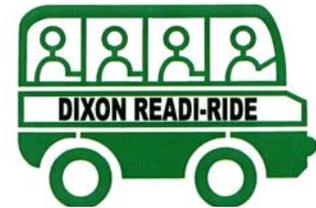

CITY OF DIXON TRANSIT FUND



Financial Statements
With
Independent Auditor's Report
For the Fiscal Year Ended
June 30, 2011

CITY OF DIXON TRANSIT FUND
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Dixon
Dixon, California

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, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the management of the City of Dixon. 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 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 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, 2011 and 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.

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, 2011 and 2010, and the changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, 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* and should be considered in assessing the results of our audit.

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.

Sacramento, California
November 28, 2011

PRINCIPALS

Chris A. Mann, CPA, CFP ♦ John R. Urrutia, CPA ♦ Michelle O. Nelson, CPA, CFE, CVA

Justin J. Williams, CPA, CVA ♦ Neil J. Beeman, CPA ♦ Kriss Ann Mann, CPA, CCPS ♦ Christine L. Collins, EA

CITY OF DIXON TRANSIT FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets		
Cash and investments (Note 3)	\$ -	\$ 121,239
Accounts receivable	-	174
Interest receivable	-	461
Inventory	-	375
Due from other governments	<u>307,248</u>	<u>12,456</u>
Total Current Assets	<u>307,248</u>	<u>134,705</u>
Capital Assets, net of accumulated depreciation (Note 4)	<u>483,807</u>	<u>250,428</u>
TOTAL ASSETS	<u>\$ 791,055</u>	<u>\$ 385,133</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 13,016	\$ 2,914
Salaries and benefits payable	11,625	9,245
Due to other funds of the City	189,532	-
Unearned revenue (Note 8)	3,300	18,613
Compensated absences, due within one year (Note 5)	<u>25,803</u>	<u>20,420</u>
Total Current Liabilities	<u>243,276</u>	<u>51,192</u>
Compensated absences, long term portion (Note 5)	<u>13,186</u>	<u>16,802</u>
TOTAL LIABILITIES	<u>256,462</u>	<u>67,994</u>
<u>NET ASSETS</u>		
Invested in capital assets	483,807	250,428
Unrestricted	<u>50,786</u>	<u>66,711</u>
TOTAL NET ASSETS	<u>534,593</u>	<u>317,139</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 791,055</u>	<u>\$ 385,133</u>

See accompanying notes to the financial statements.

CITY OF DIXON TRANSIT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010

	2011	2010
<u>OPERATING REVENUES</u>		
Charges for services	\$ 78,869	\$ 81,326
TDA operating grants	290,740	420,233
FTA operating grants	20,239	-
STA operating grants	221,442	124,035
Other revenue	1,301	7,875
Total Operating Revenues	612,591	633,469
<u>OPERATING EXPENSES</u>		
Salaries and benefits	428,030	424,569
Office supplies and expenses	1,143	1,933
Maintenance and operation	99,102	85,234
Power and utilities	8,876	8,466
Contractual services	19,820	2,893
Administration	9,427	23,587
Miscellaneous	-	40
Depreciation	57,963	22,198
Total Operating Expenses	624,361	568,920
Net (Loss) Income From Operations	(11,770)	64,549
<u>NON-OPERATING REVENUES</u>		
Interest revenue	98	994
Total Nonoperating Revenues	98	994
Income (Loss) Before Transfers	(11,672)	65,543
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS</u>		
Capital contributions	283,709	44,387
Transfers out to other funds of the City	(54,583)	(59,698)
Total Capital Contributions and Transfers	229,126	(15,311)
CHANGE IN NET ASSETS	217,454	50,232
NET ASSETS, BEGINNING OF YEAR	317,139	266,907
NET ASSETS, END OF YEAR	\$ 534,593	\$ 317,139

See accompanying notes to the financial statements.

CITY OF DIXON TRANSIT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010

	2011	2010
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers and users	\$ 80,344	\$ 89,067
Receipts from operating grants	237,629	727,845
Payments to suppliers	(127,891)	(122,960)
Payments to employees	<u>(423,883)</u>	<u>(415,813)</u>
Cash Flows (Used for) Provided by Operating Activities	<u>(233,801)</u>	<u>278,139</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfers between funds	<u>119,636</u>	<u>(127,426)</u>
Cash Flows Provided by (Used for) Noncapital Financing Activities	<u>119,636</u>	<u>(127,426)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition of capital assets	(291,342)	(93,010)
Capital grants	<u>283,709</u>	<u>63,000</u>
Cash Flows Used for Capital and Related Financing Activities	<u>(7,633)</u>	<u>(30,010)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	<u>559</u>	<u>536</u>
Cash Flows Provided by Investing Activities	<u>559</u>	<u>536</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(121,239)	121,239
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>121,239</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ 121,239</u>
RECONCILIATION OF NET (LOSS) INCOME FROM OPERATIONS TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES		
Net (loss) income from operations	\$ (11,770)	\$ 64,549
Adjustments to reconcile net (loss) income from operations to net cash (used for) provided by operating activities:		
Depreciation	57,963	22,198
Change in operating assets and liabilities:		
Accounts receivable	174	(134)
Inventory	375	(375)
Due from other governments	(294,792)	183,577
Accounts payable	10,102	(432)
Salaries and benefits payable	2,380	1,675
Compensated absences	<u>1,767</u>	<u>7,081</u>
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (233,801)</u>	<u>\$ 278,139</u>

See accompanying notes to the financial statements.

CITY OF DIXON TRANSIT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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 Assets and Statement of Revenues, Expenses, and Changes in Net Assets 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 assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Transit fund first utilizes restricted resources to finance qualifying activities.

The Statement of Revenues, Expenses, and Changes in Net Assets 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. 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, 2011 AND 2010

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 assets 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.

As allowed by GASB, the Transit fund of the City has elected to apply to its proprietary activities statements and related interpretations issued by the Financial Accounting Standards Board after November 30, 1989, unless they conflict with or contradict GASB pronouncements.

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, 2011 and 2010 consisted of TDA apportionments due from the Metropolitan Transportation Commission (MTC).

F. Capital Assets

Infrastructure with an aggregate cost of \$100,000 or more and equipment with a cost of \$1,000 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.

CITY OF DIXON TRANSIT FUND
NOTES TO THE FINANCIAL STATEMENTS (continued)
JUNE 30, 2011 AND 2010

NOTE 2 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. 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:

Structures and improvements	7 - 50 years
Machinery and equipment	5 - 15 years
Developers contributed improvements	30 - 50 years

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.

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. As of June 30, 2011, the Transit Fund did not have a cash balance. Cash and investments as of June 30, 2010 totaled \$121,239 and were classified in the accompanying financial statements as cash and investments which consisted of cash and investments pooled with the City of Dixon.

CITY OF DIXON TRANSIT FUND
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 JUNE 30, 2011 AND 2010

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, 2011.

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 their 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, 2011 AND 2010

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).

NOTE 4: CAPITAL ASSETS

Capital asset activity consisted of the following for the year ended June 30, 2011:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 172,116	\$ -	\$ -	\$ 172,116
Equipment	<u>597,587</u>	<u>291,342</u>	<u>(123,060)</u>	<u>765,869</u>
Total capital assets, being depreciated	<u>769,703</u>	<u>291,342</u>	<u>(123,060)</u>	<u>937,985</u>
Less accumulated depreciation for:				
Buildings and improvements	(63,285)	(4,303)	-	(67,588)
Equipment	<u>(455,990)</u>	<u>(53,660)</u>	<u>123,060</u>	<u>(386,590)</u>
Total accumulated depreciation	<u>(519,275)</u>	<u>(57,963)</u>	<u>123,060</u>	<u>(454,178)</u>
Total capital assets being depreciated, net	<u>250,428</u>	<u>233,379</u>	<u>-</u>	<u>483,807</u>
Capital assets, net	<u>\$ 250,428</u>	<u>\$ 233,379</u>	<u>\$ -</u>	<u>\$ 483,807</u>

Total depreciation expense for the year ended June 30, 2011 was \$57,963.

CITY OF DIXON TRANSIT FUND
NOTES TO THE FINANCIAL STATEMENTS (continued)
JUNE 30, 2011 AND 2010

NOTE 4: CAPITAL ASSETS (Continued)

Capital asset activity consisted of the following for the year ended June 30, 2010:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 172,116	\$ -	\$ -	\$ 172,116
Equipment	<u>504,577</u>	<u>93,010</u>	<u>-</u>	<u>597,587</u>
Total capital assets, being depreciated	<u>676,693</u>	<u>93,010</u>	<u>-</u>	<u>769,703</u>
Less accumulated depreciation for:				
Buildings and improvements	(57,467)	(5,818)	-	(63,285)
Equipment	<u>(439,610)</u>	<u>(16,380)</u>	<u>-</u>	<u>(455,990)</u>
Total accumulated depreciation	<u>(497,077)</u>	<u>(22,198)</u>	<u>-</u>	<u>(519,275)</u>
Total capital assets being depreciated, net	<u>179,616</u>	<u>70,812</u>	<u>-</u>	<u>250,428</u>
Capital assets, net	<u>\$ 179,616</u>	<u>\$ 70,812</u>	<u>\$ -</u>	<u>\$ 250,428</u>

Total depreciation expense for the year ended June 30, 2010 was \$22,198.

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2011:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Due within One Year</u>
Compensated absences	\$ <u>37,222</u>	\$ <u>27,570</u>	\$ <u>(25,803)</u>	\$ <u>38,989</u>	\$ <u>25,803</u>
Total long-term liabilities	\$ <u>37,222</u>	\$ <u>27,570</u>	\$ <u>(25,803)</u>	\$ <u>38,989</u>	\$ <u>25,803</u>

The following is a summary of long-term liability activity for the year ended June 30, 2010:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>	<u>Due within One Year</u>
Compensated absences	\$ <u>30,141</u>	\$ <u>27,501</u>	\$ <u>(20,420)</u>	\$ <u>37,222</u>	\$ <u>20,420</u>
Total long-term liabilities	\$ <u>30,141</u>	\$ <u>27,501</u>	\$ <u>(20,420)</u>	\$ <u>37,222</u>	\$ <u>20,420</u>

NOTE 6: TRANSFERS TO THE CITY

During the years ended June 30, 2011 and June 30, 2010, the Transit fund transferred out \$54,583 and \$59,698, 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, 2011 AND 2010

NOTE 7: 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:

	2011	2010
Fare revenue	\$ 78,869	\$ 81,326
Operating expenses	678,944	628,618
Less: depreciation	(57,963)	(22,198)
Net operating expenses	\$ 620,981	\$ 606,420
Fare revenue ratio	12.70 %	13.41 %

The Transit Fund was in compliance with its fare revenue ratio as of June 30, 2011 and 2010.

NOTE 8: 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, 2010, the City received proceeds of \$85,822 from the State's PTMISEA account for the procurement of new wheelchair accessible vans and the replacement of an existing bus. Qualifying expenditures were to be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. Activity related to the PTMISEA funds were as follows:

PTMISEA proceeds received as of June 30, 2010	\$ 85,822
Vehicle procurement expenditures as of June 30, 2010	(67,209)
Unexpended proceeds, June 30 2010	18,613
Vehicle procurement expenditures as of June 30, 2011	(18,613)
Unexpended proceeds, June 30, 2011	\$ -

Unearned revenue - Other

Unearned revenue as of June 30, 2011 totaled \$3,300 and was related to unbilled TDA section 5317 New Freedom money.

CITY OF DIXON TRANSIT FUND
NOTES TO THE FINANCIAL STATEMENTS (continued)
JUNE 30, 2011 AND 2010

NOTE 9: 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 10: 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.



**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 the financial statements of the Transit Fund of the City of Dixon (Transit Fund), as of June 30, 2011 and for the year then ended, and have issued our report thereon dated November 28, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Transit Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Transit Fund's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 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*.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and its not intended to be and should not be used by anyone other than these specified parties.

Sacramento, California
November 28, 2011

PRINCIPALS

Chris A. Mann, CPA , CFP ♦ John R. Urrutia, CPA ♦ Michelle O. Nelson, CPA, CFE, CVA

Justin J. Williams, CPA, CVA ♦ Neil J. Beeman, CPA ♦ Kriss Ann Mann, CPA, CCPS ♦ Christine L. Collins, EA



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, 2011 and for the year then ended, and have issued our report thereon dated November 28, 2011. 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, 2010, the City received proceeds of \$85,822 from the State's PTMISEA account for the procurement of new wheelchair accessible vans and the replacement of an existing bus. Qualifying expenditures must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. As of June 30, 2011, PTMISEA funds received and expended were verified in the course of our audit as follows:

Proceeds Received:

PTMISEA	\$ 85,822
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Expenditures incurred:

Vehicle procurement	<u>(85,822)</u>
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Unexpended proceeds, June 30, 2011	<u>\$ -</u>
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PRINCIPALS

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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.

Maria Urutun Delya OPA

Sacramento, California
November 28, 2011