,313	474	1,257
1996-97	1,315	469	1,156
1997-98	1,262	484	1,097
1998-99	1,169	445	908
1999-00	1,210	430	975
2000-00	1,269	452	967
2001-02	1,262	457	968
2002-03	1,151	459	949
2003-04	1,143	432	953
2004-05	1,055	437	947

Source: Healdsburg Unified School District

CITY OF HEALDSBURG  
SCHEDULE OF NET INCOME  
WATER FUND  
FOR THE YEARS ENDED JUNE 30, 1996-2005

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

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$	2,671,027	2,455,946	\$ 2,224,131	\$ 1,860,618	\$ 1,743,286	\$ 1,555,991
	550,220	11,590	23,796	45,768	293	1,623
	<u>3,221,247</u>	<u>2,467,536</u>	<u>2,247,927</u>	<u>1,906,386</u>	<u>1,743,579</u>	<u>1,557,614</u>
	1,660,270	1,083,534	1,102,837	814,111	834,368	695,562
	509,320	438,603	476,717	493,428	403,615	347,497
	292,935	302,469	266,307	223,450	205,798	175,892
	-	-	-	-	-	-
	<u>2,462,525</u>	<u>1,824,606</u>	<u>1,845,861</u>	<u>1,530,989</u>	<u>1,443,781</u>	<u>1,218,951</u>
	<u>758,722</u>	<u>642,930</u>	<u>402,066</u>	<u>375,397</u>	<u>299,798</u>	<u>338,663</u>
	-	-	2,183	15,155	371	29,049
	547,840	225,955	203,983	353,151	348,861	291,015
	(451,480)	(420,335)	(437,190)	(471,541)	(396,073)	(324,277)
	(128,719)	(23,622)	(9,865)	(100,292)	(150)	(2,000)
	-	-	-	-	(480)	-
	<u>(32,359)</u>	<u>(218,002)</u>	<u>(240,889)</u>	<u>(203,527)</u>	<u>(47,471)</u>	<u>(6,213)</u>
	726,363	424,928	161,177	171,870	252,327	332,450
	<u>375,850</u>	<u>(98,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,102,213	326,728	161,177	171,870	252,327	332,450
	<u>202,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u><u>1,305,067</u></u>	<u><u>326,728</u></u>	\$ <u><u>161,177</u></u>	\$ <u><u>171,870</u></u>	\$ <u><u>252,327</u></u>	\$ <u><u>332,450</u></u>

SCHEDULE OF CASH FLOWS  
WATER FUND  
FOR THE YEARS ENDED JUNE 30 1996-2005

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

Source: City of Healdsburg, Finance Department

	2001	2000	1999	1998	1997	1996
\$	758,722	\$ 642,930	\$ 402,066	\$ 375,397	\$ 313,527	\$ 338,663
	292,935	302,469	266,307	223,450	205,798	175,892
	-	-	-	-	(480)	-
	(110,651)	(51,580)	(123,531)	4,893	(47,849)	(58,449)
	-	61,653	27,009	(73,824)	13,327	69,871
	(21,087)	(5,964)	(485)	6,878	(7,136)	9,365
	(23)	(10)	(13)	(7)	(296)	-
	194,320	(21,771)	(152,361)	144,952	16,085	73,448
	-	-	-	-	-	-
	3,859	(2,700)	3,115	882	1,362	(234)
	359,353	282,097	20,041	307,224	180,811	269,893
	<u>1,118,075</u>	<u>925,027</u>	<u>422,107</u>	<u>682,621</u>	<u>494,338</u>	<u>608,556</u>
	-	-	2,183	-	371	29,049
	-	190,000	350,000	15,155	-	-
	-	-	-	(540,000)	-	-
	375,850	(98,200)	-	-	-	-
	<u>375,850</u>	<u>91,800</u>	<u>352,183</u>	<u>(524,845)</u>	<u>371</u>	<u>29,049</u>
	-	-	(1,177,121)	-	-	-
	(1,003,448)	(994,589)	-	(1,095,076)	(710,448)	(203,264)
	-	-	-	(2,558,019)	(809,647)	(497,677)
	202,854	808,451	630,774	-	525,703	319,028
	-	-	-	468,544	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	10,136,304	-	-	(137,145)	2,256,982	(86,497)
	(7,135,000)	(155,144)	(162,144)	-	(1,272)	-
	-	-	-	-	(128,231)	-
	(812,483)	(405,496)	(422,330)	(456,722)	(396,073)	(359,428)
	<u>1,388,227</u>	<u>(746,778)</u>	<u>(1,130,821)</u>	<u>(3,778,418)</u>	<u>737,014</u>	<u>(827,838)</u>
	505,175	206,284	227,923	352,539	335,308	266,241
	(1,480,698)	(500,000)	(505)	(145,777)	(390,632)	(730,283)
	39,410	(54,027)	-	-	-	-
	<u>(936,113)</u>	<u>(347,743)</u>	<u>227,418</u>	<u>206,762</u>	<u>(55,324)</u>	<u>(464,042)</u>
	1,946,039	(77,694)	(129,113)	(3,413,880)	1,176,399	(654,275)
	1,000,960	1,078,654	1,207,767	4,621,647	3,445,248	4,099,523
\$	<u>2,946,999</u>	<u>\$ 1,000,960</u>	<u>\$ 1,078,654</u>	<u>\$ 1,207,767</u>	<u>\$ 4,621,647</u>	<u>\$ 3,445,248</u>
\$	(128,719)	\$ (23,622)	\$ -	\$ (100,291)	\$ -	\$ -
	-	-	-	-	-	-
\$	<u>(128,719)</u>	<u>\$ (23,622)</u>	<u>\$ -</u>	<u>\$ (100,291)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HEALDSBURG  
SCHEDULE OF WATER SOLD AND REVENUE PER HUNDRED CUBIC FEET  
LAST TEN FISCAL YEARS

<u>Water Sold/Hundred Cubic Feet</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
July	108,472	122,066	119,625	94,098
August	114,116	131,962	139,487	135,762
September	131,329	121,255	112,813	119,448
October	96,509	101,461	92,941	103,846
November	86,171	80,801	75,646	76,280
December	61,056	49,770	45,455	48,932
January	44,547	47,217	44,931	52,084
February	42,181	41,516	39,433	38,840
March	40,255	47,892	38,803	39,852
April	47,948	63,923	40,930	46,017
May	72,286	83,648	50,155	64,504
June	86,467	104,167	63,595	104,760
Total	<u>931,337</u>	<u>995,678</u>	<u>863,814</u>	<u>924,423</u>
<u>Total Billings</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
July	\$ 154,609	\$ 188,123	\$ 208,061	\$ 203,715
August	162,825	203,078	236,396	277,541
September	182,462	188,169	201,602	249,641
October	157,302	165,211	196,647	228,998
November	143,281	136,543	165,812	181,375
December	110,599	95,532	114,830	131,430
January	89,569	97,292	115,288	138,061
February	85,528	88,334	108,191	113,418
March	83,723	98,801	106,582	118,801
April	94,013	124,611	113,351	128,293
May	123,635	153,486	128,089	163,752
June	142,433	183,860	148,085	238,927
Total	<u>\$ 1,529,979</u>	<u>\$ 1,723,040</u>	<u>\$ 1,842,934</u>	<u>\$ 2,173,952</u>
<u>Revenue/Hundred Cubic Feet</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
July	\$ 1.425	\$ 1.541	\$ 1.739	\$ 2.165
August	1.426	1.539	1.695	2.044
September	1.389	1.552	1.787	2.090
October	1.629	1.629	2.116	2.205
November	1.663	1.690	2.192	2.378
December	1.811	1.920	2.526	2.686
January	2.010	2.061	2.566	2.651
February	2.027	2.128	2.744	2.920
March	2.079	2.063	2.747	2.981
April	1.960	1.949	2.769	2.788
May	1.710	1.835	2.554	2.539
June	1.647	1.765	2.329	2.281
Average	<u>\$ 1.643</u>	<u>\$ 1.731</u>	<u>\$ 2.133</u>	<u>\$ 2.352</u>

Source: City of Healdsburg - Utility Department

<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
124,006	120,565	122,998	129,426	124,590	136,689
125,072	119,845	120,704	134,202	143,876	135,739
103,036	217,593	128,824	132,107	116,375	118,199
103,860	8,651	96,824	105,646	111,873	91,168
77,746	71,730	70,075	88,514	79,424	56,026
50,628	151,493	48,562	47,080	52,184	46,061
55,095	47,985	49,833	48,905	41,876	47,940
44,171	42,371	43,534	44,149	46,506	39,977
34,009	42,520	46,318	39,681	49,917	40,312
61,625	56,940	54,006	64,949	69,719	51,007
75,098	82,539	84,024	48,948	92,292	60,201
96,390	127,578	117,528	102,559	185,732	84,688
<u>950,736</u>	<u>1,089,810</u>	<u>983,230</u>	<u>986,166</u>	<u>1,114,364</u>	<u>908,007</u>
<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
277,183	\$ 290,991	\$ 316,829	\$ 377,692	\$ 417,302	\$ 466,161
284,246	292,455	314,358	388,593	469,705	475,621
232,324	540,325	328,654	383,287	392,080	436,859
247,081	18,874	271,307	335,532	371,512	345,351
201,201	201,770	213,148	296,673	300,077	266,712
145,122	154,596	168,193	185,751	227,693	207,633
145,569	155,795	174,432	203,678	202,241	233,643
131,064	140,012	161,461	187,490	208,838	211,806
128,168	143,159	167,578	181,951	223,287	211,623
169,873	169,252	189,216	255,351	271,034	246,422
194,035	224,054	258,382	212,741	338,499	271,747
239,254	317,661	336,732	352,706	386,976	347,128
<u>2,395,120</u>	<u>\$ 2,648,944</u>	<u>\$ 2,900,290</u>	<u>\$ 3,361,445</u>	<u>\$ 3,809,244</u>	<u>\$ 3,720,706</u>
<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
2.235	\$ 2.414	\$ 2.575	\$ 2.918	\$ 3.349	\$ 3.410
2.273	2.440	2.604	2.896	3.265	3.504
2.255	2.483	2.551	2.901	3.369	3.696
2.379	2.182	2.802	3.176	3.321	3.788
2.588	2.813	3.041	3.352	3.778	4.761
2.866	1.020	3.463	3.945	4.363	4.508
2.642	3.247	3.500	4.165	4.830	4.874
2.967	3.304	3.708	4.247	4.491	5.298
3.769	3.367	3.617	4.585	4.473	5.250
2.757	2.972	3.503	3.932	3.888	4.831
2.584	2.715	3.075	4.346	3.668	4.514
2.482	2.490	2.865	3.440	2.084	4.099
<u>2.519</u>	<u>\$ 2.431</u>	<u>\$ 2.950</u>	<u>\$ 3.409</u>	<u>\$ 3.418</u>	<u>\$ 4.098</u>

CITY OF HEALDSBURG  
SCHEDULE OF NET INCOME  
SEWER FUND  
FOR THE YEARS ENDED JUNE 30, 1996-2005

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

Source: City of Healdsburg, Finance Department

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$	2,461,635	2,142,903	\$ 1,882,704	\$ 1,585,660	\$ 1,373,948	\$ 1,141,300
	790,121	642	42,902	91,628	14,092	-
	<u>3,251,756</u>	<u>2,143,545</u>	<u>1,925,606</u>	<u>1,677,288</u>	<u>1,388,040</u>	<u>1,141,300</u>
	682,268	801,228	848,612	647,522	535,866	633,629
	746,544	443,019	500,628	443,145	405,181	375,655
	434,226	475,136	418,628	366,880	340,035	308,598
	<u>1,863,038</u>	<u>1,719,383</u>	<u>1,767,868</u>	<u>1,457,547</u>	<u>1,281,082</u>	<u>1,317,882</u>
	<u>1,388,718</u>	<u>424,162</u>	<u>157,738</u>	<u>219,741</u>	<u>106,958</u>	<u>(176,582)</u>
	-	-	93	1,405	16	31,774
	501,221	178,311	75,980	179,167	38,765	40,921
	(178,442)	(50,490)	(52,082)	(218,657)	(31,532)	-
	(190,477)	(39,624)	(8,616)	(1,573)	(152,018)	(3,282)
	-	-	-	-	7,159	-
	<u>132,302</u>	<u>88,197</u>	<u>15,375</u>	<u>(39,658)</u>	<u>(137,610)</u>	<u>69,413</u>
	1,521,020	512,359	173,113	180,083	(36,521)	(107,169)
	<u>(325,400)</u>	<u>434,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,195,620	947,159	173,113	180,083	(36,521)	(107,169)
	<u>440,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u><u>1,635,881</u></u>	<u><u>947,159</u></u>	<u><u>\$ 173,113</u></u>	<u><u>\$ 180,083</u></u>	<u><u>\$ (36,521)</u></u>	<u><u>\$ (107,169)</u></u>

SCHEDULE OF CASH FLOWS  
SEWER FUND  
FOR THE YEARS ENDED JUNE 30 1996-2005

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

Source: City of Healdsburg, Finance Department

	2001	2000	1999	1998	1997	1996
\$	1,388,718	\$ 424,162	\$ 157,738	\$ 219,741	\$ 115,407	\$ (176,582)
	434,226	475,136	418,628	366,880	340,035	308,598
	-	-	-	-	(7,159)	-
	(33,873)	(41,075)	(42,437)	(45,837)	(3,860)	(32,412)
	-	12,866	10,895	(12,445)	18,052	10,544
	40	23	52	(95)	1,808	(1,694)
	(23)	(10)	(13)	(7)	(296)	-
	(103,690)	(91,780)	253,582	(115,265)	88,851	4,862
	-	782	-	(182)	-	-
	<u>296,680</u>	<u>355,942</u>	<u>640,707</u>	<u>193,049</u>	<u>437,431</u>	<u>289,898</u>
	<u>1,685,398</u>	<u>780,104</u>	<u>798,445</u>	<u>412,790</u>	<u>552,838</u>	<u>113,316</u>
	-	-	93	1,405	16	31,774
	-	(190,000)	-	-	-	-
	<u>(325,400)</u>	<u>434,800</u>	<u>(350,000)</u>	<u>540,000</u>	<u>-</u>	<u>-</u>
	<u>(325,400)</u>	<u>244,800</u>	<u>(349,907)</u>	<u>541,405</u>	<u>16</u>	<u>31,774</u>
	-	-	(436,504)	-	-	-
	(2,348,656)	(417,787)	-	(239,048)	(1,539,799)	(914,135)
	-	-	-	(2,137,278)	(1,480,888)	(169,580)
	440,261	1,478,099	879,194	1,276,075	2,184,670	-
	-	-	-	-	-	380,855
	-	-	-	-	-	-
	2,572,497	(14,684)	(14,683)	(14,683)	940,658	-
	-	-	-	-	(67,097)	-
	(263,346)	(48,215)	(49,808)	(216,382)	(31,532)	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>400,756</u>	<u>997,413</u>	<u>378,199</u>	<u>(1,331,316)</u>	<u>6,012</u>	<u>(702,860)</u>
	451,788	145,594	68,256	178,994	40,298	42,410
	(1,245,880)	(2,986,273)	(602,993)	3,681	(1,041)	299,219
	7,066	(25,176)	-	-	-	-
	<u>(787,026)</u>	<u>(2,865,855)</u>	<u>(534,737)</u>	<u>182,675</u>	<u>39,257</u>	<u>341,629</u>
	973,728	(843,538)	292,000	(194,446)	598,123	(216,141)
	241,185	1,084,723	792,723	987,169	389,046	738,027
\$	<u>1,214,913</u>	<u>\$ 241,185</u>	<u>\$ 1,084,723</u>	<u>\$ 792,723</u>	<u>\$ 987,169</u>	<u>\$ 521,886</u>
\$	(190,477)	\$ (39,624)	\$ (8,616)	\$ (1,573)	\$ -	\$ (2,473,636)
	-	-	-	-	-	2,473,636
	-	-	-	-	-	-
\$	<u>(190,477)</u>	<u>\$ (39,624)</u>	<u>\$ (8,616)</u>	<u>\$ (1,573)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HEALDSBURG  
SCHEDULE OF NET INCOME (LOSS)  
ELECTRIC FUND  
FOR THE YEARS ENDED JUNE 30, 1996-2005

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

Source: City of Healdsburg, Finance Department

	2001	2000	1999	1998	1997	1996
\$	7,357,293	7,034,610	\$ 7,016,103	\$ 6,916,923	\$ 6,768,072	\$ 6,693,616
	85,163	6,577	8,331	3,436	1,519	4,796
	<u>7,442,456</u>	<u>7,041,187</u>	<u>7,024,434</u>	<u>6,920,359</u>	<u>6,769,591</u>	<u>6,698,412</u>
	5,684,650	4,631,989	3,827,387	4,583,568	4,631,057	4,618,668
	1,204,423	859,526	777,565	655,861	728,524	678,568
	901,891	890,836	836,624	826,285	709,120	699,769
	274,093	262,526	276,846	273,224	262,436	265,513
	<u>8,065,057</u>	<u>6,644,877</u>	<u>5,718,422</u>	<u>6,338,938</u>	<u>6,331,137</u>	<u>6,262,518</u>
	(622,601)	396,310	1,306,012	581,421	438,454	435,894
	-	-	-	-	-	35,690
	535,405	672,157	604,540	519,502	551,795	447,650
	(13,138)	(13,813)	(16,347)	(19,166)	(21,841)	(24,319)
	(174,726)	(76,820)	(41,747)	(4,662)	(34,968)	-
	-	-	-	-	(84)	-
	<u>347,541</u>	<u>581,524</u>	<u>546,446</u>	<u>495,674</u>	<u>494,902</u>	<u>459,021</u>
	(275,060)	977,834	1,852,458	1,077,095	933,356	894,915
	<u>(875,400)</u>	<u>(273,350)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(1,150,460)	704,484	1,852,458	1,077,095	933,356	894,915
	771,208	-	-	-	-	-
\$	<u>(379,252)</u>	<u>704,484</u>	<u>\$ 1,852,458</u>	<u>\$ 1,077,095</u>	<u>\$ 933,356</u>	<u>\$ 894,915</u>

SCHEDULE OF CASH FLOWS  
ELECTRIC FUND  
FOR THE YEARS ENDED JUNE 30 1996-2005

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

Source: City of Healdsburg, Finance Department

2001	2000	1999	1998	1997	1996
\$ (622,602)	\$ 396,310	\$ 1,306,012	\$ 581,421	\$ 457,465	\$ 435,894
274,093	262,526	276,846	273,224	262,436	265,513
-	-	-	-	(84)	-
(181,460)	(145,072)	(95,880)	7,504	35,087	(148,922)
-	11,215	8,111	(6,355)	22,832	3,609
60,245	(392,202)	10,300	(56,342)	(69,472)	40,097
403,247	(425,652)	348,391	(348,411)	(298)	-
101,177	14,464	(132,193)	160,201	(2,302)	35,344
(432,978)	3,026	(1,097)	(6,440)	(5,964)	(5,839)
<u>224,324</u>	<u>(671,695)</u>	<u>414,478</u>	<u>23,381</u>	<u>242,235</u>	<u>189,802</u>
<u>(398,278)</u>	<u>(275,385)</u>	<u>1,720,490</u>	<u>604,802</u>	<u>699,700</u>	<u>625,696</u>
-	-	-	-	-	35,690
(1,726,953)	(478,399)	5,989	359,701	(299,003)	60,660
(875,400)	(273,350)	-	-	-	-
<u>(2,602,353)</u>	<u>(751,749)</u>	<u>5,989</u>	<u>359,701</u>	<u>(299,003)</u>	<u>96,350</u>
(792,389)	(371,383)	(1,014,041)	(361,656)	(200,353)	(61,289)
-	-	-	(206,271)	(195,464)	(56,752)
-	-	-	(235,529)	(272,970)	(375,819)
771,208	632,651	977,900	687,039	491,647	43,422
-	-	-	-	-	195,590
-	-	-	-	-	-
-	-	-	-	(40,000)	(36,750)
(9,750)	(9,750)	(42,748)	(42,750)	827	(31,069)
-	-	-	-	-	-
(12,310)	(12,986)	(15,520)	(18,338)	(21,591)	-
<u>(43,241)</u>	<u>238,532</u>	<u>(94,409)</u>	<u>(177,505)</u>	<u>(237,904)</u>	<u>(322,667)</u>
589,907	619,909	590,543	505,422	545,931	428,916
3,572,392	(5,224,626)	(1,102,150)	-	1,028,197	118,193
4,247	(24,928)	-	1,698,679	1,151	2,676
<u>4,166,546</u>	<u>(4,629,645)</u>	<u>(511,607)</u>	<u>2,204,101</u>	<u>1,575,279</u>	<u>549,785</u>
1,122,674	(5,418,247)	1,120,463	2,991,099	1,738,072	949,164
<u>2,059,564</u>	<u>7,477,811</u>	<u>6,357,348</u>	<u>3,366,249</u>	<u>1,628,177</u>	<u>679,013</u>
\$ <u>3,182,238</u>	\$ <u>2,059,564</u>	\$ <u>7,477,811</u>	\$ <u>6,357,348</u>	\$ <u>3,366,249</u>	\$ <u>1,628,177</u>
\$ (174,726)	\$ (76,820)	\$ (41,747)	\$ (4,662)	\$ -	\$ -
\$ <u>(174,726)</u>	\$ <u>(76,820)</u>	\$ <u>(41,747)</u>	\$ <u>(4,662)</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF HEALDSBURG  
SCHEDULE OF ELECTRIC UTILITY CUSTOMERS, SALES AND REVENUE  
LAST TEN FISCAL YEARS

	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
<u>Number of Customers</u>				
Residential	3,833	3,892	3,933	3,872
Industrial and Heavy Commercial	75	70	83	87
Commercial	767	760	781	819
Municipal	57	54	65	64
Outside Lighting	<u>40</u>	<u>40</u>	<u>41</u>	<u>42</u>
Total	<u><u>4,772</u></u>	<u><u>4,816</u></u>	<u><u>4,903</u></u>	<u><u>4,884</u></u>
<u>Energy Sales (MWH)</u>				
Residential	22,111	22,389	22,822	23,552
Industrial and Heavy Commercial	2,830	2,351	2,676	3,485
Commercial	32,291	33,222	34,764	34,323
Municipal	5,152	4,852	4,754	4,959
Outside Lighting	<u>587</u>	<u>585</u>	<u>584</u>	<u>585</u>
Total	<u><u>62,971</u></u>	<u><u>63,399</u></u>	<u><u>65,600</u></u>	<u><u>66,904</u></u>
<u>Operating Billings (in millions)</u>				
Residential	\$2.484	\$2.660	\$2.749	\$2.891
Industrial and Heavy Commercial	0.318	0.217	0.296	0.377
Commercial	3.406	3.466	3.667	3.679
Municipal	0.385	0.370	0.375	0.407
Outside Lighting	<u>0.037</u>	<u>0.037</u>	<u>0.039</u>	<u>0.042</u>
Total	<u><u>\$6.630</u></u>	<u><u>\$6.750</u></u>	<u><u>\$7.126</u></u>	<u><u>\$7.396</u></u>

Source: City of Healdsburg - Utility Department

<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
4,192	4,351	4,381	4,387	4,400	4,426
80	78	100	89	99	101
834	817	855	865	858	874
66	74	72	77	72	75
<u>60</u>	<u>43</u>	<u>20</u>	<u>19</u>	<u>32</u>	<u>18</u>
<u>5,232</u>	<u>5,363</u>	<u>5,428</u>	<u>5,437</u>	<u>5,461</u>	<u>5,494</u>
23,446	25,028	24,596	25,015	25,892	26,235
3,197	3,695	3,142	2,945	2,652	3,079
33,417	35,099	34,326	35,676	37,449	38,736
4,975	4,540	4,794	4,628	4,775	4,731
<u>585</u>	<u>583</u>	<u>585</u>	<u>583</u>	<u>583</u>	<u>583</u>
<u>65,620</u>	<u>68,945</u>	<u>67,443</u>	<u>68,847</u>	<u>71,351</u>	<u>73,364</u>
\$2.883	\$3.073	\$3.154	\$3.200	\$3.300	\$3.360
0.342	0.393	0.378	0.367	0.331	0.359
3.632	3.801	4.013	4.148	4.099	4.568
0.401	0.375	0.434	0.418	0.397	0.449
<u>0.041</u>	<u>0.040</u>	<u>0.042</u>	<u>0.042</u>	<u>0.042</u>	<u>0.042</u>
<u>\$7.299</u>	<u>\$7.682</u>	<u>\$8.021</u>	<u>\$8.175</u>	<u>\$8.169</u>	<u>\$8.778</u>

CITY OF HEALDSBURG  
SCHEDULE OF ELECTRICITY SOLD AND REVENUE PER MEGAWATT HOURS  
LAST TEN FISCAL YEARS

MWH Sold	1995-96	1996-97	1997-98	1998-99
July	5,136	5,633	5,711	5,562
August	5,552	5,545	5,867	6,421
September	5,819	5,671	5,937	6,358
October	5,137	5,485	5,642	5,444
November	5,509	5,255	5,541	5,604
December	5,214	5,054	5,331	5,522
January	5,294	5,501	5,635	5,903
February	5,292	5,068	5,318	5,305
March	4,911	4,938	5,127	5,096
April	4,809	4,908	4,880	5,438
May	5,175	4,945	5,193	4,948
June	5,122	5,403	5,417	5,303
Total	<u>62,970</u>	<u>63,406</u>	<u>65,599</u>	<u>66,904</u>

Total Billings	1995-96	1996-97	1997-98	1998-99
July	\$ 563,683	\$ 625,541	\$ 656,462	\$ 671,528
August	649,474	638,438	699,997	780,065
September	683,515	644,785	699,392	749,469
October	605,405	617,658	665,868	670,085
November	630,650	621,274	650,609	668,750
December	500,712	517,247	514,425	549,073
January	522,973	567,330	572,904	608,149
February	493,159	519,189	522,153	514,981
March	464,377	414,694	509,542	510,713
April	449,782	468,136	474,375	542,747
May	481,428	480,457	510,582	486,301
June	585,331	645,139	648,465	644,267
Total	<u>\$ 6,630,489</u>	<u>\$ 6,759,888</u>	<u>\$ 7,124,774</u>	<u>\$ 7,396,128</u>

Revenue/KWH	1995-96	1996-97	1997-98	1998-99
July	\$ 0.10975	\$ 0.11105	\$ 0.11495	\$ 0.12074
August	0.11698	0.11513	0.11931	0.12147
September	0.11746	0.11370	0.11780	0.11788
October	0.11785	0.11261	0.11802	0.12309
November	0.11448	0.11830	0.11742	0.11933
December	0.09603	0.10234	0.09650	0.09943
January	0.09879	0.10313	0.10167	0.10302
February	0.09319	0.10244	0.09819	0.09707
March	0.09456	0.08398	0.09938	0.10022
April	0.09353	0.09538	0.09721	0.09981
May	0.09303	0.09716	0.09832	0.09828
June	0.11428	0.11940	0.11971	0.12149
Average	<u>\$ 0.10530</u>	<u>\$ 0.10661</u>	<u>\$ 0.10861</u>	<u>\$ 0.11055</u>

Source: City of Healdsburg - Utility Department

1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
5,648	5,939	5,956	6,229	6,113	6,595
5,649	6,085	5,359	6,199	6,821	6,367
4,870	6,319	5,957	6,168	6,408	7,283
5,595	5,903	5,661	5,937	5,838	6,051
5,585	5,759	5,305	5,932	5,464	5,809
5,175	5,756	5,545	5,176	5,874	6,083
6,243	5,942	6,340	6,203	5,769	6,470
5,192	5,710	5,476	5,444	5,977	6,180
5,219	5,131	5,260	4,780	5,683	5,146
5,480	5,166	5,159	6,119	5,570	5,756
5,328	5,186	5,438	4,934	5,802	5,845
5,636	6,053	5,985	5,726	6,033	5,779
<u>65,620</u>	<u>68,949</u>	<u>67,441</u>	<u>68,847</u>	<u>71,352</u>	<u>73,364</u>

1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
692,743	\$ 722,003	\$ 780,420	\$ 807,825	\$ 791,151	\$ 711,827
688,545	735,508	697,647	800,312	882,496	708,539
585,033	773,672	786,546	804,981	824,884	787,393
685,507	724,567	732,969	760,045	754,070	643,711
670,965	694,730	689,792	778,722	567,221	596,860
529,404	584,830	593,797	552,882	625,634	694,119
642,128	599,428	690,829	673,403	619,909	1,407,682
520,977	578,460	593,782	582,690	649,620	488,355
527,653	518,509	566,423	503,378	605,831	496,073
537,206	508,492	544,544	649,836	577,260	617,779
518,346	504,507	563,299	516,598	632,974	713,446
699,600	736,195	781,609	743,948	653,404	747,436
<u>7,298,107</u>	<u>\$ 7,680,901</u>	<u>\$ 8,021,657</u>	<u>\$ 8,174,620</u>	<u>\$ 8,184,454</u>	<u>\$ 8,613,220</u>

1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
0.12270	\$ 0.12156	\$ 0.13103	\$ 0.12969	\$ 0.12942	\$ 0.10793
0.12190	0.12087	0.13018	0.12910	0.12937	0.11128
0.12010	0.12243	0.13203	0.13051	0.12873	0.10811
0.12250	0.12274	0.12947	0.12802	0.12916	0.10638
0.12020	0.12063	0.13002	0.13128	0.10381	0.10275
0.10230	0.10160	0.10708	0.10682	0.10650	0.11411
0.10290	0.10087	0.10896	0.10851	0.10746	0.21757
0.10030	0.10130	0.10843	0.10703	0.10869	0.79022
0.10110	0.10105	0.10768	0.10531	0.10660	0.96400
0.09800	0.09843	0.10555	0.10620	0.10363	0.10733
0.09730	0.09728	0.10358	0.10470	0.10910	0.12206
0.12410	0.12162	0.13059	0.12993	0.10830	0.12934
<u>0.11122</u>	<u>\$ 0.11140</u>	<u>\$ 0.11894</u>	<u>\$ 0.11874</u>	<u>\$ 0.11471</u>	<u>\$ 0.11740</u>

CITY OF HEALDSBURG  
SCHEDULE OF ELECTRICITY PURCHASED  
LAST TEN FISCAL YEARS

<u>KW</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Jul	14,459	15,120	15,927	16,258	17,714
Aug	14,615	15,130	15,941	17,417	15,742
Sep	13,717	12,430	15,332	14,856	14,970
Oct	12,302	14,220	12,606	11,768	13,657
Nov	11,169	10,970	13,089	11,688	11,953
Dec	11,685	12,440	12,490	12,307	12,739
Jan	11,983	12,050	12,082	12,156	12,741
Feb	11,504	11,100	11,966	11,901	11,836
Mar	10,757	11,120	11,466	11,958	11,683
Apr	12,822	11,120	11,823	11,590	11,699
May	12,462	14,330	11,464	14,900	16,766
Jun	<u>14,335</u>	<u>14,200</u>	<u>14,172</u>	<u>14,700</u>	<u>16,971</u>
Peak Month	August	August	August	August	July

A Kilowatt is 1000 watts, and a watt is a unit of electrical power.

<u>MWH</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Jul	5,911	6,124	5,865	6,442	5,631
Aug	6,129	6,233	6,113	6,679	7,174
Sep	5,081	5,618	5,724	6,072	7,344
Oct	5,467	5,847	5,286	5,990	5,486
Nov	5,869	5,353	4,171	5,619	4,327
Dec	6,233	5,764	5,892	6,169	6,278
Jan	5,708	5,725	5,971	6,111	5,983
Feb	5,207	4,975	5,412	5,441	5,394
Mar	5,410	5,478	5,805	5,905	5,727
Apr	5,280	5,296	5,509	5,450	5,535
May	5,462	5,896	5,483	6,121	6,102
Jun	<u>5,689</u>	<u>5,810</u>	<u>5,971</u>	<u>6,032</u>	<u>6,073</u>
Total	<u><u>67,446</u></u>	<u><u>68,119</u></u>	<u><u>67,202</u></u>	<u><u>72,031</u></u>	<u><u>71,054</u></u>

A megawatt hour is 1000 Kilowatt hours, and a kilowatt hour is a unit used to measure electrical usage.

Source: City of Healdsburg - Utility Department

<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
16,315	17,445	18,428	18,328	16,996
16,545	16,262	17,553	17,418	18,177
16,820	13,207	16,539	17,889	18,972
12,778	15,572	14,710	13,903	15,235
12,639	11,926	11,219	11,539	12,373
12,700	11,630	11,797	12,233	12,604
12,610	12,172	11,746	11,984	12,589
12,214	11,729	11,597	11,770	11,654
11,343	11,039	11,009	13,299	12,561
11,890	11,926	10,925	15,253	11,653
17,156	15,228	15,605	14,463	14,660
<u>15,800</u>	<u>17,741</u>	<u>18,173</u>	<u>18,151</u>	<u>15,577</u>
May	June	July	July	September

<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
6,344	6,100	6,229	7,046	6,780
6,814	6,822	6,199	6,652	7,146
6,501	6,198	6,168	6,500	7,082
6,249	6,215	5,937	6,358	6,384
6,003	5,737	5,932	5,896	6,132
6,322	6,297	5,176	6,375	6,609
6,333	6,391	6,203	6,302	6,579
5,576	5,468	5,444	5,754	5,624
5,771	5,856	4,780	6,124	6,170
5,471	5,765	6,119	5,959	5,809
6,243	6,132	4,934	6,291	6,226
<u>6,139</u>	<u>6,505</u>	<u>5,726</u>	<u>6,716</u>	<u>6,363</u>
<u><u>73,766</u></u>	<u><u>73,486</u></u>	<u><u>68,847</u></u>	<u><u>75,973</u></u>	<u><u>76,904</u></u>

(This page left intentionally blank.)

CITY OF HEALDSBURG  
SCHEDULE OF PROPORTIONAL SHARE  
NCPA DEBT SERVICE

Bond Year	Hydroelectric 1998 Rfdg Series A	Geothermal 1998 Rfdg Series A	Transmission 1989 Ref. Series A	Comb. Turbine 1989 Ref. Series A	Total Debt Service	Bond Year
1	\$ 499,462	\$ 2,036,351	\$ 62,987	\$ 154,516	\$ 2,753,316	1
2	454,816	2,307,420	60,462	149,437	2,972,135	2
3	455,214	2,227,968	60,362	149,226	2,892,770	3
4	455,800	3,505,696	60,196	149,319	4,171,011	4
5	456,186	2,144,237	60,569	149,256	2,810,248	5
6	462,481	2,040,140	60,301	149,313	2,712,235	6
7	462,460	113,219	60,516	149,303	785,498	7
8	462,454	635,311	60,331	149,325	1,307,421	8
9	329,959	684,962	60,270	149,215	1,224,406	9
10	425,393	-	5,022	12,434	442,849	10
11	425,498	-	-	-	425,498	11
12	596,382	-	-	-	596,382	12
13	596,431	-	-	-	596,431	13
14	596,422	-	-	-	596,422	14
15	596,414	-	-	-	596,414	15
16	596,415	-	-	-	596,415	16
17	596,453	-	-	-	596,453	17
18	381,777	-	-	-	381,777	18
19	381,868	-	-	-	381,868	19
20	381,906	-	-	-	381,906	20
21	383,031	-	-	-	383,031	21
22	443,679	-	-	-	443,679	22
23	658,779	-	-	-	658,779	23
24	381,797	-	-	-	381,797	24
25	381,756	-	-	-	381,756	25
26	381,739	-	-	-	381,739	26
27	381,714	-	-	-	381,714	27
28	381,731	-	-	-	381,731	28
29	381,792	-	-	-	381,792	29
30	381,755	-	-	-	381,755	30
31	381,746	-	-	-	381,746	31
<b>TOTAL</b>	<b>\$ 14,153,310</b>	<b>\$ 15,695,304</b>	<b>\$ 551,016</b>	<b>\$ 1,361,344</b>	<b>\$ 31,760,974</b>	

FIGURES REPRESENT GROSS ANNUAL DEBT SERVICE.

CITY OF HEALDSBURG  
HEALDSBURG COMMUNITY REDEVELOPMENT AGENCY  
SOTOYOME REDEVELOPMENT PROJECT AREA  
TAXABLE VALUE AND TAX INCREMENTS  
FOR FISCAL YEARS ENDED JUNE 30, 1996 THROUGH 2005

( 000's)	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Total Assessed Valuation (Gross)	\$ 399,303	\$ 405,026	\$ 413,121	\$ 436,239	\$ 473,223
Net Secured	361,192	366,872	378,356	396,553	420,831
Net Public Utility	1,345	1,381	-	-	-
Net Unsecured	29,539	29,519	27,538	32,431	45,144
Exemptions	(7,225)	(7,254)	(7,227)	(7,255)	(7,248)
Total Assessed Valuation (Net)	392,077	397,772	405,894	428,984	465,975
Gross Tax Increment	2,970,700	3,001,463	3,148,209	3,495,808	3,849,868

Source : Finance Department

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$	514,651	\$ 566,710	\$ 620,179	\$ 685,633	\$ 724,556
	454,487	504,194	561,841	616,609	659,344
	-	-	-	-	-
	52,959	55,391	51,273	61,936	57,972
	(7,205)	(7,125)	(7,065)	(7,088)	(7,240)
	507,446	559,585	613,114	678,545	717,316
	4,322,409	4,725,371	5,509,106	6,083,344	6,487,314

CITY OF HEALDSBURG  
 HEALDSBURG COMMUNITY REDEVELOPMENT AGENCY  
 SOTOYOME REDEVELOPMENT PROJECT AREA  
 TAX INCREMENT / TAX REVENUES  
 FOR FISCAL YEARS ENDED JUNE 30, 1996 THROUGH 2005

<u>Fiscal Year</u>	<u>Gross Increment</u>	<u>Pass Thru to County</u>	<u>Pass Thru ERAF</u>	<u>Low/ Moderate Set - Aside</u>	<u>Net Increment to Agency</u>
1994	\$ 2,762,758	\$ 549,695	\$ 96,955	\$ 553,266	\$ 1,562,842
1995	2,885,571	584,490	96,978	577,114	1,626,989
1996	2,970,700	615,603	-	594,140	1,760,957
1997	3,001,463	626,285	-	600,293	1,774,886
1998	3,148,209	661,687	-	629,642	1,856,881
1999	3,495,808	736,221	-	699,162	2,060,425
2000	3,849,868	837,550	-	769,918	2,242,400
2001	4,322,409	958,585	-	864,538	2,499,286
2002	4,725,371	1,045,140	-	945,074	2,735,157
2003	5,509,106	1,185,671	144,620	1,101,911	3,076,904
2004	6,083,344	1,358,555	280,725	1,216,988	3,227,076
2005	6,487,314	1,461,160	464,810	1,297,463	3,263,881

Source: Finance Department