
**CITY OF DIXON
TRANSIT FUND

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2025**

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TRANSIT FUND
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Dixon
Dixon, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transit Fund of the City of Dixon, as of and for the year ended June 30, 2025, and the related notes to the financial statements, as listed in the table of contents.

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, 2025, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dixon, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, 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 the City of Dixon as of June 30, 2025, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Dixon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, 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, including the Transportation Development Act and other state program guidelines. 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.

ANJUN CPAs, LLP

Sacramento, California
December 17, 2025

**CITY OF DIXON
TRANSIT FUND
STATEMENT OF NET POSITION
JUNE 30, 2025**

ASSETS

| | |
|--|-------------------------|
| Current Assets | |
| Cash and cash equivalents (Note 2) | \$ 358,382 |
| Interest receivable | 2,047 |
| Grants receivable | 844,436 |
| Inventory | <u>25</u> |
| Total Current Assets | <u>1,204,890</u> |
| Capital assets, net of accumulated depreciation (Note 3) | <u>56,505</u> |
| TOTAL ASSETS | <u>1,261,395</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|-----------------------|
| Changes in net pension liability (Note 6) | 271,998 |
| Changes in total OPEB liability (Note 7) | <u>45,977</u> |
| Total Deferred Outflows of Resources | <u>317,975</u> |

LIABILITIES

| | |
|------------------------------------|-------------------------|
| Current Liabilities | |
| Accounts payable | 5,841 |
| Accrued payroll and benefits | 37,269 |
| Unearned revenue (Note 8) | 9,400 |
| Compensated absences (Note 4) | <u>38,381</u> |
| Total Current Liabilities | <u>90,891</u> |
| Long-Term Liabilities | |
| Compensated absences (Note 4) | 23,578 |
| Net pension liability (Note 6) | 914,452 |
| Total OPEB liability (Note 7) | <u>240,230</u> |
| Total Long-Term Liabilities | <u>1,178,260</u> |
| TOTAL LIABILITIES | <u>1,269,151</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|-----------------------|
| Changes in the net pension liability (Note 6) | 37,795 |
| Changes in the total OPEB liability (Note 7) | <u>145,716</u> |
| Total Deferred Inflows of Resources | <u>183,511</u> |

NET POSITION

| | |
|------------------------------|--------------------------|
| Investment in capital assets | 56,505 |
| Unrestricted | <u>70,203</u> |
| Total Net Position | <u>\$ 126,708</u> |

See accompanying notes to the basic financial statements.

**CITY OF DIXON
TRANSIT FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

OPERATING REVENUE

| | |
|---------------------------------|----------------------|
| Charges for services | \$ 94,157 |
| Total Operating Revenues | <u>94,157</u> |

OPERATING EXPENSES

| | |
|---------------------------------|---------------------------|
| Salaries and benefits | 858,084 |
| Materials and supplies | 5,129 |
| Repairs and maintenance | 151,285 |
| Power and utilities | 12,433 |
| Contract services | 32,698 |
| Administration | 40,760 |
| Depreciation | <u>53,483</u> |
| Total Operating Expenses | <u>1,153,872</u> |
| Operating Loss | <u>(1,059,715)</u> |

NON-OPERATING REVENUES

| | |
|-------------------------------------|-------------------------|
| Intergovernmental | 1,187,062 |
| Interest revenue | <u>15,438</u> |
| Total Non-Operating Revenues | <u>1,202,500</u> |
| Income Before Transfers | <u>142,785</u> |

TRANSFERS

| | |
|--|------------------|
| Transfers out to other funds of the City | <u>(130,688)</u> |
|--|------------------|

| | |
|-------------------------------|--------|
| CHANGE IN NET POSITION | 12,097 |
|-------------------------------|--------|

| | |
|--|----------------|
| NET POSITION, BEGINNING OF YEAR | <u>114,611</u> |
|--|----------------|

| | |
|----------------------------------|--------------------------|
| NET POSITION, END OF YEAR | <u>\$ 126,708</u> |
|----------------------------------|--------------------------|

See accompanying notes to the basic financial statements.

**CITY OF DIXON
TRANSIT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|-------------------------|
| Receipts from customers | \$ 94,342 |
| Payments to suppliers | (253,456) |
| Payments to employees | <u>(791,570)</u> |
| Cash Flows Used for Operating Activities | <u>(950,684)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|-------------------------|
| Interfund repayments made | (548,133) |
| Intergovernmental | 1,972,635 |
| Transfers to other funds | <u>(130,688)</u> |
| Cash Flows Provided by Noncapital Financing Activities | <u>1,293,814</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|----------------------|
| Interest and dividends | <u>15,022</u> |
| Cash Flows Provided by Investing Activities | <u>15,022</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS 358,152

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 230

CASH AND CASH EQUIVALENTS, END OF YEAR **\$ 358,382**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES**

| | |
|--|-----------------------------------|
| Operating loss | \$ (1,059,715) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | |
| Depreciation | 53,483 |
| (Increase) decrease in: | |
| Accounts receivables | 185 |
| Increase (decrease) in: | |
| Accounts payable | (11,151) |
| Accrued payroll and benefits | 21,753 |
| Net pension liability | 46,143 |
| Total OPEB liability | (8,168) |
| Compensated absences | <u>6,786</u> |
| CASH FLOWS USED FOR OPERATING ACTIVITIES | <u><u>\$ (950,684)</u></u> |

See accompanying notes to the basic financial statements.

**CITY OF DIXON
TRANSIT FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Transit Fund of the City of Dixon (the Transit Fund) 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 Transit Fund's Article 4 LTF funds are for the support of the public transportation systems as defined in the TDA. The Transit Fund operates demand responsive transit services within the City of Dixon (the City) limits.

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 of Dixon. The Transit Fund itself is included in the financial statements of the City of Dixon.

B. Basis of Presentation

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

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

The statement of net position and statement of revenues, expenses, and changes in net position include all of the activities of the 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: investment in capital assets; 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 non-operating revenues and expenses.

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.

**CITY OF DIXON
TRANSIT FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 investments balance in the fund represent the fund's equity share of the City's cash and investment pool.

The Transit Funds 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 daily average 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. 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:

| | <u>Years</u> |
|----------------------------|--------------|
| Equipment | 5 - 25 |
| Buildings and improvements | 5 - 40 |
| Infrastructure | 7 - 100 |

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of debt financed capital assets is included as part of the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF DIXON
TRANSIT FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave, comp time, and floating holiday leave. Unused vacation and compensatory time off benefits are paid to employees upon termination. The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. In the government-wide financial statements, the accrued compensated absences are recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature. In the proprietary funds, the accrued compensated absences are recorded as an expense and related liability in the year earned.

G. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The items, deferred pension and OPEB related items, are reported in the statement of net position.

In addition to liabilities, the statement of net position 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Transit Fund has two items that qualify for reporting in this category. The items, deferred pension related items, and deferred OPEB related items are reported in the statement of net position.

H. Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

I. Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB obligation, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2023 |
| Measurement Date | June 30, 2024 |
| Measurement Period | July 1, 2023 to June 30, 2024 |

J. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**CITY OF DIXON
TRANSIT FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 2: CASH AND CASH EQUIVALENTS

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 monthly based on daily average balances. 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, 2025, totaled \$358,382 of which none 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.

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 or Dollar Amount | Maximum Investment in One Issuer |
|---|-------------------------|---|---|
| Banker's acceptances | 180 days | 40% | 5% |
| California Asset Management Program | None | \$10,000,000 | None |
| California local agency debt | 5 years | 30% | 5% |
| Commercial paper | 270 days | 25% | 5% |
| Federal government securities | 5 years | None | None |
| Local agency bonds | 5 years | 30% | 5% |
| Local Agency Investment Fund (LAIF) | None | \$75,000,000 | None |
| Medium term corporate notes | 5 years | 30% | 5% |
| Money market mutual funds | None | 20% | None |
| Mortgage-backed and asset-backed securities | 5 years | 20% | 5% |
| Negotiable certificates and time deposits | 5 years | 30% | 5% |
| Non-negotiable certificates and time deposits | 5 years | 30% | \$250,000 |
| Supranationals | 5 years | 30% | None |
| U.S. Treasury obligations | 5 years | None | None |

The Transit Fund 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 Transit Fund 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, 2025.

**CITY OF DIXON
TRANSIT FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the Transit Fund 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 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.

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 Transit Fund's investment in this pool is reported at in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by the LAIF for the entire portfolio (in relation to the amortized cost 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. The maturities related to LAIF investments, as well as the corresponding fair value hierarchy of these investments, can be found in the City of Dixon's annual financial report.

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.

**CITY OF DIXON
TRANSIT FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

| | <u>July 1, 2024</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2025</u> |
|---|---------------------|--------------------|--------------------|----------------------|
| Capital assets being depreciated: | | | | |
| Building and improvements | \$ 174,436 | \$ - | \$ - | \$ 174,436 |
| Equipment | <u>1,020,079</u> | <u>-</u> | <u>-</u> | <u>1,020,079</u> |
| Total capital assets being depreciated | <u>1,194,515</u> | <u>-</u> | <u>-</u> | <u>1,194,515</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | (124,389) | (4,348) | - | (128,737) |
| Equipment | <u>(960,138)</u> | <u>(49,135)</u> | <u>-</u> | <u>(1,009,273)</u> |
| Total accumulated depreciation | <u>(1,084,527)</u> | <u>(53,483)</u> | <u>-</u> | <u>(1,138,010)</u> |
| Total capital assets being depreciated, net | <u>\$ 109,988</u> | <u>\$ (53,483)</u> | <u>\$ -</u> | <u>\$ 56,505</u> |

Depreciation expense for the year ended June 30, 2025 was \$53,483.

NOTE 4: COMPENSATED ABSENCES

The liabilities for vacation leave and other compensated absences, excluding sick leave, are accrued when the benefits are earned by the employee if the leave is attributable to past service and it is probable that the employer will compensate the employee through paid time off or some other means, such as cash payments at termination or retirement. As of June 30, 2025, the Transit Fund had accrued \$61,959 in compensated absences, \$38,381 of which is expected to be paid out within a year.

NOTE 5: TRANSFERS TO THE CITY

During the year ended June 30, 2025, the Transit Fund transferred out \$130,688 to the City's general fund to reimburse the City for allocated costs.

NOTE 6: DEFINED BENEFIT PENSION PLAN

The Transit Fund's employees are eligible to participate in the City's California Public Employees' Retirement System (CalPERS) plan. For the year ended June 30, 2025, the Transit Fund recorded a net pension liability of \$914,452. Deferred outflows and inflows related to changes in the net pension liability were recorded totaling \$271,998 and \$37,795, respectively. Additional information regarding the City's defined benefit pension plan can be found in the City of Dixon's annual financial report.

**CITY OF DIXON
TRANSIT FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The City sponsors and administers a single-employer health care plan (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. As the City's OPEB benefits are administered by City personnel, no separate financial statements are issued. For the year ended June 30, 2025, the Transit Fund recorded a total OPEB liability of \$240,230. Deferred outflows and inflows related to changes in the total OPEB liability were recorded totaling \$45,977 and \$145,716, respectively. Additional information regarding the City's Other Post-Employment Benefits (OPEB) can be found in the City of Dixon's annual financial report.

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 meet 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 expansion, new capital projects, bus rapid transit improvements or for rolling back stock procurement, rehabilitation or replacement.

In prior years, the City received proceeds from the State's PTMISEA account. During the year ended June 30, 2025, the City did not receive proceeds. Activity related to the PTMISEA funds were as follows:

| | <u>Amount</u> |
|------------------------------------|------------------------|
| Unexpended proceeds, July 1, 2024 | \$ <u>9,400</u> |
| Unexpended proceeds, June 30, 2025 | \$ <u><u>9,400</u></u> |

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: CONTINGENCIES

The Transit Fund participates in Federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**CITY OF DIXON
TRANSIT FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 11: 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.

The Transit Fund also participates in the California Transit Indemnity Pool (CalTIP). Under CalTIP, the Transit Fund contributes to the liability and vehicle physical damage programs. Information on CalTIP can be found online at caltiponline.org.

NOTE 12: TRANSIT COMPLIANCE

TDA claimants are required by the Metropolitan Transportation Commission to maintain either a 10% farebox recovery ratio (under Article 4), or the 50% limitation (under Article 8).

For the year ended June 30, 2025, TDA funds did not meet the 10% fare revenue ratio. The calculation of the fare revenue ratio is as follows:

| <u>Farebox Recovery Ratio</u> | |
|--------------------------------------|----------------------|
| Fare revenue | \$ <u>94,157</u> |
| Operating expenses | 1,153,872 |
| Less: depreciation | <u>(53,483)</u> |
| Net operating expenses | \$ <u>1,100,389</u> |
| Fare revenue ratio | <u><u>8.56 %</u></u> |

Under AB 90, enacted on June 29, 2020, the State of California temporarily suspended the farebox recovery requirement effective for the year ended June 30, 2025. As described in the Legislative Counsel's Digest for AB 90: "If an operator was allocated funds from a local transportation fund during a fiscal year in which it did not maintain the required ratio of fare revenues to operating cost, existing law requires the operator's eligibility to receive these monies and specified allocations under the State Transit Assistance Program to be reduced during a subsequent penalty year by the amount of the difference between the required fare revenues and the actual fare revenues collected for the fiscal year that the required ratio was not maintained. This bill would prohibit the imposition of this penalty on an operator that does not maintain the required ratio of fare revenues to operating costs starting in fiscal year 2020 and extending through fiscal year 2026."

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2025 through December 17, 2025, the date on which the financial statements were available to be issued. Management has determined no other subsequent events requiring disclosure have occurred.

OTHER REPORT



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, THE TRANSPORTATION DEVELOPMENT ACT, AND OTHER STATE PROGRAM GUIDELINES

To the City Council
City of Dixon

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 (the City), as of and for the year ended June 30, 2025, 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 December 17, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

Report on Compliance and Other Matters (including Other State Programs)

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 financial statements. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated and received by the City were expended in conformance with the applicable statutes, rules and regulations of the TDA, and Sections 6666 and 6667 of the California Code of Regulations. 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*, the TDA, or other state program guidelines.

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*, the TDA, and other state program guidelines in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MUN CPAs, LLP

Sacramento, California
December 17, 2025