

CITY OF DIXON, CALIFORNIA

Audited Financial Statements

June 30, 2006



CITY OF DIXON, CALIFORNIA

Audited Financial Statements

June 30, 2006

TABLE OF CONTENTS

Independent Auditor’s Report..... 1  
Management’s Discussion and Analysis ..... 3

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets..... 20  
Statement of Activities ..... 21

Fund Financial Statements:

Balance Sheet – Governmental Funds..... 23  
Reconciliation of the Governmental Funds Balance Sheet to the  
Government-wide Statement of Net Assets ..... 25  
Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds..... 26  
Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Government-wide  
Statement of Activities ..... 28  
Statement of Revenues and Expenditures – Budget and Actual – General  
Fund and Major Special Revenue Funds ..... 29  
Statement of Net Assets – Proprietary Funds ..... 31  
Statement of Revenues, Expenses and Changes in Fund Net Assets –  
Proprietary Funds ..... 32  
Statement of Cash Flows – Proprietary Funds ..... 33  
Statement of Fiduciary Net Assets – Fiduciary Funds ..... 35  
Notes to the Basic Financial Statements..... 36

Combining and Individual Fund Financial  
Statements and Schedules

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet ..... 66  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances..... 67  
Nonmajor Special Revenue Funds:  
Combining Balance Sheet..... 68  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances ..... 70  
Nonmajor Debt Service Funds:  
Combining Balance Sheet ..... 72  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances..... 74  
Nonmajor Capital Projects Funds:  
Combining Balance Sheet ..... 76  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances..... 78

CITY OF DIXON, CALIFORNIA

Audited Financial Statements

June 30, 2006

TABLE OF CONTENTS (Continued)

AGENCY FUNDS

|  |    |
|--|----|
| Combining Statement of Assets and Liabilities .....            | 80 |
| Combining Statement of Changes in Assets and Liabilities ..... | 81 |

(This page intentionally left blank.)

## **BASIC FINANCIAL STATEMENTS**

(This page intentionally left blank.)

# Richardson & Company

550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

## 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, 2006, 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, 2006, 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.

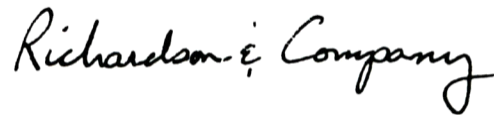
As discussed in Note M, an error resulting in the overstatement of assets and net assets was discovered during the current year. Accordingly, an adjustment has been made to assets and net assets as of July 1, 2005 to correct this error.

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

In accordance with *Government Auditing Standards*, we have also issued under a separate cover our report dated July 30, 2007 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.

The management's discussion and analysis and on pages 3 through 19 is 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 combining and individual nonmajor fund financial statements and schedules 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 image shows a handwritten signature in cursive script that reads "Richardson & Company". The signature is written in black ink and is positioned to the right of the main body of text.

July 30, 2007



## CITY OF DIXON

### Management's Discussion and Analysis

For the Year Ended June 30, 2006

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, 2006. 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 \$226.6 million (net assets) at June 30, 2006 compared to \$212.4 million at June 30, 2005. Of this amount, \$6.5 and \$6.3 million at June 30, 2006 and 2005, respectively, may be used to meet the City's ongoing obligations to its citizens, businesses, and creditors, and \$21.0 and \$24.4 million, respectively, is restricted for specific purposes such as capital projects, debt service and community development, and \$199.0 and \$181.6 million, respectively, are invested in capital assets, net of related debt.

\*\* The City's total net assets increased by \$14.3 million during the year ended June 30, 2006, a 6.7% increase -- \$10.1 million in governmental activities and \$4.2 million in business-type activities.

\*\* Total Liabilities decreased by approximately \$1.9 million as of June 30, 2006. This decrease reflects the slower rate of development within the City along with the ongoing nature of capital projects from one year to the next.

\*\* At the end of Fiscal Year (FY) 2005-06 and 2004-05 the City's governmental funds reported fund balances totaling \$22.8 and \$25.4 million. This reflects a decrease of \$2.6 million in FY 2005-06 and a reduction of \$1.5 million in FY 2004-05 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 2005-06 and FY 2004-05, the City's proprietary funds reflected an increase in net assets of \$4.2 and \$2.9 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 million at June 30, 2006 and 2005, of which \$2.2 and \$1.8 million at June 30, 2006 and 2005 is designated for equipment replacement.

#### 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;
  - 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.

## CITY OF DIXON

### Management's Discussion and Analysis

For the Year Ended June 30, 2006

#### 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 20) 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 21 and 22) 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 governmental 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 sewer, water 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 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.

# CITY OF DIXON

## Management's Discussion and Analysis

For the Year Ended June 30, 2006

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, 2006, the City of Dixon's major funds are as follows:

- \*\* General Fund
- \*\* Low/Moderate Income Housing Fund (Redevelopment) Special Revenue Fund
- \*\* Transportation Capital Projects Fund
- \*\* Vacaville-Dixon Greenbelt Authority 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 66.

For the Governmental Funds financial statements, the following funds were reported as major funds in the 2004-05 fiscal year and continue to be reported as a major fund for FY 2005-06.

\*\* 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.

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

Changes in major fund designation include the following:

Funds treated as major funds in FY 2004-05 now shown as nonmajor funds include:

- \*\* Storm Drainage Capital Projects Fund accounts for resources budgeted for storm drainage projects.
- \*\* Park Improvements Capital Projects Fund accounts for all resources and expenditures related to major park improvements.

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:

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2006

\*\* 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 sewer, water (one half of the water system) 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 80 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 to 65 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 66.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net assets may serve over time as a useful indicator of a government's financial position. For the City of Dixon, restricted and unrestricted net assets were \$27.6 and \$30.7 million at June 20, 2006 and 2005, respectively. Overall total net assets increased by \$14.3 million from FY2004-05 to FY2005-06.

The Summary of Net Assets as of June 30, 2006, 2005 and 2004 follows:

| <b>Statement of Net Assets</b>                  |                                |                                 |                   |                                |                                 |                   |                                |                                 |                   |
|---|--------------------------------|---------------------------------|-------------------|--------------------------------|---------------------------------|-------------------|--------------------------------|---------------------------------|-------------------|
| <b>As of June 30, 2006, 2005 and 2004</b>       |                                |                                 |                   |                                |                                 |                   |                                |                                 |                   |
| <b>(in thousands)</b>                           |                                |                                 |                   |                                |                                 |                   |                                |                                 |                   |
|   | <b>2006</b>                    |                                 |                   | <b>2005 (as Restated)</b>      |                                 |                   | <b>2004 (as Restated)</b>      |                                 |                   |
|   | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u>      | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u>      | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u>      |
| Current and Other Assets                        | \$ 27,934                      | \$ 4,914                        | \$ 32,848         | \$ 33,529                      | \$ 3,785                        | \$ 37,314         | \$ 30,548                      | \$ 1,512                        | \$ 32,060         |
| Capital Assets                                  | 152,297                        | 56,707                          | 209,004           | 139,025                        | 53,118                          | 192,143           | 133,788                        | 52,338                          | 186,126           |
| Total Assets                                    | <u>180,231</u>                 | <u>61,621</u>                   | <u>241,852</u>    | <u>172,554</u>                 | <u>56,903</u>                   | <u>229,457</u>    | <u>164,336</u>                 | <u>53,850</u>                   | <u>218,186</u>    |
| Long-Term Liabilities                           | 9,203                          | 2,080                           | 11,283            | 5,063                          | 1,015                           | 6,078             | 3,486                          | 816                             | 4,302             |
| Other Liabilities                               | 2,443                          | 1,505                           | 3,948             | 8,959                          | 2,065                           | 11,024            | 9,464                          | 2,145                           | 11,609            |
| Total Liabilities                               | <u>11,646</u>                  | <u>3,585</u>                    | <u>15,231</u>     | <u>14,022</u>                  | <u>3,080</u>                    | <u>17,102</u>     | <u>12,950</u>                  | <u>2,961</u>                    | <u>15,911</u>     |
| Net Assets:                                     |                                |                                 |                   |                                |                                 |                   |                                |                                 |                   |
| Invested in Capital Assets, Net of Related Debt | 144,002                        | 55,008                          | 199,010           | 130,280                        | 51,327                          | 181,607           | 124,586                        | 50,148                          | 174,734           |
| Restricted                                      | 20,525                         | 550                             | 21,075            | 23,897                         | 531                             | 24,428            | 22,702                         | 523                             | 23,225            |
| Unrestricted                                    | 4,058                          | 2,478                           | 6,536             | 4,355                          | 1,965                           | 6,320             | 4,098                          | 218                             | 4,316             |
| Total Net Assets                                | <u>\$ 168,585</u>              | <u>\$ 58,036</u>                | <u>\$ 226,621</u> | <u>\$ 158,532</u>              | <u>\$ 53,823</u>                | <u>\$ 212,355</u> | <u>\$ 151,386</u>              | <u>\$ 50,889</u>                | <u>\$ 202,275</u> |

# CITY OF DIXON

## Management's Discussion and Analysis

For the Year Ended June 30, 2006

### 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 \$226.6 million in FY 2005-06 and \$212.4 in FY 2004-05 with an increase of approximately \$10.1 and \$7.1 million for the year ended June 30, 2006 and 2005 as a result of governmental revenues exceeding expenses, while the increase in net assets of business type activities was mainly due to capital contributions net of operating loss of approximately \$2.1 and \$2.6 million for the year ended June 30, 2006 and 2005, respectively. There was also a litigation settlement of \$1.6 million for the sewer trunk line project within the Sewer Fund during FY 2005-06. 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:

\*\* \$199.0 and \$181.6 million (88% and 85%) at June 30, 2006 and 2005 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.

\*\* \$21.1 and \$24.4 million (9% and 11%) at June 30, 2006 and 2005 in net assets represent resources that are subject to external restrictions on how they may be used. These restrictions include \$13.2 and \$16.7 million for capital projects, \$6.3 million for community development and other projects and \$1.5 and \$1.8 million for debt service and retirement at June 30, 2006 and 2005.

\*\* The remaining \$6.5 and \$6.3 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, 2006

| <b>Statement of Activities</b>                          |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
|---|---------------------------------|---------------------------------|-------------------|---------------------------------|---------------------------------|-------------------|---------------------------------|---------------------------------|-------------------|
| <b>For the Years Ended June 30, 2006, 2005 and 2004</b> |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
| <b>(in thousands)</b>                                   |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
|   | 2006                            |                                 |                   | 2005 (as Restated)              |                                 |                   | 2004 (as Restated)              |                                 |                   |
|   | Govern-<br>mental<br>Activities | Business-<br>Type<br>Activities | Total             | Govern-<br>mental<br>Activities | Business-<br>Type<br>Activities | Total             | Govern-<br>mental<br>Activities | Business-<br>Type<br>Activities | Total             |
| <b>Revenues:</b>  |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
| Program Revenues  |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
| Charges for Services                                    | 3,064                           | 1,817                           | 4,881             | \$ 4,503                        | \$ 1,728                        | \$ 6,231          | \$ 4,506                        | \$ 3,028                        | \$ 7,534          |
| Operating Grants<br>and Contributions                   | 1,122                           | 501                             | 1,623             | 885                             | 458                             | 1,343             | 586                             | 334                             | 920               |
| Capital Grants<br>and Contributions                     | 12,718                          | 3,725                           | 16,443            | 10,303                          | 4,634                           | 14,937            | 3,351                           | 87                              | 3,438             |
| General Revenues  |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
| Taxes:  |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
| Sales and Use Taxes                                     | 4,742                           |                                 | 4,742             | 4,144                           |                                 | 4,144             | 3,856                           |                                 | 3,856             |
| Property Taxes  | 4,888                           |                                 | 4,888             | 4,269                           |                                 | 4,269             | 3,513                           |                                 | 3,513             |
| Motor Vehicle and Gas Taxes                             | 1,432                           |                                 | 1,432             | 1,339                           |                                 | 1,339             | 1,058                           |                                 | 1,058             |
| Franchise Taxes   | 437                             |                                 | 437               | 405                             |                                 | 405               | 407                             |                                 | 407               |
| Transient Occupancy Taxes                               | 225                             |                                 | 225               | 192                             |                                 | 192               | 165                             |                                 | 165               |
| Interest and Investment Earnings                        | 936                             | 170                             | 1,106             | 525                             | 97                              | 622               | 360                             | 54                              | 414               |
| Rental Income   | 43                              |                                 | 43                | 20                              |                                 | 20                | 18                              |                                 | 18                |
| Other Revenue   | 45                              | 5                               | 50                | 116                             | 3                               | 119               | 102                             |                                 | 102               |
| Special items - settlement                              |                                 | 1,565                           | 1,565             |                                 |                                 |                   |                                 |                                 |                   |
| Gain on Sale of Capital Assets                          |                                 |                                 |                   | 1                               |                                 | 1                 | (60)                            |                                 | (60)              |
| <b>Total Revenues</b>                                   | <b>29,652</b>                   | <b>7,783</b>                    | <b>37,435</b>     | <b>26,702</b>                   | <b>6,920</b>                    | <b>33,622</b>     | <b>17,862</b>                   | <b>3,503</b>                    | <b>21,365</b>     |
| <b>Expenses:</b>  |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
| Governmental Activities                                 |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
| General Government                                      | 2,612                           |                                 | 2,612             | 2,160                           |                                 | 2,160             | 1,962                           |                                 | 1,962             |
| Public Protection                                       | 6,828                           |                                 | 6,828             | 6,271                           |                                 | 6,271             | 5,791                           |                                 | 5,791             |
| Parks and Recreation                                    | 1,963                           |                                 | 1,963             | 1,500                           |                                 | 1,500             | 1,416                           |                                 | 1,416             |
| Development   | 1,799                           |                                 | 1,799             | 2,098                           |                                 | 2,098             | 1,878                           |                                 | 1,878             |
| Public Ways and Facilities                              | 5,890                           |                                 | 5,890             | 7,013                           |                                 | 7,013             | 5,248                           |                                 | 5,248             |
| Interest on Long-Term Debt                              | 535                             |                                 | 535               | 555                             |                                 | 555               | 525                             |                                 | 525               |
| Business-type Activities                                |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
| Sewer   |                                 | 2,341                           | 2,341             |                                 | 2,761                           | 2,761             |                                 | 2,191                           | 2,191             |
| Water   |                                 | 555                             | 555               |                                 | 583                             | 583               |                                 | 583                             | 583               |
| Transit   |                                 | 646                             | 646               |                                 | 601                             | 601               |                                 | 482                             | 482               |
| <b>Total Expenses</b>                                   | <b>19,627</b>                   | <b>3,542</b>                    | <b>23,169</b>     | <b>19,597</b>                   | <b>3,945</b>                    | <b>23,542</b>     | <b>16,820</b>                   | <b>3,256</b>                    | <b>20,076</b>     |
| Excess (Deficiency)                                     |                                 |                                 |                   |                                 |                                 |                   |                                 |                                 |                   |
| Before Transfers  | 10,025                          | 4,241                           | 14,266            | 7,105                           | 2,975                           | 10,080            | 1,042                           | 247                             | 1,289             |
| Transfers   | 28                              | (28)                            | -                 | 41                              | (41)                            | -                 |                                 |                                 |                   |
| Change in Net Assets                                    | 10,053                          | 4,213                           | 14,266            | 7,146                           | 2,934                           | 10,080            | 1,042                           | 247                             | 1,289             |
| Net Assets, Beginning of Year<br>as Previously Reported | 158,532                         | 53,823                          | 212,355           | 151,386                         | 50,889                          | 202,275           | 150,674                         | 50,642                          | 201,316           |
| Restatement   |                                 |                                 |                   |                                 |                                 |                   | (330)                           |                                 | (330)             |
| Net Assets, Beginning of Year<br>as Restated            | 158,532                         | 53,823                          | 212,355           | 151,386                         | 50,889                          | 202,275           | 150,344                         | 50,642                          | 200,986           |
| <b>Net Assets, End of Year</b>                          | <b>\$ 168,585</b>               | <b>\$ 58,036</b>                | <b>\$ 226,621</b> | <b>\$ 158,532</b>               | <b>\$ 53,823</b>                | <b>\$ 212,355</b> | <b>\$ 151,386</b>               | <b>\$ 50,889</b>                | <b>\$ 202,275</b> |

Statement of Activities

Governmental Activities increased the City's net assets by \$10.1 and \$7.1 million during the year ended June 30, 2006 and 2005 or 6.0% and 4.5% of the total governmental net assets of the City. Revenue increased approximately \$3.0 and \$8.8 million in FY 2005-06 and 2004-05, in large part due to the revenues associated with

## CITY OF DIXON

### Management's Discussion and Analysis

For the Year Ended June 30, 2006

building and permits, planning studies and other general revenues associated with growth. Expenses increased approximately \$.3 and \$2.8 million in FY 2005-06 and 2004-05. The net changes in expenditures from 2005 to 2006 are the result of increases in general government, public protection, and parks and recreation; and reductions in community development and public ways and facilities. 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 \$4.2 and \$2.9 million during the year ended June 30, 2006 and 2005 or 7.2% and 5.4% 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 2005-06 a litigation settlement for the sewer trunk line was realized which increased revenues and offset costs related to the sewer trunk line.

#### Revenues

The City's total revenues were \$37.4 million for the year ended June 30, 2006 as compared to \$33.6 million as of June 30, 2005. Revenue from governmental activities totaled \$29.7 and \$26.7 million and revenues from business-type activities totaled \$7.8 and \$6.9 million for the years ended June 30, 2006 and 2005, respectively.

Program revenues include charges for services and grants and contributions. Program revenues provided \$16.9 and \$15.7 million for governmental activities (57% and 59%) and approximately \$6.0 and \$6.8 million (78% and 98%, respectively) for business-type activities during the years ended June 30, 2006 and 2005. Revenues kept pace with expenses in the business-type activities, reflecting an increase in net assets (\$4.2 and \$2.9 million for the years ended June 30, 2006 and 2005) because both projects and operations are proceeding as funding is available.

General revenues include, among other things, taxes and intergovernmental revenues. General revenues provided \$12.7 and \$11.0 million (43% and 42% of the total) for the years ended June 30, 2006 and 2005. The majority of general revenues came from property, sales and other taxes.

#### Expenses

Expenses for the City totaled \$23.2 and \$23.5 million for the years ended June 30, 2006 and 2005, respectively. Governmental activities incurred \$19.6 million in expenses for both years, and business-type activities incurred \$3.5 and \$3.9 million in expenses during the years ended June 30, 2006 and 2005, respectively. As can be seen in the table above, governmental activities expenses were about 86% and 80% funded by program revenues, fees, grants and contributions during the years ended June 30, 2006 and 2005. The remaining 14% and 20% (\$2.7 and \$3.9 million) of their funding came from general revenues for the years ended June 30, 2006 and 2005. 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 programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2006, 2005 and 2004 follows:

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2006

| <b>Cost of Services by Program<br/>                     Governmental Activities<br/>                     For the Years Ended June 30, 2006, 2005 and 2004<br/>                     (in thousands)</b> |                  |                 |                  |                 |                  |                 |
|---|------------------|-----------------|------------------|-----------------|------------------|-----------------|
| Program   | 2006             |                 | 2005             |                 | 2004             |                 |
|   | Total            | Net             | Total            | Net             | Total            | Net             |
| General Government  | \$ 2,612         | 736             | \$ 2,160         | \$ 579          | \$ 1,962         | \$ 345          |
| Public Protection   | 6,828            | 5,640           | 6,271            | 4,931           | 5,791            | 4,811           |
| Parks and Recreation  | 1,963            | 906             | 1,500            | (2,756)         | 1,416            | (194)           |
| Development   | 1,799            | 1,412           | 2,098            | (275)           | 1,878            | (510)           |
| Public Ways Facilities  | 5,890            | (6,507)         | 7,013            | 872             | 5,248            | 3,400           |
| Interest on Long-Term Debt  | 535              | 535             | 555              | 555             | 525              | 525             |
| Total   | <u>\$ 19,627</u> | <u>\$ 2,722</u> | <u>\$ 19,597</u> | <u>\$ 3,906</u> | <u>\$ 16,820</u> | <u>\$ 8,377</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, 2006

| <b>Revenue by Source - Governmental Activities</b>      |                                 |               |                                 |               |                                 |               |
|---|---------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|
| <b>For the Years ended June 30, 2006, 2005 and 2004</b> |                                 |               |                                 |               |                                 |               |
| <b>(in thousands)</b>                                   |                                 |               |                                 |               |                                 |               |
|   | 2006                            |               | 2005                            |               | 2004                            |               |
|   | Govern-<br>mental<br>Activities | %             | Govern-<br>mental<br>Activities | %             | Govern-<br>mental<br>Activities | %             |
| Revenues:   |                                 |               |                                 |               |                                 |               |
| Program Revenues  |                                 |               |                                 |               |                                 |               |
| Charges for Services                                    | \$ 3,064                        | 10.3%         | \$ 4,503                        | 16.9%         | \$ 4,506                        | 25.2%         |
| Operating Grants and Contributions                      | 1,122                           | 3.8%          | 885                             | 3.3%          | 586                             | 3.3%          |
| Capital Grants and Contributions                        | 12,718                          | 42.9%         | 10,303                          | 38.6%         | 3,351                           | 18.8%         |
| General Revenues  |                                 |               |                                 |               |                                 |               |
| Taxes:  |                                 |               |                                 |               |                                 |               |
|   |                                 | 0.0%          |                                 | 0.0%          |                                 |               |
| Sales and Use Taxes                                     | 4,742                           | 16.0%         | 4,144                           | 15.5%         | 3,856                           | 21.6%         |
| Property Taxes  | 4,888                           | 16.5%         | 4,269                           | 16.0%         | 3,513                           | 19.7%         |
| Motor Vehicle and Gas Taxes                             | 1,432                           | 4.8%          | 1,339                           | 5.0%          | 1,058                           | 5.9%          |
| Franchise Taxes   | 437                             | 1.5%          | 405                             | 1.5%          | 407                             | 2.3%          |
| Transient Occupancy Taxes                               | 225                             | 0.8%          | 192                             | 0.7%          | 165                             | 0.9%          |
| Interest and Investment Earnings                        | 936                             | 3.2%          | 525                             | 2.0%          | 360                             | 2.0%          |
| Rental Income   | 43                              | 0.1%          | 20                              | 0.1%          | 18                              | 0.1%          |
| Other Revenue   | 45                              | 0.2%          | 116                             | 0.4%          | 102                             | 0.6%          |
| Gain on Sale of Capital Assets                          |                                 |               | 1                               | 0.0%          | (60)                            | -0.3%         |
| <b>Total Revenues</b>                                   | <b>\$ 29,652</b>                | <b>100.0%</b> | <b>\$ 26,702</b>                | <b>100.0%</b> | <b>\$ 17,862</b>                | <b>100.0%</b> |

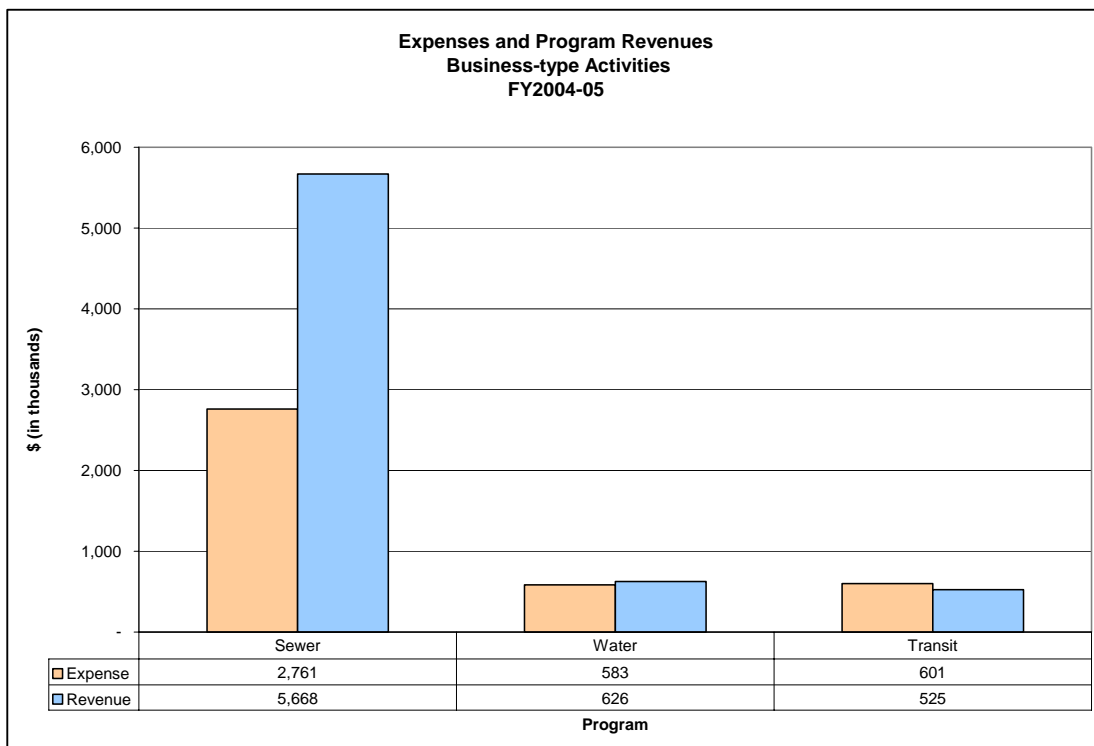
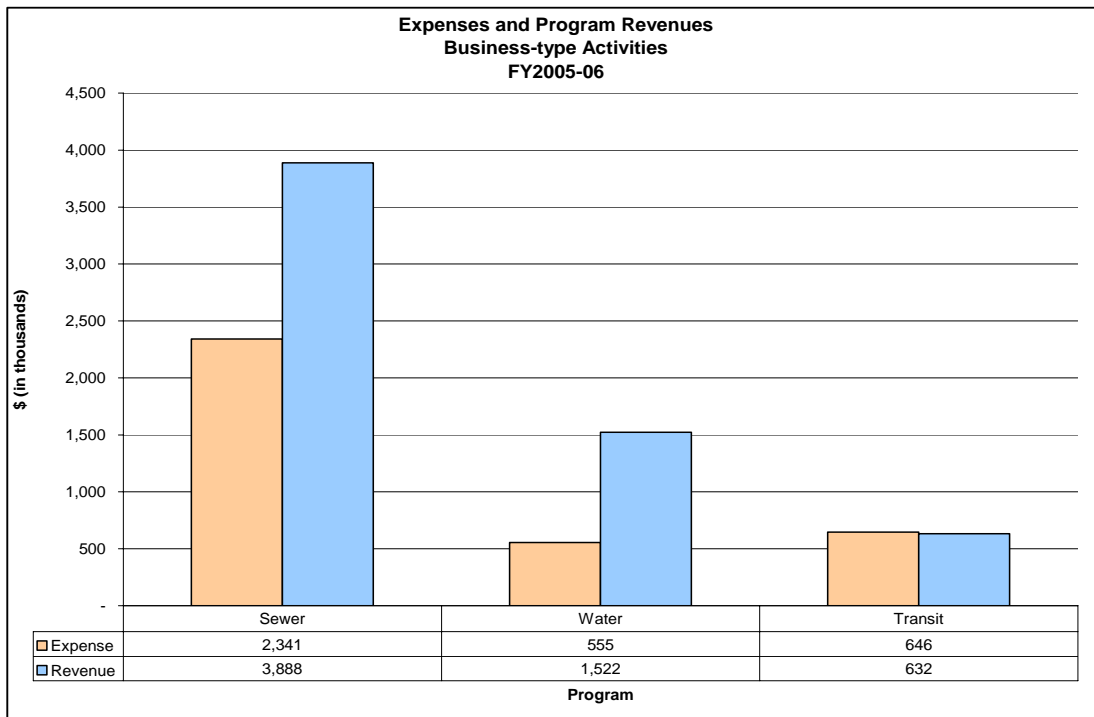
Business-Type Activities

The net assets for the business-type activities reflect sewer, water and transit operations. The net assets for these activities increased by \$4.2 and \$2.9 million during the years ended June 30, 2006 and 2005, 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, 2006, 2005 and 2004.

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2006



CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2006

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

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

| <b>Revenues by Source - Business Type Activities</b>    |                 |               |                 |               |                 |               |
|---|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| <b>For the Years Ended June 30, 2006, 2005 and 2004</b> |                 |               |                 |               |                 |               |
| <b>(in thousands)</b>                                   |                 |               |                 |               |                 |               |
| Revenues by Source                                      | 2006            |               | 2005            |               | 2004            |               |
|   | \$              | %             | \$              | %             | \$              | %             |
| Charges for Services                                    | 1,817           | 23.3%         | \$ 1,728        | 25.0%         | \$ 3,028        | 86.4%         |
| Grants and Contributions                                | 4,226           | 54.3%         | 5,092           | 73.6%         | 421             | 12.0%         |
| Other   | 1,740           | 22.4%         | 100             | 1.4%          | 54              | 1.6%          |
| Total   | <u>\$ 7,783</u> | <u>100.0%</u> | <u>\$ 6,920</u> | <u>100.0%</u> | <u>\$ 3,503</u> | <u>100.0%</u> |

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 governmental 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 \$22.8 million a decrease of \$2.5 million from the prior year. The decrease in fund balance is related to capital projects funds in which expenditures exceeded revenues. Typically the city collects fees in advance of projects, however, during the 2006 fiscal year, capital projects continued and transfers out to other funds created the reduction in fund balance. Of the total fund balance of \$22.8 million, approximately \$2.1 million is designated for equipment replacement and approximately \$2.0 million is undesignated. Of the remaining governmental fund balance (\$18.7 million), \$8.7 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 2004-05 the City's governmental funds reported fund balances of \$25.4 million. Approximately \$14.0 million was unreserved and \$11.4 million was reserved.

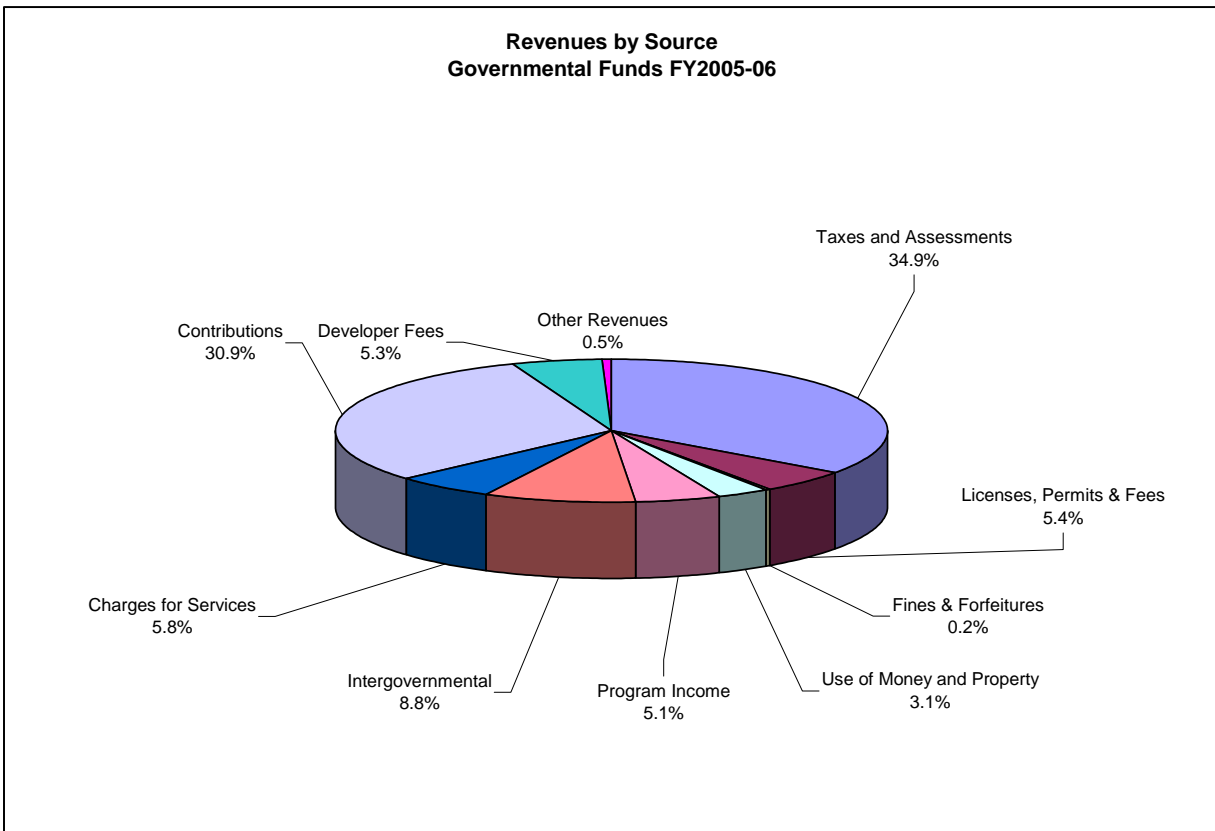
The table below presents the amount of revenues from various sources as well as increases or decreases from the prior year:

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2006

| Revenues Classified by Source<br>Governmental Funds<br>For the Years Ended June 30, 2006, 2005 and 2004<br>(in thousands) |                  |               |                  |               |                  |               |
|---|------------------|---------------|------------------|---------------|------------------|---------------|
| Revenues by Source  | 2006             |               | 2005             |               | 2004             |               |
|   | Amount           | % of Total    | Amount           | % of Total    | Amount           | % of Total    |
| Taxes and assessments   | \$ 10,946        | 34.9%         | \$ 9,725         | 36.1%         | \$ 8,225         | 45.2%         |
| Licenses, Permits and Fees  | 1,696            | 5.4%          | 2,601            | 9.6%          | 2,467            | 13.5%         |
| Fines and Forfeitures   | 77               | 0.2%          | 55               | 0.2%          | 60               | 0.3%          |
| Use of Money and Property   | 958              | 3.1%          | 518              | 1.9%          | 378              | 2.1%          |
| Program Income  | 1,594            | 5.1%          | 581              | 2.2%          | 398              | 2.2%          |
| Intergovernmental revenues  | 2,748            | 8.8%          | 970              | 3.6%          | 1,185            | 6.5%          |
| Charges for Services  | 1,828            | 5.8%          | 2,588            | 9.6%          | 2,395            | 13.2%         |
| Contributions   | 9,703            | 30.9%         | 157              | 0.6%          |                  |               |
| Developer Fees  | 1,677            | 5.3%          | 9,508            | 35.3%         | 2,866            | 15.7%         |
| Other Revenues  | 166              | 0.5%          | 256              | 0.9%          | 233              | 1.3%          |
| <b>Total</b>  | <b>\$ 31,393</b> | <b>100.0%</b> | <b>\$ 26,959</b> | <b>100.0%</b> | <b>\$ 18,207</b> | <b>100.0%</b> |



CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2006

Key elements of the changes noted above include:

\*\* Taxes and assessments and developer fees continue to provide the greatest source of revenues for the City. These sources represent 35% of total revenues, which is approximately the same as in the prior year.

\*\* Continued growth in the City has led to a significant increase in contributions of assets from developers and collection of Developer Impact Fees and other fees relating to infrastructure. This revenue stream represents 36% of the revenues in FY2005-06 similar to the level in FY2004-05.

\*\* Intergovernmental revenues reflect revenue received from other agencies for capital projects. During FY 2005-06 these revenues increased by \$1.78 million and represent about 8.7% of revenues, an increase from 3.6% in FY2004-05. The increased is mainly due to two new grants for park improvements and a street project.

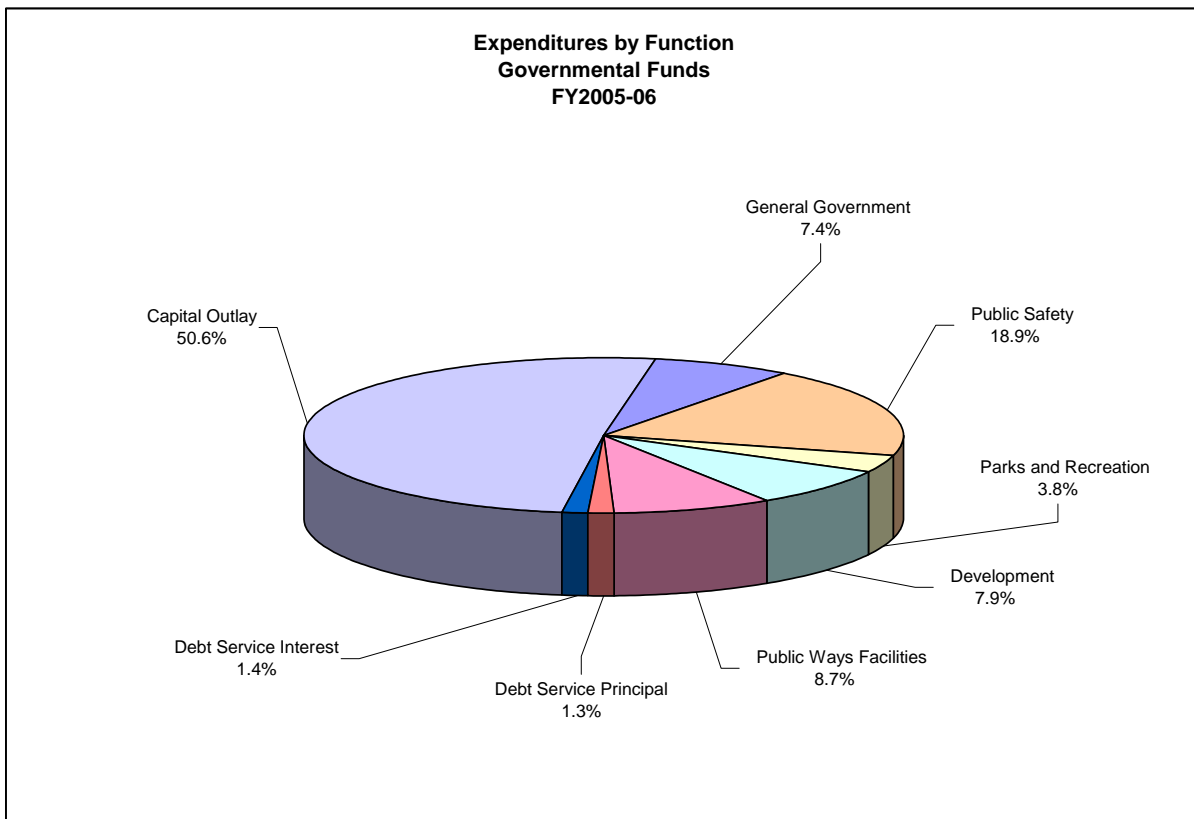
The following table presents expenditures by function compared to prior year amounts:

| Expenditures by Function<br>Governmental Funds<br>For the Years Ended June 30, 2006, 2005 and 2004<br>(in thousands) |           |            |           |            |           |            |  |
|--|-----------|------------|-----------|------------|-----------|------------|--|
| Expenditures by Function   | 2006      |            | 2005      |            | 2004      |            |  |
|  | Amount    | % of Total | Amount    | % of Total | Amount    | % of Total |  |
| Current:   |           |            |           |            |           |            |  |
| General Government   | \$ 2,506  | 7.4%       | \$ 2,092  | 8.2%       | \$ 1,864  | 8.0%       |  |
| Public Safety  | 6,416     | 18.9%      | 6,005     | 23.6%      | 5,421     | 23.3%      |  |
| Parks and Recreation   | 1,306     | 3.8%       | 1,127     | 4.4%       | 1,040     | 4.5%       |  |
| Development  | 2,686     | 7.9%       | 2,251     | 8.8%       | 2,106     | 9.0%       |  |
| Public Ways Facilities   | 2,939     | 8.7%       | 4,364     | 17.2%      | 2,674     | 11.5%      |  |
| Debt Service   |           |            |           |            |           |            |  |
| Principal  | 450       | 1.3%       | 456       | 1.8%       | 445       | 1.9%       |  |
| Interest Other Charges   | 491       | 1.4%       | 515       | 2.0%       | 528       | 2.3%       |  |
| Capital Outlay   | 17,182    | 50.6%      | 8,633     | 34.0%      | 9,224     | 39.6%      |  |
| Total  | \$ 33,976 | 100.0%     | \$ 25,443 | 100.0%     | \$ 23,302 | 100.0%     |  |

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2006



Key elements of the changes noted above include:

\*\* Public Safety spending reflects an increase of 6.8% and 10.8% for the years ended June 30, 2006 and 2005, respectively, made up of increases in personnel costs and operating expenses.

\*\* The growth of the City has led to increased costs related to planning and economic development (categorized as Development). Cost associated with development is generally 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, 2006 and 2005, respectively, the unrestricted net assets were approximately \$.6 and \$.9 million for the Dixon interest in Dixon-Solano Municipal Water Service (DSMWS). Unrestricted net assets in the Sewer fund were \$1.9 million at June 30, 2006 and \$1.1 million at June 30, 2005. The Transit Fund had a net asset deficit of \$25,485 at June 30, 2006 and net asset deficit of \$12,974 at June 30, 2005.

## CITY OF DIXON

### Management's Discussion and Analysis

For the Year Ended June 30, 2006

Operations of proprietary funds were relatively stable, with an increase of 5.2% in operating revenues and a decrease of 8.7% in operating expenses, mainly in the Sewer Fund. The Sewer Fund also received a litigation settlement of \$1.6 million for the sewer trunk line project as noted above.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budgeted expenditures did not change significantly from the prior year and no significant budget amendments were made during the year. Small increases in the general government and public safety budgeted expenditures were offset by a \$.6 million decrease in the public ways and facilities budgeted expenditures. Actual expenditures for development were lower than budgeted by \$1.2 million due to unplanned decreases in development projects in the community. Revenues were less than expected due to fewer charges for services being realized. This is a result of the slowdown in development projects. The final budget reflected a decrease in fund balance of about \$1.1 million, but actual results indicated a \$43,000 decrease in fund balance.

#### 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, 2006 and 2005, respectively, was \$209.0 and \$192.1 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 2005-06 and 2004-05 was \$21.3 and \$10.6 million, prior to depreciation.

Major capital asset events during FY 2005-06 included the following:

- \*\* Completion of the multi-modal transportation center costing approximately \$1.6 million
- \*\* Expansion of the Hall Park Aquatic Center for a cost of approximately \$2.3 million
- \*\* Completion of several sidewalk rehabilitation and ADA sidewalk and curb cuts projects costing approximately \$1.3 million.
- \*\* Upgrades to First St/Highway 113 costing in excess of \$7.7 million.
- \*\* Developers contributed assets of approximately \$13.3 million.

Major capital asset events in FY 2004-05 included the completion of Hall Park Phase II and Veterans Park for \$4.0 million; and Streetscape Phase I, which included renovation of the sidewalk, curbs, street trees and planters, and ramps in the downtown core area, and traffic signals along SR 113.

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, 2006

| <b>Capital Assets (net of depreciation)</b> |                         |                   |                   |                          |                  |                  |                   |                   |                   |
|---|-------------------------|-------------------|-------------------|--------------------------|------------------|------------------|-------------------|-------------------|-------------------|
| <b>As of June 30, 2006, 2005 and 2004</b>   |                         |                   |                   |                          |                  |                  |                   |                   |                   |
| <b>(in thousands)</b>                       |                         |                   |                   |                          |                  |                  |                   |                   |                   |
|   | Governmental Activities |                   |                   | Business-Type Activities |                  |                  | Totals            |                   |                   |
|   | 2006                    | 2005              | 2004              | 2006                     | 2005             | 2004             | 2006              | 2005              | 2004              |
| Land  | \$ 2,738                | \$ 2,728          | \$ 2,728          | \$ 785                   | \$ 785           | \$ 785           | \$ 3,523          | \$ 3,513          | \$ 3,513          |
| Construction in Progress                    | 3,432                   | 3,295             | 2,438             | 1,547                    | 6,918            | 5,933            | 4,979             | 10,213            | 8,371             |
| Buildings & Improvements                    | 7,975                   | 6,584             | 6,381             | 53,970                   | 45,000           | 45,351           | 61,945            | 51,584            | 51,732            |
| Equipment                                   | 2,476                   | 2,489             | 2,609             | 405                      | 415              | 269              | 2,881             | 2,904             | 2,878             |
| Infrastructure                              | 135,676                 | 123,929           | 119,632           |                          |                  |                  | 135,676           | 123,929           | 119,632           |
| <b>Total</b>                                | <b>\$ 152,297</b>       | <b>\$ 139,025</b> | <b>\$ 133,788</b> | <b>\$ 56,707</b>         | <b>\$ 53,118</b> | <b>\$ 52,338</b> | <b>\$ 209,004</b> | <b>\$ 192,143</b> | <b>\$ 186,126</b> |

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 2005-06 and FY 2004-05 the City issued no new debt. At the end of FY 2005-06, the City of Dixon had outstanding bonds (net of portion due within the next year) and other long-term liabilities of \$8.1 million for governmental activities and \$2.0 million business-type activities, respectively, which reflects retirements of \$1.0 million for governmental activities and \$80,000 for business-type activities over FY 2004-05. Bonds comprised all but about \$.95 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, 2006:

| <b>Bonded Debt - Long Term</b>        |                |                 |
|---------------------------------------|----------------|-----------------|
| <b>Outstanding Balances</b>           |                |                 |
| <b>As of June 30, 2006</b>            |                |                 |
| <b>(in thousands)</b>                 |                |                 |
| Bond                                  | Purpose        | Balance         |
| <b>Governmental Activities</b>        |                |                 |
| 1981 FHA Lease Revenue Bond           | City Hall      | \$ 560          |
| 1995 Tax Allocation Refunding Bonds   | Redevelopment  | 3,565           |
| 1996 Refunding Lease Revenue Bonds    | Police Station | 1,210           |
| 1997 Dixon Fire Station Project Bonds | Fire Station   | 2,495           |
| Total                                 |                | <u>\$ 7,830</u> |
| <b>Business-type Activities:</b>      |                |                 |
| 1996 Lease Revenue Bonds              | Sewer System   | <u>\$ 1,950</u> |



## CITY OF DIXON

### Management's Discussion and Analysis

For the Year Ended June 30, 2006

#### 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, 2006 and 2005, a total of \$19.7 and \$21.8 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 2006-07 budget has reflected this with projected property tax increases of about 9% and sales tax increases of 4%.

During FY 2005-06 the General Fund fund balance decreased by \$42,600, which is less than anticipated at the time the budget was developed.. It is anticipated that the operating revenue and available resources for FY 2006-07-will be sufficient to fund operating costs for that year.

In recent years rate studies were conducted for both the Sewer System and Dixon Solano Municipal Water Services (DSMWS). Sewer rates were increased by about 2% and water rates remained unchanged. In addition, Transit fares also remained at their current levels.

A Comprehensive User Fee Study was begun in late FY 2005-06 to examine each fee-for-service for governmental type activities. The intent was to ensure that the City understood 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 Board). The City continues to work with the Board on technical and compliance issues.

An AB1600 Development Impact Fee Nexus Study was initiated in early FY2005-06 to review and update the project and costs associated with capital projects and the associated development impact fees. Impact fees were recently adjusted for inflation pending completion of the study.

#### 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](http://www.ci.dixon.ca.us) for contact information.

CITY OF DIXON, CALIFORNIA

STATEMENT OF NET ASSETS

As of June 30, 2006

|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>                                   |                            |                             |                       |
| Cash and investments                            | \$ 21,033,814              | \$ 5,640,167                | \$ 26,673,981         |
| Receivables:                                    |                            |                             |                       |
| Accounts receivable                             | 151,547                    | 493,124                     | 644,671               |
| Interest receivable                             | 115,644                    | 21,348                      | 136,992               |
| Taxes receivable                                | 334,099                    |                             | 334,099               |
| Due from other governments                      | 588,292                    | 71,773                      | 660,065               |
| Notes receivable                                | 2,484,687                  | 45,983                      | 2,530,670             |
| Internal balances                               | 1,956,809                  | (1,956,809)                 |                       |
| Inventory                                       | 915                        |                             | 915                   |
| Prepaid expenses and other assets               | 522,884                    |                             | 522,884               |
| Restricted cash and investments                 | 571,229                    | 549,538                     | 1,120,767             |
| Deferred charges                                | 174,911                    | 48,206                      | 223,117               |
| Capital assets:                                 |                            |                             |                       |
| Not being depreciated                           | 6,169,699                  | 2,331,881                   | 8,501,580             |
| Being depreciated, net                          | 146,126,930                | 54,375,460                  | 200,502,390           |
|   | <u>180,231,460</u>         | <u>61,620,671</u>           | <u>241,852,131</u>    |
| <b>TOTAL ASSETS</b>                             |                            |                             |                       |
|   | <u>180,231,460</u>         | <u>61,620,671</u>           | <u>241,852,131</u>    |
| <br><b>LIABILITIES</b>                          |                            |                             |                       |
| Accounts payable                                | 880,792                    | 648,611                     | 1,529,403             |
| Salaries and benefits payable                   | 398,487                    | 9,875                       | 408,362               |
| Interest payable                                | 139,186                    | 38,531                      | 177,717               |
| Deposits payable                                | 150,133                    | 234,376                     | 384,509               |
| Deferred revenue                                | 874,063                    | 573,929                     | 1,447,992             |
| Long term liabilities                           |                            |                             |                       |
| Due within one year                             | 1,069,998                  | 114,636                     | 1,184,634             |
| Due in more than one year                       | 8,133,468                  | 1,964,865                   | 10,098,333            |
|   | <u>11,646,127</u>          | <u>3,584,823</u>            | <u>15,230,950</u>     |
| <b>TOTAL LIABILITIES</b>                        |                            |                             |                       |
|   | <u>11,646,127</u>          | <u>3,584,823</u>            | <u>15,230,950</u>     |
| <br><b>NET ASSETS</b>                           |                            |                             |                       |
| Invested in capital assets, net of related debt | 144,001,629                | 55,008,205                  | 199,009,834           |
| Restricted for debt service                     | 1,328,418                  | 213,674                     | 1,542,092             |
| Restricted for capital projects                 | 12,896,558                 | 335,864                     | 13,232,422            |
| Restricted for low and moderate income housing  | 3,479,483                  |                             | 3,479,483             |
| Restricted for various projects                 | 2,820,326                  |                             | 2,820,326             |
| Unrestricted                                    | 4,058,919                  | 2,478,105                   | 6,537,024             |
|   | <u>\$ 168,585,333</u>      | <u>\$ 58,035,848</u>        | <u>\$ 226,621,181</u> |
| <b>TOTAL NET ASSETS</b>                         |                            |                             |                       |
|   | <u>\$ 168,585,333</u>      | <u>\$ 58,035,848</u>        | <u>\$ 226,621,181</u> |

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

CITY OF DIXON, CALIFORNIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

| FUNCTIONS/PROGRAMS                    | Expenses             | Program Revenues     |                                    |                                  |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                       |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>GOVERNMENTAL ACTIVITIES:</b>       |                      |                      |                                    |                                  |
| General government                    | \$ 2,611,925         | \$ 1,744,464         | \$ 4,500                           | \$ 127,089                       |
| Public protection                     | 6,828,490            | 696,326              | 231,802                            | 260,062                          |
| Parks and recreation                  | 1,962,743            | 109,099              |                                    | 948,136                          |
| Development                           | 1,798,624            | 374,599              | 11,750                             |                                  |
| Public ways and facilities            | 5,890,267            | 139,864              | 874,358                            | 11,382,919                       |
| Interest on long-term debt            | 534,906              |                      |                                    |                                  |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>  | <b>19,626,955</b>    | <b>3,064,352</b>     | <b>1,122,410</b>                   | <b>12,718,206</b>                |
| <b>BUSINESS-TYPE ACTIVITIES:</b>      |                      |                      |                                    |                                  |
| Sewer                                 | 2,341,466            | 1,341,813            |                                    | 2,546,344                        |
| Water                                 | 554,738              | 405,645              |                                    | 1,116,381                        |
| Transit                               | 645,872              | 69,093               | 500,540                            | 62,490                           |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b> | <b>3,542,076</b>     | <b>1,816,551</b>     | <b>500,540</b>                     | <b>3,725,215</b>                 |
| <b>TOTAL PRIMARY GOVERNMENT</b>       | <b>\$ 23,169,031</b> | <b>\$ 4,880,903</b>  | <b>\$ 1,622,950</b>                | <b>\$ 16,443,421</b>             |

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

Other revenue

Special item - settlement

Transfers

Total General Revenues

Change in Net Assets

Net assets, beginning of year, as previously reported

Restatement

Net assets, beginning of year, as restated

Net assets, end of year

Net (Expenses) Revenues and  
Changes in Net Assets

| Governmental<br>Activities | Business<br>Type<br>Activities | Total                 |
|----------------------------|--------------------------------|-----------------------|
| \$ (735,872)               |                                | \$ (735,872)          |
| (5,640,300)                |                                | (5,640,300)           |
| (905,508)                  |                                | (905,508)             |
| (1,412,275)                |                                | (1,412,275)           |
| 6,506,874                  |                                | 6,506,874             |
| <u>(534,906)</u>           |                                | <u>(534,906)</u>      |
| <u>(2,721,987)</u>         |                                | <u>(2,721,987)</u>    |
|                            | \$ 1,546,691                   | 1,546,691             |
|                            | 967,288                        | 967,288               |
|                            | <u>(13,749)</u>                | <u>(13,749)</u>       |
|                            | 2,500,230                      | 2,500,230             |
| <u>(2,721,987)</u>         | <u>2,500,230</u>               | <u>(221,757)</u>      |
| 4,741,973                  |                                | 4,741,973             |
| 4,887,928                  |                                | 4,887,928             |
| 1,432,012                  |                                | 1,432,012             |
| 437,175                    |                                | 437,175               |
| 225,111                    |                                | 225,111               |
| 935,720                    | 170,302                        | 1,106,022             |
| 43,454                     |                                | 43,454                |
| 43,099                     | 5,506                          | 48,605                |
|                            | 1,565,282                      | 1,565,282             |
| 28,380                     | <u>(28,380)</u>                |                       |
| <u>12,774,852</u>          | <u>1,712,710</u>               | <u>14,487,562</u>     |
| 10,052,865                 | 4,212,940                      | 14,265,805            |
| 158,861,156                | 53,822,908                     | 212,684,064           |
| <u>(328,688)</u>           |                                | <u>(328,688)</u>      |
| <u>158,532,468</u>         | <u>53,822,908</u>              | <u>212,355,376</u>    |
| <u>\$ 168,585,333</u>      | <u>\$ 58,035,848</u>           | <u>\$ 226,621,181</u> |

CITY OF DIXON, CALIFORNIA  
BALANCE SHEET - GOVERNMENTAL FUNDS

As of June 30, 2006

|  | General<br>Fund                                    | Low/Moderate<br>Income<br>Housing<br>Special<br>Revenue Fund | Transportation<br>Capital Projects<br>Fund |
|--|--|--|--|
| <b>ASSETS</b>                          |  |  |  |
| Cash and investments                   | \$ 5,142,244                                       | \$ 1,871,103   | \$ 3,023,651                               |
| Receivables:                           |  |  |  |
| Accounts receivable                    | 85,165   | 20,048   |  |
| Interest receivable                    | 44,208   | 12,570   | 10,146                                     |
| Taxes receivable                       | 334,099  |  |  |
| Due from other governments             | 69,230   |  | 285,908                                    |
| Notes receivable                       |  | 1,602,872  |  |
| Due from other funds                   | 304,089  |  |  |
| Advances to other funds                | 42,742   |  | 1,000,000                                  |
| Inventory                              | 915  |  |  |
| Prepaid costs and other assets         | 522,884  |  |  |
| Restricted cash and investments        |  |  |  |
|  | <b>TOTAL ASSETS</b>                                | <b>\$ 3,506,593</b>  | <b>\$ 4,319,705</b>                        |
| <b>LIABILITIES AND FUND BALANCES</b>   |  |  |  |
| <b>LIABILITIES</b>                     |  |  |  |
| Accounts payable                       | \$ 365,737   | \$ 27,110  | \$ 358,502                                 |
| Salaries and benefits payable          | 398,487  |  |  |
| Deposits payable                       | 150,133  |  |  |
| Due to other funds                     |  |  |  |
| Advances from other funds              |  |  |  |
| Compensated absences                   | 14,625   |  |  |
| Deferred revenue                       | 823,559  | 1,602,872  |  |
|  | <b>TOTAL LIABILITIES</b>                           | <b>1,629,982</b>   | <b>358,502</b>                             |
| <b>FUND BALANCES</b>                   |  |  |  |
| Reserved for:                          |  |  |  |
| Encumbrances                           | 117,012  | 24,357   | 1,246,677                                  |
| Advances to other funds                | 42,742   |  | 1,000,000                                  |
| Prepaid costs and other assets         | 522,884  |  |  |
| Low and moderate income housing        |  | 1,852,254  |  |
| Debt service                           |  |  |  |
| Unreserved, reported in:               |  |  |  |
| General fund                           |  |  |  |
| Designated for senior/multi-use center | 980  |  |  |
| Designated for equipment replacement   | 2,152,894  |  |  |
| Undesignated                           | 1,956,523  |  |  |
| Special revenue funds                  |  |  |  |
| Capital projects funds                 |  |  | 1,714,526                                  |
|  | <b>TOTAL FUND BALANCES</b>                         | <b>1,876,611</b>   | <b>3,961,203</b>                           |
|  | <b>TOTAL LIABILITIES AND<br/>AND FUND BALANCES</b> | <b>\$ 3,506,593</b>  | <b>\$ 4,319,705</b>                        |

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

| Vacaville/Dixon<br>Greenbelt<br>Authority<br>Capital<br>Projects Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------------------------|--------------------------------|
| \$ 717,728  | \$ 10,279,088                     | \$ 21,033,814                  |
|   | 46,334                            | 151,547                        |
| 2,808   | 45,912                            | 115,644                        |
|   |                                   | 334,099                        |
|   | 109,154                           | 464,292                        |
| 333,053   | 548,762                           | 2,484,687                      |
|   | 33,542                            | 337,631                        |
|   | 1,901,996                         | 2,944,738                      |
|   |                                   | 915                            |
|   |                                   | 522,884                        |
|   | 571,229                           | 571,229                        |
| <u>\$ 1,053,589</u>   | <u>\$ 13,536,017</u>              | <u>\$ 28,961,480</u>           |
|   | \$ 129,443                        | \$ 880,792                     |
|   |                                   | 398,487                        |
|   |                                   | 150,133                        |
|   | 329,659                           | 329,659                        |
| \$ 712,384  | 283,517                           | 995,901                        |
|   |                                   | 14,625                         |
| 333,053   | 599,266                           | 3,358,750                      |
| <u>1,045,437</u>  | <u>1,341,885</u>                  | <u>6,128,347</u>               |
|   | 618,943                           | 2,006,989                      |
|   | 1,901,996                         | 2,944,738                      |
|   |                                   | 522,884                        |
|   |                                   | 1,852,254                      |
|   | 1,328,418                         | 1,328,418                      |
|   |                                   | 980                            |
|   |                                   | 2,152,894                      |
|   |                                   | 1,956,523                      |
|   | 2,058,441                         | 2,058,441                      |
| 8,152   | 6,286,334                         | 8,009,012                      |
| <u>8,152</u>  | <u>12,194,132</u>                 | <u>22,833,133</u>              |
| <u>\$ 1,053,589</u>   | <u>\$ 13,536,017</u>              | <u>\$ 28,961,480</u>           |

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

As of June 30, 2006

|   |                              |
|---|------------------------------|
| Fund balances - total governmental funds  | \$ 22,833,133                |
| 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.   | 152,296,629                  |
| Long-term receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds.  | 2,484,687                    |
| 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   | (9,203,466)                  |
| Less: current portion of compensated absences recorded in governmental funds  | 14,625                       |
| Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.   | (139,186)                    |
| 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                          | 174,911                      |
| 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>124,000</u>               |
| Net assets - governmental activities  | <u><u>\$ 168,585,333</u></u> |

The accompanying notes to the basic 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, 2006

|  | General<br>Fund     | Low/Moderate<br>Income<br>Housing<br>Special<br>Revenue Fund | Transportation<br>Capital Projects<br>Fund |
|--|---------------------|--|--|
| <b>REVENUES</b>  |                     |  |  |
| Taxes and assessments  | \$ 8,763,853        | \$ 381,529   |  |
| Licenses, permits and fees                                   | 1,696,129           |  |  |
| Fines and forfeitures  | 16,194              |  |  |
| Use of money and property                                    | 201,952             | 88,961   | \$ 125,903                                 |
| Program income   |                     | 198,494  |  |
| Intergovernmental revenues                                   | 247,670             |  | 532,015                                    |
| Charges for services   | 1,827,741           |  |  |
| Contributions from homeowners and others                     |                     |  | 7,725,542                                  |
| Developer fees   |                     |  | 221,498                                    |
| Other revenues   | 164,573             |  |  |
| <b>TOTAL REVENUES</b>  | <b>12,918,112</b>   | <b>668,984</b>   | <b>8,604,958</b>                           |
| <b>EXPENDITURES</b>  |                     |  |  |
| Current:   |                     |  |  |
| General government   | 2,505,393           |  |  |
| Public safety  | 6,383,886           |  |  |
| Parks and recreation   | 1,243,331           |  |  |
| Development  | 1,414,267           | 478,185  |  |
| Public ways and facilities                                   | 1,809,039           |  | 128,998                                    |
| Debt service:  |                     |  |  |
| Principal retirement   | 5,000               |  |  |
| Interest and fiscal charges                                  |                     |  |  |
| Capital outlay   | 313,906             |  | 10,016,705                                 |
| <b>TOTAL EXPENDITURES</b>                                    | <b>13,674,822</b>   | <b>478,185</b>   | <b>10,145,703</b>                          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(756,710)</b>    | <b>190,799</b>   | <b>(1,540,745)</b>                         |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                     |  |  |
| Proceeds from sale of capital assets                         | 500                 |  |  |
| Transfers in   | 713,648             |  | 1,520,587                                  |
| Transfers out  |                     |  | <b>(83,857)</b>                            |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>              | <b>714,148</b>      |  | <b>1,436,730</b>                           |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>(42,562)</b>     | <b>190,799</b>   | <b>(104,015)</b>                           |
| Fund balances, beginning of year, as previously reported     | 4,835,597           | 1,685,812  | 4,065,218                                  |
| Restatement  |                     |  |  |
| Fund balances, beginning of year, as restated                | 4,835,597           | 1,685,812  | 4,065,218                                  |
| <b>FUND BALANCES END OF YEAR</b>                             | <b>\$ 4,793,035</b> | <b>\$ 1,876,611</b>  | <b>\$ 3,961,203</b>                        |

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



| Vacaville/Dixon<br>Greenbelt<br>Authority<br>Capital<br>Projects Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------------------------|--------------------------------|
|   | \$ 1,800,501                      | \$ 10,945,883                  |
|   |                                   | 1,696,129                      |
|   | 61,137                            | 77,331                         |
| \$ 91,099   | 449,634                           | 957,549                        |
| 362,699   | 1,032,641                         | 1,593,834                      |
|   | 1,967,996                         | 2,747,681                      |
|   |                                   | 1,827,741                      |
|   | 1,977,895                         | 9,703,437                      |
|   | 1,456,119                         | 1,677,617                      |
|   | 1,162                             | 165,735                        |
| <u>453,798</u>  | <u>8,747,085</u>                  | <u>31,392,937</u>              |
|   | 20                                | 2,505,413                      |
|   | 31,754                            | 6,415,640                      |
|   | 62,280                            | 1,305,611                      |
|   | 793,771                           | 2,686,223                      |
|   | 1,001,307                         | 2,939,344                      |
|   | 445,000                           | 450,000                        |
|   | 491,231                           | 491,231                        |
|   | 6,851,798                         | 17,182,409                     |
|   | <u>9,677,161</u>                  | <u>33,975,871</u>              |
| 453,798   | (930,076)                         | (2,582,934)                    |
|   |                                   | 500                            |
|   | 1,147,441                         | 3,381,676                      |
|   | <u>(3,269,439)</u>                | <u>(3,353,296)</u>             |
|   | (2,121,998)                       | 28,880                         |
| 453,798   | (3,052,074)                       | (2,554,054)                    |
| (445,646)   | 15,574,894                        | 25,715,875                     |
|   | (328,688)                         | (328,688)                      |
| <u>(445,646)</u>  | <u>15,246,206</u>                 | <u>25,387,187</u>              |
| <u>\$ 8,152</u>   | <u>\$ 12,194,132</u>              | <u>\$ 22,833,133</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, 2006

Net change in fund balances - total government funds \$ (2,554,054)

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       | \$ 17,182,409      |            |
| Depreciation expense | <u>(3,770,207)</u> | 13,412,202 |

Governmental funds report proceeds from disposal of capital assets as revenues. However, in the Government-wide Statement of Activities only the gain or (loss) on the sale of capital assets is reported. This is the difference between the gain or (loss) and proceeds.

(140,988)

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 | (656,183) |
|----------------------------|-----------|

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.

450,000

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 | (43,675)  |
| Change in compensated absences     | (230,293) |

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.

(14,856)

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.

(169,288)

Change in net assets - governmental activities

\$ 10,052,865

The accompanying notes to the basic 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, 2006

|  | GENERAL FUND        |                     |                     | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Budgeted Amounts    |                     | Actual              |   |
|  | Original            | Final               |                     |   |
| <b>REVENUES</b>  |                     |                     |                     |   |
| Taxes and assessments  | \$ 8,229,670        | \$ 8,229,670        | \$ 8,763,853        | \$ 534,183  |
| Licenses, permits and fees                                   | 1,910,412           | 1,910,412           | 1,696,129           | (214,283)   |
| Fines and forfeitures  | 10,900              | 10,900              | 16,194              | 5,294   |
| Use of money and property                                    | 141,424             | 141,424             | 201,952             | 60,528  |
| Program income   |                     |                     |                     |   |
| Intergovernmental revenues                                   | 283,633             | 283,633             | 247,670             | (35,963)  |
| Charges for services   | 2,602,899           | 2,602,899           | 1,827,741           | (775,158)   |
| Other revenues   | 535,634             | 535,634             | 164,573             | (371,061)   |
| <b>TOTAL REVENUES</b>  | <b>13,714,572</b>   | <b>13,714,572</b>   | <b>12,918,112</b>   | <b>(796,460)</b>  |
| <b>EXPENDITURES</b>  |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| General government   | 2,335,196           | 2,495,197           | 2,505,393           | (10,196)  |
| Public safety  | 6,335,718           | 6,366,267           | 6,383,886           | (17,619)  |
| Parks and recreation   | 1,266,720           | 1,314,720           | 1,243,331           | 71,389  |
| Development  | 2,639,093           | 2,639,093           | 1,414,267           | 1,224,826   |
| Public ways and facilities                                   | 2,113,349           | 2,113,349           | 1,809,039           | 304,310   |
| Debt Service:  |                     |                     |                     |   |
| Principal retirement   |                     |                     | 5,000               | (5,000)   |
| Capital outlay   | 331,857             | 361,232             | 313,906             | 47,326  |
| <b>TOTAL EXPENDITURES</b>                                    | <b>15,021,933</b>   | <b>15,289,858</b>   | <b>13,674,822</b>   | <b>1,615,036</b>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(1,307,361)</b>  | <b>(1,575,286)</b>  | <b>(756,710)</b>    | <b>818,576</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |   |
| Proceeds from sale of capital assets                         |                     |                     | 500                 | 500   |
| Transfers in   | 539,544             | 539,545             | 713,648             | 174,103   |
| Transfers out  | (65,000)            | (65,000)            |                     | 65,000  |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>              | <b>474,544</b>      | <b>474,545</b>      | <b>714,148</b>      | <b>239,603</b>  |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>(832,817)</b>    | <b>(1,100,741)</b>  | <b>(42,562)</b>     | <b>1,058,179</b>  |
| Fund balances, beginning of year                             | 4,835,597           | 4,835,597           | 4,835,597           |   |
| <b>FUND BALANCES END OF YEAR</b>                             | <b>\$ 4,002,780</b> | <b>\$ 3,734,856</b> | <b>\$ 4,793,035</b> | <b>\$ 1,058,179</b>                                     |

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

LOW/MODERATE INCOME HOUSING  
SPECIAL REVENUE FUND

| Budgeted Amounts    |                     | Actual              | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---------------------|---------------------|---------------------|---|
| Original            | Final               |                     |   |
| \$ 371,558          | \$ 371,558          | \$ 381,529          | \$ 9,971  |
| 35,000              | 35,000              | 88,961              | 53,961  |
|                     |                     | 198,494             | 198,494   |
| <u>406,558</u>      | <u>406,558</u>      | <u>668,984</u>      | <u>262,426</u>  |
| 1,090,000           | 1,090,000           | 478,185             | 611,815   |
| <u>1,090,000</u>    | <u>1,090,000</u>    | <u>478,185</u>      | <u>611,815</u>  |
| <u>(683,442)</u>    | <u>(683,442)</u>    | <u>190,799</u>      | <u>874,241</u>  |
|                     |                     |                     |   |
| <u>(683,442)</u>    | <u>(683,442)</u>    | <u>190,799</u>      | <u>874,241</u>  |
| <u>1,685,812</u>    | <u>1,685,812</u>    | <u>1,685,812</u>    |   |
| <u>\$ 1,002,370</u> | <u>\$ 1,002,370</u> | <u>\$ 1,876,611</u> | <u>\$ 874,241</u>                                       |

CITY OF DIXON, CALIFORNIA

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS

As of June 30, 2006

|   | Enterprise Funds     |  |   | Total<br>Proprietary<br>Funds |
|---|----------------------|--|---|-------------------------------|
|   | Sewer<br>Fund        | Dixon-Solano<br>Municipal<br>Water Service<br>Fund<br>(Dixon Interest) | Nonmajor<br>Enterprise<br>Fund<br>TDA Transit<br>Fund |                               |
| <b>ASSETS</b>                                   |                      |  |   |                               |
| <b>CURRENT ASSETS</b>                           |                      |  |   |                               |
| Cash and investments                            | \$ 4,176,327         | \$ 1,457,295   | \$ 6,545  | \$ 5,640,167                  |
| Receivables:                                    |                      |  |   |                               |
| Accounts receivable                             | 385,711              | 107,413  |   | 493,124                       |
| Interest receivable                             | 16,115               | 4,905  | 328   | 21,348                        |
| Due from other governments                      |                      |  | 71,773  | 71,773                        |
| Notes receivable                                | 45,983               |  |   | 45,983                        |
| <b>TOTAL CURRENT ASSETS</b>                     | <b>4,624,136</b>     | <b>1,569,613</b>   | <b>78,646</b>   | <b>6,272,395</b>              |
| <b>NONCURRENT ASSETS</b>                        |                      |  |   |                               |
| Restricted cash and investments                 | 549,538              |  |   | 549,538                       |
| Deferred charges                                | 48,206               |  |   | 48,206                        |
| Capital assets:                                 |                      |  |   |                               |
| Not being depreciated                           | 1,665,023            | 666,858  |   | 2,331,881                     |
| Being depreciated, net                          | 46,716,301           | 7,419,448  | 239,711   | 54,375,460                    |
| <b>TOTAL NONCURRENT ASSETS</b>                  | <b>48,979,068</b>    | <b>8,086,306</b>   | <b>239,711</b>  | <b>57,305,085</b>             |
| <b>TOTAL ASSETS</b>                             | <b>53,603,204</b>    | <b>9,655,919</b>   | <b>318,357</b>  | <b>63,577,480</b>             |
| <b>LIABILITIES</b>                              |                      |  |   |                               |
| <b>CURRENT LIABILITIES</b>                      |                      |  |   |                               |
| Accounts payable                                | 376,988              | 264,823  | 6,800   | 648,611                       |
| Salaries and benefits payable                   | 5,031                |  | 4,844   | 9,875                         |
| Interest payable                                | 38,531               |  |   | 38,531                        |
| Deposits payable                                |                      | 234,376  |   | 234,376                       |
| Due to other funds                              |                      |  | 7,972   | 7,972                         |
| Advances from other funds                       | 1,948,837            |  |   | 1,948,837                     |
| Deferred revenue                                |                      | 512,667  | 61,262  | 573,929                       |
| Compensated absences                            | 14,150               |  | 15,486  | 29,636                        |
| Long-term liabilities                           |                      |  |   |                               |
| Due within one year                             | 85,000               |  |   | 85,000                        |
| <b>TOTAL CURRENT LIABILITIES</b>                | <b>2,468,537</b>     | <b>1,011,866</b>   | <b>96,364</b>   | <b>3,576,767</b>              |
| <b>NONCURRENT LIABILITIES</b>                   |                      |  |   |                               |
| Long-term liabilities                           |                      |  |   |                               |
| Due in more than one year                       | 1,957,098            |  | 7,767   | 1,964,865                     |
| <b>TOTAL NONCURRENT LIABILITIES</b>             | <b>1,957,098</b>     |  | <b>7,767</b>  | <b>1,964,865</b>              |
| <b>TOTAL LIABILITIES</b>                        | <b>4,425,635</b>     | <b>1,011,866</b>   | <b>104,131</b>  | <b>5,541,632</b>              |
| <b>NET ASSETS</b>                               |                      |  |   |                               |
| Invested in capital assets, net of related debt | 46,682,188           | 8,086,306  | 239,711   | 55,008,205                    |
| Restricted for debt service                     | 213,674              |  |   | 213,674                       |
| Restricted for capital projects                 | 335,864              |  |   | 335,864                       |
| Unrestricted                                    | 1,945,843            | 557,747  | (25,485)  | 2,478,105                     |
| <b>TOTAL NET ASSETS</b>                         | <b>\$ 49,177,569</b> | <b>\$ 8,644,053</b>  | <b>\$ 214,226</b>                                     | <b>\$ 58,035,848</b>          |

The accompanying notes to the basic 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, 2006

|   | Enterprise Funds     |  |   | Total<br>Proprietary<br>Funds |
|---|----------------------|--|---|-------------------------------|
|   | Sewer<br>Fund        | Dixon-Solano<br>Municipal<br>Water Service<br>Fund<br>(Dixon Interest) | Nonmajor<br>Enterprise<br>Fund<br>TDA Transit<br>Fund |                               |
| <b>OPERATING REVENUES</b>   |                      |  |   |                               |
| Charges for services  | \$ 1,341,813         | \$ 405,645   | \$ 69,093   | \$ 1,816,551                  |
| <b>TOTAL OPERATING REVENUES</b>                                     | <b>1,341,813</b>     | <b>405,645</b>   | <b>69,093</b>   | <b>1,816,551</b>              |
| <b>OPERATING EXPENSES</b>   |                      |  |   |                               |
| Salaries and benefits   | 422,830              |  | 353,307   | 776,137                       |
| Office supplies and expenses  | 31,654               | 5,972  | 783   | 38,409                        |
| Maintenance and operation   | 114,267              | 207,068  | 99,271  | 420,606                       |
| Power and utilities   | 78,829               | 78,459   | 5,864   | 163,152                       |
| Contractual services  | 114,335              | 3,747  | 115,904   | 233,986                       |
| Administration  | 320,206              | 74,844   | 13,354  | 408,404                       |
| Miscellaneous   | 9,828                | 128  |   | 9,956                         |
| Depreciation and amortization                                       | 1,133,107            | 184,520  | 57,389  | 1,375,016                     |
| <b>TOTAL OPERATING EXPENSES</b>                                     | <b>2,225,056</b>     | <b>554,738</b>   | <b>645,872</b>  | <b>3,425,666</b>              |
| <b>OPERATING INCOME (LOSS)</b>                                      | <b>(883,243)</b>     | <b>(149,093)</b>   | <b>(576,779)</b>                                      | <b>(1,609,115)</b>            |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                             |                      |  |   |                               |
| Interest revenue  | 126,818              | 36,321   | 7,163   | 170,302                       |
| Interest expense  | (116,410)            |  |   | (116,410)                     |
| Intergovernmental revenues  |                      |  | 500,540   | 500,540                       |
| Settlement revenue  | 1,565,282            |  |   | 1,565,282                     |
| Other revenues  | 4,756                | 750  |   | 5,506                         |
| <b>TOTAL NONOPERATING<br/>REVENUES (EXPENSES)</b>                   | <b>1,580,446</b>     | <b>37,071</b>  | <b>507,703</b>  | <b>2,125,220</b>              |
| <b>INCOME (LOSS) BEFORE CAPITAL<br/>CONTRIBUTIONS AND TRANSFERS</b> | <b>697,203</b>       | <b>(112,022)</b>   | <b>(69,076)</b>                                       | <b>516,105</b>                |
| <b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>                          |                      |  |   |                               |
| Capital contributions   | 2,546,344            | 1,116,381  | 62,490  | 3,725,215                     |
| Transfers out   | (26,313)             |  | (2,067)   | (28,380)                      |
| <b>CHANGE IN NET ASSETS</b>   | <b>3,217,234</b>     | <b>1,004,359</b>   | <b>(8,653)</b>  | <b>4,212,940</b>              |
| Net assets, beginning of year                                       | 45,960,335           | 7,639,694  | 222,879   | 53,822,908                    |
| <b>NET ASSETS, END OF YEAR</b>                                      | <b>\$ 49,177,569</b> | <b>\$ 8,644,053</b>  | <b>\$ 214,226</b>                                     | <b>\$ 58,035,848</b>          |

The accompanying notes to the basic 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, 2006

|   | Enterprise Funds |  |   | Total<br>Proprietary<br>Funds |
|---|------------------|--|---|-------------------------------|
|   | Sewer<br>Fund    | Dixon-Solano<br>Municipal<br>Water Service<br>Fund<br>(Dixon Interest) | Nonmajor<br>Enterprise<br>Fund<br>TDA Transit<br>Fund |                               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |  |   |                               |
| Receipts from customers and users   | \$ 1,233,713     | \$ 397,381   | \$ 69,093   | \$ 1,700,187                  |
| Payments to suppliers   | (565,797)        | (193,389)  | (238,454)   | (997,640)                     |
| Payments to employees   | (430,929)        |  | (358,613)   | (789,542)                     |
| NET CASH PROVIDED (USED) BY<br>OPERATING ACTIVITIES                                   | 236,987          | 203,992  | (527,974)   | (86,995)                      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                |                  |  |   |                               |
| Intergovernmental revenue received  |                  |  | 500,540   | 500,540                       |
| Transfers   |                  |  | 5,905   | 5,905                         |
| NET CASH PROVIDED BY<br>NONCAPITAL FINANCING ACTIVITIES                               |                  |  | 506,445   | 506,445                       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                   |                  |  |   |                               |
| Advances from other funds   | (408,579)        |  |   | (408,579)                     |
| Principal paid on long-term liabilities   | (80,000)         |  |   | (80,000)                      |
| Interest paid on long-term liabilities  | (116,410)        |  |   | (116,410)                     |
| Capital contributions received  | 820,432          | 494,665  | 52,078  | 1,367,175                     |
| Purchase of capital assets  | (1,634,308)      | (596,818)  | (61,247)  | (2,292,373)                   |
| Proceeds from settlement  | 1,565,282        |  |   | 1,565,282                     |
| Other   | 4,756            |  |   | 4,756                         |
| Transfers out to other funds  | (26,313)         |  |   | (26,313)                      |
| NET CASH PROVIDED (USED) BY CAPITAL AND<br>RELATED FINANCING ACTIVITIES               | 124,860          | (102,153)  | (9,169)   | 13,538                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                  |  |   |                               |
| Interest received   | 126,260          | 37,178   | 6,925   | 170,363                       |
| NET CASH PROVIDED BY INVESTING ACTIVITIES   | 126,260          | 37,178   | 6,925   | 170,363                       |
| NET INCREASE (DECREASE) IN CASH<br>AND CASH EQUIVALENTS                               | 488,107          | 139,017  | (23,773)  | 603,351                       |
| Cash and cash equivalents, beginning of year  | 4,237,758        | 1,318,278  | 30,318  | 5,586,354                     |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | \$ 4,725,865     | \$ 1,457,295   | \$ 6,545  | \$ 6,189,705                  |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS<br/>TO THE STATEMENT OF NET ASSETS</b> |                  |  |   |                               |
| Cash and investments  | \$ 4,176,327     | \$ 1,457,295   | \$ 6,545  | \$ 5,640,167                  |
| Restricted cash and investments   | 549,538          |  |   | 549,538                       |
| CASH AND CASH EQUIVALENTS   | \$ 4,725,865     | \$ 1,457,295   | \$ 6,545  | \$ 6,189,705                  |

The accompanying notes to the basic 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, 2006

|   | Enterprise Funds  |  |   | Total<br>Proprietary<br>Funds |
|---|-------------------|--|---|-------------------------------|
|   | Sewer<br>Fund     | Dixon-Solano<br>Municipal<br>Water Service<br>Fund<br>(Dixon Interest) | Nonmajor<br>Enterprise<br>Fund<br>TDA Transit<br>Fund |                               |
| Reconciliation of operating loss to net cash<br>provided (used) by operating activities:        |                   |  |   |                               |
| Operating loss  | \$ (883,243)      | \$ (149,093)   | \$ (576,779)  | \$ (1,609,115)                |
| Adjustments to reconcile operating loss<br>to net cash provided (used) by operating activities: |                   |  |   |                               |
| Depreciation and amortization   | 1,133,107         | 184,519  | 57,389  | 1,375,015                     |
| Changes in operating assets and liabilities:  |                   |  |   |                               |
| Accounts receivable   | (108,100)         | (2,263)  |   | (110,363)                     |
| Accounts payable  | 103,322           | 176,830  | (3,278)   | 276,874                       |
| Salaries and benefits payable   | (11,808)          |  | (8,538)   | (20,346)                      |
| Deposits payable  |                   | (6,001)  |   | (6,001)                       |
| Compensated absences  | 3,709             |  | 3,232   | 6,941                         |
| NET CASH PROVIDED (USED)<br>BY OPERATING ACTIVITIES   | <u>\$ 236,987</u> | <u>\$ 203,992</u>  | <u>\$ (527,974)</u>                                   | <u>\$ (86,995)</u>            |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:   |                   |  |   |                               |
| Capital contributions from developers   | \$ (1,725,912)    | \$ (943,157)   |   | \$ (2,669,069)                |



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

As of June 30, 2006

|                                 | <u>Agency<br/>Funds</u>    |
|---------------------------------|----------------------------|
| <b>ASSETS</b>                   |                            |
| Cash and investments            | \$ 4,321,718               |
| Accounts receivable             | 113,763                    |
| Interest receivable             | 18,371                     |
| Restricted cash and investments | <u>3,033,664</u>           |
| <b>TOTAL ASSETS</b>             | <b><u>\$ 7,487,516</u></b> |
| <br><b>LIABILITIES</b>          |                            |
| Accounts payable                | \$ 264,819                 |
| Deposits payable                | 234,376                    |
| Deferred revenue                | 512,668                    |
| Agency obligations              | <u>6,475,653</u>           |
| <b>TOTAL LIABILITIES</b>        | <b><u>\$ 7,487,516</u></b> |

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

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 Council. Bond issuance authorizations are approved by the City Council and legal liability for the Corporation's debt remains with the City. The Corporation provides services solely for the benefit of the City and repayment of Corporation debt is accounted for in the City Hall Debt Service Fund. No separate financial statements are issued for the Corporation.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***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 fact 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 and are available from the City's Finance Department.

***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 and are available from the City's Finance Department.

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:

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

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Dixon Regional Watershed Joint Powers Authority (the DRWJPA) was organized under a joint powers agreement with the Dixon Resource Conservation District, the Maine Prairie Water District and Reclamation District No. 268 (the members) to implement the Dixon Watershed Management Plan using the services of Solano County Water Agency. The DRWJPA is governed by a nine member Board made up of two members appointed by the governing bodies of each of the members above and an at large member elected by a voting majority of the appointed members. Upon termination of the agreement, all assets will be returned to the members contributing the assets or shall pass to all parties as tenants in common.

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

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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, 2006

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.

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

Vacaville/Dixon Greenbelt Authority Capital Projects Fund – The Vacaville/Dixon Greenbelt Authority Capital Projects Fund is used to account for resources budgeted for Vacaville/Dixon Greenbelt Authority projects, including a greenbelt between the Cities of Dixon and Vacaville.

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 Dixon-Solano Municipal Water Service (Dixon Interest) Enterprise Fund is used to account for the City's share of revenues and expenses from operation and maintenance of the Dixon-Solano Municipal Water Service, a joint exercise of power with the Solano Irrigation District to provide water for domestic, industrial, municipal and irrigation purposes in Dixon-Solano Municipal Water Service's 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, 2006

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, the Solano Irrigation District’s share of the Dixon-Solano Municipal Water Service 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, that 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 and 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, 2006

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. 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 60 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. 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



CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of debt financed capital assets 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 and a useful life of more than one year. 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 sales of capital assets.

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 a long-term liability in the government-wide statements. The current portion of this long-term liability 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 source 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).

Long-term Obligations: In the government-wide financial statements and in 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.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 report net assets. 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 – used to indicate that prepaid costs and other assets do not represent available, spendable resources even though they are components of assets.

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

Reserved for debt service – used to represent that portion of fund balance/net assets segregated for service of long-term indebtedness.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess Expenditures and Transfers Over Appropriations: The following funds had excess expenditures and transfers out in excess of the final appropriation for the year ended June 30, 2006:

| Fund  | Appropriations | Actual Expenditures and Transfers | Excess Expenditures and Transfers |
|---|----------------|-----------------------------------|-----------------------------------|
| Transportation Capital Projects Fund              | \$ 6,804,857   | \$10,229,560                      | (3,424,703)                       |
| Non-major Special Revenue Funds:                  |                |                                   |                                   |
| Gas Tax Fund                                      | 446,381        | 446,439                           | (58)                              |
| Used Oil Recycling Block Grant Fund               | 6,577          | 7,174                             | (597)                             |
| COPS Block Grant Fund                             | 168,500        | 214,410                           | (45,910)                          |
| Landscaping and Lighting Assessment District Fund | 157,082        | 205,071                           | (47,989)                          |
| Non-major Capital Projects Fund:                  |                |                                   |                                   |
| Capital Improvements Fund                         | 1,057,526      | 1,082,884                         | (25,358)                          |
| Industrial Park Fund                              | 109,438        | 115,437                           | (5,999)                           |
| City Facilities Fund                              | 101,723        | 148,103                           | (46,380)                          |
| Transit Fund                                      | 1,300,000      | 1,427,746                         | (127,746)                         |
| Agricultural Land Mitigation Fund                 |                | 12,183                            | (12,183)                          |

Deficit Fund Equity: The following funds had a fund deficit at June 30, 2006:

| Fund  | Deficit |
|---|---------|
| Used Oil Recycling Block Grant Fund                               | \$ 403  |
| Landscaping and Lighting Assessment District Special Revenue Fund | 156,899 |
| Fire Capital Projects Fund  | 53,133  |
| Agricultural Land Mitigation Fund                                 | 9,382   |

The deficit in the Used Oil Recycling Block Grant Special Revenue Fund will be eliminated with future intergovernmental revenue. The deficit of the Landscaping and Lighting Assessment District Special Revenue Fund will be eliminated with future special assessments. The deficit of the Fire Capital Projects Fund and Agricultural Land Mitigation Capital Projects Fund will be eliminated with future development fees.

NOTE B—CASH AND INVESTMENTS

At June 30, 2006, the City's pooled cash and investments are classified in the accompanying financial statements as follows:

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B—CASH AND INVESTMENTS (Continued)

Government-wide Statement of Net Assets

|   |                      |
|---|----------------------|
| Governmental Activities                             |                      |
| Cash and investments                                | \$ 21,033,814        |
| Restricted cash and investments                     | 571,229              |
| Business-type Activities                            |                      |
| Cash and investments                                | 5,640,167            |
| Restricted cash and investments                     | 549,538              |
| Statement of Fiduciary Net Assets – Fiduciary Funds |                      |
| Cash and investments                                | 4,321,718            |
| Restricted cash and investments                     | <u>3,033,664</u>     |
| Total cash and investments                          | <u>\$ 35,150,130</u> |

Cash and investments as of June 30, 2006 consisted of the following:

|                                      |                      |
|--------------------------------------|----------------------|
| Cash on hand                         | \$ 975               |
| Deposits with financial institutions | <u>1,803,627</u>     |
| Total cash and deposits              | 1,804,602            |
| U.S. Agency securities               | 12,112,809           |
| Money market mutual funds            | 9,321,588            |
| Local Agency Investment Fund (LAIF)  | <u>11,911,131</u>    |
| Total investment                     | <u>33,345,528</u>    |
| Total cash and investments           | <u>\$ 35,150,130</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, 2006, the City's permissible investments included the following instruments:

| Authorized<br>Investment Type | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
|-------------------------------|---------------------|---------------------------------------|--|
| Local agency bonds            | 5 years             | None                                  | 10%                                    |
| U.S. Treasury obligations     | 5 years             | None                                  | None                                   |
| U.S. Agency securities        | 5 years             | None                                  | None                                   |
| California local agency debt  | 5 years             | None                                  | 10%                                    |

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B—CASH AND INVESTMENTS (Continued)

| Authorized<br>Investment Type             | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
|---|---------------------|---------------------------------------|--|
| 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.

| Authorized<br>Investment Type             | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
|---|---------------------|---------------------------------------|--|
| Local agency bonds                        | 5 years             | None                                  | None                                   |
| U.S. Treasury obligations                 | 5 years             | None                                  | None                                   |
| U.S. Agency securities                    | 5 years             | 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

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B—CASH AND INVESTMENTS (Continued)

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:

|                           | Total                | Remaining Maturity (in Months) |                     |
|---------------------------|----------------------|--------------------------------|---------------------|
|                           |                      | 12 Months<br>Or Less           | 13 to 24<br>Months  |
| U.S. Agency securities    | \$ 12,112,809        | \$ 7,219,369                   | \$ 4,893,440        |
| Money market mutual funds | 5,167,157            | 5,167,157                      |                     |
| LAIF                      | 11,911,131           | 11,911,131                     |                     |
| Held by bond trustee:     |                      |                                |                     |
| Money market mutual funds | 4,154,431            | 4,154,431                      |                     |
| <b>Total</b>              | <b>\$ 33,345,528</b> | <b>\$ 24,452,088</b>           | <b>\$ 4,893,440</b> |

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.

| Investment Type           | Minimum<br>Legal<br>Rating | Total                | Ratings as of Year End |                     |                      |
|---------------------------|----------------------------|----------------------|------------------------|---------------------|----------------------|
|                           |                            |                      | AAA/Aaa                | A1+/A+              | Unrated              |
| U.S Agency securities     | N/A                        | \$ 12,112,809        | \$ 5,873,750           | \$ 6,239,059        |                      |
| Money market mutual funds | AAA/Aa<br>a                | 5,167,157            | 5,167,157              |                     |                      |
| LAIF                      | N/A                        | 11,911,131           |                        |                     | \$ 11,911,131        |
| Held by bond trustee:     |                            |                      |                        |                     |                      |
| Money market mutual funds | AAA/Aa<br>a                | 4,154,431            | 4,154,431              |                     |                      |
| <b>Total</b>              | <b>Total</b>               | <b>\$ 33,345,528</b> | <b>\$ 15,195,338</b>   | <b>\$ 6,239,059</b> | <b>\$ 11,911,131</b> |

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:

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B—CASH AND INVESTMENTS (Continued)

| Issuer                                 | Investment Type      | Amount       |
|--|----------------------|--------------|
| Federal Home Loan Mortgage Corporation | U.S. Agency security | \$ 6,191,204 |
| Federal National Mortgage Association  | U.S. Agency security | 3,987,225    |
| Federal Home Loan Bank                 | U.S. Agency security | 1,934,380    |

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.

At June 30, 2006, the carrying amount of the City’s deposits was \$1,803,627 and the balance in financial institutions was \$2,295,898. Of the balance in financial institutions, \$111,647 was covered by federal depository insurance and \$2,184,251 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, 2006, 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:

| Investment Type           | Reported Amount |
|---------------------------|-----------------|
| U.S. Agency securities    | \$ 12,112,809   |
| Money market mutual funds | 9,321,588       |

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 \$63,366,260,064 managed by the State Treasurer. Of that amount, 97.4 percent is invested in non-derivative financial products and 2.6 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.



CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE C—INTERFUND TRANSACTIONS

Interfund balances at June 30, 2006 were as follows:

Due to the General Fund from:

|                                 |               |
|---------------------------------|---------------|
| Nonmajor Enterprise Fund        | \$ 7,972      |
| Nonmajor Special Revenue Funds  | 229,007       |
| Nonmajor Debt Service Funds     | 4,613         |
| Nonmajor Capital Projects Funds | <u>62,497</u> |

|                               |                   |
|-------------------------------|-------------------|
| Total due to the General Fund | <u>\$ 304,089</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.

Interfund advances at June 30, 2006 were as follows:

Advance from the General Fund to:

|   |                  |
|---|------------------|
| Vacaville/Dixon Greenbelt Authority Capital Projects Fund | <u>\$ 42,742</u> |
|---|------------------|

Advance from the Transportation Projects Capital Projects Fund to:

|                       |                     |
|-----------------------|---------------------|
| Sewer Enterprise Fund | <u>\$ 1,000,000</u> |
|-----------------------|---------------------|

Advance from the Nonmajor Special Revenue Funds to:

|                                |                   |
|--------------------------------|-------------------|
| Nonmajor Capital Projects Fund | <u>\$ 283,517</u> |
|--------------------------------|-------------------|

Advance from Nonmajor Capital Projects Funds to:

|   |                |
|---|----------------|
| Sewer Enterprise Fund                                     | \$ 948,837     |
| Vacaville/Dixon Greenbelt Authority Capital Projects Fund | <u>669,642</u> |

|   |                     |
|---|---------------------|
| Total advances from Nonmajor Capital Projects Funds | <u>\$ 1,618,479</u> |
|---|---------------------|

The advances to the Vacaville/Dixon Greenbelt Authority Capital Projects Fund were used to finance the purchase of property related to the greenbelt between the cities of Dixon and Vacaville for the preservation of agricultural land. The advances to the Sewer Enterprise Fund totaling \$1,948,837 were made to finance the construction of the sewer trunk line. The advance from the nonmajor Redevelopment Special Revenue Fund to the nonmajor Storm Drain Capital Projects Fund of \$283,517 was made to purchase property on Washington Street within the City. The advance will be repaid after the sale of the property.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE C—INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the year ended June 30, 2006 were as follows:

|   |                     |
|---|---------------------|
| Transfers to the General Fund from:                         |                     |
| Transportation Capital Projects Fund                        | \$ 11,857           |
| Sewer Enterprise Fund                                       | 1,313               |
| Nonmajor Enterprise Fund                                    | 2,067               |
| Nonmajor Special Revenue Funds                              | 513,726             |
| Nonmajor Capital Projects Funds                             | <u>184,685</u>      |
| Total transfers to the General Fund                         | <u>\$ 713,648</u>   |
| Transfers to the Transportation Capital Projects Fund from: |                     |
| Nonmajor Special Revenue Funds                              | \$ 521,587          |
| Nonmajor Capital Projects Funds                             | <u>999,000</u>      |
| Total transfers to Nonmajor Capital Projects Funds          | <u>\$ 1,520,587</u> |
| Transfers to the Nonmajor Special Revenue Funds from:       |                     |
| Sewer Enterprise Fund                                       | \$ 25,000           |
| Nonmajor Capital Projects Funds                             | <u>6,320</u>        |
| Total transfers to Nonmajor Special Revenue Funds           | <u>\$ 31,320</u>    |
| Transfers to the Nonmajor Debt Service Funds from:          |                     |
| Nonmajor Capital Projects Funds                             | <u>\$ 600,711</u>   |
| Total transfers to Nonmajor Debt Service Funds              | <u>\$ 600,711</u>   |
| Transfers to the Nonmajor Capital Projects Funds from:      |                     |
| Transportation Capital Projects Fund                        | \$ 72,000           |
| Nonmajor Special Revenue Funds                              | 418,410             |
| Nonmajor Capital Projects Funds                             | <u>25,000</u>       |
| Total transfers to Nonmajor Capital Projects Funds          | <u>\$ 515,410</u>   |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect the revenues 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 are due.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE D—NOTES RECEIVABLE

The following is a summary of the notes receivable outstanding as of June 30, 2006:

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 2005 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, 2006, were \$1,602,872.

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 5.0%. The agreement with an individual provides for the development of orchard land and is secured by the underlying property. The balance at June 30, 2006 was \$333,053.

Nonmajor Governmental Funds:

Redevelopment Special Revenue Fund – The Redevelopment Agency made a business loan to a qualifying business within the redevelopment area. The note is due November 25, 2006, including interest at an interest rate of 3.54% at June 30, 2006. The balance of the note receivable at June 30, 2006, was \$20,000.

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, 2006, was \$458,368.

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 4.7% at June 30, 2006. The agreement provides for the Fitzgerald Drive Extension development and is secured by a deed of trust. The balance at June 30, 2006, was \$70,394.

Community Development Capital Projects Fund – In August 2005, the City made a loan of \$526,025 to the Solano Land Trust to purchase land to preserve open space between the Cities of Dixon and Davis under a joint project with the City of Davis. The land was purchased and then resold to a developer to provide open-space credits for future development. The City was repaid in March 2006 when the land was sold by the Solano Land Trust.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE D—NOTES RECEIVABLE (Continued)

Activity in governmental notes receivable for the year ended June 30, 2006 is as follows:

|   | <u>Balance at<br/>July 1, 2005</u> | <u>Additions</u>  | <u>Repayments</u>    | <u>Balance at<br/>June 30, 2006</u> |
|---|------------------------------------|-------------------|----------------------|-------------------------------------|
| Major Governmental Funds:                                 |                                    |                   |                      |                                     |
| Low/Moderate Income Housing Special Revenue Fund          | \$ 1,411,366                       | \$ 390,000        | \$ (198,494)         | \$ 1,602,872                        |
| Vacaville/Dixon Greenbelt Authority Capital Projects Fund | 695,752                            |                   | (362,699)            | 333,053                             |
| Nonmajor Governmental Funds:                              |                                    |                   |                      |                                     |
| Redevelopment Special Revenue Fund                        | 325,199                            |                   | (305,199)            | 20,000                              |
| CDBG Revolving Special Revenue Fund                       | 638,159                            |                   | (179,791)            | 458,368                             |
| Industrial Park Capital Projects Fund                     | 70,394                             |                   |                      | 70,394                              |
| Community Development Capital Projects Fund               |                                    | <u>526,026</u>    | <u>(526,026)</u>     |                                     |
| Total   | <u>\$ 3,140,870</u>                | <u>\$ 916,026</u> | <u>\$(1,572,209)</u> | <u>\$ 2,484,687</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, 2005. The balance of \$45,983 at June 30, 2006 was past due.

Activity in business-type notes receivable for the year ended June 30, 2006 was as follows:

|                        | <u>Balance at<br/>July 1,<br/>2005</u> | <u>Additions</u> | <u>Repayments</u> | <u>Balance at<br/>June 30,<br/>2006</u> |
|------------------------|--|------------------|-------------------|---|
| Major Enterprise Fund: |  |                  |                   |   |
| Sewer Fund             | <u>\$ 45,983</u>                       | <u>\$ -</u>      | <u>\$ -</u>       | <u>\$ 45,983</u>                        |

NOTE E—CAPITAL ASSETS

Governmental capital asset activities for the fiscal year ended June 30, 2006 was as follows:

|  | <u>Balance at<br/>July 1, 2005</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u>   | <u>Balance at<br/>June 30, 2006</u> |
|--|------------------------------------|------------------|--------------------|--------------------|-------------------------------------|
| Capital Assets, not being depreciated:     |                                    |                  |                    |                    |                                     |
| Land                                       | \$ 2,727,728                       | \$ 10,000        |                    |                    | \$ 2,737,728                        |
| Construction in progress                   | 3,295,036                          | 1,693,075        |                    | \$ (1,556,140)     | 3,431,971                           |
| Total capital assets not being depreciated | <u>6,022,764</u>                   | <u>1,703,075</u> |                    | <u>(1,556,140)</u> | <u>6,169,699</u>                    |

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE E—CAPITAL ASSETS (Continued)

|   | Balance at<br>July 1, 2005 | Additions            | Retirements         | Transfers        | Balance at<br>June 30, 2006 |
|---|----------------------------|----------------------|---------------------|------------------|-----------------------------|
| Capital assets, being depreciated:          |                            |                      |                     |                  |                             |
| Buildings and improvements                  | \$ 8,963,375               | \$ 1,436,829         |                     | \$ 177,905       | \$ 10,578,109               |
| Equipment                                   | 4,398,992                  | 309,810              | \$ (446,121)        |                  | 4,262,681                   |
| Infrastructure                              | 151,336,921                | 13,732,695           | (401,364)           | 1,378,235        | 166,046,487                 |
| Total capital assets being depreciated      | <u>164,699,288</u>         | <u>15,479,334</u>    | <u>(847,485)</u>    | <u>1,556,140</u> | <u>180,887,277</u>          |
| Less accumulated depreciation for:          |                            |                      |                     |                  |                             |
| Buildings and improvements                  | (2,379,434)                | (224,084)            |                     |                  | (2,603,518)                 |
| Equipment                                   | (1,909,354)                | (274,590)            | 397,261             |                  | (1,786,683)                 |
| Infrastructure                              | ( 27,407,849)              | (3,271,533)          | 309,236             |                  | (30,370,146)                |
| Total accumulated depreciation              | <u>(31,696,637)</u>        | <u>(3,770,207)</u>   | <u>706,497</u>      |                  | <u>(34,760,347)</u>         |
| Capital assets being depreciated, net       | <u>133,002,651</u>         | <u>11,709,127</u>    | <u>(140,988)</u>    | <u>1,556,140</u> | <u>146,126,930</u>          |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET | <u>\$ 139,025,415</u>      | <u>\$ 13,412,202</u> | <u>\$ (140,988)</u> | <u>\$ -</u>      | <u>\$ 152,296,629</u>       |

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

|  |                     |
|--|---------------------|
| General government                                   | \$ 62,409           |
| Public Safety  | 278,128             |
| Parks and recreation                                 | 560,398             |
| Community development                                | 3,556               |
| Public ways and facilities                           | 2,865,716           |
| TOTAL BUSINESS-TYPE ACTIVITIES DEPRECIATION EXPENSES | <u>\$ 3,770,207</u> |

Business-type capital asset activity for the fiscal year ended June 30, 2006 was as follows:

|  | Balance at<br>July 1, 2005 | Additions        | Retirements | Transfers          | Balance at<br>June 30, 2006 |
|--|----------------------------|------------------|-------------|--------------------|-----------------------------|
| Capital Assets, not being depreciated:     |                            |                  |             |                    |                             |
| Land                                       | \$ 785,163                 |                  |             |                    | \$ 785,163                  |
| Construction in progress                   | 6,918,046                  | \$ 1,302,178     |             | \$ (6,673,506)     | 1,546,718                   |
| Total capital assets not being depreciated | <u>7,703,209</u>           | <u>1,302,178</u> |             | <u>(6,673,506)</u> | <u>2,331,881</u>            |

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE E—CAPITAL ASSETS (Continued)

|  | <u>Balance at<br/>July 1, 2005</u> | <u>Additions</u>    | <u>Retirements</u> | <u>Transfers</u> | <u>Balance at<br/>June 30, 2006</u> |
|--|------------------------------------|---------------------|--------------------|------------------|-------------------------------------|
| Capital assets, being depreciated:           |                                    |                     |                    |                  |                                     |
| Structures and Improvements                  | \$ 57,393,578                      | \$ 3,578,745        |                    | \$ 6,673,506     | \$ 67,645,829                       |
| Equipment                                    | <u>983,695</u>                     | <u>80,518</u>       |                    |                  | <u>1,064,213</u>                    |
| Total capital assets being depreciated       | <u>58,377,273</u>                  | <u>3,659,263</u>    |                    | <u>6,673,506</u> | <u>68,710,042</u>                   |
| Less accumulated depreciation for:           |                                    |                     |                    |                  |                                     |
| Structures and improvements                  | (12,393,998)                       | (1,281,810)         |                    |                  | (13,675,808)                        |
| Equipment                                    | <u>(568,740)</u>                   | <u>(90,034)</u>     |                    |                  | <u>(658,774)</u>                    |
| Total accumulated depreciation               | <u>(12,962,738)</u>                | <u>(1,371,844)</u>  |                    |                  | <u>(14,334,582)</u>                 |
| Capital assets being depreciated, net        | <u>45,414,535</u>                  | <u>2,287,419</u>    |                    | <u>6,673,506</u> | <u>54,375,460</u>                   |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET | <u>\$ 53,117,744</u>               | <u>\$ 3,589,597</u> | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ 56,707,341</u>                |

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

|  |                     |
|--|---------------------|
| Sewer  | \$ 1,129,937        |
| Water  | 184,518             |
| Transit  | <u>57,389</u>       |
| TOTAL BUSINESS-TYPE ACTIVITIES DEPRECIATION EXPENSES | <u>\$ 1,371,844</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, 2006:

|   | <u>Balance at<br/>July 1, 2005</u> | <u>Incurred</u> | <u>Retired</u> | <u>Balance at<br/>June 30, 2006</u> | <u>Due Within<br/>One Year</u> |
|---|------------------------------------|-----------------|----------------|-------------------------------------|--------------------------------|
| Governmental Activities:                    |                                    |                 |                |                                     |                                |
| 1981 Lease Revenue Refunding Bonds          | \$ 610,000                         |                 | \$ (25,000)    | \$ 585,000                          | \$ 25,000                      |
| 1987 Certificates of Participation Series A | 205,000                            |                 | (100,000)      | 105,000                             | 105,000                        |

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE F—LONG-TERM LIABILITIES (Continued)

|                                     | Balance at<br>July 1, 2005 | Incurred          | Retired             | Balance at<br>June 30, 2006 | Due Within<br>One Year |
|-------------------------------------|----------------------------|-------------------|---------------------|-----------------------------|------------------------|
| 1995 Tax Allocation Refunding Bonds | \$ 3,780,000               |                   | \$ (105,000)        | \$ 3,675,000                | \$ 110,000             |
| 1996 Refunding Lease Revenue Bonds  | 1,445,000                  |                   | (115,000)           | 1,330,000                   | 120,000                |
| 1997 Lease Revenue Bond             | 2,700,000                  |                   | (100,000)           | 2,600,000                   | 105,000                |
| Notes Payable- Fire Department      | 5,000                      |                   | (5,000)             |                             |                        |
| Compensated Absences                | 834,653                    | \$ 614,196        | (540,383)           | 908,466                     | 604,998                |
|                                     | <u>9,579,653</u>           | <u>\$ 614,196</u> | <u>\$ (990,383)</u> | <u>9,203,466</u>            | <u>\$ 1,069,998</u>    |
| Less: Due within one year           | <u>(621,105)</u>           |                   |                     | <u>(1,069,998)</u>          |                        |
|                                     | <u>\$ 8,958,548</u>        |                   |                     | <u>\$ 8,133,468</u>         |                        |
|                                     | Balance at<br>July 1, 2005 | Incurred          | Retired             | Balance at<br>June 30, 2006 | Due Within<br>One Year |
| Business-Type Activities            |                            |                   |                     |                             |                        |
| 1996 Certificates of Participation  | \$ 2,115,000               |                   | \$ (80,000)         | \$ 2,035,000                | \$ 85,000              |
| Compensated Absences                | 37,560                     | \$ 47,413         | (40,472)            | 44,501                      | 29,636                 |
|                                     | <u>2,152,560</u>           | <u>\$ 47,413</u>  | <u>\$(120,472)</u>  | <u>2,079,501</u>            | <u>\$ 114,636</u>      |
|                                     | <u>(87,512)</u>            |                   |                     | <u>(114,636)</u>            |                        |
|                                     | <u>\$ 2,065,048</u>        |                   |                     | <u>\$ 1,964,865</u>         |                        |

Long-term debt related to governmental activities consists of the following at June 30, 2006:

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 \$14,625 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.

\$ 585,000

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

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 are payable semiannually on August 15 and February 15 through February 15, 2007, at an interest rate of 7.2%. The final principal payment of \$105,000 is due on February 15, 2007.

\$ 105,000

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 \$108,380 are payable semi-annually on March 1 and September 1 through September 1, 2024. Annual principal payments ranging from \$110,000 to \$310,000 are due on September 1 through September 1, 2024.

3,675,000

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 4.65% to 5.3%. Interest payments of \$4,770 to \$33,726 are due semi-annually on April 1 and October 1 through April 1, 2015. Annual principal payments of \$120,000 to \$180,000 are due on April 1 through April 1, 2015.

1,330,000

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 4.75% to 5.5%. Interest payments of \$6,600 to \$69,399 are due semi-annually on April 1 and October 1 through April 1, 2022. Annual principal payments of \$105,000 to \$240,000 are due April 1 through April 1, 2022.

2,600,000



CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE F—LONG-TERM LIABILITIES (Continued)

Long-term debt related to business-type activities consists of the following at June 30, 2006:

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 5.0% to 5.75%. Interest payments of \$5,319 to \$56,653 are due semiannually on March 1 and September 1 through September 1, 2021. Annual principal payments of \$85,000 to \$185,000 are due on September 1 through September 1, 2021.

\$ 2,035,000

The annual requirements to amortize the outstanding governmental activities debt as of June 30, 2006 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            |
| 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                 | 30,000                   | 23,250            |  |                 | 140,000                             | 185,760             |
| 2012 – 2016          | 170,000                  | 91,750            |  |                 | 825,000                             | 795,356             |
| 2017 – 2021          | 225,000                  | 43,375            |  |                 | 1,095,000                           | 512,250             |
| 2022 – 2026          | 55,000                   | 1,375             |  |                 | 1,135,000                           | 141,150             |
|                      | <u>\$ 585,000</u>        | <u>\$ 266,625</u> | <u>\$ 105,000</u>                            | <u>\$ 7,560</u> | <u>\$ 3,675,000</u>                 | <u>\$ 2,449,691</u> |

| Year Ending June 30: | 1996 and 1997 Lease Revenue Bonds |                     |
|----------------------|-----------------------------------|---------------------|
|                      | Principal                         | Interest            |
| 2007                 | \$ 225,000                        | \$ 206,250          |
| 2008                 | 235,000                           | 195,683             |
| 2009                 | 250,000                           | 184,355             |
| 2010                 | 265,000                           | 171,990             |
| 2011                 | 275,000                           | 158,615             |
| 2012 – 2016          | 1,430,000                         | 560,840             |
| 2017 – 2021          | 1,010,000                         | 238,695             |
| 2022 – 2026          | 240,000                           | 13,200              |
|                      | <u>\$ 3,930,000</u>               | <u>\$ 1,729,628</u> |

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE F—LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2006 are as follows:

| Year Ending June 30: | <u>1996 Certificates of Participation</u> |                     |
|----------------------|---|---------------------|
|                      | <u>Principal</u>                          | <u>Interest</u>     |
| 2007                 | \$ 85,000                                 | \$ 111,180          |
| 2008                 | 85,000                                    | 106,877             |
| 2009                 | 90,000                                    | 102,336             |
| 2010                 | 95,000                                    | 97,456              |
| 2011                 | 100,000                                   | 92,239              |
| 2012 – 2016          | 600,000                                   | 368,472             |
| 2017 – 2021          | 795,000                                   | 172,296             |
| 2022 – 2026          | <u>185,000</u>                            | <u>5,319</u>        |
|                      | <u>\$2,035,000</u>                        | <u>\$ 1,056,175</u> |

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, 2006:

|  |                      |
|--|----------------------|
| Dixon-West “A” Street Assessment District Limited Obligation Improvement Bonds | \$ 3,870,000         |
| North First Street Assessment District Limited Obligation Improvement Bonds    | 15,815,000           |
| Dixon Public Financing Authority:  |                      |
| 1998 Senior Lien Reassessment Revenue Bonds, Series A                          | 6,565,000            |
| 1998 Junior Lien Reassessment Revenue Bonds, Series B                          | <u>12,405,000</u>    |
|  | <u>\$ 38,655,000</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

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE H—DEFINED BENEFIT PENSION PLAN (Continued)

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 8% (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 8% (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 3.2% of their covered salary as the result of negotiations for the “3% at 50” Retirement Plan. The City is required to contribute at actuarially determined rates, which are 19.614% for safety police employees, 21.069% for safety fire employees and 14.022% 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, 2006, the City’s annual pension cost of \$1,328,389 for PERS were equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2003, 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 3.25% to 13.15% for safety employees and 3.25% to 14.45% for non-safety employees and (c) 3.25% cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. 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, 2003 is 17 years for non-safety employees and safety fire employees and 16 years for safety police employees.

The following supplementary information was prepared using the June 30, 2005 actuarial valuation, which was the latest available.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE H—DEFINED BENEFIT PENSION PLAN (Continued)

Three-year Trend Information for PERS

| Fiscal<br>Year Ended<br><u>June 30</u> | Annual<br>Pension<br>Cost (APC)<br><u>Cost (APC)</u> | Percentage<br>Of APC<br>Contributed<br><u>Contributed</u> | Net<br>Pension<br>Obligation<br><u>Obligation</u> |
|--|--|---|---|
| 2004                                   | \$ 465,715   | 100.00%   | None  |
| 2005                                   | 898,268  | 100.00%   | None  |
| 2006                                   | 1,328,389  | 100.00%   | None  |

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for PERS

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | (Excess Assets)<br>Unfunded<br>Liability | Funded<br>Ratio | Annual<br>Covered<br>Payroll | (Excess<br>Assets)<br>Unfunded<br>Liability<br>as a % of<br>Covered<br>Payroll |
|--------------------------------|---------------------------------|--|--|-----------------|------------------------------|--|
| <u>MISCELLANEOUS PLAN:</u>     |                                 |  |  |                 |                              |  |
| 6/30/2003                      | \$ 2,372,879,034                | \$ 2,596,966,545                           | \$ 224,087,511                           | 91.4%           | \$ 725,020,458               | 30.9%  |
| 6/30/2004                      | 2,460,944,656                   | 2,746,095,668                              | 285,151,012                              | 89.6%           | 743,691,970                  | 38.3%  |
| 6/30/2005                      | 500,388,523                     | 579,276,103                                | 78,887,580                               | 86.4%           | 129,379,492                  | 61.0%  |
| <u>SAFETY POLICE PLAN:</u>     |                                 |  |  |                 |                              |  |
| 6/30/2003                      | 1,083,690,137                   | 1,218,082,935                              | 134,392,798                              | 89.0%           | 184,098,257                  | 73.0%  |
| 6/30/2004                      | 4,424,586,846                   | 5,383,921,942                              | 959,335,096                              | 82.2%           | 575,296,434                  | 166.8%   |
| 6/30/2005                      | 5,295,150,375                   | 6,367,049,264                              | 1,071,898,889                            | 83.2%           | 664,147,796                  | 161.4%   |
| <u>SAFETY FIRE PLAN:</u>       |                                 |  |  |                 |                              |  |
| 6/30/2003                      | 3,577,742,166                   | 4,270,573,982                              | 692,831,816                              | 83.8%           | 476,089,674                  | 145.5%   |
| 6/30/2004                      | 4,424,586,846                   | 5,383,921,942                              | 959,335,096                              | 82.2%           | 575,296,434                  | 166.8%   |
| 6/30/2005                      | 5,295,150,375                   | 6,367,049,264                              | 1,071,898,889                            | 83.2%           | 664,147,796                  | 161.4%   |

The miscellaneous plan three year trend information above is for the Miscellaneous 2.5% at 55 Risk Pool and the safety police and safety fire plan information above is for the Safety 3.0% at 50 Risk Pool. This information is for the City and all other governmental participants in that risk pool on a combined basis.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

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, 2006, 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 \$17,650 for the year ended June 30, 2006.

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.

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:

| Amount                       | Coverage provider                                 | Payment Source   |
|------------------------------|---|------------------|
| <b>LIABILITY CLAIM</b>       |   |                  |
| \$ 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 |
| <b>WORKERS’ COMPENSATION</b> |   |                  |
| \$ 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                              |                  |

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE J—RISK MANAGEMENT (Continued)

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 \$522,884 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.

NOTE L—COMMITMENTS

The City had the following significant contract commitments as of June 30, 2006:

|  | <u>Appropriation</u>      | <u>Expended<br/>June 30, 2006</u> | <u>Committed</u>          |
|--|---------------------------|-----------------------------------|---------------------------|
| Sewer Wastewater Treatment Plant Master Plan | \$ 321,476                |                                   | \$ 321,476                |
| Watson Well/Tank Booster                     | 361,068                   |                                   | 361,068                   |
| Street Maintenance Program                   | 830,889                   | \$ 605,289                        | 225,600                   |
| Railroad Grade Separation                    | 856,304                   | 588,690                           | 267,614                   |
| Southwest Annex Park/Community Center        | 99,650                    |                                   | 99,650                    |
| Playing Field Renovations                    | 225,767                   | 91,723                            | 134,044                   |
| Pond A Nature Trail Study                    | 100,000                   |                                   | 100,000                   |
| Fire Station #2                              | 151,553                   |                                   | 151,553                   |
|  | <u>                  </u> | <u>                  </u>         | <u>                  </u> |
| Total commitments                            | <u>\$ 2,946,707</u>       | <u>\$ 1,285,702</u>               | <u>\$ 1,661,005</u>       |

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE M—RESTATEMENT

The City determined an investment recorded in the Redevelopment Special Revenue Fund was collateral pledged by its fiscal agent so the City was not required to have a debt service reserve on the 1995 Tax Allocation Refunding Bonds according to the terms of the trust agreement. As the investment was an asset of the fiscal agent and not an asset of the City, the City removed the investment from the Redevelopment Fund. This error correction resulted in a decrease in assets and fund balance/net assets reserved/restricted for debt service of \$328,688 as of July 1, 2005.

**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, 2006

|  | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|--------------------------|------------------------------|--|
| <b>ASSETS</b>                                  |                             |                          |                              |  |
| Cash and investments                           | \$ 2,303,934                | \$ 724,202               | \$ 7,250,952                 | \$ 10,279,088                              |
| Receivables:                                   |                             |                          |                              |  |
| Accounts receivable                            | 27,034                      |                          | 19,300                       | 46,334                                     |
| Interest receivable                            | 10,632                      | 4,058                    | 31,222                       | 45,912                                     |
| Due from other governments                     |                             |                          | 109,154                      | 109,154                                    |
| Notes receivable                               | 478,368                     |                          | 70,394                       | 548,762                                    |
| Due from other funds                           |                             | 33,542                   |                              | 33,542                                     |
| Advances to other funds                        | 283,517                     |                          | 1,618,479                    | 1,901,996                                  |
| Restricted cash and investments                |                             | 571,229                  |                              | 571,229                                    |
| <b>TOTAL ASSETS</b>                            | <b>\$ 3,103,485</b>         | <b>\$ 1,333,031</b>      | <b>\$ 9,099,501</b>          | <b>\$ 13,536,017</b>                       |
| <br><b>LIABILITIES AND FUND BALANCES</b>       |                             |                          |                              |  |
| <b>LIABILITIES</b>                             |                             |                          |                              |  |
| Accounts payable                               | \$ 54,152                   |                          | \$ 75,291                    | \$ 129,443                                 |
| Due to other funds                             | 229,007                     | \$ 4,613                 | 96,039                       | 329,659                                    |
| Advances from other funds                      |                             |                          | 283,517                      | 283,517                                    |
| Deferred revenue                               | 478,368                     |                          | 120,898                      | 599,266                                    |
| <b>TOTAL LIABILITIES</b>                       | <b>761,527</b>              | <b>4,613</b>             | <b>575,745</b>               | <b>1,341,885</b>                           |
| <br><b>FUND BALANCES</b>                       |                             |                          |                              |  |
| Reserved for:                                  |                             |                          |                              |  |
| Encumbrances                                   |                             |                          | 618,943                      | 618,943                                    |
| Advances to other funds                        | 283,517                     |                          | 1,618,479                    | 1,901,996                                  |
| Debt service                                   |                             | 1,328,418                |                              | 1,328,418                                  |
| Unreserved:                                    |                             |                          |                              |  |
| Undesignated                                   | 2,058,441                   |                          | 6,286,334                    | 8,344,775                                  |
| <b>TOTAL FUND BALANCES</b>                     | <b>2,341,958</b>            | <b>1,328,418</b>         | <b>8,523,756</b>             | <b>12,194,132</b>                          |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 3,103,485</b>         | <b>\$ 1,333,031</b>      | <b>\$ 9,099,501</b>          | <b>\$ 13,536,017</b>                       |

CITY OF DIXON, CALIFORNIA

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

For the Year Ended June 30, 2006

|  | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|--------------------------|------------------------------|--|
|  | <u>          </u>           | <u>          </u>        | <u>          </u>            | <u>          </u>                          |
| <b>REVENUES</b>  |                             |                          |                              |  |
| Taxes and assessments                                    | \$ 1,800,501                |                          |                              | \$ 1,800,501                               |
| Fines and forfeitures                                    | 61,137                      |                          |                              | 61,137                                     |
| Use of money and property                                | 77,897                      | \$ 50,635                | \$ 321,102                   | 449,634                                    |
| Program income   | 502,641                     |                          | 530,000                      | 1,032,641                                  |
| Intergovernmental revenues                               | 499,188                     |                          | 1,468,808                    | 1,967,996                                  |
| Contributions from homeowners                            |                             |                          | 1,977,895                    | 1,977,895                                  |
| Developer fees   |                             |                          | 1,456,119                    | 1,456,119                                  |
| Other revenues   | 957                         |                          | 205                          | 1,162                                      |
| TOTAL REVENUES   | <u>2,942,321</u>            | <u>50,635</u>            | <u>5,754,129</u>             | <u>8,747,085</u>                           |
| <b>EXPENDITURES</b>                                      |                             |                          |                              |  |
| Current:   |                             |                          |                              |  |
| General government                                       |                             | 20                       |                              | 20   |
| Public safety  | 7,174                       |                          | 24,580                       | 31,754                                     |
| Parks and recreation                                     |                             |                          | 62,280                       | 62,280                                     |
| Development  | 793,771                     |                          |                              | 793,771                                    |
| Public ways and facilities                               | 324,896                     |                          | 676,411                      | 1,001,307                                  |
| Debt service:  |                             |                          |                              |  |
| Principal retirement                                     | 105,000                     | 340,000                  |                              | 445,000                                    |
| Interest and fiscal charges                              | 219,700                     | 271,531                  |                              | 491,231                                    |
| Capital outlay   | 11,955                      |                          | 6,839,843                    | 6,851,798                                  |
| TOTAL EXPENDITURES                                       | <u>1,462,496</u>            | <u>611,551</u>           | <u>7,603,114</u>             | <u>9,677,161</u>                           |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES     | 1,479,825                   | (560,916)                | (1,848,985)                  | (930,076)                                  |
| <b>OTHER FINANCING SOURCE (USES)</b>                     |                             |                          |                              |  |
| Transfers in   | 31,320                      | 600,711                  | 515,410                      | 1,147,441                                  |
| Transfers out  | (1,453,723)                 |                          | (1,815,716)                  | (3,269,439)                                |
| TOTAL OTHER FINANCING<br>SOURCES (USES)                  | <u>(1,422,403)</u>          | <u>600,711</u>           | <u>(1,300,306)</u>           | <u>(2,121,998)</u>                         |
| NET CHANGE IN FUND BALANCES                              | 57,422                      | 39,795                   | (3,149,291)                  | (3,052,074)                                |
| Fund balances, beginning of year, as previously reported | 2,613,224                   | 1,288,623                | 11,673,047                   | 15,574,894                                 |
| Restatement  | (328,688)                   |                          |                              | (328,688)                                  |
| Fund balances, beginning of year, as restated            | <u>2,284,536</u>            | <u>1,288,623</u>         | <u>11,673,047</u>            | <u>15,246,206</u>                          |
| FUND BALANCES, END OF YEAR                               | <u>\$ 2,341,958</u>         | <u>\$ 1,328,418</u>      | <u>\$ 8,523,756</u>          | <u>\$ 12,194,132</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 and expenses for furtherance of project area goals.

Gas Tax Fund – Accounts for receipts and expenditures of monies apportioned for road projects 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 Block 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.

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).

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

As of 6/30/2006

|  | Redevelopment<br>Fund | Gas Tax<br>Fund  | Traffic<br>Safety<br>Fund |
|--|-----------------------|------------------|---------------------------|
| <b>ASSETS</b>                                  |                       |                  |                           |
| Cash and investments                           | \$ 1,598,521          | \$ 50,152        | \$ 29,220                 |
| Receivables:                                   |                       |                  |                           |
| Accounts receivable                            |                       | 22,005           | 5,029                     |
| Interest receivable                            | 8,229                 |                  |                           |
| Notes receivable                               | 20,000                |                  |                           |
| Advances to other funds                        | 283,517               |                  |                           |
| <b>TOTAL ASSETS</b>                            | <b>\$ 1,910,267</b>   | <b>\$ 72,157</b> | <b>\$ 34,249</b>          |
| <br><b>LIABILITIES AND FUND BALANCES</b>       |                       |                  |                           |
| <b>LIABILITIES</b>                             |                       |                  |                           |
| Accounts payable                               | \$ 24,987             |                  | \$ 14,425                 |
| Due to other funds                             |                       |                  |                           |
| Deferred revenue                               | 20,000                |                  |                           |
| <b>TOTAL LIABILITIES</b>                       | <b>44,987</b>         |                  | <b>14,425</b>             |
| <br><b>FUND BALANCES</b>                       |                       |                  |                           |
| Reserved for:                                  |                       |                  |                           |
| Advances to other funds                        | 283,517               |                  |                           |
| Unreserved:                                    |                       |                  |                           |
| Undesignated                                   | 1,581,763             | \$ 72,157        | 19,824                    |
| <b>TOTAL FUND BALANCES</b>                     | <b>1,865,280</b>      | <b>72,157</b>    | <b>19,824</b>             |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 1,910,267</b>   | <b>\$ 72,157</b> | <b>\$ 34,249</b>          |

| Used Oil<br>Recycling<br>Block<br>Grant<br>Fund | COPS<br>Block<br>Grant<br>Fund | CDBG<br>Revolving<br>Fund | Landscaping<br>and Lighting<br>Assessment<br>District<br>Fund | Valley Glen<br>Storm<br>Drain<br>Fund | Totals              |
|---|--------------------------------|---------------------------|---|---------------------------------------|---------------------|
| \$ 2,132  | \$ 30,593                      | \$ 375,995                | \$ 63,541   | \$ 153,780                            | \$ 2,303,934        |
|   |                                |                           |   |                                       | 27,034              |
| 9   |                                | 1,442                     | 277   | 675                                   | 10,632              |
|   |                                | 458,368                   |   |                                       | 478,368             |
|   |                                |                           |   |                                       | 283,517             |
| <u>\$ 2,141</u>                                 | <u>\$ 30,593</u>               | <u>\$ 835,805</u>         | <u>\$ 63,818</u>  | <u>\$ 154,455</u>                     | <u>\$ 3,103,485</u> |
| \$ 2,544  |                                | \$ 1,958                  | \$ 6,811  | \$ 3,427                              | \$ 54,152           |
|   |                                | 15,101                    | 213,906   |                                       | 229,007             |
|   |                                | 458,368                   |   |                                       | 478,368             |
| <u>2,544</u>                                    |                                | <u>475,427</u>            | <u>220,717</u>  | <u>3,427</u>                          | <u>761,527</u>      |
|   |                                |                           |   |                                       | 283,517             |
| (403)   | \$ 30,593                      | 360,378                   | (156,899)   | 151,028                               | 2,058,441           |
| <u>(403)</u>                                    | <u>30,593</u>                  | <u>360,378</u>            | <u>(156,899)</u>  | <u>151,028</u>                        | <u>2,341,958</u>    |
| <u>\$ 2,141</u>                                 | <u>\$ 30,593</u>               | <u>\$ 835,805</u>         | <u>\$ 63,818</u>  | <u>\$ 154,455</u>                     | <u>\$ 3,103,485</u> |

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

For the Year Ended June 30, 2006

|  | Redevelopment<br>Fund | Gas Tax<br>Fund  | Traffic<br>Safety<br>Fund |
|--|-----------------------|------------------|---------------------------|
| <b>REVENUES</b>  |                       |                  |                           |
| Taxes and assessments  | \$ 1,517,065          |                  |                           |
| Fines and forfeitures  |                       |                  | \$ 61,137                 |
| Use of money and property                                    | 59,650                | \$ 1,512         | 3                         |
| Program income   | 305,199               |                  |                           |
| Intergovernmental revenues                                   |                       | 399,466          |                           |
| Other revenues   | 957                   |                  |                           |
| <b>TOTAL REVENUES</b>  | <b>1,882,871</b>      | <b>400,978</b>   | <b>61,140</b>             |
| <b>EXPENDITURES</b>  |                       |                  |                           |
| Current:   |                       |                  |                           |
| Public safety  |                       |                  |                           |
| Development  | 763,569               |                  |                           |
| Public ways and facilities                                   |                       | 11,685           | 31,894                    |
| Debt service:  |                       |                  |                           |
| Principal retirement   | 105,000               |                  |                           |
| Interest and fiscal charges                                  | 219,700               |                  |                           |
| Capital outlay   | 11,955                |                  |                           |
| <b>TOTAL EXPENDITURES</b>                                    | <b>1,100,224</b>      | <b>11,685</b>    | <b>31,894</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>782,647</b>        | <b>389,293</b>   | <b>29,246</b>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                  |                           |
| Transfers in   | 25,000                |                  |                           |
| Transfers out  | (763,059)             | (434,754)        | (21,000)                  |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>              | <b>(738,059)</b>      | <b>(434,754)</b> | <b>(21,000)</b>           |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>44,588</b>         | <b>(45,461)</b>  | <b>8,246</b>              |
| Fund balances, beginning of year, as previously reported     | 2,149,380             | 117,618          | 11,578                    |
| Restatement  | (328,688)             |                  |                           |
| Fund balances, beginning of year, as restated                | <b>1,820,692</b>      | <b>117,618</b>   | <b>11,578</b>             |
| <b>FUND BALANCES, END OF YEAR</b>                            | <b>\$ 1,865,280</b>   | <b>\$ 72,157</b> | <b>\$ 19,824</b>          |

| Used Oil<br>Recycling<br>Block<br>Grant<br>Fund | COPS<br>Block<br>Grant<br>Fund | CDBG<br>Revolving<br>Fund | Landscaping<br>and Lighting<br>Assessment<br>District<br>Fund | Valley Glen<br>Storm<br>Drain<br>Fund | Totals              |
|---|--------------------------------|---------------------------|---|---------------------------------------|---------------------|
|   |                                |                           | \$ 144,261  | \$ 139,175                            | \$ 1,800,501        |
|   |                                |                           |   |                                       | 61,137              |
| \$ 52   | \$ 562                         | \$ 10,160                 | 1,963   | 3,995                                 | 77,897              |
|   |                                | 197,442                   |   |                                       | 502,641             |
| 4,500   | 95,222                         |                           |   |                                       | 499,188             |
|   |                                |                           |   |                                       | 957                 |
| <u>4,552</u>                                    | <u>95,784</u>                  | <u>207,602</u>            | <u>146,224</u>  | <u>143,170</u>                        | <u>2,942,321</u>    |
|   |                                |                           |   |                                       |                     |
| 7,174   |                                |                           |   |                                       | 7,174               |
|   |                                | 30,202                    |   |                                       | 793,771             |
|   |                                |                           | 205,071   | 76,246                                | 324,896             |
|   |                                |                           |   |                                       | 105,000             |
|   |                                |                           |   |                                       | 219,700             |
|   |                                |                           |   |                                       | 11,955              |
| <u>7,174</u>                                    | <u></u>                        | <u>30,202</u>             | <u>205,071</u>  | <u>76,246</u>                         | <u>1,462,496</u>    |
|   |                                |                           |   |                                       |                     |
| (2,622)   | 95,784                         | 177,400                   | (58,847)  | 66,924                                | 1,479,825           |
|   |                                |                           |   |                                       |                     |
|   |                                |                           |   | 6,320                                 | 31,320              |
|   | (214,410)                      |                           |   | (20,500)                              | (1,453,723)         |
|   |                                |                           |   |                                       |                     |
|   | (214,410)                      |                           |   | (14,180)                              | (1,422,403)         |
|   |                                |                           |   |                                       |                     |
| (2,622)   | (118,626)                      | 177,400                   | (58,847)  | 52,744                                | 57,422              |
|   |                                |                           |   |                                       |                     |
| 2,219   | 149,219                        | 182,978                   | (98,052)  | 98,284                                | 2,613,224           |
|   |                                |                           |   |                                       | (328,688)           |
| <u>2,219</u>                                    | <u>149,219</u>                 | <u>182,978</u>            | <u>(98,052)</u>   | <u>98,284</u>                         | <u>2,284,536</u>    |
|   |                                |                           |   |                                       |                     |
| <u>\$ (403)</u>                                 | <u>\$ 30,593</u>               | <u>\$ 360,378</u>         | <u>\$ (156,899)</u>   | <u>\$ 151,028</u>                     | <u>\$ 2,341,958</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:

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

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.

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, 2006

|  | City<br>Hall<br>Fund | Certificates<br>of<br>Participation<br>Reserve<br>Fund | Dixon<br>Public<br>Improvement<br>Fund | Public<br>Financing<br>Police<br>Station<br>Fund |
|--|----------------------|--|--|--|
| <b>ASSETS</b>                                  |                      |  |  |  |
| Cash and investments                           | \$ 530,190           | \$ 80,100  |  | \$ 61,296  |
| Interest receivable                            | 2,071                | 312  |  | 817  |
| Due from other funds                           |                      |  | \$ 33,542                              |  |
| Restricted cash and investments                |                      | 121,560  |  | 193,341  |
| <b>TOTAL ASSETS</b>                            | <b>\$ 532,261</b>    | <b>\$ 201,972</b>                                      | <b>\$ 33,542</b>                       | <b>\$ 255,454</b>                                |
| <b>LIABILITIES AND FUND BALANCES</b>           |                      |  |  |  |
| <b>LIABILITIES</b>                             |                      |  |  |  |
| Due to other funds                             |                      |  | \$ 4,613                               |  |
| <b>TOTAL LIABILITIES</b>                       |                      |  | <b>4,613</b>                           |  |
| <b>FUND BALANCES</b>                           |                      |  |  |  |
| Reserved for debt service                      | \$ 532,261           | \$ 201,972   | 28,929                                 | \$ 255,454                                       |
| <b>TOTAL FUND BALANCES</b>                     | <b>532,261</b>       | <b>201,972</b>   | <b>28,929</b>                          | <b>255,454</b>                                   |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 532,261</b>    | <b>\$ 201,972</b>                                      | <b>\$ 33,542</b>                       | <b>\$ 255,454</b>                                |

| Public<br>Financing<br>Fire<br>Station<br>Fund | Totals              |
|--|---------------------|
| \$ 52,616                                      | \$ 724,202          |
| 858  | 4,058               |
| 256,328  | 33,542              |
| <u>256,328</u>                                 | <u>571,229</u>      |
| <u>\$ 309,802</u>                              | <u>\$ 1,333,031</u> |
|  | <u>\$ 4,613</u>     |
|  | 4,613               |
| <u>\$ 309,802</u>                              | <u>1,328,418</u>    |
| <u>309,802</u>                                 | <u>1,328,418</u>    |
| <u>\$ 309,802</u>                              | <u>\$ 1,333,031</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, 2006

|  | City<br>Hall<br>Fund | Certificates<br>of<br>Participation<br>Reserve<br>Fund | Dixon<br>Public<br>Improvement<br>Fund | Public<br>Financing<br>Police<br>Station<br>Fund |
|--|----------------------|--|--|--|
| REVENUES   |                      |  |  |  |
| Use of money and property                            | \$ 15,911            | \$ 7,247   |  | \$ 12,513  |
| TOTAL REVENUES                                       | 15,911               | 7,247  |  | 12,513   |
| EXPENDITURES   |                      |  |  |  |
| Current:   |                      |  |  |  |
| General government                                   |                      |  | \$ 20                                  |  |
| Debt service:  |                      |  |  |  |
| Principal retirement                                 |                      | 100,000  | 25,000                                 | 115,000  |
| Interest and fiscal charges                          |                      | 17,552   | 29,875                                 | 76,673   |
| TOTAL EXPENDITURES                                   |                      | 117,552  | 54,895                                 | 191,673  |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | 15,911               | (110,305)  | (54,895)                               | (179,160)  |
| OTHER FINANCING SOURCES (USES)                       |                      |  |  |  |
| Transfers in   |                      | 114,760  | 54,875                                 | 187,628  |
| TOTAL OTHER FINANCING<br>SOURCES (USES)              |                      | 114,760  | 54,875                                 | 187,628  |
| NET CHANGE IN FUND BALANCES                          | 15,911               | 4,455  | (20)                                   | 8,468  |
| Fund balances, beginning of year                     | 516,350              | 197,517  | 28,949                                 | 246,986  |
| FUND BALANCES, END OF YEAR                           | \$ 532,261           | \$ 201,972   | \$ 28,929                              | \$ 255,454                                       |

| Public<br>Financing<br>Fire<br>Station<br>Fund | Totals                     |
|--|----------------------------|
| <u>\$ 14,964</u>                               | <u>\$ 50,635</u>           |
| 14,964   | 50,635                     |
|  | 20                         |
| 100,000  | 340,000                    |
| 147,431  | 271,531                    |
| <u>247,431</u>                                 | <u>611,551</u>             |
| (232,467)                                      | (560,916)                  |
| <u>243,448</u>                                 | <u>600,711</u>             |
| <u>243,448</u>                                 | <u>600,711</u>             |
| 10,981   | 39,795                     |
| <u>298,821</u>                                 | <u>1,288,623</u>           |
| <u><u>\$ 309,802</u></u>                       | <u><u>\$ 1,328,418</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:

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).

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.

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.

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

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

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

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

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

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

Park Improvements Fund – Accounts for resources budgeted for park improvement projects.

Agricultural Land Mitigation Fund – Accounts for the revenue and expenses budgeted for capital projects related to agricultural mitigation activities.

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

As of June 30, 2006

|  | Capital<br>Improvements<br>Fund | Industrial<br>Park<br>Fund | Community<br>Development<br>Fund | Fire<br>Fund | Police<br>Fund |
|--|---------------------------------|----------------------------|----------------------------------|--------------|----------------|
| <b>ASSETS</b>                                |                                 |                            |                                  |              |                |
| Cash and investments                         | \$ 303,885                      | \$ 248,212                 | \$ 1,125,996                     |              | \$ 370,063     |
| Receivables:                                 |                                 |                            |                                  |              |                |
| Accounts receivable                          |                                 |                            |                                  |              |                |
| Interest receivable                          | 4,510                           | 1,035                      | 3,839                            |              | 665            |
| Due from other governments                   |                                 |                            |                                  |              |                |
| Notes receivable                             |                                 | 70,394                     |                                  |              |                |
| Advances to other funds                      | 1,132,110                       | 85,485                     |                                  |              |                |
| TOTAL ASSETS                                 | \$ 1,440,505                    | \$ 405,126                 | \$ 1,129,835                     | \$ -         | \$ 370,728     |
| <br><b>LIABILITIES AND<br/>FUND BALANCES</b> |                                 |                            |                                  |              |                |
| <b>LIABILITIES</b>                           |                                 |                            |                                  |              |                |
| Accounts payable                             |                                 | \$ 5,000                   |                                  |              | \$ 251         |
| Due to other funds                           |                                 |                            | \$ 8,385                         | \$ 53,133    |                |
| Advances from other funds                    |                                 |                            |                                  |              |                |
| Deferred revenue                             |                                 | 70,394                     |                                  |              |                |
| TOTAL LIABILITIES                            |                                 | 75,394                     | 8,385                            | 53,133       | 251            |
| <br><b>FUND BALANCES</b>                     |                                 |                            |                                  |              |                |
| Reserved for:                                |                                 |                            |                                  |              |                |
| Encumbrances                                 |                                 | 18,000                     |                                  | 151,553      |                |
| Advances to other funds                      | \$ 1,132,110                    | 85,485                     |                                  |              |                |
| Unreserved:                                  |                                 |                            |                                  |              |                |
| Undesignated                                 | 308,395                         | 226,247                    | 1,121,450                        | (204,686)    | 370,477        |
| TOTAL FUND BALANCES                          | 1,440,505                       | 329,732                    | 1,121,450                        | (53,133)     | 370,477        |
| TOTAL LIABILITIES<br>AND FUND BALANCES       | \$ 1,440,505                    | \$ 405,126                 | \$ 1,129,835                     | \$ -         | \$ 370,728     |

| City<br>Facilities<br>Fund | Public<br>Works<br>Fund | Storm<br>Drainage<br>Fund | Transit<br>Fund     | Park<br>Improvements<br>Fund | Agricultural<br>Land<br>Mitigation<br>Fund | Totals              |
|----------------------------|-------------------------|---------------------------|---------------------|------------------------------|--|---------------------|
| \$ 342,091                 | \$ 414,176              | \$ 351,755                | \$ 1,675,779        | \$ 2,418,995                 |  | \$ 7,250,952        |
|                            | 19,300                  |                           |                     |                              |  | 19,300              |
| 1,594                      | 1,315                   | 665                       | 7,247               | 10,352                       |  | 31,222              |
|                            |                         |                           | 109,154             |                              |  | 109,154             |
|                            |                         |                           |                     |                              |  | 70,394              |
| 400,884                    |                         |                           |                     |                              |  | 1,618,479           |
| <u>\$ 744,569</u>          | <u>\$ 434,791</u>       | <u>\$ 352,420</u>         | <u>\$ 1,792,180</u> | <u>\$ 2,429,347</u>          | <u>\$ -</u>                                | <u>\$ 9,099,501</u> |
| \$ 7,910                   |                         | \$ 15,936                 | \$ 202              | \$ 45,974                    | \$ 18                                      | \$ 75,291           |
| 25,157                     |                         |                           |                     |                              | 9,364                                      | 96,039              |
|                            |                         | 283,517                   |                     |                              |  | 283,517             |
|                            |                         |                           | 50,504              |                              |  | 120,898             |
| <u>33,067</u>              |                         | <u>299,453</u>            | <u>50,706</u>       | <u>45,974</u>                | <u>9,382</u>                               | <u>575,745</u>      |
| 5,976                      | \$ 72,493               | 15,000                    |                     | 355,921                      |  | 618,943             |
| 400,884                    |                         |                           |                     |                              |  | 1,618,479           |
| 304,642                    | 362,298                 | 37,967                    | 1,741,474           | 2,027,452                    | (9,382)                                    | 6,286,334           |
| <u>711,502</u>             | <u>434,791</u>          | <u>52,967</u>             | <u>1,741,474</u>    | <u>2,383,373</u>             | <u>(9,382)</u>                             | <u>8,523,756</u>    |
| <u>\$ 744,569</u>          | <u>\$ 434,791</u>       | <u>\$ 352,420</u>         | <u>\$ 1,792,180</u> | <u>\$ 2,429,347</u>          | <u>\$ -</u>                                | <u>\$ 9,099,501</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, 2006

|  | Capital<br>Improvements<br>Fund | Industrial<br>Park<br>Fund | Community<br>Development<br>Fund | Fire<br>Fund       | Police<br>Fund    |
|--|---------------------------------|----------------------------|----------------------------------|--------------------|-------------------|
| <b>REVENUES</b>                                      |                                 |                            |                                  |                    |                   |
| Use of money and property                            | \$ 58,092                       | \$ 10,773                  | \$ 28,680                        | \$ 1,122           | \$ 9,111          |
| Program income                                       |                                 |                            | 530,000                          |                    |                   |
| Intergovernmental revenues                           |                                 |                            |                                  |                    |                   |
| Contributions from homeowners                        |                                 |                            |                                  | 10,000             |                   |
| Developer fees                                       |                                 |                            |                                  | 111,416            | 37,964            |
| Other revenues                                       |                                 | 205                        |                                  |                    |                   |
| TOTAL REVENUES                                       | <u>58,092</u>                   | <u>10,978</u>              | <u>558,680</u>                   | <u>122,538</u>     | <u>47,075</u>     |
| <b>EXPENDITURES</b>                                  |                                 |                            |                                  |                    |                   |
| Current:   |                                 |                            |                                  |                    |                   |
| Public safety  |                                 |                            |                                  | 19,120             | 5,460             |
| Parks and recreation                                 |                                 |                            |                                  |                    |                   |
| Public ways and facilities                           |                                 | 11,999                     | 526,026                          |                    |                   |
| Capital outlay                                       |                                 |                            |                                  | 31,404             | 59,958            |
| TOTAL EXPENDITURES                                   | <u>          </u>               | <u>11,999</u>              | <u>526,026</u>                   | <u>50,524</u>      | <u>65,418</u>     |
| EXCESS (DEFICIENCY) OF<br>REVENUES OVER EXPENDITURES | 58,092                          | (1,021)                    | 32,654                           | 72,014             | (18,343)          |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                                 |                            |                                  |                    |                   |
| Transfers in   |                                 |                            |                                  | 20,910             | 50,000            |
| Transfers out  | (1,082,884)                     | (103,438)                  | (13,719)                         | (243,448)          | (164,990)         |
| TOTAL OTHER FINANCING<br>SOURCES (USES)              | <u>(1,082,884)</u>              | <u>(103,438)</u>           | <u>(13,719)</u>                  | <u>(222,538)</u>   | <u>(114,990)</u>  |
| NET CHANGE IN FUND BALANCES                          | (1,024,792)                     | (104,459)                  | 18,935                           | (150,524)          | (133,333)         |
| Fund balances, beginning of year                     | <u>2,465,297</u>                | <u>434,191</u>             | <u>1,102,515</u>                 | <u>97,391</u>      | <u>503,810</u>    |
| FUND BALANCES, END OF YEAR                           | <u>\$ 1,440,505</u>             | <u>\$ 329,732</u>          | <u>\$ 1,121,450</u>              | <u>\$ (53,133)</u> | <u>\$ 370,477</u> |

| City<br>Facilities<br>Fund | Public<br>Works<br>Fund | Storm<br>Drainage<br>Fund | Transit<br>Fund     | Park<br>Improvements<br>Fund | Agricultural<br>Land<br>Mitigation<br>Fund | Totals              |
|----------------------------|-------------------------|---------------------------|---------------------|------------------------------|--|---------------------|
| \$ 40,558                  | \$ 10,366               | \$ 8,463                  | \$ 54,128           | \$ 99,809                    |  | \$ 321,102          |
|                            | 115,308                 |                           | 857,500             | 496,000                      |  | 530,000             |
|                            |                         | 1,967,895                 |                     |                              |  | 1,468,808           |
| 27,241                     | 29,672                  | 427,428                   | 198,173             | 621,424                      | \$ 2,801                                   | 1,977,895           |
|                            |                         |                           |                     |                              |  | 1,456,119           |
|                            |                         |                           |                     |                              |  | 205                 |
| <u>67,799</u>              | <u>155,346</u>          | <u>2,403,786</u>          | <u>1,109,801</u>    | <u>1,217,233</u>             | <u>2,801</u>                               | <u>5,754,129</u>    |
|                            |                         |                           |                     |                              |  | 24,580              |
|                            |                         |                           |                     | 62,280                       |  | 62,280              |
| 34,745                     | 15,101                  | 46,497                    | 29,860              |                              | 12,183                                     | 676,411             |
| 18,535                     | 69,537                  | 2,749,490                 | 1,397,886           | 2,513,033                    |  | 6,839,843           |
| <u>53,280</u>              | <u>84,638</u>           | <u>2,795,987</u>          | <u>1,427,746</u>    | <u>2,575,313</u>             | <u>12,183</u>                              | <u>7,603,114</u>    |
| 14,519                     | 70,708                  | (392,201)                 | (317,945)           | (1,358,080)                  | (9,382)                                    | (1,848,985)         |
|                            | 75,000                  | 10,500                    | 359,000             |                              |  | 515,410             |
| <u>(94,823)</u>            | <u></u>                 | <u>(6,320)</u>            | <u></u>             | <u>(106,094)</u>             | <u></u>                                    | <u>(1,815,716)</u>  |
| <u>(94,823)</u>            | <u>75,000</u>           | <u>4,180</u>              | <u>359,000</u>      | <u>(106,094)</u>             | <u></u>                                    | <u>(1,300,306)</u>  |
| (80,304)                   | 145,708                 | (388,021)                 | 41,055              | (1,464,174)                  | (9,382)                                    | (3,149,291)         |
| <u>791,806</u>             | <u>289,083</u>          | <u>440,988</u>            | <u>1,700,419</u>    | <u>3,847,547</u>             | <u></u>                                    | <u>11,673,047</u>   |
| <u>\$ 711,502</u>          | <u>\$ 434,791</u>       | <u>\$ 52,967</u>          | <u>\$ 1,741,474</u> | <u>\$ 2,383,373</u>          | <u>\$ (9,382)</u>                          | <u>\$ 8,523,756</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:

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.

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.

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 water service operated under a joint exercise of power agreement between the City of Dixon and Solano Irrigation District.

CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS

As of June 30, 2006

|                                    | West<br>"A" Street<br>Improvement<br>District | North<br>First Street<br>Improvement<br>District | Dixon Fire<br>Protection<br>District | Public<br>Financing<br>Assessment<br>Districts | Dixon-Solano<br>Municipal<br>Water Service<br>(SID Interest) | Totals              |
|------------------------------------|---|--|--------------------------------------|--|--|---------------------|
| <b>ASSETS</b>                      |   |  |                                      |  |  |                     |
| Cash and investments               | \$ 332,712                                    | \$ 1,685,020                                     | \$ 465,776                           | \$ 380,914                                     | \$ 1,457,296   | \$ 4,321,718        |
| Accounts receivable                |   |  | 6,355                                |  | 107,408  | 113,763             |
| Interest receivable                | 2,962   | 8,627  | 1,878                                |  | 4,904  | 18,371              |
| Restricted cash and<br>investments |   |  |                                      | 3,033,664                                      |  | 3,033,664           |
| <b>TOTAL ASSETS</b>                | <u>\$ 335,674</u>                             | <u>\$ 1,693,647</u>                              | <u>\$ 474,009</u>                    | <u>\$ 3,414,578</u>                            | <u>\$ 1,569,608</u>  | <u>\$ 7,487,516</u> |
| <b>LIABILITIES</b>                 |   |  |                                      |  |  |                     |
| Accounts payable                   |   |  |                                      |  | \$ 264,819   | \$ 264,819          |
| Deposits payable                   |   |  |                                      |  | 234,376  | 234,376             |
| Deferred revenue                   |   |  |                                      |  | 512,668  | 512,668             |
| Agency obligations                 | \$ 335,674                                    | \$ 1,693,647                                     | \$ 474,009                           | \$ 3,414,578                                   | 557,745  | 6,475,653           |
| <b>TOTAL LIABILITIES</b>           | <u>\$ 335,674</u>                             | <u>\$ 1,693,647</u>                              | <u>\$ 474,009</u>                    | <u>\$ 3,414,578</u>                            | <u>\$ 1,569,608</u>  | <u>\$ 7,487,516</u> |

CITY OF DIXON, CALIFORNIA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS

For the year ended June 30, 2006

|  | <u>Balance</u><br><u>July 1, 2005</u> | <u>Additions</u>       | <u>Deletions</u>       | <u>Balance</u><br><u>June 30, 2006</u> |
|--|---------------------------------------|------------------------|------------------------|--|
| <b>WEST "A" STREET IMPROVEMENT DISTRICT</b>    |                                       |                        |                        |  |
| <b>ASSETS:</b>                                 |                                       |                        |                        |  |
| Cash and investments                           | \$ 773,865                            | \$ (15,014,800)        | \$ 14,573,647          | \$ 332,712                             |
| Interest receivable                            | 3,386                                 | 2,962                  | (3,386)                | 2,962                                  |
| <b>TOTAL ASSETS</b>                            | <u>\$ 777,251</u>                     | <u>\$ (15,011,838)</u> | <u>\$ 14,570,261</u>   | <u>\$ 335,674</u>                      |
| <b>LIABILITIES:</b>                            |                                       |                        |                        |  |
| Agency obligations                             | <u>\$ 777,251</u>                     | <u>\$ (15,011,838)</u> | <u>\$ 14,570,261</u>   | <u>\$ 335,674</u>                      |
| <b>TOTAL LIABILITIES</b>                       | <u>\$ 777,251</u>                     | <u>\$ (15,011,838)</u> | <u>\$ 14,570,261</u>   | <u>\$ 335,674</u>                      |
| <b>NORTH FIRST STREET IMPROVEMENT DISTRICT</b> |                                       |                        |                        |  |
| <b>ASSETS:</b>                                 |                                       |                        |                        |  |
| Cash and investments                           | \$ 2,290,387                          | \$ 18,796,857          | \$ (19,402,224)        | \$ 1,685,020                           |
| Interest receivable                            | 10,618                                | 8,627                  | (10,618)               | 8,627                                  |
| <b>TOTAL ASSETS</b>                            | <u>\$ 2,301,005</u>                   | <u>\$ 18,805,484</u>   | <u>\$ (19,412,842)</u> | <u>\$ 1,693,647</u>                    |
| <b>LIABILITIES:</b>                            |                                       |                        |                        |  |
| Agency obligations                             | <u>\$ 2,301,005</u>                   | <u>\$ 18,805,484</u>   | <u>\$ (19,412,842)</u> | <u>\$ 1,693,647</u>                    |
| <b>TOTAL LIABILITIES</b>                       | <u>\$ 2,301,005</u>                   | <u>\$ 18,805,484</u>   | <u>\$ (19,412,842)</u> | <u>\$ 1,693,647</u>                    |

CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS

For the year ended June 30, 2006

|   | <u>Balance</u><br><u>July 1, 2005</u> | <u>Additions</u>    | <u>Deletions</u>      | <u>Balance</u><br><u>June 30, 2006</u> |
|---|---------------------------------------|---------------------|-----------------------|--|
| <b>DIXON FIRE PROTECTION DISTRICT</b>       |                                       |                     |                       |  |
| <b>ASSETS:</b>                              |                                       |                     |                       |  |
| Cash and investments                        | \$ 422,491                            | \$ 3,038,669        | \$ (2,995,384)        | \$ 465,776                             |
| Accounts receivable                         | 5,000                                 | 6,355               | (5,000)               | 6,355                                  |
| Interest receivable                         | 2,122                                 | 1,878               | (2,122)               | 1,878                                  |
| <b>TOTAL ASSETS</b>                         | <u>\$ 429,613</u>                     | <u>\$ 3,046,902</u> | <u>\$ (3,002,506)</u> | <u>\$ 474,009</u>                      |
| <b>LIABILITIES:</b>                         |                                       |                     |                       |  |
| Agency obligations                          | <u>\$ 429,613</u>                     | <u>\$ 3,046,902</u> | <u>\$ (3,002,506)</u> | <u>\$ 474,009</u>                      |
| <b>TOTAL LIABILITIES</b>                    | <u>\$ 429,613</u>                     | <u>\$ 3,046,902</u> | <u>\$ (3,002,506)</u> | <u>\$ 474,009</u>                      |
| <b>PUBLIC FINANCING ASSESSMENT DISTRICT</b> |                                       |                     |                       |  |
| <b>ASSETS:</b>                              |                                       |                     |                       |  |
| Cash and investments                        | \$ 413,042                            | \$ 522,610          | \$ (554,738)          | \$ 380,914                             |
| Accounts receivable                         | 1,852                                 |                     | (1,852)               |  |
| Restricted cash and investments             | 2,749,818                             | 283,846             |                       | 3,033,664                              |
| <b>TOTAL ASSETS</b>                         | <u>\$ 3,164,712</u>                   | <u>\$ 806,456</u>   | <u>\$ (556,590)</u>   | <u>\$ 3,414,578</u>                    |
| <b>LIABILITIES:</b>                         |                                       |                     |                       |  |
| Agency obligations                          | <u>\$ 3,164,712</u>                   | <u>\$ 806,456</u>   | <u>\$ (556,590)</u>   | <u>\$ 3,414,578</u>                    |
| <b>TOTAL LIABILITIES</b>                    | <u>\$ 3,164,712</u>                   | <u>\$ 806,456</u>   | <u>\$ (556,590)</u>   | <u>\$ 3,414,578</u>                    |

CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS

For the year ended June 30, 2006

|   | Balance<br>July 1, 2005 | Additions            | Deletions              | Balance<br>June 30, 2006 |
|---|-------------------------|----------------------|------------------------|--------------------------|
| <b>DIXON-SOLANO MUNICIPAL WATER SERVICE</b> |                         |                      |                        |                          |
| <b>ASSETS:</b>                              |                         |                      |                        |                          |
| Cash and investments                        | \$ 1,318,278            | \$ 7,742,132         | \$ (7,603,114)         | \$ 1,457,296             |
| Accounts receivable                         | 105,150                 | 107,408              | (105,150)              | 107,408                  |
| Interest receivable                         | 5,762                   | 4,904                | (5,762)                | 4,904                    |
|   | <u>5,762</u>            | <u>4,904</u>         | <u>(5,762)</u>         | <u>4,904</u>             |
| TOTAL ASSETS                                | <u>\$ 1,429,190</u>     | <u>\$ 7,854,444</u>  | <u>\$ (7,714,026)</u>  | <u>\$ 1,569,608</u>      |
| <b>LIABILITIES:</b>                         |                         |                      |                        |                          |
| Accounts payable                            | \$ 87,993               | \$ 264,819           | \$ (87,993)            | \$ 264,819               |
| Deposits payable                            | 240,376                 | 234,376              | (240,376)              | 234,376                  |
| Deferred revenue                            | 191,977                 | 512,668              | (191,977)              | 512,668                  |
| Agency obligations                          | 908,844                 | 6,842,581            | (7,193,680)            | 557,745                  |
|   | <u>908,844</u>          | <u>6,842,581</u>     | <u>(7,193,680)</u>     | <u>557,745</u>           |
| TOTAL LIABILITIES                           | <u>\$ 1,429,190</u>     | <u>\$ 7,854,444</u>  | <u>\$ (7,714,026)</u>  | <u>\$ 1,569,608</u>      |
| <b>TOTAL OF ALL AGENCY FUNDS</b>            |                         |                      |                        |                          |
| <b>ASSETS:</b>                              |                         |                      |                        |                          |
| Cash and investments                        | \$ 5,218,063            | \$ 15,085,468        | \$ (15,981,813)        | \$ 4,321,718             |
| Accounts receivable                         | 112,002                 | 113,763              | (112,002)              | 113,763                  |
| Interest receivable                         | 21,888                  | 18,371               | (21,888)               | 18,371                   |
| Restricted cash and investments             | 2,749,818               | 283,846              |                        | 3,033,664                |
|   | <u>2,749,818</u>        | <u>283,846</u>       |                        | <u>3,033,664</u>         |
| TOTAL ASSETS                                | <u>\$ 8,101,771</u>     | <u>\$ 15,501,448</u> | <u>\$ (16,115,703)</u> | <u>\$ 7,487,516</u>      |
| <b>LIABILITIES:</b>                         |                         |                      |                        |                          |
| Accounts payable                            | \$ 87,993               | \$ 264,819           | \$ (87,993)            | \$ 264,819               |
| Deposits payable                            | 240,376                 | 234,376              | (240,376)              | 234,376                  |
| Deferred revenue                            | 191,977                 | 512,668              | (191,977)              | 512,668                  |
| Agency obligations                          | 7,581,425               | 14,489,585           | (15,595,357)           | 6,475,653                |
|   | <u>7,581,425</u>        | <u>14,489,585</u>    | <u>(15,595,357)</u>    | <u>6,475,653</u>         |
| TOTAL LIABILITIES                           | <u>\$ 8,101,771</u>     | <u>\$ 15,501,448</u> | <u>\$ (16,115,703)</u> | <u>\$ 7,487,516</u>      |