

**CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND**

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND

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June 30, 2009 and 2008

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November 16, 2009

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Transit Enterprise Fund of the City of Healdsburg as of and for the years ended June 30, 2009 and June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Healdsburg. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As discussed more fully in Note 1, the financial statements present only the Transit Enterprise Fund and are not intended to present fairly the financial position of the City of Healdsburg, and the results of its operations and cash flows of its proprietary fund in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit Enterprise Fund of the City of Healdsburg as of June 30, 2009 and June 30, 2008, and the results of operations and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS:		
Cash and investments (Note 2)	\$ 105,944	\$ 97,128
Accounts receivable	-	34
Interest receivable	79	141
Due from other government	<u>15,222</u>	<u>10,735</u>
TOTAL ASSETS	<u>121,245</u>	<u>108,038</u>
LIABILITIES:		
Accounts payable	199	451
Deposits	<u>20</u>	<u>299</u>
TOTAL LIABILITIES	<u>219</u>	<u>750</u>
NET ASSETS:		
Unrestricted	<u>\$ 121,026</u>	<u>\$ 107,288</u>

See independent auditors' report and notes to financial statements.

CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES:		
Service charges	\$ 19,211	\$ 19,733
OPERATING EXPENSES:		
General and administrative	106,370	95,965
Operations	176,904	176,786
TOTAL OPERATING EXPENSES	283,274	272,751
OPERATING LOSS	(264,063)	(253,018)
NONOPERATING REVENUES:		
Intergovernmental revenues:		
Measure M	41,581	46,230
Metropolitan Transportation Commission	235,666	204,938
Interest income	554	950
TOTAL NONOPERATING REVENUES	277,801	252,118
INCOME (LOSS) BEFORE TRANSFERS	13,738	(900)
TRANSFER FROM:		
Transportation Development Act		
Special Revenue Fund	-	3,304
CHANGES IN NET ASSETS	13,738	2,404
NET ASSETS - BEGINNING OF YEAR	107,288	104,884
NET ASSETS - END OF YEAR	\$ 121,026	\$ 107,288

See independent auditors' report and notes to financial statements.

CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 19,245	\$ 20,397
Payments to suppliers	(111,898)	(62,350)
Payments to employees	(171,907)	(210,171)
NET CASH PROVIDED (USED)		
BY OPERATING ACTIVITIES	(264,560)	255
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from Transportation Development Act Special Revenue Fund (net)	-	3,304
Intergovernmental revenue	272,760	251,429
NET CASH PROVIDED BY		
NONCAPITAL FINANCING ACTIVITIES	272,760	254,733
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	616	950
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,816	255,938
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	97,128	93,569
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 105,944	\$ 97,128
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (264,063)	\$ (253,018)
Adjustment to reconcile operating (income) loss to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	34	911
(Increase) decrease in due from other government	-	261
Increase (decrease) in accounts payable	(252)	230
Increase (decrease) in deposits	(279)	(247)
NET CASH PROVIDED BY		
OPERATING ACTIVITIES	\$ (264,560)	\$ 255

See independent auditors' report and notes to financial statements.

CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

1. SIGNIFICANT ACCOUNTING POLICIES:

a. Description of Reporting Entity:

The City of Healdsburg (the City) established the Transportation Development Act Special Revenue Fund (the TDA Fund) to collect the State moneys allocated to the City from the State of California under the Transportation Development Act of 1971. The TDA funds were transferred to the Transit Enterprise Fund to cover operating expenses of the transit service. In fiscal year 2008, the TDA Fund was closed and the remaining cash balance of \$3,304 was transferred to the Transit Enterprise Fund. All activities (other than the cash transfer of \$3,304 in 2008) which include receipts of TDA funds and expenses are reported in the Transit Enterprise Fund. The moneys are used to support the operations of the Transit Enterprise Fund of the City.

The accompanying financial statements present only the Transit Enterprise Fund and are not intended to present the financial position and results of operations of the City of Healdsburg in conformity with accounting principles generally accepted in the United States of America.

The Transit Enterprise Fund is an integral part of the City and the accompanying financial statements are included in the basic financial statements of the City.

b. Basis of Presentation:

The financial statements of the Transit Enterprise Fund of the City have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) of the Committee of Accounting Procedures issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements.

c. Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Net assets are segregated into amounts invested in capital assets, net of related debt (if any), restricted (if any), and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

See independent auditors' report.

CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2009 and 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Basis of Accounting (Continued):

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. TDA revenues are recorded when all eligibility requirements have been met.

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. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, vehicle maintenance and administrative expenses. 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Investments:

Investments are stated at fair value, 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.

e. Cash and Cash Equivalents:

All cash and investments of the Transit Enterprise Fund are pooled with the City's cash and investments and are, therefore, considered cash equivalents for the purposes of the statement of cash flows.

f. 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 expenses during the reporting period. Actual results could differ from those estimates and assumptions.

See independent auditors' report.

CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2009 and 2008

2. CASH AND INVESTMENTS:

The City maintains a cash and investment pool that is available for use by all funds. The Transit Enterprise Fund moneys are held as part of the City-wide pool. Additional disclosures regarding authorized investments, interest rate risk, credit risk and custodial credit risk is applicable to the City as a whole and is included in the City's comprehensive annual financial report.

3. TRANSIT ENTERPRISE FUND ASSISTANCE:

The Transit Enterprise Fund received \$235,666 and \$204,938 from the Metropolitan Transportation Commission for the years ended June 30, 2009 and 2008, respectively, to cover the operating costs of the City's transit service. Amounts received in excess of the annual adjusted cost, as defined, are unearned until approval is received from Metropolitan Transportation Commission (MTC) to be used in the subsequent year. If approval is not received from the MTC to use the funds in a subsequent year, the funds are returned to MTC.

The TDA funds received for the years ended June 30, 2009 and 2008 were used to cover operating costs of the transit service resulting in no unearned revenue.

	2009	2008
Cash received and due from other governments	\$ 235,666	\$ 204,938
Adjusted Operating Cost:		
Actual operating cost	283,274	272,751
Less: Fare and other revenue	(19,211)	(19,733)
Total adjusted operating cost	264,063	253,018
Net income (loss)	(28,397)	(48,080)
Unearned revenue	\$ -	\$ -

4. CAPITAL ASSETS:

The Transit Enterprise Fund does not record capital assets directly in the fund. Vehicles are owned, maintained, and rented by the City's Vehicle Maintenance Internal Service Fund.

See independent auditors' report.



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November 16, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE TRANSPORTATION DEPARTMENT ACT**

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

We have audited the financial statements of the Transit Enterprise Fund of the City of Healdsburg for the year ended June 30, 2009 and have issued our opinion thereon dated November 16, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the applicable fiscal audit requirements of the Transportation Development Act including Public Utilities Code Section 99245 and the California Code of Regulations Section 6664. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations and the provisions of the Transportation Development Act (the Act) applicable to the Transit Enterprise Fund of the City of Healdsburg is the responsibility of the City's management. In connection with our audit as required by the California Code of Regulations Section 6664, we also performed procedures directed toward obtaining knowledge of the City's compliance or noncompliance with the Act by performing the applicable tasks specified in Section 6667 of the Code of Regulations on a sample of transactions and records. The results of performing these tasks disclosed no instance of noncompliance with the applicable statutes, rules and regulations of the Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission.

This report is intended solely for the information and use of the City Council, management of the City of Healdsburg, the Metropolitan Transportation Commission and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Diehl, Evans and Company, LLP