

**CITY OF HEALDSBURG  
TRANSIT ENTERPRISE FUND**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

CITY OF HEALDSBURG  
TRANSIT ENTERPRISE FUND

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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, California as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

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, California, as of June 30, 2013, and the changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, these financial statements present only the Transit Enterprise Fund and do not purport to, and do not, present fairly the financial position of the City of Healdsburg, California, as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Our audit was also conducted for the purpose of determining compliance with the Transportation Development Act Section 99400 including Public Utilities Code Section 99245, and the California Administrative Code. In our audit, we performed to the extent applicable, the tasks contained in Section 6667 of the California Administrative Code.

In our opinion, the funds allocated and received by the Transit Enterprise Fund of the City of Healdsburg were expended and accounted for in conformance with the applicable laws, rules, and regulations of the Transportation Development Act and the California Administrative Code.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
March 3, 2014

CITY OF HEALDSBURG  
TRANSIT ENTERPRISE FUND

STATEMENT OF NET POSITION

June 30, 2013

With Comparative Totals as of June 30, 2012

|                            | 2013          | 2012          |
|----------------------------|---------------|---------------|
| <b>ASSETS:</b>             |               |               |
| Cash and investments       | \$ 84         | \$ -          |
| Due from other governments | 85,850        | 69,662        |
| <b>TOTAL ASSETS</b>        | <b>85,934</b> | <b>69,662</b> |
| <b>LIABILITIES:</b>        |               |               |
| Accounts payable           | 99            | 76            |
| Deposits payable           | 338           | 338           |
| Due to City of Healdsburg  | 28,010        | 6,291         |
| <b>TOTAL LIABILITIES</b>   | <b>28,447</b> | <b>6,705</b>  |
| <b>NET POSITION</b>        |               |               |
| Unrestricted               | \$ 57,487     | \$ 62,957     |

See independent auditor's report and notes to financial statements

CITY OF HEALDSBURG  
TRANSIT ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2013  
With Comparative Totals for the Fiscal Year Ended June 30, 2012

|   | 2013      | 2012      |
|---|-----------|-----------|
| OPERATING REVENUES                      |           |           |
| Service charges                         | \$ 13,168 | \$ 13,872 |
| TOTAL OPERATING REVENUES                | 13,168    | 13,872    |
| OPERATING EXPENSES                      |           |           |
| General and administrative              | 85,703    | 77,251    |
| Operations                              | 100,947   | 77,993    |
| TOTAL OPERATING EXPENSES                | 186,650   | 155,244   |
| OPERATING LOSS                          | (173,482) | (141,372) |
| NONOPERATING REVENUES                   |           |           |
| Intergovernmental revenues:             |           |           |
| Measure M                               | 167,928   | 136,458   |
| Interest income                         | 84        | 123       |
| TOTAL NONOPERATING REVENUES             | 168,012   | 136,581   |
| CHANGES IN NET POSITION                 | (5,470)   | (4,791)   |
| NET POSITION - BEGINNING OF FISCAL YEAR | 62,957    | 67,748    |
| NET POSITION - END OF FISCAL YEAR       | \$ 57,487 | \$ 62,957 |

See independent auditor's report and notes to financial statements

CITY OF HEALDSBURG  
TRANSIT ENTERPRISE FUND

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2013  
With Comparative Totals for the Fiscal Year Ended June 30, 2012

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                      |                      |
| Receipts from customers  | \$ 13,168            | \$ 13,916            |
| Payments to suppliers  | (1,662)              | (1,542)              |
| Payments to employees  | (184,965)            | (153,703)            |
| Cash received/paid for due to City of Healdsburg   | <u>21,719</u>        | <u>4,931</u>         |
| <br>NET CASH PROVIDED (USED)<br>BY OPERATING ACTIVITIES  | <br><u>(151,740)</u> | <br><u>(136,398)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES  |                      |                      |
| Intergovernmental revenue  | <u>151,740</u>       | <u>136,275</u>       |
| NET CASH PROVIDED BY<br>NONCAPITAL FINANCING ACTIVITIES  | <u>151,740</u>       | <u>136,275</u>       |
| CASH FLOWS FROM INVESTING ACTIVITIES   |                      |                      |
| Interest income  | <u>84</u>            | <u>123</u>           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS  | 84                   |                      |
| CASH AND CASH EQUIVALENTS -<br>BEGINNING OF FISCAL YEAR  | <u>          </u>    | <u>          </u>    |
| CASH AND CASH EQUIVALENTS - END OF FISCAL YEAR   | <u>\$ 84</u>         | <u>\$ -</u>          |
| RECONCILIATION OF OPERATING INCOME (LOSS)<br>TO NET CASH PROVIDED (USED) BY OPERATING<br>ACTIVITIES:     |                      |                      |
| Operating income (loss)  | \$ (173,482)         | \$ (141,372)         |
| Adjustments to reconcile operating income (loss) to<br>net cash provided (used) by operating activities: |                      |                      |
| (Increase) decrease in accounts receivable   |                      | 44                   |
| Increase (decrease) in accounts payable  | 23                   | (1)                  |
| Increase (decrease) in due to City of Healdsburg   | <u>21,719</u>        | <u>4,931</u>         |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES   | <u>\$ (151,740)</u>  | <u>\$ (136,398)</u>  |

See independent auditor's report and notes to financial statements

CITY OF HEALDSBURG  
TRANSIT ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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. All activities 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 position. Net position is 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 position.

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.

CITY OF HEALDSBURG  
TRANSIT ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Basis of Accounting (Continued):

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.

g. Comparative Data:

Comparative total data for the prior fiscal year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the City's financial position, operations, and cash flows.

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.

CITY OF HEALDSBURG  
TRANSIT ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

3. TRANSIT ENTERPRISE FUND ASSISTANCE:

The TDA funds received for the fiscal years ended June 30, 2013 and 2012 were used to cover operating costs of the transit service and resulting in the following unearned revenue:

|                               | 2013      | 2012      |
|-------------------------------|-----------|-----------|
| Cash received                 | \$ -      | \$ -      |
| Adjusted Operating Cost:      |           |           |
| Actual operating cost         | 186,650   | 155,244   |
| Less: Fare and other revenue  | (13,168)  | (13,872)  |
| Total adjusted operating cost | 173,482   | 141,372   |
| Net income (loss)             | (173,482) | (141,372) |
| 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.

5. SUBSEQUENT EVENTS:

Management of the City has reviewed the results of operations for the period of time from its year end, June 30, 2013, through March 3, 2014, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.