

CITY OF GRIDLEY

SENIOR TAXI FUND

Audited Financial Statements
and Compliance Report

June 30, 2013

CITY OF GRIDLEY
SENIOR TAXI FUND

Audited Financial Statements
and Compliance Report

June 30, 2013 and 2012

Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Gridley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Senior Taxi Fund (the Fund) of the City of Gridley (the City), as of and for year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Senior Taxi Fund of the City of Gridley as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Gridley, California

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the Senior Taxi Fund of the City of Gridley and do not purport to, and do not, present fairly the financial position of the City of Gridley as of June 30, 2013, the changes in financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

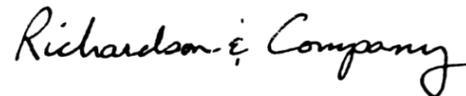
The financial statements of the Senior Taxi Fund as of June 30, 2012, were audited by other auditors whose report dated March 19, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014 on our consideration of the City's internal control over financial reporting related to the Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, and the Transportation Development Act. 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 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 City's internal control over financial reporting and compliance.



February 10, 2014

CITY OF GRIDLEY
SENIOR TAXI FUND

BALANCE SHEETS

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and investments	\$ 95,219	\$ 57,712
Due from other City funds	19,626	11,838
Due from other governments	4,416	3,937
TOTAL CURRENT ASSETS	<u>119,261</u>	<u>73,487</u>
 CAPITAL ASSETS, DEPRECIABLE, NET	 <u>-</u>	 <u>6,802</u>
TOTAL ASSETS	<u>\$ 119,261</u>	<u>\$ 80,289</u>
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,219	\$ 1,758
Compensated absences - current	5,174	3,666
Due to Transportation Development Act Fund	22,645	18,458
TOTAL CURRENT LIABILITIES	<u>29,038</u>	<u>23,882</u>
NONCURRENT LIABILITIES		
Other postemployment benefits	3,998	3,054
Compensated absences - noncurrent	1,684	2,608
TOTAL NON-CURRENT LIABILITIES	<u>5,682</u>	<u>5,662</u>
TOTAL LIABILITIES	34,720	29,544
NET POSITION		
Net investment in capital assets		6,802
Restricted for transit services	84,541	43,943
TOTAL NET POSITION	<u>84,541</u>	<u>50,745</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 119,261</u>	<u>\$ 80,289</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRIDLEY
SENIOR TAXI FUND

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET POSITION

For the Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Passenger fares	\$ 14,856	\$ 13,683
TOTAL OPERATING REVENUES	14,856	13,683
OPERATING EXPENSES		
Salaries and benefits	104,478	98,945
Fuel	8,125	6,851
Administrative	6,995	150
Maintenance	5,006	128
Insurance	1,347	842
Special department expense	1,089	1,377
Communications	777	752
Professional	343	5,500
Office		363
Depreciation	6,802	11,664
TOTAL OPERATING EXPENSES	134,962	126,572
NET LOSS FROM OPERATIONS	(120,106)	(112,889)
NONOPERATING REVENUES		
Local transportation fund	136,438	122,713
State transit assistance	15,070	8,128
Taxi subsidy	2,394	1,807
TOTAL NONOPERATING REVENUES	153,902	132,648
CHANGE IN NET POSITION	33,796	19,759
Net position at beginning of year - as previously reported	30,986	30,986
Restatement	19,759	19,759
Net position at beginning of year - restated	50,745	30,986
NET POSITION AT END OF YEAR	\$ 84,541	\$ 50,745

The accompanying notes are an integral part of these financial statements.

CITY OF GRIDLEY
SENIOR TAXI FUND

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 14,856	\$ 13,683
Cash paid to suppliers for goods and services	(23,277)	(16,907)
Cash paid to employees for services	(103,894)	(100,222)
NET CASH USED FOR OPERATING ACTIVITIES	(112,315)	(103,446)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxi subsidy received	2,394	1,807
Cash paid to other funds	(7,788)	(14)
Contributions from other governments	155,216	156,699
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	149,822	158,492
NET CHANGE IN CASH AND CASH EQUIVALENTS	37,507	55,046
 Cash and cash equivalents at beginning of year	57,712	2,666
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 95,219	\$ 57,712
 RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES		
Net loss from operations	\$ (120,106)	\$ (112,889)
Adjustments to reconcile net loss from operations to net cash used for operating activities		
Depreciation	6,802	11,664
Change in operating assets and liabilities:		
Accounts payable	(539)	148
Accrued expenses		(1,092)
Other postemployment benefits liability	944	
Compensated absences	584	(1,277)
NET CASH USED FOR OPERATING ACTIVITIES	\$ (112,315)	\$ (103,446)

The accompanying notes are an integral part of these financial statements.

CITY OF GRIDLEY
SENIOR TAXI FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE A – ORGANIZATION

The City of Gridley (the City) receives funds under the provision of the Transportation Development Act (TDA) from the Butte County Local Transportation Fund (LTF) under Article 4, Section 99260(a) and State Transit Assistance Fund (STAF) under Article 4, Section 6730 (a). The LTF and STAF funds are to be used to support the transportation systems as defined in the TDA. The City operates the Gridley Golden Feather Flyer which provides fixed route and dial-a-ride transportation service for seniors and the disabled. The Senior Taxi Fund is used to account for these TDA funds received by the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Senior Taxi Fund (the Fund) of the City of Gridley have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity: The financial statements are intended to present the financial position and results of operations of only those transactions recorded in the Fund. The Fund is included in the financial statements of the City.

Fund Accounting: The accounts of the City are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The City utilizes the enterprise fund type of the proprietary fund group to account for the activities of the Fund.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The accrual basis of accounting is used by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. TDA revenues are recognized when all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Fund are fees received from passengers for transportation services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: For purposes of reporting cash flows, cash and cash equivalents is defined as those amounts included in the balance sheet caption "Cash and cash equivalents" and consist of amounts held in the City's cash and investments pool, which is available upon demand.

Capital Assets: Capital assets are stated at cost. Provision is made for depreciation by the straight-line method over the estimated useful life of the asset, which is 5 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. It is the policy of the City to capitalize asset acquisitions with an individual cost greater than \$10,000.

CITY OF GRIDLEY
SENIOR TAXI FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: It is the City’s policy to permit employees to accumulate earned but unused annual leave. Annual leave is accrued when incurred. Unused annual leave is paid to employees upon termination. It is the City’s policy to allow an employee to accumulate no more than two years vacation.

Other Postemployment Benefits (OPEB) Liability: The City provides healthcare coverage to retirees through CalPERS. The City pays healthcare premiums for retirees on a pay-as-you-go basis and records a liability for the difference between the annual OPEB cost and the premiums paid. A portion of this liability has been recorded in the Senior Taxi Fund. See the City’s audited financial statements for additional information related to this plan.

Short-term Interfund Receivables/Payables: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due to other funds” and “due from other funds” on the balance sheet. The “due from other funds” at June 30, 2013 and 2012 represents amounts due from other City funds for incorrect postings made to the Senior Taxi Fund. The “due to Transportation Development Act Fund” at June 30, 2013 and 2012 represents revenues that were recorded in the City’s Senior Taxi Fund that should be recorded in the City’s TDA Fund.

Restricted Net Position: Restrictions of net position show amounts that are legally restricted for specific uses under the Transportation Development Act. The purpose of each is indicated by the account title on the face of the balance sheet.

Use of Estimates: The preparation of the financial statements in conformity with GAAP requires 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 C – CASH AND INVESTMENTS

The Senior Taxi Fund’s cash is held in the City Treasury. The City maintains cash and investments in the State of California’s Local Agency Investment Fund (LAIF) and other Money Markey Funds and allocates interest to the various funds based upon the average daily cash balances. Investments held in the City’s cash accounts are available on demand to the Senior Taxi Fund and are stated at cost, which approximates fair value. The City’s investment policy, interest rate risk and credit risk may be found in the notes to the City of Gridley basic financial statements.

NOTE D – DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Transportation Development Act:		
State Transit Assistance Fund		
Fiscal Year 2012/13	\$ 4,416	
Fiscal Year 2011/12		\$ 3,937
	<u> </u>	<u> </u>
Total due from other governments	<u>\$ 4,416</u>	<u>\$ 3,937</u>

CITY OF GRIDLEY
SENIOR TAXI FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2013 and 2012

NOTE E – CAPITAL ASSETS

Capital asset activity for the years ended June 30 was as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2013</u>
Capital assets, being depreciated:				
Vehicle	\$ 58,318			\$ 58,318
Accumulated depreciation	(51,516)	\$ (6,802)		(58,318)
Capital assets, net	<u>\$ 6,802</u>	<u>\$ (6,802)</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2012</u>
Less accumulated depreciation for:				
Vehicle	\$ 58,318			\$ 58,318
Accumulated depreciation	(39,852)	\$ (11,664)		(51,516)
Capital assets, net	<u>\$ 18,466</u>	<u>\$ (11,664)</u>	<u>\$ -</u>	<u>\$ 6,802</u>

NOTE F – FARE REVENUE RATIO

The City is required to maintain a fare revenue to operating expense ratio of 10.00% in accordance with Section 99268.5 of the Transportation Development Act. The fare revenue to operating expenses ratio for the City is calculated as follows for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Fare revenues	\$ 14,856	\$ 13,683
Operating expenses	132,962	126,572
Less allowable exclusions:		
Depreciation and amortization	<u>(6,802)</u>	<u>(11,664)</u>
Net operating expenses	<u>\$ 126,160</u>	<u>\$ 114,908</u>
Actual fare revenue ratio	<u>11.78%</u>	<u>11.91%</u>
Required fare revenue ratio	<u>10.00%</u>	<u>10.00%</u>

NOTE G – CONCENTRATIONS

The Fund receives a substantial amount of its support from a statewide retail sales tax from the LTF and diesel sales tax from the STA created by the Transportation Development Act. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Fund's activities.

NOTE H – RESTATEMENT

Beginning net position has been restated by \$19,759 to recognized income in accordance with GASB 33 that had been previously reported as unearned. Under GASB 33, government-mandated non-exchange revenue is required to be recognized when all eligibility requirements are met, which is when BCAG apportions the funds, and when measurable.

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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* AND THE TRANSPORTATION DEVELOPMENT ACT

To the City Council
City of Gridley, California

We have audited, 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, the financial statements of the Senior Taxi Fund (the Fund) of the City of Gridley (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fund's financial statements, and have issued our report thereon dated February 10, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received by the Fund were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 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* or the TDA.

To the City Council
City of Gridley, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the TDA in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Richardson & Company

February 10, 2014