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**CITY OF DIXON TRANSIT FUND**

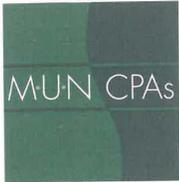
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

**CITY OF DIXON TRANSIT FUND**  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Dixon  
Dixon, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Transit Fund of the City of Dixon as of and for the years ended June 30, 2014 and 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 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 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 Fund of the City of Dixon, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2, the financial statements present only the Transit Fund of the City of Dixon and do not purport to, and do not, present fairly the financial position of City of Dixon as June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of the Transit Fund of the City of Dixon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Transit Fund of the City of Dixon's internal control over financial reporting and compliance.

  
Sacramento, California  
November 24, 2014

**CITY OF DIXON TRANSIT FUND**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and investments (Note 3)	\$ 169,299	\$ 112,207
Restricted cash and investments (Note 3)	3,974	7,015
Accounts receivable	6,250	177
Interest receivable	292	161
Inventory	150	-
Due from other governments	-	2,476
<b>Total Current Assets</b>	<b>179,965</b>	<b>122,036</b>
Capital Assets, net of accumulated depreciation (Note 4)	218,313	299,651
<b>TOTAL ASSETS</b>	<b>\$ 398,278</b>	<b>\$ 421,687</b>
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable	\$ 6,373	\$ 2,933
Salaries and benefits payable	13,860	19,913
Unearned revenue (Note 10)	3,974	7,015
Compensated absences, due within one year (Note 5)	19,647	13,568
Termination benefits, due within one year (Note 6)	15,586	15,586
<b>Total Current Liabilities</b>	<b>59,440</b>	<b>59,015</b>
Termination benefits, net of current portion (Note 6)	15,586	31,141
Net OPEB obligation (Note 7)	244,717	171,295
<b>Total Long-Term Liabilities</b>	<b>260,303</b>	<b>202,436</b>
<b>TOTAL LIABILITIES</b>	<b>319,743</b>	<b>261,451</b>
<b><u>NET POSITION</u></b>		
Invested in capital assets	218,313	299,651
Unrestricted	(139,778)	(139,415)
<b>TOTAL NET POSITION</b>	<b>78,535</b>	<b>160,236</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 398,278</b>	<b>\$ 421,687</b>

See accompanying notes to the financial statements.

**CITY OF DIXON TRANSIT FUND**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for services	\$ 93,249	\$ 91,264
TDA operating grants	418,663	500,900
FTA operating grants	130,000	34,514
STA operating grants	5,666	4,175
Other revenue	<u>6,250</u>	<u>-</u>
<b>Total Operating Revenues</b>	<b><u>653,828</u></b>	<b><u>630,853</u></b>
<b><u>OPERATING EXPENSES</u></b>		
Salaries and benefits	446,553	427,161
Office supplies and expenses	1,452	1,293
Maintenance and operation	95,428	105,168
Power and utilities	10,913	9,624
Contractual services	3,368	8,878
Administration	29,375	29,611
Depreciation	<u>81,338</u>	<u>93,277</u>
<b>Total Operating Expenses</b>	<b><u>668,427</u></b>	<b><u>675,012</u></b>
<b>Net (Income) Loss From Operations</b>	<b><u>(14,599)</u></b>	<b><u>(44,159)</u></b>
<b><u>NON-OPERATING REVENUES</u></b>		
Interest revenue	1,106	203
TDA capital grants	<u>-</u>	<u>17,249</u>
<b>Total Nonoperating Revenues</b>	<b><u>1,106</u></b>	<b><u>17,452</u></b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b><u>(13,493)</u></b>	<b><u>(26,707)</u></b>
<b><u>CAPITAL CONTRIBUTIONS AND TRANSFERS</u></b>		
Capital contributions	-	688
Transfers out to other funds of the City (Note 8)	<u>(68,208)</u>	<u>(73,146)</u>
<b>Total Capital Contributions and Transfers</b>	<b><u>(68,208)</u></b>	<b><u>(72,458)</u></b>
<b>CHANGE IN NET POSITION</b>	<b>(81,701)</b>	<b>(99,165)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>160,236</b>	<b>430,696</b>
<b>PRIOR PERIOD ADJUSTMENT (NOTE 13)</b>	<b><u>-</u></b>	<b><u>(171,295)</u></b>
<b>NET POSITION - BEGINNING OF YEAR RESTATED</b>	<b><u>160,236</u></b>	<b><u>259,401</u></b>
<b>NET POSITION - END OF YEAR</b>	<b><u>\$ 78,535</u></b>	<b><u>\$ 160,236</u></b>

See accompanying notes to the financial statements.

**CITY OF DIXON TRANSIT FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers and users	\$ 93,426	\$ 91,087
Receipts from operating grants	556,805	595,113
Payments to employees	(388,664)	(449,868)
Payments to supplies	<u>(137,246)</u>	<u>(166,378)</u>
<b>Cash Flows Provided by Operating Activities</b>	<u>124,321</u>	<u>69,954</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>		
Transfers to the City of Dixon	<u>(68,208)</u>	<u>(73,146)</u>
<b>Cash Flows Used for Noncapital Financing Activities</b>	<u>(68,208)</u>	<u>(73,146)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Capital grants	<u>(3,041)</u>	<u>-</u>
<b>Cash Flows Used for Capital and Related Financing Activities</b>	<u>(3,041)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest and dividends	<u>979</u>	<u>223</u>
<b>Cash Flows Provided by Investing Activities</b>	<u>979</u>	<u>223</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	54,051	(2,969)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>119,222</u>	<u>122,191</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 173,273</u>	<u>\$ 119,222</u>
<b>RECONCILIATION OF NET INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net income (loss) from operations	\$ (14,599)	\$ (44,159)
Adjustments to reconcile net income (loss) from operations to net cash provided by operating activities:		
Depreciation	81,338	93,277
Change in operating assets and liabilities:		
Accounts receivable	(6,073)	(177)
Inventory	(150)	-
Due from other governments	2,476	55,524
Accounts payable	3,440	(11,804)
Salaries and benefits payable	(6,053)	4,437
Net OPEB obligation	37,188	-
Compensated absences	6,079	(11,526)
Termination benefits	<u>(15,555)</u>	<u>(15,618)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 88,091</u>	<u>\$ 69,954</u>

See accompanying notes to the financial statements.

**CITY OF DIXON TRANSIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1: ORGANIZATION**

The City of Dixon (the City) receives funds under the provisions of the Transportation Development Act (TDA) from the Solano County Local Transportation Fund (LTF) under Article 4, Section 99260 and State Transit Assistance Fund (STA) under Article 4, Section 6730(a). The STA funds are to be used for public transportation purposes only. The City's Article 4 LTF funds are for the support of the public transportation systems as defined in the TDA. The City operates demand responsive transit services within the City limits.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The financial statements are intended to present the financial position, results of operations and cash flows of only transactions recorded in the Transit Fund of the City. The fund itself is included in the financial statements of the City.

**B. Basis of Presentation**

The Transit Fund's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These standards require that the financial statements described below be presented.

Government-wide Financial Statements

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position include all of the activities of the City's Transit Fund. The Transit fund's resources are allocated to and accounted for in these basic financial statements as an enterprise fund. 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 and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. The Transit fund's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Transit fund first utilizes restricted resources to finance qualifying activities.

The Statement of Revenues, Expenses, and Changes in Net Position includes business-type activities that are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Enterprise funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the Transit fund. Operating revenues consist primarily of charges for services and operating grants. Operating expenses consist of the cost of services, vehicle maintenance, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF DIXON TRANSIT FUND**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014 AND 2013

**NOTE 2 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

All proprietary funds are reported using the *economic resources* measurement focus and the *full accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Transit fund may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Transit fund's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

**D. Cash and Cash Equivalents**

The Transit fund pools its cash and investments with the City of Dixon. The cash and investment balance in the fund represents the fund's equity share of the City's cash and investment pool.

The Transit fund's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. The Local Agency Investment Fund (LAIF) determines the fair value of their portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. This amount is included in cash and cash equivalents in the balance sheet of governmental funds. Changes in fair value are allocated to each participating fund.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

For purposes of cash flow, the Transit fund considers cash and investments in the City of Dixon's investment pool with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

**E. Due From Other Governments**

Due from other governments at June 30, 2013 consisted of a grant receivable from the State of California

**F. Capital Assets**

Infrastructure with an aggregate cost of \$100,000 or more and equipment with a cost of \$5,000 or more and a useful life of one year or more are capitalized. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	7 - 50 years
Equipment	5 - 15 years

**CITY OF DIXON TRANSIT FUND**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014 AND 2013

**NOTE 2 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Compensated Absences**

The City's policy regarding vacation and sick leave is to permit employees to accumulate earned, but unused, vacation and sick leave. The current portion of this long-term liability is estimated based on historical trends. In the fund financial statements, proprietary funds report the liability as it is incurred.

**H. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles required 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.

**I. Reclassifications**

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the Transit fund's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with current year's presentation.

**J. Deferred Outflows/Inflow of Resources**

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**NOTE 3: CASH AND INVESTMENTS**

The Transit fund participates in the City's cash and investment pool. These balances are stated at fair value. The Transit fund's share of the cash and investment pool is separately accounted for and interest earned is apportioned quarterly based upon the relationship of its average monthly cash balance to the total of the pooled cash and investments. The value of pool shares in the City that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Transit fund's position in the pool. Cash and investments as of June 30, 2014 totaled \$173,273, of which \$3,974 was restricted for grant purposes, and were classified in the accompanying financial statements as cash and investments which consisted of cash and investments pooled with the City of Dixon. At June 30, 2013, cash and investments totaled \$119,222, of which \$7,015 was restricted for grant purposes.

**CITY OF DIXON TRANSIT FUND**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014 AND 2013

**NOTE 3: CASH AND INVESTMENTS (Continued)**

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
Local agency bonds	5 years	None	10%
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
California local agency debt	5 years	None	10%
Banker's Acceptances	180 days	45%	10%
Commercial paper	180 days	25%	10%
Negotiable certificates and time deposits	5 years	30%	10%
Repurchase agreements	1 year	None	10%
Medium term corporate notes	5 years	30%	10%
Money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

The City complies with the provisions of California Government Code (or the City's investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As the Transit fund pools their cash with the City, information about the sensitivity of the fair values of the Transit fund's investments to market rate fluctuations may be found in the notes to the City of Dixon's basic financial statements.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Transit fund and the City had no investments that were highly sensitive to interest rate fluctuations as of June 30, 2014.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Transit fund pools its cash and investments with the City. See the City's of Dixon's annual financial report for information relating to concentration of credit risk for amounts reported as cash and investments pooled with the City.

**CITY OF DIXON TRANSIT FUND**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014 AND 2013

**NOTE 3: CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Transit fund pools its cash with the City of Dixon including deposit accounts. See the City of Dixon's annual financial report for information relating to custodial credit risk for amounts reported as cash and investments pooled with the City.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to amortized costs of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity consisted of the following for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 174,436	\$ -	\$ -	\$ 174,436
Equipment	<u>643,106</u>	<u>-</u>	<u>-</u>	<u>643,106</u>
Total capital assets, being depreciated	<u>817,542</u>	<u>-</u>	<u>-</u>	<u>817,542</u>
Less accumulated depreciation for:				
Buildings and improvements	(76,270)	(4,381)	-	(80,651)
Equipment	<u>(441,621)</u>	<u>(76,957)</u>	<u>-</u>	<u>(518,578)</u>
Total accumulated depreciation	<u>(517,891)</u>	<u>(81,338)</u>	<u>-</u>	<u>(599,229)</u>
Total capital assets being depreciated, net	<u>299,651</u>	<u>(81,338)</u>	<u>-</u>	<u>218,313</u>
Capital assets, net	<u>\$ 299,651</u>	<u>\$ (81,338)</u>	<u>\$ -</u>	<u>\$ 218,313</u>

Total depreciation expense for the year ended June 30, 2014 was \$81,338.

**CITY OF DIXON TRANSIT FUND**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014 AND 2013

**NOTE 4: CAPITAL ASSETS (Continued)**

Capital asset activity consisted of the following for the year ended June 30, 2013:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 174,436	\$ -	\$ -	\$ 174,436
Equipment	<u>643,106</u>	<u>-</u>	<u>-</u>	<u>643,106</u>
Total capital assets, being depreciated	<u>817,542</u>	<u>-</u>	<u>-</u>	<u>817,542</u>
Less accumulated depreciation for:				
Buildings and improvements	(71,890)	(4,380)	-	(76,270)
Equipment	<u>(352,724)</u>	<u>(88,897)</u>	<u>-</u>	<u>(441,621)</u>
Total accumulated depreciation	<u>(424,614)</u>	<u>(93,277)</u>	<u>-</u>	<u>(517,891)</u>
Total capital assets being depreciated, net	<u>392,928</u>	<u>(93,277)</u>	<u>-</u>	<u>299,651</u>
Capital assets, net	<u>\$ 392,928</u>	<u>\$ (93,277)</u>	<u>\$ -</u>	<u>\$ 299,651</u>

Total depreciation expense for the year ended June 30, 2013 was \$93,277.

**NOTE 5: LONG-TERM LIABILITIES**

The following is a summary of long-term liability activity for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Due within One Year</u>
Compensated absences	\$ <u>13,568</u>	\$ <u>18,774</u>	\$ <u>(12,695)</u>	\$ <u>19,647</u>	\$ <u>19,647</u>
Total long-term liabilities	<u>\$ 13,568</u>	<u>\$ 18,774</u>	<u>\$ (12,695)</u>	<u>\$ 19,647</u>	<u>\$ 19,647</u>

The following is a summary of long-term liability activity for the year ended June 30, 2013:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>	<u>Due within One Year</u>
Compensated absences	\$ <u>25,094</u>	\$ <u>14,548</u>	\$ <u>(26,074)</u>	\$ <u>13,568</u>	\$ <u>13,568</u>
Total long-term liabilities	<u>\$ 25,094</u>	<u>\$ 14,548</u>	<u>\$ (26,074)</u>	<u>\$ 13,568</u>	<u>\$ 13,568</u>

**CITY OF DIXON TRANSIT FUND**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 JUNE 30, 2014 AND 2013

**NOTE 6: EARLY RETIREMENT INCENTIVE**

In fiscal year 2012, the City approved an early retirement incentive program through the Public Agency Retirement System (PARS) for eligible City staff. In order to qualify for the early retirement program, an employee needed to meet the following criteria:

- They must be a Miscellaneous member of PERS
- They must be at least 50 years of age or older effective September 30, 2011
- They must be able to retire under the PERS retirement system with at least 5 years of service
- They must have at least 5 years of City of Dixon service effective September 30, 2011
- They must actually retire from PERS no later than September 30, 2011

During fiscal year 2012, 22 City employees met the eligibility criteria, and 2 Transit employees elected to participate. Qualifying employees who participated in the program selected from a number of benefit options, the basic program in which they receive one-twelfth (1/12) of seven percent (7%) of their final pay.

The City records a liability and expense upon election by the employees to participate in the program. The liability at June 30, 2014 and June 30, 2013 totaled \$31,172 and \$46,727, respectively, which represent actual future payments to be made. Expenses related to termination benefits totaled \$479 and \$256 for the years ending June 30, 2014 and June 30, 2013. Future payments as of June 30, are as follows:

	<u>Amount</u>
2015	\$ 15,586
2016	<u>15,586</u>
Total	<u>\$ 31,172</u>

**NOTE 7: OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The City sponsors and administers a single-employer health care plan for its employees. The plan provides medical, dental, and vision plan coverage. Medical coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. Children are eligible for coverage until age 26. Retired employees who were part of the Public Employees Union #1 (Local One) receive one month's premium at the Kaiser plus one dependent rate for each year of full time service to a maximum of 24 months. In addition, the City offers dental and vision insurance. Additional information about OPEB benefits can be obtained from the City's financial statements.

**NOTE 8: TRANSFERS TO THE CITY**

During the years ended June 30, 2014 and June 30, 2013, the Transit fund transferred out \$68,208 and \$73,146, respectively, to the City's general fund to reimburse the City for allocated costs.

**CITY OF DIXON TRANSIT FUND**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014 AND 2013

**NOTE 9: FARE REVENUE RATIO**

The City's Transit Fund is required by the MTC to maintain a fare revenue to operating expenses ratio of at least 10% related to its services to the general public in accordance with the TDA. The calculation of the fare revenue ratio is as follows:

	2014	2013
Fare revenue	\$ 93,249	\$ 91,264
Operating expenses	736,635	748,158
Less: depreciation	(81,338)	(93,277)
Net operating expenses	\$ 655,297	\$ 654,881
Fare revenue ratio	14.23 %	13.94 %

The Transit Fund was in compliance with its fare revenue ratio as of June 30, 2014 and 2013.

**NOTE 10: UNEARNED REVENUE**

Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA)

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the state as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling back stock procurement, rehabilitation or replacement.

During the fiscal year ended June 30, 2012, the City received proceeds of \$21,223 from the State's PTMISEA account. Activity related to the PTMISEA funds were as follows:

Proceeds received June 30, 2012:		
PTMISEA	\$	21,223
Expenditures incurred June 30, 2013:		
Narrowbanding radio system		(17,249)
Unexpended proceeds, June 30, 2013		3,974
Unexpended proceeds, June 30, 2014	\$	3,974

Unearned revenue - Other

There was no other unearned revenue as of June 30, 2014. For 2013, the unearned revenue was \$3,041 and was related to unbilled grant funds received.

**CITY OF DIXON TRANSIT FUND**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
JUNE 30, 2014 AND 2013

**NOTE 11: CONCENTRATIONS**

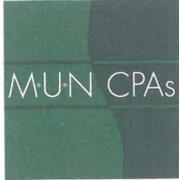
The Transit Fund of the City receives a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund created by the TDA. A significant reduction in the level of this support, if this was to occur, may have a significant effect on the Transit Fund's activities.

**NOTE 12: INSURANCE COVERAGE**

The Transit fund participates in the Northern California Cities Joint Power Authority through the City of Dixon for general, public officials' errors and omissions, property and workers' compensation liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additional information about available coverage can be obtained from the City's financial statements.

**NOTE 13: PRIOR PERIOD ADJUSTMENT**

The City made an adjustment to the Net Position at the beginning of the 2013 year to record a portion of the Other Post Employment Benefits (OPEB) liability in the amount of \$171,295.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Dixon  
Dixon, California

We have audited, in accordance with the 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, the financial statements of the Transit Fund of the City of Dixon (Transit Fund), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Transit Fund's basic financial statements, and have issued our report thereon dated November 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Transit Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

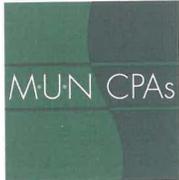
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Transit Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Sacramento, California  
November 24, 2014



**REPORT ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT**

To the City Council  
 City of Dixon  
 Dixon, California

We have audited the financial statements of the Transit Fund of the City of Dixon (Transit Fund), as of June 30, 2014 and for the year then ended, and have issued our report thereon dated November 24, 2014. 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.

As part of obtaining reasonable assurance about whether the Transit Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the Transit Fund were made in accordance with the allocation instructions and resolutions of the Metropolitan Transportation Commission and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6667 that are applicable to the Transit Fund. In connection with our audit, nothing came to our attention that caused us to believe the Transit Fund failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Transportation Commission. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Also as part of our audit, we performed tests of compliance to determine whether certain state bond funds were received and expended in accordance with the applicable bond act and state accounting requirements.

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the state as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling back stock procurement, rehabilitation or replacement.

During the fiscal year ended June 30, 2012, the City received proceeds of \$21,223 from the State's PTMISEA account. As of June 30, 2014, PTMISEA funds received and expended were verified in the course of our audit as follows:

Proceeds received June 30, 2012:	
PTMISEA	\$ 21,223
Expenditures incurred June 30, 2013:	
Narrowbanding radio system	<u>(17,249)</u>
Unexpended proceeds, June 30, 2013	<u>3,974</u>
Unexpended proceeds, June 30, 2014	<u>\$ 3,974</u>

This report is intended solely for the information and use of management, the City Council, the Metropolitan Transportation Commission, the California Department of Transportation and the State Controller's office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

  
Sacramento, California  
November 24, 2014