

# City of Healdsburg

California



Hotel Healdsburg

Serifem Building, 2003

Clock Tower



Comprehensive  
Annual Financial Report  
For the  
Year Ended June 30, 2004

**CITY OF HEALDSBURG  
HEALDSBURG, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

**JUNE 30, 2004**

**Prepared by the Finance Department**

CITY OF HEALDSBURG

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# 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 27, 2004

To the 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, 2004. 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.

For the fiscal year ended June 30, 2004, the City of Healdsburg has complied with recent pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement 34. Statement 34 established a new financial reporting model for state and local governments incorporating government-wide financial statements in addition to the customary fund statement presentation. Reconciliations of the fund financial statements to the Statement of Net Assets and Statement of Activities are provided in the financial section of this report.

The new reporting model provides financial report users with a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Healdsburg's MD&A can be found in the financial section immediately following the report of the independent auditors.

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

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, 2004 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, 2004, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's 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-133, 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, City Clerk 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. Council members are elected to four-year terms. Each year the mayor is elected by a majority vote of the City Council.

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

### General Government Activities

Police and fire protection  
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 and distribution  
Sewer Utility, including collection and treatment of sanitary and storm drain waste water  
Electric Utility  
Planning and Building operations  
Transit operations  
Airport operations  
Meeting Center Enterprise (Villa) and School Services  
Parks and recreation, including a municipal golf course and pool  
Maintenance of 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. 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

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

Upon adoption by the City Council, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget. Budget to actual comparisons are provided in this report for each individual 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

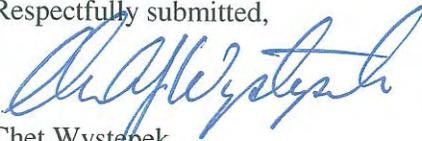
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Healdsburg for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, the government 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.

We believe our current report continues to conform to the program requirements, and are submitting it to CSMFO to determine its eligibility for another certificate.

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

Respectfully submitted,



Chet Wystepik  
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, 2003

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.



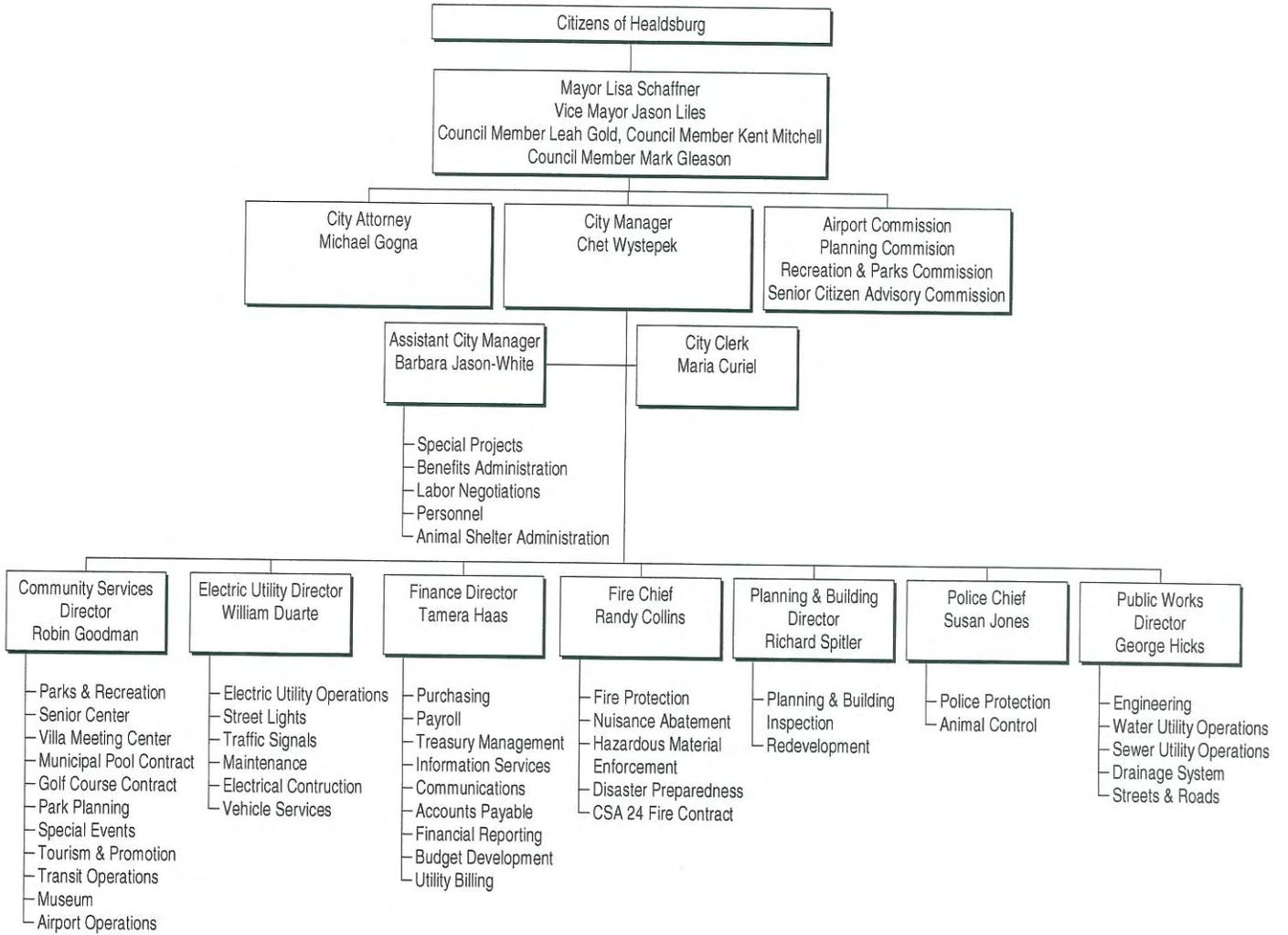
*Nancy L. Ziehl*

President

*Jeffrey R. Emery*

Executive Director

# City of Healdsburg Organization Chart



CITY OF HEALDSBURG

JUNE 30, 2004

Elected Officials

Lisa W. Schaffner  
Mayor

Jason Liles  
Vice Mayor

Kent Mitchell  
Council Member

Leah Gold  
Council Member

Mark Gleason  
Council Member

Appointed Officials

Chet J. Wystepok  
City Manager

Michael Gogna  
City Attorney

Barbara Jason-White  
Assistant City Manager

Tamera Haas  
Finance Director

Robin Goodman  
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 92606-4906  
(949) 399-0600 • FAX (949) 399-0610  
[www.diehlevans.com](http://www.diehlevans.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

November 10, 2004

**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, 2004, 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, 2004, 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 November 10, 2004 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.

*Diehl, Evans and Company, LLP*

# CITY OF HEALSDBURG

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

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, 2004. 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 \$126.1 million (net assets) at June 30, 2004. Of this amount, \$37.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net assets increased by \$8.5 million during the fiscal year, compared to an increase of \$6.1 million in the prior year. The increase was primarily due to a decrease in community development expenses compared to the prior year.
- At the close of fiscal year 2003-04, City governmental funds reported combined ending fund balance of \$45.6 million, a decrease of \$2.9 million.
- At the end of fiscal year 2003-04, unreserved fund balance for the General Fund was \$4.0 million, or 75 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, 2004

**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, 2004

**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 109 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, 2004

**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 page 32 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 - 73 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 75 and 76 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 - 122 of this report.

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2004

**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 \$126.1 million in 2004 and by \$117.6 million in 2003, 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>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Assets:</b>						
Current and other assets	\$ 54.9	\$ 59.6	\$ 35.2	\$ 34.8	\$ 90.1	\$ 94.4
Capital assets (net of accumulated depreciation)	<u>34.1</u>	<u>28.1</u>	<u>76.7</u>	<u>73.7</u>	<u>110.8</u>	<u>101.8</u>
Total Assets	<u>89.0</u>	<u>87.7</u>	<u>111.9</u>	<u>108.5</u>	<u>200.9</u>	<u>196.2</u>
<b>Liabilities:</b>						
Current and other liabilities	4.8	6.5	1.6	1.9	6.4	8.4
Noncurrent liabilities	<u>50.4</u>	<u>51.7</u>	<u>18.0</u>	<u>18.5</u>	<u>68.4</u>	<u>70.2</u>
Total Liabilities	<u>55.2</u>	<u>58.2</u>	<u>19.6</u>	<u>20.4</u>	<u>74.8</u>	<u>78.6</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	12.5	9.5	58.7	60.8	71.2	70.3
Restricted	11.5	16.3	6.0	6.3	17.5	22.6
Unrestricted	<u>9.8</u>	<u>3.7</u>	<u>27.6</u>	<u>21.0</u>	<u>37.4</u>	<u>24.7</u>
Total Net Assets	<u>\$ 33.8</u>	<u>\$ 29.5</u>	<u>\$ 92.3</u>	<u>\$ 88.1</u>	<u>\$ 126.1</u>	<u>\$ 117.6</u>

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

The largest portion (56.4 percent) of the City's net assets reflects its investment of \$71.2 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, 2004

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

**Statement of Net Assets (Continued)**

Another portion of the City's net assets (\$17.5 million or 13.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$37.4 million (29.7 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 2003-04 as compared to 2002-03.

The City's net assets increased overall by \$8.5 million during the current fiscal year.

**Governmental activities** increased the City's net assets by \$4.6 million before transfers for the current year. Compared to 2002-03, the City recognized a \$1.9 million increase in revenues, the majority of which is capital grants and contributions, and a decrease of \$1.6 million in expenses. Public safety is the largest expense function (43.1 percent), followed by community development (24.5 percent), interest on long-term debt (21.8 percent), general government (10.2 percent), culture and recreation (.2 percent) and unallocated depreciation (.2 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 \$3.9 million before transfers for the current year. Compared to 2002-03, business-type activities generated \$1.3 million less in revenue, primarily due to a decrease in capital grants and contributions, and recognized \$0.2 million less in expenses. As shown on page 16, the Electric Fund had total expenses of \$8.4 million. The Electric utility fees provide the largest share of revenues of the business-type activity revenues (47 percent).

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2004

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

**Statement of Activities (Continued)**

Condensed Statements of Activities  
(In millions of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:						
Program revenues:						
Charges for services	\$ 0.9	\$ 0.9	\$ 19.0	\$ 18.6	\$ 19.9	\$ 19.5
Operating grants and contributions	1.6	1.5	0.9	0.8	2.5	2.3
Capital grants and contributions	1.6	0.1	0.5	2.3	2.1	2.4
General revenues	<u>12.1</u>	<u>11.8</u>	<u>0.5</u>	<u>0.5</u>	<u>12.6</u>	<u>12.3</u>
Total Revenues	<u>16.2</u>	<u>14.3</u>	<u>20.9</u>	<u>22.2</u>	<u>37.1</u>	<u>36.5</u>
Expenses:						
General government	1.2	0.9	0.0	0.0	1.2	0.9
Public safety	5.0	5.0	0.0	0.0	5.0	5.0
Community development	2.9	5.5	0.0	0.0	2.9	5.5
Interest on long-term debt	2.5	1.8	0.0	0.0	2.5	1.8
Water	0.0	0.0	3.2	3.0	3.2	3.0
Sewer	0.0	0.0	2.7	2.5	2.7	2.5
Electric	0.0	0.0	8.0	8.6	8.0	8.6
Streets	0.0	0.0	1.2	1.2	1.2	1.2
Other programs	<u>0.0</u>	<u>0.0</u>	<u>1.9</u>	<u>1.9</u>	<u>1.9</u>	<u>1.9</u>
Total Expenses	<u>11.6</u>	<u>13.2</u>	<u>17.0</u>	<u>17.2</u>	<u>28.6</u>	<u>30.4</u>
Change in Net Assets before Transfers	4.6	1.1	3.9	5.0	8.5	6.1
Transfers	<u>(0.3)</u>	<u>(24.5)</u>	<u>0.3</u>	<u>24.5</u>	<u>0.0</u>	<u>0.0</u>
Change in Net Assets	4.3	(23.4)	4.2	29.5	8.5	6.1
Net Assets Beginning of Year	<u>29.5</u>	<u>52.9</u>	<u>88.1</u>	<u>58.6</u>	<u>117.6</u>	<u>111.5</u>
Net Assets End 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>

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, 2004

**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, 2004, the City's governmental funds reported combined ending fund balances of \$45.6 million, a decrease of \$2.9 million in comparison with the prior year. Of the \$45.6 million, \$10.4 million, or 23 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 (\$4.4 million), redevelopment projects from bond funding (\$29.3 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 \$4.0 million, compared with \$3.8 million last year, an increase of \$0.2 million. The increase was the result of an increase in revenues and a decrease in transfers out.

The City has two 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, 2004, the City's Community Redevelopment Debt Service fund reported a fund balance of \$2.9 million, and the Special Assessment Debt Service fund reported a fund balance of \$614 thousand, an increase of \$21 thousand from prior year.

The City's capital projects funds are used to account for capital outlay associated with the Community Redevelopment Commercial/Industrial improvements, Community Redevelopment Low/Moderate Income Housing projects, and General projects not supported by enterprise funds. The Community Redevelopment Commercial/Industrial Capital Projects fund balance was \$18.8 million at the end of the current year, a decrease of \$5.4 million from prior year. This decrease is due to the purchase of land and the funding of projects, including the construction of a local medical clinic.

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2004

**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 \$1.1 million increase to \$14.5 million in the Water Fund, a \$1.6 million increase to \$27.4 million in the Sewer Fund and a \$1.0 million increase to \$20.4 million increase 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 a decrease in net assets of \$0.6 million during the fiscal year ending with a balance of \$4.9 million. The majority of the decreases are due to expenses exceeding revenues by 0.4 million in the Insurance and Benefits Fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

At June 30, 2004, unreserved general fund balance was \$4.0 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 75 percent of total General Fund expenditures.

For the City's General Fund, actual revenues for the year were \$5.5 million, \$0.7 million more than the final budgeted revenues. The majority of the variance was in intergovernmental revenues, which includes the motor vehicle license fee subvention. The City budgeted \$0.4 million but reported actual revenue of \$0.9 million. The other significant variance was in charges for services where the budgeted amount was \$0.2 million, but the City recognized revenue of \$0.3 million. Total expenditures exceeded the City's budgeted amount by \$0.1 million.

Overall, the City ended the year with a positive budget variance of \$0.7 million, having budgeted a \$0.4 million decrease to fund balance, but ending the year with a net increase of \$0.2 million.

See independent auditors' report.

CITY OF HEALSDBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2004

**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, 2004 amounts to \$110.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings & improvements, equipment, infrastructure, and construction in progress. The total increase in capital assets for fiscal year 2003-04 was \$9.1 million or 8 percent.

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

- Purchased land for commercial/industrial redevelopment projects, including a new medical center and downtown parking facilities.
- Completion of the medical center building.
- 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>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land and land rights	\$ 12.4	\$ 8.4	\$ 3.8	\$ 3.8	\$ 16.2	\$ 12.2
Right of way	6.7	6.7	0.0	0.0	6.7	6.7
Construction in progress	0.6	3.9	9.6	11.0	10.2	14.9
Buildings	11.2	5.7	3.2	3.4	14.4	9.1
Streets	0.0	0.0	17.2	16.4	17.2	16.4
Utility systems	0.0	0.0	37.1	33.2	37.1	33.2
Drainage	0.0	0.0	3.9	4.2	3.9	4.2
Machinery and equipment	2.3	2.4	1.1	0.9	3.4	3.3
Operations	0.0	0.0	0.8	0.8	0.8	0.8
Infrastructure	<u>0.9</u>	<u>0.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.9</u>	<u>0.9</u>
Total Capital Assets, Net	<u>\$ 34.1</u>	<u>\$ 28.0</u>	<u>\$ 76.7</u>	<u>\$ 73.7</u>	<u>\$ 110.8</u>	<u>\$ 101.7</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, 2004

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

**Long-term debt:**

At the end of fiscal year 2003-04, the City had total bonded debt outstanding of \$67.5 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>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 5.6	\$ 5.7	\$ 0.0	\$ 0.0	\$ 5.6	\$ 5.7
Tax allocation bonds	41.6	42.4	0.0	0.0	41.6	42.4
Special assessments	2.1	2.2	0.0	0.0	2.1	2.2
Certificates of participation	<u>0.0</u>	<u>0.0</u>	<u>18.2</u>	<u>18.7</u>	<u>18.2</u>	<u>18.7</u>
Total	<u>\$ 49.3</u>	<u>\$ 50.3</u>	<u>\$ 18.2</u>	<u>\$ 18.7</u>	<u>\$ 67.5</u>	<u>\$ 69.0</u>

The City's total bonds outstanding at the end of the year were \$67.5 million, a decrease of \$1.5 million from the prior year. This change was the net result of advance refunding the 1993 General Obligation Bonds in the amount of \$3.6 million and principle payments of \$1.5 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 2004-05, 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 43% of the General Fund revenue, the largest single source.

See independent auditors' report.

CITY OF HEALDSBURG

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2004

**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 significantly due to lower than projected earnings by the State managed retirement system. The higher pension costs will be a problem over the next several years.

Compared to prior year's budget, the City's General Fund expenditures are projected to decrease by 3% as the City continues to cut costs wherever possible. Staff salaries and benefits increased due to the annual CPI increase of 3.9%, a 10% increase in health care premiums, and workers' compensation and retirement contribution rates.

The City continues to grow with new hotels, and other commercial development, construction of street improvements, park construction, and various other projects. The 2004-05 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 2004-05 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, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments (Note 2)	\$ 14,876,208	\$ 24,121,116	\$ 38,997,324
Receivables:			
Interest	141,924	-	141,924
Accounts	683,190	2,554,244	3,237,434
Taxes	848,718	-	848,718
Loans	1,840,225	-	1,840,225
Special assessments	2,065,000	-	2,065,000
Notes	35,668	-	35,668
Due from other governments	339,269	-	339,269
Internal balances	400,641	(400,641)	-
Inventory	38,676	1,293,472	1,332,148
Prepaid items	-	740,576	740,576
Deferred charges	485,057	868,692	1,353,749
Restricted assets:			
Cash and investments (Note 2)	33,148,108	6,025,750	39,173,858
Capital assets (Note 4):			
Land	12,439,005	3,830,804	16,269,809
Right of way	6,681,379	-	6,681,379
Infrastructure, net	925,373	-	925,373
Depreciable buildings, net	11,189,010	3,191,180	14,380,190
Depreciable streets, net	-	17,240,331	17,240,331
Depreciable utility systems, net	-	37,133,595	37,133,595
Depreciable drainage, net	-	3,926,653	3,926,653
Depreciable machinery and equipment, net	2,320,983	1,119,226	3,440,209
Depreciable operations, net	-	766,445	766,445
Construction in progress	583,693	9,506,507	10,090,200
<b>TOTAL ASSETS</b>	<b>89,042,127</b>	<b>111,917,950</b>	<b>200,960,077</b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	1,759,426	1,033,690	2,793,116
Deposits payable	109,743	556,952	666,695
Deferred revenue	2,904,175	-	2,904,175
Claims payable	39,479	-	39,479
Noncurrent liabilities (Note 5):			
Due within one year	2,720,388	470,000	3,190,388
Due in more than one year	47,739,846	17,568,091	65,307,937
<b>TOTAL LIABILITIES</b>	<b>55,273,057</b>	<b>19,628,733</b>	<b>74,901,790</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	12,454,251	58,676,652	71,130,903
Restricted for:			
Debt service	4,413,894	-	4,413,894
Capital projects	-	6,025,750	6,025,750
Community development	6,813,923	-	6,813,923
Public safety	17,615	-	17,615
Culture and recreation	256,893	-	256,893
Unrestricted	9,812,494	27,586,815	37,399,309
<b>TOTAL NET ASSETS</b>	<b>\$ 33,769,070</b>	<b>\$ 92,289,217</b>	<b>\$ 126,058,287</b>

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

CITY OF HEALDSBURG

STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

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	\$ 1,191,134	\$ 538,563	\$ 115,326	\$ -
Public safety	5,022,074	387,386	256,261	-
Culture and recreation	24,809	2,633	1,788	75,377
Community development	2,851,824	440	1,201,701	1,516,430
Unallocated infrastructure depreciation	22,852	-	-	-
Interest on long-term debt	2,534,572	-	-	-
<b>Total governmental activities</b>	<b>11,647,265</b>	<b>929,022</b>	<b>1,575,076</b>	<b>1,591,807</b>
<b>Business-type activities:</b>				
Water	3,250,531	4,410,089	-	-
Sewer	2,673,855	4,211,621	-	2,525
Electric	7,953,778	8,443,881	-	491,116
Street	1,249,962	835,553	-	-
Other programs	1,907,323	1,123,047	931,839	4,986
<b>Total business-type activities</b>	<b>17,035,449</b>	<b>19,024,191</b>	<b>931,839</b>	<b>498,627</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 28,682,714</b>	<b>\$ 19,953,213</b>	<b>\$ 2,506,915</b>	<b>\$ 2,090,434</b>

General revenues:

Taxes:

Property taxes, levied for general purposes

Franchise taxes

Sales tax

Motor vehicle in-lieu

Other revenues

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
\$ (537,245)	\$ -	\$ (537,245)
(4,378,427)	-	(4,378,427)
54,989	-	54,989
(133,253)	-	(133,253)
(22,852)	-	(22,852)
(2,534,572)	-	(2,534,572)
(7,551,360)	-	(7,551,360)
-	1,159,558	1,159,558
-	1,540,291	1,540,291
-	981,219	981,219
-	(414,409)	(414,409)
-	152,549	152,549
-	3,419,208	3,419,208
(7,551,360)	3,419,208	(4,132,152)
7,388,206	-	7,388,206
286,149	-	286,149
2,817,986	-	2,817,986
719,701	-	719,701
239	-	239
890,269	483,654	1,373,923
(317,767)	317,767	-
11,784,783	801,421	12,586,204
4,233,423	4,220,629	8,454,052
29,535,647	88,068,588	117,604,235
<u>\$ 33,769,070</u>	<u>\$ 92,289,217</u>	<u>\$ 126,058,287</u>

CITY OF HEALDSBURG  
BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2004

	Debt Service Funds		
	General	Community Redevelopment	Special Assessment
<b>ASSETS</b>			
Cash and investments	\$ 3,139,061	\$ -	\$ 13,611
Receivables:	-	-	-
Accounts	32,369	-	-
Taxes	721,735	-	-
Loans	-	-	-
Interest	17,035	-	68
Special assessments	-	-	2,065,000
Due from other governments	252,634	-	-
Due from other funds	125,231	-	-
Inventory	3,533	-	-
Restricted cash and investments	-	3,110,047	600,315
<b>TOTAL ASSETS</b>	<b>\$ 4,291,598</b>	<b>\$ 3,110,047</b>	<b>\$ 2,678,994</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 15,248	\$ 3,710	\$ -
Deposits	109,490	-	-
Due to other funds	-	243,077	-
Deferred revenue	195,382	-	2,065,000
<b>TOTAL LIABILITIES</b>	<b>320,120</b>	<b>246,787</b>	<b>2,065,000</b>
<b>FUND EQUITY:</b>			
Reserved:			
Noncurrent notes receivable	-	-	-
Inventory	3,533	-	-
Low and moderate income housing	-	-	-
Debt service	-	2,863,260	613,994
Community and economic development	-	-	-
Multi-year programs	-	-	-
Unreserved, Reported In:			
General fund	3,967,945	-	-
Special revenue fund	-	-	-
Capital projects fund	-	-	-
Permanent fund	-	-	-
<b>TOTAL FUND EQUITY</b>	<b>3,971,478</b>	<b>2,863,260</b>	<b>613,994</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 4,291,598</b>	<b>\$ 3,110,047</b>	<b>\$ 2,678,994</b>

See independent auditors' report and notes to basic financial statements

Capital Projects Funds				
Community Redevelopment Commercial/ Industrial	Community Redevelopment Low/Moderate Income	General	Other Governmental Funds	Total Governmental Funds
\$ 3,730	\$ 1,166,728	\$ 2,680,622	\$ 2,969,553	\$ 9,973,305
-	-	-	-	-
439,522	-	71,020	103,546	646,457
59,828	14,957	-	52,198	848,718
-	-	-	1,840,225	1,840,225
63,874	30,374	6,816	23,757	141,924
-	-	-	-	2,065,000
-	-	-	86,635	339,269
243,077	-	-	1,700,000	2,068,308
-	-	-	-	3,533
20,150,330	9,287,416	-	-	33,148,108
<u>\$ 20,960,361</u>	<u>\$ 10,499,475</u>	<u>\$ 2,758,458</u>	<u>\$ 6,775,914</u>	<u>\$ 51,074,847</u>
\$ 27,049	\$ 8,325	\$ 8,027	\$ 29,507	\$ 91,866
253	-	-	-	109,743
1,700,000	-	-	198,231	2,141,308
388,467	-	-	450,708	3,099,557
<u>2,115,769</u>	<u>8,325</u>	<u>8,027</u>	<u>678,446</u>	<u>5,442,474</u>
-	-	-	1,465,225	1,465,225
-	-	-	-	3,533
-	10,491,150	-	-	10,491,150
-	-	-	936,640	4,413,894
16,637,521	-	-	-	16,637,521
2,207,071	-	-	-	2,207,071
-	-	-	-	3,967,945
-	-	-	3,589,521	3,589,521
-	-	2,750,431	17,649	2,768,080
-	-	-	88,433	88,433
<u>18,844,592</u>	<u>10,491,150</u>	<u>2,750,431</u>	<u>6,097,468</u>	<u>45,632,373</u>
<u>\$ 20,960,361</u>	<u>\$ 10,499,475</u>	<u>\$ 2,758,458</u>	<u>\$ 6,775,914</u>	<u>\$ 51,074,847</u>

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CITY OF HEALDSBURG

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

June 30, 2004

Fund balances - total governmental funds		\$ 45,632,373
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.		32,071,351
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		195,382
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.		4,923,691
Internal balances included in internal service funds which are receivable from the enterprise funds.		473,641
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	\$ (5,635,000)	
Tax allocation bonds payable	(41,640,000)	
Special assessment bonds payable	(2,065,000)	
Bond discount	285,154	
Deferred charges for issuance costs	485,057	
Total long-term liabilities		(48,569,789)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		<u>(957,579)</u>
Net assets of governmental activities		<u><u>\$ 33,769,070</u></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, 2004

	Debt Service Funds		
	General	Community Redevelopment	Special Assessment
<b>REVENUES:</b>			
Property taxes	\$ 662,888	\$ -	\$ -
Special assessments	-	-	342,135
Sales and other taxes	3,414,603	-	-
Charges for services	311,082	-	-
Intergovernmental revenue	904,009	-	-
Development fees and permits	-	-	-
Investment income	53,762	4,493	4,738
Miscellaneous fees and charges	162,641	-	-
Other revenues	13,272	-	-
TOTAL REVENUES	<u>5,522,257</u>	<u>4,493</u>	<u>346,873</u>
<b>EXPENDITURES:</b>			
Current:			
General government	687,077	-	-
Public safety	4,595,044	-	-
Culture and recreation	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Debt Service:			
Principal retirement	-	780,000	165,000
Interest and fees	-	1,870,085	160,726
Bond issue costs	-	-	-
Advance to refund bond escrow agent	-	-	-
TOTAL EXPENDITURES	<u>5,282,121</u>	<u>2,650,085</u>	<u>325,726</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>240,136</u>	<u>(2,645,592)</u>	<u>21,147</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	2,651,878	-
Transfers out	(15,000)	-	-
General obligation bonds issued	-	-	-
Payment to refund bond escrow agent	-	-	-
Bond discount	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>2,651,878</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	225,136	6,286	21,147
FUND BALANCES - BEGINNING OF YEAR	<u>3,746,342</u>	<u>2,856,974</u>	<u>592,847</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,971,478</u>	<u>\$ 2,863,260</u>	<u>\$ 613,994</u>

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

Capital Projects Funds

Community Redevelopment Commercial/ Industrial	Community Redevelopment Low/Moderate Income	General	Other Governmental Funds	Total Governmental Funds
\$ 4,866,356	\$ 1,216,988	\$ -	\$ 641,974	\$ 7,388,206
-	-	-	-	342,135
-	-	-	-	3,414,603
-	-	-	-	311,082
-	-	-	850,566	1,754,575
-	-	-	85,949	85,949
286,562	147,350	22,178	121,858	640,941
192,216	-	-	-	354,857
1,509,930	-	-	158,739	1,681,941
<u>6,855,064</u>	<u>1,364,338</u>	<u>22,178</u>	<u>1,859,086</u>	<u>15,974,289</u>
2,938	4,731	2,299	236,546	933,591
-	-	-	6,546	4,601,590
-	-	-	24,809	24,809
4,609,087	333,607	-	96,102	5,038,796
-	-	4,347,572	-	4,347,572
-	-	-	120,000	1,065,000
44,018	-	-	134,070	2,208,899
-	-	-	93,863	93,863
-	-	-	208,029	208,029
<u>4,656,043</u>	<u>338,338</u>	<u>4,349,871</u>	<u>919,965</u>	<u>18,522,149</u>
<u>2,199,021</u>	<u>1,026,000</u>	<u>(4,327,693)</u>	<u>939,121</u>	<u>(2,547,860)</u>
162,793	60,000	7,457,528	1,249,535	11,581,734
(7,760,372)	(1,623,299)	(720,932)	(1,847,716)	(11,967,319)
-	-	-	3,620,000	3,620,000
-	-	-	(3,470,000)	(3,470,000)
-	-	-	(58,153)	(58,153)
<u>(7,597,579)</u>	<u>(1,563,299)</u>	<u>6,736,596</u>	<u>(506,334)</u>	<u>(293,738)</u>
(5,398,558)	(537,299)	2,408,903	432,787	(2,841,598)
<u>24,243,150</u>	<u>11,028,449</u>	<u>341,528</u>	<u>5,664,681</u>	<u>48,473,971</u>
<u>\$ 18,844,592</u>	<u>\$ 10,491,150</u>	<u>\$ 2,750,431</u>	<u>\$ 6,097,468</u>	<u>\$ 45,632,373</u>

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CITY OF HEALDSBURG

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

Net change in fund balances - total governmental funds \$ (2,841,598)

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 (\$6,635,915) exceeded depreciation (\$414,468) in the current period. 6,221,447

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. 195,382

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 general obligation bonds		\$ (3,620,000)	
Payment to refund bond escrow agent		3,470,000	
Advance to refund bond escrow agent		115,000	
Bond issuance costs		93,863	
Bond discount		58,153	
Principal payments		<u>1,065,000</u>	
			1,182,016

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:			
Accrued interest		(197,764)	
Amortization of issuance costs		(21,886)	
Amortization of bond discount		<u>(12,994)</u>	
			(232,644)

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 loss of the internal service funds is reported with governmental activities.			
			<u>(291,180)</u>

Change in net assets of governmental activities		<u>\$ 4,233,423</u>
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See independent auditors' report and notes to basic financial statements.

CITY OF HEALDSBURG

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2004

		Business-type Activities - Enterprise Funds		
ASSETS		Water Fund	Sewer Fund	Electric Fund
<b>CURRENT ASSETS:</b>				
Cash and investments		\$ 4,179,337	\$ 6,705,922	\$ 8,220,676
Accounts receivable		721,995	563,095	1,138,076
Notes receivable		-	-	-
Due from other funds		-	-	87,008
Inventory		77,388	1,624	1,199,138
Prepaid items		-	-	740,576
<b>TOTAL CURRENT ASSETS</b>		<b>4,978,720</b>	<b>7,270,641</b>	<b>11,385,474</b>
<b>NONCURRENT ASSETS:</b>				
Deferred issuance cost		739,055	129,637	-
Restricted cash and investments		5,364,760	660,990	-
Capital assets:				
Land		285,780	682,880	48,360
Building		1,449,918	206,166	447,835
Streets		-	-	-
Utility systems		17,572,124	17,272,023	13,319,086
Drainage		-	8,666,790	-
Machinery and equipment		478,235	475,149	329,487
Operations		-	-	-
Construction in progress		3,305,538	2,340,185	1,166,972
Less accumulated depreciation		(4,491,937)	(6,871,942)	(5,893,713)
<b>TOTAL NONCURRENT ASSETS</b>		<b>24,703,473</b>	<b>23,561,878</b>	<b>9,418,027</b>
<b>TOTAL ASSETS</b>		<b>29,682,193</b>	<b>30,832,519</b>	<b>20,803,501</b>
<b>LIABILITIES</b>				
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities		382,584	126,660	213,164
Deposits from others		5,151	-	161,815
Due to other funds		-	-	-
Claims payable		-	-	-
Compensated absences		-	-	-
Certificates of participation		405,000	65,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>792,735</b>	<b>191,660</b>	<b>374,979</b>
<b>NONCURRENT LIABILITIES:</b>				
Certificates of participation		14,341,254	3,226,837	-
<b>TOTAL LIABILITIES</b>		<b>15,133,989</b>	<b>3,418,497</b>	<b>374,979</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt		3,853,404	19,479,414	9,418,027
Restricted for capital projects		5,364,760	660,990	-
Unrestricted		5,330,040	7,273,618	11,010,495
<b>TOTAL NET ASSETS</b>		<b>\$ 14,548,204</b>	<b>\$ 27,414,022</b>	<b>\$ 20,428,522</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
\$ 2,864,283	\$ 2,150,898	\$ 24,121,116	\$ 4,902,903
15,259	115,819	2,554,244	36,733
-	-	-	35,668
-	67,080	154,088	-
-	15,322	1,293,472	35,143
-	-	740,576	-
<u>2,879,542</u>	<u>2,349,119</u>	<u>28,863,496</u>	<u>5,010,447</u>
-	-	868,692	-
-	-	6,025,750	-
-	2,813,784	3,830,804	-
-	3,814,903	5,918,822	-
22,408,425	20,000	22,428,425	-
-	-	48,163,233	-
-	-	8,666,790	-
10,739	600,975	1,894,585	4,862,159
-	1,195,526	1,195,526	-
2,182,268	511,544	9,506,507	-
(5,189,705)	(2,442,654)	(24,889,951)	(2,794,067)
<u>19,411,727</u>	<u>6,514,078</u>	<u>83,609,183</u>	<u>2,068,092</u>
<u>22,291,269</u>	<u>8,863,197</u>	<u>112,472,679</u>	<u>7,078,539</u>
140,541	170,741	1,033,690	709,981
72,467	317,519	556,952	-
-	81,088	81,088	-
-	-	-	39,479
-	-	-	1,405,388
-	-	470,000	-
<u>213,008</u>	<u>569,348</u>	<u>2,141,730</u>	<u>2,154,848</u>
-	-	17,568,091	-
<u>213,008</u>	<u>569,348</u>	<u>19,709,821</u>	<u>2,154,848</u>
19,411,727	6,514,078	58,676,650	2,068,092
-	-	6,025,750	-
<u>2,666,534</u>	<u>1,779,771</u>	<u>28,060,458</u>	<u>2,855,599</u>
<u>\$ 22,078,261</u>	<u>\$ 8,293,849</u>	92,762,858	<u>\$ 4,923,691</u>
		(473,641)	
		<u>\$ 92,289,217</u>	

CITY OF HEALDSBURG

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

For the year ended June 30, 2004

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 3,844,742	\$ 3,517,024	\$ 8,366,511
Development fees	554,190	628,082	47,926
Rental income	-	-	-
Miscellaneous	11,157	66,515	29,444
<b>TOTAL OPERATING REVENUES</b>	<b>4,410,089</b>	<b>4,211,621</b>	<b>8,443,881</b>
<b>OPERATING EXPENSES:</b>			
Purchased power	-	-	4,910,373
Operations	1,282,118	926,611	1,351,066
Administrative	815,028	983,338	1,197,543
Insurance premiums	-	-	-
Depreciation	367,010	496,859	353,922
<b>TOTAL OPERATING EXPENSES</b>	<b>2,464,156</b>	<b>2,406,808</b>	<b>7,812,904</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,945,933</b>	<b>1,804,813</b>	<b>630,977</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Taxes	-	-	-
Intergovernmental grants	-	-	-
Investment earnings	105,182	111,008	141,732
Loss on disposal of assets	(5,471)	-	(8,545)
Interest expense	(680,810)	(181,481)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(581,099)</b>	<b>(70,473)</b>	<b>133,187</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>1,364,834</b>	<b>1,734,340</b>	<b>764,164</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>			
Capital contributions	-	2,525	491,116
Transfers in	-	-	1,714
Transfers out	(257,436)	(147,402)	(267,178)
<b>TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(257,436)</b>	<b>(144,877)</b>	<b>225,652</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,107,398</b>	<b>1,589,463</b>	<b>989,816</b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>	<b>13,440,806</b>	<b>25,824,559</b>	<b>19,438,706</b>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 14,548,204</b>	<b>\$ 27,414,022</b>	<b>\$ 20,428,522</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			
Change in net assets of business-type activities - prior years			
Change in net assets of business-type activities - current year			
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
\$ -	\$ 201,533	\$ 15,929,810	\$ 5,556,354
108,216	447,970	1,786,384	4,631
-	311,797	311,797	-
727,337	161,747	996,200	139,088
<u>835,553</u>	<u>1,123,047</u>	<u>19,024,191</u>	<u>5,700,073</u>
-	-	4,910,373	-
631,244	1,322,433	5,513,472	1,611,496
138,778	414,602	3,549,289	82,743
-	-	-	4,253,217
432,603	157,091	1,807,485	468,920
<u>1,202,625</u>	<u>1,894,126</u>	<u>15,780,619</u>	<u>6,416,376</u>
<u>(367,072)</u>	<u>(771,079)</u>	<u>3,243,572</u>	<u>(716,303)</u>
-	931,839	931,839	-
-	4,986	4,986	-
47,164	33,789	438,875	73,561
-	-	(14,016)	-
-	-	(862,291)	-
<u>47,164</u>	<u>970,614</u>	<u>499,393</u>	<u>73,561</u>
<u>(319,908)</u>	<u>199,535</u>	<u>3,742,965</u>	<u>(642,742)</u>
-	-	493,641	-
1,198,064	434,557	1,634,335	124,709
(604,632)	(111,811)	(1,388,459)	(35,000)
<u>593,432</u>	<u>322,746</u>	<u>739,517</u>	<u>89,709</u>
273,524	522,281	4,482,482	(553,033)
<u>21,804,737</u>	<u>7,771,568</u>	<u>88,280,376</u>	<u>5,476,724</u>
<u>\$ 22,078,261</u>	<u>\$ 8,293,849</u>	92,762,858	<u>\$ 4,923,691</u>
		(211,788)	
		(261,853)	
		<u>\$ 92,289,217</u>	

CITY OF HEALDSBURG

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the year ended June 30, 2004

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 4,302,355	\$ 4,111,711	\$ 8,590,763
Payments to suppliers	(924,597)	(1,484,820)	(6,502,178)
Payments to employees	(1,078,809)	(859,003)	(1,391,763)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,298,949</u>	<u>1,767,888</u>	<u>696,822</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Taxes	-	-	-
Intergovernmental grants	-	-	-
Cash received from other funds	-	-	1,714
Cash paid to other funds	(257,436)	(147,402)	(267,178)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(257,436)</u>	<u>(147,402)</u>	<u>(265,464)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets - capital replacement	(1,518,478)	(1,575,152)	(475,379)
Capital contributions	-	2,525	491,116
Retirement of debt	(395,000)	(65,000)	-
Interest paid	(680,810)	(181,481)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,594,288)</u>	<u>(1,819,108)</u>	<u>15,737</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	104,482	112,934	130,505
Loans collected (granted)	14,617	18,110	20,681
NET CASH PROVIDED (USED) INVESTING ACTIVITIES	<u>119,099</u>	<u>131,044</u>	<u>151,186</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(433,676)	(67,578)	598,281
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,977,773</u>	<u>7,434,490</u>	<u>7,622,395</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,544,097</u>	<u>\$ 7,366,912</u>	<u>\$ 8,220,676</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 1,945,933	\$ 1,804,813	\$ 630,977
Depreciation	367,010	496,859	353,922
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(107,734)	(99,910)	146,882
(Increase) decrease in inventory	(2,467)	(831)	67,153
(Increase) decrease in prepaid items	1,058	394	(232,914)
Increase (decrease) in accounts payable	95,243	(433,437)	(45,072)
Increase (decrease) in deposits	(94)	-	(224,126)
Increase (decrease) in other accrued liabilities	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,298,949</u>	<u>\$ 1,767,888</u>	<u>\$ 696,822</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
\$ 824,376	\$ 1,023,200	\$ 18,852,405	\$ 5,690,542
(257,675)	(920,710)	(10,089,980)	(5,673,761)
(502,671)	(541,772)	(4,374,018)	(228,489)
<u>64,030</u>	<u>(439,282)</u>	<u>4,388,407</u>	<u>(211,708)</u>
-	931,839	931,839	-
-	4,986	4,986	-
1,198,064	434,557	1,634,335	124,709
(604,632)	(207,208)	(1,483,856)	(35,000)
<u>593,432</u>	<u>1,164,174</u>	<u>1,087,304</u>	<u>89,709</u>
(921,704)	(328,162)	(4,818,875)	(296,497)
-	-	493,641	-
-	-	(460,000)	-
-	-	(862,291)	-
<u>(921,704)</u>	<u>(328,162)</u>	<u>(5,647,525)</u>	<u>(296,497)</u>
47,700	32,748	428,369	58,256
-	78,874	132,282	(3,140)
<u>47,700</u>	<u>111,622</u>	<u>560,651</u>	<u>55,116</u>
(216,542)	508,352	388,837	(363,380)
<u>3,080,825</u>	<u>1,642,546</u>	<u>29,758,029</u>	<u>5,266,283</u>
<u>\$ 2,864,283</u>	<u>\$ 2,150,898</u>	<u>\$ 30,146,866</u>	<u>\$ 4,902,903</u>
\$ (367,072)	\$ (771,079)	\$ 3,243,572	\$ (716,303)
432,603	157,091	1,807,485	468,920
(11,176)	(99,848)	(171,786)	(9,410)
-	3,896	67,751	18,756
-	30	(231,432)	-
38,373	117,532	(227,361)	-
(28,698)	153,096	(99,822)	-
-	-	-	26,329
<u>\$ 64,030</u>	<u>\$ (439,282)</u>	<u>\$ 4,388,407</u>	<u>\$ (211,708)</u>

CITY OF HEALDSBURG  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2004

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Cash and investments	\$ 842,593
Interest receivable	<u>4,294</u>
TOTAL ASSETS	<u>846,887</u>
LIABILITIES:	
Accounts payable	242
Deposits	<u>2,206</u>
TOTAL LIABILITIES	<u>2,448</u>
NET ASSETS:	
Held in trust for other purposes	<u><u>\$ 844,439</u></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, 2004

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Contributions	\$ 23,167
Investment income	13,971
Fees and charges	31,418
Transfers in	<u>50,000</u>
 TOTAL ADDITIONS	 118,556
DEDUCTIONS:	
Community development	<u>108,910</u>
 CHANGE IN NET ASSETS	 9,646
NET ASSETS - BEGINNING OF YEAR	<u>834,793</u>
NET ASSETS - END OF YEAR	<u><u>\$ 844,439</u></u>

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

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2004

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

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 CRA 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 Community 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 CRA, HPIC and HFA. In addition, the CRA, HPIC and HFA provide services, which benefit the City.

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

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

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.

Separate financial statements for the CRA 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, 2004

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, 2004

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, 2004

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 Community Redevelopment Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term obligations of the Community 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, 2004

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Major Governmental Funds (Continued)

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

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

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

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 government's electric distribution operations.

The Streets Fund accounts for the activities of the government's 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, 2004

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, 2004.

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, 2004

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, 2004

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 \$195,382 in funds not available to pay for current expenditures and \$2,904,175 in receivables for which the revenue has not been earned.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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, 2004 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	\$ 38,997,324	\$ 842,593	\$ 39,839,917
Restricted assets:			
Cash and investments	<u>39,173,858</u>	<u>-</u>	<u>39,173,858</u>
Total Cash and Investments	<u>\$ 78,171,182</u>	<u>\$ 842,593</u>	<u>\$ 79,013,775</u>

Cash and investments at June 30, 2004 consisted of the following:

Cash on hand	\$ 1,350
Deposits with financial institutions	737,061
Investments	<u>78,275,364</u>
Total Cash and Investments	<u>\$ 79,013,775</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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	No Limit	No Limit
U.S. Government Sponsored Entities	5 years	No Limit	No Limit
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.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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	No Limit	No Limit
U.S. Government Sponsored Entities	None	No Limit	No Limit
Banker's Acceptances	30 days	No Limit	No Limit
Commercial Paper	270 days	No Limit	No Limit
Money Market Mutual Funds	N/A	No Limit	No Limit
Investment Contracts	30 years	No Limit	No Limit

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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	\$ 3,036,322	\$ -	\$ -	\$ 3,036,322
Sonoma County Investment Pool	239,457	-	-	239,457
Commercial Paper	2,891,589	-	-	2,891,589
Banker's Acceptance	3,992,014	-	-	3,992,014
Federal Farm Credit Bank	3,970,737	1,985,347	4,000,000	9,956,084
Federal Farm Loan Bank	12,912,240	8,486,484	15,986,003	37,384,727
U.S. Treasury Obligations	995,147	-	-	995,147
Money Market Mutual Funds	<u>19,780,024</u>	<u>-</u>	<u>-</u>	<u>19,780,024</u>
	<u>\$ 47,817,530</u>	<u>\$ 10,471,831</u>	<u>\$ 19,986,003</u>	<u>\$ 78,275,364</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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, 2004</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>A-1+</u>	<u>P-1</u>	<u>Unrated</u>
Local Agency						
Investment Fund	\$ 3,036,322	N/A	\$ -	\$ -	\$ -	\$ 3,036,322
Sonoma County						
Investment Pool	239,457	N/A	-	-	-	239,457
Commercial Paper	2,891,589	A-1+	-	2,891,589	-	-
Banker's Acceptance	3,992,014	P-1	-	-	3,992,014	-
Federal Farm Credit Bank	9,956,084	AAA	9,956,084	-	-	-
Federal Farm Loan Bank	37,384,727	AAA	37,384,727	-	-	-
U.S. Treasury Obligations	995,147	AAA	995,147	-	-	-
Money Market						
Mutual Funds	<u>19,780,024</u>	N/A	-	-	-	<u>19,780,024</u>
<b>Total</b>	<b><u>\$ 78,275,364</u></b>		<b><u>\$ 48,335,958</u></b>	<b><u>\$ 2,891,589</u></b>	<b><u>\$ 3,992,014</u></b>	<b><u>\$ 23,055,803</u></b>

N/A - Not Applicable

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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>
Bank of America	Banker's Acceptance	\$ 3,992,014
Federal Agency Securities	Federal Farm Credit Bank	9,956,084
Federal Agency Securities	Federal Farm Loan Bank	37,384,727

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, 2004, the City deposits (bank balances) were insured by the Federal Depository Insurance up to \$100,000 and the remaining balance of the deposits of \$1,000,717 were collateralized under California Law. The difference between the bank balances and deposits represent deposits in transit and outstanding checks.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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, 2004 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 125,231
Community Redevelopment	Community Redevelopment	
Commercial Industrial	Debt Service	243,077
Other Governmental Funds	Community Redevelopment	
	Commercial Industrial	1,700,000
Electric Enterprise	Other Governmental Funds	73,000
	Other Enterprise Funds	14,008
Other Enterprise Funds	Other Enterprise Funds	<u>67,080</u>
		<u>\$ 2,222,396</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, 2004

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

The compositions of the City's interfund transfer balances as of June 30, 2004 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Community Redevelopment Debt Service	Community Redevelopment Commercial Industrial Community Redevelopment Low/Moderate Income	\$ 1,902,878  749,000
Community Redevelopment Commercial Industrial	Community Redevelopment Commercial Industrial Water Enterprise Streets Enterprise	 55,930 9,955 96,908
Community Redevelopment Low/Moderate Income	General Capital Projects	 60,000
General Capital Projects	Community Redevelopment Commercial Industrial Community Redevelopment Low/Moderate Income Other Governmental Funds Water Enterprise Sewer Enterprise Electric Enterprise Internal Service Funds	 5,771,850 874,299 305,789 223,333 123,333 123,924 35,000
Other Governmental Funds	Streets Enterprise Other Enterprise Funds General Capital Projects	507,724 111,811 630,000
Electric Enterprise	General Capital Projects	1,714
Streets Enterprise	Community Redevelopment Commercial Industrial Other Governmental Funds Electric Enterprise	 21,114 1,057,370 119,580

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Enterprise Funds	Other Governmental Funds	\$ 434,557
Internal Service	General	15,000
	Community Redevelopment	
	Commercial Industrial	8,600
	General Capital Projects	29,218
	Water Enterprise	24,148
	Sewer Enterprise	24,069
	Electric Enterprise	23,674
Fiduciary	Other Governmental Funds	<u>50,000</u>
		<u>\$ 13,390,778</u>

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

The General Capital Projects Fund received funds to pay for capital improvements.

The Other Governmental Funds received funds to pay for 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, 2004

4. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2004 is as follows:

**Governmental Activities:**

	<u>Balance at June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
Capital assets, not being depreciated:				
Land	\$ 8,442,782	\$ 3,996,223	\$ -	\$ 12,439,005
Right of way	6,681,379	-	-	6,681,379
Construction in progress	<u>3,854,387</u>	<u>1,949,686</u>	<u>(5,220,380)</u>	<u>583,693</u>
Total capital assets, not being depreciated	<u>18,978,548</u>	<u>5,945,909</u>	<u>(5,220,380)</u>	<u>19,704,077</u>
Capital assets, being depreciated:				
Buildings	8,120,527	5,841,251	-	13,961,778
Machinery and equipment	5,138,323	388,723	(214,646)	5,312,400
Infrastructure	<u>1,143,453</u>	<u>-</u>	<u>-</u>	<u>1,143,453</u>
Total capital assets being depreciated	<u>14,402,303</u>	<u>6,229,974</u>	<u>(214,646)</u>	<u>20,417,631</u>
Less accumulated depreciation for:				
Buildings	(2,408,252)	(364,516)	-	(2,772,768)
Machinery and equipment	(2,686,969)	(496,007)	191,559	(2,991,417)
Infrastructure	<u>(195,211)</u>	<u>(22,869)</u>	<u>-</u>	<u>(218,080)</u>
Total accumulated depreciation	<u>(5,290,432)</u>	<u>(883,392)</u>	<u>191,559</u>	<u>(5,982,265)</u>
Total capital assets being depreciated, net	<u>9,111,871</u>	<u>5,346,582</u>	<u>(23,087)</u>	<u>14,435,366</u>
Governmental activities capital assets, net	<u>\$ 28,090,419</u>	<u>\$ 11,292,491</u>	<u>\$ (5,243,467)</u>	<u>\$ 34,139,443</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activities capital assets at June 30, 2004 is as follows:

**Business-type Activities:**

	Balance at <u>June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2004</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 3,830,804	\$ -	\$ -	\$ 3,830,804
Construction in progress	<u>11,025,350</u>	<u>4,692,964</u>	<u>(6,211,807)</u>	<u>9,506,507</u>
Total capital assets, not being depreciated	<u>14,856,154</u>	<u>4,692,964</u>	<u>(6,211,807)</u>	<u>13,337,311</u>
Capital assets, being depreciated:				
Buildings	5,918,822	-	-	5,918,822
Streets	21,144,674	1,283,751	-	22,428,425
Utility systems	43,392,267	4,770,966	-	48,163,233
Drainage	8,664,262	2,528	-	8,666,790
Machinery and equipment	1,572,397	322,188	-	1,894,585
Operations	<u>1,195,526</u>	<u>-</u>	<u>-</u>	<u>1,195,526</u>
Total capital assets being depreciated	<u>81,887,948</u>	<u>6,379,433</u>	<u>-</u>	<u>88,267,381</u>
Less accumulated depreciation for:				
Buildings	(2,568,248)	(159,394)	-	(2,727,642)
Streets	(4,756,565)	(431,529)	-	(5,188,094)
Utility systems	(10,211,708)	(817,930)	-	(11,029,638)
Drainage	(4,473,535)	(266,602)	-	(4,740,137)
Machinery and equipment	(650,422)	(124,937)	-	(775,359)
Operations	<u>(409,191)</u>	<u>(19,890)</u>	<u>-</u>	<u>(429,081)</u>
Total accumulated depreciation	<u>(23,069,669)</u>	<u>(1,820,282)</u>	<u>-</u>	<u>(24,889,951)</u>
Total capital assets being depreciated, net	<u>58,818,279</u>	<u>4,559,151</u>	<u>-</u>	<u>63,377,430</u>
Business-type activities capital assets, net	<u>\$ 73,674,433</u>	<u>\$ 9,252,115</u>	<u>\$ (6,211,807)</u>	<u>\$ 76,714,741</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

4. CAPITAL ASSETS (CONTINUED):

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

**Governmental Activities:**

General government	\$	108,717
Public safety		181,528
Community development		101,375
Unallocated infrastructure depreciation		22,852
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>468,920</u>
Total depreciation expense - governmental activities	\$	<u>883,392</u>

**Business-type Activities:**

Water	\$	367,010
Sewer		496,859
Electric		353,922
Street		432,603
Other		<u>157,091</u>
Total depreciation expense - business-type activities	\$	<u>1,807,485</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

5. LONG-TERM LIABILITIES:

The following is a summary of the Governmental Activities long-term liability transactions for the year ended June 30, 2004:

**Governmental Activities:**

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2004</u>	<u>Due Within One Year</u>
<b>General Obligation Bonds (GO):</b>					
1998 Refunding	\$ 2,135,000	\$ -	\$ (120,000)	\$ 2,015,000	\$ 125,000
1993 Refunding	3,585,000	-	(3,585,000)	-	-
2003 Refunding	<u>-</u>	<u>3,620,000</u>	<u>-</u>	<u>3,620,000</u>	<u>165,000</u>
Total GO Bonds	<u>5,720,000</u>	<u>3,620,000</u>	<u>(3,705,000)</u>	<u>5,635,000</u>	<u>290,000</u>
<b>Tax Allocation Bonds (TAB):</b>					
1995 Series	3,490,000	-	(70,000)	3,420,000	75,000
2002 Series A	14,030,000	-	(270,000)	13,760,000	270,000
2002 Series C	5,530,000	-	(105,000)	5,425,000	105,000
2003 Series A	13,000,000	-	(210,000)	12,790,000	270,000
2003 Series B	<u>6,370,000</u>	<u>-</u>	<u>(125,000)</u>	<u>6,245,000</u>	<u>125,000</u>
Total TAB Bonds	<u>42,420,000</u>	<u>-</u>	<u>(780,000)</u>	<u>41,640,000</u>	<u>845,000</u>
<b>Special Assessments:</b>					
Foss Creek	310,000	-	(55,000)	255,000	70,000
Area A	<u>1,920,000</u>	<u>-</u>	<u>(110,000)</u>	<u>1,810,000</u>	<u>110,000</u>
Total Special Assessments	<u>2,230,000</u>	<u>-</u>	<u>(165,000)</u>	<u>2,065,000</u>	<u>180,000</u>
Compensated absences	<u>1,520,012</u>	<u>-</u>	<u>(114,624)</u>	<u>1,405,388</u>	<u>1,405,388</u>
Bond discount	<u>(239,995)</u>	<u>(58,153)</u>	<u>12,994</u>	<u>(285,154)</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 51,650,017</u>	<u>\$ 3,561,847</u>	<u>\$ (4,751,630)</u>	<u>\$ 50,460,234</u>	<u>\$ 2,720,388</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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, 2004:

**Business-type Activities:**

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2004</u>	<u>Due Within One Year</u>
Certificates of Participation (COP):					
1996 Sewer improvements	\$ 855,000	\$ -	\$ (20,000)	\$ 835,000	\$ 20,000
2000 B - CSCDA Water	3,030,000	-	(55,000)	2,975,000	55,000
2000 B - CSCDA Sewer	2,525,000	-	(45,000)	2,480,000	45,000
2001 A - CSCDA Water	6,745,000	-	(230,000)	6,515,000	235,000
2002 C - CSCDA Water/ Wastewater	<u>5,510,000</u>	<u>-</u>	<u>(110,000)</u>	<u>5,400,000</u>	<u>115,000</u>
Total COP Bonds	18,665,000	-	(460,000)	18,205,000	470,000
Bond discount	<u>(173,628)</u>	<u>-</u>	<u>6,719</u>	<u>(166,909)</u>	<u>-</u>
 Total business-type activities long-term liabilities	 <u>\$ 18,491,372</u>	 <u>\$ -</u>	 <u>\$ (453,281)</u>	 <u>\$ 18,038,091</u>	 <u>\$ 470,000</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.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

5. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

b. 1993 General Obligation Refunding Bonds:

In December 1993, the City issued \$4,175,000 in General Obligation Refunding Bonds to advance refund the 1990 Series A General Obligation Bonds. The proceeds from the refunding issue were placed in an irrevocable trust with an escrow agent to provide the remaining debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. Interest on the bonds varies between 4.3% to 5.375% with semi-annual debt service payments on February 1 and August 1 of each year with principal maturing August 1, 1994 through August 1, 2015. Debt service payments are made from property taxes levy authorized by the voters. The 1990 Series A General Obligation bonds were redeemed on August 1, 2000. The 1993 General Obligation Refunding Bonds were refunded in July 2003.

c. 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:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 290,000	\$ 198,376	\$ 488,376
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
2010-2014	2,460,000	539,739	2,999,739
2015-2016	1,515,000	63,130	1,578,130
	<u>\$ 5,635,000</u>	<u>\$ 1,490,709</u>	<u>\$ 7,125,709</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

5. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

d. 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 outstanding at June 30, 2004 was \$2,295,000.

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

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

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

5. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

d. 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.

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>
2005	\$ 845,000	\$ 2,110,387	\$ 2,955,387
2006	865,000	2,089,688	2,954,688
2007	880,000	2,064,427	2,944,427
2008	905,000	2,034,941	2,939,941
2009	930,000	2,001,287	2,931,287
2010-2014	5,195,000	9,364,444	14,559,444
2015-2019	6,425,000	7,943,078	14,368,078
2020-2024	8,120,000	6,006,983	14,126,983
2025-2029	10,160,000	3,504,128	13,664,128
2030-2032	<u>7,315,000</u>	<u>626,679</u>	<u>7,941,679</u>
	<u>\$ 41,640,000</u>	<u>\$ 37,746,042</u>	<u>\$ 79,386,042</u>

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

5. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

e. 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. Debt service payments are made from special assessment taxes collected from property owners by the County of Sonoma. The City has recorded the bonds as a liability because they may make temporary advance payment of debt service if sufficient funds have not been collected. Also, the assessments receivable have been recorded in a Debt Service Fund offset by an equal amount of deferred revenues in accordance with the provisions of GASB Statement 6.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 180,000	\$ 140,715	\$ 320,715
2006	210,000	126,806	336,806
2007	215,000	111,071	326,071
2008	140,000	97,995	237,995
2009	150,000	87,773	237,773
2010-2014	915,000	259,969	1,174,969
2015	<u>255,000</u>	<u>13,923</u>	<u>268,923</u>
	<u>\$ 2,065,000</u>	<u>\$ 838,252</u>	<u>\$ 2,903,252</u>

**Business-type Activities:**

f. 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 4.50% to 8.50% 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.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

5. LONG-TERM LIABILITIES (CONTINUED):

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

g. 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.

h. 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, 2004, \$6,585,000 remained outstanding on these refunded issues.

i. 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.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

5. LONG-TERM LIABILITIES (CONTINUED):

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

j. Annual Debt Service Requirements:

Annual debt service requirements to maturity for proprietary long-term liabilities, including interest of \$13,344,051 are as follows:

Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2005	\$ 470,000	\$ 833,603	\$ 1,303,603
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
2010-2014	2,905,000	3,505,959	6,410,959
2015-2019	3,245,000	2,845,621	6,090,621
2020-2024	4,145,000	1,932,785	6,077,785
2025-2029	3,500,000	899,546	4,399,546
2030-2033	<u>1,910,000</u>	<u>154,162</u>	<u>2,064,162</u>
	<u>\$ 18,205,000</u>	<u>\$ 13,344,051</u>	<u>\$ 31,549,051</u>

6. CONDUIT DEBT:

Total bonds outstanding related to special facility revenue bonds is \$5,775,000 at June 30, 2004. 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.

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CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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 7.2% for miscellaneous employees and 7.525% for the period July 2003 to December 2003 and 20.51% for the period January 2004 to June 2004 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 2004, the City's annual pension cost of \$693,895 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, 2003 was 22 years.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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>
6/30/02	\$ 538,167	100%	\$ -
6/30/03	677,861	100%	-
6/30/04	693,895	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, 2004

8. RESERVES AND DESIGNATIONS OF FUND EQUITY:

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

- a. Reserves for non-current notes 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 Community Redevelopment 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, 2004, of \$4,057,538 included \$4,010,809 for purchased power and \$46,729 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, 2004

9. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

The City's interest in NCPA projects and reserves, as computed by NCPA, was \$2.4 million at June 30, 2004. 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 Western Area Power Administration totaling \$782,767 and paid assessments totaling \$69,868.

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, 2004 is \$217,340 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, 2004

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, 2004 approximately \$501,130 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, 2004 approximately \$24,815 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, 2004

9. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

Geothermal Public Power Line

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. 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, 2004, approximately \$5,455 thousand in long-term debt related to this project was outstanding.

NCPA Condensed Financial Information

The information below summarizes NCPA's audited financial statements as of and for the year ended June 30, 2004 (in thousands):

Total assets	\$ 996,278
Total liabilities (excluding long-term debt)	228,526
Long-term debt	756,958
Accumulated net revenues	10,800
Revenues	218,277
Expenses (including refunds)	225,975
Decrease in accumulated net revenues	7,698

Maturities (Principal) of NCPA's long-term debt as of June 30, 2004 are as follows (in thousands) (audited):

2005	\$ 54,555
2006	56,505
2007	36,095
2008	37,060
2009	38,205
2010 and after	593,520
Less: unamortized net discount and premium	(4,427)
Current portion	<u>(54,555)</u>
Total	<u>\$ 756,958</u>

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

9. NORTHERN CALIFORNIA POWER AGENCY (CONTINUED):

NCPA Condensed Financial Information (Continued)

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 nine 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, health, dental, vision, and auto physical damage coverage.

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

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

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

10. POOLED ARRANGEMENT (CONTINUED):

The information below summarizes the audited financial statements as of and for the year ended June 30, 2004, for the Redwood Empire Municipal Insurance Fund in which the City participates.

Total Assets	\$	14,247,118
Total Liabilities		12,984,716
Total Net Assets		1,262,402
Total Revenues		7,058,884
Total Expenses		7,996,449
Increase (Decrease) in Net Assets		(937,565)
Total Long-Term Debt		6,255,595

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, 2004

12. INDIVIDUAL FUND DISCLOSURES:

- a. The fund which has a deficit fund balance at June 30, 2004 was as follows:

Special Revenue Fund:	
North Area	\$ <u>61,268</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:

Special Revenue Funds:	
Gas Tax	\$ 89
Park Fees	238
TDA	5
Community Redevelopment Agency UDAG Loan	2,392
Debt Service Funds:	
Other General	41,127
Special Assessment	11,518

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, 2004 was \$17 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, 2004

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 expires December 31, 2004 and the estimated annual commitment over the next two years for purchasing power is \$80,390. A supplemental agreement allows the City to utilize less than its contractual entitlement. The contract was extended to be effective through September 30, 2010.

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 average cost of \$63 per mwh.

See independent auditors' report.

CITY OF HEALDSBURG

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

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.

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF HEALDSBURG  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 616,599	\$ 616,599	\$ 662,888	\$ 46,289
Sales and other taxes	3,396,500	3,396,500	3,414,603	18,103
Charges for services	205,366	205,366	311,082	105,716
Intergovernmental revenues	413,328	413,328	904,009	490,681
Investment income	55,000	55,000	53,762	(1,238)
Miscellaneous fees and charges	71,692	71,692	162,641	90,949
Other revenues	14,825	14,825	13,272	(1,553)
<b>TOTAL REVENUES</b>	<b>4,773,310</b>	<b>4,773,310</b>	<b>5,522,257</b>	<b>748,947</b>
<b>EXPENDITURES:</b>				
Current:				
General government	369,774	369,774	687,077	(317,303)
Public safety	4,836,098	4,836,098	4,595,044	241,054
<b>TOTAL EXPENDITURES</b>	<b>5,205,872</b>	<b>5,205,872</b>	<b>5,282,121</b>	<b>(76,249)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(432,562)</b>	<b>(432,562)</b>	<b>240,136</b>	<b>672,698</b>
<b>OTHER FINANCING USES:</b>				
Transfers out	(15,000)	(15,000)	(15,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(447,562)</b>	<b>(447,562)</b>	<b>225,136</b>	<b>672,698</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>3,746,342</b>	<b>3,746,342</b>	<b>3,746,342</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 3,298,780</b>	<b>\$ 3,298,780</b>	<b>\$ 3,971,478</b>	<b>\$ 672,698</b>

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

CITY OF HEALDSBURG

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

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.

See independent auditors' report.

## **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.

### **AREA A SPECIAL ASSESSMENT DISTRICT CAPITAL PROJECTS FUND**

The Area A Special Assessment District Capital Projects Fund is used to account for revenues received from a prospective sale of assessment land and oversizing advances from 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, 2004

	Special Revenue Funds	General Debt Service Fund	Area A Assessment District Capital Project Fund	Permanent Fund	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,977,639	\$ 886,886	\$ 15,067	\$ 89,961	\$ 2,969,553
Receivables:					
Accounts	101,039	-	2,507	-	103,546
Taxes	5,501	46,697	-	-	52,198
Loan	1,840,225	-	-	-	1,840,225
Interest	20,153	3,057	75	472	23,757
Due from other governments	86,635	-	-	-	86,635
Due from other funds	1,700,000	-	-	-	1,700,000
<b>TOTAL ASSETS</b>	<b>\$ 5,731,192</b>	<b>\$ 936,640</b>	<b>\$ 17,649</b>	<b>\$ 90,433</b>	<b>\$ 6,775,914</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 27,507	\$ -	\$ -	\$ 2,000	\$ 29,507
Due to other funds	198,231	-	-	-	198,231
Deferred revenue	450,708	-	-	-	450,708
<b>TOTAL LIABILITIES</b>	<b>676,446</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>678,446</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Debt service	-	936,640	-	-	936,640
Noncurrent notes receivable	1,465,225	-	-	-	1,465,225
Unreserved, reported in:					
Special revenue funds	3,589,521	-	-	-	3,589,521
Capital projects funds	-	-	17,649	-	17,649
Permanent fund	-	-	-	88,433	88,433
<b>TOTAL FUND BALANCES</b>	<b>5,054,746</b>	<b>936,640</b>	<b>17,649</b>	<b>88,433</b>	<b>6,097,468</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,731,192</b>	<b>\$ 936,640</b>	<b>\$ 17,649</b>	<b>\$ 90,433</b>	<b>\$ 6,775,914</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, 2004

	Special Revenue Funds	General Debt Service Fund	Area A Assessment District Capital Project Fund	Permanent Fund	Total Other Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ -	\$ 641,974	\$ -	\$ -	\$ 641,974
Intergovernmental revenues	850,566	-	-	-	850,566
Development fees and permits	85,949	-	-	-	85,949
Investment income	110,126	9,952	245	1,535	121,858
Other revenues	158,739	-	-	-	158,739
<b>TOTAL REVENUES</b>	<b>1,205,380</b>	<b>651,926</b>	<b>245</b>	<b>1,535</b>	<b>1,859,086</b>
<b>EXPENDITURES:</b>					
Current:					
General government	236,377	-	24	145	236,546
Public safety	6,546	-	-	-	6,546
Culture and recreation	15,309	-	-	9,500	24,809
Community development	96,102	-	-	-	96,102
Debt service:					
Principal retirement	-	120,000	-	-	120,000
Interest and fees	-	134,070	-	-	134,070
Bond issue costs	-	93,863	-	-	93,863
Advance to refund bond escrow agent	-	208,029	-	-	208,029
<b>TOTAL EXPENDITURES</b>	<b>354,334</b>	<b>555,962</b>	<b>24</b>	<b>9,645</b>	<b>919,965</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>851,046</b>	<b>95,964</b>	<b>221</b>	<b>(8,110)</b>	<b>939,121</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	1,249,535	-	-	-	1,249,535
Transfers out	(1,847,716)	-	-	-	(1,847,716)
General obligation bonds issued	-	3,620,000	-	-	3,620,000
Payment to refund bond escrow agent	-	(3,470,000)	-	-	(3,470,000)
Bond discount	-	(58,153)	-	-	(58,153)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(598,181)</b>	<b>91,847</b>	<b>-</b>	<b>-</b>	<b>(506,334)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>252,865</b>	<b>187,811</b>	<b>221</b>	<b>(8,110)</b>	<b>432,787</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>4,801,881</b>	<b>748,829</b>	<b>17,428</b>	<b>96,543</b>	<b>5,664,681</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 5,054,746</b>	<b>\$ 936,640</b>	<b>\$ 17,649</b>	<b>\$ 88,433</b>	<b>\$ 6,097,468</b>

See independent auditors' report.

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## OTHER SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

Community 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.

Community 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, 2004

	Gas Tax	North Area	Airport Grant
<b>ASSETS</b>			
Cash and investments	\$ 61,755	\$ 11,690	\$ 10,162
Receivables:			
Accounts	23,000	75,708	-
Taxes	-	-	-
Loans	-	-	-
Interest	290	42	26
Due from other governments	-	-	-
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 85,045</b>	<b>\$ 87,440</b>	<b>\$ 10,188</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	73,000	-
Deferred revenue	-	75,708	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>148,708</b>	<b>-</b>
<b>FUND BALANCES:</b>			
Reserved:			
Noncurrent notes receivable	-	-	-
Unreserved, undesignated	85,045	(61,268)	10,188
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>85,045</b>	<b>(61,268)</b>	<b>10,188</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 85,045</b>	<b>\$ 87,440</b>	<b>\$ 10,188</b>

See independent auditors' report.

<u>Park Fees</u>	<u>Media Center</u>	<u>TDA</u>	<u>Community Redevelopment Agency UDAG Loan</u>	<u>Community Redevelopment Agency Housing Bond</u>	<u>Street Development Fees</u>
\$ 165,821	\$ 119,034	\$ -	\$ 733,895	\$ 170,820	\$ 17,855
-	2,331	-	-	-	-
-	-	-	-	-	-
-	-	-	1,465,225	375,000	-
771	1,163	16	14,487	-	88
-	-	86,635	-	-	-
-	-	-	1,700,000	-	-
<u>\$ 166,592</u>	<u>\$ 122,528</u>	<u>\$ 86,651</u>	<u>\$ 3,913,607</u>	<u>\$ 545,820</u>	<u>\$ 17,943</u>
\$ -	\$ 19,883	\$ -	\$ -	\$ -	\$ -
-	-	84,783	-	-	-
-	-	-	-	375,000	-
-	19,883	84,783	-	375,000	-
-	-	-	1,465,225	-	-
166,592	102,645	1,868	2,448,382	170,820	17,943
166,592	102,645	1,868	3,913,607	170,820	17,943
<u>\$ 166,592</u>	<u>\$ 122,528</u>	<u>\$ 86,651</u>	<u>\$ 3,913,607</u>	<u>\$ 545,820</u>	<u>\$ 17,943</u>

(Continued)

CITY OF HEALDSBURG

COMBINING BALANCE SHEET  
OTHER SPECIAL REVENUE FUNDS  
(CONTINUED)

June 30, 2004

	Area A Lighting and Landscaping District	Benjamin Way Maintenance District
ASSETS		
Cash and investments	\$ 237,727	\$ 3,481
Receivables:		
Accounts	-	-
Taxes	5,501	-
Loans	-	-
Interest	1,031	17
Due from other governments	-	-
Due from other funds	-	-
	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 244,259</u>	<u>\$ 3,498</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 7,624	\$ -
Due to other funds	40,448	-
Deferred revenue	-	-
	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>48,072</u>	<u>-</u>
FUND BALANCES:		
Reserved:		
Noncurrent notes receivable	-	-
Unreserved, undesignated	196,187	3,498
	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES (DEFICITS)	<u>196,187</u>	<u>3,498</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 244,259</u>	<u>\$ 3,498</u>

See independent auditors' report.

Public Safety	Other	Total Other Special Revenue Funds
\$ 14,016	\$ 431,383	\$ 1,977,639
-	-	101,039
-	-	5,501
-	-	1,840,225
66	2,156	20,153
-	-	86,635
-	-	1,700,000
<u>\$ 14,082</u>	<u>\$ 433,539</u>	<u>\$ 5,731,192</u>
-	-	27,507
-	-	198,231
-	-	450,708
-	-	676,446
-	-	1,465,225
<u>14,082</u>	<u>433,539</u>	<u>3,589,521</u>
<u>14,082</u>	<u>433,539</u>	<u>5,054,746</u>
<u>\$ 14,082</u>	<u>\$ 433,539</u>	<u>\$ 5,731,192</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2004

	Gas Tax	North Area	Airport Grant
<b>REVENUES:</b>			
Intergovernmental revenues	\$ 226,264	\$ -	\$ -
Development fees and permits	-	6,500	-
Investment income	944	137	84
Other revenues	-	-	-
	<u>227,208</u>	<u>6,637</u>	<u>84</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
Current:			
General government	89	13	8
Public safety	-	-	-
Culture and recreation	-	-	-
Community development	-	-	-
	<u>89</u>	<u>13</u>	<u>8</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>227,119</u>	<u>6,624</u>	<u>76</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	507,724	-	32,811
Transfers out	(704,735)	-	(22,811)
	<u>(197,011)</u>	<u>-</u>	<u>10,000</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>			
	30,108	6,624	10,076
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>			
	<u>54,937</u>	<u>(67,892)</u>	<u>112</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>			
	<u>\$ 85,045</u>	<u>\$ (61,268)</u>	<u>\$ 10,188</u>

See independent auditors' report.

Park Fees	Media Center	TDA	Community Redevelopment Agency UDAG Loan	Community Redevelopment Agency Housing Bond	Street Development Fees
\$ -	\$ -	\$ 226,381	\$ -	\$ -	\$ -
77,925	-	-	-	-	-
2,510	3,783	51	91,692	-	285
84	72,568	-	85,647	-	-
<u>80,519</u>	<u>76,351</u>	<u>226,432</u>	<u>177,339</u>	<u>-</u>	<u>285</u>
238	2,408	5	5,975	225,000	27
-	-	-	92	-	-
-	-	-	-	-	-
-	82,251	-	-	-	-
<u>238</u>	<u>84,659</u>	<u>5</u>	<u>6,067</u>	<u>225,000</u>	<u>27</u>
<u>80,281</u>	<u>(8,308)</u>	<u>226,427</u>	<u>171,272</u>	<u>(225,000)</u>	<u>258</u>
34,000	-	-	-	525,000	-
(82,000)	(155,789)	(226,381)	(50,000)	(150,000)	-
<u>(48,000)</u>	<u>(155,789)</u>	<u>(226,381)</u>	<u>(50,000)</u>	<u>375,000</u>	<u>-</u>
32,281	(164,097)	46	121,272	150,000	258
<u>134,311</u>	<u>266,742</u>	<u>1,822</u>	<u>3,792,335</u>	<u>20,820</u>	<u>17,685</u>
<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>

(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, 2004

	Area A Lighting and Landscaping District	Benjamin Way Maintenance District
	<u>                    </u>	<u>                    </u>
REVENUES:		
Intergovernmental revenues	\$ 131,921	\$ -
Development fees and permits	-	-
Investment income	3,355	56
Other revenues	-	440
	<u>                    </u>	<u>                    </u>
TOTAL REVENUES	135,276	496
	<u>                    </u>	<u>                    </u>
EXPENDITURES:		
Current:		
General government	1,926	5
Public safety	-	-
Culture and recreation	15,309	-
Community development	13,851	-
	<u>                    </u>	<u>                    </u>
TOTAL EXPENDITURES	31,086	5
	<u>                    </u>	<u>                    </u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	104,190	491
	<u>                    </u>	<u>                    </u>
OTHER FINANCING SOURCES (USES):		
Transfers in	150,000	-
Transfers out	(190,000)	-
	<u>                    </u>	<u>                    </u>
TOTAL OTHER FINANCING SOURCES (USES)	(40,000)	-
	<u>                    </u>	<u>                    </u>
NET CHANGE IN FUND BALANCES	64,190	491
	<u>                    </u>	<u>                    </u>
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	131,997	3,007
	<u>                    </u>	<u>                    </u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 196,187</u>	<u>\$ 3,498</u>

See independent auditors' report.

Public Safety	Other	Total Other Special Revenue Funds
\$ -	\$ 266,000	\$ 850,566
1,524	-	85,949
214	7,015	110,126
-	-	158,739
<u>1,738</u>	<u>273,015</u>	<u>1,205,380</u>
20	663	236,377
6,454	-	6,546
-	-	15,309
-	-	96,102
<u>6,474</u>	<u>663</u>	<u>354,334</u>
<u>(4,736)</u>	<u>272,352</u>	<u>851,046</u>
-	-	1,249,535
-	(266,000)	(1,847,716)
<u>-</u>	<u>(266,000)</u>	<u>(598,181)</u>
(4,736)	6,352	252,865
<u>18,818</u>	<u>427,187</u>	<u>4,801,881</u>
<u>\$ 14,082</u>	<u>\$ 433,539</u>	<u>\$ 5,054,746</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 210,080	\$ 210,080	\$ 226,264	\$ 16,184
Investment income	3,000	3,000	944	(2,056)
TOTAL REVENUES	213,080	213,080	227,208	14,128
EXPENDITURES:				
Current:				
General government	-	-	89	(89)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	213,080	213,080	227,119	14,039
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	507,724	507,724
Transfers out	-	(609,500)	(704,735)	(95,235)
TOTAL OTHER FINANCING SOURCES (USES)	-	(609,500)	(197,011)	412,489
NET CHANGE IN FUND BALANCE	213,080	(396,420)	30,108	426,528
FUND BALANCE - BEGINNING OF YEAR	54,937	54,937	54,937	-
FUND BALANCE - END OF YEAR	\$ 268,017	\$ (341,483)	\$ 85,045	\$ 426,528

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ 76,995	\$ 76,995	\$ 77,925	\$ 930
Investment income	400	400	2,510	2,110
Other revenues	-	-	84	84
<b>TOTAL REVENUES</b>	<b>77,395</b>	<b>77,395</b>	<b>80,519</b>	<b>3,124</b>
EXPENDITURES:				
Current:				
General government	-	-	238	(238)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>77,395</b>	<b>77,395</b>	<b>80,281</b>	<b>2,886</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	34,000	34,000
Transfers out	(48,000)	(48,000)	(82,000)	(34,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(48,000)</b>	<b>(48,000)</b>	<b>(48,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>29,395</b>	<b>29,395</b>	<b>32,281</b>	<b>2,886</b>
FUND BALANCE - BEGINNING OF YEAR	134,311	134,311	134,311	-
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 163,706</b>	<b>\$ 163,706</b>	<b>\$ 166,592</b>	<b>\$ 2,886</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 274,006	\$ 274,006	\$ 226,381	\$ (47,625)
Investment income	-	-	51	51
TOTAL REVENUES	274,006	274,006	226,432	(47,574)
EXPENDITURES:				
Current:				
General government	-	-	5	(5)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	274,006	274,006	226,427	(47,579)
OTHER FINANCING USES:				
Transfers out	(274,006)	(274,006)	(226,381)	47,625
NET CHANGE IN FUND BALANCE	-	-	46	46
FUND BALANCE - BEGINNING OF YEAR	1,822	1,822	1,822	-
FUND BALANCE - END OF YEAR	\$ 1,822	\$ 1,822	\$ 1,868	\$ 46

See independent auditors' report.

CITY OF HEALDSBURG

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

COMMUNITY REDEVELOPMENT AGENCY UDAG LOAN SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 102,000	\$ 102,000	\$ 91,692	\$ (10,308)
Other revenues	160,000	160,000	85,647	(74,353)
TOTAL REVENUES	262,000	262,000	177,339	(84,661)
EXPENDITURES:				
Current:				
General government	3,675	3,675	5,975	(2,300)
Public safety	-	-	92	(92)
TOTAL EXPENDITURES	3,675	3,675	6,067	(2,392)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	258,325	258,325	171,272	(87,053)
OTHER FINANCING USES:				
Transfers out	(50,000)	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	208,325	208,325	121,272	(87,053)
FUND BALANCE - BEGINNING OF YEAR	3,792,335	3,792,335	3,792,335	-
FUND BALANCE - END OF YEAR	\$ 4,000,660	\$ 4,000,660	\$ 3,913,607	\$ (87,053)

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 133,024	\$ 133,024	\$ 131,921	\$ (1,103)
Investment income	2,285	2,285	3,355	1,070
<b>TOTAL REVENUES</b>	<b>135,309</b>	<b>135,309</b>	<b>135,276</b>	<b>(33)</b>
EXPENDITURES:				
Current:				
General government	1,200	1,200	1,926	(726)
Culture and recreation	45,090	45,090	15,309	29,781
Community development	-	-	13,851	(13,851)
<b>TOTAL EXPENDITURES</b>	<b>46,290</b>	<b>46,290</b>	<b>31,086</b>	<b>15,204</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>89,019</b>	<b>89,019</b>	<b>104,190</b>	<b>15,171</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	150,000	150,000
Transfers out	(40,000)	(40,000)	(190,000)	(150,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(40,000)</b>	<b>(40,000)</b>	<b>(40,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>49,019</b>	<b>49,019</b>	<b>64,190</b>	<b>15,171</b>
FUND BALANCE - BEGINNING OF YEAR	131,997	131,997	131,997	-
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 181,016</b>	<b>\$ 181,016</b>	<b>\$ 196,187</b>	<b>\$ 15,171</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 56	\$ 56
Other revenues	440	440	440	-
TOTAL REVENUES	440	440	496	56
EXPENDITURES:				
Current:				
General government	440	440	5	435
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	491	491
FUND BALANCE - BEGINNING OF YEAR	3,007	3,007	3,007	-
FUND BALANCE - END OF YEAR	\$ 3,007	\$ 3,007	\$ 3,498	\$ 491

See independent auditors' report.

CITY OF HEALDSBURG

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

PUBLIC SAFETY SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Development fees and permits	\$ -	\$ -	\$ 1,524	\$ 1,524
Investment income	-	-	214	214
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>1,738</b>	<b>1,738</b>
EXPENDITURES:				
Current:				
General government	-	-	20	(20)
Public safety	9,500	9,500	6,454	3,046
<b>TOTAL EXPENDITURES</b>	<b>9,500</b>	<b>9,500</b>	<b>6,474</b>	<b>3,026</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(9,500)</b>	<b>(9,500)</b>	<b>(4,736)</b>	<b>4,764</b>
FUND BALANCE - BEGINNING OF YEAR	18,818	18,818	18,818	-
FUND BALANCE - END OF YEAR	\$ 9,318	\$ 9,318	\$ 14,082	\$ 4,764

See independent auditors' report.

## **OTHER AND MAJOR DEBT SERVICE FUNDS**

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

### **OTHER DEBT SERVICE FUND:**

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

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

Community Redevelopment Agency Debt Service - Accounts for the long-term debt service of the Community 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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 513,835	\$ 513,835	\$ 641,974	\$ 128,139
Investment income	1,000	1,000	9,952	8,952
<b>TOTAL REVENUES</b>	<b>514,835</b>	<b>514,835</b>	<b>651,926</b>	<b>137,091</b>
EXPENDITURES:				
Debt service:				
Principal retirement	235,000	235,000	120,000	115,000
Interest and fees	279,835	279,835	134,070	145,765
Bond issue costs	-	-	93,863	(93,863)
Advance to refund bond escrow agent	-	-	208,029	(208,029)
<b>TOTAL EXPENDITURES</b>	<b>514,835</b>	<b>514,835</b>	<b>555,962</b>	<b>(41,127)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>95,964</b>	<b>95,964</b>
OTHER FINANCING SOURCES (USES):				
General obligation bonds issued	-	-	3,620,000	3,620,000
Payment to refund bond escrow agent	-	-	(3,470,000)	(3,470,000)
Bond discount	-	-	(58,153)	(58,153)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>91,847</b>	<b>91,847</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>187,811</b>	<b>187,811</b>
FUND BALANCE - BEGINNING OF YEAR	748,829	748,829	748,829	-
FUND BALANCE - END OF YEAR	<u>\$ 748,829</u>	<u>\$ 748,829</u>	<u>\$ 936,640</u>	<u>\$ 187,811</u>

See independent auditors' report.

CITY OF HEALDSBURG

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

COMMUNITY REDEVELOPMENT AGENCY DEBT SERVICE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 4,493	\$ (5,507)
EXPENDITURES:				
Debt service:				
Principal retirement	1,682,634	1,682,634	780,000	902,634
Interest and fees	1,397,052	1,397,052	1,870,085	(473,033)
TOTAL EXPENDITURES	3,079,686	3,079,686	2,650,085	429,601
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,069,686)	(3,069,686)	(2,645,592)	424,094
OTHER FINANCING SOURCES:				
Transfers in	3,069,686	3,069,686	2,651,878	(417,808)
NET CHANGE IN FUND BALANCE	-	-	6,286	6,286
FUND BALANCE - BEGINNING OF YEAR	2,856,974	2,856,974	2,856,974	-
FUND BALANCE - END OF YEAR	\$ 2,856,974	\$ 2,856,974	\$ 2,863,260	\$ 6,286

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 308,208	\$ 308,208	\$ 342,135	\$ 33,927
Investment income	6,000	6,000	4,738	(1,262)
TOTAL REVENUES	<u>314,208</u>	<u>314,208</u>	<u>346,873</u>	<u>32,665</u>
EXPENDITURES:				
Debt service:				
Principal retirement	150,000	150,000	165,000	(15,000)
Interest and fees	164,208	164,208	160,726	3,482
TOTAL EXPENDITURES	<u>314,208</u>	<u>314,208</u>	<u>325,726</u>	<u>(11,518)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	21,147	21,147
FUND BALANCE - BEGINNING OF YEAR	<u>592,847</u>	<u>592,847</u>	<u>592,847</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 592,847</u>	<u>\$ 592,847</u>	<u>\$ 613,994</u>	<u>\$ 21,147</u>

See independent auditors' report.

## **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, 2004

	Planning and Building	Transit
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and investments	\$ 914,349	\$ 6,910
Accounts receivable	3,854	-
Due from other funds	-	-
Inventory	-	-
	918,203	6,910
<b>TOTAL CURRENT ASSETS</b>		
<b>NONCURRENT ASSETS:</b>		
Capital assets:		
Land	-	-
Building	-	-
Streets	-	-
Machinery and equipment	-	-
Operations	-	-
Construction in progress	-	-
Less: accumulated depreciation	-	-
	-	-
<b>TOTAL NONCURRENT ASSETS</b>		
	-	-
<b>TOTAL ASSETS</b>		
	918,203	6,910
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	8,895	34
Deposits from others	188,307	63
Due to other funds	-	-
	197,202	97
<b>TOTAL CURRENT LIABILITIES</b>		
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	-	-
Unrestricted	721,001	6,813
	721,001	6,813
<b>TOTAL NET ASSETS</b>		
	\$ 721,001	\$ 6,813

See independent auditors' report.

<u>Airport</u>	<u>Meeting Center</u>	<u>School Services</u>	<u>Community Services</u>	<u>Total</u>
\$ 298,014	\$ -	\$ 30,038	\$ 901,587	\$ 2,150,898
8,816	6,124	832	96,193	115,819
-	-	-	67,080	67,080
14,603	-	-	719	15,322
<u>321,433</u>	<u>6,124</u>	<u>30,870</u>	<u>1,065,579</u>	<u>2,349,119</u>
119,834	231,972	-	2,461,978	2,813,784
186,452	1,194,411	-	2,434,040	3,814,903
-	20,000	-	-	20,000
209,509	98,184	-	293,282	600,975
1,195,526	-	-	-	1,195,526
13,395	-	-	498,149	511,544
(677,961)	(411,711)	-	(1,352,982)	(2,442,654)
<u>1,046,755</u>	<u>1,132,856</u>	<u>-</u>	<u>4,334,467</u>	<u>6,514,078</u>
<u>1,368,188</u>	<u>1,138,980</u>	<u>30,870</u>	<u>5,400,046</u>	<u>8,863,197</u>
23,392	4,192	9,704	124,524	170,741
11,371	107,358	-	10,420	317,519
14,008	67,080	-	-	81,088
<u>48,771</u>	<u>178,630</u>	<u>9,704</u>	<u>134,944</u>	<u>569,348</u>
1,046,755	1,132,856	-	4,334,467	6,514,078
272,662	(172,506)	21,166	930,635	1,779,771
<u>\$ 1,319,417</u>	<u>\$ 960,350</u>	<u>\$ 21,166</u>	<u>\$ 5,265,102</u>	<u>\$ 8,293,849</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2004

	Planning and Building	Transit
OPERATING REVENUES:		
Charges for services	\$ -	\$ 16,211
Development fees	447,970	-
Rental income	-	-
Other revenues	86,683	-
	<u>534,653</u>	<u>16,211</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations	269,862	118,939
Administrative	130,035	43,166
Depreciation	-	-
	<u>399,897</u>	<u>162,105</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>134,756</u>	<u>(145,894)</u>
NONOPERATING REVENUES (EXPENSES):		
Taxes	-	-
Intergovernmental grants	-	-
Investment income	12,543	-
	<u>12,543</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
INCOME (LOSS) BEFORE TRANSFERS	147,299	(145,894)
TRANSFERS IN	-	139,746
TRANSFERS OUT	-	-
	<u>147,299</u>	<u>(6,148)</u>
CHANGE IN NET ASSETS		
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>573,702</u>	<u>12,961</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 721,001</u>	<u>\$ 6,813</u>

See independent auditors' report.

Airport	Meeting Center	School Services	Community Services	Total
\$ 117,075	\$ 29,095	\$ 35,414	\$ 3,738	\$ 201,533
-	-	-	-	447,970
90,880	205,094	4,999	10,824	311,797
2,460	-	-	72,604	161,747
<u>210,415</u>	<u>234,189</u>	<u>40,413</u>	<u>87,166</u>	<u>1,123,047</u>
153,393	212,602	44,773	522,864	1,322,433
14,964	11,628	4,562	210,247	414,602
32,983	29,597	-	94,511	157,091
<u>201,340</u>	<u>253,827</u>	<u>49,335</u>	<u>827,622</u>	<u>1,894,126</u>
<u>9,075</u>	<u>(19,638)</u>	<u>(8,922)</u>	<u>(740,456)</u>	<u>(771,079)</u>
-	-	-	931,839	931,839
-	-	-	4,986	4,986
5,252	45	355	15,594	33,789
<u>5,252</u>	<u>45</u>	<u>355</u>	<u>952,419</u>	<u>970,614</u>
14,327	(19,593)	(8,567)	211,963	199,535
22,811	-	-	272,000	434,557
(32,811)	-	-	(79,000)	(111,811)
4,327	(19,593)	(8,567)	404,963	522,281
<u>1,315,090</u>	<u>979,943</u>	<u>29,733</u>	<u>4,860,139</u>	<u>7,771,568</u>
<u>\$ 1,319,417</u>	<u>\$ 960,350</u>	<u>\$ 21,166</u>	<u>\$ 5,265,102</u>	<u>\$ 8,293,849</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF CASH FLOWS  
OTHER ENTERPRISE FUNDS

For the year ended June 30, 2004

	Planning and Building	Transit
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 531,611	\$ 16,211
Payments to suppliers	(144,942)	(68,776)
Payments to employees	(104,339)	(93,617)
	<u>282,330</u>	<u>(146,182)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Taxes	-	-
Intergovernmental grants	-	-
Cash received from other funds	-	139,746
Cash paid to other funds	-	-
	<u>-</u>	<u>139,746</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>		
	<u>-</u>	<u>139,746</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	-	-
	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Loans collected (granted)	-	-
Investment income	12,543	-
	<u>12,543</u>	<u>-</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
	<u>12,543</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	294,873	(6,436)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	619,476	13,346
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 914,349</u>	<u>\$ 6,910</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 134,756	\$ (145,894)
Depreciation	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,042)	-
(Increase) decrease in inventory	30	-
Increase (decrease) in accounts payable and accrued liabilities	150,586	(288)
	<u>150,586</u>	<u>(288)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 282,330</u>	<u>\$ (146,182)</u>

See independent auditors' report.

Airport	Meeting Center	School Services	Community Services	Total
\$ 208,412	\$ 234,102	\$ 39,690	\$ (6,826)	\$ 1,023,200
(136,791)	(130,065)	(42,941)	(397,195)	(920,710)
(9,318)	(103,339)	-	(231,159)	(541,772)
<u>62,303</u>	<u>698</u>	<u>(3,251)</u>	<u>(635,180)</u>	<u>(439,282)</u>
-	-	-	931,839	931,839
-	-	-	4,986	4,986
22,811	-	-	272,000	434,557
(32,811)	(28,317)	-	(146,080)	(207,208)
<u>(10,000)</u>	<u>(28,317)</u>	<u>-</u>	<u>1,062,745</u>	<u>1,164,174</u>
-	-	-	(328,162)	(328,162)
-	-	-	78,874	78,874
5,252	45	298	14,610	32,748
<u>5,252</u>	<u>45</u>	<u>298</u>	<u>93,484</u>	<u>111,622</u>
57,555	(27,574)	(2,953)	192,887	508,352
240,459	27,574	32,991	708,700	1,642,546
<u>\$ 298,014</u>	<u>\$ -</u>	<u>\$ 30,038</u>	<u>\$ 901,587</u>	<u>\$ 2,150,898</u>
\$ 9,075	\$ (19,638)	\$ (8,922)	\$ (740,456)	\$ (771,079)
32,983	29,597	-	94,511	157,091
(2,002)	(88)	(723)	(93,993)	(99,848)
4,615	-	-	(719)	3,926
17,632	(9,173)	6,394	105,477	270,628
<u>\$ 62,303</u>	<u>\$ 698</u>	<u>\$ (3,251)</u>	<u>\$ (635,180)</u>	<u>\$ (439,282)</u>

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## **INTERNAL SERVICE FUNDS**

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

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

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

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

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

CITY OF HEALDSBURG  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS

June 30, 2004

	<u>Insurance and Benefit</u>	<u>Vehicle Maintenance</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and investments	\$ 2,220,292	\$ 1,627,062
Accounts receivable	17,950	13,467
Notes receivable	-	-
Inventory	-	33,789
	<u>2,238,242</u>	<u>1,674,318</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>NONCURRENT ASSETS:</b>		
Capital assets:		
Equipment	-	3,784,065
Less: accumulated depreciation	-	(2,138,019)
	<u>-</u>	<u>1,646,046</u>
<b>TOTAL NONCURRENT ASSETS</b>		
	<u>2,238,242</u>	<u>3,320,364</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	625,926	24,852
Claims payable	14,691	-
Accrued compensated absences	1,405,388	-
	<u>2,046,005</u>	<u>24,852</u>
<b>TOTAL CURRENT LIABILITIES</b>		
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	-	1,646,046
Unrestricted	192,237	1,649,466
	<u>192,237</u>	<u>3,295,512</u>
<b>TOTAL NET ASSETS</b>		

See independent auditors' report.

<u>Information Services</u>	<u>Building Maintenance</u>	<u>Total</u>
\$ 924,170	\$ 131,379	\$ 4,902,903
4,738	578	36,733
35,668	-	35,668
1,354	-	35,143
<u>965,930</u>	<u>131,957</u>	<u>5,010,447</u>
1,078,094	-	4,862,159
(656,048)	-	(2,794,067)
<u>422,046</u>	<u>-</u>	<u>2,068,092</u>
<u>1,387,976</u>	<u>131,957</u>	<u>7,078,539</u>
18,370	40,833	709,981
-	24,788	39,479
-	-	1,405,388
<u>18,370</u>	<u>65,621</u>	<u>2,154,848</u>
422,046	-	2,068,092
947,560	66,336	2,855,599
<u>\$ 1,369,606</u>	<u>\$ 66,336</u>	<u>\$ 4,923,691</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2004

	Insurance and Benefit	Vehicle Maintenance
OPERATING REVENUES:		
Charges for services	\$ 3,678,267	\$ 567,927
Replacement fees	-	4,631
Other revenues	102,000	16,587
	<u>3,780,267</u>	<u>589,145</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations	-	354,935
Administrative	3,061	10,257
Insurance costs	4,253,217	-
Depreciation	-	335,724
	<u>4,256,278</u>	<u>700,916</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	(476,011)	(111,771)
NONOPERATING REVENUES::		
Investment income	32,363	26,491
	<u>32,363</u>	<u>26,491</u>
INCOME (LOSS) BEFORE TRANSFERS	(443,648)	(85,280)
OTHER FINANCING SOURCES (USES):		
Transfers in	-	23,674
Transfers out	-	-
	<u>-</u>	<u>23,674</u>
TOTAL OTHER FINANCING SOURCES (USES)		
CHANGE IN NET ASSETS	(443,648)	(61,606)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>635,885</u>	<u>3,357,118</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 192,237</u>	<u>\$ 3,295,512</u>

See independent auditors' report.

<u>Information Services</u>	<u>Building Maintenance</u>	<u>Total</u>
\$ 615,500	\$ 694,660	\$ 5,556,354
-	-	4,631
501	20,000	139,088
<u>616,001</u>	<u>714,660</u>	<u>5,700,073</u>
572,585	683,976	1,611,496
62,386	7,039	82,743
-	-	4,253,217
133,196	-	468,920
<u>768,167</u>	<u>691,015</u>	<u>6,416,376</u>
(152,166)	23,645	(716,303)
<u>14,532</u>	<u>175</u>	<u>73,561</u>
<u>(137,634)</u>	<u>23,820</u>	<u>(642,742)</u>
77,435	23,600	124,709
-	(35,000)	(35,000)
<u>77,435</u>	<u>(11,400)</u>	<u>89,709</u>
(60,199)	12,420	(553,033)
<u>1,429,805</u>	<u>53,916</u>	<u>5,476,724</u>
<u>\$ 1,369,606</u>	<u>\$ 66,336</u>	<u>\$ 4,923,691</u>

CITY OF HEALDSBURG

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the year ended June 30, 2004

	Insurance and Benefit	Vehicle Maintenance
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 3,776,439	\$ 583,835
Payments to suppliers	(4,230,047)	(261,265)
Payments to employees	-	(107,651)
	<u>                  </u>	<u>                  </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(453,608)	214,919
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from other funds	-	23,674
Cash paid to other funds	-	-
	<u>                  </u>	<u>                  </u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	23,674
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	-	(175,129)
	<u>                  </u>	<u>                  </u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	25,992	20,712
Loan proceeds	-	-
	<u>                  </u>	<u>                  </u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	25,992	20,712
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(427,616)	84,176
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,647,908</u>	<u>1,542,886</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,220,292</u>	<u>\$ 1,627,062</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (476,011)	\$ (111,771)
Depreciation	-	335,724
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,828)	(5,310)
(Increase) decrease in inventory	-	(7,430)
Increase (decrease) in accounts payable and accrued liabilities	26,231	3,706
	<u>                  </u>	<u>                  </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (453,608)</u>	<u>\$ 214,919</u>

See independent auditors' report.

Information Services	Building Maintenance	Total
\$ 615,608	\$ 714,660	\$ 5,690,542
(525,627)	(656,822)	(5,673,761)
(112,512)	(8,326)	(228,489)
<u>(22,531)</u>	<u>49,512</u>	<u>(211,708)</u>
77,435	23,600	124,709
-	(35,000)	(35,000)
<u>77,435</u>	<u>(11,400)</u>	<u>89,709</u>
(121,368)	-	(296,497)
11,430	122	58,256
(3,140)	-	(3,140)
<u>8,290</u>	<u>122</u>	<u>55,116</u>
(58,174)	38,234	(363,380)
<u>982,344</u>	<u>93,145</u>	<u>5,266,283</u>
<u>\$ 924,170</u>	<u>\$ 131,379</u>	<u>\$ 4,902,903</u>
\$ (152,166)	\$ 23,645	\$ (716,303)
133,196	-	468,920
(272)	-	(9,410)
(121)	26,307	18,756
(3,168)	(440)	26,329
<u>\$ (22,531)</u>	<u>\$ 49,512</u>	<u>\$ (211,708)</u>

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## FIDUCIARY FUNDS

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

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

Community 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, 2004

	Industrial Development Authority	Community Redevelopment Agency DBD
ASSETS:		
Cash and investments	\$ 5,237	\$ 28,109
Interest receivable	26	23
	<hr/>	<hr/>
TOTAL ASSETS	5,263	28,132
	<hr/>	<hr/>
LIABILITIES:		
Accounts payable	-	-
Deposits	-	2,206
	<hr/>	<hr/>
TOTAL LIABILITIES	-	2,206
	<hr/>	<hr/>
NET ASSETS:		
Held in trust for other purposes	\$ 5,263	\$ 25,926
	<hr/> <hr/>	<hr/> <hr/>

See independent auditors' report.

Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
\$ 116,574	\$ 688,840	\$ 3,833	\$ 842,593
<u>580</u>	<u>3,646</u>	<u>19</u>	<u>4,294</u>
<u>117,154</u>	<u>692,486</u>	<u>3,852</u>	<u>846,887</u>
-	-	242	242
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,206</u>
-	-	242	2,448
<u>-</u>	<u>-</u>	<u>242</u>	<u>2,448</u>
<u>\$ 117,154</u>	<u>\$ 692,486</u>	<u>\$ 3,610</u>	<u>\$ 844,439</u>

CITY OF HEALDSBURG

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

For the year ended June 30, 2004

	<u>Industrial Development Authority</u>	<u>Community Redevelopment Agency DBD</u>
ADDITIONS:		
Contributions	\$ -	\$ 20,000
Investment income	85	75
Fees and charges	-	31,418
Transfers in	-	-
	<hr/>	<hr/>
TOTAL ADDITIONS	85	51,493
DEDUCTIONS:		
Community development	8	52,605
	<hr/>	<hr/>
CHANGE IN NET ASSETS	77	(1,112)
NET ASSETS - BEGINNING OF YEAR	<hr/> 5,186	<hr/> 27,038
NET ASSETS - END OF YEAR	<hr/> <u>\$ 5,263</u>	<hr/> <u>\$ 25,926</u>

See independent auditors' report.

Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
\$ 3,167	\$ -	\$ -	\$ 23,167
1,887	11,862	62	13,971
-	-	-	31,418
-	50,000	-	50,000
5,054	61,862	62	118,556
178	55,872	247	108,910
4,876	5,990	(185)	9,646
112,278	686,496	3,795	834,793
<u>\$ 117,154</u>	<u>\$ 692,486</u>	<u>\$ 3,610</u>	<u>\$ 844,439</u>

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**STATISTICAL SECTION**

CITY OF HEALDSBURG

GOVERNMENT-WIDE EXPENSES BY PROGRAM

Current Fiscal Year

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Culture and Recreation</u>	<u>Community Development</u>	<u>Unallocated Infrastructure Depreciation</u>	<u>Interest on Long-term Debt</u>
2002 - 03	\$ 877,928	\$ 4,940,266	\$ 27,117	\$ 5,551,453	\$ 22,870	\$ 1,790,296
2003 - 04	\$ 1,191,134	\$ 5,022,074	\$ 24,809	\$ 2,851,824	\$ 22,852	\$ 2,534,572

Source: City Finance Department

<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Street</u>	<u>Other Programs</u>	<u>Total</u>
\$ 3,082,159	\$ 2,483,558	\$ 8,547,494	\$ 1,193,051	\$ 1,863,390	\$ 30,379,582
\$ 3,250,531	\$ 2,673,855	\$ 7,953,778	\$ 1,249,962	\$ 1,907,323	\$ 28,682,714

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CITY OF HEALDSBURG

GOVERNMENT-WIDE REVENUES BY SOURCE

Current Fiscal Year

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	\$ 18,592,862	\$ 757,715	\$ 2,286,306	\$ 10,704,836	\$ 1,292,975	\$ 390,255	\$ 34,024,949
2003 - 04	\$ 19,024,191	\$ 931,839	\$ 498,627	\$ 11,212,042	\$ 1,373,923	\$ 239	\$ 33,040,861

Source: City Finance Department

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

REVENUES	1994-95	1995-96	1996-97	1997-98
Property taxes	\$ 583,291	\$ 591,724	\$ 628,493	\$ 636,989
Special assessments	7,626	181,942	217,145	287,436
Sales and franchise taxes	2,520,291	2,714,278	2,839,887	2,869,372
Development fees & permits	909,905	841,895	1,359,596	790,474
Investment income	295,005	368,447	340,793	288,123
Intergovernmental revenues	947,203	987,498	840,506	1,071,011
Charges for services	78,772	118,135	151,192	108,686
Other revenue	813,962	1,370,155	49,554	704,619
Subtotal	<u>6,156,055</u>	<u>7,174,074</u>	<u>6,427,166</u>	<u>6,756,710</u>
Debt financing	-	2,612,701	1,280,266	2,675,000
Total Revenues	<u>\$ 6,156,055</u>	<u>\$ 9,786,775</u>	<u>\$ 7,707,432</u>	<u>\$ 9,431,710</u>

GENERAL EXPENDITURES BY FUNCTION\*  
LAST TEN FISCAL YEARS

EXPENDITURES	1994-95	1995-96	1996-97	1997-98
General government	\$ 176,826	\$ 204,107	\$ 282,285	\$ 301,790
Public safety	2,610,168	2,756,034	2,933,313	3,262,318
Community development	464,233	267,373	391,317	553,352
Public works	102,397	136,947	147,750	151,934
Cultural and recreation	232,370	286,133	307,626	370,477
Capital outlay	1,682,696	2,072,609	3,735,970	342,721
Debt service (Including note redemption)	710,013	802,172	851,263	980,651
Other expenditures	1,020,484	440,082	886,985	3,632,620
Total Expenditures	<u>\$ 6,999,187</u>	<u>\$ 6,965,457</u>	<u>\$ 9,536,509</u>	<u>\$ 9,595,863</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.

1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
\$ 681,395	\$ 976,372	\$ 1,094,489	\$ 1,270,617	\$ 1,325,131	\$ 1,304,862
471,013	425,696	385,152	424,321	323,632	342,135
2,897,593	3,328,149	3,697,606	3,915,318	3,515,406	3,414,603
1,074,368	1,376,556	564,113	142,675	119,203	85,949
290,052	425,102	798,823	316,559	135,577	188,565
1,515,698	1,339,619	1,570,120	2,073,657	1,833,631	1,754,575
118,930	290,240	264,751	270,913	283,063	311,082
1,129,076	495,107	699,103	905,273	245,391	334,652
<u>8,178,125</u>	<u>8,656,841</u>	<u>9,074,157</u>	<u>9,319,333</u>	<u>7,781,034</u>	<u>7,736,423</u>
-	-	-	-	-	-
<u>\$ 8,178,125</u>	<u>\$ 8,656,841</u>	<u>\$ 9,074,157</u>	<u>\$ 9,319,333</u>	<u>\$ 7,781,034</u>	<u>\$ 7,736,423</u>

1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
\$ 347,728	\$ 353,450	\$ 465,798	\$ 733,522	\$ 369,884	\$ 923,623
3,479,962	3,531,101	3,833,197	4,058,757	4,572,653	4,601,590
598,295	510,129	8,893	5,180	-	96,102
150,897	511,008	551,717	584,390	-	-
408,636	475,404	534,290	576,737	27,167	24,809
824,417	2,327,136	2,132,504	2,172,396	5,628,557	4,347,572
878,738	983,690	937,439	1,040,942	1,127,005	3,323,744
933,824	-	-	-	-	-
<u>\$ 7,622,497</u>	<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>

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>
94-95	1.0582%	\$ 535,241	\$ 535,241	100.0%	\$ 564,275
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	1.1695%	986,607	986,607	100.0%	1,355,160

Note: Proposition 13 limits cities to levying a tax rate for bonded indebtedness only after 1978.  
Source: County of Sonoma, Auditor

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

Fiscal Year	Net Secured Property	Net Unsecured Property	Net Public Utility	Total Exemptions	Net Taxable Value
94-95	\$ 541,953,376	\$ 38,359,095	\$ 1,345,723	\$ 9,680,587	\$ 581,658,194
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	1,036,261,702	65,944,750	-	14,726,600	1,102,206,452
03-04	1,140,522,375	63,332,578	-	15,611,400	1,203,854,953

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>
94-95	0.0500	1.0	0.0022
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	0.0400	1.0	0.1225

Tax rate is per \$100 assessed valuation.  
Source: County of Sonoma, Auditor

<u>Russian River Project</u>	<u>Coyote Valley Dam Land Improvement</u>	<u>Total</u>
0.0060	0.0004	1.0586 %
0.0060	0.0001	1.1107
0.0060	0.0000	1.1085
0.0060	0.0000	1.1421
0.0060	0.0000	1.1356
0.0060	0.0000	1.1446
0.0060	0.0000	1.1410
0.0070	0.0000	1.1420
0.0070	0.0000	1.1520
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>
94-95	\$ 6,670,000	1.147 %	681.45
95-96	6,570,000	1.099 %	685.37
96-97	6,460,000	1.060 %	671.17
97-98	* 6,615,000	1.080 %	667.91
98-99	6,470,000	1.005 %	645.90
99-00	6,310,000	0.901 %	604.99
00-01	6,135,000	0.790 %	572.19
01-02	5,945,000	0.663 %	526.39
02-03	5,720,000	0.475 %	499.56
03-04	5,635,000	0.468 %	485.94

\* Refunded and reissued

Source: City of Healdsburg, Finance Department

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

Fiscal Year	Special Assessment Billings	Special Assessment Collected (1)
94-95	\$ 75,107	\$ 7,626
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

(1) Includes prepayments and foreclosures.

Source: County of Sonoma, Special Assessments

CITY OF HEALDSBURG  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2004

Assessed Valuation	<u>\$ 1,203,854,953</u>
Debt limit 15% Assessed Value	\$ 180,578,243
Amount of Debt applicable to Debt Limit	<u>(5,635,000)</u>
Legal Debt Margin	<u>\$ 174,943,243</u>

CITY OF HEALDSBURG  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 JUNE 30, 2004

<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	\$ 5,635,000	100.0%	<u>\$ 5,635,000</u>
Total Direct Debt			<u>\$ 5,635,000</u>
City of Healdsburg Public Improvement Corporation	835,000	100.0%	<u>\$ 835,000</u>
Total Overlapping Debt			<u>\$ 835,000</u>
Total Direct and Overlapping Debt			<u>\$ 6,470,000</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>
1994-95	\$ 105,000	\$ 388,585	\$ 493,585	\$ 6,999,187	7.1 %
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 %

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>
1995	9,788	-0.3 %	431,034	2.3 %
1996	9,586	-2.1 %	421,429	2.3 %
1997	9,625	0.4 %	426,934	2.3 %
1998	9,904	2.9 %	437,112	2.3 %
1999	10,017	1.1 %	443,669	2.3 %
2000	10,430	4.1 %	450,100	2.3 %
2001	10,722	2.8 %	458,614	2.3 %
2002	11,294	5.3 %	471,041	2.4 %
2003	11,450	1.4 %	472,700	2.4 %
2004	11,596	1.3 %	472,725	2.5 %

Sources: Sonoma County Planning Department  
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>
1993-94	\$ 8,637,837	\$ 6,951,458	\$ 1,686,379
1994-95	8,437,499	6,896,626	1,540,873
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	14,987,299	1,885,910
2003-04	17,423,513	6,461,805	10,961,708

(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.

DEBT SERVICE REQUIREMENTS			Percent Coverage (in hundreds)
Principal	Interest	Total	
\$ 70,000	\$ 156,622	\$ 226,622	7.44 %
120,000	234,683	354,683	4.34 %
130,000	348,596	478,596	4.08 %
140,000	449,446	589,446	4.47 %
200,000	520,493	720,493	4.29 %
225,000	508,041	733,041	5.48 %
185,000	488,032	673,032	5.32 %
190,000	647,403	837,403	3.93 %
295,000	674,936	969,936	1.73 %
350,000	808,933	1,158,933	1.63 %
460,000	848,652	1,308,652	8.38 %

Fiscal Year	Commercial Construction		Residential Construction	
	Number of Units	Value	Number of Units	Value
1993-94	24	\$ 2,094,220	112	\$ 4,513,929
1994-95	37	628,105	123	5,414,019
1995-96	60	1,203,883	191	1,750,546
1996-97	70	2,662,227	219	7,057,756
1997-98	89	3,190,278	174	1,866,699
1998-99	78	2,849,299	370	25,186,371
1999-00	114	6,191,231	315	28,870,290
2000-01	71	4,988,305	224	16,342,221
2001-02	3	6,377,177	16	3,902,676
2002-03	7	9,411,711	25	7,967,449
2003-04	9	7,524,374	28	5,932,318

Note: Bank deposits are FDIC deposits only.

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

<u>Bank Deposits</u> (in thousands)	<u>Total</u> <u>Property Value</u> (in thousands)
\$ 177,338	\$ 543,051
176,162	581,658
175,421	597,854
218,200	609,621
226,742	608,092
396,441	643,658
226,292	700,674
238,507	776,511
269,177	896,751
297,638	1,102,206
445,507	1,203,855

CITY OF HEALDSBURG  
 HEALDSBURG COMMUNITY REDEVELOPMENT AGENCY  
 SOTOYOME REDEVELOPMENT PROJECT AREA  
 LARGEST SECURED PROPERTY TAX PAYERS  
 FISCAL YEAR 2003 - 2004

<u>Tax Payer</u>	<u>Type of Business</u>
Brush James E. and Nancy B. Trust	Housing
Destruel Properties	Housing
Dry Creek Inn LTD Partnership	Hotel
Healdsburg Investors LTD	Shopping Center
Mascherini, Carole A. Trust	Hardware Store
Seghesio Wineries Inc.	Winery
Shami, Mitri & Saud Trust	Housing
Simi Winery Inc.	Winery
Syar Industries Inc.	Rock and Gravel MFG.
Terradev Hotel Manager LLC	Hotel

CITY OF HEALDSBURG  
 SCHEDULE OF INSURANCE AND SURETY BONDS  
 2003 - 2004 Summary of Policies

Company	Limits/Coverage	Cost
<u>LIABILITY</u>		
California Joint Powers Risk Management Authority*	\$4,500,000 xs \$500,000. Bodily Injury. Property Damage, Errors and Omissions, Personal Injury. (07/01/03 - 07/01/04)	\$ 724,092 **
American RE # 9368489	\$20,000,000 xs \$5,000,000. Bodily injury, property damage, personal injury, errors & omissions, employment practices, liability reinsurance. (7/1/03 - 7/1/04)	
<u>WORKERS' COMPENSATION</u>		
C.N.A #W128587841	Statutory xs \$1,000,000 S.I.R. (7/1/03 - 7/1/04)	\$ 459,000 ***
	\$2,000,000 xs \$1,000,000 S.I.R. for disease for employer liability. (09/13/00 - 07/01/2003)	
<u>PROPERTY</u>		
Discover Property & Casualty # D0003200030	\$4,975,000 xs \$25,000 S.R.I. (excludes earthquake and flood). (07/01/03 - 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). (7/1/03 - 7/1/04)	\$ 195,773
Hartford Steam Boiler Ins. Co. FBP4909988	\$19,995,000 xs \$5,000 S.I.R., Boiler/Machinery - Mechanical breakdown to boilers and other pressure vessels - Fixed rate per City**** (07/01/03 - 07/01/04)	\$ 26,949
Fireman's Fund #MX80815545	\$1,490,000 xs \$10,000 S.I.R. Automobile Physical Damage Coverage Vehicles valued in excess of \$25,000. Damage off premises. (07/01/03 - 07/01/04)	\$ 79,814
<u>BONDS</u>		
Fidelity & Deposit Company #CCP0044417	\$975,000 xs \$25,000 S.I.R. Public Employee Blanket Bond Loss of monies though employee (10/1/03 - 10/1/05)	
	\$1,975,000 xs \$25,000 S.I.R., Honesty Blanket Bond and Forgery Coverage (10/01/03 - 10/01/05)	\$ 29,282
	\$990,000 - \$10,000 - REMIF., Treasurer/C.E.O. Bond (10/01/03 - 10/01/05)	\$ 1,572

\* Risk Sharing Self-Funded Pool      \*\*\* Subject to Payroll Audit

\*\* Contribution      \*\*\*\* 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, 2004

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 - 31 Reserves/Volunteer
Cultural/Recreational	- 1 Museum - 1 Library - 1 Senior Center - 7 Parks - 1 Golf Course - 1 Swimming Pool
City Personnel	- 104 Full-Time - 17 Part Time - 52 Reserve/Volunteer - 2 Seasonal Workers - 10 Temporary

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

CITY OF HEALDSBURG  
SCHEDULE OF TEN MAJOR BUSINESSES  
JUNE 30, 2004

Name	Type of Business
Capital Lumber Company	Building Materials
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
Velero Service Station	Service Station

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

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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

CITY OF HEALDSBURG  
SCHEDULE OF NET INCOME  
WATER FUND  
FOR THE YEARS ENDED JUNE 30, 1995-2004

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
\$	2,455,946	\$ 2,224,131	\$ 1,860,618	\$ 1,743,286	\$ 1,555,991	\$ 1,359,348
	11,590	23,796	45,768	293	1,623	524
	<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>	<u>1,359,872</u>
	1,083,534	1,102,837	814,111	834,368	695,562	708,933
	438,603	476,717	493,428	403,615	347,497	300,950
	302,469	266,307	223,450	205,798	175,892	166,095
	-	-	-	-	-	-
	<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>1,175,978</u>
	<u>642,930</u>	<u>402,066</u>	<u>375,397</u>	<u>299,798</u>	<u>338,663</u>	<u>183,894</u>
	-	2,183	15,155	371	29,049	78,981
	225,955	203,983	353,151	348,861	291,015	218,504
	(420,335)	(437,190)	(471,541)	(396,073)	(324,277)	(207,803)
	(23,622)	(9,865)	(100,292)	(150)	(2,000)	-
	-	-	-	(480)	-	(169,163)
	<u>(218,002)</u>	<u>(240,889)</u>	<u>(203,527)</u>	<u>(47,471)</u>	<u>(6,213)</u>	<u>(79,481)</u>
	424,928	161,177	171,870	252,327	332,450	104,413
	<u>(98,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	326,728	161,177	171,870	252,327	332,450	104,413
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<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>	<u><u>104,413</u></u>

SCHEDULE OF CASH FLOWS  
WATER FUND  
FOR THE YEARS ENDED JUNE 30 1995-2004

	2004	2003	2002
Cash flows from operating activities:			
Operating income (loss)	\$ 1,945,933	\$ 1,401,496	\$ 940,782
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	367,010	326,350	297,844
Other revenue (expense)	-	-	-
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(107,734)	16,243	(44,799)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in deferred lease payments	-	-	-
(Increase) decrease in inventory	(2,467)	(10,228)	11,098
(Increase) decrease in prepaid costs	1,058	(1,058)	349
Increase (decrease) in accounts payable	95,243	(160,088)	113,979
Increase (decrease) in other accrued liabilities	-	-	-
Increase (decrease) in deposits	(94)	(8,396)	3,900
Total adjustments	353,016	162,823	382,371
Net cash provided (used) by operating activities	2,298,949	1,564,319	1,323,153
Cash flows from non-capital financing activities:			
Intergovernmental grant	-	-	-
(Increase) decrease in due from other funds	-	-	-
Increase (decrease) in due to other funds	-	353,281	-
Transfers in (out)	(257,436)	(535,042)	282,014
Net cash provided (used) by non-capital financing activities	(257,436)	(181,761)	282,014
Cash flows from capital and related financing activities:			
Acquisition of capital assets			
Developer financed	-	-	-
Capital replacement	(1,518,478)	(1,363,437)	(3,456,560)
Capacity expansion	-	-	-
Residual equity transfer	-	-	-
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	(395,000)	(280,000)	(244,287)
Certificate issuance cost	-	-	-
Interest expense	(680,810)	(759,269)	(467,993)
Net cash provided (used) by capital and related financing activities	(2,594,288)	3,128,455	(3,935,000)
Cash flows from investing activities:			
Investment income	104,482	136,982	280,893
(Increase) decrease in investments	-	-	(357,562)
(Increase) decrease in interest receivables	-	-	-
(Increase) decrease in loans	14,617	-	-
Net cash provided (used) by investing activities	119,099	136,982	(76,669)
Net increase in cash and cash equivalents	(433,676)	4,647,995	(2,406,502)
Cash and cash equivalents at beginning of year	9,977,773	5,329,778	2,946,999
Cash and cash equivalents at end of year	\$ 9,544,097	\$ 9,977,773	\$ 540,497
Noncash capital and related financing activities			
Acquisition of capital assets	\$ -	\$ -	\$ -
Contributed capital by developer	-	-	-
Net noncash capital and related financing activities	\$ -	\$ -	\$ -

Source: City of Healdsburg, Finance Department

2001	2000	1999	1998	1997	1996	1995
\$ 758,722	\$ 642,930	\$ 402,066	\$ 375,397	\$ 313,527	\$ 338,663	\$ 183,894
292,935	302,469	266,307	223,450	205,798	175,892	166,095
-	-	-	-	(480)	-	(169,163)
(110,651)	(51,580)	(123,531)	4,893	(47,849)	(58,449)	(2,642)
-	61,653	27,009	(73,824)	13,327	69,871	(98,036)
-	-	-	-	-	-	-
(21,087)	(5,964)	(485)	6,878	(7,136)	9,365	3,959
(23)	(10)	(13)	(7)	(296)	-	-
194,320	(21,771)	(152,361)	144,952	16,085	73,448	(11,482)
-	-	-	-	-	-	-
3,859	(2,700)	3,115	882	1,362	(234)	485
<u>359,353</u>	<u>282,097</u>	<u>20,041</u>	<u>307,224</u>	<u>180,811</u>	<u>269,893</u>	<u>(110,784)</u>
<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>	<u>73,110</u>
-	-	2,183	-	371	29,049	78,981
-	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>	<u>78,981</u>
-	-	(1,177,121)	-	-	-	(9,430)
(1,003,448)	(994,589)	-	(1,095,076)	(710,448)	(203,264)	(161,661)
-	-	-	(2,558,019)	(809,647)	(497,677)	(601,388)
-	-	-	-	-	-	-
202,854	808,451	630,774	-	525,703	319,028	9,430
-	-	-	468,544	-	-	379,389
-	-	-	-	-	-	-
-	-	-	-	-	-	450
10,136,304	-	-	(137,145)	2,256,982	(86,497)	1,871,100
(7,135,000)	(155,144)	(162,144)	-	(1,272)	-	(90,005)
-	-	-	-	(128,231)	-	(97,852)
(812,483)	(405,496)	(422,330)	(456,722)	(396,073)	(359,428)	(207,803)
<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>	<u>1,092,230</u>
505,175	206,284	227,923	352,539	335,308	266,241	214,347
(1,480,698)	(500,000)	(505)	(145,777)	(390,632)	(730,283)	24,458
-	-	-	-	-	-	-
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>	<u>238,805</u>
1,946,039	(77,694)	(129,113)	(3,413,880)	1,176,399	(654,275)	1,483,126
1,000,960	1,078,654	1,207,767	4,621,647	3,445,248	4,099,523	2,616,397
<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>	<u>\$ 4,099,523</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>	<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>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
July	118,685	108,472	122,066	119,625
August	113,624	114,116	131,962	139,487
September	120,337	131,329	121,255	112,813
October	96,208	96,509	101,461	92,941
November	66,631	86,171	80,801	75,646
December	46,518	61,056	49,770	45,455
January	42,918	44,547	47,217	44,931
February	39,739	42,181	41,516	39,433
March	41,429	40,255	47,892	38,803
April	45,163	47,948	63,923	40,930
May	51,226	72,286	83,648	50,155
June	<u>79,329</u>	<u>86,467</u>	<u>104,167</u>	<u>63,595</u>
Total	<u>861,807</u>	<u>931,337</u>	<u>995,678</u>	<u>863,814</u>
<u>Total Billings</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
July	\$ 169,240	\$ 154,609	\$ 188,123	\$ 208,061
August	163,483	162,825	203,078	236,396
September	170,528	182,462	188,169	201,602
October	142,559	157,302	165,211	196,647
November	108,038	143,281	136,543	165,812
December	83,686	110,599	95,532	114,830
January	79,645	89,569	97,292	115,288
February	75,546	85,528	88,334	108,191
March	78,031	83,723	98,801	106,582
April	81,736	94,013	124,611	113,351
May	88,924	123,635	153,486	128,089
June	<u>120,108</u>	<u>142,433</u>	<u>183,860</u>	<u>148,085</u>
Total	<u>\$ 1,361,524</u>	<u>\$ 1,529,979</u>	<u>\$ 1,723,040</u>	<u>\$ 1,842,934</u>
<u>Revenue/Hundred Cubic Feet</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
July	\$ 1.426	\$ 1.425	\$ 1.541	\$ 1.739
August	1.439	1.426	1.539	1.695
September	1.417	1.389	1.552	1.787
October	1.482	1.629	1.629	2.116
November	1.621	1.663	1.690	2.192
December	1.799	1.811	1.920	2.526
January	1.856	2.010	2.061	2.566
February	1.901	2.027	2.128	2.744
March	1.883	2.079	2.063	2.747
April	1.810	1.960	1.949	2.769
May	1.736	1.710	1.835	2.554
June	<u>1.514</u>	<u>1.647</u>	<u>1.765</u>	<u>2.329</u>
Average	<u>\$ 1.580</u>	<u>\$ 1.643</u>	<u>\$ 1.731</u>	<u>\$ 2.133</u>

Source: City of Healdsburg - Utility Department

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
	94,098	124,006	120,565	122,998	129,426	124,590
	135,762	125,072	119,845	120,704	134,202	143,876
	119,448	103,036	217,593	128,824	132,107	116,375
	103,846	103,860	8,651	96,824	105,646	111,873
	76,280	77,746	71,730	70,075	88,514	79,424
	48,932	50,628	151,493	48,562	47,080	52,184
	52,084	55,095	47,985	49,833	48,905	41,876
	38,840	44,171	42,371	43,534	44,149	46,506
	39,852	34,009	42,520	46,318	39,681	49,917
	46,017	61,625	56,940	54,006	64,949	69,719
	64,504	75,098	82,539	84,024	48,948	92,292
	<u>104,760</u>	<u>96,390</u>	<u>127,578</u>	<u>117,528</u>	<u>102,559</u>	<u>185,732</u>
	<u>924,423</u>	<u>950,736</u>	<u>1,089,810</u>	<u>983,230</u>	<u>986,166</u>	<u>1,114,364</u>
	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
\$	203,715	\$ 277,183	\$ 290,991	\$ 316,829	\$ 377,692	\$ 417,302
	277,541	284,246	292,455	314,358	388,593	469,705
	249,641	232,324	540,325	328,654	383,287	392,080
	228,998	247,081	18,874	271,307	335,532	371,512
	181,375	201,201	201,770	213,148	296,673	300,077
	131,430	145,122	154,596	168,193	185,751	227,693
	138,061	145,569	155,795	174,432	203,678	202,241
	113,418	131,064	140,012	161,461	187,490	208,838
	118,801	128,168	143,159	167,578	181,951	223,287
	128,293	169,873	169,252	189,216	255,351	271,034
	163,752	194,035	224,054	258,382	212,741	338,499
	<u>238,927</u>	<u>239,254</u>	<u>317,661</u>	<u>336,732</u>	<u>352,706</u>	<u>386,976</u>
\$	<u>2,173,952</u>	<u>\$ 2,395,120</u>	<u>\$ 2,648,944</u>	<u>\$ 2,900,290</u>	<u>\$ 3,361,445</u>	<u>\$ 3,809,244</u>
	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
\$	2.165	\$ 2.235	\$ 2.414	\$ 2.575	\$ 2.918	\$ 3.349
	2.044	2.273	2.440	2.604	2.896	3.265
	2.090	2.255	2.483	2.551	2.901	3.369
	2.205	2.379	2.182	2.802	3.176	3.321
	2.378	2.588	2.813	3.041	3.352	3.778
	2.686	2.866	1.020	3.463	3.945	4.363
	2.651	2.642	3.247	3.500	4.165	4.830
	2.920	2.967	3.304	3.708	4.247	4.491
	2.981	3.769	3.367	3.617	4.585	4.473
	2.788	2.757	2.972	3.503	3.932	3.888
	2.539	2.584	2.715	3.075	4.346	3.668
	<u>2.281</u>	<u>2.482</u>	<u>2.490</u>	<u>2.865</u>	<u>3.440</u>	<u>2.084</u>
\$	<u>2.352</u>	<u>\$ 2.519</u>	<u>\$ 2.431</u>	<u>\$ 2.950</u>	<u>\$ 3.409</u>	<u>\$ 3.418</u>

CITY OF HEALDSBURG  
SCHEDULE OF NET INCOME  
SEWER FUND  
FOR THE YEARS ENDED JUNE 30, 1995-2004

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

<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
\$ 2,142,903	\$ 1,882,704	\$ 1,585,660	\$ 1,373,948	\$ 1,141,300	\$ 1,039,003
642	42,902	91,628	14,092	-	-
<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>	<u>1,039,003</u>
801,228	848,612	647,522	535,866	633,629	530,317
443,019	500,628	443,145	405,181	375,655	344,987
475,136	418,628	366,880	340,035	308,598	293,756
<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>1,169,060</u>
<u>424,162</u>	<u>157,738</u>	<u>219,741</u>	<u>106,958</u>	<u>(176,582)</u>	<u>(130,057)</u>
-	93	1,405	16	31,774	23,303
178,311	75,980	179,167	38,765	40,921	59,214
(50,490)	(52,082)	(218,657)	(31,532)	-	-
(39,624)	(8,616)	(1,573)	(152,018)	(3,282)	(10,163)
-	-	-	7,159	-	(39,658)
<u>88,197</u>	<u>15,375</u>	<u>(39,658)</u>	<u>(137,610)</u>	<u>69,413</u>	<u>32,696</u>
512,359	173,113	180,083	(36,521)	(107,169)	(97,361)
<u>434,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
947,159	173,113	180,083	(36,521)	(107,169)	(97,361)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 947,159</u>	<u>\$ 173,113</u>	<u>\$ 180,083</u>	<u>\$ (36,521)</u>	<u>\$ (107,169)</u>	<u>\$ (97,361)</u>

SCHEDULE OF CASH FLOWS  
SEWER FUND  
FOR THE YEARS ENDED JUNE 30 1995-2004

	2004	2003	2002	
Cash flows from operating activities:				
Operating income (loss)	\$ 1,804,813	\$ 1,853,301	\$ 1,258,520	\$
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	496,859	462,182	461,567	
Other revenue (expenses)	-	-	-	
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(99,910)	(129,344)	523	
(Increase) decrease in due from other governments	-	-	-	
(Increase) decrease in other current assets	-	-	-	
(Increase) decrease in inventory	(831)	(126)	254	
(Increase) decrease in prepaid costs	394	(394)	349	
Increase (decrease) in accounts payable	(433,437)	485,153	2,067	
Increase (decrease) in other accrued liabilities	-	-	-	
Increase (decrease) in deposits	-	(600)	-	
Total adjustments	(36,925)	816,871	464,760	
Net cash provided (used) by operating activities	1,767,888	2,670,172	1,723,280	
Cash flows from non-capital financing activities:				
Intergovernmental grant	-	-	-	
(Increase) decrease in due from other funds	-	3,282	-	
Transfers in (out)	(147,402)	(85,042)	(337,942)	
Net cash provided (used) by non-capital financing activities	(147,402)	(81,760)	(337,942)	
Cash flows from capital and related financing activities:				
Acquisition of capital assets				
Developer financed	-	-	-	
Capital replacement	(1,575,152)	(1,339,677)	(1,647,554)	
Capacity expansion	-	-	-	
Residual equity transfer	-	-	-	
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	(181,481)	(175,953)	(180,010)	
Residual equity transfer	-	-	-	
Proceeds from disposal of assets	-	-	-	
Developer contributions	-	-	-	
Retirement of debt	(65,000)	(60,000)	(54,090)	
Interest expense	-	-	-	
Net cash provided (used) by capital and related financing activities	(1,819,108)	(1,528,369)	(1,471,206)	
Cash flows from investing activities:				
Investment income	112,934	142,556	267,700	
(Increase) decrease in investments	-	-	(222,875)	
(Increase) decrease in interest receivables	-	-	-	
(Increase) decrease in loans	18,110	-	-	
Net cash provided (used) by investing activities	131,044	142,556	44,825	
Net increase in cash and cash equivalents	(67,578)	1,202,599	(41,043)	
Cash and cash equivalents at beginning of year	7,434,490	6,231,891	1,214,913	
Cash and cash equivalents at end of year	\$ 7,366,912	\$ 7,434,490	\$ 1,173,870	\$
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	\$ -	\$ -	\$ -	\$

2001	2000	1999	1998	1997	1996	1995
1,388,718	\$ 424,162	\$ 157,738	\$ 219,741	\$ 115,407	\$ (176,582)	\$ (130,057)
434,226	475,136	418,628	366,880	340,035	308,598	293,756
-	-	-	-	(7,159)	-	(39,658)
(33,873)	(41,075)	(42,437)	(45,837)	(3,860)	(32,412)	(9,639)
-	12,866	10,895	(12,445)	18,052	10,544	(39,912)
-	-	-	-	-	-	-
40	23	52	(95)	1,808	(1,694)	368
(23)	(10)	(13)	(7)	(296)	-	-
(103,690)	(91,780)	253,582	(115,265)	88,851	4,862	(7,301)
-	-	-	-	-	-	-
-	782	-	(182)	-	-	-
296,680	355,942	640,707	193,049	437,431	289,898	197,614
1,685,398	780,104	798,445	412,790	552,838	113,316	67,557
-	-	93	1,405	16	31,774	23,303
-	(190,000)	-	-	-	-	-
(325,400)	434,800	(350,000)	540,000	-	-	-
(325,400)	244,800	(349,907)	541,405	16	31,774	23,303
-	-	(436,504)	-	-	-	(35,120)
(2,348,656)	(417,787)	-	(239,048)	(1,539,799)	(914,135)	(109,725)
-	-	-	(2,137,278)	(1,480,888)	(169,580)	(326,088)
-	-	-	-	-	-	-
440,261	1,478,099	879,194	1,276,075	2,184,670	-	35,120
-	-	-	-	-	380,855	413,522
-	-	-	-	-	-	140,717
2,572,497	(14,684)	(14,683)	(14,683)	940,658	-	-
-	-	-	-	(67,097)	-	-
(263,346)	(48,215)	(49,808)	(216,382)	(31,532)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(109)
-	-	-	-	-	-	-
400,756	997,413	378,199	(1,331,316)	6,012	(702,860)	118,317
451,788	145,594	68,256	178,994	40,298	42,410	55,459
(1,245,880)	(2,986,273)	(602,993)	3,681	(1,041)	299,219	147,950
-	-	-	-	-	-	-
7,066	(25,176)	-	-	-	-	-
(787,026)	(2,865,855)	(534,737)	182,675	39,257	341,629	203,409
973,728	(843,538)	292,000	(194,446)	598,123	(216,141)	412,586
241,185	1,084,723	792,723	987,169	389,046	412,586	-
1,214,913	\$ 241,185	\$ 1,084,723	\$ 792,723	\$ 987,169	\$ 196,445	\$ 412,586
(190,477)	\$ (39,624)	\$ (8,616)	\$ (1,573)	\$ -	\$ (2,473,636)	\$ (140,717)
-	-	-	-	-	2,473,636	140,717
-	-	-	-	-	-	-
(190,477)	\$ (39,624)	\$ (8,616)	\$ (1,573)	\$ -	\$ -	\$ -

CITY OF HEALDSBURG  
SCHEDULE OF NET INCOME (LOSS)  
ELECTRIC FUND  
FOR THE YEARS ENDED JUNE 30, 1995-2004

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

<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
\$ 7,034,610	\$ 7,016,103	\$ 6,916,923	\$ 6,768,072	\$ 6,693,616	\$ 6,444,853
6,577	8,331	3,436	1,519	4,796	15,826
<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>	<u>6,460,679</u>
4,631,989	3,827,387	4,583,568	4,631,057	4,618,668	4,629,267
859,526	777,565	655,861	728,524	678,568	647,378
890,836	836,624	826,285	709,120	699,769	610,098
262,526	276,846	273,224	262,436	265,513	260,591
<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>	<u>6,147,334</u>
<u>396,310</u>	<u>1,306,012</u>	<u>581,421</u>	<u>438,454</u>	<u>435,894</u>	<u>313,345</u>
-	-	-	-	35,690	26,666
672,157	604,540	519,502	551,795	447,650	398,444
(13,813)	(16,347)	(19,166)	(21,841)	(24,319)	(26,880)
(76,820)	(41,747)	(4,662)	(34,968)	-	(148)
-	-	-	-	-	-
-	-	-	(84)	-	(64,667)
<u>581,524</u>	<u>546,446</u>	<u>495,674</u>	<u>494,902</u>	<u>459,021</u>	<u>333,415</u>
977,834	1,852,458	1,077,095	933,356	894,915	646,760
<u>(273,350)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
704,484	1,852,458	1,077,095	933,356	894,915	646,760
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 704,484</u>	<u>\$ 1,852,458</u>	<u>\$ 1,077,095</u>	<u>\$ 933,356</u>	<u>\$ 894,915</u>	<u>\$ 646,760</u>

SCHEDULE OF CASH FLOWS  
ELECTRIC FUND  
FOR THE YEARS ENDED JUNE 30 1995-2004

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 630,977	\$ 130,495	\$ (2,829,482)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	353,922	343,468	311,980
Other revenue (expenses)	-	-	-
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	146,882	175,983	(160,500)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in deferred lease payments	-	-	-
(Increase) decrease in inventory	67,153	(125,070)	32,177
(Increase) decrease in prepaid costs	(232,914)	(429,786)	(55,155)
Increase (decrease) in accounts payable	(45,072)	230,134	(187,026)
Increase (decrease) in other accrued liabilities	-	-	-
Increase (decrease) in deposits	(224,126)	(11,308)	(572,476)
Other revenue	-	-	-
Total adjustments	<u>65,845</u>	<u>183,421</u>	<u>(631,000)</u>
Net cash provided (used) by operating activities	<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	1,714	47,327	87,034
Transfers in (out)	<u>(267,178)</u>	<u>(180,727)</u>	<u>(2,942)</u>
Net cash provided (used) by non-capital financing activities	<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	(475,379)	(465,719)	(834,684)
Capital replacement	-	-	-
Capacity expansion	-	-	-
Residual equity transfer	-	-	-
Contributed capital			
Construction reimbursement	491,116	191,082	552,848
Dev./connection/annexation fees	-	-	-
Contributed - other funds	-	-	-
Residual equity transfer	-	-	-
Proceeds from disposal of assets	-	-	-
Developer contributions	-	-	-
Certificates of participation proceeds			
Retirement of debt	-	(165,000)	(9,750)
Certificate issuance cost	-	-	-
Advances to other funds	-	-	-
Interest paid	-	-	(11,861)
Net cash provided (used) by capital and related financing activities	<u>15,737</u>	<u>(439,637)</u>	<u>(303,447)</u>
Cash flows from investing activities:			
Investment income	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>151,186</u>	<u>208,156</u>	<u>604,386</u>
Net increase in cash and cash equivalents	598,281	(50,965)	(3,005,951)
Cash and cash equivalents at beginning of year	<u>7,622,395</u>	<u>7,673,360</u>	<u>3,206,038</u>
Cash and cash equivalents at end of year	<u>\$ 8,220,676</u>	<u>\$ 7,622,395</u>	<u>\$ 200,087</u>
Noncash capital and related financing activities			
Acquisition of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributed capital by developer	<u>-</u>	<u>-</u>	<u>-</u>
Net noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: City of Healdsburg, Finance Department

	2001	2000	1999	1998	1997	1996	1995
\$	(622,602)	\$ 396,310	\$ 1,306,012	\$ 581,421	\$ 457,465	\$ 435,894	\$ 313,345
	274,093	262,526	276,846	273,224	262,436	265,513	260,591
	-	-	-	-	(84)	-	(64,667)
	(181,460)	(145,072)	(95,880)	7,504	35,087	(148,922)	(56,412)
	-	11,215	8,111	(6,355)	22,832	3,609	(39,412)
	-	-	-	-	-	-	-
	60,245	(392,202)	10,300	(56,342)	(69,472)	40,097	(24,504)
	403,247	(425,652)	348,391	(348,411)	(298)	-	-
	101,177	14,464	(132,193)	160,201	(2,302)	35,344	4,549
	-	-	-	-	-	-	-
	(432,978)	3,026	(1,097)	(6,440)	(5,964)	(5,839)	635
	-	-	-	-	-	-	-
	<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>80,780</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>	<u>394,125</u>
	-	-	-	-	-	35,690	26,666
	(1,726,953)	(478,399)	5,989	359,701	(299,003)	60,660	311,364
	(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>	<u>338,030</u>
	(792,389)	(371,383)	(1,014,041)	(361,656)	(200,353)	(61,289)	(72,828)
	-	-	-	(206,271)	(195,464)	(56,752)	(296,262)
	-	-	-	(235,529)	(272,970)	(375,819)	(78,008)
	-	-	-	-	-	-	-
	771,208	632,651	977,900	687,039	491,647	43,422	122,276
	-	-	-	-	-	195,590	105,481
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	(40,000)	(36,750)	-
	(9,750)	(9,750)	(42,748)	(42,750)	827	(31,069)	(28,750)
	-	-	-	-	-	-	827
	-	-	-	-	-	-	(26,880)
	(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>	<u>(274,144)</u>
	589,907	619,909	590,543	505,422	545,931	428,916	394,333
	3,572,392	(5,224,626)	(1,102,150)	-	1,028,197	118,193	(515,475)
	4,247	(24,928)	-	1,698,679	1,151	2,676	3,425
	<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>	<u>(117,717)</u>
	1,122,674	(5,418,247)	1,120,463	2,991,099	1,738,072	949,164	340,294
	2,059,564	7,477,811	6,357,348	3,366,249	1,628,177	679,013	338,719
\$	<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>	<u>679,013</u>
\$	<u>(174,726)</u>	<u>(76,820)</u>	<u>(41,747)</u>	<u>(4,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-	-	-	-
\$	<u>(174,726)</u>	<u>(76,820)</u>	<u>(41,747)</u>	<u>(4,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
<u>Number of Customers</u>				
Residential	3,771	3,833	3,892	3,933
Industrial and Heavy Commercial	69	75	70	83
Commercial	768	767	760	781
Municipal	62	57	54	65
Outside Lighting	<u>44</u>	<u>40</u>	<u>40</u>	<u>41</u>
Total	<u><u>4,714</u></u>	<u><u>4,772</u></u>	<u><u>4,816</u></u>	<u><u>4,903</u></u>
<u>Energy Sales (MWH)</u>				
Residential	21,698	22,111	22,389	22,822
Industrial and Heavy Commercial	2,231	2,830	2,351	2,676
Commercial	31,913	32,291	33,222	34,764
Municipal	4,044	5,152	4,852	4,754
Outside Lighting	<u>586</u>	<u>587</u>	<u>585</u>	<u>584</u>
Total	<u><u>60,472</u></u>	<u><u>62,971</u></u>	<u><u>63,399</u></u>	<u><u>65,600</u></u>
<u>Operating Billings (in millions)</u>				
Residential	\$2.473	\$2.484	\$2.660	\$2.749
Industrial and Heavy Commercial	0.271	0.318	0.217	0.296
Commercial	3.379	3.406	3.466	3.667
Municipal	0.311	0.385	0.370	0.375
Outside Lighting	<u>0.037</u>	<u>0.037</u>	<u>0.037</u>	<u>0.039</u>
Total	<u><u>\$6.471</u></u>	<u><u>\$6.630</u></u>	<u><u>\$6.750</u></u>	<u><u>\$7.126</u></u>

Source: City of Healdsburg - Utility Department

<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
3,872	4,192	4,351	4,381	4,387	4,400
87	80	78	100	89	99
819	834	817	855	865	858
64	66	74	72	77	72
<u>42</u>	<u>60</u>	<u>43</u>	<u>20</u>	<u>19</u>	<u>32</u>
<u><u>4,884</u></u>	<u><u>5,232</u></u>	<u><u>5,363</u></u>	<u><u>5,428</u></u>	<u><u>5,437</u></u>	<u><u>5,461</u></u>
23,552	23,446	25,028	24,596	25,015	25,892
3,485	3,197	3,695	3,142	2,945	2,652
34,323	33,417	35,099	34,326	35,676	37,449
4,959	4,975	4,540	4,794	4,628	4,775
<u>585</u>	<u>585</u>	<u>583</u>	<u>585</u>	<u>583</u>	<u>583</u>
<u><u>66,904</u></u>	<u><u>65,620</u></u>	<u><u>68,945</u></u>	<u><u>67,443</u></u>	<u><u>68,847</u></u>	<u><u>71,351</u></u>
\$2.891	\$2.883	\$3.073	\$3.154	\$3.200	\$3.300
0.377	0.342	0.393	0.378	0.367	0.331
3.679	3.632	3.801	4.013	4.148	4.099
0.407	0.401	0.375	0.434	0.418	0.397
<u>0.042</u>	<u>0.041</u>	<u>0.040</u>	<u>0.042</u>	<u>0.042</u>	<u>0.042</u>
<u><u>\$7.396</u></u>	<u><u>\$7.299</u></u>	<u><u>\$7.682</u></u>	<u><u>\$8.021</u></u>	<u><u>\$8.175</u></u>	<u><u>\$8.169</u></u>

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

<u>MWH Sold</u>	1994-95	1995-96	1996-97	1997-98
July	5,023	5,136	5,633	5,711
August	4,975	5,552	5,545	5,867
September	5,668	5,819	5,671	5,937
October	5,108	5,137	5,485	5,642
November	5,108	5,509	5,255	5,541
December	5,222	5,214	5,054	5,331
January	5,479	5,294	5,501	5,635
February	4,846	5,292	5,068	5,318
March	4,702	4,911	4,938	5,127
April	5,035	4,809	4,908	4,880
May	4,348	5,175	4,945	5,193
June	4,958	5,122	5,403	5,417
Total	<u>60,472</u>	<u>62,970</u>	<u>63,406</u>	<u>65,599</u>

<u>Total Billings</u>	1994-95	1995-96	1996-97	1997-98
July	\$ 590,827	\$ 563,683	\$ 625,541	\$ 656,462
August	573,984	649,474	638,438	699,997
September	642,293	683,515	644,785	699,392
October	597,238	605,405	617,658	665,868
November	594,360	630,650	621,274	650,609
December	510,614	500,712	517,247	514,425
January	535,067	522,973	567,330	572,904
February	473,886	493,159	519,189	522,153
March	457,477	464,377	414,694	509,542
April	481,677	449,782	468,136	474,375
May	429,937	481,428	480,457	510,582
June	584,555	585,331	645,139	648,465
Total	<u>\$ 6,471,915</u>	<u>\$ 6,630,489</u>	<u>\$ 6,759,888</u>	<u>\$ 7,124,774</u>

<u>Revenue/KWH</u>	1994-95	1995-96	1996-97	1997-98
July	\$ 0.11762	\$ 0.10975	\$ 0.11105	\$ 0.11495
August	0.11537	0.11698	0.11513	0.11931
September	0.11332	0.11746	0.11370	0.11780
October	0.11692	0.11785	0.11261	0.11802
November	0.11636	0.11448	0.11830	0.11742
December	0.09778	0.09603	0.10234	0.09650
January	0.09766	0.09879	0.10313	0.10167
February	0.09779	0.09319	0.10244	0.09819
March	0.09729	0.09456	0.08398	0.09938
April	0.09567	0.09353	0.09538	0.09721
May	0.09888	0.09303	0.09716	0.09832
June	0.11790	0.11428	0.11940	0.11971
Average	<u>\$ 0.10702</u>	<u>\$ 0.10530</u>	<u>\$ 0.10661</u>	<u>\$ 0.10861</u>

Source: City of Healdsburg - Utility Department

1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
5,562	5,648	5,939	5,956	6,229	6,113
6,421	5,649	6,085	5,359	6,199	6,821
6,358	4,870	6,319	5,957	6,168	6,408
5,444	5,595	5,903	5,661	5,937	5,838
5,604	5,585	5,759	5,305	5,932	5,464
5,522	5,175	5,756	5,545	5,176	5,874
5,903	6,243	5,942	6,340	6,203	5,769
5,305	5,192	5,710	5,476	5,444	5,977
5,096	5,219	5,131	5,260	4,780	5,683
5,438	5,480	5,166	5,159	6,119	5,570
4,948	5,328	5,186	5,438	4,934	5,802
5,303	5,636	6,053	5,985	5,726	6,033
<u>66,904</u>	<u>65,620</u>	<u>68,949</u>	<u>67,441</u>	<u>68,847</u>	<u>71,352</u>

1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
\$ 671,528	\$ 692,743	\$ 722,003	\$ 780,420	\$ 807,825	\$ 791,151
780,065	688,545	735,508	697,647	800,312	882,496
749,469	585,033	773,672	786,546	804,981	824,884
670,085	685,507	724,567	732,969	760,045	754,070
668,750	670,965	694,730	689,792	778,722	567,221
549,073	529,404	584,830	593,797	552,882	625,634
608,149	642,128	599,428	690,829	673,403	619,909
514,981	520,977	578,460	593,782	582,690	649,620
510,713	527,653	518,509	566,423	503,378	605,831
542,747	537,206	508,492	544,544	649,836	577,260
486,301	518,346	504,507	563,299	516,598	632,974
644,267	699,600	736,195	781,609	743,948	653,404
<u>\$ 7,396,128</u>	<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>

1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
\$ 0.12074	\$ 0.12270	\$ 0.12156	\$ 0.13103	\$ 0.12969	\$ 0.12942
0.12147	0.12190	0.12087	0.13018	0.12910	0.12937
0.11788	0.12010	0.12243	0.13203	0.13051	0.12873
0.12309	0.12250	0.12274	0.12947	0.12802	0.12916
0.11933	0.12020	0.12063	0.13002	0.13128	0.10381
0.09943	0.10230	0.10160	0.10708	0.10682	0.10650
0.10302	0.10290	0.10087	0.10896	0.10851	0.10746
0.09707	0.10030	0.10130	0.10843	0.10703	0.10869
0.10022	0.10110	0.10105	0.10768	0.10531	0.10660
0.09981	0.09800	0.09843	0.10555	0.10620	0.10363
0.09828	0.09730	0.09728	0.10358	0.10470	0.10910
0.12149	0.12410	0.12162	0.13059	0.12993	0.10830
<u>\$ 0.11055</u>	<u>\$ 0.11122</u>	<u>\$ 0.11140</u>	<u>\$ 0.11894</u>	<u>\$ 0.11874</u>	<u>\$ 0.11471</u>

CITY OF HEALDSBURG  
 SCHEDULE OF ELECTRICITY PURCHASED  
 LAST TEN FISCAL YEARS

<u>KW</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Jul	12,470	14,459	15,120	15,927	16,258
Aug	12,984	14,615	15,130	15,941	17,417
Sep	12,608	13,717	12,430	15,332	14,856
Oct	10,936	12,302	14,220	12,606	11,768
Nov	11,406	11,169	10,970	13,089	11,688
Dec	11,781	11,685	12,440	12,490	12,307
Jan	11,145	11,983	12,050	12,082	12,156
Feb	11,096	11,504	11,100	11,966	11,901
Mar	11,464	10,757	11,120	11,466	11,958
Apr	10,534	12,822	11,120	11,823	11,590
May	10,967	12,462	14,330	11,464	14,900
Jun	<u>13,310</u>	<u>14,335</u>	<u>14,200</u>	<u>14,172</u>	<u>14,700</u>
Peak Month	June	August	August	August	August

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

<u>MWH</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Jul	5,356	5,911	6,124	5,865	6,442
Aug	5,862	6,129	6,233	6,113	6,679
Sep	5,474	5,081	5,618	5,724	6,072
Oct	5,411	5,467	5,847	5,286	5,990
Nov	5,344	5,869	5,353	4,171	5,619
Dec	5,748	6,233	5,764	5,892	6,169
Jan	5,489	5,708	5,725	5,971	6,111
Feb	4,790	5,207	4,975	5,412	5,441
Mar	5,338	5,410	5,478	5,805	5,905
Apr	4,886	5,280	5,296	5,509	5,450
May	5,202	5,462	5,896	5,483	6,121
Jun	<u>4,915</u>	<u>5,689</u>	<u>5,810</u>	<u>5,971</u>	<u>6,032</u>
Total	<u><u>63,815</u></u>	<u><u>67,446</u></u>	<u><u>68,119</u></u>	<u><u>67,202</u></u>	<u><u>72,031</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>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
17,714	16,315	17,445	18,428	18,328
15,742	16,545	16,262	17,553	17,418
14,970	16,820	13,207	16,539	17,889
13,657	12,778	15,572	14,710	13,903
11,953	12,639	11,926	11,219	11,539
12,739	12,700	11,630	11,797	12,233
12,741	12,610	12,172	11,746	11,984
11,836	12,214	11,729	11,597	11,770
11,683	11,343	11,039	11,009	13,299
11,699	11,890	11,926	10,925	15,253
16,766	17,156	15,228	15,605	14,463
<u>16,971</u>	<u>15,800</u>	<u>17,741</u>	<u>18,173</u>	<u>18,151</u>
July	May	June	July	July

<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
5,631	6,344	6,100	6,229	7,046
7,174	6,814	6,822	6,199	6,652
7,344	6,501	6,198	6,168	6,500
5,486	6,249	6,215	5,937	6,358
4,327	6,003	5,737	5,932	5,896
6,278	6,322	6,297	5,176	6,375
5,983	6,333	6,391	6,203	6,302
5,394	5,576	5,468	5,444	5,754
5,727	5,771	5,856	4,780	6,124
5,535	5,471	5,765	6,119	5,959
6,102	6,243	6,132	4,934	6,291
<u>6,073</u>	<u>6,139</u>	<u>6,505</u>	<u>5,726</u>	<u>6,716</u>
<u><u>71,054</u></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>

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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
TOTAL	<u>\$ 14,153,310</u>	<u>\$ 15,695,304</u>	<u>\$ 551,016</u>	<u>\$ 1,361,344</u>	<u>\$ 31,760,974</u>	

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, 1995 THROUGH 2004

( 000's)	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Total Assessed Valuation (Gross)	\$ 391,898	\$ 399,303	\$ 405,026	\$ 413,121	\$ 436,239
Net Secured	352,601	361,192	366,872	378,356	396,553
Net Public Utility	1,845	1,345	1,381	-	-
Net Unsecured	30,254	29,539	29,519	27,538	32,431
Exemptions	(7,194)	(7,225)	(7,254)	(7,227)	(7,255)
Total Assessed Valuation (Net)	384,701	392,077	397,772	405,894	428,984
Gross Tax Increment	2,885,571	2,970,700	3,001,463	3,148,209	3,495,808

Source : Finance Department

	2000	2001	2002	2003	2004
\$	473,223	\$ 514,651	\$ 566,710	\$ 620,179	\$ 685,633
	420,831	454,487	504,194	561,841	616,609
	-	-	-	-	-
	45,144	52,959	55,391	51,273	61,936
	(7,248)	(7,205)	(7,125)	(7,065)	(7,088)
	465,975	507,446	559,585	613,114	678,545
	3,849,868	4,322,409	4,725,371	5,509,106	6,083,344

CITY OF HEALDSBURG  
 HEALDSBURG COMMUNITY REDEVELOPMENT AGENCY  
 SOTOYOME REDEVELOPMENT PROJECT AREA  
 TAX INCREMENT / TAX REVENUES  
 FOR FISCAL YEARS ENDED JUNE 30, 1995 THROUGH 2004

<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

Source: Finance Department



LeMars Hotel

Healdsburg Courtyard



Serifem Building, 1989

