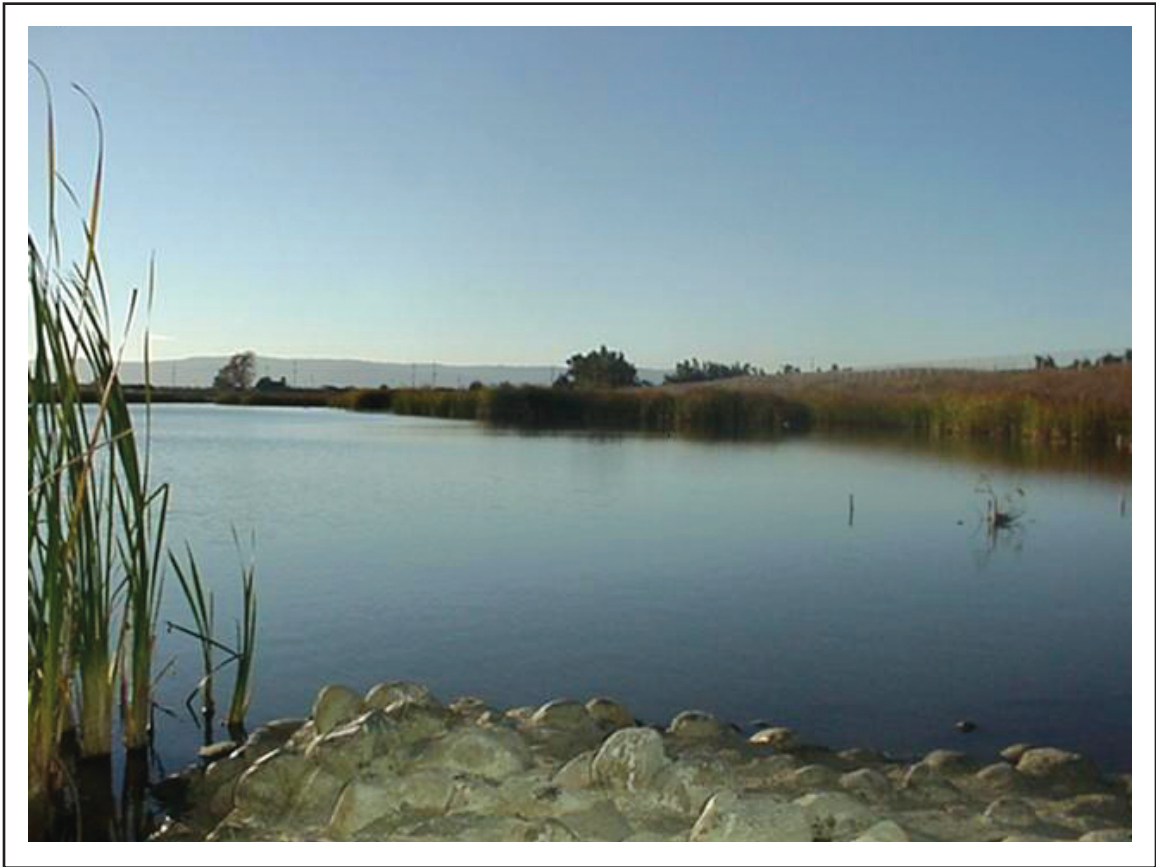


CITY OF DIXON,
CALIFORNIA



Comprehensive Annual Financial Report
For the Fiscal Year Ended

June 30, 2005

INTRODUCTORY SECTION

CITY OF DIXON, CALIFORNIA

Comprehensive Annual
Financial Report

June 30, 2005

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CITY OF DIXON, CALIFORNIA

Comprehensive Annual
Financial Report

June 30, 2005

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MAYOR MARY ANN COURVILLE
VICE MAYOR GIL VEGA
COUNCILMEMBER STEVE ALEXANDER



COUNCILMEMBER LOREN FERRERO
COUNCILMEMBER MICHAEL C. SMITH
CITY TREASURER DAVID DINGMAN

January 10, 2006

To the City Council and the Citizens of the City of Dixon:

Transmitted herewith is the Comprehensive Annual Financial Report of the City of Dixon for the fiscal year ended June 30, 2005. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America, including Statement 34 of the Governmental Accounting Standards Board (GASB No. 34), that required significant changes to both the format and the contents of the audited financial reports. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

ORGANIZATION OF THIS REPORT

The Comprehensive Annual Financial Report is prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of the independent public accounting firm of Richardson & Company.

Organization of the financial report follows the guidelines set forth by the Governmental Finance Officers Association of the United States and Canada (GFOA) and the California Society of Municipal Finance Officers (CSMFO). In accordance with the above-mentioned guidelines, the Comprehensive Annual Financial Report is divided into three sections:

- I. Introductory Section**
 - ** Letter of transmittal
 - ** City organization chart
 - ** List of officials

- II. Financial Section**
 - ** Independent auditors' report
 - ** Management's Discussion and Analysis
 - ** Basic financial statements
 - ** Combining and individual fund financial statements and schedules

- III. Statistical Section**
 - ** Although this section contains substantial financial information, these tables differ from financial statements in that they present some non-accounting data, cover multiple fiscal years, and are designed to provide demographic and economic data, and reflect financial trends.

The Financial Section of this report has been structured as follows:

Basic Financial Statements -- This level includes the Independent Auditors' Report, Management's Discussion and Analysis, the Government-Wide Financial Statements, Fund Financial Statements, and Notes thereto. The Government-wide Financial Statements provide a summary of the City's financial position at June 30, 2005, and the results of its operations for the year then ended.

City of Dixon

600 East A Street • Dixon, California • 95620-3697
(707) 678-7000 • FAX (707) 678-0960 • TTY (707) 678-1489

Combining Individual Fund Financial Statements and Schedules – also presented are separate sections for the various financial statements and schedules for each fund type. They reflect financial data on each generic fund type with separate columns for each non-major individual fund. Each separate column serves as a financial statement for that particular fund, and combining financial statements are presented in each instance where the City has more than one fund of a given fund type.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Dixon’s MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY

The City of Dixon operates under a Council-Management form of government and provides full municipal services that include public safety, public works, utilities (sewer and water), community development, recreation and community services. This report includes all funds of the City of Dixon.

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of Dixon was incorporated March 30, 1878. The current population is 17,179 in a 7.4 square-mile area, Dixon has room for and has planned for continued business and residential development. Dixon is graced with a strong business base and a long and well-established residential community. Dixon prides itself on being “in the center of everything.”

The Dixon City Council consists of the mayor and four council members, elected to four-year overlapping terms. The mayor and council members must be residents of the City. The position of Vice Mayor is required in the Dixon City Code and is chosen from among the council members by the City Council. The Mayor conducts the Council meetings and all members of the City Council represent the City on regional and statewide issues.

The City Council serves as the legislative body of the City and as the policy board for the municipality. The City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council is also responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager and City Attorney. The Mayor appoints and the City Council ratifies the appointment of all members of advisory boards and commissions. The City Manager appoints the Senior Managers (Department Heads) with the City Council providing ratification.

Dixon has a wide economic orientation with strong business to business activity and significant retail opportunities easily accessible from Interstate 80. The City and the Dixon Redevelopment Agency have worked with the citizens and the businesses of Dixon in support of business, façade improvement programs, and employment targeted loans. The City has one redevelopment plan and area.

Dixon is also close to many other commercial centers which provide significant employment opportunities in a variety of fields, including sales, education, technology, professional specialties and manufacturing. As of June 30, 2005, the unemployment for Solano County was 5.1%.

MAJOR INITIATIVES

The City of Dixon is committed to providing high quality services in an economical manner. For fiscal year 2004-05, the City’s efforts were focused in several areas:

Facilities and Infrastructure -- FY 2004-05 highlights include the completion of the following projects: SR 113 Sidewalk rehab project, Streetscape Phase 1 project which included renovation of the sidewalk, curbs, street trees and planters and ramps in the downtown core area, three traffic signals along SR 113, the

2005 Omnibus Project which included renovation of the police parking lot and expansion and reconstruction of 30 curb ramps, storm drainage, Pond C Phase 1 and the Police/Fire Storage building.

In addition, two major park projects were completed: Hall Park, Phase 2 improvements and Veterans Park, a 5-acre neighborhood park. Improvements for Hall Park Phase 2 included four lighted baseball fields, one lighted multi-use field and a concession stand/restroom building.

The City continued developing plans to expand the community pool in Hall Park, additional improvements in downtown, rehabilitation of sidewalk curb ramps and expediting the private the development of the SE corner of First and A Street and commercial rehabilitation of the Old Fire Station in the downtown area.

The City continues to plan for major improvements to its wastewater treatment plant to meet current regulatory and future growth demands. The 2002 approved 10-year strategic plan for the sewer enterprise fund has recently been updated. On December 13, 2005 the City Council approved the update to the Wastewater Financial Plan and Rate/Fee Study. The financial plan is designed to facilitate the City's compliance with the requirements of the California Regional Water Quality Control Board.

Economic Development – Promoting economic development continues to be one of the City's key operational priorities. The City Manager and other city staff continue to work closely with the development community to ensure the redevelopment and development of key sites. Wal-Mart at the crossroads of I-80 and Highway 113 (North First Street) expanded, becoming the City's first major national chain retailer. Additional growth and development is anticipated in the northeast quadrant of the City with major studies underway regarding the development of a horse racing and training /retail/office/entertainment facility.

Residential Development – The Valley Glen subdivision in the southern section of town continued in its development of residential units. The area is planned to include a wide array of residential opportunities ranging from large single family residences to apartments. Planning for residential and commercial development has continued for the southwest section of Dixon. The Brookfield subdivision has been approved and the City is waiting for subdivision maps to be filed for the Southwest Development. The City has also been involved with various apartment development projects targeting market rate, low income and senior housing. The Simpson Senior and Bristol Apartment Complexes are nearing completion. The Lincoln Creek project is under construction.

Operational Activities – The City consistently looks at the way it provides services to the citizens of Dixon. The Police Department completed their development of the Strategic Plan necessary to meet the needs of the City over the next several years. The plan was accepted by the City Council in early FY 2004-05. In early 2005-06, the Fire Department began work on the Strategic Plan for the department with projected completion within the fiscal year. Finally, during FY 2003-04, the routine information technology functions were brought in-house providing more timely service at a significant cost savings. The trend continued in FY 2004-05 with the addition of technological staff and the takeover of the management of the City's website.

Long-term Fiscal Stability – The City's economic development efforts and the implementation of the City's financial policies help to promote Dixon's long-term fiscal stability. On an ongoing basis the City looks at its operations to determine the best and most economical method to provide services. The City intends to continue this practice and to evolve operations in a way that both makes sense and is cost effective.

FINANCIAL INFORMATION

Management of the City of Dixon is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United State of America. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable

assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the government is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluation by management and the finance staff of the City.

When the City receives and expends more than \$500,000 in Federal Funds a single audit in compliance with federal law (OMB Circular A-133) is required. This law requires additional testing of internal controls and compliance with the many laws and regulations affecting Federal Fund Assistance. The City's internal controls and compliance with various laws and regulations have met the Federal criteria in the past as evidenced by prior years' single audits and management is confident that this compliance continues.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities for all funds are included in the annual appropriated budget.

As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

Cash Management Policies and Practices – It is the policy of the City Council to invest idle funds (cash not needed for immediate use) in a manner that provides the highest safety, liquidity and yield. Investments are made according to the California government code section 536000 et seq. and the adopted City Investment Policy. As of June 30, 2005, approximately 73.5% of the City's investments were in the Local Agency Investment Fund (LAIF) with the balance in bond trusts and the cash accounts used to maintain the cash flow of the City.

The City's cash management practices include the establishment of contingencies, reserves and designations to: 1) stabilize the City's fiscal base for anticipated fluctuations in revenues and expenditures; 2) provide for nonrecurring, unanticipated expenditures; and 3) provide for innovative opportunities for the betterment of the community. The following contingencies, reserves and designations have been established:

** General Fund contingency – The purpose of this contingency is to set aside funds for unanticipated, nonrecurring expenditures. It is the City Council's policy to establish this contingency annually at 15% of operating expenses.

** Reserve for encumbrances – Encumbrances is commitments to spend for services and supplies which are ordered or contracted in one year but not fulfilled until the next year. The City determines the balance of its reserve for encumbrance during the process of closing the books on an annual basis.

** Reserve for low and moderate Income Housing – State redevelopment law requires that, for cities having redevelopment areas and agencies, 20% of the annual tax increment be set aside and used solely to meet the need for very low, low and moderate income housing for the citizens of the City.

** Designated for equipment replacement – Each year, in accordance with an amortization schedule developed for each piece of equipment purchased by the city (meeting a minimum threshold in cost and useful life), funds are set aside and designated for eventual replacement.

** Designated for senior donations – Each year the senior citizens active at the Senior/Multi-Use Center donate funds for the programs and activities in which they participate. The City maintains a balance based upon donations and use. At the end of each year the remaining balance is designated for their in the subsequent years.

Risk Management – The City is a member of the Northern California Cities Self Insurance Fund (NCCSIF), a joint powers authority provided the member municipalities with risk management services. The City pays annually into the fund for liability and worker’s compensation coverage. NCCSIF is a shared risk pool and the City is self insured up to \$25,000 for general liabilities and up to \$100,000 for worker’s compensation claims. The activity in the risk management pool over the past several years has not exceeded the annual payments made by the City.

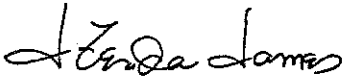
Independent Audit – State statutes require an annual audit by independent certified public accountants. The firm Richardson & Company was selected by the City Council to audit the City’s financial records. The auditors’ report on the basic financial statements is included in the financial section of this report.

ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and the auditing firm of Richardson & Company. I would like to express my appreciation to Ms. Ingrid Sheipline, CPA, Director of Audit Services and to Mr. Brian Nash, CPA of Richardson & Company, and to all the members of the department who assisted and contributed to its preparation – Christina Roybal, Accounting Manager, Kim McMullan, Accounting and Payroll Technician, Sharon Kraak, Account Clerk II, and JoAnne Pangelinan, Account Clerk I.

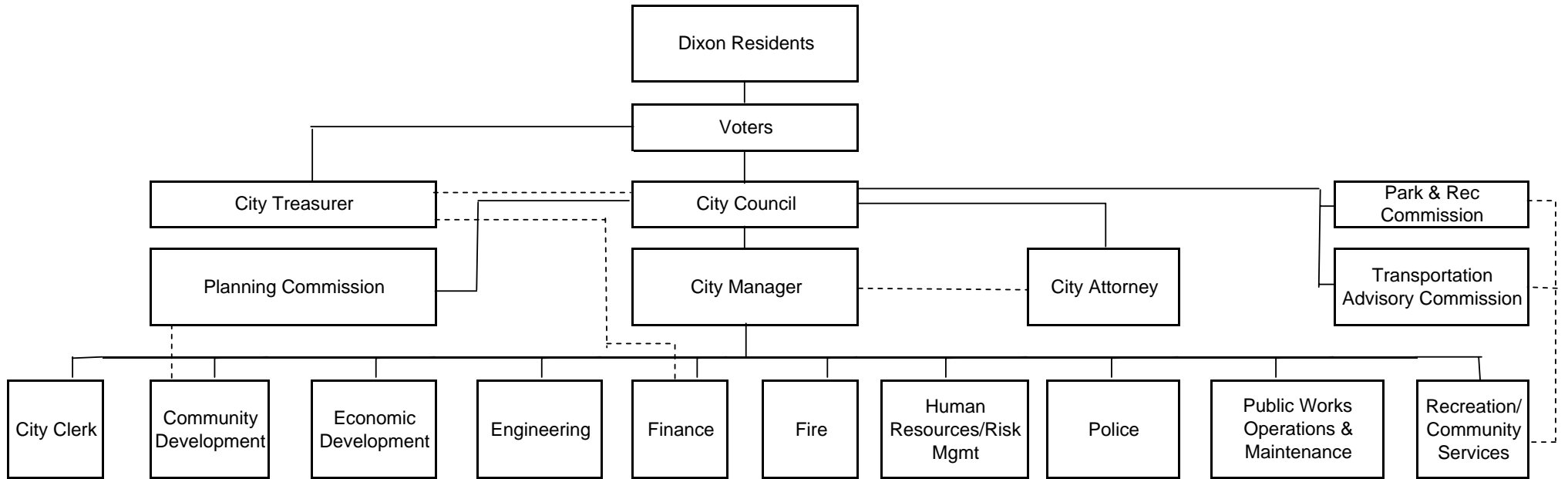
I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully submitted,



J. Zenda James
Interim Finance Director

CITY OF DIXON, CALIFORNIA
ORGANIZATION CHART



CITY OF DIXON

LIST OF ELECTED AND APPOINTED OFFICIALS

AS OF JUNE 30, 2005

ELECTED OFFICIALS

Mayor	Mary Ann Courville
Vice Mayor	Gil Vega
Council Member	Steve Alexander
Council Member	Loren Ferrero
Council Member	Michael C. Smith
City Treasurer	David Dingman

APPOINTED OFFICIALS

Planning Commission

Chairperson	Gordon Davis
Commissioner	Dan Ayala
Commissioner	David Cornejo
Commissioner	Diane Hefner
Commissioner	Kevin Heeney
Commissioner	Doug Uhlik
Commissioner	Wayne Williams

Parks & Recreation Commission

Chairperson	Duane Luzzo
Commissioner	Angel Carrazco
Commissioner	Robert Dohr
Commissioner	Cheryl Crane-Middleton
Commissioner	Byron Schindel
Commissioner	Kennith Young
Commissioner (Student Representative)	Jenny Au Young

Staff

City Manager	Warren Salmons
City Attorney	Michael Dean
City Clerk	Janice Beaman
City Engineer	Vacant
Community Development Director	Vacant
Economic Development Director	Marshall Drack
Finance Director	Peggy Lefebvre
Fire Chief	Ric Dorris
Police Chief	Don Mort
Human Resources/Risk Management Director	Quinn Johnston
Director of Public Works Operations & Management	Dave Melilli
Recreation & Community Services Director	Jeff Matheson

Transportation Advisory Commission

Chairperson	Shirley Roady
Commissioner	Steven Freitas
Commissioner	Denise Nelson
Commissioner	Edward Peterson III
Commissioner	Dan Rott
Commissioner	Joan Schindel
Commissioner	Trevor Schnitzuis

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dixon, California, as of and for the year then ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Dixon, California's management. Our responsibility is to express opinions 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dixon, California, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Low/Moderate Income Housing Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under a separate cover our report dated November 16, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

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

The management's discussion and analysis and on pages 3 through 20 are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Dixon, California's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements of City of Dixon, California. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in our audit of the basic financial statements, and, accordingly, we express no opinion on them.

Richardson & Company

November 16, 2005

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

This section of the City of Dixon California's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter and in the City's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

** The assets of the City of Dixon (hereinafter referred to as the "City") exceeded liabilities by \$212.7 million (net assets) at June 30, 2005 compared to \$202.6 at June 30, 2004. Of this amount, \$6.3 and \$4.3 million at June 30, 2005 and 2004, respectively, may be used to meet the City's ongoing obligations to its citizens, businesses, and creditors, and \$24.8 and \$23.6 million, respectively, is restricted for specific purposes such as capital projects, debt service and community development, and \$181.6 and \$174.7 million, respectively, is invested in capital assets, net of related debt.

** The City's total net assets increased by \$10.1 million during the year ended June 30, 2005, a 4.97% increase -- \$7.15 million in governmental activities and \$2.95 million in business-type activities -- compared to an increase of \$1.2 in the prior fiscal year. Increases of \$6.0 and \$5.6 million in net capital assets during the years ended June 30, 2005 and 2004 were financed mainly from developer fees since no new debt was issued during the year. Net working capital increased by \$3.5 million as not all developer fees earned were spent by year end.

** Total Liabilities increased by approximately \$1.2 and \$1.0 million (7.5% and 6.4%) as of June 30, 2005 and 2004. This increase reflects the increased size and activity of the City along with the ongoing nature of capital projects from one year to the next.

** At the end of Fiscal Year (FY) 2004-05 and 2003-04 the City's governmental funds reported fund balances totaling \$25.7 and \$24.2 million. This reflects an increase of \$1.5 million in FY 2004-05 and a reduction of \$5.1 million in FY 2003-04 in available fund balance. Governmental Funds do not reflect the net capital assets built, bought or depreciated during the year, rather they look at these activities from a cash inflow/outflow point of view.

** At the end of FY 2004-05 and FY 2003-04 the City's proprietary funds reflected an increase in net assets of \$2.93 and \$.2 million, respectively. The proprietary funds are reported in a very similar manner under the traditional financial reporting methods as under the new model of Statements of Net Assets and Activities.

** The fund balance of the General Fund was \$4.8 and \$4.7 million at June 30, 2005 and 2004, respectively, of which \$1.8 and \$1.7 million at June 30, 2005 and 2004 is designated for equipment replacement. Included in the fund balance are funds on deposit with the City of approximately \$265,000 pursuant to a reimbursement agreement with certain developers. Reimbursement agreement expenses are contracted and paid for only if the developer has deposited funds in advance with the City.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The financial section of this report consists of four parts:

- ** Independent Auditor's Report;
- ** Management's Discussion and Analysis (this section);
- ** Basic Financial Statements which include:
 - Government-Wide Financial Statements;
 - Fund Financial Statements;
 - Comparison of General and Major Special Revenue Funds – Budget to Actual;

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

** Notes to the Basic Financial Statements; and
** Combining and Individual Fund Financial Statements and Schedules.

The basic financial statements include two kinds of statements which present different views of the City.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets (page 21) presents information on all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in net assets may serve as a useful indicator of the City's financial improvement or deterioration.

The Statement of Activities (pages 22 and 23) presents information showing how the government's net assets changed during the past year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (accrual basis of accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue – "governmental activities" from other functions that are intended to recover all or a significant portion of their costs through users fees and charges – "business-type activities." The government activities of the City of Dixon include general government, public protection, parks and recreation, development, and public ways and facilities. The business-type activities of the city include water, wastewater and the transit system.

The government-wide financial statements include not only the City of Dixon itself (known as the primary government), but also the legally separate Dixon Public Improvement Corporation, the City of Dixon Redevelopment Agency and the Dixon Public Financing Authority. The City Council serves as the governing bodies of each of these component units and the City is financially accountable for them, resulting in their financial information being included in the City's Comprehensive Annual Financial Report on a blended basis.

Fund Financial Statements

A "fund" is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Dixon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Dixon can be divided into three categories:

** Governmental Funds;
** Proprietary Funds; and
** Fiduciary Funds.

Governmental funds are used to account for essentially the same functions reported as "governmental activities" in the government-wide financial statements. However, unlike those statements, the focus in these statements is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Dixon maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, etc). The City Council (or agency board for Redevelopment, the Dixon Public Financing Authority or the Dixon Public Improvement Corporation) adopts an annual appropriated budget for each fund within the City.

The fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities. For the fiscal year ending June 30, 2005, the City of Dixon's major funds are as follows:

- ** General Fund
- ** Low/Moderate Income Housing Fund (Redevelopment) Special Revenue Fund
- ** Storm Drainage Capital Projects Fund
- ** Vacaville-Dixon Greenbelt Authority Capital Projects Fund
- ** Park Improvements Capital Projects Fund

Data from the remaining nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of "combining statements" starting on page 65.

For the Governmental Funds financial statements, the following funds have been reported as major funds in the 03-04 fiscal year and continue to be reported as a major fund for FY 2004-05.

** The Low/Moderate Income Housing Fund is a special revenue fund which has been established to monitor the use of 20% of the Redevelopment tax increment which must be set aside and used for very low, low and moderate housing programs. The City of Dixon Redevelopment Agency (RDA) has been aggressive in obtaining additional funding for First Time Homebuyers and Homeowner Rehabilitation Projects for citizens of the City who meet income criteria. The funds are passed to the homeowners as long-term, low interest loans. An accounting method change has restated a portion of fund balance as deferred income in recognition that the funds that have been loaned are not assets immediately available for near term expenditure. As loans are repaid, the funds are recognized as revenue and available to be reused in the program.

** Storm Drainage Capital Projects Fund accounts for resources budgeted for storm drainage projects.

** Vacaville/Dixon Greenbelt Authority Capital Projects Fund accounts for resources budgeted for capital projects of the Vacaville/Dixon Greenbelt Authority.

** Park Improvements Capital Projects Fund accounts for all resources and expenditures related to major park improvements.

Changes in major fund designation include the following:

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

Funds treated as major funds in FY 2003-04 now shown as nonmajor funds include:

** The CDBG Revolving Fund is a special revenue fund reflecting the City's participation in Community Development Block Grant programs in the past which have provided loans to businesses which then generate jobs for new employees in the targeted income group (generally low income). The loans have varying repayment schedules and terms (as further discussed in Note D – Notes Receivable in the Notes to the Basic Financial Statements). As loans are repaid, the funds are recognized as revenue and available to be reused in the program.

** The Redevelopment Fund which account for tax increment proceeds not designated for low and moderate income housing uses.

A budgetary comparison statement has been provided in the basic financial statements which reflect both original and final budgets for the general fund and for the major special revenue funds.

Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City has maintained one type of proprietary fund – enterprise funds – as described below:

** Enterprise funds are used to report the same functions as presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water (one half of the water system), wastewater, and transit.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The Statement of Fiduciary Net Assets is found on page 79 and includes the West A Assessment District, the North First Street Assessment District, the Dixon Fire Protection District and Dixon-Solano Municipal Water Service (SID Interest).

Notes to the Basic Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 36 – 64 of this report.

Combining and Individual Fund Statements and Schedules

This final section of the report includes additional detailed information about nonmajor governmental, proprietary and agency funds and can be found beginning on page 65.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Dixon, net assets excluding net assets invested in capital assets, net of related debt, exceeded non capital liabilities by \$31.0 and \$27.9 million at June 20, 2005 and 2004, respectively.

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

The Summary of Net Assets as of June 30, 2005 and 2004 follows:

Statement of Net Assets									
As of June 30, 2005, 2004 and 2003									
(in thousands)									
	2005			2004			2003, Restated		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
Current and Other Assets	\$ 33,858	\$ 3,785	\$ 37,643	\$ 30,878	\$ 1,512	\$ 32,390	\$ 34,729	\$ 1,049	\$ 35,778
Capital Assets	139,025	53,118	192,143	133,788	52,338	186,126	127,797	52,731	180,528
Total Assets	<u>172,883</u>	<u>56,903</u>	<u>229,786</u>	<u>164,666</u>	<u>53,850</u>	<u>218,516</u>	<u>162,526</u>	<u>53,780</u>	<u>216,306</u>
Long-Term Liabilities	8,959	2,065	11,024	9,464	2,145	11,609	9,648	2,156	11,804
Other Liabilities	5,063	1,015	6,078	3,486	816	4,302	2,204	982	3,186
Total Liabilities	<u>14,022</u>	<u>3,080</u>	<u>17,102</u>	<u>12,950</u>	<u>2,961</u>	<u>15,911</u>	<u>11,852</u>	<u>3,138</u>	<u>14,990</u>
Net Assets:									
Invested in Capital Assets,									
Net of Related Debt	130,280	51,327	181,607	124,586	50,148	174,734	118,166	50,529	168,695
Restricted	24,226	531	24,757	23,032	523	23,555	26,046	53	26,099
Unrestricted	4,355	1,965	6,320	4,098	218	4,316	6,462	60	6,522
Total Net Assets	<u>\$ 158,861</u>	<u>\$ 53,823</u>	<u>\$ 212,684</u>	<u>\$ 151,716</u>	<u>\$ 50,889</u>	<u>\$ 202,605</u>	<u>\$ 150,674</u>	<u>\$ 50,642</u>	<u>\$ 201,316</u>

Analysis of Net Assets

With the consolidation of government-wide net assets into one statement and other changes such as the exclusion of fiduciary funds, net assets may now serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$212.7 million in FY 2004-05 and \$202.6 in FY 2003-04 with an increase of approximately \$7.1 and \$1.0 million for the year ended June 30, 2005 and 2004 as a result of governmental revenues exceeding expenses, while business type activities capital contributions net of operating loss of approximately \$2.9 and \$.2 million for the year ended June 30, 2005 and 2004, respectively. The city reported positive balances in all categories of net assets, as well as for its separate governmental and business-type activities. The primary components of the City's net assets include:

** \$181.6 and 174.7 million (85% and 86%) at June 30, 2005 and 2004 in net capital assets (e.g., infrastructure, land, buildings, other improvements, construction in progress and equipment), less any outstanding related debt used to acquire these assets. The City uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

** \$24.8 and \$23.6 million (11% and 12%) at June 30, 2005 and 2004 in net assets are earmarked and represent resources that are subject to external restrictions on how they may be used. These restrictions include \$16.7 and \$14.4 million for capital projects, \$6.3 and \$7.0 million for community development and other projects and \$1.8 and \$1.6 million for debt service and retirement at June 30, 2005 and 2004.

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

** The remaining \$6.3 and \$4.3 million are unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

The following table reflects the change in net assets for governmental and business type activities:

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

Statement of Activities

For the Years ended June 30, 2005, 2004 and 2003

(in thousands)

	2005			2004			2003, Restated		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:									
Program Revenues									
Charges for Services	\$ 4,503	\$ 1,728	\$ 6,231	\$ 4,506	\$ 3,028	\$ 7,534	\$ 4,433	\$ 1,893	\$ 6,326
Operating Grants and Contributions	885	458	1,343	586	334	920	603	337	940
Capital Grants and Contributions	10,303	4,634	14,937	3,351	87	3,438	1,147	1,924	3,071
General Revenues									
Taxes:									
Sales and Use Taxes	4,144		4,144	3,856		3,856	3,686		3,686
Property Taxes	4,269		4,269	3,513		3,513	3,179		3,179
Motor Vehicle and Gas Taxes	1,339		1,339	1,058		1,058	937		937
Franchise Taxes	405		405	407		407	197		197
Transient Occupancy Taxes	192		192	165		165	179		179
Interest and Investment Earnings	525	97	622	360	54	414	827	80	907
Rental Income	20		20	18		18			
Other Revenue	115	3	118	102		102	169		169
Gain on Sale of Capital Assets	1		1	(60)		(60)	(8)	(3)	(11)
Total Revenues	26,701	6,920	33,621	17,862	3,503	21,365	15,349	4,231	19,580
Expenses:									
Governmental Activities									
General Government	2,160		2,160	1,962		1,962	2,592		2,592
Public Protection	6,271		6,271	5,791		5,791	6,871		6,871
Parks and Recreation	1,500		1,500	1,416		1,416	1,015		1,015
Development	2,098		2,098	1,878		1,878	706		706
Public Ways and Facilities	7,013		7,013	5,248		5,248	1,745		1,745
Interest on Long-Term Debt	555		555	525		525	641		641
Business-type Activities									
Sewer		2,761	2,761		2,191	2,191		1,777	1,777
Water		583	583		583	583		474	474
Transit		601	601		482	482		397	397
Total Expenses	19,597	3,945	23,542	16,820	3,256	20,076	13,570	2,648	16,218
Excess (deficiency) before transfers	7,104	2,975	10,079	1,042	247	1,289	1,779	1,583	3,362
Transfers	41	(41)					(1,239)	1,239	
Change in Net Assets	7,145	2,934	10,079	1,042	247	1,289	540	2,822	3,362
Net Assets, Beginning of Year	151,716	50,889	202,605	150,674	50,642	201,316	150,134	47,820	197,954
Net Assets, End of Year	\$ 158,861	\$ 53,823	\$ 212,684	\$ 151,716	\$ 50,889	\$ 202,605	\$ 150,674	\$ 50,642	\$ 201,316

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

Statement of Activities

Governmental Activities increased the City's net assets by \$7.1 and \$1.0 million during the year ended June 30, 2005 and 2004 or 4.5% and .7% of the total governmental net assets of the City. Revenue increased approximately \$8.8 and \$2.5 million in FY 2004-05 and 2003-04, in large part due to expanded commercial and residential development and the revenues associated with building and permits, planning studies and other general revenues associated with that growth. Expenses increased approximately \$2.8 and \$3.2 million in FY 2004-05 and 2003-04. The majority of the increases were also due, in large part, to development and the growth of the City. An analysis of key changes at the governmental funds level is provided below under Financial Analysis of the City's Funds.

Business-type activities increased the City's net assets by \$2.9 and \$.2 million during the year ended June 30, 2005 and 2004 or 5.4% and .4% of the total business-type net assets of the City. In the business-type activities, expenses and program revenues are generally equivalent. The exception to this is the collection of money to expand or replace major portions of the sewer system infrastructure. During FY 2004-05 and 2003-04 a significant amount of funds were received which will be used to fund capital projects in the future.

Revenues

The City's total revenues were \$33.6 million for the year ended June 30, 2005 as compared to \$21.4 million as of June 30, 2004. Revenue from governmental activities totaled \$26.7 and \$17.9 million and revenues from business-type activities totaled \$6.9 and \$3.5 million for the years ended June 30, 2005 and 2004, respectively.

Program revenues include charges for services and grants and contributions. Program revenues provided \$15.7 and \$ 8.4 million for governmental activities (59% and 47%) and approximately \$6.8 and \$ 3.4 million (98% for each year) for business-type activities during the years ended June 30, 2005 and 2004. Revenues generally kept pace with expenses in the business-type activities, reflecting only a small increase in net assets (\$2.9 and \$.2 million for the years ended June 30, 2005 and 2004) because both projects and operations are proceeding as funding is available.

General revenues include, among other things, taxes and intergovernmental revenues. General revenues provided \$11 and \$9.5 million (42% and 53% of the total) for the years ended June 30, 2005 and 2004. The majority of general revenues came from property, sales and other taxes.

Expenses

Expenses for the City totaled \$23.5 and \$20.1 million for the years ended June 30, 2005 and 2004, respectively. Governmental activities incurred \$19.6 and \$16.8 million in expenses and business-type activities incurred \$3.9 and \$3.3 million in expenses during the years ended June 30, 2005 and 2004, respectively. As can be seen in the table above, governmental activities expenses were about 80% and 50% funded by program revenues, fees, grants and contributions during the years ended June 30, 2005 and 2004. The remaining 20% and 50% (\$3.9 and \$8.4 million) of their funding came from general revenues for the years ended June 30, 2005 and 2004. On the other hand, business-type activities expenses were 100 percent funded by program revenues (with the exception of interest and investment earnings), consistent with City financial policies.

Governmental Activities

As shown above in the summary of the Statement of Activities, the majority of governmental activities and operations rely on general revenues for funding. The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2005 and 2004 follows:

**Cost of Services by Program
Governmental Funds
(in thousands)**

Program	FY 2004-05		FY 2003-04		FY 2002-03	
	Total	Net	Total	Net	Total	Net
General Government	\$ 2,160	\$ 579	\$ 1,962	\$ 345	\$ 2,592	\$ 2,345
Public Protection	6,271	4,931	5,791	4,811	6,871	5,744
Parks and Recreation	1,500	(2,756)	1,416	(194)	1,015	944
Development	2,098	(275)	1,878	(510)	706	701
Public Ways Facilities	7,013	872	5,248	3,400	1,745	(2,198)
Interest on Long-Term Debt	555	555	525	525	641	550
Total	<u>\$ 19,597</u>	<u>\$ 3,906</u>	<u>\$ 16,820</u>	<u>\$ 8,377</u>	<u>\$ 13,570</u>	<u>\$ 8,086</u>

General operations throughout the City are subsidized by general revenue. For each year program revenues generated by development related programs show the funds being collected and set aside for infrastructure projects necessary to meet the needs of growth. Fees are collected under California Government Code § 66000, *et seq.*, among other laws to provide for infrastructure to meet the needs of new development. In this program, funds are collected over a number of years to be used for capital projects or debt service directly related to growth. As the projects are completed, the City's infrastructure value grows:

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

**Revenue by Source - Governmental Activities
For the Years ended June 30, 2005, 2004 and 2003
(in thousands)**

	2005		2004		2003	
	Govern- mental	%	Govern- mental	%	Govern- mental	%
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Revenues:						
Program Revenues						
Charges for Services	\$ 4,503	16.86%	\$ 4,506	25.2%	\$ 4,433	28.9%
Operating Grants and Contributions	885	3.31%	586	3.3%	603	3.9%
Capital Grants and Contributions	10,303	38.59%	3,351	18.8%	1,147	7.5%
General Revenues						
Taxes:						
Sales and Use Taxes	4,144	15.52%	3,856	21.6%	3,686	24.0%
Property Taxes	4,269	15.99%	3,513	19.7%	3,179	20.7%
Motor Vehicle and Gas Taxes	1,339	5.01%	1,058	5.9%	937	6.1%
Franchise Taxes	405	1.52%	407	2.3%	197	1.3%
Transient Occupancy Taxes	192	0.72%	165	0.9%	179	1.2%
Interest and Investment Earnings	525	1.97%	360	2.0%	827	5.4%
Rental Income	20	0.07%	18	0.1%		0.0%
Other Revenue	115	0.43%	102	0.6%	169	1.1%
Gain on Sale of Capital Assets	1	0.00%	(60)	-0.3%	(8)	-0.1%
Total Revenues	<u>\$ 26,701</u>	<u>100.00%</u>	<u>\$ 17,862</u>	<u>100.0%</u>	<u>\$ 15,349</u>	<u>100.0%</u>

Business-Type Activities

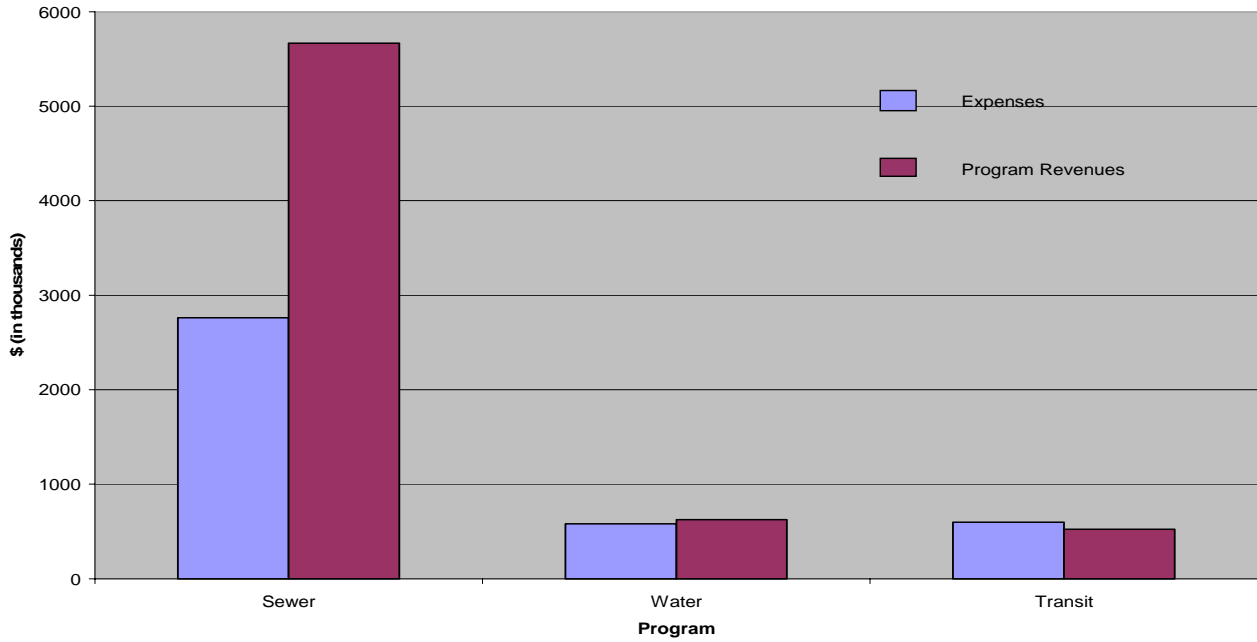
The net assets for the business-type activities reflect sewer, water and transit operations. The net assets for these activities increased by \$2.9 and \$.2 million during the years ended June 30, 2005 and 2004, respectively. Business-type activities are intended to match program expenses and revenues as well as to collect fees and develop the infrastructure needed to expand and to maintain the respective systems. The collection of fees for expansion and the construction of capital projects do, on occasion, cause the balance between revenue and expense to vary. Following is the comparison of expenses and program revenues by source for the business-type activities for the fiscal years ended June 30, 2005 and 2004.

CITY OF DIXON

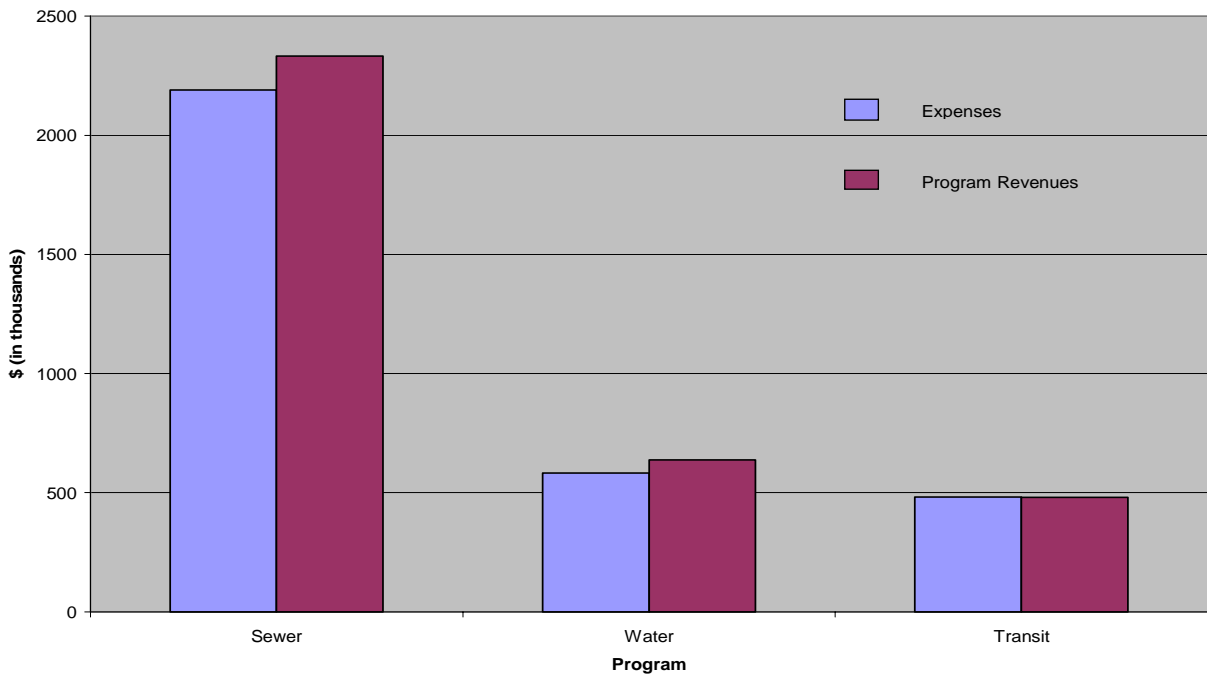
Management's Discussion and Analysis

For the Year Ended June 30, 2005

Expense and Program Revenues - Business-type Activities - 2005



Expense and Program Revenues - Business-type Activities - 2004



CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

As stated above, program expenses and revenues are generally equivalent. The additional program revenue will be used to fund infrastructure which as to the overall value of the City net assets.

Revenues by Source in Business-type activities break down as follows:

**Revenues by Source - Business Type Activities
For the Years Ended June 30, 2005, 2004 and 2003
(in thousands)**

Revenues by Source	2005		2004		2003	
	\$	%	\$	%	\$	%
Charges for Service	\$ 1,728	25.0%	\$ 3,028	86.4%	\$ 1,893	44.7%
Grants and Contributions	5,092	73.6%	421	12.0%	2,261	53.4%
Other	100	1.4%	54	1.5%	77	1.8%
Total	\$ 6,920	100.0%	\$ 3,503	100.0%	\$ 4,231	100.0%

Financial Analysis of the Government's Funds

The City of Dixon uses fund accounting to segregate accounts for specific activities or objectives, including demonstrating finance-related legal compliance.

Governmental Funds

The focus of the City's government funds is to provide information on near-term inflows, outflows and balances of resources that are available to provide services and capital project construction. In particular, unreserved fund balance may serve as a useful measure of a government's net spendable resources.

At the end of FY 2004-05 the City's governmental funds reported combined fund balances of \$25.7 million an increase of \$1.6 million as compared to the prior year. Approximately \$1.8 million of this total increase is in unreserved fund balance, with \$.2 million decrease in reserved fund balance. The remainder of the governmental ending fund balance of \$11.7 million is reserved to indicate that it is not available for new spending because it has been committed to pay for prior year commitments and other specific requirements. During FY 2003-04 the City's governmental funds reported fund balances of \$24.2, million, a decrease of \$5.1 million. Approximately \$12.3 million was unreserved and \$11.9 million was reserved.

The table below presents the amount of revenues from various sources as well as increases or decreases from the prior year:

CITY OF DIXON

Management's Discussion and Analysis

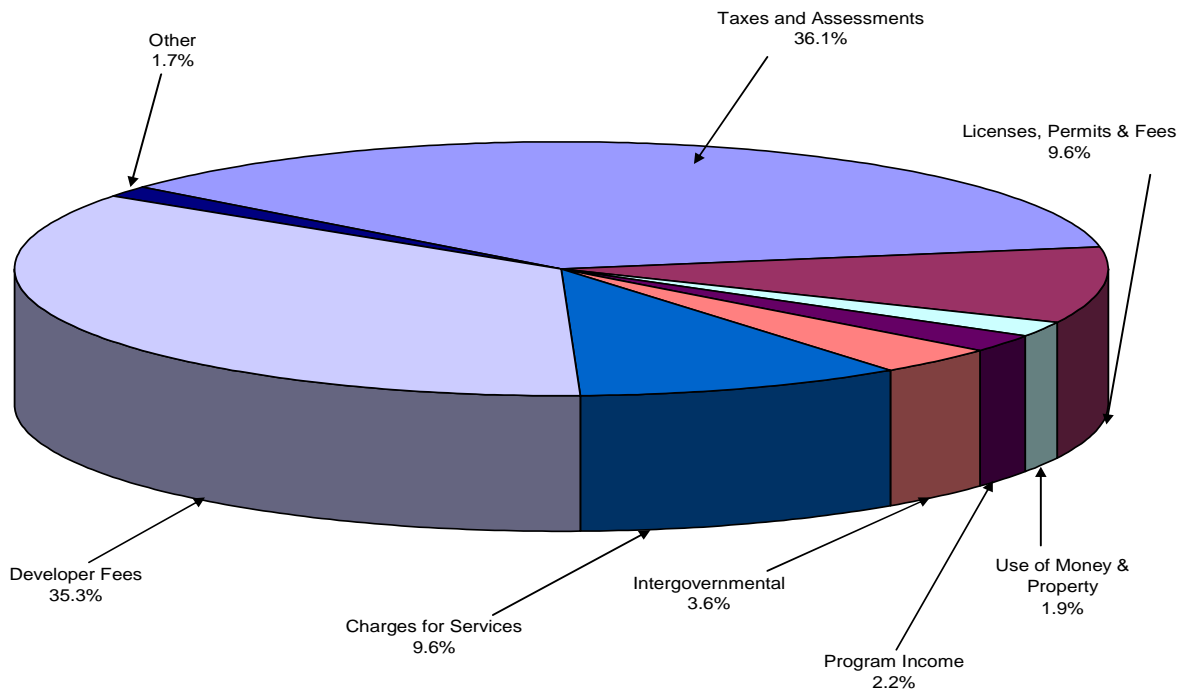
For the Year Ended June 30, 2005

**Revenues Classified by Source
For the Years Ended June 30, 2005, 2004 and 2003**

**Governmental Funds
(in thousands)**

Revenues by Source	2005		2004		2003	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Taxes and assessments	\$ 9,725	36.1%	\$ 8,225	45.2%	\$ 7,434	49.2%
Licenses, Permits and Fees	2,601	9.6%	2,467	13.5%	1,071	7.1%
Fines and Forfeitures	55	0.2%	60	0.3%	56	0.4%
Use of Money and Property	518	1.9%	378	2.1%	776	5.1%
Program Income	581	2.2%	398	2.2%	322	2.1%
Intergovernmental revenues	970	3.6%	1,185	6.5%	1,439	9.5%
Charges for Services	2,588	9.6%	2,395	13.2%	1,500	9.9%
Developer Fees	9,508	35.3%	2,866	15.7%	2,370	15.7%
Other Revenues	413	1.5%	233	1.3%	154	1.0%
Total	\$ 26,959	100.0%	\$ 18,207	100.0%	\$ 15,122	100.0%

**Revenues by Source
Governmental Funds
FY 2004-05**



CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

Key elements of the changes noted above include:

- ** Increased development activity has caused additional revenue in Licenses, Permits and Fees and in Charges for Services.
- ** Continued growth in the City has led to a significant increase in the collection of Developer Impact Fees and other fees relating to infrastructure.
- ** Intergovernmental revenues reflect revenue received from other agencies for capital projects. During FY 2004-05 and 2003-04, while planning continued, the number of projects funded from this source decreased.
- ** Investment earnings were at a historically low level for the year.

The following table presents expenditures by function compared to prior year amounts:

Expenditures by Function
For the Years Ended June 30, 2005, 2004 and 2003
Governmental Funds
(in thousands)

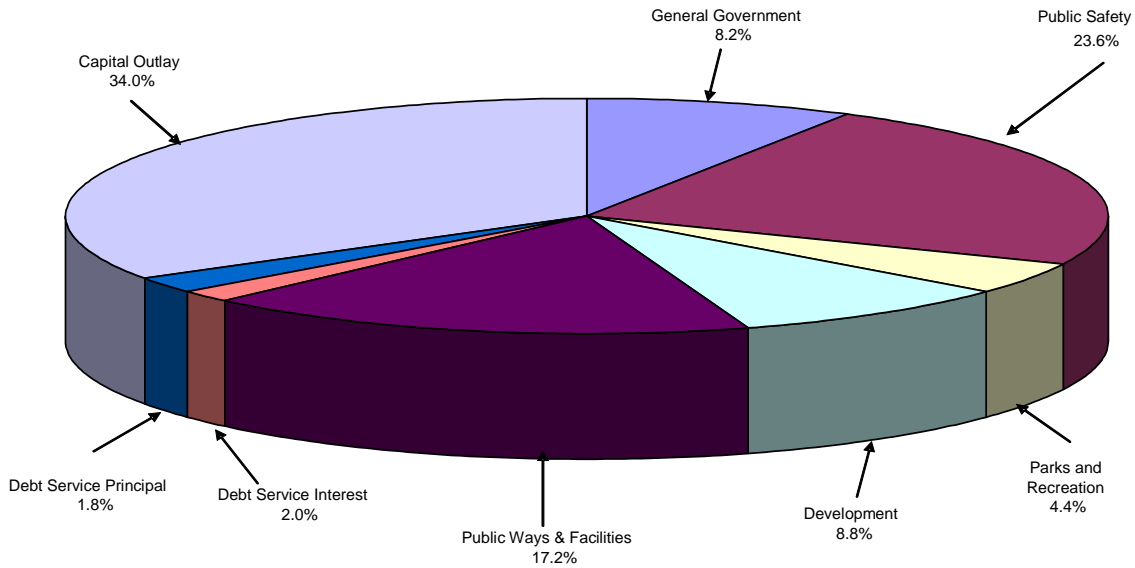
Expenditures by Function	2005		2004		2003, Restated	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Current:						
General Government	\$ 2,092	8.2%	\$ 1,864	8.0%	\$ 1,768	11.4%
Public Safety	6,005	23.6%	5,421	23.3%	4,814	31.0%
Parks and Recreation	1,127	4.4%	1,040	4.5%	823	5.3%
Development	2,251	8.8%	2,106	9.0%	701	4.5%
Public Ways Facilities	4,364	17.2%	2,674	11.5%	2,115	13.6%
Debt Service						
Principal	456	1.8%	445	1.9%	413	2.7%
Interest Other Charges	515	2.0%	528	2.3%	550	3.5%
Capital Outlay	8,633	34.0%	9,224	39.6%	4,325	27.9%
Total	<u>\$ 25,443</u>	<u>100.0%</u>	<u>\$ 23,302</u>	<u>100.0%</u>	<u>\$ 15,509</u>	<u>100.0%</u>

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

**Expenditures by Function
Governmental Funds
FY 2004-05**



Key elements of the changes noted above include:

** Public Safety spending reflects an increase of 10.8% and 13.3% for the years ended June 30, 2005 and 2004, respectively, made up of increases in personnel costs and operating expenses.

** The growth of the City has led to increased costs related to planning, development and engineering (categorized as Public Ways and Facilities). The majority of the cost associated with development is offset by revenue charged for services.

** Capital outlay varies from year to year. The outlay shown in each year reflects progress and completion of various projects throughout the City. The projects will be discussed further below.

Proprietary Funds

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail.

At June 30, 2005 and 2004, respectively, the unrestricted net assets were approximately \$.9 and \$.6 million for the Dixon interest in Dixon-Solano Municipal Water Service (DSMWS). Unrestricted net assets in the Sewer fund were \$1.1 million at June 30, 2005 and a deficit of \$.5 million at June 30, 2003. The Transit Fund had a net asset deficit of \$12,974 at June 30, 2005 and net assets of \$.3 million at June 30, 2004 .

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budgeted expenditures were increased during the fiscal year by approximately \$1.7 million. Approximately \$.4 million was added to support public safety for additional police grant funding which became available during the fiscal year. Added capital projects amounted to approximately \$1.3 million.

During the year revenue was over realized and the budget was not fully expended. This has been the pattern for the City of Dixon over the past several years. The final budget reflected a decrease in fund balance of about \$2.3 million, but actual results indicated a \$126,340 increase in fund balance. In other words, the City's General Fund Balance grew in FY 2004-05.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 and 2004, respectively, was \$192.1 and \$186.1 million (net of accumulated depreciation). This investment in capital assets includes: infrastructure, land, buildings, improvements other than buildings, construction in progress and equipment. The total increase in the City's investment in capital assets for FY 2004-05 and 2003-04 was \$10.6 and \$10.2 million, prior to depreciation.

Major capital asset events during FY 2004-05 included the following:

- ** Completion of Hall Park Phase II and Veterans Park costing approximately \$4 million.
- ** Completion of SR 113 sidewalk rehab project, Streetscape Phase I project which included renovation of the sidewalk, curbs, street trees and planters and ramps in the downtown core area, three traffic signals along SR 113, the 2005 Omnibus Project which included renovation of the police parking lot and expansion and reconstruction of 30 curb ramps, storm drainage, Pond C Phase I and the Police/Fire Storage building
- ** Construction in progress increased by about \$1.8 million, mostly for offset with reduction for the completion of certain parks and public works projects.

Major capital asset events in FY 2003-04 included the completion of Pond A and Lateral One Storm Drainage facilities for \$5.8 million, sidewalks, curbs and gutters along North First Street in downtown (Streetscape project) of approximately \$1.6 million, and a \$2.4 million increase in construction in progress for Hall Park Phase II, completion of sewer system rehabilitations and a new water well.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from the start of the year following acquisition over their useful lives. Governmental fund financial statements record capital asset purchases as expenditures. Capital assets for the governmental and business-type activities are presented in the following table to illustrate changes from the prior year:

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

Capital Assets (net of depreciation)
As of June 30, 2005, 2004 and 2003
(in thousands)

	Governmental Activities			Business-Type Activities			Totals		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Land	\$ 2,728	\$ 2,728	\$ 2,309	\$ 785	\$ 785	\$ 785	\$ 3,513	\$ 3,513	\$ 3,094
Construction in Progress	3,295	2,438	1,502	6,918	5,933	6,968	10,213	8,371	8,470
Buildings & Improvements	6,584	6,381	6,586	45,000	45,351	44,718	51,584	51,732	51,304
Equipment	2,489	2,609	2,653	415	269	260	2,904	2,878	2,913
Infrastructure	123,929	119,632	114,747				123,929	119,632	114,747
Total	\$ 139,025	\$ 133,788	\$ 127,797	\$ 53,118	\$ 52,338	\$ 52,731	\$ 192,143	\$ 186,126	\$ 180,528

Additional information about the City's capital assets can be found in Note E in the Notes to the Basic Financial Statements.

DEBT ADMINISTRATION

During FY 2004-05 and FY 2003-04 the City issued no new debt. At the end of FY 2004-05, the City of Dixon had outstanding bonds (net of portion due within the next year) and other long-term liabilities of \$9.0 million and \$2.07 million for governmental activities and business-type activities, respectively, which reflects retirements of \$1.0 million for governmental activities and \$112,560 for business-type activities over FY 2003-04. Bonds comprised all but about \$.8 million of the City's long-term liabilities. The bonds are rated from BAA to AAA under the Standard & Poor's rating system. Additional information about the City's long-term obligations can be found in Note F in the Notes to Basic Financial Statements. The following table recaps the City's Bonds Payable as of June 30, 2005:

Bonded Debt - Long Term
Outstanding Balances
As of June 30, 2005
(in thousands)

Bond	Purpose	Balance
Governmental Activities:		
1981 FHA Lease Revenue Bond	City Hall	\$ 585
1987 Certificate of Participation	Council Chambers, S/MUC/Hall Park	105
1995 Tax Allocation Refunding Bonds	Redevelopment	3,675
1996 Refunding Lease Revenue Bonds	Police Station	1,330
1997 Dixon Fire Station Project Bonds	Fire Station	2,600
Total		\$ 8,295
Business-type Activities:		
1996 Lease Revenue Bonds	Sewer System	\$ 2,035

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2005

Special Assessment District Debt

Two special assessment districts in the City have in the past also issued debt to finance infrastructure in their respective districts. The bonds were refinanced and combined in 1998, in order to take advantage of lower interest rates. As of June 30, 2005 and 2004, a total of \$21.2 and \$22.3 million of this debt was outstanding. This debt is secured by special assessments on the real property in the districts issuing the debt, and is not the City's responsibility, although, the City does act as these Districts' agent in the management of the debt service.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Overall the City of Dixon is in a sound financial state. The City is growing both in residential units and in commercial/industrial opportunities and will continue to do so for the coming years. The FY 2005-06 budget has reflected this with projected property tax increases of about 3% and sales tax increases of 8%.

During FY 2004-05 the unreserved fund balance, when adjusted for fully reimbursable developer agreement encumbrances (i.e., the work is not done or paid for unless the developers have deposited funds with the City in advance), increased about \$126,000. It is anticipated that the operating revenue received during FY 2005-06 will be sufficient to fund operating costs for that year with no need to raise taxes or charges (beyond normal inflationary increases).

In recent years both the Sewer System and DSMWS has been the subject of rate studies. As a result sewer rates have been increased approximately 9% while the water rates were adjusted for inflation. Transit fares were not changed.

A Comprehensive Fee Study will be undertaken during FY 2005-06 to review each charge for service not included in the business-type activities. The intention is to ensure that the City knows the full cost recovery amount for each service, to charge that fee where appropriate at the City Council's discretion and to establish the policies and procedures to ensure that fees are updated and reflect cost recovery on a regular basis.

A sewer financial plan and rate study was completed in December 2005. The financial plan is designed to facilitate the City's compliance with the requirements of the California Regional Water Quality Control Board. The approved financing plan includes a series of rate increases as well as the issuance of debt to insure timely completion of the required wastewater improvements.

A water connection fee study was completed in March 2005 and is under review. An AB1600 Facilities and Equipment 5-year Update is currently underway. Impact fees were recently adjusted for inflation (3.01%) pending completion of the study.

Under the agreement between the local governments and the State of California, the City anticipates the reduction in property taxes (ERAF III) in FY 2005-06 will be approximately \$227,000. The City does not expect to change levels of services provided to the citizens based upon this property tax reduction.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Dixon's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Dixon Finance Department at 600 East A Street, Dixon, CA 95620, phone 707-678-7000. Or you may visit our website at www.ci.dixon.ca.us for contact information.

CITY OF DIXON, CALIFORNIA

STATEMENT OF NET ASSETS

For the Year Ended June 30, 2005

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 25,802,937	\$ 5,055,149	\$ 30,858,086
Receivables:			
Accounts receivable	98,567	382,761	481,328
Interest receivable	137,422	21,409	158,831
Taxes receivable	584,424		584,424
Due from other agencies	293,288	55,099	348,387
Notes receivable	3,140,870	45,983	3,186,853
Internal balances	2,357,416	(2,357,416)	
Inventory	1,577		1,577
Prepaid expenses and other assets	355,735		355,735
Restricted cash and investments	895,658	531,205	1,426,863
Deferred charges	189,767	51,376	241,143
Capital assets, net	<u>139,025,415</u>	<u>53,117,744</u>	<u>192,143,159</u>
TOTAL ASSETS	<u>172,883,076</u>	<u>56,903,310</u>	<u>229,786,386</u>
 LIABILITIES			
Accounts payable	3,148,586	371,737	3,520,323
Salaries and benefits payable	561,307	30,221	591,528
Interest payable	95,511	38,531	134,042
Deposits payable	110,150	240,377	350,527
Deferred revenue	526,713	246,976	773,689
Long term liabilities			
Due within one year	621,105	87,512	708,617
Due in more than one year	<u>8,958,548</u>	<u>2,065,048</u>	<u>11,023,596</u>
TOTAL LIABILITIES	<u>14,021,920</u>	<u>3,080,402</u>	<u>17,102,322</u>
 NET ASSETS			
Invested in capital assets, net of related debt	130,280,415	51,327,411	181,607,826
Restricted for debt service	1,562,199	206,538	1,768,737
Restricted for capital projects	16,352,153	324,667	16,676,820
Restricted for low and moderate income housing	3,097,178		3,097,178
Restricted for various projects	3,214,155		3,214,155
Unrestricted	<u>4,355,056</u>	<u>1,964,292</u>	<u>6,319,348</u>
TOTAL NET ASSETS	<u>\$ 158,861,156</u>	<u>\$ 53,822,908</u>	<u>\$ 212,684,064</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DIXON, CALIFORNIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General government	\$ 2,159,667	\$ 1,333,726	\$ 154,079	\$ 93,835
Public protection	6,270,681	633,466	252,577	453,339
Parks and recreation	1,499,588	91,560		4,164,076
Development	2,098,016	2,196,023	176,857	
Public ways and facilities	7,012,845	248,161	301,009	5,591,598
Interest on long-term debt	555,470			
TOTAL GOVERNMENTAL ACTIVITIES	19,596,267	4,502,936	884,522	10,302,848
BUSINESS-TYPE ACTIVITIES:				
Sewer	2,761,015	1,223,006		4,445,312
Water	582,910	438,202		188,131
Transit	600,782	66,760	458,156	
TOTAL BUSINESS-TYPE ACTIVITIES	3,944,707	1,727,968	458,156	4,633,443
TOTAL PRIMARY GOVERNMENT	\$ 23,540,974	\$ 6,230,904	\$ 1,342,678	\$ 14,936,291

GENERAL REVENUES:

Taxes:

Sales and use taxes

Property taxes

Motor vehicle and gas taxes

Franchise taxes

Transient occupancy taxes

Interest and investment earnings

Rental income

Gain on sale of capital assets

Other revenue

Transfers

Total General Revenues

Change in Net Assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes to financial statements are an integral part of this statement.

Net (Expenses) Revenues and
Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (578,027)		\$ (578,027)
(4,931,299)		(4,931,299)
2,756,048		2,756,048
274,864		274,864
(872,077)		(872,077)
(555,470)		(555,470)
<u>(3,905,961)</u>		<u>(3,905,961)</u>
	\$ 2,907,303	2,907,303
	43,423	43,423
	(75,866)	(75,866)
	<u>2,874,860</u>	<u>2,874,860</u>
<u>(3,905,961)</u>	<u>2,874,860</u>	<u>(1,031,101)</u>
4,144,192		4,144,192
4,268,691		4,268,691
1,339,305		1,339,305
404,880		404,880
191,856		191,856
525,301	96,957	622,258
19,589		19,589
1,350		1,350
114,469	3,219	117,688
41,231	(41,231)	
<u>11,050,864</u>	<u>58,945</u>	<u>11,109,809</u>
7,144,903	2,933,805	10,078,708
<u>151,716,253</u>	<u>50,889,103</u>	<u>202,605,356</u>
<u>\$ 158,861,156</u>	<u>\$ 53,822,908</u>	<u>\$ 212,684,064</u>

CITY OF DIXON, CALIFORNIA
BALANCE SHEET - GOVERNMENTAL FUNDS

As of June 30, 2005

	General Fund	Low/Moderate Income Housing Special Revenue Fund	Storm Drainage Capital Projects Fund
ASSETS			
Cash and investments	\$ 6,520,712	\$ 1,689,869	\$ 1,602,810
Receivables:			
Accounts receivable	94,921		
Interest receivable	47,572	9,059	5,363
Taxes receivable	584,424		
Notes receivable		1,411,366	
Due from other funds	96,128		
Advances to other funds	42,742		
Inventory	1,577		
Prepaid costs and other assets	321,863		
Restricted cash and investments			
TOTAL ASSETS	\$ 7,709,939	\$ 3,110,294	\$ 1,608,173
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,615,622	\$ 13,116	\$ 883,668
Salaries and benefits payable	561,307		
Deposits payable	110,150		
Due to other funds			
Advances from other funds			283,517
Compensated absences	171,105		
Deferred revenue	416,158	1,411,366	
TOTAL LIABILITIES	2,874,342	1,424,482	1,167,185
FUND BALANCES			
Reserved for:			
Encumbrances	371,480	98,362	744,893
Advances to other funds	42,742		
Prepaid costs and other assets	321,863		
Low and moderate income housing		1,587,450	
Debt service			
Unreserved, reported in:			
General fund			
Designated for senior/multi-use center	980		
Designated for equipment replacement	1,868,913		
Undesignated	2,229,619		
Special revenue funds			
Capital projects funds			(303,905)
TOTAL FUND BALANCES	4,835,597	1,685,812	440,988
TOTAL LIABILITIES AND AND FUND BALANCES	\$ 7,709,939	\$ 3,110,294	\$ 1,608,173

The accompanying notes to financial statements are an integral part of this statement.

Vacaville/Dixon Greenbelt Authority Capital Projects Fund	Park Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 265,547	\$ 4,062,744	\$ 11,661,255	\$ 25,802,937
		3,646	98,567
1,191	14,360	59,877	137,422
			584,424
695,752		1,033,752	3,140,870
		33,542	129,670
		3,310,575	3,353,317
			1,577
		33,872	355,735
		895,658	895,658
<u>\$ 962,490</u>	<u>\$ 4,077,104</u>	<u>\$ 17,032,177</u>	<u>\$ 34,500,177</u>
	\$ 229,557	\$ 406,623	\$ 3,148,586
			561,307
			110,150
		129,670	129,670
\$ 712,384			995,901
			171,105
695,752		1,144,307	3,667,583
1,408,136	229,557	1,680,600	8,784,302
	333,309	3,239,591	4,787,635
		3,310,575	3,353,317
		33,872	355,735
			1,587,450
		1,617,178	1,617,178
			980
			1,868,913
			2,229,619
		1,960,626	1,960,626
(445,646)	3,514,238	5,189,735	7,954,422
<u>(445,646)</u>	<u>3,847,547</u>	<u>15,351,577</u>	<u>25,715,875</u>
<u>\$ 962,490</u>	<u>\$ 4,077,104</u>	<u>\$ 17,032,177</u>	<u>\$ 34,500,177</u>

CITY OF DIXON, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

As of June 30, 2005

Fund balances - total governmental funds	\$ 25,715,875
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds' balance sheet.	139,025,415
Long-term receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds.	3,140,870
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds' balance sheet.	
Total governmental debt	(9,579,653)
Less: current portion of compensated absences	171,105
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(95,511)
Governmental funds report debt issuance costs (deferred charges) as part of debt service expenditures, whereas these amounts are deferred and amortized in the Government-wide Statement of Activities	189,767
Grant revenues in the governmental funds are not accrued because they are not collected within the prescribed period after year-end. Those revenues are recognized on the accrual basis used in the government-wide statements.	<u>293,288</u>
Net assets - governmental activities	<u><u>\$ 158,861,156</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DIXON, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	General Fund	Low/Moderate Income Housing Special Revenue Fund	Storm Drainage Capital Projects Fund
REVENUES			
Taxes and assessments	\$ 7,717,535	\$ 344,052	
Licenses, permits and fees	2,295,388		
Fines and forfeitures	8,936		
Use of money and property	101,218	64,262	\$ 20,723
Program income		448,612	
Intergovernmental revenues	52,503	160,043	
Charges for services	2,587,882		
Contributions from homeowners			
Developer fees			1,201,424
Other revenues	245,971		
TOTAL REVENUES	<u>13,009,433</u>	<u>1,016,969</u>	<u>1,222,147</u>
EXPENDITURES			
Current:			
General government	2,092,025		
Public safety	5,992,037		
Parks and recreation	1,081,125		
Development	594,140	871,579	
Public ways and facilities	3,441,476		115,811
Debt service:			
Principal retirement	5,000		
Interest and fiscal charges			
Capital outlay	189,597		1,718,536
TOTAL EXPENDITURES	<u>13,395,400</u>	<u>871,579</u>	<u>1,834,347</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(385,967)	145,390	(612,200)
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	1,350		
Transfers in	510,957		300,000
Transfers out			
TOTAL OTHER FINANCING SOURCES (USES)	<u>512,307</u>		<u>300,000</u>
NET CHANGE IN FUND BALANCES	126,340	145,390	(312,200)
Fund balances, beginning of year	4,709,257	1,540,422	753,188
FUND BALANCES END OF YEAR	<u>\$ 4,835,597</u>	<u>\$ 1,685,812</u>	<u>\$ 440,988</u>

The accompanying notes to financial statements are an integral part of this statement.

Vacaville/Dixon Greenbelt Authority Capital Projects Fund	Park Improvements Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
		\$ 1,663,559	\$ 9,725,146
	\$ 305,860		2,601,248
		46,107	55,043
\$ 4,070	43,654	284,184	518,111
		132,086	580,698
		757,365	969,911
			2,587,882
		157,152	157,152
	4,064,496	4,242,138	9,508,058
		10,000	255,971
<u>4,070</u>	<u>4,414,010</u>	<u>7,292,591</u>	<u>26,959,220</u>
			2,092,025
		12,868	6,004,905
	45,398		1,126,523
		784,925	2,250,644
	368,119	438,437	4,363,843
		451,519	456,519
		515,349	515,349
	<u>2,303,830</u>	<u>4,421,274</u>	<u>8,633,237</u>
	<u>2,717,347</u>	<u>6,624,372</u>	<u>25,443,045</u>
4,070	1,696,663	668,219	1,516,175
			1,350
	33,000	1,271,357	2,115,314
	(72,306)	(2,001,777)	(2,074,083)
	<u>(39,306)</u>	<u>(730,420)</u>	<u>42,581</u>
4,070	1,657,357	(62,201)	1,558,756
(449,716)	2,190,190	15,413,778	24,157,119
<u>\$ (445,646)</u>	<u>\$ 3,847,547</u>	<u>\$ 15,351,577</u>	<u>\$ 25,715,875</u>

CITY OF DIXON, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

Net change in fund balances - total government funds		\$ 1,558,756
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		
Capital outlay	\$ 8,633,237	
Depreciation expense	<u>(3,395,673)</u>	5,237,564
Revenues and expenses in the Government-wide Statement of Activities that do not provide current financial resources are not reported as revenues and expenses in the governmental funds.		
Change in notes receivable		(269,511)
Notes receivables written-off		(131,718)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayment exceeded proceeds.		456,519
Some expenses reported in the Government-wide Statement of Activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.		
Change in accrued interest payable		(40,121)
Change in compensated absences		54,984
Governmental funds report debt issuance costs (deferred charges) as part of debt service expenditures, whereas these costs are deferred and amortized in the Government-wide Statement of Activities.		(14,858)
Grant revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period in the governmental funds. Revenues in the statement of activities are not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable in the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records the revenues that were unavailable at the end of the year.		<u>293,288</u>
Change in net assets - governmental activities		<u><u>\$ 7,144,903</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DIXON, CALIFORNIA

STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	GENERAL FUND			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes and assessments	\$ 7,342,819	\$ 7,324,918	\$ 7,717,535	\$ 392,617
Licenses, permits and fees	2,192,350	2,192,350	2,295,388	103,038
Fines and forfeitures	5,800	5,800	8,936	3,136
Use of money and property	114,700	114,700	101,218	(13,482)
Program income				
Intergovernmental revenues	182,525	326,284	52,503	(273,781)
Charges for services	2,408,507	2,408,507	2,587,882	179,375
Other revenues	158,750	158,750	245,971	87,221
TOTAL REVENUES	12,405,451	12,531,309	13,009,433	478,124
EXPENDITURES				
Current:				
General government	2,212,632	2,260,335	2,092,025	168,310
Public safety	5,681,300	6,061,266	5,997,037	64,229
Parks and recreation	1,113,943	1,144,943	1,081,125	63,818
Development	1,798,069	2,867,877	594,140	2,273,737
Public ways and facilities	2,456,825	2,685,627	3,441,476	(755,849)
Debt Service:				
Principal retirement			5,000	(5,000)
Capital outlay	224,546	238,257	184,597	53,660
TOTAL EXPENDITURES	13,487,315	15,258,305	13,395,400	1,862,905
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,081,864)	(2,726,996)	(385,967)	2,341,029
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			1,350	1,350
Transfers in	461,002	462,002	510,957	48,955
Transfers out	(25,000)	(25,000)		25,000
TOTAL OTHER FINANCING SOURCES (USES)	436,002	437,002	512,307	75,305
NET CHANGE IN FUND BALANCES	(645,862)	(2,289,994)	126,340	2,416,334
Fund balances, beginning of year	4,709,257	4,709,257	4,709,257	
FUND BALANCES END OF YEAR	\$ 4,063,395	\$ 2,419,263	\$ 4,835,597	\$ 2,416,334

The accompanying notes to financial statements are an integral part of this statement.

LOW/MODERATE INCOME HOUSING SPECIAL REVENUE FUND

<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<u>Original</u>	<u>Final</u>		
\$ 337,442	\$ 337,422	\$ 344,052	\$ 6,630
50,000	50,000	64,262	14,262
500,000	500,000	448,612	
113,600	113,600	160,043	335,012
<u>1,001,042</u>	<u>1,001,022</u>	<u>1,016,969</u>	<u>355,904</u>
2,171,071	2,359,071	871,579	1,487,492
<u>2,171,071</u>	<u>2,359,071</u>	<u>871,579</u>	<u>1,487,492</u>
<u>(1,170,029)</u>	<u>(1,358,049)</u>	<u>145,390</u>	<u>1,843,396</u>
<u>(1,170,029)</u>	<u>(1,358,049)</u>	<u>145,390</u>	<u>1,843,396</u>
<u>1,540,422</u>	<u>1,540,422</u>	<u>1,540,422</u>	
<u>\$ 370,393</u>	<u>\$ 182,373</u>	<u>\$ 1,685,812</u>	<u>\$ 1,503,439</u>

CITY OF DIXON, CALIFORNIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

As of June 30, 2005

	Enterprise Funds			
	Sewer Fund	Dixon-Solano Municipal Water Service Fund (Dixon Interest)	Nonmajor Enterprise TDA Transit Fund	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 3,706,553	\$ 1,318,278	\$ 30,318	\$ 5,055,149
Receivables:				
Accounts receivable	277,611	105,150		382,761
Interest receivable	15,557	5,762	90	21,409
Due from other agencies			55,099	55,099
Notes receivable	45,983			45,983
TOTAL CURRENT ASSETS	4,045,704	1,429,190	85,507	5,560,401
NONCURRENT ASSETS				
Restricted cash	531,205			531,205
Deferred charges	51,376			51,376
Capital assets, net	46,151,041	6,730,850	235,853	53,117,744
TOTAL NONCURRENT ASSETS	46,733,622	6,730,850	235,853	53,700,325
TOTAL ASSETS	50,779,326	8,160,040	321,360	59,260,726
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	273,666	87,993	10,078	371,737
Salaries and benefits payable	16,839		13,382	30,221
Interest payable	38,531			38,531
Deposits payable		240,377		240,377
Advances from other funds	2,357,416			2,357,416
Deferred revenue		191,976	55,000	246,976
Long-term liabilities				
Due within one year	83,508		4,004	87,512
TOTAL CURRENT LIABILITIES	2,769,960	520,346	82,464	3,372,770
NONCURRENT LIABILITIES				
Long-term liabilities				
Due in more than one year	2,049,031		16,017	2,065,048
TOTAL NONCURRENT LIABILITIES	2,049,031		16,017	2,065,048
TOTAL LIABILITIES	4,818,991	520,346	98,481	5,437,818
NET ASSETS				
Invested in capital assets, net of related debt	44,360,708	6,730,850	235,853	51,327,411
Restricted for debt service	206,538			206,538
Restricted for capital projects	324,667			324,667
Unrestricted	1,068,422	908,844	(12,974)	1,964,292
TOTAL NET ASSETS	\$ 45,960,335	\$ 7,639,694	\$ 222,879	\$ 53,822,908

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DIXON, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS

For the Year Ended June 30, 2005

	Enterprise Funds			Total Proprietary Funds
	Sewer Fund	Dixon-Solano Municipal Water Service Fund (Dixon Interest)	Nonmajor Enterprise TDA Transit Fund	
OPERATING REVENUES				
Charges for services	\$ 1,223,006	\$ 438,202	\$ 66,760	\$ 1,727,968
TOTAL OPERATING REVENUES	1,223,006	438,202	66,760	1,727,968
OPERATING EXPENSES				
Salaries and benefits	370,603		319,466	690,069
Office supplies and expenses	21,913	6,749	468	29,130
Maintenance and operation	135,793	200,897	94,410	431,100
Power and utilities	78,117	79,720	5,538	163,375
Contractual services	604,758	8,971	98,761	712,490
Administration	274,798	59,034	22,658	356,490
Miscellaneous	4,262	44,270		48,532
Depreciation and amortization	1,077,049	183,269	59,481	1,319,799
TOTAL OPERATING EXPENSES	2,567,293	582,910	600,782	3,750,985
OPERATING INCOME (LOSS)	(1,344,287)	(144,708)	(534,022)	(2,023,017)
NON-OPERATING REVENUES (EXPENSES)				
Interest revenue	76,996	19,769	192	96,957
Interest expense	(193,722)			(193,722)
Intergovernmental revenues			458,156	458,156
Other revenues			3,219	3,219
TOTAL NON-OPERATING REVENUES (EXPENSES)	(116,726)	19,769	461,567	364,610
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,461,013)	(124,939)	(72,455)	(1,658,407)
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions	4,445,312	188,131		4,633,443
Transfers out	(41,231)			(41,231)
CHANGE IN NET ASSETS	2,943,068	63,192	(72,455)	2,933,805
Net assets, beginning of year	43,017,267	7,576,502	295,334	50,889,103
NET ASSETS, END OF YEAR	\$ 45,960,335	\$ 7,639,694	\$ 222,879	\$ 53,822,908

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DIXON, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2005

	Enterprise Funds			
	Sewer Fund	Dixon-Solano Municipal Water Service Fund (Dixon Interest)	Nonmajor Enterprise TDA Transit Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,133,615	\$ 291,761	\$ 66,760	\$ 1,492,136
Payments to suppliers	(905,061)	(344,683)	(301,640)	(1,551,384)
Payments to employees	(368,657)		(225,717)	(594,374)
NET CASH USED BY OPERATING ACTIVITIES	(140,103)	(52,922)	(460,597)	(653,622)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental revenue received			462,323	462,323
Advances from other funds	(424,066)			(424,066)
Interest paid on advances from other funds	(75,934)			(75,934)
Repayments on notes receivable	7,550			7,550
Transfers out to other funds	(43,900)			(43,900)
Other			3,219	3,219
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(536,350)		465,542	(70,808)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on long-term liabilities	(75,000)			(75,000)
Interest paid on long-term liabilities	(118,947)			(118,947)
Capital contributions received	4,445,312	188,131		4,633,443
Purchase of capital assets	(2,071,023)	(25,739)		(2,096,762)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	2,180,342	162,392		2,342,734
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	67,630	17,230	199	85,059
NET CASH PROVIDED BY INVESTING ACTIVITIES	67,630	17,230	199	85,059
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,571,519	126,700	5,144	1,703,363
Cash and cash equivalents, beginning of year	2,666,239	1,191,578	25,174	3,882,991
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,237,758	\$ 1,318,278	\$ 30,318	\$ 5,586,354
Reconciliation of operating income to net cash used by operating activities:				
Operating loss	\$ (1,344,287)	\$ (144,708)	\$ (534,022)	\$ (2,023,017)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization	1,077,049	183,269	59,481	1,319,799
Changes in operating assets and liabilities:				
Accounts receivable	(89,391)	(40,480)		(129,871)
Accounts payable	214,580	54,958	7,597	277,135
Salaries and benefits payable	2,025	3,901	2,879	8,805
Deferred revenue		(109,862)		(109,862)
Compensated absences	(79)		3,468	3,389
NET CASH USED BY OPERATING ACTIVITIES	\$ (140,103)	\$ (52,922)	\$ (460,597)	\$ (653,622)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF DIXON, CALIFORNIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 5,218,063
Accounts receivable	112,002
Interest receivable	21,888
Restricted cash and investments	<u>2,749,818</u>
TOTAL ASSETS	<u><u>\$ 8,101,771</u></u>
LIABILITIES	
Accounts payable	\$ 87,993
Deposits payable	240,376
Deferred revenue	191,977
Agency obligations	<u>7,581,425</u>
TOTAL LIABILITIES	<u><u>\$ 8,101,771</u></u>

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dixon (the City) was incorporated in March 1878 under the laws and regulations of the State of California (the State). The City operates under a City Manager – Council form of government and provides the following services: public safety (Police and Fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements related to its proprietary operations. The more significant of these accounting policies are described below.

Reporting Entity: The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, sales taxes, other inter-governmental revenue from state and federal sources, user fees and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Dixon, 600 East A Street, Dixon, CA 95620-3697.

The City's reporting entity includes the following blended component units:

Dixon Public Improvement Corporation:

The Dixon Public Improvement Corporation (the Corporation) is governed by a board comprised of the City's elected council. Bond issuance authorizations are approved by the City's council and legal

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

liability for the Corporation's debt remains with the City. The Corporation provides services solely for the benefit of the City and is reported as a Capital Projects fund. No separate financial statements are issued for the Corporation.

City of Dixon Redevelopment Agency:

The City of Dixon Redevelopment Agency (the Redevelopment Agency) was formed as a separate legal entity under the Community Redevelopment Law. The City Council acts as the governing board of the Redevelopment Agency in concurrent session. The City Manager acts as the Redevelopment Agency's executive director. The annual budget is approved by the Redevelopment Agency's Board of Directors. The State's redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area, and the capability to broaden financing capabilities utilizing a variety of public and private sources. The major source of financing to undertake redevelopment is a "tax increment." Tax increment is the additional property taxes that are paid on the value of new development within the redevelopment project area. This increment can then be leveraged for financial investments to fund the identified projects. The redevelopment and low/moderate income housing programs of the Redevelopment Agency are reported as special revenue funds. The Redevelopment Agency has one project area.

The Redevelopment Agency provides services entirely for the benefit of the City. **Because of this and the governing body consisting solely of members of the City Council, the Redevelopment Agency is treated as a blended component unit.** Separate financial statements are issued for the Redevelopment Agency.

Dixon Public Financing Authority:

The Dixon Public Financing Authority (the Authority) was formed as a joint powers authority between the City and the Redevelopment Agency to serve as a financing mechanism of various capital projects. The City Council acts as the governing board in a concurrent session, as necessary. The bond issuance authorizations are approved by the City's Council and the legal ability for the Authority's debt remains with the City. The Authority provides services solely for the benefit of the City and is presented as a debt service fund. Separate financial statements are issued for the Authority.

The above component units are included in the City's basic financial statements using the blended method. The governing body of these component units is substantially the same as the governing body of the City and these component units provide services entirely to the City. There are no component units of the City that meet the criteria for discrete presentation.

The City also participates in the following organizations that do not meet the definition of component units:

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Dixon-Solano Municipal Water Service (DSMWS) was created in July 1984 under a joint exercise of powers agreement between the City and Solano Irrigation District to provide water for domestic, industrial, municipal and irrigation purposes in DSMWS's service area. DSMWS is managed by a four-member Joint Water Committee made up of the Dixon City Manager, the Solano Irrigation District Manager, a City Council Member and a member of the Solano Irrigation District Board of Directors. Governing decisions are made jointly by the City Council and Solano Irrigation District Board of Directors. The City provides recordkeeping services for DSMWS.

The City's interest in DSMWS is reported as the Dixon-Solano Municipal Water Service (Dixon Interest) Enterprise Fund. The Solano Irrigation District's (SID) interest in DSMWS is reported as the Dixon-Solano Municipal Water Service (SID Interest) Agency Fund. Each participant in DSMWS has a one-half interest in DSMWS's facilities as well as revenues and expenses, other than certain facilities contributed by SID. Upon termination of agreement, all DSMWS property, other than certain facilities contributed by SID, will be returned equally to the participants. Certain facilities contributed by SID will be returned to SID. Separate financial statements are issued for the DSMWS.

The Vacaville-Dixon Greenbelt Authority (the VDG Authority) was organized under a joint powers agreement with the City of Vacaville to purchase land to serve as a greenbelt between the cities of Dixon and Vacaville. The VDG Authority is governed by a five-member Board made up of 2 members appointed by the City Council of each City and an ex-officio member from the Solano County Board of Supervisors. The City of Vacaville provides recordkeeping services for the VDG Authority. The City of Dixon's one-half interest is reported as the Vacaville/Dixon Greenbelt Authority Capital Project Fund. Upon termination of the Agreement, all of the VDG Authority's assets will be returned equally to the participants.

The City entered into a joint exercise of powers agreement with the Dixon Fire Protection District (the District) to provide fire protection services to the entire territory of the District and provide accounting services, including investing District funds, for 90% of the District's property tax revenues.

Basis of Presentation - Government-wide Financial Statements: The government-wide financial statements (i.e. the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers or applicants who purchase,

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized when the underlying sales transaction takes place. Grants and similar items are recognized as revenues when all eligibility requirements are met.

Basis of Presentation-Fund Financial Statements: The accounts of the City are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. For the City, the General Fund includes such activities as public safety, public ways and facilities, parks and recreation services and economic development services.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Low/Moderate Income Housing Special Revenue Fund – The Low/Moderate Income Housing Special Revenue Fund is used to account for the use of 20% of the Redevelopment tax increment, which must be used for very low, low and moderate income housing programs.

Storm Drainage Capital Projects Fund – The Storm Drainage Capital Projects Fund is used to account for resources budgeted for storm drain projects.

Vacaville/Dixon Greenbelt Authority Capital Projects Fund – The VDG Authority Fund is used to account for resources budgeted for VDG Authority projects.

Park Improvements Capital Projects Fund – The Park Improvements Capital Projects Fund is used to account for resources budgeted for park improvement projects.

The City reports the following major enterprise funds:

The Sewer Enterprise Fund – The Sewer Enterprise Fund is used to account for all revenues and expenses for operations, maintenance and capital improvements funding of the Dixon Sewer Plant.

The Dixon-Solano Municipal Water Service (Dixon Interest) Enterprise Fund – The DSMWS (Dixon Interest) Enterprise Fund is used to account for the City's share of revenues and expenses from operation and maintenance of the DSMWS, a joint exercise of power with the Solano Irrigation District to provide water for domestic, industrial, municipal and irrigation purposes in DSMWS' service area.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds - Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Agency Funds – Agency Funds account for assets held by the City in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The City’s agency funds account for assets held by the City as an agent for bonded assessment districts, Solano Irrigation District’s share of the DSMWS and the Dixon Fire Protection District.

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 principle operating revenues of the City’s enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and 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 the accompanying Statement of Cash Flows, cash and cash equivalents are defined as deposits and highly liquid investments with original maturities of 90 days or less, and are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations. Cash and cash equivalents include: demand deposits, short-term, highly liquid investments including Treasury bills, commercial paper, certificates of deposit, money market funds and cash management pools, including California Local Agency Investment Fund (LAIF).

Receivables and Payables: Property, sales, use and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and are considered available if received within 60 days of year end. Federal and state grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets.

The amount recognized as revenue under the modified accrual basis is limited to the amount that is deemed measurable and collectible. Long-term loans in governmental funds are treated in the fund financial statements as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. Loans are recognized when advanced in the government-wide statements.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds to indicate they do not constitute resources available for appropriation.

Property Taxes: The County of Solano (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due provided they are collected within 60 days after year end. Secured property taxes are levied on or before September 30 of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs and interest when paid.

The term “unsecured” refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after fiscal year-end. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan,” as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

Inventory: Inventories are stated at cost (average cost per unit) for governmental and proprietary funds. Cost of inventory is recorded as an expenditure when consumed, rather than when purchased. Inventories of governmental funds are offset by a reservation of fund balance to indicate that they do not constitute resources available for future appropriation.

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs of governmental funds are offset by a reservation of fund balance to indicate they do not constitute resources available for future appropriation.

Restricted Assets: Certain proceeds of the City’s long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The “reserve” account is used to report resources set aside to make up potential future deficiencies in the bond’s debt service. Certain unspent debt proceeds are also restricted to specific capital projects by the applicable debt covenant.

Capital Assets: Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, curbs and gutters, streets, traffic signals, signs, landscaped corridors, drainage systems and lighting systems) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than **\$1,000** and an estimated useful life in

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. For certain older assets estimated historical costs are used. Prior to July 1, 2002, governmental funds infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Equipment	3 – 25
Structures and improvements	5 – 50
Infrastructure	20 – 75

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

It is the City's policy to capitalize all land, infrastructure with an aggregate cost of \$100,000 or more and equipment with a cost of \$1,000 or more. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

Compensated Absences: The City's policies regarding vacation and sick leave permit employees to accumulate earned, but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. The City includes its share of medicare taxes payable on behalf of the employees in the accrual for compensated absences. The General Fund is used to liquidate compensated absences.

Deferred Revenues: Deferred revenues in governmental funds arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and are amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, incurred during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Net Assets: The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the City not restricted for any project or other purpose.

Fund Balance: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties to use for a specific purpose. Designations of fund balance represent tentative plans approved by the City Council that are subject to change. The following is a descriptive list of the reserves and designations used by the City.

Reserved for encumbrances – used to segregate that portion of fund balance to indicate that encumbrances do not represent available, spendable resources.

Reserved for advances to other funds - used to indicate that the advances to other funds do not represent available, spendable resources even though they are components of assets.

Reserved for prepaid costs and other assets – uses to indicate that prepaid costs and other assets do not represent available, spendable resources even though they are components of assets.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserved for low and moderate income housing – used to represent that portion of fund balance reserved for low and moderate income housing for the Redevelopment Agency.

Reserved for debt service - used to represent that portion of fund balance/retained earnings segregated for service of long-term indebtedness.

Designated for Senior/Multi-Use Center – represents that portion of fund balance designated for donations used for activities at the Senior/Multi-Use Center.

Designated for equipment replacement – used to represent that portion of fund balance designated for future equipment replacement.

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 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.

Budgetary Information: The City Council establishes budgets for all governmental funds. Budgetary control is legally maintained at the fund level. The City Manager submits a proposed budget to the City Council for the following year beginning July 1. The preliminary budget may or may not be amended by the City Council after public hearings are held and is adopted by City Council resolution prior to July 1 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budgeted amounts within an object or purpose within any department. However, the City Council must approve revisions that alter the total expenditures of any department.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. All budget amounts presented in the accompanying financial statements and supplementary information have been adjusted for legally authorized revisions of the annual budgets during the year. Amounts represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial.

Budget information is presented for the General Fund and major Special Revenue Funds. The budget information is presented on a basis consistent with GAAP. Governmental Fund budgets are maintained on the modified accrual basis of accounting. Appropriations, except open project appropriations, encumbrances, and unexpended grant appropriations lapse at the end of each fiscal year. The budgetary data is prepared on the modified accrual basis consistent with the related “actual” amounts.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess Expenditures Over Appropriations: The following funds had excess expenditures and transfers in excess of the final appropriation for the year ended June 30, 2005:

<u>Fund</u>	<u>Approp - riations</u>	<u>Total Expenditures and Transfers</u>	<u>Excess Expenditures and Transfers</u>
Capital Projects Funds:			
Public Works Fund	\$ 874,833	\$ 2,486,351	\$1,611,518
Enterprise Fund:			
TDA Transit Fund	501,227	600,782	99,555

Deficit Fund Equity: The following fund had a fund deficit at June 30, 2005:

<u>Fund</u>	<u>Deficit</u>
Vacaville/Dixon Greenbelt Authority Capital Projects Fund	\$ (445,646)
Landscaping and Lighting Assessment District Fund	(98,052)

The deficit of the Vacaville/Dixon Greenbelt Authority Capital Projects Fund will be eliminated with repayment of the notes receivable. The deficit of the Landscaping and Lighting Assessment District Fund will be eliminated with future special assessments.

NOTE B—CASH AND INVESTMENTS

At June 30, 2005, the City's pooled cash and investments are classified in the accompanying financial statements as follows:

Government-wide Statement of Net Assets	
Governmental Activities	
Cash and investments	\$ 25,802,937
Restricted cash and investments	895,658
Business-type Activities	
Cash and investments	5,055,149
Restricted cash and investments	531,205
Statement of Fiduciary Net Assets – Fiduciary Funds	
Cash and investments	5,218,063
Restricted cash and investments	<u>2,749,818</u>
Total cash and investments	<u>\$ 40,252,830</u>

Cash and investments as of June 30, 2005 consisted of the following:

Cash on hand	\$ 675
Deposits with financial institutions	<u>1,359,825</u>
Total cash and investments	<u>1,360,500</u>

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE B—CASH AND INVESTMENTS

U.S. Agency securities	\$ 4,925,633
Medium term corporate notes	328,468
Money market mutual funds	4,060,993
Local Agency Investment Fund (LAIF)	<u>29,577,236</u>
Total investment	<u>38,892,330</u>
Total cash and investments	<u>\$ 40,252,830</u>

Investment policy: Investments are reported at fair value. California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of the debt agreements of the City, rather than the general provisions of the California Government code or the City's investment policy. During the year ended June 30, 2005, the City's permissible investments included the following instruments:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local agency bonds	5 years	None	10%
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
California local agency debt	5 years	None	10%
Banker's acceptances	180 days	40%	10%
Commercial paper	180 days	25%	10%
Negotiable certificates and time deposits	5 years	30%	10%
Repurchase agreements	1 year	None	10%
Medium term corporate notes	5 years	30%	10%
Money market mutual funds	N/A	20%	10%
LAIF	N/A	None	None

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

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE B—CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local agency bonds	None	None	None
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Banker's acceptances	270-360 days	None	None
Commercial paper	180 days	None	None
Negotiable certificates and time deposits	365 days	None	None
Repurchase agreements	30 days	None	None
Investment agreements	None	None	None
Medium term corporate notes	None	None	None
Money market mutual funds	N/A	None	None
Mortgage pass-through securities	None	None	None
LAIF	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

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. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	<u>Total</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>
U.S. Agency securities	\$ 4,925,633	\$ 1,963,763	\$ 2,961,870
Money market mutual funds	212,781	212,781	
LAIF	29,577,236	29,577,236	
Held by bond trustee:			
Medium term corporate notes	328,468	328,458	
Money market mutual funds	<u>3,848,212</u>	<u>3,848,212</u>	
Total	<u>\$ 38,892,330</u>	<u>\$ 35,930,460</u>	<u>\$ 2,961,870</u>

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE B—CASH AND INVESTMENTS (Continued)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City’s investment policy, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Total</u>	<u>Rating as of Year End</u>		
			<u>AAA/Aaa</u>	<u>A1+/A+</u>	<u>Unrated</u>
U.S Agency securities	N/A	\$ 4,925,633	\$ 3,944,433	\$ 981,200	
Money market mutual funds	AA/Aa	212,781	212,781		
LAIF	N/A	29,577,236			\$ 29,577,236
Held by bond trustee:					
Medium term corporate notes	A	328,468	328,468		
Money market mutual funds	AA/Aa	<u>3,848,212</u>	<u>3,848,212</u>		
		<u>\$ 38,892,330</u>	<u>\$ 8,333,894</u>	<u>\$ 981,200</u>	<u>\$ 29,577,236</u>

Concentration of credit risk: The investment policy of the City limits the amount that can be invested in any one issuer to the lesser of the amount stipulated by the California Government Code or 50% of total investments, with the exception of U.S. Treasury obligations, LAIF and local investment pools. Investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corporation	U.S. Agency security	\$ 1,966,510
Federal National Mortgage Association	U.S. Agency security	2,959,123

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, 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 governmental 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 public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE B—CASH AND INVESTMENTS (Continued)

At June 30, 2005, the carrying amount of the City’s deposits were \$1,359,825 and the balances in financial institutions was \$1,443,957. Of the balance in financial institutions, \$203,966 was covered by federal depository insurance and \$1,239,991 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2005, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Agency securities	\$ 4,925,633
Medium term corporate notes	328,468
Money market mutual funds	4,060,993

Investment in LAIF: LAIF is stated fair value. The LAIF is a special fund of the California State Treasurer through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$60,503,473,770 managed by the State Treasurer. Of that amount, 97.6 percent is invested in non-derivative financial products and 2.4 percent in derivative financial products and structured financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF 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 are recorded on an amortized cost basis.

NOTE C—INTERFUND TRANSACTIONS

Interfund balances at June 30, 2005 were as follows:

Due to the General Fund from:	
Nonmajor Special Revenue Funds	\$ 91,535
Nonmajor Debt Service Funds	<u>4,593</u>
Total due to the General Fund	<u>\$ 96,128</u>
Due to Nonmajor Debt Service Funds from:	
Nonmajor Capital Projects Funds	<u>\$ 33,542</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE C—INTERFUND TRANSACTIONS (Continued)

Interfund advances at June 30, 2005 were as follows:

Advance from the General Fund to:

Vacaville/Dixon Greenbelt Authority Capital Projects Fund	<u>\$ 42,742</u>
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Advance from the Nonmajor Special Revenue Funds to:

Storm Drainage Capital Projects Fund	<u>\$ 283,517</u>
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Advance from Nonmajor Capital Projects Funds to:

Sewer Enterprise Fund	\$ 2,357,416
Vacaville/Dixon Greenbelt Authority Capital Projects Fund	<u>669,642</u>

Total advances from Nonmajor Capital Projects funds	<u>\$ 3,027,058</u>
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These balances represent long-term loans for the purchase or construction of capital assets.

Interfund transfers for the year ended June 30, 2005 were as follows:

Transfers to the General Fund from:

Nonmajor Special Revenue Funds	\$ 422,334
Nonmajor Capital Projects Funds	<u>88,623</u>

Total transfers to the General Fund	<u>\$ 510,957</u>
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Transfers to the Storm Drainage Capital Projects Fund from:

Nonmajor Special Revenue Funds	<u>\$ 300,000</u>
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Transfers to the Park Improvement Capital Projects Fund from:

Nonmajor Special Revenue Funds	<u>\$ 33,000</u>
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Transfers to the Nonmajor Special Revenue Funds from:

Sewer Enterprise Fund	<u>\$ 25,000</u>
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Transfer to Nonmajor Debt Service Funds from:

Nonmajor Capital Projects Funds	\$ 557,678
Park Improvements Capital Projects Fund	<u>72,306</u>

Total transfers to Nonmajor Debt Service Funds	<u>\$ 629,984</u>
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CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE C—INTERFUND TRANSACTIONS (Continued)

Transfers to Nonmajor Capital Projects Funds from:	
Nonmajor Special Revenue Funds	\$ 600,013
Nonmajor Capital Projects Funds	129
Sewer Enterprise Fund	<u>16,231</u>
 Total Transfers to Nonmajor Capital Projects Funds	 \$ <u>616,373</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

NOTE D—NOTES RECEIVABLE

The following is a summary of the notes receivable outstanding as of June 30, 2005:

Major Governmental Funds:

Low Moderate Income Housing Special Revenue Fund – The Redevelopment Agency has made various loans to qualifying participants within the City as part of the Federal First Time Home Buyers Program (HOME) and as part of the 2000 HOME Housing Rehabilitation Program and 2004 Community Development Block Grant (CDBG) Housing Rehabilitation Program, which are owner occupied housing rehabilitation programs. Interest rates vary depending on the terms of the loan and interest is deferred until the loan is refinanced or sold and may be waived under certain conditions if the loan is carried to full term. The notes receivable at June 30, 2005, were \$1,411,366.

Vacaville/Dixon Greenbelt Authority Capital Projects Fund – The City has a note receivable dated March 29, 1996, through the VDG Authority. The note is due in varying installment amounts through December 31, 2006, including interest at 5.55%. The agreement with an individual provides for the development of orchard land and is secured by the underlying property. The balance at June 30, 2005 was \$695,752.

Nonmajor Governmental Funds:

Redevelopment Special Revenue Fund – Redevelopment Agency has made various business loans to qualifying businesses within the redevelopment area. The notes are due in varying installments through November 25, 2006, including interest at rates ranging from 0.52% to 3.54% at June 30, 2005. The total business notes receivable at June 30, 2005, was \$325,199.

CDBG Revolving Special Revenue Fund – The City participates in a CDBG Revolving Loan program. The program is federally funded and provides assistance to private parties and for profit businesses to carry out economic development. Loans have been provided to qualifying businesses located within the City. Interest rates vary depending on the terms of the loan and interest is deferred until the related property is refinanced or sold. The balance at June 30, 2005, was \$638,159.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE D—NOTES RECEIVABLE (Continued)

Industrial Park Capital Projects Fund – The City has a note receivable dated September 17, 2002 through the Industrial Park Fund. The note is due September 17, 2006, including interest equal to the rate earned by the City’s investment in LAIF, or 1.54% at June 30, 2005. The agreement provides for the Fitzgerald Drive Extension development and is secured by a deed of trust. The balance at June 30, 2005, was \$70,394.

Activity in notes receivable for the year ended June 30, 2005 is as follows:

	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Repayments</u>	<u>Write Offs</u>	<u>Balance at June 30, 2005</u>
Major Governmental Funds:					
Vacaville/Dixon Greenbelt Authority					
Capital Projects Fund	\$ 695,752				\$ 695,752
Low and Moderate Income Housing Fund	1,658,501	\$201,477	\$ (448,612)		1,411,366
Nonmajor Capital Projects Funds:					
Redevelopment Special Revenue	312,268	12,931			325,199
CDBG Revolving Fund	775,578	70,000	(75,701)	\$ (131,718)	638,159
Industrial Park Fund	<u>100,000</u>	<u> </u>	<u>(29,606)</u>	<u> </u>	<u>70,394</u>
 Total	 <u>\$ 3,542,099</u>	 <u>\$ 284,408</u>	 <u>\$ (553,919)</u>	 <u>\$ (131,718)</u>	 <u>\$ 3,140,870</u>

Major Enterprise Funds:

Sewer Enterprise Fund – The City has a note receivable dated May 17, 2002 from a company for delinquent sewer fees. The note was due in annual installments of \$30,591, including interest at 6%, and was due September 17, 2004. The balance of \$45,983 at June 30, 2005 was past due.

Activity in notes receivable for the year ended June 30, 2005 is as follows:

	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2005</u>
Major Enterprise Fund:				
Sewer Fund	<u>\$ 53,533</u>	<u>\$ -</u>	<u>\$ (7,550)</u>	<u>\$ 45,983</u>

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE E—CAPITAL ASSETS

Governmental capital asset activities for the fiscal year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 2,727,728				\$ 2,727,728
Construction in progress	<u>2,438,387</u>	<u>\$ 2,651,791</u>	<u> </u>	<u>\$(1,795,142)</u>	<u>3,295,036</u>
	<u>5,166,115</u>	<u>2,651,791</u>	<u> </u>	<u>(1,795,142)</u>	<u>6,022,764</u>
Capital assets, being depreciated:					
Buildings and improvements	8,546,544	366,445		50,386	8,963,375
Equipment	4,300,064	157,644	\$ (58,716)		4,398,992
Infrastructure	<u>144,134,808</u>	<u>5,457,357</u>	<u> </u>	<u>1,744,756</u>	<u>151,336,921</u>
	<u>156,981,416</u>	<u>5,981,446</u>	<u>(58,716)</u>	<u>1,795,142</u>	<u>164,699,288</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,165,770)	(213,664)			(2,379,434)
Equipment	(1,691,539)	(276,531)	58,716		(1,909,354)
Infrastructure	<u>(24,502,371)</u>	<u>(2,905,478)</u>	<u> </u>	<u> </u>	<u>(27,407,849)</u>
	<u>(28,359,680)</u>	<u>(3,395,673)</u>	<u>58,716</u>	<u> </u>	<u>(31,696,637)</u>
Capital assets being depreciated, net	<u>128,621,736</u>	<u>2,585,773</u>	<u> </u>	<u>1,795,142</u>	<u>133,002,651</u>
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$133,787,851</u>	<u>\$ 5,237,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,025,415</u>

Depreciation expense for governmental capital assets was charged to functions as follows:

General government	\$ 60,443
Public safety	299,159
Parks and recreation	374,203
Community development	1,991
Public ways and facilities	<u>2,659,877</u>
TOTAL GOVERNMENTAL ACTIVITIES	
DEPRECIATION EXPENSE	<u>\$ 3,395,673</u>

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE E—CAPITAL ASSETS (Continued)

Business-type capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 785,163			\$ 785,163
Construction in progress	<u>5,933,428</u>	<u>\$ 984,618</u>		<u>6,918,046</u>
	<u>6,718,591</u>	<u>948,618</u>		<u>7,703,209</u>
Capital assets, being depreciated:				
Structures and improvements	56,498,813	894,765		57,393,578
Equipment	<u>810,588</u>	<u>217,379</u>	<u>\$ (44,272)</u>	<u>983,695</u>
	<u>57,309,401</u>	<u>1,112,144</u>	<u>(44,272)</u>	<u>58,377,273</u>
Less accumulated depreciation for:				
Structures and improvements	\$(11,148,787)	\$1,245,211	44,272	\$(12,393,998)
Equipment	<u>(541,593)</u>	<u>(71,419)</u>		<u>(568,740)</u>
	<u>11,690,330</u>	<u>1,316,630</u>	<u>44,272</u>	<u>(12,962,738)</u>
Capital assets being depreciated, net	<u>45,619,021</u>	<u>(204,486)</u>		<u>45,414,535</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 52,337,612</u>	<u>\$ (780,132)</u>	<u>\$</u>	<u>\$ 53,117,744</u>

NOTE E—CAPITAL ASSETS (Continued)

Depreciation expense for business-type capital assets was charged to functions as follows:

Sewer	\$ 1,073,880
Water	183,269
Transit	<u>59,481</u>
TOTAL BUSINESS-TYPE ACTIVITIES	
DEPRECIATION EXPENSE	<u>\$ 1,316,630</u>

NOTE F—LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the City of Dixon for the fiscal year ended June 30, 2005:

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE F—LONG-TERM LIABILITIES (Continued)

	<u>Balance at</u> <u>July 1, 2004</u>	<u>Incurred</u>	<u>Retired</u>	<u>Balance at</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
1981 Lease Revenue Refunding					
Bonds	\$ 635,000		\$ (25,000)	\$ 610,000	\$ 25,000
Series A	295,000		(40,000)	205,000	100,000
1995 Tax Allocation Refunding					
Bonds	3,880,000		(100,000)	3,780,000	105,000
1996 Refunding Lease Revenue					
Bonds	1,555,000		(110,000)	1,445,000	115,000
1997 Lease Revenue Bonds	2,795,000		(95,000)	2,700,000	100,000
Note Payable – Fire Department	10,000		(5,000)	5,000	5,000
Lease payable – Fire Department	31,519		(31,519)		
Compensated Absences	<u>818,465</u>	<u>\$ 586,299</u>	<u>(570,111)</u>	<u>834,653</u>	<u>171,105</u>
	10,019,984	<u>\$ 586,299</u>	<u>\$(1,026,630)</u>	9,579,653	<u>\$ 621,105</u>
Less: Due within one year	<u>(556,452)</u>			<u>(621,105)</u>	
	<u>\$ 9,463,532</u>			<u>\$8,958,548</u>	
Business-Type Activities:					
1996 Certificates of Participation	\$2,190,000		\$ (75,000)	\$ 2,115,000	\$ 80,000
Compensated Absences	<u>34,171</u>	<u>\$ 46,319</u>	<u>(42,930)</u>	<u>37,560</u>	<u>7,512</u>
	2,224,171	<u>\$ 46,319</u>	<u>\$ (112,560)</u>	2,152,560	<u>\$ 87,512</u>
	<u>(80,695)</u>			<u>(87,512)</u>	
	<u>\$ 2,143,476</u>			<u>\$ 2,065,048</u>	

Long-term debt related to governmental activities consists of the following:

1981 Lease Revenue Refunding Bonds:

On August 1, 1981, the 1981 Lease Revenue Bonds were issued by the Dixon Public Improvement Corporation in the amount of \$915,000 to fund construction of the Dixon City Hall building. To provide for the repayment of the bonds, the City entered into an agreement to lease the Dixon City Hall building from the Dixon Public Improvement Corporation. Interest payments of \$1,375 to \$15,250 are due semi-annually on August 1 and January 1 through August 1, 2021, at an interest rate of 5.0%. Annual principal payments of \$25,000 to \$55,000 are due on August 1 through August 1, 2021.

\$ 610,000

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE F—LONG-TERM LIABILITIES (Continued)

1987 Certificates of Participation, Series A:

On March 1, 1987 the City entered into an agreement to participate with four other cities in the 1987 Certificates of Participation, Series A, issued by the California Cities Financing Authority. The City's original share of the 1987 Certificates of Participation, Series A, was \$1,195,000. The proceeds were used for the construction of a City Council Chamber attached to the Dixon City Hall building and a senior center and to make improvements to Hall Park. To provide for repayment of the Certificates of Participation, the City entered into an agreement to lease the financed facilities back from the California Cities Finance Authority. Interest payments of \$3,780 to \$7,380 are payable semiannually on August 15 and February 15 through February 15, 2007, at an interest rate of 7.2%. Annual principal payments of \$100,000 to \$105,000 are due on February 15 through February 15, 2007.

\$ 205,000

1995 Tax Allocation Refunding Bonds:

On December 1, 1995, the 1995 Tax Allocation Refunding Bonds were issued by the Redevelopment Agency in the amount of \$4,575,000 to refund all of the outstanding 1994 Central Dixon Redevelopment Agency Tax Allocation Bonds. The Bonds are secured by the pledge of tax revenues payable to or receivable by the Redevelopment Agency. Interest rates range from 5.6% to 6.0%. Interest payments of \$9,300 to \$111,320 are payable semi-annually on March 1 and September 1 through September 1, 2024. Annual principal payments ranging from \$105,000 to \$310,000 are due on September 1 through September 1, 2024.

3,780,000

1996 Refunding Lease Revenue Bonds:

On January 22, 1996, the 1996 Refunding Lease Revenue Bonds were issued by the Dixon Public Financing Authority in the amount of \$2,290,000 to refund the Dixon Public Financing Authority Lease Revenue Bonds, Series 1990A used to construct the police administration building. To provide for repayment of the Bonds, the City entered into an agreement to lease the police administration building from the Dixon Public Financing Authority. Interest rates range from 4.50% to 5.3%. Interest payments of \$4,770 to \$36,314 are due semi-annually on April 1 and October 1 through April 1, 2015. Annual principal payments of \$115,000 to \$180,000 are due on April 1 through April 1, 2015.

1,445,000

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE F—LONG-TERM LIABILITIES (Continued)

1997 Lease Revenue Bonds:

On February 1, 1997, the 1997 Lease Revenue Bonds were issued by the Dixon Public Financing Authority in the amount of \$3,300,000 to fund the acquisition, construction, and equipping of a fire station. To provide for repayment of the bonds, the City entered into an agreement to lease the fire station and equipment from the Dixon Public Financing Authority. Interest rates range from 4.65% to 5.5%. Interest payments of \$18,700 to \$71,724 are due semi-annually on April 1 and October 1 through April 1, 2022. Annual principal payments of \$100,000 to \$240,000 are due April 1 through April 1, 2022.

\$ 2,700,000

Note Payable – Fire Department:

On June 30, 2005, the City purchased a fire water tender from the Dixon Fire Protection District in the amount of \$15,000. No interest is due under the note agreement. The final principal payment of \$5,000 is due on June 30, 2006.

5,000

Long-term debt related to business-type activities consist of the following:

1996 Certificates of Participation:

On September 1, 1996, the 1996 Certificates of Participation were issued by the Dixon Public Financing Authority in the amount of \$2,635,000 to fund improvements to the City's municipal sewage treatment and disposal system. To provide for repayment of the Certificates, the City purchased the related facilities from the Dixon Public Financing Authority under an installment sale agreement. The Certificates are secured by a pledge of net sewer system revenues. The City is required to collect charges from the facilities that are sufficient to yield net revenues equal to 115% of the debt service payments on this issuance and future debt issuances payable from the net revenues of the sewer system. Interest rates range from 4.85% to 5.75%. Interest payments of \$5,319 to \$58,593 are due semiannually on March 1 and September 1 through September 1, 2021. Annual principal payments of \$80,000 to \$185,000 are due on September 1 through September 1, 2021.

2,115,000

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE F—LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding governmental activities debt as of June 30, 2005 are as follows:

Year Ending June 30:	1981 Lease Revenue Bonds		1987 Certificates of Participation, Series A		1995 Tax Allocation Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 25,000	\$ 29,875	\$ 100,000	\$ 14,760	\$ 105,000	\$ 219,700
2007	25,000	28,625	105,000	7,560	110,000	213,680
2008	25,000	27,375			115,000	207,380
2009	25,000	26,125			125,000	200,660
2010	30,000	24,750			130,000	193,455
2011 – 2015	165,000	100,125			780,000	841,882
2016 – 2020	210,000	54,250			1,035,000	576,034
2021 - 2025	<u>105,000</u>	<u>5,375</u>			<u>1,380,000</u>	<u>216,600</u>
	<u>\$ 610,000</u>	<u>\$ 296,500</u>	<u>\$ 205,000</u>	<u>\$ 22,320</u>	<u>\$ 3,780,000</u>	<u>\$ 2,669,391</u>

Year Ending June 30:	1996 and 1997 Lease Revenue Bonds		Note Payable Fire Department
	Principal	Interest	Principal
2006	\$ 215,000	\$ 216,075	\$ 5,000
2007	225,000	206,250	
2008	235,000	195,683	
2009	250,000	184,355	
2010	265,000	171,990	
2011 – 2015	1,535,000	641,625	
2016 – 2020	955,000	290,950	
2021 – 2022	<u>465,000</u>	<u>38,775</u>	
	<u>\$4,145,000</u>	<u>\$ 1,945,703</u>	<u>\$ 5,000</u>

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2005 are as follows:

Year Ending June 30:	1996 Certificates of Participation	
	Principal	Interest
2006	\$ 80,000	\$ 115,245
2007	85,000	111,180
2008	85,000	106,877
2009	90,000	102,336
2010	95,000	97,456
2011 – 2015	565,000	400,789
2016 – 2020	755,000	216,549
2021 – 2022	<u>360,000</u>	<u>20,988</u>
	<u>\$2,115,000</u>	<u>\$ 1,171,420</u>

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE G—AGENCY BONDS PAYABLE

Special Assessment bonds have been issued under the 1915 Bond Act. The City is in no way liable for repayment of any bonds of the funds reflected in the Agency Funds, according to bond counsel, but is acting only as an agent for the property owners/bond holders in collecting and forwarding the special assessments. The Dixon Public Financing Authority 1998 Senior Lien and Junior Lien Reassessment Revenue Bonds, Series A and B, respectively, were issued solely to refund the Assessment district limited obligation bonds described below. Balances of the various assessment district bonds are as follows as of June 30, 2005:

Dixon-West “A” Street Assessment District Limited Obligation Improvement Bonds	\$ 4,690,000
North First Street Assessment District Limited Obligation Improvement Bonds	17,125,000
Dixon Public Financing Authority:	
1998 Senior Lien Reassessment Revenue Bonds, Series A	7,395,000
1998 Junior Lien Reassessment Revenue Bonds, Series B	<u>13,800,000</u>
	<u>\$ 43,010,000</u>

NOTE H—DEFINED BENEFIT PENSION PLAN

Plan Description: The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent full and part time City employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over twelve consecutive months of employment. Benefit provisions and all other requirements are established by state statute.

The establishment and amendment of specific benefit provisions of the plan is authorized by resolution of the City Council. Copies of the PERS annual financial report and pertinent past trend information may be obtained from their Executive Offices at 400 P Street, Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City has a variety of agreements regarding these employee contributions to the PERS retirement program. Members of Public Employees Union #1 (Local One) and Senior Managers are required to contribute 7% (9% for public safety employees) of their covered salaries. The City pays the employee contribution for members of the Dixon Police Officers Association (DPOA) and the Dixon Professional Firefighters Association (DPFA). The DPFA members and the Fire Public Safety members of Local One and of Senior Management also pay 7.122% of their covered salary as the result of

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE H—DEFINED BENEFIT PENSION PLAN (Continued)

negotiations for the “3% at 50” Retirement Plan. The City is required to contribute at actuarially determined rates, which are 24.674% for safety police employees, 22.336% for safety fire employees and 8.602% for non-safety employees of annual covered payroll. The contribution requirement of plan members and the City are established and may be amended by PERS.

Annual Pension Cost: For the year ended June 30, 2005, the City’s annual pension cost of \$898,268 for PERS were equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 4.27% to 11.59% for safety employees and 3.75% to 14.20% for non-safety employees and (c) 3.50% cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.50%. The actuarial value of PERS assets were determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). The PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization of the unfunded liability at June 30, 2002 is 22 years for non-safety employees, 22 years for safety police employees and 15 years for safety fire employees.

The following supplementary information was prepared using the June 30, 2002 actuarial valuation, which is the latest available.

Three-year Trend Information for PERS

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 348,934	100.00%	none
2004	465,715	100.00%	none
2005	898,268	100.00%	None

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for PERS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Excess Assets) Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>(Excess Assets) Unfunded Liability as a % of Covered Payroll</u>
<u>MISCELLANEOUS PLAN:</u>						
6/30/2001	7,436,874	5,881,556	(1,555,318)	126.4%	1,722,096	(90.3%)
6/30/2002	7,286,461	6,987,338	(299,123)	104.3%	2,829,924	(10.6%)
6/30/2003	7,647,237	9,047,238	1,400,001	84.5%	2,984,265	46.9%

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE H—DEFINED BENEFIT PENSION PLAN (Continued)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Excess Assets) Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>(Excess Assets) Unfunded Liability as a % of Covered Payroll</u>
<i><u>SAFETY POLICE PLAN:</u></i>						
6/30/2001	6,453,332	5,454,583	(998,749)	118.3%	1,261,648	(79.2%)
6/30/2002	6,235,612	6,044,242	(191,370)	103.2%	1,246,511	(15.4%)
6/30/2003	6,417,766	6,925,852	508,086	92.7%	1,477,851	34.4%
<i><u>SAFETY FIRE PLAN:</u></i>						
6/30/2001	1,593,838	1,750,303	156,465	91.1%	835,482	18.7%
6/30/2002	1,657,601	2,195,031	537,430	75.5%	1,030,851	52.1%
6/30/2003	1,963,397	2,592,884	629,487	75.7%	1,132,032	55.6%

NOTE I—OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits, the City provides certain healthcare benefits for retired employees through PERS. The City’s full-time miscellaneous employees may become eligible for those benefits if they reach normal retirement age while working for the City. Public Safety employees are not eligible for post-employment benefits. Employees earn one month of healthcare benefits for every year worked up to a maximum of 24 months. At June 30, 2005, four retired employees/survivor dependents meet those eligibility requirements. The City contributions are financed on a pay-as-you-go basis and thus the City recognizes the cost of providing those benefits by budgeting for and expensing the annual insurance premiums, which amounted to \$24,374 for the year ended June 30, 2005.

NOTE J—RISK MANAGEMENT

The City is a member of the Northern California Cities Self Insurance Fund (NCCSIF) along with eighteen other northern California cities. The NCCSIF is a joint powers authority (JPA) organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers’ compensation benefits for their employees and to provide excess liability insurance. The NCCSIF provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs the NCCSIF. The City Council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The NCCSIF is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE J—RISK MANAGEMENT (Continued)

The NCCSIF establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The City’s insurance coverage and the respective coverage providers are as follows:

<u>Amount</u>	<u>Coverage provider</u>	<u>Payment Source</u>
<i>LIABILITY CLAIM</i>		
\$ 0 - 25,000	Self-insured	Banking layer
25,001 - 500,000	Northern California Cities Self Insurance Fund	Shared risk pool
500,001 - \$40,000,000	California Joint Powers Risk Management Authority	Shared risk pool
<i>WORKERS’ COMPENSATION</i>		
\$ 0 - 100,000	Self-insured	Banking layer
100,001 - 500,000	Northern California Cities Self Insurance Fund	Shared risk pool
500,001 - \$100,000,000	Commercial insurance	

There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years.

The City’s equity investment in the NCCSIF of \$321,863 is recorded in the General Fund. The audited financial statements of the JPA are available at the NCCSIF’s office.

NOTE K—CONTINGENT LIABILITIES

The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City’s legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City.

The City participates in various federal and state assisted grant programs. These programs are subject to compliance audits by the grantors. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the agreements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2005

NOTE L—COMMITMENTS

The City had the following significant project unexpended commitments as of June 30, 2005:

Railroad grade separation	\$ 1,312,420
Multi-modal center	<u>1,300,000</u>
	<u>\$ 2,612,420</u>

NOTE M—SUBSEQUENT EVENT

On December 13, 2005, the City Council approved a financial plan, which includes improvements to the City's wastewater treatment system to meet the requirements of the State Water Resources Control Board. To pay for the improvements, the City Council has tentatively approved the issuance of new debt totaling approximately \$38.2 million to be issued during the years ended June 20, 2006 and June 30, 2008, payable from revised sewer system rates. The debt will be recorded in the City's Sewer Fund.

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, governmental activities debt principal and interest.

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

CITY OF DIXON, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 2,130,381	\$ 689,480	\$ 8,841,394	\$ 11,661,255
Receivables:				
Accounts receivable	3,646			3,646
Interest receivable	20,319	3,091	36,467	59,877
Notes receivable	963,358		70,394	1,033,752
Due from other funds		33,542		33,542
Advances to other funds	283,517		3,027,058	3,310,575
Prepaid costs and other assets	33,872			33,872
Restricted cash and investments	328,555	567,103		895,658
TOTAL ASSETS	\$ 3,763,648	\$ 1,293,216	\$ 11,975,313	\$ 17,032,177
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 35,480		\$ 371,143	\$ 406,623
Due to other funds	91,535	\$ 4,593	33,542	129,670
Deferred revenue	1,023,409		120,898	1,144,307
TOTAL LIABILITIES	1,150,424	4,593	525,583	1,680,600
 FUND BALANCES				
Reserved for:				
Encumbrances	6,654		3,232,937	3,239,591
Advances to other funds	283,517		3,027,058	3,310,575
Prepaid costs and other assets	33,872			33,872
Debt service	328,555	1,288,623		1,617,178
Unreserved:				
Undesignated	1,960,626		5,189,735	7,150,361
TOTAL FUND BALANCES	2,613,224	1,288,623	11,449,730	15,351,577
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,763,648	\$ 1,293,216	\$ 11,975,313	\$ 17,032,177

CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and assessments	\$ 1,663,559			\$ 1,663,559
Fines and forfeitures	46,107			46,107
Use of money and property	66,858	\$ 19,404	\$ 197,922	284,184
Program income	102,481		29,605	132,086
Intergovernmental revenue	381,223		376,142	757,365
Contributions from homeowners			157,152	157,152
Developer fees			4,242,138	4,242,138
Other revenues			10,000	10,000
TOTAL REVENUES	<u>2,260,228</u>	<u>19,404</u>	<u>5,012,959</u>	<u>7,292,591</u>
EXPENDITURES				
Current:				
General government				
Public safety	7,927		4,941	12,868
Development	784,925			784,925
Public ways and facilities	239,183		199,254	438,437
Debt service:				
Principal retirement	100,000	351,519		451,519
Interest and fiscal charges	225,797	289,552		515,349
Capital outlay			4,421,274	4,421,274
TOTAL EXPENDITURES	<u>1,357,832</u>	<u>641,071</u>	<u>4,625,469</u>	<u>6,624,372</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	902,396	(621,667)	387,490	668,219
OTHER FINANCING SOURCE (USES)				
Transfers in	25,000	629,984	616,373	1,271,357
Transfers out	(1,355,347)		(646,430)	(2,001,777)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,330,347)</u>	<u>629,984</u>	<u>(30,057)</u>	<u>(730,420)</u>
NET CHANGE IN FUND BALANCES	(427,951)	8,317	357,433	(62,201)
Fund balances, beginning of year	<u>3,041,175</u>	<u>1,280,306</u>	<u>11,092,297</u>	<u>15,413,778</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,613,224</u>	<u>\$ 1,288,623</u>	<u>\$ 11,449,730</u>	<u>\$ 15,351,577</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

The City of Dixon's Nonmajor Special Revenue Funds are summarized as follows:

Redevelopment Fund – Accounts for property tax increment revenues net of the 20% set aside for low and moderate income housing. Accounts for expenses for furtherance of project area goals.

CDBG Revolving Fund – Accounts for the City's participation in the Community Development Block Grant programs, which provides loans to businesses to generate jobs for new employees in the targeted income group (generally low income).

Gas Tax Fund – Accounts for receipts and expenditures of monies apportioned under the Street and Highway Code Section 2105, 2106, 2107 and 2107.5 of the State of California.

Traffic Safety Fund – Accounts for receipts of motor vehicle fines and forfeitures expended for traffic safety projects.

Used Oil Recycling Block Grant Fund – Accounts for receipts and expenditures related to the Used Oil Recycling Grant from the State of California.

COPS Block Grant Fund – Accounts for receipts and expenditures for the "Community Oriented Public Safety" funds provided by the State of California.

Landscaping and Lighting Assessment District Fund – Accounts for revenues from assessments and expenses for the landscaping maintenance and lighting operations of 10 zones within the City limits.

Valley Glen Storm Drain Fund – Accounts for revenues from assessments and expenses for the maintenance of the Valley Glen Pump Station and for the Valley Glen housing development's proportionate share of cost for the Pond A and Lateral One storm drainage improvements.

CITY OF DIXON, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2005

	Redevelopment Fund	CDBG Revolving Fund	Gas Tax Fund
ASSETS			
Cash and investments	\$ 1,527,517	\$ 194,840	\$ 117,003
Receivables:			
Accounts receivable			
Interest receivable	18,093	954	615
Notes receivable	325,199	638,159	
Advances to other funds	283,517		
Prepaid costs and other assets			
Restricted cash and investments	328,555		
TOTAL ASSETS	\$ 2,482,881	\$ 833,953	\$ 117,618
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 8,302	\$ 12,816	
Due to other funds			
Deferred revenue	325,199	638,159	
TOTAL LIABILITIES	333,501	650,975	
 FUND BALANCES			
Reserved for:			
Encumbrances	4,077		
Advances to other funds	283,517		
Prepaid costs and other assets			
Debt service	328,555		
Unreserved:			
Undesignated	1,533,231	182,978	\$ 117,618
TOTAL FUND BALANCES	2,149,380	182,978	117,618
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,482,881	\$ 833,953	\$ 117,618

Traffic Safety Fund	Used Oil Recycling Block Grant Fund	COPS Block Grant Fund	Landscaping and Lighting Assessment District Fund	Valley Glen Storm Drain Fund	Totals
\$ 11,305	\$ 6,349	\$ 209,270		\$ 64,097	\$ 2,130,381
3,646					3,646
	28		\$ 314	315	20,319
					963,358
					283,517
				33,872	33,872
					328,555
<u>\$ 14,951</u>	<u>\$ 6,377</u>	<u>\$ 209,270</u>	<u>\$ 314</u>	<u>\$ 98,284</u>	<u>\$ 3,763,648</u>
\$ 3,373	\$ 4,158		\$ 6,831		\$ 35,480
			91,535		91,535
		\$ 60,051			1,023,409
<u>3,373</u>	<u>4,158</u>	<u>60,051</u>	<u>98,366</u>		<u>1,150,424</u>
1,289				\$ 1,288	6,654
					283,517
				33,872	33,872
					328,555
<u>10,289</u>	<u>2,219</u>	<u>149,219</u>	<u>(98,052)</u>	<u>63,124</u>	<u>1,960,626</u>
<u>11,578</u>	<u>2,219</u>	<u>149,219</u>	<u>(98,052)</u>	<u>98,284</u>	<u>2,613,224</u>
<u>\$ 14,951</u>	<u>\$ 6,377</u>	<u>\$ 209,270</u>	<u>\$ 314</u>	<u>\$ 98,284</u>	<u>\$ 3,763,648</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2005

	<u>Redevelopment Fund</u>	<u>CDBG Revolving Special Revenue Fund</u>	<u>Gas Tax Fund</u>
REVENUES			
Taxes and assessments	\$ 1,376,208		
Fines and forfeitures			
Use of money and property	61,082	\$ 3,363	\$ 937
Program income		102,481	
Intergovernmental revenue	16,814		314,393
TOTAL REVENUES	<u>1,454,104</u>	<u>105,844</u>	<u>315,330</u>
EXPENDITURES			
Current:			
Public safety			
Development	676,868	108,057	
Public ways and facilities			13,047
Debt service:			
Principal retirement	100,000		
Interest and fiscal charges	225,440		
TOTAL EXPENDITURES	<u>1,002,308</u>	<u>108,057</u>	<u>13,047</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	451,796	(2,213)	302,283
OTHER FINANCING SOURCES (USES)			
Transfers in	25,000		
Transfers out	(930,870)		(346,333)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(905,870)</u>	<u></u>	<u>(346,333)</u>
NET CHANGE IN FUND BALANCES	(454,074)	(2,213)	(44,050)
Fund balances, beginning of year	<u>2,603,454</u>	<u>185,191</u>	<u>161,668</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,149,380</u>	<u>\$ 182,978</u>	<u>\$ 117,618</u>

Traffic Safety Fund	Used Oil Recycling Block Grant Fund	COPS Block Grant Fund	Landscaping and Lighting Assessment District Fund	Valley Glen Storm Drain Fund	Totals
			\$ 150,519	\$ 136,832	\$ 1,663,559
\$ 46,107	\$ 67		731	678	46,107
	10,067	\$ 39,949			66,858
					102,481
					381,223
<u>46,107</u>	<u>10,134</u>	<u>39,949</u>	<u>151,250</u>	<u>137,510</u>	<u>2,260,228</u>
	7,927				7,927
					784,925
40,442			148,840	36,854	239,183
					100,000
18		339			225,797
<u>40,460</u>	<u>7,927</u>	<u>339</u>	<u>148,840</u>	<u>36,854</u>	<u>1,357,832</u>
5,647	2,207	39,610	2,410	100,656	902,396
					25,000
<u>(10,000)</u>		<u>(68,144)</u>			<u>(1,355,347)</u>
<u>(10,000)</u>		<u>(68,144)</u>			<u>(1,330,347)</u>
(4,353)	2,207	(28,534)	2,410	100,656	(427,951)
15,931	12	177,753	(100,462)	(2,372)	3,041,175
<u>\$ 11,578</u>	<u>\$ 2,219</u>	<u>\$ 149,219</u>	<u>\$ (98,052)</u>	<u>\$ 98,284</u>	<u>\$ 2,613,224</u>

NONMAJOR DEBT SERVICE FUNDS

Debt Service Funds are used to an account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The City of Dixon's Nonmajor Debt Service Funds are summarized as follows:

Certificates of Participation Reserve Fund – Accounts for debt service for the 1987 Certificates of Participation, Series A, issued for the construction of the Senior/Multi-Use Center, City Council Chambers, and Hall Park Improvements Project of 1987.

City Hall Debt Service Fund – Accounts for funds set aside from the General Fund as a reserve for future debt service payments.

Fire Truck Debt Service Fund – Accounts to debt service payments for a capital lease related to a fire truck.

Dixon Public Improvement Fund – Accounts for lease revenue and debt service payments for the 1981 Lease Revenue Refunding Bonds which were used to construct City Hall.

Public Financing Police Station Fund – Accounts for the 1996 Refunding Lease Revenue Bonds which were originally issued by the Dixon Public Financing Authority for the construction of the City of Dixon Police Station.

Public Financing Fire Station Fund – Accounts for debt service payments on the 1997 Lease Revenue Bonds issued for the construction of the City of Dixon Fire Station and Administrative Center.

CITY OF DIXON, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS

As of June 30, 2005

	<u>Certificates of Participation Reserve Fund</u>	<u>City Hall Debt Service Fund</u>	<u>Dixon Public Improvement Fund</u>	<u>Public Financing Police Station Fund</u>
ASSETS				
Cash and investments	\$ 77,109	\$ 514,045		\$ 54,544
Interest receivable	345	2,305		245
Due from other funds			\$ 33,542	
Restricted cash and investments	<u>120,063</u>	<u> </u>	<u> </u>	<u>192,197</u>
TOTAL ASSETS	<u>\$ 197,517</u>	<u>\$ 516,350</u>	<u>\$ 33,542</u>	<u>\$ 246,986</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds			<u>\$ 4,593</u>	
TOTAL LIABILITIES			4,593	
 FUND BALANCES				
Reserved for debt service	<u>\$ 197,517</u>	<u>\$ 516,350</u>	<u>28,949</u>	<u>\$ 246,986</u>
TOTAL FUND BALANCES	<u>197,517</u>	<u>516,350</u>	<u>28,949</u>	<u>246,986</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 197,517</u>	<u>\$ 516,350</u>	<u>\$ 33,542</u>	<u>\$ 246,986</u>

Public Financing Fire Station Fund	Totals
\$ 43,782	\$ 689,480
196	3,091
	33,542
<u>254,843</u>	<u>567,103</u>
<u>\$ 298,821</u>	<u>\$ 1,293,216</u>
	<u>\$ 4,593</u>
	4,593
<u>\$ 298,821</u>	<u>1,288,623</u>
<u>298,821</u>	<u>1,288,623</u>
<u>\$ 298,821</u>	<u>\$ 1,293,216</u>

CITY OF DIXON, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS

For the Year Ended June 30, 2005

	<u>Certificates of Participation Reserve Fund</u>	<u>City Hall Debt Service Fund</u>	<u>Fire Truck Debt Service Fund</u>	<u>Dixon Public Improvement Fund</u>
REVENUES				
Use of money and property	\$ 2,794	\$ 7,823		
TOTAL REVENUES	<u>2,794</u>	<u>7,823</u>		
EXPENDITURES				
Debt service:				
Principal retirement	90,000		\$ 31,519	\$ 25,000
Interest and fiscal charges	24,034		1,366	31,125
TOTAL EXPENDITURES	<u>114,034</u>		<u>32,885</u>	<u>56,125</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(111,240)	7,823	(32,885)	(56,125)
OTHER FINANCING SOURCES (USES)				
Transfers in	111,240		32,885	55,604
TOTAL OTHER FINANCING SOURCES (USES)	<u>111,240</u>		<u>32,885</u>	<u>55,604</u>
NET CHANGE IN FUND BALANCES		7,823		(521)
Fund balances, beginning of year	<u>197,517</u>	<u>508,527</u>		<u>29,470</u>
FUND BALANCES, END OF YEAR	<u>\$ 197,517</u>	<u>\$ 516,350</u>	<u>\$ -</u>	<u>\$ 28,949</u>

Public Financing Police Station Fund	Public Financing Fire Station Fund	Totals
\$ 3,804	\$ 4,983	\$ 19,404
<u>3,804</u>	<u>4,983</u>	<u>19,404</u>
110,000	95,000	351,519
81,186	151,841	289,552
<u>191,186</u>	<u>246,841</u>	<u>641,071</u>
(187,382)	(241,858)	(621,667)
<u>187,414</u>	<u>242,841</u>	<u>629,984</u>
<u>187,414</u>	<u>242,841</u>	<u>629,984</u>
32	983	8,317
<u>246,954</u>	<u>297,838</u>	<u>1,280,306</u>
<u><u>\$ 246,986</u></u>	<u><u>\$ 298,821</u></u>	<u><u>\$ 1,288,623</u></u>

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

The City of Dixon's nonmajor Capital Projects funds are summarized as follows:

Transportation Projects Fund – Accounts for the revenue and expenses budgeted for capital projects relating to transportation.

Capital Improvements Fund – Accounts for miscellaneous capital projects and for portions of capital projects which do not have other resources available (i.e., ineligible for development impact fees).

Community Development Fund – Accounts for miscellaneous capital projects and for portions of capital projects which do not have other resources available (i.e., ineligible for development impact fees), and for economic development support.

Industrial Park Fund – Accounts for miscellaneous capital projects and for portions of capital projects which do not have other resources available (i.e., ineligible for development impact fees), and for economic development support.

Fire Capital Projects Fund – Accounts for the revenue and expenses budgeted for capital projects relating to fire infrastructure.

Police Capital Projects Funds – Accounts for the revenue and expenses budgeted for capital projects relating to police infrastructure.

City Facilities Capital Projects Fund – Accounts for the revenue and expenses budgeted for capital projects relating to administrative infrastructure.

Public Works Capital Projects Fund – Accounts for the revenue and expenses budgeted for capital projects relating to public works (municipal service center) infrastructure.

Transit Capital Projects Fund – Accounts for the revenue from assessments and debt service payments of the North First Street Assessment District.

CITY OF DIXON, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS

As of June 30, 2005

	Transportation Projects Fund	Capital Improvements Fund	Community Development Fund	Industrial Park Fund	Fire Capital Projects Fund
ASSETS					
Cash and investments	\$ 3,384,336	\$ 1,327,280	\$ 1,105,942	\$ 346,931	\$ 109,468
Receivables:					
Interest receivable	12,347	5,907	4,958	1,775	148
Notes receivable				70,394	
Advances to other funds	1,000,000	1,132,110		85,485	
TOTAL ASSETS	\$ 4,396,683	\$ 2,465,297	\$ 1,110,900	\$ 504,585	\$ 109,616
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 331,465				\$ 12,225
Due to other funds			\$ 8,385		
Deferred revenue				\$ 70,394	
TOTAL LIABILITIES	331,465		8,385	70,394	12,225
 FUND BALANCES					
Reserved for:					
Encumbrances	1,547,174				172,440
Advances to other funds	1,000,000	\$ 1,132,110		85,485	
Unreserved:					
Undesignated	1,518,044	1,333,187	1,102,515	348,706	(75,049)
TOTAL FUND BALANCES	4,065,218	2,465,297	1,102,515	434,191	97,391
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,396,683	\$ 2,465,297	\$ 1,110,900	\$ 504,585	\$ 109,616

Police Capital Projects Fund	City Facilities Capital Projects Fund	Public Works Capital Projects Fund	Transit Capital Projects Fund	Totals
\$ 506,105	\$ 10,002	\$ 300,477	\$ 1,750,853	\$ 8,841,394
2,136		1,562	7,634	36,467
	809,463			70,394
				3,027,058
<u>\$ 508,241</u>	<u>\$ 819,465</u>	<u>\$ 302,039</u>	<u>\$ 1,758,487</u>	<u>\$ 11,975,313</u>
\$ 4,431	\$ 2,502	\$ 12,956	\$ 7,564	\$ 371,143
	25,157			33,542
			50,504	120,898
<u>4,431</u>	<u>27,659</u>	<u>12,956</u>	<u>58,068</u>	<u>525,583</u>
25,070	46,522	22,054	1,419,677	3,232,937
	809,463			3,027,058
<u>478,740</u>	<u>(64,179)</u>	<u>267,029</u>	<u>280,742</u>	<u>5,189,735</u>
<u>503,810</u>	<u>791,806</u>	<u>289,083</u>	<u>1,700,419</u>	<u>11,449,730</u>
<u>\$ 508,241</u>	<u>\$ 819,465</u>	<u>\$ 302,039</u>	<u>\$ 1,758,487</u>	<u>\$ 11,975,313</u>

CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2005

	Transportation Projects Fund	Capital Improvements Fund	Community Development Fund	Industrial Park Fund
REVENUES				
Use of money and property	\$ 70,810	\$ 35,241	\$ 16,935	\$ 8,788
Program income				29,605
Intergovernmental revenue	182,635			
Contributions from homeowners	157,152			
Developer fees	761,196			
Other revenues				10,000
TOTAL REVENUES	<u>1,171,793</u>	<u>35,241</u>	<u>16,935</u>	<u>48,393</u>
EXPENDITURES				
Current:				
Public safety				
Public ways and facilities	193,108			
Capital outlay	1,444,184			
TOTAL EXPENDITURES	<u>1,637,292</u>			
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(465,499)	35,241	16,935	48,393
OTHER FINANCING SOURCES (USES)				
Transfers in	616,243		130	
Transfers out		(37,483)	(14,031)	(88,623)
TOTAL OTHER FINANCING SOURCES (USES)	<u>616,243</u>	<u>(37,483)</u>	<u>(13,901)</u>	<u>(88,623)</u>
NET CHANGE IN FUND BALANCES	150,744	(2,242)	3,034	(40,230)
Fund balances, beginning of year	<u>3,914,474</u>	<u>2,467,539</u>	<u>1,099,481</u>	<u>474,421</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,065,218</u>	<u>\$ 2,465,297</u>	<u>\$ 1,102,515</u>	<u>\$ 434,191</u>

Fire Capital Projects Fund	Police Capital Projects Fund	City Facilities Capital Projects Fund	Public Works Capital Projects Fund	Transit Capital Projects Fund	Totals
\$ 1,862	\$ 7,841	\$ 27,268	\$ 5,127	\$ 24,050	\$ 197,922
					29,605
			144,011	49,496	376,142
					157,152
428,977	194,318	97,663	2,298,804	461,180	4,242,138
					10,000
<u>430,839</u>	<u>202,159</u>	<u>124,931</u>	<u>2,447,942</u>	<u>534,726</u>	<u>5,012,959</u>
4,941					4,941
			6,146		199,254
106,097	11,731	329,561	2,480,205	49,496	4,421,274
<u>111,038</u>	<u>11,731</u>	<u>329,561</u>	<u>2,486,351</u>	<u>49,496</u>	<u>4,625,469</u>
319,801	190,428	(204,630)	(38,409)	485,230	387,490
					616,373
<u>(275,726)</u>	<u>(149,930)</u>	<u>(80,637)</u>			<u>(646,430)</u>
<u>(275,726)</u>	<u>(149,930)</u>	<u>(80,637)</u>			<u>(30,057)</u>
44,075	40,498	(285,267)	(38,409)	485,230	357,433
53,316	463,312	1,077,073	327,492	1,215,189	11,092,297
<u>\$ 97,391</u>	<u>\$ 503,810</u>	<u>\$ 791,806</u>	<u>\$ 289,083</u>	<u>\$ 1,700,419</u>	<u>\$ 11,449,730</u>

AGENCY FUNDS

Agency Funds account for assets held by the City of Dixon in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments.

The City of Dixon's Agency Funds are summarized as follows:

North First Street Improvement District – Accounts for the revenue from assessments and debt service payments on the Dixon-North First Street Assessment District Limited Obligation Improvement Bonds.

West "A" Street Improvement District – Accounts for the revenue from special assessments and debt service payments on the Dixon-West "A" Street Assessment District Limited Obligation Improvement Bonds.

Dixon Fire Protection District – Accounts for the operation and maintenance of the Dixon Fire Protection District, a separate legal entity for which the City provides accounting services under a joint exercise of powers agreement.

Public Financing Assessment Districts – Accounts for North First Street Improvement District and West "A" Street Improvement District resources used to make debt service payments on the 1998 Senior Lien Reassessment Revenue Bonds, Series A, and the 1998 Junior Lien Reassessment Revenue Bonds, Series B.

Dixon-Solano Municipal Water Service (SID Interest) – Accounts for Solano Irrigation District's share of the Dixon-Solano Municipal Water Service, a joint exercise of power with the City of Dixon.

CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	North First Street Improvement District	West "A" Street Improvement District	Dixon Fire Protection District	Public Financing Assessment Districts	Dixon-Solano Municipal Water Service (SID Interest)	Totals
ASSETS						
Cash and investments	\$ 2,290,387	\$ 773,865	\$ 422,491	\$ 413,042	\$ 1,318,278	\$ 5,218,063
Accounts receivable			5,000	1,852	105,150	112,002
Interest receivable	10,618	3,386	2,122		5,762	21,888
Restricted cash and investments				2,749,818		2,749,818
TOTAL ASSETS	<u>\$ 2,301,005</u>	<u>\$ 777,251</u>	<u>\$ 429,613</u>	<u>\$ 3,164,712</u>	<u>\$ 1,429,190</u>	<u>\$ 8,101,771</u>
LIABILITIES						
Accounts payable					\$ 87,993	\$ 87,993
Deposits payable					240,376	240,376
Deferred revenue					191,977	191,977
Agency obligations	\$ 2,301,005	\$ 777,251	\$ 429,613	\$ 3,164,712	908,844	7,581,425
TOTAL LIABILITIES	<u>\$ 2,301,005</u>	<u>\$ 777,251</u>	<u>\$ 429,613</u>	<u>\$ 3,164,712</u>	<u>\$ 1,429,190</u>	<u>\$ 8,101,771</u>

CITY OF DIXON, CALIFORNIA

General Governmental Expenditures by Function Last Ten Fiscal Years (in thousands) (UNAUDITED)

Fiscal Year Ended June 30		General Government	Public Safety	Parks and Recreation	Development	Public Ways and Facilities	Debt Service	Capital Outlay	Total
1996	(1)	\$ 823	\$2,504	\$ 438	\$ 274	\$ 757			\$ 4,796
1997	(1)	965	2,303	441	276	712			4,698
1998		1,054	5,097	454	1,440	1,262	\$ 592	\$ 67	9,965
1999		1,140	2,929	1,353	431	1,250	620	184	7,907
2000		1,309	3,188	952	1,066	3,191	686	192	10,583
2001		1,415	3,786	1,084	892	2,471	715	261	10,624
2002		2,109	4,903	1,478	1,641	3,056	561	203	13,951
2003		1,807	4,876	3,329	1,480	3,278	615	77	15,462
2004		1,864	5,421	1,040	2,106	2,674	973	9,224	23,302
2005		2,092	6,005	1,127	2,251	4,364	971	8,633	25,443

(1) For years beginning before 1998, general governmental expenditures by function includes only general fund expenditures. No debt service payments exist for these fiscal years.

CITY OF DIXON, CALIFORNIA

General Governmental Revenues by Source
 Last Ten Fiscal Years
 (in thousands)
 (UNAUDITED)

Fiscal Year Ended June 30	Taxes and Assess- ments	Licenses, Permits and Fees	Fines and Forfeitures	Use of Money and Property	Program Income	Inter- governmental Revenue	Charges for Services	Developer Fees	Other	Total
1996	(1) \$ 3,169	\$ 308	\$ 11	\$ 165			\$ 868		\$417	\$4,938
1997	(1) 3,455	421	5	298			1,045		90	5,314
1998	4,214	735	14	1,904		\$ 1,163	2,005		88	10,123
1999	4,509	613	63	1,603		2,531	2,146		356	11,821
2000	5,132	569	72	1,686		1,761	1,509		196	10,925
2001	5,785	568	60	2,142		1,960	1,598		257	12,370
2002	7,069	569	58	1,188		1,333	1,874		100	12,191
2003	8,446	1,071	56	819		1,439	1,500	\$ 2,370	154	15,855
2004	8,225	2,467	60	378	\$ 398	1,185	2,395	2,866	233	18,207
2005	9,725	2,601	55	518	581	970	2,588	9,508	413	26,959

(1) For years beginning before 1998, general governmental revenues by source includes only general fund revenues.

CITY OF DIXON, CALIFORNIA

Property Tax Levies and Collections
 Last Ten Fiscal Years
 (in thousands)
 (UNAUDITED)

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>(1) Percentage of Levy Collected</u>	<u>Total Tax Collections including Delinquencies</u>	<u>Total Collections Result of Current Levy</u>
1996	\$ 1,760	\$ 1,584	100.00%	\$ 1,584	100.00%
1997	1,834	1,834	100.00%	1,834	100.00%
1998	1,954	1,954	100.00%	1,954	100.00%
1999	2,174	2,174	100.00%	2,174	100.00%
2000	2,226	2,226	100.00%	2,231	100.22%
2001	2,587	2,587	100.00%	2,589	100.08%
2002	2,839	2,839	100.00%	2,851	100.42%
2003	3,262	3,262	100.00%	3,260	99.94%
2004	3,517	3,517	100.00%	3,513	99.89%
2005	3,921	3,921	100.00%	4,268	108.85%

(1) Property tax for the City of Dixon is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies, including cities, receive from the county 100% of their respective shares of the ad valorem taxes levied, without regard to the actual collection of the taxes levied. This method was placed in effect by Solano County in the 1965/66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

CITY OF DIXON, CALIFORNIA

Net Taxable Assessed Values
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

Fiscal Year Ended June 30	Net Assessed Value			
<u> </u>	<u>Secured</u>	<u>Nonunitary</u>	<u>Unsecured</u>	<u>Total</u>
1996	\$ 570,126	\$ 791	\$ 19,387	\$ 590,304
1997	598,338	504	21,402	620,244
1998	643,193	572	23,213	666,978
1999	702,460	650	29,147	732,257
2000	753,949	552	32,205	786,706
2001	830,248	485	40,008	870,741
2002	903,521	661	37,007	941,189
2003	961,229	645	41,227	1,003,101
2004	1,050,471	675	58,051	1,109,197
2005	1,195,329	792	60,947	1,257,068

Source: HdL Coren & Cone, Solano County Assessor 2004-05 Combined Tax Rolls

CITY OF DIXON, CALIFORNIA

Property Tax Rates -- Direct and Overlapping Governments
 Last Ten Fiscal Years
 (Per \$100 of Assessed Value)
 (UNAUDITED)

<u>Fiscal Year Ended June 30</u>	<u>Basic County/ City/School Levy</u>	<u>Solano County Debt Service</u>	<u>Dixon Unified School District</u>	<u>Sewer Improvement Bonds</u>	<u>Solano County Flood Water Project</u>	<u>Total</u>
1996	1.0000	0.00265	0.01044	0.00893	0.02000	1.0420
1997	1.0000	0.00238	0.00929	0.00878	0.02000	1.0405
1998	1.0000	0.00232	0.00734	0.00542	0.02000	1.0351
1999	1.0000	-	0.00747	-	0.02000	1.0275
2000	1.0000	-	0.00680	-	0.02000	1.0268
2001	1.0000	-	0.00450	-	0.02000	1.0245
2002	1.0000	-	-	-	0.02000	1.0200
2003	1.0000	-	-	-	0.02000	1.0200
2004	1.0000	-	0.06659	-	0.02000	1.0866
2005	1.0000	-	0.04342	-	0.02000	1.0634

Source: Solano County Auditor Controller's Office

CITY OF DIXON, CALIFORNIA

Special Assessments Billings and Collections
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

<u>Fiscal Year Ended June 30</u>	<u>Assessments Billings</u>	<u>Assessments Collections</u>
1996	\$ 50	\$ 50
1997	70	70
1998	79	79
1999	55	55
2000	83	83
2001	37	37
2002	126	126
2003	83	83
2004	114	114
2005	151	151

Source: City of Dixon Finance Department

CITY OF DIXON, CALIFORNIA

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita Last Ten Fiscal Years (UNAUDITED)

Fiscal Year Ended June 30	Estimated Population	Net Assessed Value (1)	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996	13,078	\$ 559,493	\$4,016,000	\$ 422,407	\$3,593,593	0.00642	\$ 274.78
1997	13,663	602,768	7,138,000	3,620,760	3,517,240	0.00584	257.43
1998	14,441	666,977	6,946,000	3,593,895	3,352,105	0.00503	232.12
1999	15,110	732,256	6,690,000	3,623,754	3,066,246	0.00419	202.93
2000	15,571	786,705	6,435,000	734,661	5,700,339	0.00725	366.09
2001	16,313	870,741	6,170,000	768,579	5,401,421	0.00620	331.11
2002	16,150	941,189	5,890,000	588,008	5,301,992	0.00563	328.30
2003	16,173	1,003,101	5,595,000	575,417	5,019,583	0.00500	310.37
2004	16,325	1,109,197	5,280,000	564,150	4,715,850	0.00425	288.87
2005	17,179	1,257,068	4,960,000	567,103	4,392,897	0.00349	255.71

(1) Property Value expressed in thousands.

Source: California Department of Finance
HdL Coren & Cone, Solano County Assessor 2004-05 Combined Tax Rolls
City of Dixon Finance Department

CITY OF DIXON, CALIFORNIA

Computation of Legal Debt Margin

As of June 30, 2005
(in thousands)
(UNAUDITED)

Net assessed value		<u>\$ 1,257,068</u>
Legal debt margin:		
	Debt limitation - 15% of assessed value	\$ 188,560
	Debt applicable to limitation:	
	General obligation bonds outstanding	\$ -
	Less amount available for repayment of general obligation bonds	<u> </u>
	Total debt applicable to limitation	<u> </u>
Legal debt margin		<u>\$ 188,560</u>

Source: HdL Coren & Cone, Solano County Assessor 2004-05 Combined Tax Rolls

CITY OF DIXON, CALIFORNIA

Direct and Overlapping Bonded Debt Statement (UNAUDITED)

<u>Direct and Overlapping Tax and Assessment Debt</u>	<u>% Applicable</u>	<u>Debt 6/30/2005</u>
Solano County Community College District	4.273%	\$ 3,476,077
Solano Irrigation District	16.406%	217,872
Dixon Unified School District	69.919%	18,193,403
City of Dixon 1915 Act Bonds	100.000%	21,185,000 (1)
Total Direct and Overlapping Tax and Assessment Debt		43,072,352
<u>Direct and Overlapping General Fund Obligation Debt</u>		
Solano County Certificates of Participation	4.147%	6,307,380
Solano County Pension Obligations	4.147%	4,008,698
Solano County Office of Education Certifications of Participation	4.147%	159,660
Dixon Unified School District Certificates of Participation	69.919%	6,484,987
City of Dixon Certificates of Participation	100.000%	4,958,949
Total Direct and Overlapping General Fund Obligation Debt		21,919,674
Combined Total Debt		\$ 64,992,026 (1)

(1) Excludes any optional bond calls that may have occurred after 9/3/05

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and nonbonded capital lease obligations.

Ratios to 2004-05 Assessed Valuation

Total Overlapping Tax and Assessment Debt 3.390%

Ratios to Adjusted Assessed Valuation

Combined Direct Debt (\$4,958,949) 0.450%

Combined Total Debt 5.900%

State School Building Aid Repayable as of 6/30/05 \$0

Source: California Municipal Statistics, Inc.

CITY OF DIXON, CALIFORNIA

Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Governmental Expenditures
Last Ten Fiscal Years
(in thousands)
(UNAUDITED)

Fiscal Year Ended June 30	Total General Obligation Bonded Debt Service <u>Expenditures</u>	Total General Government <u>Expenditures</u>	Ratio of Debt Service to General Government <u>Expenditures</u>
1996	\$ 169	\$ 4,796 (1)	3.52%
1997	163	4,698 (1)	3.47%
1998	592	9,965	5.94%
1999	620	7,907	7.84%
2000	686	10,583	6.48%
2001	715	10,624	6.73%
2002	561	13,951	4.02%
2003	615	15,462	3.98%
2004	656	23,302	2.82%
2005	641	25,443	2.52%

(1) Reflects General Fund Expenditures Only

Source: _____ City of Dixon Finance Department

CITY OF DIXON, CALIFORNIA

Schedule of Revenue Bond Coverage
 Proprietary Funds
 Last Ten Fiscal Years
 (in thousands)
 (UNAUDITED)

<u>Fiscal Year Ended June 30</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Revenues Available for Debt Service</u>	<u>Total Debt Service Requirements</u>	<u>Times Coverage</u>
1996					
1997					
1998	\$ 1,203	\$ 389	\$ 814	\$ 200	4.07
1999	1,320	635	684	140	4.88
2000	1,113	477	636	195	3.26
2001	1,175	571	604	198	3.05
2002	953	648	304	194	1.57
2003	1,424	738	686	196	3.51
2004	1,107	888	219	191	1.15
2005	1,254	923	331	194	1.71

Source: City of Dixon Finance Department

CITY OF DIXON, CALIFORNIA

Schedule of Revenue Bond Coverage
 Redevelopment Fund
 Last Ten Fiscal Years
 (in thousands)
 (UNAUDITED)

<u>Fiscal Year Ended June 30</u>	<u>Gross Revenue</u>	<u>Direct Operating Expenses</u>	<u>Net Revenues Available for Debt Service</u>	<u>Total Debt Service Requirements</u>	<u>Times Coverage</u>
1996	\$ 811	\$ 9	\$ 803	\$ 481	1.67
1997	872	37	835	397	2.10
1998	723	18	705	331	2.13
1999	838	101	737	324	2.28
2000	1,168	128	1,039	325	3.20
2001	1,117	103	1,015	325	3.12
2002	1,141	342	799	326	2.45
2003	1,154	337	817	326	2.51
2004	1,175	385	790	325	2.43
2005	1,454	677	777	325	2.39

Source: City of Dixon Finance Department

CITY OF DIXON, CALIFORNIA

Demographic Statistics Last Ten Fiscal Years (UNAUDITED)

Fiscal Year Ended June 30	Population	Per Capita Income (1)	School Enrollment	Unemployment Rate
1996	13,078	\$ 21,104	3,286	7.7%
1997	13,663	21,786	3,540	6.7%
1998	14,441	23,004	3,421	5.8%
1999	15,110	24,198	3,646	4.6%
2000	15,571	25,342	3,857	4.7%
2001	16,313	27,579	3,873	4.2%
2002	16,150	28,683	3,997	5.6%
2003	16,173	29,089	3,933	6.2%
2004	16,325	not available	3,929	5.9%
2005	17,179	not available	3,936	5.1%

(1) Solano County, calendar year

Source: California Department of Finance
Federal Bureau of Economic Analysis
Dixon Unified School District
California Employment Development Department

CITY OF DIXON, CALIFORNIA

Construction, Property Value and Bank Deposits Last Ten Fiscal Years (in thousands) (UNAUDITED)

Fiscal Year Ended June 30	Commercial Construction		Residential Construction		Additions/Alterations Construction		Property Value	Bank Deposits
	# Permits	Value	# Permits	Value	# Permits	Value		
1996	1	\$ 337	169	\$ 23,505	420	\$ 2,059	590,304	\$ 124,756
1997	6	10,503	269	35,783	422	2,543	620,244	104,512
1998	15	15,016	191	24,225	376	3,208	666,977	111,696
1999	22	2,845	122	20,016	372	2,943	732,256	113,100
2000	19	10,322	34	5,809	365	3,304	786,705	115,738
2001	27	17,668	13	2,066	401	4,739	870,741	124,997
2002	17	3,502	21	4,501	429	3,535	941,189	133,551
2003	31	10,469	60	13,315	445	3,875	1,003,101	141,861
2004	23	6,091	291	62,869	502	5,060	1,109,197	158,806
2005	19	11,260	488	50,160	589	8,700	1,257,068	165,333

Source: City of Dixon Community Development Department
HdL Coren & Cone, Solano County Assessor 2004-05 Combined Tax Rolls
Federal Deposit Insurance Corporation

CITY OF DIXON, CALIFORNIA

Principal Taxpayers

For the Fiscal Year Ended June 30, 2005
(in thousands)
(UNAUDITED)

<u>Taxpayer (Number of Parcels)</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Basalite Concrete Products LLC	Industrial	\$ 24,730	1.97%
Premier Industries, Inc	Industrial	16,038	1.28%
Suntrust Banks, Inc.	Industrial	15,240	1.21%
Gymboree Logistics Partnership	Industrial	13,573	1.08%
Pulte Home Corporation	Residential Construction	12,715	1.01%
Mililani Group Inc.	Industrial	12,574	1.00%
Cardinal Health 201 Inc.	Retail	12,258	0.98%
Wal Mart Stores Inc	Retail	10,817	0.86%
MEC Dixon Inc.	Vacant Land	8,883	0.71%
Safeway Stores	Grocery	6,893	0.55%
		133,721	10.64%
All Other Taxpayers		1,123,347	89.36%
Total		\$ 1,257,068	100.00%

Source: HdL Coren & Cone, Solano County Assessor 2004-05 Combined Tax Rolls

CITY OF DIXON, CALIFORNIA

Miscellaneous Statistical Information As of June 30, 2005 (UNAUDITED)

Date of Incorporation	March 30, 1878
Form of Government	Mayor/Council/Manager
Number of Employees:	
Classified	92
Exempt	23
Area in square miles	7.4
City of Dixon facilities and services:	
Miles of streets	62.33
Miles of storm drainage system	43.1
Numbers of street and park lights	1,576
Parks and recreation:	
Senior/Multi-Use Center	1
Soccer fields	5
Ball diamonds	11
Parks and greenbelts	7
Park acreage	89
Swimming pools	1
Tennis courts	6
Fire protection:	
Number of stations	1
Number of fire personnel and officers	21
Number of volunteers	35
Number of calls answered	1,965
Police protection:	
Number of stations	1
Number of police personnel and officers	28
Number of reserve officers	2
Number of patrol units	17
Number of law violations (calendar 2004)	
Physical arrests	583
Traffic violations	1,083
Parking violations	334
Sewer system:	
Miles of sanitary sewers	72
Number of treatment plants	1
Number of service connections	4,905
Daily average treatment in gallons (million gallons per day)	1.480
Maximum daily capacity of treatment plant in gallons	1.82 million
Transit service:	
Number of buses	6
Daily average number of passengers	260
Daily average number of service miles	230
Water Service - Dixon-Solano Municipal Water System	
Maximum pumping capacity (million gallons per day)	10.64
Average consumption (million gallons per day)	1.75
Facilities and services not included in the reporting entity:	
Education:	
Number of elementary schools	4
Number of secondary schools	3
Number of instructors	201