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CITY OF DIXON TRANSIT FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

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CITY OF DIXON TRANSIT FUND

Financial Statements
With Independent Auditors' Report

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transit Fund (the "Fund") of the City of Dixon (the "City"), as of and for the year ended June 30, 2023, 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 Fund of the City as of June 30, 2023, 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 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, 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.

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 opinions. 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

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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's internal control over the Fund. 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefits schedules as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 opinions on the basic financial statements are not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of the City's internal control over the Fund's 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 solely 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 effectiveness of the City's internal control over the Fund's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Fund's financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Sacramento, California
December 21, 2023

CITY OF DIXON TRANSIT FUND
Statement of Net Position
June 30, 2023

ASSETS	
Current assets:	
Cash and investments	$ 289,354
Receivables (net of uncollectibles):	
Accounts	203
Accrued interest	2,111
Grants	822,395
Inventories	25
Total current assets	1,114,088
Noncurrent:	
Capital assets, net	218,966
Total noncurrent assets	218,966
Total assets	**1,333,054**
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related	365,923
OPEB-related	53,847
Total deferred outflows of resources	**419,770**
LIABILITIES	
Current liabilities:	
Accounts payable	13,313
Accrued liabilities	14,890
Unearned revenues	9,400
Due to other funds	341,522
Compensated absences	36,908
Total current liabilities	416,033
Noncurrent liabilities:	
Compensated absences	12,303
Net pension liability	883,821
Net OPEB liability	267,534
Total noncurrent liabilities	1,163,658
Total liabilities	**1,579,691**
DEFERRED INFLOWS OF RESOURCES	
Pension-related	99,026
OPEB-related	135,257
Total deferred inflows of resources	**234,283**
NET POSITION	
Invested in capital assets	218,966
Unrestricted	(280,116)
Total net position	**$ (61,150)**

See accompanying notes to financial statements.

CITY OF DIXON TRANSIT FUND
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

OPERATING REVENUES	
Charges for services	$ 87,736
Total operating revenues	**87,736**
OPERATING EXPENSES	
Salaries and benefits	602,507
Materials, supplies, and operational expenses	3,183
Repairs and maintenance	121,398
Power and utilities	14,225
Contractual services	7,594
Administration	33,540
Depreciation expense	113,350
Total operating expenses	**895,797**
Operating income (loss)	**(808,061)**
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	597,084
Interest revenue	5,209
Total nonoperating revenues (expenses)	**602,293**
Income (loss) before capital contributions and transfers	**(205,768)**
Transfers out	(108,899)
Change in net position	**(314,667)**
Net position-beginning	253,517
Net position-ending	**$ (61,150)**

See accompanying notes to financial statements.

CITY OF DIXON TRANSIT FUND
Statement of Cash Flows
For the Year Ended June 30, 2023

	Transit
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 87,794
Payments to suppliers and service providers	(191,963)
Payments to employees for salaries and benefits	(679,269)
Net cash provided by (used for) operating activities	**(783,438)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(40,004)
Operating grants	1,004,499
Net cash provided by (used for) noncapital financing activities	**964,495**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	3,577
Net cash provided by (used for) investing activities	**3,577**
Net increase (decrease) in cash and cash equivalents	**184,634**
Cash and cash equivalents-beginning	104,720
Cash and cash equivalents-ending	**$ 289,354**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	$ (808,061)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation/amortization expense	113,350
(Increase) decrease in accounts receivable	58
(Increase) decrease in pension-related deferred outflows	(224,913)
(Increase) decrease in OPEB-related deferred outflows	3,414
Increase (decrease) in accounts payable	(12,023)
Increase (decrease) in accrued liabilities	(2,754)
Increase (decrease) in compensated absences	1,739
Increase (decrease) in net pension liability	455,014
Increase (decrease) in net OPEB liability	(29,602)
Increase (decrease) in pension-related deferred inflows	(315,497)
Increase (decrease) in OPEB-related deferred inflows	(234,677)
Total adjustments	(245,891)
Net cash provided by (used for) operating activities	$ (1,053,952)

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 limits.

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 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 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 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.

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.

NOTE 1: ORGANIZATION AND 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. <u>Cash and Cash Equivalents</u>

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. <u>Capital Assets</u>

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:

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

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Compensated Absences

The Transit Fund'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.

G. 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 Transit Fund's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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. Investments are reported at fair value.

H. 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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

I. Deferred Outflows/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 represents a consumption of net assets that applies to a future period(s) and so would not be recognized as an outflow of resources (expenses/expenditure) until then. The Transit Fund has two items that qualify for reporting in this category. The items, deferred pension and OPEB related items, are reported in the government-wide 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 represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow or 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 government-wide statement of net position.

J. 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.

NOTE 2: 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 monthly based upon the relationship of its daily average 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, 2023, totaled $289,354 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

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 statues 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, 2023.

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.

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 Transit Fund'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 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.

NOTE 3: CAPITAL ASSETS

Capital assets consisted of the following for the year ended June 30, 2023:

Governmental Activities	Balance June 30, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Capital assets being depreciated					
Buildings and improvements	$ 174,435	$ -	$ -	$ -	$ 174,435
Equipment	1,020,079	-	-	-	1,020,079
Total capital assets being depreciated	1,194,514	-	-	-	1,194,514
Less accumulated depreciation					
Buildings and improvements	144,477	4,348	-	-	148,825
Equipment	717,721	109,002	-	-	826,723
Total capital assets being depreciated, net	$ 332,316	$ (113,350)	$ -	$ -	$ 218,966

NOTE 3: CAPITAL ASSETS (CONTINUED)

Total depreciation expense for the year ended June 30, 2023, was $113,350.

NOTE 4: ACCRUED COMPENSATED ABSENCES

The following is a summary of the compensated absences liability activity for the year ended June 30, 2023:

Compensated absences	$ 47,472	$ 35,654	$ 33,915	$ 49,211	$ 36,908

NOTE 5: PENSION PLAN

A. Defined Benefit Plan

1. Plan Descriptions

All qualified permanent and probationary Transit employees are eligible to participate in the City of Dixon Miscellaneous cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the City. The City Council has authority over the Transit Fund's participation in CalPERS, plan amendments and the choice of plan options within CalPERS. The CalPERS annual financial report may be obtained from their website at www.calpers.ca.gov or from their executive Office: 400 P Street, Sacramento, California, 95814.

2. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 5: PENSION PLAN (CONTINUED)

The rate plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous Cost-Sharing Rate Plans		
	Tier 1*	Tier 2*	PEPRA
Hire date	Prior to December 16, 2012	December 16, 2012 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50 yrs	minimum 50 yrs	minimum 52 yrs
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.960%	6.930%	6.750%
Required employer contribution rates	19.550%	15.560%	14.220%

*Plan is closed to new entrants.

3. Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the employer contributions recognized as a reduction to the net pension liability for the Plan was $92,924.

4. Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2023, the Transit Fund reported net pension liabilities for its proportionate share of the net pension liability of the plan, the balance was $883,821.

The Transit Fund's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The Transit Fund's proportion of the net pension liability was based on a

NOTE 5: PENSION PLAN (CONTINUED)

projection of the City of Dixon's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Transit Fund's share of the City of Dixon's proportionate share of the net pension liability as of June 30, 2021 and 2022, was as follows:

	Net Pension Liability
Proportion - June 30, 2021	0.11640%
Proportion - June 30, 2022	0.10570%
Change - Increase(Decrease)	-0.01070%

For the year ended June 30, 2023, the Transit Fund recognized pension expense of $10,319. At June 30, 2023, the Transit Fund reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to measurement date	$ 95,715	$ -
Differences between expected and actual experience	108,315	(11,888)
Difference in proportionate share	-	(30,644)
Net difference between projects and actual earnings on plan investments	161,893	-
Adjustment due to difference in proportions	-	(56,494)
	$ 365,923	$ (99,026)

The $95,715 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2023	$ 26,626
2024	27,603
2025	13,677
2026	103,276
	$ 171,182

NOTE 5: PENSION PLAN (CONTINUED)

5. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2022, the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2021 and the June 30, 2022 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method		Entry Age Normal in accordance with the requirements of GASB Statement No. 68 .
Actuarial Assumptions		
	Discount Rate	6.90%
	Inflation	2.50%
	Salary Increases	Varies by Entry Age and Service
	Mortality Rate Table [1]	Derived using CalPERS' Membership Data for all Funds.
	Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

[1]The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

6. Change of Assumptions

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

NOTE 5: PENSION PLAN (CONTINUED)

7. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF C) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF C fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class	Assumed Asset Allocation	Real Return[1,2]
Global Equity	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Management study

NOTE 5: PENSION PLAN (CONTINUED)

9. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Transit Fund's proportionate share of the net pension liability, calculated using the discount rate, as well as what the Transit Fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate - 1% 5.90%	Current Discount 6.90%	Discount Rate +1% 7.90%
Net Pension Liability	$ 1,261,279	$ 883,821	$ 478,221

10. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Description of the Plan

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.

The minimum required employer contributions are statutorily set under PEMHCA and is scheduled to increase in the future based on the medical portion of CPI. Minimum required employer contributions for the fiscal years 2021 and 2022 were $155,668 and $215,477 respectively.

The City participates in the CalPERS Health Program, a community-rated program for its medical coverage.

1. Employees Covered

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the entire Plan:

Active	128
Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to, but not yet receiving benefits	58
	208

2. Contributions

The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the measurement date ended June 30, 2022, the Transit Fund's cash contributions were $10,341, which were recognized as a reduction to the total OPEB Liability.

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

3. Total OPEB Liability

The Transit Fund's total OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2021 that was used to determine the June 30, 2021 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Contribution Policy	No pre-funding.
Discount Rate	3.54% at June 30, 2022 Bond Buyer 20-Bond Index
Inflation	2.50% annually
Salary Increases	2.75% per annum, in aggregate Merit - Calpers 2000-2019 Experience Study
Investment Rate of Return	N/A
Mortality Rate	Mortality Rate projected fully generational with Scale MP-2021.
Mortality, Retirement, Disability,	Calpers 2000-2019 Experience Study.
Medical Trend	Non-Medicare – 6.50% for 2023, decreasing to an ultimate rate of 3.75% for 2076. Medicare – 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later.
PEMHCA Minimum Increase	4.00% annually

4. Change of Assumptions

Discount rate was updated based on municipal bond rate as of the measurement date. Mortality improvement scale was updated to Scale MP-2019.

5. Discount Rate

The discount rate used to measure the total OPEB liability was 3.54 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. The City does not participate in a trust fiduciary fund.

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

6. Changes in the OPEB Liability

The changes in the Total OPEB liability for the Plan are as follows:

	Increase (Decrease) Total OPEB Liability
Balance at June 30,2022 (measurement date 6/30/2021)	$ 297,136
Changes recognized over the measurement period:	
Service Cost	30,769
Interest	6,965
Change of assumptions	(56,474)
Benefit Payments and refunds	(10,862)
Net Changes	(29,602)
Balance at June 30, 2023 (measurement date 06/30/2022)	$ 267,534

7. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Transit Fund if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease (2.54%)	**Current Discount Rate (3.54%)**	**1% Increase (4.54%)**
Total OPEB Liability	$ 306,737	$ 267,534	$ 235,640

8. Sensitivity of the total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Total OPEB liability of the Transit Fund if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease	**Current Healthcare Cost Trent Rates**	**1% Increase**
Total OPEB Liability	$ 226,236	$ 267,534	$ 320,641

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

9. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the Transit Fund recognized OPEB expense of $23,071. As of fiscal year-ended June 30, 2023, the Transit Fund reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$ 13,422	$ -
Changes of assumptions	40,425	(88,661)
Differences between expected and actual experience	-	(46,596)
	$ 53,847	$ (135,257)

The $13,422 reported as deferred inflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows or deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30:	**Deferred Outflows/(Inflows) of Resources**
2024	$ (14,142)
2025	(14,142)
2026	(14,212)
2027	(11,132)
2028	(9,969)
Thereafter	(31,235)
	$ (94,832)

NOTE 7: TRANSFERS TO THE CITY

During the year ended June 30, 2023, the Transit Fund transferred out $108,899 to the City's general fund to reimburse the City for allocated costs.

NOTE 8: 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:

	2023
Fare revenue	$ 87,736
Operating expenses	$ 895,797
Less: depreciation	113,350
Net operating expenses	$ 782,447
Fare revenue ratio	11.21%

Assembly Bill No. 90 issued on June 29, 2020, by the California Legislature waived the fare revenue ratio requirement for fiscal years 2019-20 and 2020-21, and this waiver was later extended to fiscal years 2021-22 and 2022-23 by the California Legislature. The requirement has since been indefinitely suspended.

NOTE 9: UNEARNED REVENUE

A. 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.

In prior years, the City received proceeds from the State's PTMISEA account. During the fiscal year ended June 30, 2023, the City received proceeds of $0. Activity related to the PTMISEA funds were as follows:

	Amount
Unexpended proceeds, July 1, 2022	$ 9,400
Unexpended proceeds, June 30, 2023	$ 9,400

NOTE 10: 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 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.

CITY OF DIXON
Schedules of Proportionate Share of Net Pension Liability
As of June 30, for the Last Ten Fiscal Years [1]

Reporting Date [2] as of June 30,	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Covered Payroll	Plan's Fiduciary Net Position as a % of the Total Pension Liability
2023	0.1057%	$ 883,821	$ 482,686	183.1%	76.7%
2022	0.1164%	428,807	450,254	95.2%	88.3%
2021	0.1005%	738,604	248,552	297.2%	75.1%
2020	0.1570%	626,014	320,546	195.3%	75.3%
2019	0.0065%	626,014	293,953	213.0%	75.3%
2018	0.0060%	591,623	256,822	230.4%	73.3%
2017	0.1068%	184,787	185,468	99.6%	74.1%
2016	0.0023%	157,560	204,517	77.0%	78.4%
2015	0.0021%	130,516	185,848	70.2%	79.8%

Notes to Schedule of Proportionate Share of the Net Pension Liability:

Benefit Changes : None

Changes of Assumptions : None

[1] *Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore only nine years are shown.*

2 The proportions and proportionate share of the net pension liability are measured as of one year behind the reporting date. Refer to notes to basic financial statements.

CITY OF DIXON
Schedule of Changes in Total OPEB Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years [1]

	2023	2022	2021
Measurement Date	6/30/2022	6/30/2021	6/30/2020
TOTAL OPEB LIABILITY			
Service cost	30,769	30,417	22,722
Interest on total pension liability	6,965	7,802	9,567
Changes of assumptions	(56,473)	(30,638)	70,363
Difference between expected and actual experience	-	(27,777)	-
Benefit payments, including refunds of employee contributions	(10,863)	(10,606)	(10,589)
Net change in total OPEB liability	**(29,602)**	**(30,802)**	**92,063**
Total OPEB liability-beginning	297,136	327,938	235,875
Total OPEB liability-ending	**267,534**	**297,136**	**327,938**
Covered-employee payroll	$ 848,323	$ 515,187	$ 437,309
Plan net OPEB liability/(asset) as a percentage of covered-employee payroll	**31.5%**	**57.7%**	**75.0%**

Notes to Schedule of Changes in the Net OPEB Liability and Related Ratios:

Benefit Changes : None

Changes of Assumptions : None

[1] *Fiscal year 2018 was the first year of GASB Statement No. 75 implementation; therefore only six years are shown.*

2020	2019	2018
6/30/2019	6/30/2018	6/30/2017
16,599	18,384	23,279
9,344	(18,434)	8,072
9,206	(9,651)	(27,964)
(37,424)	-	-
(7,860)	(5,550)	(6,126)
(10,135)	**(15,251)**	**(2,739)**
246,010	261,261	264,000
235,875	**246,010**	**261,261**
$ 391,834	$ 432,851	$ 387,689
60.2%	**56.8%**	**67.4%**

CITY OF DIXON
Schedules of Plan Contributions
As of June 30, for the Last Ten Fiscal Years [1]

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered/ Covered- Employee Payroll	Contribution as a % of Covered/ Covered Employee Payroll
2023	$ 95,175	$ 95,175	$ -	$ 482,686	19.7%
2022	92,924	92,924	-	450,254	20.6%
2021	84,043	84,043	-	248,552	33.8%
2020	65,546	65,546	-	320,546	20.4%
2019	63,578	63,578	-	293,953	21.6%
2018	47,715	47,715	-	256,822	18.6%
2017	41,233	41,233	-	185,468	22.2%
2016	11,649	11,649	-	204,517	5.7%
2015	12,412	12,412	-	185,848	6.7%

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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 Honorable Mayor and Members of the City Council
City of 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 (the "Fund") of the City of Dixon, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 21, 2023

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 the Fund's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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. 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*.

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

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Sacramento, California
December 21, 2023

REPORT ON COMPLIANCE WITH THE
TRANSPORTATION DEVELOPMENT ACT

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

We have audited the financial statements of the Transit Fund (the "Fund") of the City of Dixon, California (the "City"), as of June 30, 2023, and for the year then ended, and have issued our report thereon dated December 21, 2023. 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 test 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 test 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 part of our audit, we performed test 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 statue 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.

In prior years, the City received proceeds from the State's PTMISEA account. During the fiscal year ended June 30, 2023, the City received proceeds of $0. Activity related to the PTMISEA funds were as follows:

	Amount
Unexpended proceeds, July 1, 2022	$ 9,400
Unexpended proceeds, June 30, 2023	$ 9,400

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

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.

Lance, Soll & Lunghard, LLP

Sacramento, California
December 21, 2023