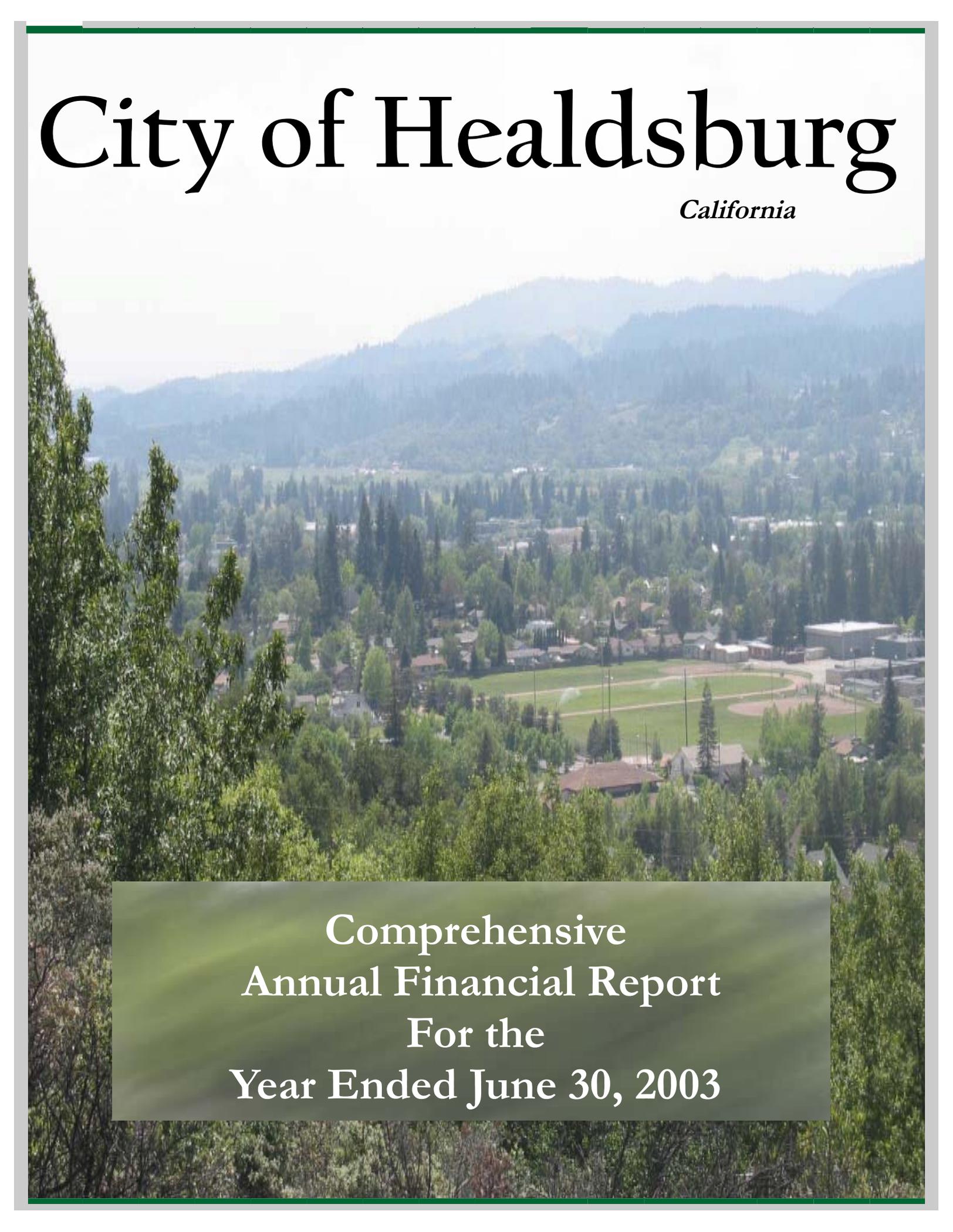


City of Healdsburg

California



Comprehensive
Annual Financial Report
For the
Year Ended June 30, 2003

CITY OF HEALDSBURG
HEALDSBURG, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2003

Prepared by the Finance Department

CITY OF HEALDSBURG
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2003

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CITY OF HEALDSBURG ADMINISTRATION

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



December 31, 2003

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, 2003. 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, 2003, 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, 2003 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, 2003, 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.

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, 2002. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

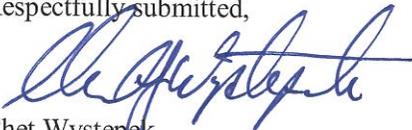
A certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting to the City of Healdsburg for its CAFR for the fiscal year ended June 30, 2002. The certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared.

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 be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to other members of the City staff who assisted and contributed to its preparation. We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Chet Wysteppek
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Healdsburg,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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.



William Patrick Vata

President

Jeffrey R. Emer

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

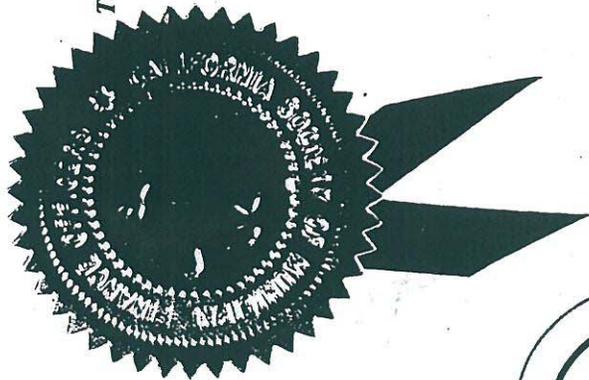
Outstanding Financial Reporting 2001-2002

Presented to the

City of Healdsburg

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2003

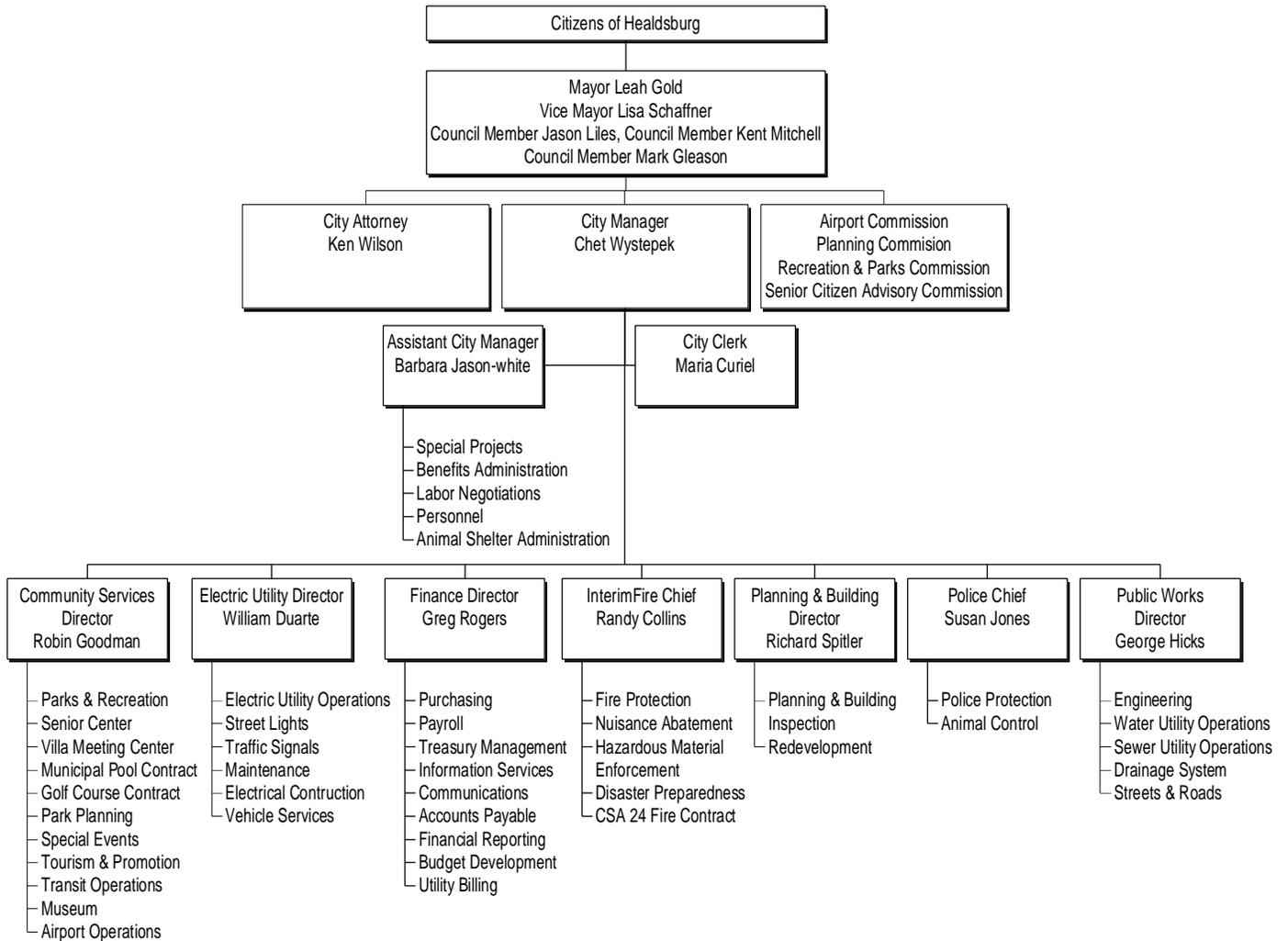


Bret M. Shumlee

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

City of Healdsburg Organization Chart



CITY OF HEALDSBURG

JUNE 30, 2003

Elected Officials

Leah Gold
Mayor

Lisa W. Schaffner
Vice Mayor

Kent Mitchell
Council Member

Jason Liles
Council Member

Mark Gleason
Council Member

Appointed Officials

Chet J. Wysteppek
City Manager

Kenneth A. Wilson
City Attorney

Barbara Jason-White
Assistant City Manager

Greg Rogers
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
Interim Fire Chief

Richard Spitler
Planning and Building Director

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DIEHL, EVANS & COMPANY, LLP
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A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

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October 24, 2003

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*PHILIP H. HOLTKAMP, CPA
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*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA

*A PROFESSIONAL CORPORATION

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, 2003, 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, 2003, 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.

As discussed in Note 1 to the basic financial statements, the accompanying financial statements reflect certain changes in the presentation of financial data required as a result of the Implementation of Governmental Accounting Standards Board Statement No. 34 for the year ended June 30, 2003.

- 1 -

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In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2003 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering 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 the Governmental Accounting Standards Board. 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 supplemental 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 other supplemental 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.

Diem, Evans and Company, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2003. 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 at the close of fiscal year 2002-03 by \$117.6 million (net assets). Of this amount, \$24.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net assets increased by \$6 million during the fiscal year, which was provided from revenues being greater than operating expenses.
- At the close of fiscal year 2002-03, City governmental funds reported combined ending fund balance of \$48.5 million, an increase of \$12.1 million.
- At the end of fiscal year 2002-03, unreserved fund balance for the General Fund was \$3.7 million, or 76 percent of total General Fund expenditures.
- Total City debt (excluding capitalized leases, compensated absences and claims liabilities) increased by \$17.8 million (.53 percent increase) during fiscal year 2002-03. Changes in debt consisted of a new loan funded at \$19.3 million to the Community Redevelopment Agency for financing activities/projects within the project area, and \$1.2 million in principal reduction payments.

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.

See independent auditors' report.

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.

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, community services 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

See independent auditors' report.

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.

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, Community Redevelopment Low/Moderate Income 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 non-major governmental funds is provided in the form of combining statements beginning on page 64 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 begin on page 61 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 community services and other programs.

See independent auditors' report.

- **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 97 of this report.

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

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 34-60 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which includes a Budgetary Comparison Schedules for the General Fund. Required supplementary information can be found on page 61 of this report.

Combining statements for non-major 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 64 – 107 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. Because this reporting model

See independent auditors' report.

significantly changes both the recording and presentation of financial data, the City has not restated prior fiscal years for the purpose of providing comparative information for MD&A. In future years when prior-year information is available, a comparative analysis of government-wide data will be included in this report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. City assets exceeded liabilities by \$117.6 million at the close of fiscal year 2002-03 as summarized below:

Statement of Net Assets*			
June 30, 2003			
	Governmental Activities	Business-type Activities	Total
Assets:			
Current and other assets	\$ 59,640,886	\$ 34,803,351	\$94,444,237
Capital assets (net of Depreciation)	<u>28,090,419</u>	<u>73,674,433</u>	<u>101,764,852</u>
Total assets	<u>87,731,305</u>	<u>108,477,784</u>	<u>196,209,089</u>
Liabilities:			
Current and other liabilities	6,545,641	1,917,824	8,463,465
Long-term liabilities Outstanding	<u>51,650,017</u>	<u>18,491,372</u>	<u>70,141,389</u>
Total liabilities	<u>58,195,658</u>	<u>20,409,196</u>	<u>78,604,854</u>
Net assets:			
Invested in capital assets, net of related debt	9,518,006	60,799,542	70,317,548
Restricted	16,274,710	6,241,488	22,516,198
Unrestricted	<u>3,742,931</u>	<u>21,027,558</u>	<u>24,770,489</u>
Total net assets	<u>\$29,535,647</u>	<u>\$88,068,588</u>	<u>\$117,604,235</u>

* A more detailed statement of net assets is shown on page 15.

See independent auditors' report.

The largest portion (59.7 percent) of the City's net assets reflects its investment of \$70.3 million in capital assets (land, buildings and improvements, equipment, infrastructure, and construction in progress, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net assets (\$22.5 million or 19.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$24.5 million (21 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 close of fiscal year 2002-03, the City shows 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.

Statement of Activities

The statement of activities shows how the government's net assets changed during fiscal year 2002-03. Following on page 9 is a summary of changes in net assets. As with the preceding statement, this is the first year to report on the new standard and comparison to the prior year is not possible. In subsequent years, this section will discuss and analyze significant differences.

The City's net assets increased overall by \$6.1 million during the current fiscal year.

Governmental activities increased the City's net assets by \$1.1 million before transfers primarily due to revenues being greater than spending. Community development is the largest expense function (42 percent), followed by public safety (37.3 percent), interest on long-term debt (13.5 percent), general government (6.6 percent), culture and recreation (.2 percent) and unallocated depreciation (.4 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 \$5 million before transfers. As shown on page 9, the Electric Fund had total expenses of \$8.5 million. The Electric utility fees provide the largest share of revenues (46 percent).

See independent auditors' report.

Statement of Activities*
Year Ended 6/30/2003

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 861,409	\$ 18,592,862	\$ 19,454,271
Operating grants and contributions	1,496,470	757,715	2,254,185
Capital grants and contributions	136,029	2,286,306	2,422,335
General Revenues	<u>11,826,951</u>	<u>561,115</u>	<u>12,388,066</u>
 Total Revenues	 <u>14,320,859</u>	 <u>22,197,998</u>	 <u>36,518,857</u>
Expenses:			
General government	877,928	-	877,928
Public safety	4,940,266	-	4,940,266
Community development	5,551,403	-	5,551,403
Culture and recreation	27,167	-	27,167
Unallocated infrastructure depreciation	22,870	-	22,870
Interest on long-term debt	1,790,296	-	1,790,296
Water	-	3,082,159	3,082,159
Sewer	-	2,483,558	2,483,558
Electric	-	8,547,494	8,547,494
Street	-	1,193,051	1,193,051
Other programs	<u>-</u>	<u>1,863,390</u>	<u>1,863,390</u>
 Total Expenses	 <u>13,209,930</u>	 <u>17,169,652</u>	 <u>30,379,582</u>
Increase in net assets before transfers	1,110,929	5,028,346	6,139,275
Transfers	<u>(24,511,154)</u>	<u>24,511,154</u>	<u>-</u>
Increase (decrease) in net assets	(23,400,225)	29,539,500	6,139,275
Net assets - 6/30/02	<u>52,935,872</u>	<u>58,529,088</u>	<u>111,464,960</u>
Net assets - 6/30/03	<u>\$29,535,647</u>	<u>\$88,068,588</u>	<u>\$117,604,235</u>

* A more detailed statement of activities is shown on pages 16 – 17.

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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 – 23 for more detail of governmental funds.

As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$48.5 million, an increase of 12.1 million in comparison with the prior year. Of the \$48.5 million, \$7.5 million, or 15 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 of \$4 million, redevelopment projects from bond funding of \$32.4 million and for a variety of other purposes.

The major factors in governmental fund balance growth of \$12.1 million are as follows:

- The Community Redevelopment Agency issued \$19.3 million in additional tax allocation bonds.
- The Community Redevelopment Agency Capital projects recognized a \$360 thousand increase due to tax increment.
- The General Fund recognized \$400 thousand in revenues greater than expenditures.

Refer to page 11 for General Fund financial and budgetary highlights.

Proprietary funds

Unrestricted net assets of the Water Enterprise Fund amounted to \$.5 million, Sewer Enterprise Fund amounted to \$6.3 million, Electric Enterprise Fund amounted to \$11 million, Street Enterprise Fund amounted to \$2.9 million and the Internal Service Funds had unrestricted net assets of \$3.2 million. Total growth in net assets for

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proprietary funds was approximately \$3 million before capital contribution transfers. Proprietary funds financial statements can be found on pages 26 – 31.

GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The General Fund is the chief operating fund of the City. At June 30, 2003, unreserved fund balance was \$3.7 million. Note that unreserved fund balance includes amounts set-aside for City designations such as City's reserve policy. Unreserved fund balance, which includes designated funds, represents 76 percent of total General Fund expenditures

During the year, with the recommendation from the City's staff, the City Council revised the City budget several times. The major mid-year adjustment was to move appropriations for Community Services activities from the General Fund to the Community Services fund to reflect the voter approved dedication of transient occupancy taxes to Community Services activities. All amendments that either increase or decrease appropriations must be approved by the City Council.

For the City's General Fund, actual ending revenues of \$5.5 million were \$.52 million more than the final budgeted revenues. The majority of the variance was in sales tax, which was budgeted to come in at \$3.2 million; however, the actual was \$3.5 million. The other significant variance was in intergovernmental revenues, which includes the motor vehicle license fee subvention. The City budgeted \$.89 million, and the actual was \$.95 million.

Investments continue to decrease as interest rates continue to fall.

During the year a new Community Services enterprise was created and separated from the General Fund. The budget was moved to the new enterprise resulting in a smaller final budget in the General Fund. Public safety increased appropriations to purchase equipment including grant funds with guaranteed reimbursements from the State.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets:

Capital investment in capital assets for its governmental and business-type activities as of June 30, 2003 amounted to \$101.8 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 2002-03 was \$10.3 million or 10 percent, which represents a 18.2 percent

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decrease for governmental activities and 6.8 percent increase for business-type activities.

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

City of Healdsburg
Capital Assets (net of accumulated depreciation)
June 30, 2003

	Governmental Activities	Business-type Activities	Total
Land	\$ 8,442,782	\$ 3,830,804	\$ 12,273,586
Right of way	6,681,379	-	6,681,379
Construction in progress	3,854,387	11,025,350	14,879,737
Buildings	5,712,275	3,350,574	9,062,849
Streets	-	16,388,109	16,388,109
Utility Systems	-	33,180,372	33,180,372
Drainage	-	4,190,727	4,190,727
Machinery and equipment	2,451,354	922,162	3,373,516
Operations	-	786,335	786,335
Infrastructure	948,242	-	948,242
 Total capital assets, net	 <u>\$ 28,090,419</u>	 <u>\$ 73,674,433</u>	 <u>\$ 101,764,852</u>

Major capital asset events during fiscal year 2002-03 included the following:

- City transferred \$22 million in capital assets (net of accumulated depreciation) from governmental activities to a new streets and community services enterprise funds.
- Purchased land for \$1,550,000 on West Grant Street for low to moderate income housing.

Long-term debt:

At the close of fiscal year 2002-03, the City had total debt (excluding compensated absences and claims liabilities) outstanding of \$69 million. Outstanding debt is

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summarized as follows, and additional information can be found on Note 7 in the notes to the basic financial statements.

City of Healdsburg
Outstanding Debt
June 30, 2003

	Governmental Activities	Business-type Activities	Total
General obligation	\$5,720,000	\$ -	\$5,720,000
Tax allocation bonds payable	42,420,000	-	42,420,000
Certificates of participation	-	18,665,000	18,665,000
Special assessments	2,230,000	-	2,230,000
Total outstanding debt	\$50,370,000	\$18,665,000	\$69,035,000

The City's total debt increased by \$23 million, or .50 percent, during fiscal year 2002-03. The change in debt consisted of the following:

- In April 2003 the Community Redevelopment Agency issued \$19 million of tax allocation bonds.
- In October 2002 the City Of Healdsburg issued \$5.5 million of certificates of participation for improvements on the water system.
- Ongoing debt service payments reduced total debt by \$1.8 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In preparing the budget for 2003-2004, management looked at the following economic factors:

- State budget crisis: Currently, California is in a budget crisis that may take several years to resolve. The City does not know the extent of impact that the budget crisis will have on property taxes and motor vehicle license taxes, two of the largest revenues sources for the City. The City's 2003-2004 budget reflects an anticipated continuation of existing revenue sources.
- Public Employee Retirement System Costs: Cost for the City contribution to the retirement plans for City employees are increasing significantly due to lower than projected earnings by the State run retirement system. The higher pension costs will be a problem over the next several years.
- The slowing of sales tax revenue growth due to a weaker economy is expected to continue over the next several years.

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- Motor Vehicles License fee is currently being back filled by the State General Fund, which could be eliminated in the State's budget process. This could cause a reduction in General Fund revenues for the City in an amount estimated at \$.5 million.

Compared to prior year's budget, the City's General Fund expenditures are projected to increase. Staff salaries and benefits increased due to the annual CPI increase of 2.75%, a 10% increase in health care premium, higher retirement contribution rates, and the upgrading of the Public Safety retirement plan.

The City continues to grow with new hotels, and other commercial development, construction of street improvements, park construction, and various other projects. The 2003-2004 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. The City has made a commitment to allocate resources for public safety, cultural/social programs, and infrastructure improvements. A copy of the City's 2003-2004 budget can be obtained by contacting the City's finance department (See below).

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.

Declining interest rates were experienced in fiscal year 2002-03 with the City average annual interest rate dropping from 3.8 percent to 2.4 percent. The reduction in investment revenue is expected to continue and was considered in preparing the fiscal year 2003-04 budgets of \$1.03 million.

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.

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CITY OF HEALDSBURG
STATEMENT OF NET ASSETS

June 30, 2003

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 2)	\$ 16,340,454	\$ 23,516,361	\$ 39,856,815
Receivables:			
Interest	70,270	-	70,270
Accounts	1,008,392	2,371,954	3,380,346
Taxes	1,001,086	-	1,001,086
Loans	1,687,110	-	1,687,110
Special assessments	2,230,000	-	2,230,000
Notes	32,528	132,282	164,810
Due from other governments	32,950	-	32,950
Internal balances	234,185	(234,185)	-
Inventory	30,609	1,361,223	1,391,832
Prepaid items	1,527,095	509,144	2,036,239
Deferred charges	413,080	904,904	1,317,984
Restricted assets:			
Cash and investment (Note 2)	35,033,127	6,241,668	41,274,795
Capital assets (Note 4):			
Land	8,442,782	3,830,804	12,273,586
Right of way	6,681,379	-	6,681,379
Infrastructure, net	948,242	-	948,242
Depreciable buildings, net	5,712,275	3,350,574	9,062,849
Depreciable streets, net	-	16,388,109	16,388,109
Depreciable utility systems, net	-	33,180,372	33,180,372
Depreciable drainage, net	-	4,190,727	4,190,727
Depreciable machinery and equipment, net	2,451,354	922,162	3,373,516
Depreciable operations, net	-	786,335	786,335
Construction in progress	3,854,387	11,025,350	14,879,737
TOTAL ASSETS	87,731,305	108,477,784	196,209,089
LIABILITIES:			
Accounts payable and accrued liabilities	2,128,331	1,261,050	3,389,381
Deposits payable	48,765	656,774	705,539
Deferred revenue	4,184,565	-	4,184,565
Claims payable	183,980	-	183,980
Noncurrent liabilities (note 5):			
Due within one year	2,680,012	460,000	3,140,012
Due in more than one year	48,970,005	18,031,372	67,001,377
TOTAL LIABILITIES	58,195,658	20,409,196	78,604,854
NET ASSETS:			
Invested in capital assets, net of related debt	9,518,006	60,799,542	70,317,548
Restricted for:			
Debt service	4,198,650	-	4,198,650
Capital projects	-	6,241,488	6,241,488
Community development	11,821,155	-	11,821,155
Public safety	22,229	-	22,229
Culture and recreation	232,676	-	232,676
Unrestricted	3,742,931	21,027,558	24,770,489
TOTAL NET ASSETS	\$ 29,535,647	\$ 88,068,588	\$ 117,604,235

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

CITY OF HEALDSBURG

STATEMENT OF ACTIVITIES

For the year ended June 30, 2003

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 877,928	\$ 461,841	\$ 2,223	\$ -
Public safety	4,940,266	386,010	292,020	-
Culture and recreation	27,167	13,118	9,443	117,451
Community development	5,551,403	440	1,192,784	18,578
Unallocated infrastructure depreciation	22,870	-	-	-
Interest on long-term debt	1,790,296	-	-	-
Total governmental activities	<u>13,209,930</u>	<u>861,409</u>	<u>1,496,470</u>	<u>136,029</u>
Business-type activities:				
Water	3,082,159	3,782,580	-	21,161
Sewer	2,483,558	4,080,199	-	47,261
Electric	8,547,494	8,568,880	15,000	191,082
Street	1,193,051	989,229	-	1,929,472
Other programs	1,863,390	1,171,974	742,715	97,330
Total business-type activities	<u>17,169,652</u>	<u>18,592,862</u>	<u>757,715</u>	<u>2,286,306</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 30,379,582</u></u>	<u><u>\$ 19,454,271</u></u>	<u><u>\$ 2,254,185</u></u>	<u><u>\$ 2,422,335</u></u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Franchise taxes

Sales tax

Transient occupancy 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

Governmental Activities	Business-type Activities	Total
\$ (413,864)	\$ -	\$ (413,864)
(4,262,236)	-	(4,262,236)
112,845	-	112,845
(4,339,601)	-	(4,339,601)
(22,870)	-	(22,870)
(1,790,296)	-	(1,790,296)
<u>(10,716,022)</u>	<u>-</u>	<u>(10,716,022)</u>
-	721,582	721,582
-	1,643,902	1,643,902
-	227,468	227,468
-	1,725,650	1,725,650
-	148,629	148,629
-	<u>4,467,231</u>	<u>4,467,231</u>
<u>(10,716,022)</u>	<u>4,467,231</u>	<u>(6,248,791)</u>
6,834,236	-	6,834,236
322,529	-	322,529
2,792,855	-	2,792,855
94,110	-	94,110
661,106	-	661,106
390,255	-	390,255
731,860	561,115	1,292,975
<u>(24,511,154)</u>	<u>24,511,154</u>	<u>-</u>
<u>(12,684,203)</u>	<u>25,072,269</u>	<u>12,388,066</u>
(23,400,225)	29,539,500	6,139,275
<u>52,935,872</u>	<u>58,529,088</u>	<u>111,464,960</u>
<u>\$ 29,535,647</u>	<u>\$ 88,068,588</u>	<u>\$ 117,604,235</u>

CITY OF HEALDSBURG
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	General	Community Redevelopment Debt Service	Special Assessment Debt Service
ASSETS			
Cash and investments	\$ 2,999,528	\$ 23,492	\$ 13,457
Receivables:			
Accounts	21,498	-	-
Taxes	702,449	-	-
Loans	-	-	-
Interest	4,381	-	21
Special assessments	-	-	2,230,000
Due from other governments	25,132	-	-
Due from other funds	109,017	-	-
Inventory	3,017	-	-
Prepaid items	394	-	-
Restricted cash and investments	-	2,841,682	579,369
TOTAL ASSETS	\$ 3,865,416	\$ 2,865,174	\$ 2,822,847
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 70,562	\$ 8,200	\$ -
Deposits	48,512	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	2,230,000
TOTAL LIABILITIES	119,074	8,200	2,230,000
FUND BALANCES :			
Reserved For :			
Noncurrent notes receivable	-	-	-
Inventory	3,017	-	-
Prepaid items	394	-	-
Low and moderate income housing	-	-	-
Debt service	-	2,856,974	592,847
Community and economic development	-	-	-
Multi-year programs	-	-	-
Unreserved Reported in:			
General fund	3,742,931	-	-
Special revenue funds	-	-	-
Capital project funds	-	-	-
Permanent fund	-	-	-
TOTAL FUND BALANCES	3,746,342	2,856,974	592,847
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,865,416	\$ 2,865,174	\$ 2,822,847

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

Community Redevelopment Commercial/ Industrial	Community Redevelopment Low/Moderate Income	General Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,012,629	\$ 912,035	\$ 1,110,019	\$ 4,003,011	\$ 11,074,171
433,577	-	71,020	87,110	613,205
142,449	35,214	-	120,974	1,001,086
-	383,169	-	1,687,107	2,070,276
26,987	5,794	2,134	8,906	48,223
-	-	-	-	2,230,000
-	-	-	29,868	55,000
-	-	-	-	109,017
-	-	-	-	3,017
1,500,394	-	-	-	1,500,788
21,859,939	9,697,653	-	54,484	35,033,127
<u>\$ 25,975,975</u>	<u>\$ 11,033,865</u>	<u>\$ 1,183,173</u>	<u>\$ 5,991,460</u>	<u>\$ 53,737,910</u>
\$ 16,826	\$ 5,416	\$ 841,645	\$ 1,340	\$ 943,989
253	-	-	-	48,765
-	-	-	86,620	86,620
1,715,746	-	-	238,819	4,184,565
<u>1,732,825</u>	<u>5,416</u>	<u>841,645</u>	<u>326,779</u>	<u>5,263,939</u>
-	-	-	1,537,107	1,537,107
-	-	-	-	3,017
1,500,394	-	-	-	1,500,788
-	1,330,796	-	-	1,330,796
-	-	-	748,829	4,198,650
21,859,939	9,697,653	-	-	31,557,592
882,817	-	-	-	882,817
-	-	-	-	3,742,931
-	-	-	3,264,774	3,264,774
-	-	341,528	17,428	358,956
-	-	-	96,543	96,543
<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>\$ 25,975,975</u>	<u>\$ 11,033,865</u>	<u>\$ 1,183,173</u>	<u>\$ 5,991,460</u>	<u>\$ 53,737,910</u>

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CITY OF HEALDSBURG

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

For the year ended June 30, 2003

Fund equity - total governmental funds		\$ 48,473,971
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.		25,849,904
Internal service funds are used by management to charge the costs of self-insurance and capital replacements to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		5,476,724
Internal balances included in internal service funds which are receivable from the enterprise funds.		211,788
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	\$ (5,720,000)	
Tax allocation bonds payable	(42,420,000)	
Bond discount	239,995	
Deferred charges for issuance costs	413,080	
Special assessment bonds payable	(2,230,000)	
Total long-term liabilities		(49,716,925)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		<u>(759,815)</u>
Net assets of governmental activities		<u><u>\$ 29,535,647</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, 2003

	General	Community Redevelopment Debt Service	Special Assessment Debt Service
Revenues:			
Property taxes	607,747	-	-
Special assessments	-	-	323,632
Sales and other taxes	3,515,406	-	-
Charges for services	283,063	-	-
Intergovernmental revenues	954,478	-	-
Development fees and permits	-	-	-
Investment income	51,338	10,465	11,990
Miscellaneous fees and charges	93,044	-	-
Other revenues	4,222	-	-
Total revenues	<u>5,509,298</u>	<u>10,465</u>	<u>335,622</u>
Expenditures:			
Current:			
General government	376,027	-	-
Public safety	4,566,617	-	-
Culture and recreation	3,011	-	-
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	845,000	230,000
Interest and fees	-	993,661	177,792
Bond issue costs	-	282,344	-
Total expenditures	<u>4,945,655</u>	<u>2,121,005</u>	<u>407,792</u>
Excess of revenues over (under) expenditures	<u>563,643</u>	<u>(2,110,540)</u>	<u>(72,170)</u>
Other financing sources (uses):			
Transfers in	-	1,827,576	-
Transfers out	(145,400)	(11,505,000)	-
Bond discount	-	(162,500)	-
Proceeds from long-term debt	-	13,000,000	-
Total other financing sources (uses)	<u>(145,400)</u>	<u>3,160,076</u>	<u>-</u>
Net change in fund balances	418,243	1,049,536	(72,170)
Fund balances , beginning of year	<u>3,328,099</u>	<u>1,807,438</u>	<u>665,017</u>
Fund balances, end of year	<u>\$ 3,746,342</u>	<u>\$ 2,856,974</u>	<u>\$ 592,847</u>

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

Community Redevelopment Commercial/ Industrial	Community Redevelopment Low/Moderate Income	General Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 4,407,195	\$ 1,101,911	\$ -	\$ 717,384	\$ 6,834,237
-	-	-	-	323,632
-	-	-	-	3,515,406
-	-	-	-	283,063
-	-	-	879,153	1,833,631
-	-	-	119,203	119,203
255,094	167,534	25,005	146,391	667,817
-	-	-	-	93,044
390,253	-	7,167	214,547	616,189
<u>5,052,542</u>	<u>1,269,445</u>	<u>32,172</u>	<u>2,076,678</u>	<u>14,286,222</u>
3,656	-	1,987	305,582	687,252
-	-	-	6,036	4,572,653
-	-	-	24,156	27,167
2,303,506	332,655	-	46,001	2,682,162
-	-	5,628,557	-	5,628,557
-	-	-	225,000	1,300,000
-	-	-	291,213	1,462,666
-	134,402	-	-	416,746
<u>2,307,162</u>	<u>467,057</u>	<u>5,630,544</u>	<u>897,988</u>	<u>16,777,203</u>
<u>2,745,380</u>	<u>802,388</u>	<u>(5,598,372)</u>	<u>1,178,690</u>	<u>(2,490,981)</u>
12,185,424	-	4,327,504	726,000	19,066,504
(4,518,436)	(1,382,856)	(2,565,410)	(3,455,421)	(23,572,523)
-	(79,625)	-	-	(242,125)
-	6,370,000	-	-	19,370,000
<u>7,666,988</u>	<u>4,907,519</u>	<u>1,762,094</u>	<u>(2,729,421)</u>	<u>14,621,856</u>
10,412,368	5,709,907	(3,836,278)	(1,550,731)	12,130,875
<u>13,830,782</u>	<u>5,318,542</u>	<u>4,177,806</u>	<u>7,215,412</u>	<u>36,343,096</u>
<u>\$ 24,243,150</u>	<u>\$ 11,028,449</u>	<u>\$ 341,528</u>	<u>\$ 5,664,681</u>	<u>\$ 48,473,971</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, 2003

Net change in fund balances - total governmental funds		\$ 12,130,875
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 (\$2,761,400) exceeded depreciation (\$308,696) in the current period.		
		2,452,706
Governmental contributions of capital assets to proprietary funds are not reported as expenditures. However, in the statement of activities the cost of these assets are reported as transfers.		
		(20,141,576)
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 tax allocation bonds	\$(19,370,000)	
Bond issuance costs	416,746	
Bond discount	242,125	
Principal payments	<u>1,300,000</u>	
		(17,411,129)
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	(317,934)	
Amortization of issuance costs	(3,666)	
Amortization of bond discount	<u>(2,130)</u>	
		(323,730)
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>(107,371)</u>
Change in net assets of governmental activities		<u><u>\$(23,400,225)</u></u>

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

CITY OF HEALDSBURG
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>
ASSETS:			
Current assets:			
Cash and investments	\$ 4,641,800	\$ 6,528,795	\$ 7,622,395
Accounts receivable	613,561	465,111	1,273,731
Notes receivable	14,617	18,110	20,681
Due from other funds	-	-	87,008
Inventory	74,921	793	1,266,291
Prepaid items	1,058	394	507,662
Total current assets	<u>5,345,957</u>	<u>7,013,203</u>	<u>10,777,768</u>
Noncurrent assets:			
Deferred issuance cost	770,087	134,817	-
Restricted cash and investments	5,335,973	905,695	-
Capital assets:			
Land	285,780	682,880	48,360
Building	1,449,918	206,166	447,835
Streets	-	-	-
Utility systems	15,432,764	14,955,451	13,004,052
Drainage	-	8,664,262	-
Machines and equipment	391,211	289,295	291,637
Operations	-	-	-
Construction in progress	3,969,094	3,264,073	1,053,026
Less accumulated depreciation	<u>(4,111,946)</u>	<u>(6,375,260)</u>	<u>(5,539,795)</u>
Total capital assets (net of accumulated depreciation)	<u>17,416,821</u>	<u>21,686,867</u>	<u>9,305,115</u>
Total noncurrent assets	<u>23,522,881</u>	<u>22,727,379</u>	<u>9,305,115</u>
TOTAL ASSETS	<u>28,868,838</u>	<u>29,740,582</u>	<u>20,082,883</u>
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	287,341	560,097	258,236
Deposits from others	5,245	-	385,941
Due to other funds	-	-	-
Claims payable	-	-	-
Compensated absences	-	-	-
Certificates of participation	395,000	65,000	-
Total current liabilities	<u>687,586</u>	<u>625,097</u>	<u>644,177</u>
Noncurrent liabilities:			
Certificates of participation	14,740,446	3,290,926	-
TOTAL LIABILITIES	<u>15,428,032</u>	<u>3,916,023</u>	<u>644,177</u>
NET ASSETS:			
Invested in capital assets, net of related debt	7,617,168	18,611,539	9,305,115
Restricted for capital projects	5,335,793	905,695	-
Unrestricted	487,845	6,307,325	10,133,591
TOTAL NET ASSETS	<u>\$ 13,440,806</u>	<u>\$ 25,824,559</u>	<u>\$ 19,438,706</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. Net assets of business-type activities			

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

Streets Fund	Community Services	Other Enterprise Funds	Totals Enterprise Funds	Governmental Activities- Internal Service Funds
\$ 3,080,825	\$ 708,700	\$ 933,846	\$ 23,516,361	\$ 5,266,283
4,619	1,218	13,714	2,371,954	12,018
-	78,874	-	132,282	32,528
-	-	-	87,008	-
-	-	19,218	1,361,223	27,592
-	-	30	509,144	26,307
<u>3,085,444</u>	<u>788,792</u>	<u>966,808</u>	<u>27,977,972</u>	<u>5,364,728</u>
-	-	-	904,904	-
-	-	-	6,241,668	-
-	2,461,978	351,806	3,830,804	-
-	2,434,040	1,380,863	5,918,822	-
21,124,674	-	20,000	21,144,674	-
-	-	-	43,392,267	-
-	-	-	8,664,262	-
10,739	281,822	307,693	1,572,397	4,757,218
-	-	1,195,526	1,195,526	-
2,544,316	181,446	13,395	11,025,350	-
<u>(4,757,103)</u>	<u>(1,258,472)</u>	<u>(1,027,093)</u>	<u>(23,069,669)</u>	<u>(2,516,703)</u>
<u>18,922,626</u>	<u>4,100,814</u>	<u>2,242,190</u>	<u>73,674,433</u>	<u>2,240,515</u>
<u>18,922,626</u>	<u>4,100,814</u>	<u>2,242,190</u>	<u>80,821,005</u>	<u>2,240,515</u>
<u>22,008,070</u>	<u>4,889,606</u>	<u>3,208,998</u>	<u>108,798,977</u>	<u>7,605,243</u>
102,168	24,401	28,807	1,261,050	424,527
101,165	5,066	159,357	656,774	-
-	-	109,405	109,405	-
-	-	-	-	183,980
-	-	-	-	1,520,012
-	-	-	460,000	-
<u>203,333</u>	<u>29,467</u>	<u>297,569</u>	<u>2,487,229</u>	<u>2,128,519</u>
-	-	-	18,031,372	-
<u>203,333</u>	<u>29,467</u>	<u>297,569</u>	<u>20,518,601</u>	<u>2,128,519</u>
18,922,626	4,100,814	2,242,190	60,799,452	2,240,515
-	-	-	6,241,488	-
2,882,111	759,325	669,239	21,239,436	3,236,209
<u>\$ 21,804,737</u>	<u>\$ 4,860,139</u>	<u>\$ 2,911,429</u>	<u>88,280,376</u>	<u>\$ 5,476,724</u>
			<u>(211,788)</u>	
			<u>\$ 88,068,588</u>	

CITY OF HEALDSBURG
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended June 30, 2003

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Operating revenues:			
Charges for services	\$ 3,444,666	\$ 3,128,820	\$ 8,391,718
Development fees	322,990	874,065	158,659
Rental income	-	-	-
Miscellaneous	14,924	77,314	18,503
	<u>3,782,580</u>	<u>4,080,199</u>	<u>8,568,880</u>
Total operating revenues			
Operating expenses:			
Purchased power	-	-	5,626,154
Operations	1,517,772	806,290	1,241,154
Administrative	536,962	958,426	1,227,609
Insurance premiums	-	-	-
Depreciation	326,350	462,182	343,468
	<u>2,381,084</u>	<u>2,226,898</u>	<u>8,438,385</u>
Total operating expenses			
Operating income (loss)	<u>1,401,496</u>	<u>1,853,301</u>	<u>130,495</u>
Nonoperating revenues (expenses)			
Taxes	-	-	-
Intergovernmental grant	-	-	15,000
Investment earnings	124,305	131,172	186,073
Loss on disposal of assets	-	-	(640)
Interest expense	(620,906)	(182,045)	(5,981)
	<u>(496,601)</u>	<u>(50,873)</u>	<u>194,452</u>
Total nonoperating revenues (expenses)			
Income (loss) before transfers and capital contributions	<u>904,895</u>	<u>1,802,428</u>	<u>324,947</u>
Capital contributions	21,161	47,261	191,082
Transfers in	353,281	3,282	-
Transfers out	(535,042)	(85,042)	(180,727)
	<u>744,295</u>	<u>1,767,929</u>	<u>335,302</u>
Changes in net assets			
Total net assets - beginning of year	<u>12,696,511</u>	<u>24,056,630</u>	<u>19,103,404</u>
Total net assets- end of year	<u>\$ 13,440,806</u>	<u>\$ 25,824,559</u>	<u>\$ 19,438,706</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Change in net assets of business - type activities

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

Street Fund	Community Services	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
\$ 140,510	\$ 2,925	\$ 172,600	\$ 15,281,239	\$ 5,006,228
193,174	-	544,169	2,093,057	-
-	5,205	311,589	316,794	-
655,545	45,380	90,106	901,772	150,096
989,229	53,510	1,118,464	18,592,862	5,156,324
-	-	-	5,626,154	-
701,382	478,032	823,003	5,567,633	1,656,819
37,321	201,469	153,641	3,115,428	88,451
-	-	-	-	3,455,212
412,072	90,384	62,853	1,697,309	531,201
1,150,775	769,885	1,039,497	16,006,524	5,731,683
(161,546)	(716,375)	78,967	2,586,338	(575,359)
-	742,715	-	742,715	-
-	-	-	15,000	-
48,177	4,517	14,636	508,880	86,874
-	-	-	(640)	(3,028)
-	-	(4,260)	(813,192)	-
48,177	747,232	10,376	452,763	83,846
(113,369)	30,857	89,343	3,039,101	(491,513)
18,106,166	4,062,852	-	22,428,522	-
3,816,894	1,191,900	149,543	5,514,900	172,354
(4,954)	(425,470)	-	(1,231,235)	-
21,804,737	4,860,139	238,886	29,751,288	(319,159)
-	-	2,672,543	58,529,088	5,795,883
<u>\$ 21,804,737</u>	<u>\$ 4,860,139</u>	<u>\$ 2,911,429</u>		<u>\$ 5,476,724</u>
			(211,788)	
			<u>\$ 88,068,588</u>	

CITY OF HEALDSBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 3,798,823	\$ 3,950,855	\$ 8,744,863
Payments to suppliers	(1,281,674)	(550,646)	(7,128,496)
Payments to employees	(952,830)	(730,037)	(1,302,451)
Net cash provided (used) by operating activities	<u>1,564,319</u>	<u>2,670,172</u>	<u>313,916</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Taxes	-	-	-
Cash received from other funds	353,281	3,282	47,327
Cash paid to other funds	(535,042)	(85,042)	(180,727)
Net cash provided (used) by non-capital financing activities	<u>(181,761)</u>	<u>(81,760)</u>	<u>(133,400)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets:			
Developer financed	-	-	(465,719)
Capital replacement	(1,363,437)	(1,339,677)	-
Capital contributions	21,161	47,261	191,082
Certificates of participation proceeds	5,510,000	-	-
Retirement of debt	(280,000)	(60,000)	(165,000)
Interest paid	(759,269)	(175,953)	-
Net cash provided (used) by capital and related financing activities	<u>3,128,455</u>	<u>(1,528,369)</u>	<u>(439,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	136,982	142,556	208,156
Loans repaid	-	-	-
Net cash provided (used) by investing activities	<u>136,982</u>	<u>142,556</u>	<u>208,156</u>
Net increase (decrease) in cash and cash equivalents	4,647,995	1,202,599	(50,965)
Cash and cash equivalents at beginning of year	<u>5,329,778</u>	<u>6,231,891</u>	<u>7,673,360</u>
Cash and cash equivalents at end of year	<u>\$ 9,977,773</u>	<u>\$ 7,434,490</u>	<u>\$ 7,622,395</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,401,496	\$ 1,853,301	\$ 130,495
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	326,350	462,182	343,468
(Increase) decrease in accounts receivable	16,243	(129,344)	175,983
(Increase) decrease in inventory	(10,228)	(126)	(125,070)
(Increase) decrease in prepaid items	(1,058)	(394)	(429,786)
Increase (decrease) in accounts payable	(160,088)	485,153	230,134
Increase (decrease) in deposits	(8,396)	(600)	(11,308)
Increase (decrease) in other accrued liabilities	-	-	-
Total adjustments	<u>162,823</u>	<u>816,871</u>	<u>183,421</u>
Net cash provided (used) by operating activities	<u>\$ 1,564,319</u>	<u>\$ 2,670,172</u>	<u>\$ 313,916</u>
Noncash capital and related financing activities			
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Streets	Community Services	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
\$ 988,722	\$ 52,677	\$ 1,116,581	\$ 18,652,521	\$ 5,160,822
(70,734)	(357,543)	(469,976)	(9,859,069)	(4,595,532)
(464,636)	(292,491)	(523,745)	(4,266,190)	(333,897)
453,352	(597,357)	122,860	4,527,262	231,393
-	742,715	-	742,715	-
3,816,894	1,191,900	149,543	5,562,227	172,354
(4,954)	(504,344)	(4,100)	(1,314,209)	-
3,811,940	1,430,271	145,443	4,990,733	172,354
(3,158,644)	-	-	(3,624,363)	-
-	(225,676)	(91,291)	(3,020,081)	(249,315)
1,930,112	97,330	-	2,286,946	-
-	-	-	5,510,000	-
-	-	-	(505,000)	-
-	-	(4,260)	(939,482)	-
(1,228,532)	(128,346)	(95,551)	(291,980)	(249,315)
44,065	4,132	16,343	552,234	99,936
-	-	-	-	14,182
44,065	4,132	16,343	552,234	114,118
3,080,825	708,700	189,095	9,778,249	268,550
-	-	744,751	19,979,780	4,997,733
\$ 3,080,825	\$ 708,700	\$ 933,846	\$ 29,758,029	\$ 5,266,283
\$ (161,546)	\$ (716,375)	\$ 78,967	\$ 2,586,338	\$ (575,359)
412,072	90,384	62,853	1,697,309	531,201
(507)	(833)	(1,883)	59,659	4,498
-	-	(4,821)	(140,245)	(13,188)
-	-	1,243	(429,995)	(6,272)
102,168	24,401	(5,163)	676,605	33,350
101,165	5,066	(8,336)	77,591	-
-	-	-	-	257,163
614,898	119,018	43,893	1,940,924	806,752
\$ 453,352	\$ (597,357)	\$ 122,860	\$ 4,527,262	\$ 231,393
\$ 16,176,054	\$ 3,965,522	\$ -	\$ 20,141,576	\$ -

CITY OF HEALDSBURG
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

		Private Purpose Trust Funds
ASSETS		
Cash and investments	\$	835,796
Interest receivable		1,301
TOTAL ASSETS		837,097
 LIABILITIES		
Accounts payable		98
Deposits		2,206
TOTAL LIABILITIES		2,304
 NET ASSETS		
Held in trust for other purposes	\$	834,793

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

CITY OF HEALDSBURG
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Private Purpose Trust Funds
ADDITIONS	
Contributions	\$ 27,440
Investment income	15,252
Fees and charges	34,131
Total additions	78,893
DEDUCTIONS	
Community development	118,931
Additions (Deductions) before Transfers	(40,038)
Transfers in	50,000
Change in net assets	9,962
Net assets - beginning	824,831
Net assets - ending	\$ 834,793

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

CITY OF HEALDSBURG
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

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's 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.

Description of Joint Powers Authorities Participation - The City participates in two joint Powers activities and a pooled arrangement through formally organized and separate entities. The financial activities of the Northern California Power Agency, the Redwood Empire Financing Authority 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 nonmajor funds in the aggregate for governmental and proprietary funds. Fiduciary statements, even though excluded from the government-wide financial statements includes financial information that primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

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.

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 general 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.

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

The Community Redevelopment Low/Moderate Income 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 Community Services Fund accounts for the activities of the government's parks maintenance and community cultural activity operations.

The City's fund structure also includes the following fund types:

Governmental Fund Types

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

The Debt Service Funds are used to account for 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.

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.

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.

Special Revenue Funds not budgeted are:

- North Area
- Media Center
- Community Redevelopment Agency Housing Bond
- Street Development Fees
- Street Maintenance
- Other

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 year(s) 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, 2003.

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. 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.

Sonoma County assesses properties, bills for and collects secured and unsecured property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term "unsecured" refers to taxes on personal property. These taxes are secured by liens on the property being taxed.

The City accrues only those taxes, which are levied for the tax year and received within sixty days after year-end.

Statement of Cash Flows For the purpose of the statements of cash flows, cash and cash equivalents include highly liquid investments with original maturities of three months or less, including investments in the California Local Agency Investment Fund and Sonoma County Investment Fund.

Claims Payable - The City reports its risk activities in the Insurance and Benefit Service Fund. When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. Estimated claims losses, if any, include an accrual for IBNR ("incurred but not reported") claims. Small dollar claims are recorded as expenditures when paid.

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 at June 30, 2003 consisted of the following:

	Government Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 39,856,815	\$ 835,796	\$ 40,692,611
Restricted assets:			
Cash and investments	<u>41,274,795</u>	<u>-</u>	<u>41,274,795</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 81,131,610</u>	<u>\$ 835,796</u>	<u>\$ 81,967,406</u>

Authorized Investments:

Under provisions of the City's Investment Policy, bond indentures, related trust agreements and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of instruments:

- a. Securities of the U.S. Government, or its agencies
- b. Negotiable Certificates of Deposit
- c. Bankers Acceptances
- d. Commercial Paper
- e. Local Agency Investment Fund (State Pool)
- f. Sonoma County Investment Fund (County Pool)
- g. Medium Term Corporate Notes having a rating by Moodys or Standard & Poors of A or better with maturities of five years or less
- h. Tax Anticipation Notes of the Redevelopment Agency
- i. Repurchase Agreements
- j. Mutual Funds

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. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

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. Included in Sonoma County's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

Classification of Deposits and Investments By Credit Risk:

In accordance with GASB Statement No. 3, deposits are classified as to credit risk by three categories as follows:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uncollateralized

Investments that are represented by specific identifiable investment securities are classified as to credit risk by three categories as follows:

- Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 - Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Investments Not Subject to Categorization:

Investments in the California Local Agency Investment Fund, Sonoma County Pooled Investment Fund, and Mutual Funds are not categorized, as Governmental Accounting Standards Board Statement No. 3 does not require the categorization of Mutual Funds or investment pools managed by another government.

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Deposits and investments were categorized as follows at June 30, 2003:

	Category			Bank Balances	Carrying Amount
	1	2	3		
Deposits:					
Demand accounts	\$ 101,350	\$ 654,707	\$ 27,725	\$ 783,782	\$ 546,952
Total Deposits	<u>\$ 101,350</u>	<u>\$ 654,707</u>	<u>\$ 27,725</u>	<u>\$ 783,782</u>	<u>546,952</u>
	Category			Not Categorized	Fair Value
	1	2	3		
Investments					
Federal Agencies	\$ 30,428,694	\$ -	\$ -	\$ -	\$ 30,428,694
Commercial Paper	9,990,090	-	-	-	9,990,090
U.S. Treasury Bills	9,995,593	-	-	-	9,995,593
Bankers Acceptance	2,997,841	-	-	-	2,997,841
Mutual Funds	-	-	-	16,119,470	16,119,470
California Local					
Agency Investment Fund	-	-	-	1,459,891	1,459,891
Sonoma Co. Investment Pool	-	-	-	233,965	233,965
Investments w/Fiscal Agent					
Sonoma County	-	-	579,369	-	579,369
Mutual Funds	-	-	-	9,615,541	9,615,541
Total Investments	<u>\$ 53,412,218</u>	<u>\$ -</u>	<u>\$ 579,369</u>	<u>\$ 27,428,867</u>	<u>81,420,454</u>
TOTAL DEPOSITS AND INVESTMENTS					<u>\$81,967,406</u>

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

Due to and from other funds at June 30, 2003 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 13,620
	Other Enterprise Funds	95,397
Electric Enterprise Fund	Other Governmental Funds	73,000
	Other Enterprise Funds	<u>14,008</u>
Total		<u>\$ 196,025</u>

The amounts loaned from the General and Electric Enterprise funds to the various funds are to provide short-term loans to fund operations.

The compositions of the City's interfund transfer balances as of June 30, 2003 are as follows:

Transfers In	Transfers Out				
	General Fund	Community Redevelopment Debt Service	Community Redevelopment Commercial/Industrial	Community Redevelopment Low/Moderate Income	General Capital Projects
Community Redevelopment Debt Service	\$ -	\$ -	\$ 1,508,694	\$ 318,882	\$ -
Community Redevelopment Commercial/Industrial	-	11,505,000	-	-	229,958
General Capital Projects	30,000	-	2,276,242	1,057,411	216,670
Water	-	-	-	3,281	-
Sewer	-	-	-	3,282	-
Streets	-	-	-	-	1,960,341
Other Enterprise Funds	100,400	-	733,500	-	-
Internal Service Funds	15,000	-	-	-	71,441
Other Governmental Funds	-	-	-	-	87,000
Totals	\$ 145,400	\$ 11,505,000	\$ 4,518,436	\$ 1,382,856	\$ 2,565,410

In the Fund Financial Statements, total transfers out of \$24,803,758 are greater than transfers in of \$24,753,758 because of treatment of transfers from other governmental to fiduciary funds in the amount of \$50,000.

The General Fund transferred monies to the Internal Service Fund to fund the maintenance of Public Safety Buildings, Capital Projects fund capital purchases of new equipment for public safety.

Community Redevelopment Debt Service transferred monies from bond proceeds to the Community Redevelopment Commercial/Industrial Fund.

All other monies transferred were used to fund capital purchases.

Other Governmental Funds	Water	Sewer	Electric	Streets	Community Services	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,827,576
-	250,000	35,042	-	4,954	160,470	12,185,424
317,325	285,042	50,000	94,814	-	-	4,327,504
350,000	-	-	-	-	-	353,281
-	-	-	-	-	-	3,282
1,856,553	-	-	-	-	-	3,816,894
507,543	-	-	-	-	-	1,341,443
-	-	-	85,913	-	-	172,354
374,000	-	-	-	-	265,000	726,000
\$ 3,405,421	\$ 535,042	\$ 85,042	\$ 180,727	\$ 4,954	\$ 425,470	\$ 24,753,758

4. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2003 is as follows:

Governmental Activities:	<u>Balance at</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2003</u>
Capital assets, not being depreciated:				
Land	\$ 9,332,228	\$ 1,554,462	\$ (2,443,908)	\$ 8,442,782
Right of way	6,681,379	-	-	6,681,379
Construction in progress	<u>2,993,693</u>	<u>3,880,531</u>	<u>(3,019,837)</u>	<u>3,854,387</u>
Total capital assets, not being depreciated	<u>19,007,300</u>	<u>5,434,993</u>	<u>(5,463,745)</u>	<u>18,978,548</u>
Capital assets, being depreciated:				
Buildings	10,169,894	367,279	(2,416,646)	8,120,527
Machinery and equipment	5,298,596	372,892	(533,165)	5,138,323
Infrastructure	<u>21,554,295</u>	<u>-</u>	<u>(20,410,842)</u>	<u>1,143,453</u>
Total capital assets being depreciated	<u>37,022,785</u>	<u>740,171</u>	<u>(23,360,653)</u>	<u>14,402,303</u>
Less accumulated depreciation for:				
Buildings	(3,144,713)	(263,219)	999,680	(2,408,252)
Machinery and equipment	(2,414,040)	(553,807)	280,878	(2,686,969)
Infrastructure	<u>(4,407,129)</u>	<u>(22,870)</u>	<u>4,234,788</u>	<u>(195,211)</u>
Total accumulated depreciation	<u>(9,965,882)</u>	<u>(839,896)</u>	<u>5,515,346</u>	<u>(5,290,432)</u>
Total capital assets being depreciated, net	<u>27,056,903</u>	<u>(99,725)</u>	<u>(17,845,307)</u>	<u>9,111,871</u>
Governmental activities capital assets, net	<u>\$ 46,064,203</u>	<u>\$ 5,335,268</u>	<u>\$ (23,309,052)</u>	<u>\$ 28,090,419</u>

A summary of changes in the Business-type Activities capital assets at June 30, 2003 is as follows:

Business-type Activities:	<u>Balance at June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2003</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 3,812,734	\$ 18,070	\$ -	\$ 3,830,804
Construction in progress	<u>9,947,999</u>	<u>3,095,053</u>	<u>(2,017,702)</u>	<u>11,025,350</u>
Total capital assets, not being depreciated	<u>13,760,733</u>	<u>3,113,123</u>	<u>(2,017,702)</u>	<u>14,856,154</u>
Capital assets, being depreciated:				
Buildings	5,901,428	17,394	-	5,918,822
Streets	20,430,847	713,827	-	21,144,674
Utility Systems	40,738,827	2,653,253	-	43,392,080
Drainage	8,617,341	46,921	-	8,664,262
Machinery and equipment	1,468,064	104,520	-	1,572,584
Operations	<u>1,088,633</u>	<u>106,893</u>	<u>-</u>	<u>1,195,526</u>
Total capital assets being depreciated	<u>78,245,140</u>	<u>3,642,808</u>	<u>-</u>	<u>81,887,948</u>
Less accumulated depreciation for:				
Buildings	(2,396,640)	(171,608)	-	(2,568,248)
Streets	(4,345,030)	(411,535)	-	(4,756,565)
Utility Systems	(9,451,058)	(760,650)	-	(10,211,708)
Drainage	(4,208,530)	(265,005)	-	(4,473,535)
Machinery and equipment	(580,372)	(70,050)	-	(650,422)
Operations	<u>(390,354)</u>	<u>(18,837)</u>	<u>-</u>	<u>(409,191)</u>
Total accumulated depreciation	<u>(21,371,984)</u>	<u>(1,697,685)</u>	<u>-</u>	<u>(23,069,669)</u>
Total capital assets being depreciated, net	<u>56,873,156</u>	<u>1,945,123</u>	<u>-</u>	<u>58,818,279</u>
Business-type activities capital assets, net	<u>\$ 70,633,889</u>	<u>\$ 5,058,246</u>	<u>\$ (2,017,702)</u>	<u>\$ 73,674,433</u>

Beginning balance of capital assets of business-type activities include \$22,045,527 of capital assets contributed by government activities.

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

Governmental Activities:	
General government	\$ 103,135
Public safety	176,703
Community development	5,988
Unallocated infrastructure depreciation	22,870
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>531,201</u>
Total depreciation expense - governmental activities	<u>\$ 839,897</u>

Business-type Activities:

Water	\$ 326,350
Sewer	462,182
Electric	343,468
Street	412,072
Community Services	90,384
Other	<u>62,853</u>
Total Depreciation expense - business-type activities	<u><u>\$ 1,697,309</u></u>

5. LONG-TERM LIABILITIES:

The following is a summary of long-term liability transactions for the year ended June 30, 2003:

Governmental Activities	Balance at June 30, 2002	Additions	Reductions	Balance at June 30, 2003	Current Portion
General Obligation (GO)					
1998 Refunding	\$ 2,255,000	\$ -	\$ (120,000)	\$ 2,135,000	\$ 120,000
1993 Refunding	3,690,000	-	(105,000)	3,585,000	115,000
Total GO Bonds	<u>5,945,000</u>	<u>-</u>	<u>(225,000)</u>	<u>5,720,000</u>	<u>235,000</u>
Tax Allocation Bonds (TAB):					
1995 Series	3,555,000	-	(65,000)	3,490,000	70,000
2002 Series A	14,290,000	-	(260,000)	14,030,000	270,000
2002 Series C	5,630,000	-	(100,000)	5,530,000	100,000
2003 Series A	-	13,000,000	-	13,000,000	210,000
2003 Series B	-	6,370,000	-	6,370,000	125,000
Total TAB Bonds	<u>23,475,000</u>	<u>19,370,000</u>	<u>(425,000)</u>	<u>42,420,000</u>	<u>775,000</u>
Certificates of Participation (COP)					
REFA Series II	130,000	-	(130,000)	-	-
REFA Series III	290,000	-	(290,000)	-	-
Total COP Bonds	<u>420,000</u>	<u>-</u>	<u>(420,000)</u>	<u>-</u>	<u>-</u>
Special Assessments:					
Foss Creek	410,000	-	(100,000)	310,000	50,000
Area A	2,050,000	-	(130,000)	1,920,000	100,000
Total Special Assessments	<u>2,460,000</u>	<u>-</u>	<u>(230,000)</u>	<u>2,230,000</u>	<u>150,000</u>
Compensated Absences	1,285,823	235,745	(1,556)	1,520,012	1,520,012
Bond Discount		(242,125)	2,130	(239,995)	-
Governmental Activities Long Term Liabilities	<u><u>\$ 33,585,823</u></u>	<u><u>\$ 19,363,620</u></u>	<u><u>\$ (1,299,426)</u></u>	<u><u>\$ 51,650,017</u></u>	<u><u>\$ 2,680,012</u></u>

Business-type Activities	Balance at June 30, 2002	Additions	Reductions	Balance at June 30, 2003	Current Portion
Certificate of Participation					
1992 Electric Improvements	\$ 165,000	\$ -	\$ (165,000)	\$ -	\$ -
1996 Sewer Improvements	875,000	-	(20,000)	855,000	20,000
2000 B CSCDA Water	3,080,000	-	(50,000)	3,030,000	55,000
2000 B CSCDA Sewer	2,565,000	-	(40,000)	2,525,000	45,000
2001 A CSCDA Water	6,975,000	-	(230,000)	6,745,000	230,000
2003 C CSCDA Water/Wastewater	-	5,510,000	-	5,510,000	110,000
	13,660,000	5,510,000	(505,000)	18,665,000	460,000
Bond Discount	(130,631)	(56,674)	13,677	(173,628)	-
Business-type Activities					
Long Term Liabilities	\$ 13,529,369	\$ 5,453,326	\$ (491,323)	\$ 18,491,372	\$ 460,000

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.

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.

c. Tax Allocation Bonds:

1995 Series In December 1995, the Agency issued \$3,900,000 1995 Tax Allocation Bonds. The Bonds were issued to finance improvements in the Sotoyome Project Area. Interest on the bonds varies from 4.20% to 7.50% with semi-annual debt service payments on June 1, and December 1 of each year with principal maturing annually December 1, 1996 through December 2025. Debt Service payments will be made from tax increment revenue received by the Agency.

2002 Series A 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, 2003 was \$2,460,000.

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.

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.

d. Certificates of Participation:

The City and Redevelopment Agency have financed various capital improvements through lease purchase contracts utilizing Certificates of Participation as a source of funds. The certificates represent interests of the owners in lease payments to be made by the City or Redevelopment Agency.

Series II - The Certificates were authorized and issued in the amount of \$1,135,000 in March 1983 to provide funds for the improvement of the City's drainage system. Interest on the Certificates varies from 7.0% to 9.0% with semi-annual debt service payments on March 1 and September 1 of each year with principal maturing annually beginning March 1, 1994 through March 1, 2003. Debt Service payments are made from the Redevelopment Agency Debt Service Funds. These Certificates were redeemed in fiscal year 2002 – 2003.

Series III - 1992 Refunding - The Certificates were authorized and issued in the amount of \$810,000 in June 1992 to provide funds to defease the Series III Certificates issued in 1987. The Series III Certificates have been paid in full. Interest on the Certificates varies from 3.75% to 6.40% with semi-annual debt service payments due on May 1 and November 1 of each year with principal maturing annually beginning November 1, 1993 through November 1, 2005. Debt service payments will be made from the General City and Redevelopment Agency Debt Service Funds. These Certificates were redeemed in fiscal year 2002 – 2003.

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.

f. Debt Service Requirements:

Annual debt service requirements, which include principal and interest of \$93,282,682 to maturity for Governmental Activity Long Term Liabilities, are as follows:

Year Ending June 30	General Obligation Bonds		Special Assessment Bonds		Tax Allocation Bonds	
	Interest	Principal	Interest	Principal	Interest	Principal
2004	\$278,035	\$235,000	\$153,043	\$155,000	\$1,864,998	\$780,000
2005	267,039	255,000	141,420	180,000	2,110,387	845,000
2006	255,028	275,000	127,511	210,000	2,089,688	865,000
2007	241,951	295,000	111,776	215,000	2,064,427	880,000
2008	227,523	325,000	98,700	140,000	2,034,941	905,000
2009 – 2013	849,978	2,215,000	325,886	855,000	9,592,046	5,000,000
2014 – 2018	182,687	2,120,000	41,066	475,000	8,266,553	6,140,000
2019 – 2023	-	-	-	-	6,436,380	7,750,000
2024 – 2028	-	-	-	-	4,054,278	9,730,000
2029 – 2033	-	-	-	-	1,097,343	9,525,000
	<u>\$ 2,302,241</u>	<u>\$ 5,720,000</u>	<u>\$ 999,402</u>	<u>\$ 2,230,000</u>	<u>\$39,611,041</u>	<u>\$42,420,000</u>

BUSINESS-TYPE ACTIVITIES

g. 1992 Electric Improvement Certificates:

The Certificates were authorized and issued by the Healdsburg Public Improvement Corporation in the amount of \$250,000 in March 1992 to provide funds for capital improvements to the City's electric system. The interest rate on the Certificates varies from 4.25% to 6.85% with semi-annual debt service payments payable on March 1, and September 1 in each year commencing September 1, 1992. Principal on the Certificates is payable annually from March 1, 1993 through March 1, 2012. Revenues from the operation of the electric utility system will be used to make the debt service payments. In a subsequent action, the City Council authorized the use of the funds for the City's contribution to the NCPA Lake County effluent pipeline project to enhance geothermal project efficiency. These Certificates were redeemed in fiscal year 2002 – 2003.

h. 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.

i. 2000 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.

j. 2001 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, 2002, \$6,880,000 remained outstanding on these refunded issues.

k. 2003 Water 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.

1. Annual Debt Service Requirements:

Annual debt service requirements to maturity for proprietary long-term liabilities, including interest of \$32,857,704 are as follows:

Year Ending June 30	Certificates of Participation	
	Interest	Principal
2004	\$ 848,653	\$ 460,000
2005	833,603	470,000
2006	818,341	480,000
2007	802,170	505,000
2008	785,104	505,000
2009 – 2013	3,619,553	2,880,000
2014 – 2018	2,994,279	3,095,000
2019 – 2023	2,137,176	3,940,000
2024 – 2028	1,088,327	3,825,000
2029 – 2033	265,498	2,505,000
	<u>\$ 14,192,704</u>	<u>\$ 18,665,000</u>

6. CONDUIT DEBT

Total bonds outstanding related to special facility revenue bonds is \$5,870,000 at June 30, 2003. 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.

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 1.091% for miscellaneous employees and 1.558% 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 2003, the City's annual pension cost of \$677,861 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2001, 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). The City had no unfunded liability at June 30, 2002. 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, 2001 was 23 years.

THREE YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/01	630,845	100%	-
6/30/02	538,167	100%	-
6/30/03	677,861	100%	-

SCHEDULE OF FUNDING PROGRESS FOR PERS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(Overfunded) Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/00						
Misc.	\$ 19,332,307	\$ 16,002,131	\$ (3,330,176)	120.8%	\$ 3,987,256	(83.520)%
Safety	11,594,982	9,749,688	(1,845,294)	118.9%	1,570,882	(117.469)%
Total	\$ 30,927,289	\$ 25,751,819	\$ (5,175,470)	120.1%	\$ 5,558,138	(93.115)%
6/30/01						
Misc.	\$ 20,217,598	\$ 19,017,940	\$ (1,199,658)	106.3%	\$ 4,833,438	(24.819)%
Safety	12,206,895	10,994,782	(1,212,113)	111.0%	1,792,279	(67.629)%
Total	\$ 32,424,493	\$ 30,012,722	\$ (2,411,771)	108.0%	\$ 6,625,717	(36.400)%
6/30/02						
Misc.	\$ 19,491,095	\$ 21,188,667	\$ 1,697,572	92.0%	\$ 5,483,146	30.960%
Safety	11,674,901	14,001,327	2,326,426	83.4%	1,833,680	126.872%
Total	\$ 31,165,996	\$ 35,189,994	\$ 4,023,998	88.6%	\$ 7,316,826	54.997%

8. RESERVES AND DESIGNATIONS OF FUND EQUITY

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

- 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, 2003, were as follows:

Purchased power (reported as an expense of the Electric Fund)	\$ 4,870,163
Advances and assessments, net of refunds	<u>755,991</u>
Total	<u>\$ 5,626,154</u>

The City's interest in NCPA projects and reserves, as computed by NCPA, was \$1.6 million at June 30, 2003. 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 \$613,721 and paid assessments totaling \$106,760.

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, 2003 is \$261,200 thousand.

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

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

Calaveras Hydroelectric Project

In July 1981 NCPA agreed with the Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project and to finance its construction. Debt service payments began in February 1990 when the operating portions were declared substantially complete. Under a power purchase agreement with NCPA, the City is obligated to pay 1.66% of the debt service and operating costs. At June 30, 2003 approximately \$505,840 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, 2003 approximately \$27,790 thousand in long-term debt related to this project was outstanding.

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, 2003, approximately \$6,120 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, 2003 (in thousands):

Total assets	\$1,044,856
Total liabilities (excluding long-term debt)	172,686
Long-term debt	811,767
Accumulated net revenues	18,498
Revenues	230,452
Expenses (including refunds)	230,269
Increase in accumulated net revenues	183

Maturities (Principal) of NCPA's long-term debt as of June 30, 2003 are as follows (in thousands) (audited):

2004	\$ 52,935
2005	54,555
2005	56,505
2007	36,095
2008	37,060
2009 and after	631,725
Less: unamortized net discount and premium	(4,173)
Current portion	<u>(52,935)</u>
Total	<u>\$ 811,767</u>

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

NCPA Financial Information

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

10. FINANCING AUTHORITY AND POOLED ARRANGEMENT

In addition to NCPA, the City participates in a Financing Authority and a pooled insurance arrangement. A description of these agencies follows:

Redwood Empire Financing Authority (REFA) was created in 1982 to purchase and acquire, through lease purchases, installment sale agreements, or other means, such real and personal property necessary or convenient for the operation of its members. Its members consist of the cities of Arcata, Cloverdale, Healdsburg, Sonoma, Sebastopol and Ukiah. Through participation in REFA, the City acquired and constructed certain improvements to the City's electrical, water and sewer enterprises, improved streets and drainage, as well as partial land acquisition and construction. The City's portion of REFA obligations are reported in the appropriate funds.

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.

The information below summarizes the audited financial statements as of and for the year ended June 30, 2003, for the Financing Authority and pooled arrangement in which the City participates.

	<u>Redwood Empire Financing Authority</u>	<u>Redwood Empire Municipal Insurance Fund</u>
Total Assets	\$ 8,112,405	\$ 13,808,100
Total Liabilities	8,112,744	11,608,132
Total Equity	(339)	2,199,968
Total Revenues	569,244	6,602,917
Total Expenditures/Expenses	574,810	5,639,811
Increase (Decrease) in Equity	(5,566)	(1,044,585)
Total Long-Term Debt	8,065,000	8,762,911

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.

12. INDIVIDUAL FUND DISCLOSURES

a. Funds which have deficit fund balances/retained earnings at June 30, 2003 were as follows:

Special Revenue Funds:	
North Area	\$ 67,892

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	
Gas Tax	\$ 140,671
Park Fees	199
TDA	1
Benjamin Way Maintenance District	436
Debt Service Fund	
Community Redevelopment Agency	369,275
Special Assessment	59,102

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, 2003 was \$29 million. Under certain circumstances, the City may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

Seattle City Light

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

California-Oregon Transmission Project

The City is a member of the Transmission Agency of Northern California (TANC), a California joint powers agency. TANC, a combination of cities, Western and four other California Districts and authorities are participants in the California-Oregon Transmission Project (COTP). The COTP is a transmission project between southern Oregon and Central California. COTP provides a transmission path between the electric systems of the Pacific Northwest and those in California. The members of NCPA are entitled to 30.4 percent of the transfer capacity of COTP. The City's share is .21 percent. Each member of NCPA is responsible for developing its own uses for its share of the COTP transfer capability.

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. NCPA on behalf of the City is negotiating a new agreement under Western's 2005 Monitoring Plan.

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.

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.

CITY OF HEALDSBURG
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 486,097	\$ 486,097	\$ 607,747	\$ 121,650
Sales and other taxes	3,919,313	3,231,633	3,515,406	283,773
Charges for services	225,162	222,162	283,063	60,901
Intergovernmental revenues	849,362	872,762	954,478	81,716
Investment income	90,000	90,000	51,338	(38,662)
Miscellaneous fees and charges	86,592	81,957	93,044	11,087
Other revenues	2,237	2,237	4,222	1,985
Total revenues	<u>5,658,763</u>	<u>4,986,848</u>	<u>5,509,298</u>	<u>522,450</u>
Expenditures:				
Current:				
General government	458,707	378,905	376,027	2,878
Public safety	4,502,591	4,658,601	4,566,617	91,984
Culture and recreation	636,640	-	3,011	(3,011)
Community development	4,146	-	-	-
Public works	12,000	12,000	-	12,000
Total expenditures	<u>5,614,084</u>	<u>5,049,506</u>	<u>4,945,655</u>	<u>103,851</u>
Excess of revenues over (under) expenditures	<u>44,679</u>	<u>(62,658)</u>	<u>563,643</u>	<u>626,301</u>
Other financing sources (uses):				
Transfers in	721	721	-	(721)
Transfers out	(45,400)	(145,400)	(145,400)	-
Total other financing sources (uses)	<u>(44,679)</u>	<u>(144,679)</u>	<u>(145,400)</u>	<u>(721)</u>
Net change in fund balance	-	(207,337)	418,243	625,580
Fund balance, beginning of year	<u>3,328,099</u>	<u>3,328,099</u>	<u>3,328,099</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,328,099</u>	<u>\$ 3,120,762</u>	<u>\$ 3,746,342</u>	<u>\$ 625,580</u>

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NONMAJOR GOVERNMENTAL FUNDS

- 1) 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.
- 2) General Debt Service Fund- is used to account for the long-term debt service of the City.
- 3) 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.
- 4) Permanent Fund - is used to account and administer funds of the Cultural Center.

CITY OF HEALDSBURG
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2003

	<u>Special Revenue Funds</u>	<u>General Debt Service Fund</u>	<u>Area A Assessment District Capital Project Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and investments	\$ 3,289,158	\$ 602,570	\$ 14,897	\$ 96,386	\$ 4,003,011
Receivables:					
Accounts	84,603	-	2,507	-	87,110
Taxes	29,874	91,100	-	-	120,974
Loan	1,687,107	-	-	-	1,687,107
Interest	8,050	675	24	157	8,906
Due from other governments	29,868	-	-	-	29,868
Restricted cash and investments	-	54,484	-	-	54,484
TOTAL ASSETS	<u>\$ 5,128,660</u>	<u>\$ 748,829</u>	<u>\$ 17,428</u>	<u>\$ 96,543</u>	<u>\$ 5,991,460</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 1,340	\$ -	\$ -	\$ -	\$ 1,340
Due to other funds	86,620	-	-	-	86,620
Deferred revenue	238,819	-	-	-	238,819
TOTAL LIABILITIES	<u>326,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,779</u>
FUND BALANCES :					
Reserved for :					
Reserved for debt service	-	748,829	-	-	748,829
Noncurrent notes receivable	1,537,107	-	-	-	1,537,107
Unreserved Reported in:					
Special revenue funds	3,264,774	-	-	-	3,264,774
Capital project funds	-	-	17,428	-	17,428
Permanent fund	-	-	-	96,543	96,543
TOTAL FUND BALANCES	<u>4,801,881</u>	<u>748,829</u>	<u>17,428</u>	<u>96,543</u>	<u>5,664,681</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,128,660</u>	<u>\$ 748,829</u>	<u>\$ 17,428</u>	<u>\$ 96,543</u>	<u>\$ 5,991,460</u>

CITY OF HEALDSBURG
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Special Revenue Funds	General Debt Service Fund	Area A Assessment District Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	\$ -	\$ 717,384	\$ -	\$ -	\$ 717,384
Intergovernmental revenues	879,153	-	-	-	879,153
Development fees and permits	119,203	-	-	-	119,203
Investment income	134,319	9,958	279	1,835	146,391
Other revenues	214,547	-	-	-	214,547
Total revenues	<u>1,347,222</u>	<u>727,342</u>	<u>279</u>	<u>1,835</u>	<u>2,076,678</u>
Expenditures:					
Current:					
General government	305,561	-	21	-	305,582
Public safety	6,036	-	-	-	6,036
Culture and recreation	20,711	-	-	3,445	24,156
Community development	46,001	-	-	-	46,001
Debt service:					
Principal retirement	-	225,000	-	-	225,000
Interest and fees	-	291,213	-	-	291,213
Total expenditures	<u>378,309</u>	<u>516,213</u>	<u>21</u>	<u>3,445</u>	<u>897,988</u>
Excess of revenues over (under) expenditures	<u>968,913</u>	<u>211,129</u>	<u>258</u>	<u>(1,610)</u>	<u>1,178,690</u>
Other financing sources (uses):					
Transfers in	726,000	-	-	-	726,000
Transfers out	<u>(3,455,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,455,421)</u>
Total other financing sources (uses)	<u>(2,729,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,729,421)</u>
Net change in fund balances	(1,760,508)	211,129	258	(1,610)	(1,550,731)
Fund balances , beginning of year	<u>6,562,389</u>	<u>537,700</u>	<u>17,170</u>	<u>98,153</u>	<u>7,215,412</u>
Fund balances, end of year	<u>\$ 4,801,881</u>	<u>\$ 748,829</u>	<u>\$ 17,428</u>	<u>\$ 96,543</u>	<u>\$ 5,664,681</u>

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SPECIAL REVENUE FUNDS

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 various funds and sources are:

- 1) Gas Tax - 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.
- 2) North Area - from revenues received from property owners and/or advanced by the City to plan for infrastructure for the North Area.
- 3) Airport Grant - revenues received from the State Division of Aeronautics for airport improvements.
- 4) Park Fees - revenues received from fees imposed on development or intensified use to mitigate resulting demands for park improvements and/or rehabilitation.
- 5) Media Center - revenues received from fees imposed for public access television.
- 6) Transportation Development Act - (TDA) revenues received under State of California Transportation Development Act Articles III, IV and VIII, for the purpose of providing pedestrian /bike paths, transit operations, and maintenance and construction of streets and roads.
- 7) Community Redevelopment Agency - Urban Development Action Grant (UDAG) Loan 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.
- 8) Community Redevelopment Agency - Housing Bond revenues received from repayment of mortgages supported by Sonoma County Home Financing Authority bonds in excess of debt service.
- 9) Street Development Fees - revenues received from fees imposed on development or intensified use to mitigate the resulting demand for off-site or oversized street improvements.
- 10) Street Maintenance - revenues received for street maintenance.
- 11) Area A Lighting and Landscaping District - revenues received from Lighting and Landscaping District assessments in Area A and associated maintenance.
- 12) Benjamin Way Maintenance District - revenues received for the maintenance of private streets and the maintenance thereof.
- 13) Public Safety - revenues received for special grants and funding for Public Safety.
- 14) Other - revenues received for grants and annexation fees for capital projects.

CITY OF HEALDSBURG
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2003

	Gas Tax	North Area	Airport Grant	Park Fees	Media Center
ASSETS					
Cash and investments	\$ 30,455	\$ 5,073	\$ 112	\$ 134,097	\$ 264,003
Receivables:					
Accounts	-	82,208	-	-	2,395
Taxes	24,307	-	-	-	-
Loans	-	-	-	-	-
Interest	175	35	-	214	344
Due from other governments	-	-	-	-	-
TOTAL ASSETS	\$ 54,937	\$ 87,316	\$ 112	\$ 134,311	\$ 266,742
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	73,000	-	-	-
Deferred revenue	-	82,208	-	-	-
TOTAL LIABILITIES	-	155,208	-	-	-
 FUND BALANCES (DEFICITS):					
Reserved:					
Noncurrent notes receivable	-	-	-	-	-
Unreserved, undesignated	54,937	(67,892)	112	134,311	266,742
TOTAL FUND BALANCES (DEFICITS)	54,937	(67,892)	112	134,311	266,742
 TOTAL LIABILITIES AND FUND BALANCES	\$ 54,937	\$ 87,316	\$ 112	\$ 134,311	\$ 266,742

TDA	Community Redevelopment Agency UDAG Loan	Community Redevelopment Agency Housing Bond	Street Development Fees	Street Maintenance	Area A Lighting and Landscaping District
\$ -	\$ 2,250,182	\$ 20,819	\$ 16,361	\$ -	\$ 127,557
-	-	-	-	-	-
-	-	-	-	-	5,567
-	1,537,107	150,000	-	-	-
3	5,046	1	1,324	-	213
22,050	-	-	-	-	-
<u>\$ 22,053</u>	<u>\$ 3,792,335</u>	<u>\$ 170,820</u>	<u>\$ 17,685</u>	<u>\$ -</u>	<u>\$ 133,337</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,340
13,620	-	-	-	-	-
6,611	-	150,000	-	-	-
<u>20,231</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>1,340</u>
-	1,537,107	-	-	-	-
1,822	2,255,228	20,820	17,685	-	131,997
<u>1,822</u>	<u>3,792,335</u>	<u>20,820</u>	<u>17,685</u>	<u>-</u>	<u>131,997</u>
<u>\$ 22,053</u>	<u>\$ 3,792,335</u>	<u>\$ 170,820</u>	<u>\$ 17,685</u>	<u>\$ -</u>	<u>\$ 133,337</u>

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CITY OF HEALDSBURG
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 (CONTINUED)
 JUNE 30, 2003

	Benjamin Way Maintenance District	Public Safety	Other	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and investments	\$ 3,002	\$ 18,783	\$ 418,714	\$ 3,289,158
Receivables:				
Accounts	-	-	-	84,603
Taxes	-	-	-	29,874
Loans	-	-	-	1,687,107
Interest	5	35	655	8,050
Due from other governments	-	-	7,818	29,868
TOTAL ASSETS	\$ 3,007	\$ 18,818	\$ 427,187	\$ 5,128,660
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,340
Due to other funds	-	-	-	86,620
Deferred revenue	-	-	-	238,819
TOTAL LIABILITIES	-	-	-	326,779
FUND BALANCES (DEFICITS):				
Reserved:				
Noncurrent notes receivable	-	-	-	1,537,107
Unreserved, undesignated	3,007	18,818	427,187	3,264,774
TOTAL FUND BALANCES (DEFICITS)	3,007	18,818	427,187	4,801,881
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,007	\$ 18,818	\$ 427,187	\$ 5,128,660

CITY OF HEALDSBURG
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Gas Tax	North Area	Airport Grant	Park Fees	Media Center
Revenues:					
Intergovernmental revenues	\$ 226,421	\$ -	\$ 10,000	\$ -	\$ -
Development fees and permits	-	18,578	-	99,437	-
Investment income	2,045	410	-	2,505	4,030
Other revenues	-	-	-	1,114	129,404
Total revenues	<u>228,466</u>	<u>18,988</u>	<u>10,000</u>	<u>103,056</u>	<u>133,434</u>
Expenditures:					
General government	140,671	32	-	199	845
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	46,001
Total expenditures	<u>140,671</u>	<u>32</u>	<u>-</u>	<u>199</u>	<u>46,846</u>
Excess of revenues over (under) expenditures	<u>87,795</u>	<u>18,956</u>	<u>10,000</u>	<u>102,857</u>	<u>86,588</u>
Other financing sources (uses):					
Transfers in	-	-	-	276,000	25,000
Transfers out	<u>(520,490)</u>	<u>-</u>	<u>(10,000)</u>	<u>(367,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(520,490)</u>	<u>-</u>	<u>(10,000)</u>	<u>(91,000)</u>	<u>25,000</u>
Net change in fund balances	(432,695)	18,956	-	11,857	111,588
Fund balances (deficits), beginning of year	<u>487,632</u>	<u>(86,848)</u>	<u>112</u>	<u>122,454</u>	<u>155,154</u>
Fund balances (deficits), end of year	<u>\$ 54,937</u>	<u>\$ (67,892)</u>	<u>\$ 112</u>	<u>\$ 134,311</u>	<u>\$ 266,742</u>

TDA	Community Redevelopment Agency UDAG Loan	Community Redevelopment Agency Housing Bond	Street Development Fees	Street Maintenance	Area A Lighting and Landscaping District	Benjamin Way Maintenance District
\$ 139,543	\$ -	\$ -	\$ -	-	122,058	\$ -
-	-	-	-	-	-	-
30	99,141	6	15,517	-	2,496	56
-	73,589	-	-	-	-	440
<u>139,573</u>	<u>172,730</u>	<u>6</u>	<u>15,517</u>	<u>-</u>	<u>124,554</u>	<u>496</u>
3	6,713	150,000	1,233	-	5,219	4
-	-	-	-	-	-	-
-	-	-	-	-	20,711	-
-	-	-	-	-	-	-
<u>3</u>	<u>6,713</u>	<u>150,000</u>	<u>1,233</u>	<u>-</u>	<u>25,930</u>	<u>4</u>
<u>139,570</u>	<u>166,017</u>	<u>(149,994)</u>	<u>14,284</u>	<u>-</u>	<u>98,624</u>	<u>492</u>
-	-	150,000	10,000	-	265,000	-
(139,543)	(425,000)	-	(1,093,317)	(228,659)	(315,000)	-
<u>(139,543)</u>	<u>(425,000)</u>	<u>150,000</u>	<u>(1,083,317)</u>	<u>(228,659)</u>	<u>(50,000)</u>	<u>-</u>
27	(258,983)	6	(1,069,033)	(228,659)	48,624	492
<u>1,795</u>	<u>4,051,318</u>	<u>20,814</u>	<u>1,086,718</u>	<u>228,659</u>	<u>83,373</u>	<u>2,515</u>
<u>\$ 1,822</u>	<u>\$ 3,792,335</u>	<u>\$ 20,820</u>	<u>\$ 17,685</u>	<u>-</u>	<u>131,997</u>	<u>\$ 3,007</u>

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CITY OF HEALDSBURG
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2003

	Public Safety	Other	Total Nonmajor Special Revenue Funds
Revenues:			
Intergovernmental revenues	\$ -	\$ 381,131	\$ 879,153
Development fees and permits	1,188	-	119,203
Investment income	407	7,676	134,319
Other revenues	-	10,000	214,547
Total revenues	1,595	398,807	1,347,222
Expenditures:			
General government	32	610	305,561
Public safety	6,036	-	6,036
Culture and recreation	-	-	20,711
Community development	-	-	46,001
Total expenditures	6,068	610	378,309
Excess of revenues over (under) expenditures	(4,473)	398,197	968,913
Other financing sources (uses):			
Transfers in	-	-	726,000
Transfers out	-	(356,412)	(3,455,421)
Total other financing sources (uses)	-	(356,412)	(2,729,421)
Net change in fund balances	(4,473)	41,785	(1,760,508)
Fund balances (deficits), beginning of year	23,291	385,402	6,562,389
Fund balances (deficits), end of year	\$ 18,818	\$ 427,187	\$ 4,801,881

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenues	\$ 137,580	\$ 137,580	\$ 226,421	\$ 88,841
Investment income	-	-	2,045	2,045
Total revenues	<u>137,580</u>	<u>137,580</u>	<u>228,466</u>	<u>90,886</u>
Expenditures:				
General government	<u>-</u>	<u>-</u>	<u>140,671</u>	<u>(140,671)</u>
Excess of revenues over expenditures	<u>137,580</u>	<u>137,580</u>	<u>87,795</u>	<u>(49,785)</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(520,490)</u>	<u>(520,490)</u>
Net change in fund balance	137,580	137,580	(432,695)	(570,275)
Fund balance, beginning of year	<u>487,632</u>	<u>487,632</u>	<u>487,632</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 625,212</u></u>	<u><u>\$ 625,212</u></u>	<u><u>\$ 54,937</u></u>	<u><u>\$ (570,275)</u></u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AIRPORT GRANT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenues	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Other financing sources (uses):				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>112</u>	<u>112</u>	<u>112</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 112</u></u>	<u><u>\$ 112</u></u>	<u><u>\$ 112</u></u>	<u><u>\$ -</u></u>

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Development fees and permits	\$ 82,280	\$ 82,280	\$ 99,437	\$ 17,157
Investment income	3,000	3,000	2,505	(495)
Other revenues	-	-	1,114	1,114
Total revenues	<u>85,280</u>	<u>85,280</u>	<u>103,056</u>	<u>17,776</u>
Expenditures:				
General government	-	-	199	(199)
Excess of revenues over expenditures	<u>85,280</u>	<u>85,280</u>	<u>102,857</u>	<u>17,577</u>
Other financing sources (uses):				
Transfers in	-	-	276,000	276,000
Transfers out	-	-	(367,000)	(367,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(91,000)</u>	<u>(91,000)</u>
Net change in fund balance	85,280	85,280	11,857	(73,423)
Fund balance, beginning of year	<u>122,454</u>	<u>122,454</u>	<u>122,454</u>	<u>-</u>
Fund balance, end of year	<u>\$ 207,734</u>	<u>\$ 207,734</u>	<u>\$ 134,311</u>	<u>\$ (73,423)</u>

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenues	\$ -	\$ 139,573	\$ 139,543	\$ (30)
Investment income	-	-	30	30
Total revenues	<u>-</u>	<u>139,573</u>	<u>139,573</u>	<u>-</u>
Expenditures:				
General government	<u>-</u>	<u>2</u>	<u>3</u>	<u>(1)</u>
Excess of revenues over expenditures	<u>-</u>	<u>139,571</u>	<u>139,570</u>	<u>(1)</u>
Other financing sources (uses):				
Transfers out	<u>(165,082)</u>	<u>(165,082)</u>	<u>(139,543)</u>	<u>25,539</u>
Total other financing sources (uses)	<u>(165,082)</u>	<u>(165,082)</u>	<u>(139,543)</u>	<u>25,539</u>
Net change in fund balance	(165,082)	(25,511)	27	25,538
Fund balance, beginning of year	<u>1,795</u>	<u>1,795</u>	<u>1,795</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (163,287)</u>	<u>\$ (23,716)</u>	<u>\$ 1,822</u>	<u>\$ 25,538</u>

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	\$ 133,000	\$ 133,000	\$ 99,141	\$ (33,859)
Other revenues	160,000	160,000	73,589	(86,411)
Total revenues	<u>293,000</u>	<u>293,000</u>	<u>172,730</u>	<u>(120,270)</u>
Expenditures:				
General government	<u>203,125</u>	<u>203,125</u>	<u>6,713</u>	<u>196,412</u>
Excess of revenues over expenditures	<u>89,875</u>	<u>89,875</u>	<u>166,017</u>	<u>76,142</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(425,000)</u>	<u>(425,000)</u>
Net change in fund balance	89,875	89,875	(258,983)	(348,858)
Fund balance, beginning of year	<u>4,051,318</u>	<u>4,051,318</u>	<u>4,051,318</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,141,193</u>	<u>\$ 4,141,193</u>	<u>\$ 3,792,335</u>	<u>\$ (348,858)</u>

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenues	\$ 133,024	\$ 133,024	\$ 122,058	\$ (10,966)
Investment income	2,285	2,285	2,496	211
Total revenues	<u>135,309</u>	<u>135,309</u>	<u>124,554</u>	<u>(10,755)</u>
Expenditures:				
General government	28,635	28,635	5,219	23,416
Culture and recreation	56,104	56,104	20,711	35,393
Total expenditures	<u>84,739</u>	<u>84,739</u>	<u>25,930</u>	<u>58,809</u>
Excess of revenues over expenditures	<u>50,570</u>	<u>50,570</u>	<u>98,624</u>	<u>48,054</u>
Other financing sources (uses):				
Transfers in	-	-	265,000	265,000
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(315,000)</u>	<u>(265,000)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	570	570	48,624	48,054
Fund balance, beginning of year	<u>83,373</u>	<u>83,373</u>	<u>83,373</u>	<u>-</u>
Fund balance, end of year	<u>\$ 83,943</u>	<u>\$ 83,943</u>	<u>\$ 131,997</u>	<u>\$ 48,054</u>

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 56	\$ 56
Other revenues	440	440	440	-
Total revenues	<u>440</u>	<u>440</u>	<u>496</u>	<u>56</u>
Expenditures:				
General government	<u>440</u>	<u>440</u>	<u>4</u>	<u>(436)</u>
Excess of revenues over expenditures	-	-	492	(380)
Fund balance, beginning of year	<u>2,515</u>	<u>2,515</u>	<u>2,515</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,515</u></u>	<u><u>\$ 2,515</u></u>	<u><u>\$ 3,007</u></u>	<u><u>\$ (380)</u></u>

CITY OF HEALDSBURG
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
PUBLIC SAFTEY FUND SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Development fees and permits	\$ -	\$ -	\$ 1,188	\$ 1,188
Investment income	-	-	407	407
Total revenues	<u>-</u>	<u>-</u>	<u>1,595</u>	<u>1,595</u>
Expenditures:				
General government	-	-	32	(32)
Public safety	<u>19,765</u>	<u>19,765</u>	<u>6,036</u>	<u>13,729</u>
Total expenditures	<u>19,765</u>	<u>19,765</u>	<u>6,068</u>	<u>13,697</u>
Excess of revenues over expenditures	(19,765)	(19,765)	(4,473)	15,292
Fund balance, beginning of year	<u>23,291</u>	<u>23,291</u>	<u>23,291</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,526</u></u>	<u><u>\$ 3,526</u></u>	<u><u>\$ 18,818</u></u>	<u><u>\$ 15,292</u></u>

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DEBT SERVICE FUNDS

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:

Nonmajor Debt Service Fund:

1) General Debt Service to account for long-term debt service of the City.

Major Debt Service Funds:

2) Community Redevelopment Agency Debt Service to account for the long-term debt service of the Community Redevelopment Agency.

3) Special Assessment Debt Service to account 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
NONMAJOR GENERAL DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 565,000	\$ 565,000	\$ 717,384	\$ 152,384
Investment income	4,000	4,000	9,958	5,958
Total revenues	<u>569,000</u>	<u>569,000</u>	<u>727,342</u>	<u>158,342</u>
Expenditures:				
Principal retirement	260,500	260,500	225,000	35,500
Interest and fees	308,500	308,500	291,213	17,287
Total expenditures	<u>569,000</u>	<u>569,000</u>	<u>516,213</u>	<u>52,787</u>
Excess of revenues over (under) expenditures	-	-	211,129	211,129
Fund balance, beginning of year	<u>537,700</u>	<u>537,700</u>	<u>537,700</u>	-
Fund balance, end of year	<u>\$ 537,700</u>	<u>\$ 537,700</u>	<u>\$ 748,829</u>	<u>\$ 211,129</u>

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	\$ 40,000	\$ 40,000	\$ 10,465	\$ (29,535)
Expenditures:				
Principal retirement	1,074,160	1,074,160	845,000	229,160
Interest and fees	677,570	677,570	993,661	(316,091)
Bond issue costs	-	-	282,344	(282,344)
Total expenditures	<u>1,751,730</u>	<u>1,751,730</u>	<u>2,121,005</u>	<u>(369,275)</u>
Excess of revenues over (under) expenditures	<u>(1,711,730)</u>	<u>(1,711,730)</u>	<u>(2,110,540)</u>	<u>(398,810)</u>
Other financing sources:				
Transfers in	1,717,974	1,717,974	1,827,576	109,602
Transfers out	-	-	(11,505,000)	(11,505,000)
Bond discount	-	-	(162,500)	(162,500)
Proceeds from long-term debt	-	-	13,000,000	13,000,000
Total other financing sources	<u>1,717,974</u>	<u>1,717,974</u>	<u>3,160,076</u>	<u>1,442,102</u>
Net change in fund balance	6,244	6,244	1,049,536	1,043,292
Fund balance, beginning of year	<u>1,807,438</u>	<u>1,807,438</u>	<u>1,807,438</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,813,682</u>	<u>\$ 1,813,682</u>	<u>\$ 2,856,974</u>	<u>\$ 1,043,292</u>

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Special assessments	\$ 328,690	\$ 328,690	\$ 323,632	\$ (5,058)
Investment income	20,000	20,000	11,990	(8,010)
Total revenues	<u>348,690</u>	<u>348,690</u>	<u>335,622</u>	<u>(13,068)</u>
Expenditures:				
Principal retirement	165,000	165,000	230,000	(65,000)
Interest and fees	183,690	183,690	177,792	5,898
Total expenditures	<u>348,690</u>	<u>348,690</u>	<u>407,792</u>	<u>(59,102)</u>
Excess of revenues over (under) expenditures	-	-	(72,170)	(72,170)
Fund balance, beginning of year	<u>665,017</u>	<u>665,017</u>	<u>665,017</u>	<u>-</u>
Fund balance, end of year	<u>\$ 665,017</u>	<u>\$ 665,017</u>	<u>\$ 592,847</u>	<u>\$ (72,170)</u>

NONMAJOR ENTERPRISE FUNDS

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:

- 1) Planning & Building to account for the provision of planning and building development within the City.
- 2) Transit to account for the provision of public transit service to the residents of the City.
- 3) Airport to account for the operation of the City airport.
- 4) Meeting Center to account for the provision of group meeting and conference facilities to the residents of the City wherein the primary revenue sources are rental fees and service charges.
- 5) School Services to account for the provision of services to the Healdsburg Schools.

CITY OF HEALDSBURG
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30,2003

	<u>Planning & Building</u>	<u>Transit</u>	<u>Airport</u>
ASSETS:			
Current assets:			
Cash and investments	\$ 619,476	\$ 13,346	\$ 240,459
Accounts receivable	812	-	6,813
Notes receivable, net	-	-	-
Inventory	-	-	19,218
Prepaid costs	30	-	-
Total current assets	<u>620,318</u>	<u>13,346</u>	<u>266,490</u>
Assets:			
Capital assets			
Land			119,834
Building	-	-	186,452
Streets	-	-	-
Machines and equipment	-	-	209,509
Operations	-	-	1,195,526
Construction in progress	-	-	13,395
Debt less accumulated depreciation	-	-	(644,978)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>1,079,738</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,079,738</u>
 TOTAL ASSETS	 <u>620,318</u>	 <u>13,346</u>	 <u>1,346,228</u>
 LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	12,467	70	6,331
Deposits from others	34,149	315	10,800
Due to other funds	-	-	14,008
 TOTAL CURRENT LIABILITIES	 <u>46,616</u>	 <u>385</u>	 <u>31,139</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	-	-	1,079,738
Unrestricted	573,702	12,961	235,352
 TOTAL NET ASSETS	 <u>\$ 573,702</u>	 <u>\$ 12,961</u>	 <u>\$ 1,315,090</u>

Meeting Center	School Services	Total
\$ 27,574	\$ 32,991	\$ 933,846
6,037	52	13,714
-	-	-
-	-	19,218
-	-	30
<u>33,611</u>	<u>33,043</u>	<u>966,808</u>
231,972	-	351,806
1,194,411	-	1,380,863
20,000	-	20,000
98,184	-	307,693
-	-	1,195,526
-	-	13,395
(382,115)	-	(1,027,093)
<u>1,162,452</u>	<u>-</u>	<u>2,242,190</u>
<u>1,162,452</u>	<u>-</u>	<u>2,242,190</u>
<u>1,196,063</u>	<u>33,043</u>	<u>3,208,998</u>
6,630	3,310	28,808
114,093	-	159,357
95,397	-	109,405
<u>216,120</u>	<u>3,310</u>	<u>297,570</u>
1,162,452	-	2,242,190
(182,509)	29,733	669,239
<u>\$ 979,943</u>	<u>\$ 29,733</u>	<u>\$ 2,911,429</u>

CITY OF HEALDSBURG
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS - NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Planning & Building	Transit	Airport
Operating revenues:			
Charges for services	\$ -	\$ 15,510	\$ 95,235
Development fees	544,169	-	-
Rental income	-	-	95,435
Other revenues	61,409	-	10
Total operating revenues	<u>605,578</u>	<u>15,510</u>	<u>190,680</u>
Operating expenses:			
Operations	342,892	117,296	107,139
Administrative	77,145	37,757	15,818
Depreciation	-	-	32,397
Total operating expenses	<u>420,037</u>	<u>155,053</u>	<u>155,354</u>
Operating income (loss)	<u>185,541</u>	<u>(139,543)</u>	<u>35,326</u>
Nonoperating revenues (expenses):			
Investment income	9,519	-	4,093
Interest expense	-	-	(4,260)
Total nonoperating revenues (expenses)	<u>9,519</u>	<u>-</u>	<u>(167)</u>
Income (loss) before transfers and capital contributions	195,060	(139,543)	35,159
Transfers in	-	139,543	10,000
Transfers out	-	-	-
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	195,060	-	45,159
Total net assets - beginning of year	<u>378,642</u>	<u>12,961</u>	<u>1,269,931</u>
Total net assets - end of year	<u>\$ 573,702</u>	<u>\$ 12,961</u>	<u>\$ 1,315,090</u>

Meeting Center	School Services	Total
\$ -	\$ 61,855	\$ 172,600
-	-	544,169
209,812	6,342	311,589
28,687	-	90,106
<u>238,499</u>	<u>68,197</u>	<u>1,118,464</u>
197,820	57,856	823,003
10,913	12,008	153,641
30,456	-	62,853
<u>239,189</u>	<u>69,864</u>	<u>1,039,497</u>
(690)	(1,667)	78,967
415	609	14,636
-	-	(4,260)
<u>415</u>	<u>609</u>	<u>10,376</u>
(275)	(1,058)	89,343
-	-	149,543
-	-	-
-	-	-
(275)	(1,058)	238,886
980,218	30,791	2,672,543
<u>\$ 979,943</u>	<u>\$ 29,733</u>	<u>\$ 2,911,429</u>

CITY OF HEALDSBURG
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Planning & Building	Transit	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 605,578	\$ 15,510	\$ 190,159
Payments to suppliers	(170,971)	(37,100)	(127,162)
Payments to employees	(242,004)	(118,334)	(15,414)
	<u>192,603</u>	<u>(139,924)</u>	<u>47,583</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	-	139,543	10,000
Cash paid to other funds	-	-	(4,100)
	<u>-</u>	<u>139,543</u>	<u>5,900</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	(91,291)
Interest paid	-	-	(4,260)
	<u>-</u>	<u>-</u>	<u>(95,551)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	10,948	-	4,326
	<u>10,948</u>	<u>-</u>	<u>4,326</u>
Net increase (decrease) in cash and cash equivalents	203,551	(381)	(37,742)
Cash and cash equivalents at beginning of year	415,925	13,727	278,201
Cash and cash equivalents at end of year	<u>\$ 619,476</u>	<u>\$ 13,346</u>	<u>\$ 240,459</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 185,541	\$ (139,543)	\$ 35,326
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	32,397
(Increase) decrease in accounts receivable	-	-	(521)
(Increase) decrease in inventory	-	-	(4,821)
(Increase) decrease in prepaid costs	1,243	-	-
Increase (decrease) in accounts payable	12,467	(150)	(11,847)
Increase (decrease) in deposits	(6,648)	(231)	(2,951)
Total adjustments	<u>7,062</u>	<u>(381)</u>	<u>12,257</u>
Net cash provided (used) by operating activities	<u>\$ 192,603</u>	<u>\$ (139,924)</u>	<u>\$ 47,583</u>
Noncash capital and related financing activities			
Contribution of capital assets from government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Meeting Center	School Services	Total
\$ 237,137	\$ 68,197	\$ 1,116,581
(73,911)	(60,832)	(469,976)
(136,032)	(11,961)	(523,745)
<u>27,194</u>	<u>(4,596)</u>	<u>122,860</u>
-	-	149,543
-	-	(4,100)
-	-	<u>145,443</u>
-	-	(91,291)
-	-	(4,260)
-	-	<u>(95,551)</u>
<u>380</u>	<u>689</u>	<u>16,343</u>
<u>380</u>	<u>689</u>	<u>16,343</u>
<u>27,574</u>	<u>(3,907)</u>	<u>189,095</u>
-	36,898	744,751
<u>\$ 27,574</u>	<u>\$ 32,991</u>	<u>\$ 933,846</u>
\$ (690)	\$ (1,667)	\$ 78,967
30,456	-	62,853
(1,362)	-	(1,883)
-	-	(4,821)
-	-	1,243
(2,704)	(2,929)	(5,163)
1,494	-	(8,336)
<u>27,884</u>	<u>(2,929)</u>	<u>43,893</u>
<u>\$ 27,194</u>	<u>\$ (4,596)</u>	<u>\$ 122,860</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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INTERNAL SERVICE FUNDS

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:

- 1) Insurance and Benefit Service to account for insurance, employee fringe benefits, and accrued compensated absences charged to the individual funds.
- 2) Vehicle Maintenance Service to account for acquisition and maintenance of City vehicles charged to the individual funds.
- 3) Information Services to account for acquisition and maintenance of City data processing equipment and software charged to the individual funds.
- 4) Building Maintenance Service to account 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, 2003

	Insurance and Benefit	Vehicle Maintenance	Information Services
ASSETS			
Current assets:			
Cash and investments	\$ 2,647,908	\$ 1,542,886	\$ 982,344
Accounts receivable	7,751	2,378	1,364
Notes receivable	-	-	32,528
Inventory	-	26,359	1,233
Prepaid items	-	-	-
Total current assets	2,655,659	1,571,623	1,017,469
Noncurrent assets:			
Capital assets			
Equipment	-	3,648,527	1,108,691
Less accumulated depreciation	-	(1,841,886)	(674,817)
Total capital assets (net of accumulated depreciation)	-	1,806,641	433,874
Total noncurrent assets	-	1,806,641	433,874
TOTAL ASSETS	2,655,659	3,378,264	1,451,343
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	315,782	21,146	21,538
Claims payable	183,980	-	-
Accrued compensated absences	1,520,012	-	-
TOTAL NONCURRENT LIABILITIES	2,019,774	21,146	21,538
NET ASSETS			
Invested in capital assets	-	1,806,641	433,874
Unrestricted	635,885	1,550,477	995,931
TOTAL NET ASSETS	\$ 635,885	\$ 3,357,118	\$ 1,429,805

<u>Building Maintenance</u>	<u>Total</u>
\$ 93,145	\$ 5,266,283
525	12,018
-	32,528
-	27,592
26,307	26,307
<u>119,977</u>	<u>5,364,728</u>
-	4,757,218
<u>-</u>	<u>(2,516,703)</u>
-	2,240,515
<u>-</u>	<u>2,240,515</u>
<u>119,977</u>	<u>7,605,243</u>
66,061	424,527
-	183,980
<u>-</u>	<u>1,520,012</u>
<u>66,061</u>	<u>2,128,519</u>
-	2,240,515
<u>53,916</u>	<u>3,236,209</u>
<u>\$ 53,916</u>	<u>\$ 5,476,724</u>

CITY OF HEALDSBURG
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Insurance and Benefit	Vehicle Maintenance	Information Services
Operating revenues:			
Charges for services	\$ 3,055,937	\$ 386,917	\$ 438,843
Replacement fees	-	204,930	292,369
Miscellaneous	127,653	1,918	-
Total operating revenues	<u>3,183,590</u>	<u>593,765</u>	<u>731,212</u>
Operating expenses:			
Operations	-	355,893	668,182
Administrative	10,999	13,277	59,456
Insurance costs	3,455,212	-	-
Depreciation	-	398,264	132,937
Total operating expenses	<u>3,466,211</u>	<u>767,434</u>	<u>860,575</u>
Operating income (loss)	<u>(282,621)</u>	<u>(173,669)</u>	<u>(129,363)</u>
Nonoperating revenues (expenses):			
Investment earnings	43,230	27,661	15,983
Gain (loss) on sale of assets	-	2,289	(5,317)
Total nonoperating revenues (expenses)	<u>43,230</u>	<u>29,950</u>	<u>10,666</u>
Income (loss) before transfers	(239,391)	(143,719)	(118,697)
Transfers in	-	85,913	71,441
Changes in net assets	(239,391)	(57,806)	(47,256)
Total net assets - beginning of year	<u>875,276</u>	<u>3,414,924</u>	<u>1,477,061</u>
Total net assets - end of year	<u>\$ 635,885</u>	<u>\$ 3,357,118</u>	<u>\$ 1,429,805</u>

<u>Building Maintenance</u>	<u>Total</u>
\$ 627,232	\$ 4,508,929
-	497,299
<u>20,525</u>	<u>150,096</u>
<u>647,757</u>	<u>5,156,324</u>
632,744	1,656,819
4,719	88,451
-	3,455,212
-	<u>531,201</u>
<u>637,463</u>	<u>5,731,683</u>
<u>10,294</u>	<u>(575,359)</u>
-	86,874
-	<u>(3,028)</u>
-	<u>83,846</u>
10,294	(491,513)
15,000	172,354
25,294	(319,159)
<u>28,622</u>	<u>5,795,883</u>
<u>\$ 53,916</u>	<u>\$ 5,476,724</u>

CITY OF HEALDSBURG
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Insurance and Benefit	Vehicle Maintenance	Information Services
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 3,185,202	\$ 594,125	\$ 734,263
Payments to suppliers	(3,213,425)	(205,704)	(575,543)
Payments to employees	-	(165,055)	(161,213)
Net cash provided (used) by operating activities	(28,223)	223,366	(2,493)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	-	85,913	71,441
Net cash provided by non-capital financing activities	-	85,913	71,441
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(174,172)	(75,143)
Net cash (used) by capital and related financing activities	-	(174,172)	(75,143)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	49,681	31,767	18,488
Loan proceeds	-	-	14,182
Net cash provided (used) by investing activities	49,681	31,767	32,670
Net increase (decrease) in cash and cash equivalents	21,458	166,874	26,475
Cash and cash equivalents at beginning of year	2,626,450	1,376,012	955,869
Cash and cash equivalents at end of year	\$ 2,647,908	\$ 1,542,886	\$ 982,344
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (282,621)	\$ (173,669)	\$ (129,363)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	398,264	132,937
(Increase) decrease in accounts receivable	1,612	360	3,051
(Increase) decrease in inventory	-	(14,093)	905
(Increase) decrease in prepaid costs	-	-	1,589
Increase (decrease) in accounts payable	(4,377)	12,504	(11,612)
Increase (decrease) in other accrued liabilities	257,163	-	-
Total adjustments	254,398	397,035	126,870
Net cash provided (used) by operating activities	\$ (28,223)	\$ 223,366	\$ (2,493)

<u>Building Maintenance</u>	<u>Total</u>
\$ 647,232	\$ 5,160,822
(600,860)	(4,595,532)
(7,629)	(333,897)
<u>38,743</u>	<u>231,393</u>
15,000	172,354
<u>15,000</u>	<u>172,354</u>
-	(249,315)
<u>-</u>	<u>(249,315)</u>
-	99,936
-	14,182
<u>-</u>	<u>114,118</u>
53,743	268,550
39,402	4,997,733
<u>39,402</u>	<u>4,997,733</u>
<u>\$ 93,145</u>	<u>\$ 5,266,283</u>
\$ 10,294	\$ (575,359)
-	531,201
(525)	4,498
-	(13,188)
(7,861)	(6,272)
36,835	33,350
<u>-</u>	<u>257,163</u>
28,449	806,752
<u>28,449</u>	<u>806,752</u>
<u>\$ 38,743</u>	<u>\$ 231,393</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 funds are:

Private Purpose Trusts:

- 1) Industrial Development Authority to account for and administer funds of the Industrial Development Authority.
- 2) Community Redevelopment Agency to account for and administer funds of the Downtown
Downtown Business District (DBD) Business District.
- 3) Senior Center Trust to account for and administer funds of the Senior Center Trust.
- 4) Community Benefit Trust to account for and administer funds of the Community Benefit Trust.
- 5) Plaza Flowers Veterans Trust to account for and administer funds for purchasing flowers for the Plaza to honor Veterans.

CITY OF HEALDSBURG
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2003

	Industrial Development Authority	Community Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
ASSETS						
Cash and investments	\$ 5,178	\$ 29,227	\$ 112,106	\$ 685,496	\$ 3,789	\$ 835,796
Receivables:						
Interest	8	17	172	1,098	6	1,301
TOTAL ASSETS	<u>5,186</u>	<u>29,244</u>	<u>112,278</u>	<u>686,594</u>	<u>3,795</u>	<u>837,097</u>
LIABILITIES						
Accounts payable	-	-	-	98	-	98
Deposits	-	2,206	-	-	-	2,206
TOTAL LIABILITIES	<u>-</u>	<u>2,206</u>	<u>-</u>	<u>98</u>	<u>-</u>	<u>2,304</u>
NET ASSETS						
Held in trust for other purposes	<u>\$ 5,186</u>	<u>\$ 27,038</u>	<u>\$ 112,278</u>	<u>\$ 686,496</u>	<u>\$ 3,795</u>	<u>\$ 834,793</u>

CITY OF HEALDSBURG
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Industrial Development Authority	Community Redevelopment Agency DBD	Senior Center Trust	Community Benefit Trust	Plaza Flowers Veterans Trust	Total
ADDITIONS						
Contributions	\$ -	\$ 27,440	\$ -	\$ -	\$ -	\$ 27,440
Investment income	97	197	2,016	12,868	74	15,252
Fees and charges	-	20,000	14,131	-	-	34,131
Total additions	<u>97</u>	<u>47,637</u>	<u>16,222</u>	<u>14,863</u>	<u>74</u>	<u>78,893</u>
DEDUCTIONS						
Community development	8	52,320	160	66,194	249	118,931
Additions (Deductions) before Transfers	89	(4,683)	16,062	(51,331)	(175)	(40,038)
Transfers in	-	-	-	50,000	-	50,000
Change in net assets	89	(4,683)	16,062	(1,331)	(175)	9,962
Net assets - beginning	<u>5,097</u>	<u>31,721</u>	<u>96,216</u>	<u>687,827</u>	<u>3,970</u>	<u>824,831</u>
Net assets - ending	<u>\$ 5,186</u>	<u>\$ 27,038</u>	<u>\$ 112,278</u>	<u>\$ 686,496</u>	<u>\$ 3,795</u>	<u>\$ 834,793</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

This is the first year of implementation of the government-wide expenses by program. Current year totals will continue to be added to this schedule until a total of ten years are listed.

<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

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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

This is the first year of implementation of the government-wide revenues by source. Current year totals will continue to be added to this schedule until a total of ten years are listed.

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

REVENUES	1993-94	1994-95	1995-96	1996-97
Property taxes	\$ 595,776	\$ 583,291	\$ 591,724	\$ 628,493
Special assessments	148,298	7,626	181,942	217,145
Sales and franchise taxes	2,394,469	2,520,291	2,714,278	2,839,887
Development fees & permits	247,864	909,905	841,895	1,359,596
Investment income	311,381	295,005	368,447	340,793
Intergovernmental revenues	750,633	947,203	987,498	840,506
Charges for services	143,544	78,772	118,135	151,192
Other revenue	471,587	813,962	1,370,155	49,554
Subtotal	<u>5,063,552</u>	<u>6,156,055</u>	<u>7,174,074</u>	<u>6,427,166</u>
Debt financing	4,175,000	-	2,612,701	1,280,266
Total Revenues	<u>\$ 9,238,552</u>	<u>\$ 6,156,055</u>	<u>\$ 9,786,775</u>	<u>\$ 7,707,432</u>

GENERAL EXPENDITURES BY FUNCTION*
LAST TEN FISCAL YEARS

EXPENDITURES	1993-94	1994-95	1995-96	1996-97
General government	\$ 242,993	\$ 176,826	\$ 204,107	\$ 282,285
Public safety	2,322,796	2,610,168	2,756,034	2,933,313
Community development	316,208	464,233	267,373	391,317
Public works	151,206	102,397	136,947	147,750
Cultural and recreation	385,841	232,370	286,133	307,626
Capital outlay	1,974,087	1,682,696	2,072,609	3,735,970
Debt service (Including note redemption)	4,856,200	710,013	802,172	851,263
Other expenditures	510,057	1,020,484	440,082	886,985
Total Expenditures	<u>\$ 10,759,388</u>	<u>\$ 6,999,187</u>	<u>\$ 6,965,457</u>	<u>\$ 9,536,509</u>

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

Source: The City's annual financial statements.

<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
\$ 636,989	\$ 681,395	\$ 976,372	\$ 1,094,489	\$ 1,270,617	1,325,131
287,436	471,013	425,696	385,152	424,321	323,632
2,869,372	2,897,593	3,328,149	3,697,606	3,915,318	3,515,406
790,474	1,074,368	1,376,556	564,113	142,675	119,203
288,123	290,052	425,102	798,823	316,559	135,577
1,071,011	1,515,698	1,339,619	1,570,120	2,073,657	1,833,631
108,686	118,930	290,240	264,751	270,913	283,063
704,619	1,129,076	495,107	699,103	905,273	245,391
<u>6,756,710</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>
2,675,000	-	-	-	-	-
<u>\$ 9,431,710</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>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
\$ 301,790	\$ 347,728	\$ 353,450	\$ 465,798	\$ 733,522	369,884
3,262,318	3,479,962	3,531,101	3,833,197	4,058,757	4,572,653
553,352	598,295	510,129	8,893	5,180	-
151,934	150,897	511,008	551,717	584,390	-
370,477	408,636	475,404	534,290	576,737	27,167
342,721	824,417	2,327,136	2,132,504	2,172,396	5,628,557
980,651	878,738	983,690	937,439	1,040,942	1,127,005
3,632,620	933,824	-	-	-	-
<u>\$ 9,595,863</u>	<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>

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>
93-94	1.0594%	533,663 *	533,663	100.0%	727,349
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

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

* Total secured levy of \$948,982.37 less redevelopment levy of \$413,622.44

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
93-94	503,928,809	37,467,326	1,655,285	13,921,600	543,051,420
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

Source: County of Sonoma, Auditor

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>
93-94	0.0500	1.0	0.0034
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

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 %	0.0005 %	1.0599 %
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

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>
93-94	6,775,000	1.248 %	690.06
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	0.519 %	499.56

* Refunded and reissued

Source: City of Healdsburg, Finance Department

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

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collected (1)</u>
93-94	141,289	138,465
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
01-02	339,133	322,172

(1) Includes prepayments and foreclosures.

Source: County of Sonoma, Special Assessments

CITY OF HEALDSBURG
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2003

Assessed Valuation	<u>\$ 1,102,206,452</u>
Debt limit 15% Assessed Value	\$ 165,330,968
Amount of Debt applicable to Debt Limit	<u>(5,720,000)</u>
Legal Debt Margin	<u>\$ 159,610,968</u>

Source: City of Healdsburg, Finance Department

CITY OF HEALDSBURG
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 JUNE 30, 2003

<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	\$ 5,720,000	100.0%	<u>\$ 5,720,000</u>
Total Direct Debt			<u><u>\$ 5,720,000</u></u>
City of Healdsburg Public Improvement Corporation	855,000	100.0%	<u>\$ 855,000</u>
Total Overlapping Debt			<u><u>\$ 855,000</u></u>
Total Direct and Overlapping Debt			<u><u>\$ 6,575,000</u></u>

Source: City of Healdsburg, Finance Department

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
1993-94	5,000	342,073	347,073	10,759,388	3.2 %
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 %

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>
1994	9,818	0.6 %	422,090	2.3 %
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 %

Source: 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

Source: The City's Annual Financial Statements

- (1) Gross revenues include operating income and interest income from the Water and 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 %

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

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

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

Note: Bank deposits are FDIC deposits only.

<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

CITY OF HEALDSBURG
 HEALDSBURG COMMUNITY REDEVELOPMENT AGENCY
 SOTOYOME REDEVELOPMENT PROJECT AREA
 LARGEST SECURED PROPERTY TAX PAYERS
 FISCAL YEAR 2002-2003

<u>Tax Payer</u>	<u>Type of Business</u>
Brush James E. and Nancy B. Trust	Housing
Destrueel Properties LLC	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

Source: County of Sonoma Assessor's Office

CITY OF HEALDSBURG
SCHEDULE OF INSURANCE AND SURETY BONDS
2002-2003 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. (07/01/02 - 06/30/03)	\$ 669,071 **
USAIG #360AC-28694	\$5,000,000 - No S.I.R., Non-Owned Aircraft (03/01/03 - 03/01/04)	\$ 27,000
<u>WORKERS' COMPENSATION</u>		
United States Fidelity and Guaranty Co. Employers' Liability #DRE3601100	\$1,700,000 xs \$300,000 S.I.R. (09/13/00 - 07/01/03)	
United States Fidelity & Guaranty #DRE3601100	Statutory xs \$300,000 S.I.R. (09/13/00 - 07/01/2003)	\$ 93,555 ***
<u>PROPERTY</u>		
CHUBB #6607494	\$145,000,000 xs \$5,000,000 all risk (excluding earthquake and flood). (07/01/02 - 07/01/03)	\$ 125,176
USF & G DRE1540399	\$5,000,000 xs \$25,000 S.I.R. (07/01/01 - 07/01/03)	
Hartford Steam Boiler Ins. Co. FBP4909988	\$19,995,000 xs \$1,000 S.I.R., Boiler/Machinery - Mechanical breakdown to boilers and other pressure vessels - Fixed rate per City**** (07/01/02 - 07/01/03)	\$ 37,594
Fireman's Fund #S95MXX80799295	Automobile Physical Damage Coverage, damage to vehicles off premises \$1,490,000 xs \$10,000 S.I.R. (07/01/02 - 07/01/03)	\$ 67,893
<u>BONDS</u>		
Fidelity & Deposit Companies #CCP0044417	\$1,975,000 xs \$25,000 S.I.R., Honesty Blanket Bond and Forgery Coverage (10/01/99 - 10/01/2002)	\$ 29,282
	\$990,000 - \$10,000 - REMIF., Treasurer/C.E.O. Bond (10/01/02 - 10/01/2005)	\$ 1,572

* Risk Sharing Self-Funded Pool

*** Subject to Payroll Audit

** Contribution

**** S.I.R. and Limits Different for Healdsburg and Ukiah
Electrical Substations

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, 2003

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 - 9 Personnel - 40 Reserves/Volunteer
Cultural/Recreational	- 1 Museum - 1 Library - 1 Senior Center - 7 Parks - 1 Golf Course - 1 Swimming Pool
City Personnel	- 106 Full-Time - 17 Part Time - 52 Reserve/Volunteer - 2 Seasonal Workers - 10 Temporary

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

Source: City of Healdsburg, Personnel Department

CITY OF HEALDSBURG
SCHEDULE OF TEN MAJOR BUSINESSES
JUNE 30, 2003

Name	Type of Business
Garrett Hardware & Plumbing	Hardware
Healdsburg Lumber Company	Lumber Products
Longs Drug Stores	Retail Store
McConnell Chevrolet/Olds/Geo	Car Dealer
Opperman & Son Used Trucks	Car Dealer
Safeway Stores	Grocery Store
Silveira Pontiac/Buick/GMC	Car Dealer
Syar Industries	Building Materials
Vintage Water Works Supply	Building Materials
W.C. Sanderson Ford	Car Dealer

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

Source: State Board of Equalization

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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

Source: Healdsburg Unified School District

CITY OF HEALDSBURG
SCHEDULE OF NET INCOME
WATER FUND
FOR THE YEARS ENDED JUNE 30, 1994-2003

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating Revenues:				
Utility service charges	\$ 3,444,666	\$ 2,909,292	\$ 2,671,027	\$ 2,455,946
Other	337,914	117,311	550,220	11,590
Total Operating Revenues	<u>3,782,580</u>	<u>3,026,603</u>	<u>3,221,247</u>	<u>2,467,536</u>
Operating Expenses:				
Operations	1,517,772	1,354,427	1,660,270	1,083,534
General and administrative	536,962	433,550	509,320	438,603
Depreciation	326,350	297,844	292,935	302,469
Miscellaneous	-	-	-	-
Total Operating Expenses	<u>2,381,084</u>	<u>2,085,821</u>	<u>2,462,525</u>	<u>1,824,606</u>
Income (Loss) from Operations	<u>1,401,496</u>	<u>940,782</u>	<u>758,722</u>	<u>642,930</u>
Non-operating Revenues (Expenses):				
Intergovernmental grant	-	-	-	-
Investment income	124,305	202,237	547,840	225,955
Interest expense	(620,906)	(472,959)	(451,480)	(420,335)
Loss in disposal of assets	-	-	(128,719)	(23,622)
Other expenses	-	-	-	-
Total Non-operating Revenues (Expenses)	<u>(496,601)</u>	<u>(270,722)</u>	<u>(32,359)</u>	<u>(218,002)</u>
Income (Loss) Before Operating Transfers and Capital Contributions	904,895	670,060	726,363	424,928
Operating Transfers In (Out)	<u>(181,761)</u>	<u>282,014</u>	<u>375,850</u>	<u>(98,200)</u>
Net Income Before Capital Contributions	723,134	952,074	1,102,213	326,728
Capital Contributions	<u>21,161</u>	<u>233,840</u>	<u>202,854</u>	<u>-</u>
Net Income (Loss)	<u>\$ 744,295</u>	<u>\$ 1,185,914</u>	<u>\$ 1,305,067</u>	<u>\$ 326,728</u>

Source: City of Healdsburg, Finance Department

1999	1998	1997	1996	1995	1994
\$ 2,224,131	\$ 1,860,618	\$ 1,743,286	\$ 1,555,991	\$ 1,359,348	\$ 1,429,109
23,796	45,768	293	1,623	524	3,084
<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>	<u>1,432,193</u>
1,102,837	814,111	834,368	695,562	708,933	693,377
476,717	493,428	403,615	347,497	300,950	313,231
266,307	223,450	205,798	175,892	166,095	160,946
-	-	-	-	-	-
<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>1,167,554</u>
<u>402,066</u>	<u>375,397</u>	<u>299,798</u>	<u>338,663</u>	<u>183,894</u>	<u>264,639</u>
2,183	15,155	371	29,049	78,981	-
203,983	353,151	348,861	291,015	218,504	94,946
(437,190)	(471,541)	(396,073)	(324,277)	(207,803)	(130,308)
(9,865)	(100,292)	(150)	(2,000)	-	-
-	-	(480)	-	(169,163)	(96,454)
<u>(240,889)</u>	<u>(203,527)</u>	<u>(47,471)</u>	<u>(6,213)</u>	<u>(79,481)</u>	<u>(131,816)</u>
161,177	171,870	252,327	332,450	104,413	132,823
-	-	-	-	-	-
161,177	171,870	252,327	332,450	104,413	132,823
-	-	-	-	-	-
<u>\$ 161,177</u>	<u>\$ 171,870</u>	<u>\$ 252,327</u>	<u>\$ 332,450</u>	<u>\$ 104,413</u>	<u>\$ 132,823</u>

SCHEDULE OF CASH FLOWS
WATER FUND
FOR THE YEARS ENDED JUNE 30 1994-2003

	2003	2002	2001
Cash flows from operating activities:			
Operating income (loss)	\$ 1,401,496	\$ 940,782	\$ 758,722
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	326,350	297,844	292,935
Other revenue (expense)	-	-	-
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	16,243	(44,799)	(110,651)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventory	(10,228)	11,098	(21,087)
(Increase) decrease in prepaid costs	(1,058)	349	(23)
Increase (decrease) in accounts payable	(160,088)	113,979	194,320
Increase (decrease) in other accrued liabilities	-	-	-
Increase (decrease) in deposits	(8,396)	3,900	3,859
Total adjustments	<u>162,823</u>	<u>382,371</u>	<u>359,353</u>
Net cash provided (used) by operating activities	<u>1,564,319</u>	<u>1,323,153</u>	<u>1,118,075</u>
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	-	-
Operating transfers in (out)	(535,042)	282,014	375,850
Net cash provided (used) by non-capital financing activities	<u>(181,761)</u>	<u>282,014</u>	<u>375,850</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets			
Developer financed	-	-	-
Capital replacement	(1,363,437)	(3,456,560)	(1,003,448)
Capacity expansion	-	-	-
Contributed capital			
Development/connection/annexation fees	21,161	233,840	202,854
Contributed - other funds	-	-	-
Residual equity transfer	-	-	-
Developer contributions	-	-	-
Certificates of participation proceeds	5,510,000	-	10,136,304
Retirement of debt	(280,000)	(244,287)	(7,135,000)
Certificate issuance cost	-	-	-
Interest expense	(759,269)	(467,993)	(812,483)
Net cash provided (used) by capital and related financing activities	<u>3,128,455</u>	<u>(3,935,000)</u>	<u>1,388,227</u>
Cash flows from investing activities:			
Investment income	136,982	280,893	505,175
(Increase) decrease in investments	-	(357,562)	(1,480,698)
(Increase) decrease in loans	-	-	39,410
Net cash provided (used) by investing activities	<u>136,982</u>	<u>(76,669)</u>	<u>(936,113)</u>
Net increase in cash and cash equivalents	4,647,995	(2,406,502)	1,946,039
Cash and cash equivalents at beginning of year	<u>5,329,778</u>	<u>2,946,999</u>	<u>1,000,960</u>
Cash and cash equivalents at end of year	<u>\$ 9,977,773</u>	<u>\$ 540,497</u>	<u>\$ 2,946,999</u>
Noncash capital and related financing activities			
Acquisition of capital assets	-	-	(128,719)
Contributed capital by developer	-	-	-
Net noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (128,719)</u>

2000	1999	1998	1997	1996	1995	1994
\$ 642,930	\$ 402,066	\$ 375,397	\$ 313,527	\$ 338,663	\$ 183,894	\$ 264,639
302,469	266,307	223,450	205,798	175,892	166,095	160,946
-	-	-	(480)	-	(169,163)	(96,454)
(51,580)	(123,531)	4,893	(47,849)	(58,449)	(2,642)	(3,766)
61,653	27,009	(73,824)	13,327	69,871	(98,036)	-
(5,964)	(485)	6,878	(7,136)	9,365	3,959	(4,624)
(10)	(13)	(7)	(296)	-	-	-
(21,771)	(152,361)	144,952	16,085	73,448	(11,482)	43,736
-	-	-	-	-	-	-
(2,700)	3,115	882	1,362	(234)	485	220
<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>100,058</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>	<u>364,697</u>
-	2,183	-	371	29,049	78,981	-
190,000	350,000	15,155	-	-	-	-
-	-	(540,000)	-	-	-	-
(98,200)	-	-	-	-	-	-
<u>91,800</u>	<u>352,183</u>	<u>(524,845)</u>	<u>371</u>	<u>29,049</u>	<u>78,981</u>	<u>-</u>
-	(1,177,121)	-	-	-	(9,430)	-
(994,589)	-	(1,095,076)	(710,448)	(203,264)	(161,661)	(177,085)
-	-	(2,558,019)	(809,647)	(497,677)	(601,388)	(341,042)
808,451	630,774	-	525,703	319,028	9,430	53,112
-	-	468,544	-	-	379,389	-
-	-	-	-	-	-	-
-	-	-	-	-	450	-
-	-	(137,145)	2,256,982	(86,497)	1,871,100	2,672,237
(155,144)	(162,144)	-	(1,272)	-	(90,005)	(38,786)
-	-	-	(128,231)	-	(97,852)	(81,938)
(405,496)	(422,330)	(456,722)	(396,073)	(359,428)	(207,803)	(130,308)
<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>	<u>1,956,190</u>
206,284	227,923	352,539	335,308	266,241	214,347	95,804
(500,000)	(505)	(145,777)	(390,632)	(730,283)	24,458	(194,633)
(54,027)	-	-	-	-	-	-
<u>(347,743)</u>	<u>227,418</u>	<u>206,762</u>	<u>(55,324)</u>	<u>(464,042)</u>	<u>238,805</u>	<u>(98,829)</u>
(77,694)	(129,113)	(3,413,880)	1,176,399	(654,275)	1,483,126	2,222,058
1,078,654	1,207,767	4,621,647	3,445,248	4,099,523	2,616,397	394,339
<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>	<u>\$ 2,616,397</u>
(23,622)	-	(100,291)	-	-	-	-
-	-	-	-	-	-	-
<u>\$ (23,622)</u>	<u>\$ -</u>	<u>\$ (100,291)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Water Sold/Hundred Cubic Feet</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>
July	110,956	118,685	108,472	122,066
August	123,944	113,624	114,116	131,962
September	120,511	120,337	131,329	121,255
October	91,758	96,208	96,509	101,461
November	66,644	66,631	86,171	80,801
December	48,514	46,518	61,056	49,770
January	45,314	42,918	44,547	47,217
February	41,170	39,739	42,181	41,516
March	42,028	41,429	40,255	47,892
April	56,115	45,163	47,948	63,923
May	64,899	51,226	72,286	83,648
June	<u>87,231</u>	<u>79,329</u>	<u>86,467</u>	<u>104,167</u>
Total	<u><u>899,084</u></u>	<u><u>861,807</u></u>	<u><u>931,337</u></u>	<u><u>995,678</u></u>
<u>Total Billings</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>
July	\$ 160,111	\$ 169,240	\$ 154,609	\$ 188,123
August	179,462	163,483	162,825	203,078
September	172,440	170,528	182,462	188,169
October	139,196	142,559	157,302	165,211
November	109,147	108,038	143,281	136,543
December	86,207	83,686	110,599	95,532
January	82,616	79,645	89,569	97,292
February	78,285	75,546	85,528	88,334
March	78,831	78,031	83,723	98,801
April	94,024	81,736	94,013	124,611
May	105,626	88,924	123,635	153,486
June	<u>130,922</u>	<u>120,108</u>	<u>142,433</u>	<u>183,860</u>
Total	<u><u>\$ 1,416,867</u></u>	<u><u>\$ 1,361,524</u></u>	<u><u>\$ 1,529,979</u></u>	<u><u>\$ 1,723,040</u></u>
<u>Revenue/Hundred Cubic Feet</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>
July	\$ 1.443	\$ 1.426	\$ 1.425	\$ 1.541
August	1.448	1.439	1.426	1.539
September	1.431	1.417	1.389	1.552
October	1.517	1.482	1.629	1.629
November	1.638	1.621	1.663	1.690
December	1.777	1.799	1.811	1.920
January	1.823	1.856	2.010	2.061
February	1.902	1.901	2.027	2.128
March	1.876	1.883	2.079	2.063
April	1.676	1.810	1.960	1.949
May	1.628	1.736	1.710	1.835
June	<u>1.501</u>	<u>1.514</u>	<u>1.647</u>	<u>1.765</u>
Average	<u><u>\$ 1.576</u></u>	<u><u>\$ 1.580</u></u>	<u><u>\$ 1.643</u></u>	<u><u>\$ 1.731</u></u>

Source: City of Healdsburg - Utility Department

<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
119,625	94,098	124,006	120,565	122,998	129,426
139,487	135,762	125,072	119,845	120,704	134,202
112,813	119,448	103,036	217,593	128,824	132,107
92,941	103,846	103,860	8,651	96,824	105,646
75,646	76,280	77,746	71,730	70,075	88,514
45,455	48,932	50,628	151,493	48,562	47,080
44,931	52,084	55,095	47,985	49,833	48,905
39,433	38,840	44,171	42,371	43,534	44,149
38,803	39,852	34,009	42,520	46,318	39,681
40,930	46,017	61,625	56,940	54,006	64,949
50,155	64,504	75,098	82,539	84,024	48,948
<u>63,595</u>	<u>104,760</u>	<u>96,390</u>	<u>127,578</u>	<u>117,528</u>	<u>102,559</u>
<u>863,814</u>	<u>924,423</u>	<u>950,736</u>	<u>1,089,810</u>	<u>983,230</u>	<u>986,166</u>
<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
\$ 208,061	\$ 203,715	\$ 277,183	\$ 290,991	\$ 316,829	\$ 377,692
236,396	277,541	284,246	292,455	314,358	388,593
201,602	249,641	232,324	540,325	328,654	383,287
196,647	228,998	247,081	18,874	271,307	335,532
165,812	181,375	201,201	201,770	213,148	296,673
114,830	131,430	145,122	154,596	168,193	185,751
115,288	138,061	145,569	155,795	174,432	203,678
108,191	113,418	131,064	140,012	161,461	187,490
106,582	118,801	128,168	143,159	167,578	181,951
113,351	128,293	169,873	169,252	189,216	255,351
128,089	163,752	194,035	224,054	258,382	212,741
148,085	238,927	239,254	317,661	336,732	352,706
<u>\$ 1,842,934</u>	<u>\$ 2,173,952</u>	<u>\$ 2,395,120</u>	<u>\$ 2,648,944</u>	<u>\$ 2,900,290</u>	<u>\$ 3,361,445</u>
<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
\$ 1.739	\$ 2.165	\$ 2.235	\$ 2.414	\$ 2.575	\$ 2.918
1.695	2.044	2.273	2.440	2.604	2.896
1.787	2.090	2.255	2.483	2.551	2.901
2.116	2.205	2.379	2.182	2.802	3.176
2.192	2.378	2.588	2.813	3.041	3.352
2.526	2.686	2.866	1.020	3.463	3.945
2.566	2.651	2.642	3.247	3.500	4.165
2.744	2.920	2.967	3.304	3.708	4.247
2.747	2.981	3.769	3.367	3.617	4.585
2.769	2.788	2.757	2.972	3.503	3.932
2.554	2.539	2.584	2.715	3.075	4.346
2.329	2.281	2.482	2.490	2.865	3.440
<u>\$ 2.133</u>	<u>\$ 2.352</u>	<u>\$ 2.519</u>	<u>\$ 2.431</u>	<u>\$ 2.950</u>	<u>\$ 3.409</u>

CITY OF HEALDSBURG
SCHEDULE OF NET INCOME
SEWER FUND
FOR THE YEARS ENDED JUNE 30, 1994-2003

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating Revenues:				
Utility service charges	\$ 3,128,820	\$ 2,826,766	\$ 2,461,635	\$ 2,142,903
Other	951,379	446,407	790,121	642
Total Operating Revenues	<u>4,080,199</u>	<u>3,273,173</u>	<u>3,251,756</u>	<u>2,143,545</u>
Operating Expenses:				
Operations	806,290	699,797	682,268	801,228
General and administrative	958,426	853,289	746,544	443,019
Depreciation	462,182	461,567	434,226	475,136
Total Operating Expenses	<u>2,226,898</u>	<u>2,014,653</u>	<u>1,863,038</u>	<u>1,719,383</u>
Income (Loss) from Operations	<u>1,853,301</u>	<u>1,258,520</u>	<u>1,388,718</u>	<u>424,162</u>
Non-operating Revenues (Expenses):				
Intergovernmental grant	-	-	-	-
Investment income	131,172	191,295	501,221	178,311
Interest expense	(182,045)	(185,189)	(178,442)	(50,490)
Loss in disposal of assets	-	-	(190,477)	(39,624)
Other expenses	-	-	-	-
Total Non-operating Revenues (Expenses)	<u>(50,873)</u>	<u>6,106</u>	<u>132,302</u>	<u>88,197</u>
Income (Loss) Before Operating and Transfers and Capital Contributions	1,802,428	1,264,626	1,521,020	512,359
Operating Transfers In (Out)	<u>(81,760)</u>	<u>(337,942)</u>	<u>(325,400)</u>	<u>434,800</u>
Net Income Before Capital Contributions	1,720,668	926,684	1,195,620	947,159
Capital Contributions	<u>47,261</u>	<u>410,448</u>	<u>440,261</u>	<u>-</u>
Net Income (Loss)	<u>\$ 1,767,929</u>	<u>\$ 1,337,132</u>	<u>\$ 1,635,881</u>	<u>\$ 947,159</u>

Source: City of Healdsburg, Finance Department

1999	1998	1997	1996	1995	1994
\$ 1,882,704	\$ 1,585,660	\$ 1,373,948	\$ 1,141,300	\$ 1,039,003	\$ 1,053,009
42,902	91,628	14,092	-	-	-
<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>	<u>1,053,009</u>
848,612	647,522	535,866	633,629	530,317	519,153
500,628	443,145	405,181	375,655	344,987	309,144
418,628	366,880	340,035	308,598	293,756	288,246
<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>1,116,543</u>
157,738	219,741	106,958	(176,582)	(130,057)	(63,534)
93	1,405	16	31,774	23,303	-
75,980	179,167	38,765	40,921	59,214	23,804
(52,082)	(218,657)	(31,532)	-	-	(44)
(8,616)	(1,573)	(152,018)	(3,282)	(10,163)	(295)
-	-	7,159	-	(39,658)	-
<u>15,375</u>	<u>(39,658)</u>	<u>(137,610)</u>	<u>69,413</u>	<u>32,696</u>	<u>23,465</u>
173,113	180,083	(36,521)	(107,169)	(97,361)	(40,069)
-	-	-	-	-	-
173,113	180,083	(36,521)	(107,169)	(97,361)	(40,069)
-	-	-	-	-	-
<u>\$ 173,113</u>	<u>\$ 180,083</u>	<u>\$ (36,521)</u>	<u>\$ (107,169)</u>	<u>\$ (97,361)</u>	<u>\$ (40,069)</u>

SCHEDULE OF CASH FLOWS
SEWER FUND
FOR THE YEARS ENDED JUNE 30 1994-2003

	2003	2002	2001
Cash flows from operating activities:			
Operating income (loss)	\$ 1,853,301	\$ 1,258,520	\$ 1,388,718
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	462,182	461,567	434,226
Other revenue (expenses)			
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(129,344)	523	(33,873)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventory	(126)	254	40
(Increase) decrease in prepaid costs	(394)	349	(23)
Increase (decrease) in accounts payable	485,153	2,067	(103,690)
Increase (decrease) in deposits	(600)	-	-
Total adjustments	<u>816,871</u>	<u>464,760</u>	<u>296,680</u>
Net cash provided (used) by operating activities	<u>2,670,172</u>	<u>1,723,280</u>	<u>1,685,398</u>
Cash flows from non-capital financing activities:			
Intergovernmental grant	-	-	-
(Increase) decrease in due from other funds	3,282	-	-
Operating transfers in (out)	(85,042)	(337,942)	(325,400)
Net cash provided (used) by non-capital financing activities	<u>(81,760)</u>	<u>(337,942)</u>	<u>(325,400)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets			
Developer financed	-	-	-
Capital replacement	(1,339,677)	(1,647,554)	(2,348,656)
Capacity expansion	-	-	-
Contributed capital			
Construction reimbursement	47,261	410,448	440,261
Dev./connection/annexation fees	-	-	-
Contributed - other funds	-	-	-
Certificates of participation proceeds	-	-	2,572,497
Certificate issuance cost	-	-	-
Interest paid	(175,953)	(180,010)	(263,346)
Residual equity transfer	-	-	-
Retirement of debt	(60,000)	(54,090)	-
Interest expense	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,528,369)</u>	<u>(1,471,206)</u>	<u>400,756</u>
Cash flows from investing activities:			
Investment income	142,556	267,700	451,788
(Increase) decrease in investments	-	(222,875)	(1,245,880)
(Increase) decrease in loans	-	-	7,066
Net cash provided (used) by investing activities	<u>142,556</u>	<u>44,825</u>	<u>(787,026)</u>
Net increase in cash and cash equivalents	1,202,599	(41,043)	973,728
Cash and cash equivalents at beginning of year	<u>6,231,891</u>	<u>1,214,913</u>	<u>241,185</u>
Cash and cash equivalents at end of year	<u>\$ 7,434,490</u>	<u>\$ 1,173,870</u>	<u>\$ 1,214,913</u>
Noncash capital and related financing activities			
Acquisition of capital assets	-	-	(190,477)
Contributed capital - other funds	-	-	-
Contributed capital by developer	-	-	-
Net noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (190,477)</u>

Source: City of Healdsburg, Finance Department

	2000	1999	1998	1997	1996	1995	1994
\$	424,162	\$ 157,738	\$ 219,741	\$ 115,407	\$ (176,582)	\$ (130,057)	\$ (63,534)
	475,136	418,628	366,880	340,035	308,598	293,756	288,246
	-	-	-	(7,159)	-	(39,658)	-
	(41,075)	(42,437)	(45,837)	(3,860)	(32,412)	(9,639)	(3,248)
	12,866	10,895	(12,445)	18,052	10,544	(39,912)	-
	23	52	(95)	1,808	(1,694)	368	54
	(10)	(13)	(7)	(296)	-	-	-
	(91,780)	253,582	(115,265)	88,851	4,862	(7,301)	(68,558)
	782	-	(182)	-	-	-	-
	<u>355,942</u>	<u>640,707</u>	<u>193,049</u>	<u>437,431</u>	<u>289,898</u>	<u>197,614</u>	<u>216,494</u>
	<u>780,104</u>	<u>798,445</u>	<u>412,790</u>	<u>552,838</u>	<u>113,316</u>	<u>67,557</u>	<u>152,960</u>
	-	93	1,405	16	31,774	23,303	-
(190,000)	-	-	-	-	-	-	-
434,800	(350,000)	540,000	-	-	-	-	-
<u>244,800</u>	<u>(349,907)</u>	<u>541,405</u>	<u>16</u>	<u>31,774</u>	<u>23,303</u>	<u>-</u>	<u>-</u>
	-	(436,504)	-	-	-	(35,120)	-
(417,787)	-	(239,048)	(1,539,799)	(914,135)	(109,725)	(312,331)	(155,365)
-	-	(2,137,278)	(1,480,888)	(169,580)	(326,088)	(170,173)	-
1,478,099	879,194	1,276,075	2,184,670	-	35,120	-	-
-	-	-	-	380,855	413,522	83,982	-
-	-	-	-	-	140,717	170,173	-
(14,684)	(14,683)	(14,683)	940,658	-	-	-	-
(48,215)	(49,808)	(216,382)	(67,097)	-	-	-	-
-	-	-	(31,532)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(109)	(1,349)	(44)
-	-	-	-	-	-	-	-
<u>997,413</u>	<u>378,199</u>	<u>(1,331,316)</u>	<u>6,012</u>	<u>(702,860)</u>	<u>118,317</u>	<u>(214,934)</u>	<u>-</u>
145,594	68,256	178,994	40,298	42,410	55,459	32,495	
(2,986,273)	(602,993)	3,681	(1,041)	299,219	147,950	(449,809)	
(25,176)	-	-	-	-	-	-	
<u>(2,865,855)</u>	<u>(534,737)</u>	<u>182,675</u>	<u>39,257</u>	<u>341,629</u>	<u>203,409</u>	<u>(417,314)</u>	
(843,538)	292,000	(194,446)	598,123	(216,141)	412,586	(479,288)	
1,084,723	792,723	987,169	389,046	738,027	325,441	804,729	
<u>\$ 241,185</u>	<u>\$ 1,084,723</u>	<u>\$ 792,723</u>	<u>\$ 987,169</u>	<u>\$ 521,886</u>	<u>\$ 738,027</u>	<u>\$ 325,441</u>	
(39,624)	(8,616)	(1,573)	-	(2,473,636)	(140,717)	-	
-	-	-	-	2,473,636	140,717	-	
-	-	-	-	-	-	-	
<u>\$ (39,624)</u>	<u>\$ (8,616)</u>	<u>\$ (1,573)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF HEALDSBURG
SCHEDULE OF NET INCOME (LOSS)
ELECTRIC FUND
FOR THE YEARS ENDED JUNE 30, 1994-2003

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating Revenues:				
Utility service charges	\$ 8,391,718	\$ 8,239,704	\$ 7,357,293	\$ 7,034,610
Other	177,162	148,242	85,163	6,577
Total Operating Revenues	<u>8,568,880</u>	<u>8,387,946</u>	<u>7,442,456</u>	<u>7,041,187</u>
Operating Expenses:				
Electric procurement	5,626,154	8,597,303	5,684,650	4,631,989
Operations	1,241,154	1,122,220	1,204,423	859,526
General and administrative	1,227,609	1,185,925	901,891	890,836
Depreciation	343,468	311,980	274,093	262,526
Total Operating Expenses	<u>8,438,385</u>	<u>11,217,428</u>	<u>8,065,057</u>	<u>6,644,877</u>
Income (Loss) from Operations	<u>130,495</u>	<u>(2,829,482)</u>	<u>(622,601)</u>	<u>396,310</u>
Non-operating Revenues (Expenses):				
Intergovernmental grant	15,000	69,500	-	-
Investment income	186,073	259,678	535,405	672,157
Interest expense	(5,981)	(12,688)	(13,138)	(13,813)
Loss in disposal of assets	(640)	-	(174,726)	(76,820)
Other expenses	-	-	-	-
Total Non-operating Revenues (Expenses)	<u>194,452</u>	<u>316,490</u>	<u>347,541</u>	<u>581,524</u>
Income (Loss) Before Operating and Transfers and Capital Contributions	324,947	(2,512,992)	(275,060)	977,834
Operating Transfers In (Out)	<u>(180,727)</u>	<u>(2,942)</u>	<u>(875,400)</u>	<u>(273,350)</u>
Net Income Before Capital Contributions	144,220	(2,515,934)	(1,150,460)	704,484
Capital Contributions	<u>191,082</u>	<u>552,848</u>	<u>771,208</u>	<u>-</u>
Net Income (Loss)	<u>\$ 335,302</u>	<u>\$ (1,963,086)</u>	<u>\$ (379,252)</u>	<u>\$ 704,484</u>

Source: City of Healdsburg, Finance Department

<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
\$ 7,016,103	\$ 6,916,923	\$ 6,768,072	\$ 6,693,616	\$ 6,444,853	\$ 6,714,651
8,331	3,436	1,519	4,796	15,826	1,142
<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>	<u>6,715,793</u>
3,827,387	4,583,568	4,631,057	4,618,668	4,629,267	4,669,318
777,565	655,861	728,524	678,568	647,378	622,247
836,624	826,285	709,120	699,769	610,098	653,285
276,846	273,224	262,436	265,513	260,591	275,031
<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>6,219,881</u>
<u>1,306,012</u>	<u>581,421</u>	<u>438,454</u>	<u>435,894</u>	<u>313,345</u>	<u>495,912</u>
-	-	-	35,690	26,666	-
604,540	519,502	551,795	447,650	398,444	394,905
(16,347)	(19,166)	(21,841)	(24,319)	(26,880)	(28,778)
(41,747)	(4,662)	(34,968)	-	(148)	(37)
-	-	(84)	-	(64,667)	-
<u>546,446</u>	<u>495,674</u>	<u>494,902</u>	<u>459,021</u>	<u>333,415</u>	<u>366,090</u>
1,852,458	1,077,095	933,356	894,915	646,760	862,002
-	-	-	-	-	-
<u>1,852,458</u>	<u>1,077,095</u>	<u>933,356</u>	<u>894,915</u>	<u>646,760</u>	<u>862,002</u>
-	-	-	-	-	-
<u>\$ 1,852,458</u>	<u>\$ 1,077,095</u>	<u>\$ 933,356</u>	<u>\$ 894,915</u>	<u>\$ 646,760</u>	<u>\$ 862,002</u>

SCHEDULE OF CASH FLOWS
ELECTRIC FUND
FOR THE YEARS ENDED JUNE 30 1994-2003

	2003	2002	2001
Cash flows from operating activities:			
Operating income (loss)	\$ 130,495	\$ (2,829,482)	\$ (622,602)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	343,468	311,980	274,093
Other revenue (expenses)	-	-	-
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	175,983	(160,500)	(181,460)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventory	(125,070)	32,177	60,245
(Increase) decrease in prepaid costs	(429,786)	(55,155)	403,247
Increase (decrease) in accounts payable	230,134	(187,026)	101,177
Increase (decrease) in deposits	(11,308)	(572,476)	(432,978)
Total adjustments	<u>183,421</u>	<u>(631,000)</u>	<u>224,324</u>
Net cash provided (used) by operating activities	<u>313,916</u>	<u>(3,460,482)</u>	<u>(398,278)</u>
Cash flows from non-capital financing activities:			
Intergovernmental grant	-	69,500	-
(Increase) decrease in due from other funds	47,327	87,034	(1,726,953)
Operating transfers in (out)	<u>(180,727)</u>	<u>(2,942)</u>	<u>(875,400)</u>
Net cash provided (used) by non-capital financing activities	<u>(133,400)</u>	<u>153,592</u>	<u>(2,602,353)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets			
Developer financed	(465,719)	(834,684)	(792,389)
Capital replacement	-	-	-
Capacity expansion	-	-	-
Contributed capital			
Construction reimbursement	191,082	552,848	771,208
Dev./connection/annexation fees	-	-	-
Contributed - other funds	-	-	-
Residual equity transfer	-	-	-
Certificates of participation proceeds			
Retirement of debt	(165,000)	(9,750)	(9,750)
Certificate issuance cost	-	-	-
Advances to other funds			
Interest paid	-	(11,861)	(12,310)
Net cash provided (used) by capital and related financing activities	<u>(439,637)</u>	<u>(303,447)</u>	<u>(43,241)</u>
Cash flows from investing activities:			
Investment income	208,156	359,161	589,907
(Increase) decrease in investments	-	245,225	3,572,392
(Increase) decrease in loan receivables	-	-	4,247
Net cash provided (used) by investing activities	<u>208,156</u>	<u>604,386</u>	<u>4,166,546</u>
Net increase in cash and cash equivalents	(50,965)	(3,005,951)	1,122,674
Cash and cash equivalents at beginning of year	<u>7,673,360</u>	<u>3,206,038</u>	<u>2,059,564</u>
Cash and cash equivalents at end of year	<u>\$ 7,622,395</u>	<u>\$ 200,087</u>	<u>\$ 3,182,238</u>
Noncash capital and related financing activities			
Acquisition of capital assets	-	-	(174,726)
Net noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (174,726)</u>

2000	1999	1998	1997	1996	1995	1994
\$ 396,310	\$ 1,306,012	\$ 581,421	\$ 457,465	\$ 435,894	\$ 313,345	\$ 495,912
262,526	276,846	273,224	262,436	265,513	260,591	275,031
-	-	-	(84)	-	(64,667)	-
(145,072)	(95,880)	7,504	35,087	(148,922)	(56,412)	114,490
11,215	8,111	(6,355)	22,832	3,609	(39,412)	13,000
(392,202)	10,300	(56,342)	(69,472)	40,097	(24,504)	(7,079)
(425,652)	348,391	(348,411)	(298)	-	-	-
14,464	(132,193)	160,201	(2,302)	35,344	4,549	(6,335)
3,026	(1,097)	(6,440)	(5,964)	(5,839)	635	5,320
<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>394,427</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>	<u>890,339</u>
-	-	-	-	35,690	26,666	-
(478,399)	5,989	359,701	(299,003)	60,660	311,364	(388,873)
(273,350)	-	-	-	-	-	-
<u>(751,749)</u>	<u>5,989</u>	<u>359,701</u>	<u>(299,003)</u>	<u>96,350</u>	<u>338,030</u>	<u>(388,873)</u>
(371,383)	(1,014,041)	(361,656)	(200,353)	(61,289)	(72,828)	(50,259)
-	-	(206,271)	(195,464)	(56,752)	(296,262)	(258,215)
-	-	(235,529)	(272,970)	(375,819)	(78,008)	(109,111)
632,651	977,900	687,039	491,647	43,422	122,276	42,353
-	-	-	-	195,590	105,481	100,924
-	-	-	-	-	-	-
-	-	-	(40,000)	-	-	(54,254)
(9,750)	(42,748)	(42,750)	827	(36,750)	-	-
-	-	-	-	(31,069)	(28,750)	(28,750)
-	-	-	-	-	827	-
-	-	-	-	-	(26,880)	-
<u>(12,986)</u>	<u>(15,520)</u>	<u>(18,338)</u>	<u>(21,591)</u>	<u>-</u>	<u>-</u>	<u>(27,951)</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>	<u>(385,263)</u>
619,909	590,543	505,422	545,931	428,916	394,333	381,931
(5,224,626)	(1,102,150)	-	1,028,197	118,193	(515,475)	(783,216)
(24,928)	-	1,698,679	1,151	2,676	3,425	97,432
<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>	<u>(303,853)</u>
(5,418,247)	1,120,463	2,991,099	1,738,072	949,164	340,294	(187,650)
7,477,811	6,357,348	3,366,249	1,628,177	679,013	338,719	(1,039,000)
<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>\$ (1,226,650)</u>
(76,820)	(41,747)	(4,662)	-	-	-	-
<u>\$ (76,820)</u>	<u>\$ (41,747)</u>	<u>\$ (4,662)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>
<u>Number of Customers</u>				
Residential	3,759	3,771	3,833	3,892
Industrial and Heavy Commercial	72	69	75	70
Commercial	764	768	767	760
Municipal	58	62	57	54
Outside Lighting	<u>40</u>	<u>44</u>	<u>40</u>	<u>40</u>
Total	<u><u>4,693</u></u>	<u><u>4,714</u></u>	<u><u>4,772</u></u>	<u><u>4,816</u></u>
<u>Energy Sales (MWH)</u>				
Residential	21,339	21,698	22,111	22,389
Industrial and Heavy Commercial	3,034	2,231	2,830	2,351
Commercial	33,479	31,913	32,291	33,222
Municipal	3,989	4,044	5,152	4,852
Outside Lighting	<u>506</u>	<u>586</u>	<u>587</u>	<u>585</u>
Total	<u><u>62,347</u></u>	<u><u>60,472</u></u>	<u><u>62,971</u></u>	<u><u>63,399</u></u>
<u>Operating Billings (in millions)</u>				
Residential	\$2.509	\$2.473	\$2.484	\$2.660
Industrial and Heavy Commercial	0.336	0.271	0.318	0.217
Commercial	3.593	3.379	3.406	3.466
Municipal	0.329	0.311	0.385	0.370
Outside Lighting	<u>0.037</u>	<u>0.037</u>	<u>0.037</u>	<u>0.037</u>
Total	<u><u>\$6.804</u></u>	<u><u>\$6.471</u></u>	<u><u>\$6.630</u></u>	<u><u>\$6.750</u></u>

Source: City of Healdsburg - Utility Department

<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
3,933	3,872	4,192	4,351	4,381	4,387
83	87	80	78	100	89
781	819	834	817	855	865
65	64	66	74	72	77
<u>41</u>	<u>42</u>	<u>60</u>	<u>43</u>	<u>20</u>	<u>19</u>
<u>4,903</u>	<u>4,884</u>	<u>5,232</u>	<u>5,363</u>	<u>5,428</u>	<u>5,437</u>
22,822	23,552	23,446	25,028	24,596	25,015
2,676	3,485	3,197	3,695	3,142	2,945
34,764	34,323	33,417	35,099	34,326	35,676
4,754	4,959	4,975	4,540	4,794	4,628
<u>584</u>	<u>585</u>	<u>585</u>	<u>583</u>	<u>585</u>	<u>583</u>
<u>65,600</u>	<u>66,904</u>	<u>65,620</u>	<u>68,945</u>	<u>67,443</u>	<u>68,847</u>
\$2.749	\$2.891	\$2.883	\$3.073	\$3.154	\$3.200
0.296	0.377	0.342	0.393	0.378	0.367
3.667	3.679	3.632	3.801	4.013	4.148
0.375	0.407	0.401	0.375	0.434	0.418
<u>0.039</u>	<u>0.042</u>	<u>0.041</u>	<u>0.040</u>	<u>0.042</u>	<u>0.042</u>
<u>\$7.126</u>	<u>\$7.396</u>	<u>\$7.299</u>	<u>\$7.682</u>	<u>\$8.021</u>	<u>\$8.175</u>

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

MWH Sold	1993-94	1994-95	1995-96	1996-97
July	5,323	5,023	5,136	5,633
August	5,672	4,975	5,552	5,545
September	5,763	5,668	5,819	5,671
October	5,382	5,108	5,137	5,485
November	5,132	5,108	5,509	5,255
December	5,073	5,222	5,214	5,054
January	5,819	5,479	5,294	5,501
February	4,820	4,846	5,292	5,068
March	5,071	4,702	4,911	4,938
April	4,597	5,035	4,809	4,908
May	4,714	4,348	5,175	4,945
June	4,986	4,958	5,122	5,403
Total	<u>62,352</u>	<u>60,472</u>	<u>62,970</u>	<u>63,406</u>

Total Billings	1993-94	1994-95	1995-96	1996-97
July	\$ 644,304	\$ 590,827	\$ 563,683	\$ 625,541
August	686,071	573,984	649,474	638,438
September	690,447	642,293	683,515	644,785
October	638,202	597,238	605,405	617,658
November	615,465	594,360	630,650	621,274
December	521,568	510,614	500,712	517,247
January	581,173	535,067	522,973	567,330
February	467,775	473,886	493,159	519,189
March	490,828	457,477	464,377	414,694
April	440,875	481,677	449,782	468,136
May	446,715	429,937	481,428	480,457
June	580,575	584,555	585,331	645,139
Total	<u>\$ 6,803,998</u>	<u>\$ 6,471,915</u>	<u>\$ 6,630,489</u>	<u>\$ 6,759,888</u>

Revenue/KWH	1993-94	1994-95	1995-96	1996-97
July	\$ 0.12104	\$ 0.11762	\$ 0.10975	\$ 0.11105
August	0.12096	0.11537	0.11698	0.11513
September	0.11981	0.11332	0.11746	0.11370
October	0.11858	0.11692	0.11785	0.11261
November	0.11993	0.11636	0.11448	0.11830
December	0.10281	0.09778	0.09603	0.10234
January	0.09988	0.09766	0.09879	0.10313
February	0.09705	0.09779	0.09319	0.10244
March	0.09679	0.09729	0.09456	0.08398
April	0.09590	0.09567	0.09353	0.09538
May	0.09476	0.09888	0.09303	0.09716
June	0.11644	0.11790	0.11428	0.11940
Average	<u>\$ 0.10912</u>	<u>\$ 0.10702</u>	<u>\$ 0.10530</u>	<u>\$ 0.10661</u>

Source: City of Healdsburg - Utility Department

<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
5,711	5,562	5,648	5,939	5,956	6,229
5,867	6,421	5,649	6,085	5,359	6,199
5,937	6,358	4,870	6,319	5,957	6,168
5,642	5,444	5,595	5,903	5,661	5,937
5,541	5,604	5,585	5,759	5,305	5,932
5,331	5,522	5,175	5,756	5,545	5,176
5,635	5,903	6,243	5,942	6,340	6,203
5,318	5,305	5,192	5,710	5,476	5,444
5,127	5,096	5,219	5,131	5,260	4,780
4,880	5,438	5,480	5,166	5,159	6,119
5,193	4,948	5,328	5,186	5,438	4,934
5,417	5,303	5,636	6,053	5,985	5,726
<u>65,599</u>	<u>66,904</u>	<u>65,620</u>	<u>68,949</u>	<u>67,441</u>	<u>68,847</u>

<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
\$ 656,462	\$ 671,528	\$ 692,743	\$ 722,003	\$ 780,420	\$ 807,825
699,997	780,065	688,545	735,508	697,647	800,312
699,392	749,469	585,033	773,672	786,546	804,981
665,868	670,085	685,507	724,567	732,969	760,045
650,609	668,750	670,965	694,730	689,792	778,722
514,425	549,073	529,404	584,830	593,797	552,882
572,904	608,149	642,128	599,428	690,829	673,403
522,153	514,981	520,977	578,460	593,782	582,690
509,542	510,713	527,653	518,509	566,423	503,378
474,375	542,747	537,206	508,492	544,544	649,836
510,582	486,301	518,346	504,507	563,299	516,598
648,465	644,267	699,600	736,195	781,609	743,948
<u>\$ 7,124,774</u>	<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>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
\$ 0.11495	\$ 0.12074	\$ 0.12270	\$ 0.12156	\$ 0.13103	\$ 0.12969
0.11931	0.12147	0.12190	0.12087	0.13018	0.12910
0.11780	0.11788	0.12010	0.12243	0.13203	0.13051
0.11802	0.12309	0.12250	0.12274	0.12947	0.12802
0.11742	0.11933	0.12020	0.12063	0.13002	0.13128
0.09650	0.09943	0.10230	0.10160	0.10708	0.10682
0.10167	0.10302	0.10290	0.10087	0.10896	0.10851
0.09819	0.09707	0.10030	0.10130	0.10843	0.10703
0.09938	0.10022	0.10110	0.10105	0.10768	0.10531
0.09721	0.09981	0.09800	0.09843	0.10555	0.10620
0.09832	0.09828	0.09730	0.09728	0.10358	0.10470
0.11971	0.12149	0.12410	0.12162	0.13059	0.12993
<u>\$ 0.10861</u>	<u>\$ 0.11055</u>	<u>\$ 0.11122</u>	<u>\$ 0.11140</u>	<u>\$ 0.11894</u>	<u>\$ 0.11874</u>

CITY OF HEALDSBURG
 SCHEDULE OF ELECTRICITY PURCHASED
 LAST TEN FISCAL YEARS

<u>KW</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
Jul	13,895	12,470	14,459	15,120	15,927
Aug	13,761	12,984	14,615	15,130	15,941
Sep	12,885	12,608	13,717	12,430	15,332
Oct	8,671	10,936	12,302	14,220	12,606
Nov	10,700	11,406	11,169	10,970	13,089
Dec	11,597	11,781	11,685	12,440	12,490
Jan	10,883	11,145	11,983	12,050	12,082
Feb	11,902	11,096	11,504	11,100	11,966
Mar	11,246	11,464	10,757	11,120	11,466
Apr	10,805	10,534	12,822	11,120	11,823
May	11,143	10,967	12,462	14,330	11,464
Jun	<u>12,664</u>	<u>13,310</u>	<u>14,335</u>	<u>14,200</u>	<u>14,172</u>
Peak Month	July	June	August	August	August

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

<u>MWH</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
Jul	5,873	5,356	5,911	6,124	5,865
Aug	6,063	5,862	6,129	6,233	6,113
Sep	5,693	5,474	5,081	5,618	5,724
Oct	5,078	5,411	5,467	5,847	5,286
Nov	5,185	5,344	5,869	5,353	4,171
Dec	5,907	5,748	6,233	5,764	5,892
Jan	5,607	5,489	5,708	5,725	5,971
Feb	5,050	4,790	5,207	4,975	5,412
Mar	5,327	5,338	5,410	5,478	5,805
Apr	5,052	4,886	5,280	5,296	5,509
May	5,179	5,202	5,462	5,896	5,483
Jun	<u>5,394</u>	<u>4,915</u>	<u>5,689</u>	<u>5,810</u>	<u>5,971</u>
Total	<u><u>65,408</u></u>	<u><u>63,815</u></u>	<u><u>67,446</u></u>	<u><u>68,119</u></u>	<u><u>67,202</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>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
16,258	17,714	16,315	17,445	18,428
17,417	15,742	16,545	16,262	17,553
14,856	14,970	16,820	13,207	16,539
11,768	13,657	12,778	15,572	14,710
11,688	11,953	12,639	11,926	11,219
12,307	12,739	12,700	11,630	11,797
12,156	12,741	12,610	12,172	11,746
11,901	11,836	12,214	11,729	11,597
11,958	11,683	11,343	11,039	11,009
11,590	11,699	11,890	11,926	10,925
14,900	16,766	17,156	15,228	15,605
<u>14,700</u>	<u>16,971</u>	<u>15,800</u>	<u>17,741</u>	<u>18,173</u>
August	July	May	June	July

<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
6,442	5,631	6,344	6,100	6,229
6,679	7,174	6,814	6,822	6,199
6,072	7,344	6,501	6,198	6,168
5,990	5,486	6,249	6,215	5,937
5,619	4,327	6,003	5,737	5,932
6,169	6,278	6,322	6,297	5,176
6,111	5,983	6,333	6,391	6,203
5,441	5,394	5,576	5,468	5,444
5,905	5,727	5,771	5,856	4,780
5,450	5,535	5,471	5,765	6,119
6,121	6,102	6,243	6,132	4,934
<u>6,032</u>	<u>6,073</u>	<u>6,139</u>	<u>6,505</u>	<u>5,726</u>
<u><u>72,031</u></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>

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.

Source: NCPA Financial Advisory Report

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CITY OF HEALDSBURG
HEALDSBURG COMMUNITY REDEVELOPMENT AGENCY
SOTOYOME REDEVELOPMENT PROJECT AREA
TAXABLE VALUE AND TAX INCREMENTS
FOR FISCAL YEARS ENDED JUNE 30, 1994 THROUGH 2003

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Total Assessed Valuation (Gross)	\$ 378,702	\$ 391,898	\$ 399,303	\$ 405,026	\$ 413,121	\$ 436,239
Net Secured	338,107	352,601	361,192	366,872	378,356	396,553
Net Public Utility	1,655	1,845	1,345	1,381	-	-
Net Unsecured	31,761	30,254	29,539	29,519	27,538	32,431
Exemptions	(7,177)	(7,194)	(7,225)	(7,254)	(7,227)	(7,255)
Total Assessed Valuation (Net)	371,524	384,701	392,077	397,772	405,894	428,984
Gross Tax Increment	2,762,758	2,885,571	2,970,700	3,001,463	3,148,209	3,495,808

Source : Finance Department

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
\$	473,223	\$ 514,651	\$ 566,710	\$ 685,633
	420,831	454,487	504,194	616,609
	-	-	-	-
	45,144	52,959	55,391	61,936
	(7,248)	(7,205)	(7,125)	(7,088)
	465,975	507,446	559,585	678,545
	3,849,868	4,322,409	4,725,371	5,509,106

CITY OF HEALDSBURG
 HEALDSBURG COMMUNITY REDEVELOPMENT AGENCY
 SOTOYOME REDEVELOPMENT PROJECT AREA
 TAX INCREMENT / TAX REVENUES
 FOR FISCAL YEARS ENDED JUNE 30, 1994 THROUGH 2003

<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

Source: Finance Department