

**CITY OF HEALDSBURG  
TRANSPORTATION DEVELOPMENT  
ACT SPECIAL REVENUE FUND  
AND BUS ENTERPRISE FUND**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007 AND 2006**



CITY OF HEALDSBURG  
TRANSPORTATION DEVELOPMENT ACT SPECIAL REVENUE FUND  
AND BUS ENTERPRISE FUND

TABLE OF CONTENTS

June 30, 2007 and 2006

	<u>Page Number</u>
Independent Auditors' Report	1
Transportation Development Act Special Revenue Fund:	
Balance Sheets	2
Statements of Revenues, Expenditures and Changes in Fund Balance	3
Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	4 - 5
Bus Enterprise Fund:	
Statements of Net Assets	6
Statements of Revenues, Expenses and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 11
Independent Auditors' Report on Compliance With Public Utilities Code Section 99245	12





**DIEHL, EVANS & COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2121 ALTON PARKWAY, SUITE 100  
IRVINE, CALIFORNIA 92606-4956  
(949) 399-0600 • FAX (949) 399-0610  
[www.diehlevans.com](http://www.diehlevans.com)

MICHAEL R. LUDIN, CPA  
CRAIG W. SPRAKER, CPA  
NITIN P. PATEL, CPA  
ROBERT J. CALLANAN, CPA  
\*PHILIP H. HOLTkamp, CPA  
\*THOMAS M. PERLOWSKI, CPA  
\*HARVEY J. SCHROEDER, CPA  
KENNETH R. AMES, CPA

\*A PROFESSIONAL CORPORATION

October 22, 2007

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the Transportation Development Act Special Revenue Fund (TDA Fund) and Bus Enterprise Fund (Bus Fund) of the City of Healdsburg as of and for the years ended June 30, 2007 and June 30, 2006, 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 TDA Fund and the Bus 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 types 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 Transportation Development Act Special Revenue Fund and Bus Enterprise Fund of the City of Healdsburg as of June 30, 2007 and June 30, 2006, and the results of each fund's operations, and the cash flows of the Bus Enterprise Fund, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Diehl, Evans and Company, LLP*

CITY OF HEALDSBURG  
TRANSPORTATION DEVELOPMENT ACT SPECIAL REVENUE FUND

BALANCE SHEETS

June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Cash and investments	\$ 3,271	\$ 3,134
Interest receivable	33	30
Due from other governments	<u>-</u>	<u>166,084</u>
 TOTAL ASSETS	 <u>\$ 3,304</u>	 <u>\$ 169,248</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Due to the Bus Enterprise Fund	\$ -	\$ 118,417
Deferred revenue	<u>-</u>	<u>47,667</u>
 TOTAL LIABILITIES	 -	 166,084
FUND BALANCE:		
Unreserved and undesignated	<u>3,304</u>	<u>3,164</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 3,304</u>	 <u>\$ 169,248</u>

See independent auditors' report and notes to financial statements.

CITY OF HEALDSBURG  
TRANSPORTATION DEVELOPMENT ACT SPECIAL REVENUE FUND

STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

For the years ended June 30, 2007 and 2006

	2007	2006
REVENUES:		
Intergovernmental	\$ 88,184	\$ 167,425
Investment income	146	118
	88,330	167,543
TOTAL REVENUES		
EXPENDITURES:		
General government	5	4
	88,325	167,539
EXCESS OF REVENUES OVER EXPENDITURES		
OTHER FINANCING USES:		
Operating transfers to Bus Enterprise Fund	(47,667)	(167,425)
Operating transfers to City Capital Projects Fund	(40,518)	-
	(88,185)	(167,425)
TOTAL OTHER FINANCING USES		
CHANGES IN FUND BALANCE	140	114
FUND BALANCE - BEGINNING OF YEAR	3,164	3,050
FUND BALANCE - END OF YEAR	\$ 3,304	\$ 3,164

See independent auditors' report and notes to financial statements.

CITY OF HEALDSBURG  
TRANSPORTATION DEVELOPMENT ACT SPECIAL REVENUE FUND

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

For the years ended June 30, 2007 and 2006

	2007		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Intergovernmental	\$ -	\$ 88,184	\$ 88,184
Investment income	-	146	146
 TOTAL REVENUES	 -	 88,330	 88,330
EXPENDITURES:			
General government	-	5	(5)
 EXCESS OF REVENUES OVER EXPENDITURES	 -	 88,325	 88,325
OTHER FINANCING USES:			
Operating transfers to Bus Enterprise Fund	(172,451)	(47,667)	124,784
Operating transfers to City Capital Projects Fund	-	(40,518)	(40,518)
 TOTAL OTHER FINANCING USES	 (172,451)	 (88,185)	 84,266
 CHANGES IN FUND BALANCE	 (172,451)	 140	 172,591
FUND BALANCE - BEGINNING OF YEAR	3,164	3,164	-
 FUND BALANCE - END OF YEAR	 \$ (169,287)	 \$ 3,304	 \$ 172,591

See independent auditors' report and notes to financial statements.

2006

Budget	Actual	Variance Favorable (Unfavorable)
\$ 166,554	\$ 167,425	\$ 871
-	118	118
166,554	167,543	989
-	4	(4)
166,554	167,539	985
(166,554)	(167,425)	(871)
-	-	-
(166,554)	(167,425)	(871)
-	114	114
3,050	3,050	-
\$ 3,050	\$ 3,164	\$ 114

CITY OF HEALDSBURG  
BUS ENTERPRISE FUND

STATEMENTS OF NET ASSETS

June 30, 2007 and 2006

	2007	2006
ASSETS		
Cash and investments (Note 2)	\$ 93,569	\$ 745
Accounts receivable	1,086	76
Due from other government	10,996	9,680
Due from Transportation Development Act Special Revenue Fund	-	118,417
	105,651	128,918
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	221	407
Due to Community Services Fund	-	78,000
Deposits	546	504
	767	78,911
TOTAL LIABILITIES	767	78,911
NET ASSETS	\$ 104,884	\$ 50,007

See independent auditors' report and notes to financial statements.

CITY OF HEALDSBURG  
BUS ENTERPRISE FUND

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

For the years ended June 30, 2007 and 2006

	2007	2006
OPERATING REVENUES:		
Service charges	\$ 19,060	\$ 18,675
Intergovernmental revenues	221,393	44,848
Interest income	4,519	-
	244,972	63,523
OPERATING EXPENSES:		
General and administrative	76,421	48,773
Operations	161,341	137,327
	237,762	186,100
OPERATING INCOME (LOSS) BEFORE TRANSFER	7,210	(122,577)
TRANSFER FROM:		
Transportation Development Act Special Revenue Fund (Note 3)	47,667	167,425
	54,877	44,848
NET ASSETS - BEGINNING OF YEAR	50,007	5,159
NET ASSETS - END OF YEAR	\$ 104,884	\$ 50,007

See independent auditors' report and notes to financial statements.

CITY OF HEALDSBURG  
BUS ENTERPRISE FUND

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 18,092	\$ 18,599
Intergovernmental revenue	220,077	35,168
Interest income	4,519	-
Payments to suppliers	(44,796)	(146,588)
Payments to employees	(193,152)	(42,168)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,740	(134,989)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from Transportation Development Act Special Revenue Fund (net)	166,084	49,008
Cash received (paid) to Community Services Fund	(78,000)	78,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	88,084	127,008
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	92,824	(7,981)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	745	8,726
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 93,569	\$ 745
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 7,210	\$ (122,577)
Adjustment to reconcile operating (income) loss to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(1,010)	(76)
(Increase) decrease in due from other government	(1,316)	(9,680)
Increase (decrease) in accounts payable	(186)	(2,614)
Increase (decrease) in deposits	42	(42)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 4,740	\$ (134,989)

See independent auditors' report and notes to financial statements.

CITY OF HEALDSBURG  
TRANSPORTATION DEVELOPMENT ACT SPECIAL REVENUE FUND  
AND BUS ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 and 2006

1. SIGNIFICANT ACCOUNTING POLICIES:

a. Description of Reporting Entities:

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 moneys are used for capital projects, equipment purchases and to support the operations of the Bus Enterprise Fund of the City.

The accompanying financial statements present only the TDA Fund and the Bus 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 TDA Fund and Bus Enterprise Fund are integral parts of the City and the accompanying financial statements are included in the basic financial statements of the City.

b. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The TDA Fund is accounted for using the modified accrual basis of accounting. Revenues are recognized as received, or accrued if they are both measurable and available to finance expenditures of the current period. Expenditures are recorded when the related liability is incurred.

The Bus Enterprise Fund is accounted for using the accrual basis of accounting wherein revenues are recognized in the period in which they are earned and expenses are recognized when they are incurred. The Bus Enterprise Fund reimburses the City for various operating costs.

See independent auditors' report.

CITY OF HEALDSBURG  
TRANSPORTATION DEVELOPMENT ACT SPECIAL REVENUE FUND  
AND BUS ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2007 and 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. 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 1<sup>st</sup> for certain governmental and proprietary type funds for the ensuing fiscal year. 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 Council may amend the budget by resolution during the fiscal year. All appropriations lapse at year-end.

Budget information is presented for the TDA Fund. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. 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 up or downturns materially affecting estimated revenues, and the refocusing of particular programs requiring the reallocation of existing resources. Expenditures in excess of budgeted amounts are allowed by law, but must be approved individually by the City Council.

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.

All cash and investments of the Bus 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.

2. CASH AND INVESTMENTS:

The City maintains a cash and investment pool that is available for use by all funds. The TDA Fund and Bus 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.

See independent auditors' report.

CITY OF HEALDSBURG  
 TRANSPORTATION DEVELOPMENT ACT SPECIAL REVENUE FUND  
 AND BUS ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)

June 30, 2007 and 2006

3. BUS ENTERPRISE FUND ASSISTANCE:

The TDA Fund received \$173,097 and \$215,092 from the Metropolitan Transportation Commission for the years ended June 30, 2007 and 2006, respectively, to cover the operating costs of the City's bus service. Amounts received in excess of the annual adjusted cost, as defined, are deferred 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 amount of deferred revenue at June 30, 2007 and 2006 was determined as follows:

	2007	2006
Cash received and due from other governments	\$ 173,097	\$ 215,092
Adjusted Operating Cost:		
Actual operating cost	237,762	186,100
Less: Fare and other revenue	(19,060)	(18,675)
Total adjusted operating cost	218,702	167,425
Net income (loss)	(45,605)	47,667
Deferred revenue	\$ -	\$ 47,667

4. CAPITAL ASSETS:

The Bus 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.



**DIEHL, EVANS & COMPANY, LLP**  
 CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2121 ALTON PARKWAY, SUITE 100  
 IRVINE, CALIFORNIA 92606-4956  
 (949) 399-0600 • FAX (949) 399-0610  
[www.diehlevents.com](http://www.diehlevents.com)

MICHAEL R. LUDIN, CPA  
 CRAIG W. SPRAKER, CPA  
 NITIN P. PATEL, CPA  
 ROBERT J. CALLANAN, CPA  
 \*PHILIP H. HOLTkamp, CPA  
 \*THOMAS M. PERLOWSKI, CPA  
 \*HARVEY J. SCHROEDER, CPA  
 KENNETH R. AMES, CPA

\*A PROFESSIONAL CORPORATION

October 22, 2007

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
 WITH PUBLIC UTILITIES CODE SECTION 99245**

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

The following information is given in compliance with Public Utilities Code Section 99245 contained in the Transportation Development Act as enacted and amended by statute.

We have audited the financial statements of the City of Healdsburg Transportation Development Act Special Revenue Fund and Bus Enterprise Fund for the year ended June 30, 2007 and have issued our opinion thereon dated October 22, 2007. Our audit was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in these circumstances.

In connection with our audit, we performed the tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission required by Section 6666 and 6667 of Title 21 of the California Code of Regulations. Based on these procedures, we noted no instances of noncompliance with applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions and the rules and regulations of the Metropolitan Transportation Commission.

This report is intended solely for the information and use of the City Council and management of the City of Healdsburg and funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Diehl, Evans and Company, LLP*