

**CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND**

FINANCIAL STATEMENTS

JUNE 30, 2011

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 as of and for the fiscal years ended June 30, 2011 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 audit. The prior year comparative information has been derived from the Transit Fund's 2010 financial statements, and in our report dated January 7, 2011 which expressed an unqualified opinion.

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 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 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 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 as of June 30, 2011, and the results of operations and the cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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
October 19, 2011

CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND

STATEMENT OF NET ASSETS

June 30, 2011
With Comparative Totals as of June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS:		
Cash and investments	\$ -	\$ 122,832
Accounts receivable	44	137
Due from other governments	<u>69,479</u>	<u>8,782</u>
 TOTAL ASSETS	 <u>69,523</u>	 <u>131,751</u>
 LIABILITIES:		
Accounts payable	1,437	70
Deposits	338	338
Deferred revenue	<u>-</u>	<u>63,767</u>
 TOTAL LIABILITIES	 <u>1,775</u>	 <u>64,175</u>
 NET ASSETS:		
Unrestricted	 <u>\$ 67,748</u>	 <u>\$ 67,576</u>

See independent auditor's report and notes to financial statements

CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2011
With Comparative Totals for the Fiscal Year Ended June 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Service charges	\$ 13,798	\$ 18,023
Other	-	9,500
TOTAL OPERATING REVENUES	<u>13,798</u>	<u>27,523</u>
OPERATING EXPENSES		
General and administrative	73,014	71,297
Operations	<u>74,861</u>	<u>136,225</u>
TOTAL OPERATING EXPENSES	<u>147,875</u>	<u>207,522</u>
OPERATING LOSS	<u>(134,077)</u>	<u>(179,999)</u>
NONOPERATING REVENUES		
Intergovernmental revenues:		
Measure M	134,002	37,497
Metropolitan Transportation Commission	66,689	88,806
Interest income	<u>247</u>	<u>246</u>
TOTAL NONOPERATING REVENUES	<u>200,938</u>	<u>126,549</u>
CHANGES IN NET ASSETS BEFORE TRANSFERS	66,861	(53,450)
TRANSFER TO THE CITY OF HEALDSBURG	(66,689)	-
NET ASSETS - BEGINNING OF FISCAL YEAR	<u>67,576</u>	<u>121,026</u>
NET ASSETS - END OF FISCAL YEAR	<u>\$ 67,748</u>	<u>\$ 67,576</u>

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, 2011
With Comparative Totals for the Fiscal Year Ended June 30, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 13,891	\$ 27,386
Payments to suppliers	(7,277)	(52,229)
Payments to employees	(139,231)	(155,104)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(132,617)	(179,947)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City of Healdsburg	(66,689)	-
Intergovernmental revenue	76,227	196,510
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	9,538	196,510
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	247	325
NET INCREASE IN CASH AND CASH EQUIVALENTS	(122,832)	16,888
CASH AND CASH EQUIVALENTS - BEGINNING OF FISCAL YEAR	122,832	105,944
CASH AND CASH EQUIVALENTS - END OF FISCAL YEAR	\$ -	\$ 122,832
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPEARATING ACTIVITIES:		
Operating income (loss)	\$ (134,077)	\$ (179,999)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	93	(137)
Increase (decrease) in accounts payable	1,367	(129)
Increase in deposits	-	318
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (132,617)	\$ (179,947)

See independent auditor's report and notes to financial statements

CITY OF HEALDSBURG
TRANSIT ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 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.

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, 2011

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.

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, 2011

3. TRANSIT ENTERPRISE FUND ASSISTANCE:

The Transit Enterprise Fund received \$66,689 and \$88,806 from the Metropolitan Transportation Commission for the years ended June 30, 2011 and 2010 respectively. The amount recognized for 2011 was for capital expenditures while the amount for 2010 was 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 fiscal years ended June 30, 2011 and 2010 were used to cover operating costs of the transit service and resulting in the following unearned revenue:

	2011	2010
Cash received	\$ -	\$ 88,806
Adjusted Operating Cost:		
Actual operating cost	147,875	207,522
Less: Fare and other revenue	(13,798)	(27,523)
Total adjusted operating cost	134,077	179,999
Net income (loss)	(134,077)	(91,193)
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. DEFERRED REVENUE (PTMISEA):

During fiscal year ended June 30, 2010, the City received \$63,767 in funds from the Metropolitan Transportation Commission (MTC) that was to be used for capital purposes. At June 30, 2010, the City had not expended these funds. During the fiscal year ended June 30, 2011, the City received \$2,922 in additional Proposition 1B funding, that along with the MTC funding deferred from June 30, 2010, was used to purchase a transit bus in the City's Internal Service Fund.