

CITY OF DIXON, CALIFORNIA

Audited Financial Statements

June 30, 2007



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CITY OF DIXON, CALIFORNIA

Audited Financial Statements

June 30, 2007

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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 ended June 30, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Low/Moderate Income Housing Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under a separate cover our report dated May 29, 2008 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 assessing the results of our audit.

The management's discussion and analysis on pages 3 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles 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 and supplementary information are presented for purposes of additional analysis and are

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

not a required part of the basic financial statements of City of Dixon, California. The combining and individual nonmajor fund financial statements and supplementary information 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.

Richardson & Company

May 29, 2008

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

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, 2007. 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 \$229.5 million (net assets) at June 30, 2007 compared to \$226.6 million at June 30, 2006. Of this amount, \$5.9 and \$6.5 million at June 30, 2007 and 2006, respectively, may be used to meet the City's ongoing obligations to its citizens, businesses, and creditors, and \$19.9 and \$21.0 million, respectively, is restricted for specific purposes such as capital projects, debt service and community development, and \$203.6 and \$199.0 million, respectively, are invested in capital assets, net of related debt.
- * The City's total net assets increased by \$2.9 million during the year ended June 30, 2007, a 1.3% increase -- \$.9 million in governmental activities and \$1.9 million in business-type activities.
- * Total Liabilities decreased by approximately \$.3 million as of June 30, 2007. 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) 2007-06 and 2005-06 the City's governmental funds reported fund balances totaling \$23.1 and \$22.8 million. This reflects an increase of \$.4 million in FY 2007-06 and a reduction of \$2.6 million in FY 2005-06 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 2007-06 and FY 2005-06, the City's proprietary funds reflected an increase in net assets of \$1.9 and \$4.2 million, respectively. The proprietary funds are reported in a very similar manner under the traditional financial reporting methods as under the new model of Statements of Net Assets and Activities.
- * The fund balance of the General Fund was \$5.8 and \$4.8 million at June 30, 2007 and 2006, of which \$2.0 and \$2.2 million at June 30, 2007 and 2006 is designated for equipment replacement.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The financial section of this report consists of five 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.
- * Supplementary Information

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, 2007

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 19) 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 20 and 21) 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, 2007

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, 2007, 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

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 58](#).

For the Governmental Funds financial statements, the following funds were reported as major funds in the 2005-06 fiscal year and continue to be reported as a major fund for FY 2007-06.

- * 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.
- * Transportation Capital Projects Fund

Changes in major fund designation include the following:

Funds treated as major funds in FY 2006-07 now shown as nonmajor funds include:

- * Vacaville-Dixon Greenbelt Authority Capital Projects Fund

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

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

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

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

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 34](#) 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 35 to 57](#) 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 58](#).

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 \$229.5 and \$222.6 million at June 30, 2007 and 2006, respectively. Overall total net assets increased by \$2.9 million from FY2005-06 to FY2006-07.

The Summary of Net Assets as of June 30, 2007, 2006 and 2005 follows:

**Statement of Net Assets
As of June 30, 2007, 2006 and 2005
(in thousands)**

	2007			2006			2005		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 27,834	\$ 5,120	\$ 32,953	\$ 27,934	\$ 4,914	\$ 32,848	\$ 33,529	\$ 3,785	\$ 37,314
Capital Assets	152,949	58,496	211,445	152,297	56,707	209,004	139,025	53,118	192,143
Total Assets	180,782	63,616	244,399	180,231	61,621	241,852	172,554	56,903	229,457
Long-Term Liabilities	8,766	2,002	10,769	9,203	2,080	11,283	5,063	1,015	6,078
Other Liabilities	2,529	1,629	4,158	2,443	1,505	3,948	8,959	2,065	11,024
Total Liabilities	11,295	3,631	14,927	11,646	3,585	15,231	14,022	3,080	17,102
Net Assets:									
Invested in Capital Assets, Net of Related Debt	145,119	58,496	203,615	144,002	55,008	199,010	130,280	51,327	181,607
Restricted	19,400	571	19,971	20,525	550	21,075	23,897	531	24,428
Unrestricted	4,968	918	5,886	4,058	2,478	6,536	4,355	1,965	6,320
Total Net Assets	\$ 169,487	\$ 59,985	\$ 229,472	\$ 168,585	\$ 58,036	\$ 226,621	\$ 158,532	\$ 53,823	\$ 212,355

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

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 \$229.5 million in FY 2007-06 and \$226.6 in FY 2005-06 with an increase of approximately \$.9 and \$10.1 million for the year ended June 30, 2007 and 2006 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 \$1.1 and \$2.1 million for the year ended June 30, 2007 and 2006, respectively. There was also a litigation settlement of \$1.5 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:

- * 203.6 and \$199.0 million (89% and 88%) at June 30, 2007 and 2006 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.
- * \$19.9 and \$21.0 million (9% and 9%) at June 30, 2007 and 2006 in net assets represent resources that are subject to external restrictions on how they may be used. These restrictions include \$11.5 and \$13.2 million for capital projects, \$6.7 and \$6.3 million for community development and other projects and \$1.7 and \$1.5 million for debt service and retirement at June 30, 2007 and 2006.
- * The remaining \$5.9 and \$6.5 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, 2007

Statement of Activities
For the Years Ended June 30, 2007, 2006 and 2005
(in thousands)

	2007			2006			2005		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:									
Program Revenues									
Charges for Services	\$ 3,763	\$ 2,115	\$ 5,877	\$ 3,064	\$ 1,817	\$ 4,881	\$ 4,503	\$ 1,728	\$ 6,231
Operating Grants and Contributions	445	558	1,003	1,122	501	1,623	885	458	1,343
Capital Grants and Contributions	2,326	2,974	5,300	12,718	3,725	16,443	10,303	4,634	14,937
General Revenues									
Taxes:									
Sales and Use Taxes	6,288		6,288	4,742		4,742	4,144		4,144
Property Taxes	5,335		5,335	4,888		4,888	4,269		4,269
Motor Vehicle and Gas Taxes	1,817		1,817	1,432		1,432	1,339		1,339
Franchise Taxes	492		492	437		437	405		405
Transient Occupancy Taxes	266		266	225		225	192		192
Interest and Investment Earnings	1,365	304	1,669	936	170	1,106	525	97	622
Rental Income	33		33	43		43	20		20
Other Revenue	148	1	149	45	5	50	116	3	119
Special items - settlement		143	143		1,565	1,565			
Gain on Sale of Capital Assets							1		1
Total Revenues	22,276	6,095	28,371	29,652	7,783	37,435	26,702	6,920	33,622
Expenses:									
Governmental Activities									
General Government	3,048		3,048	2,612		2,612	2,160		2,160
Public Protection	7,425		7,425	6,828		6,828	6,271		6,271
Parks and Recreation	2,176		2,176	1,963		1,963	1,500		1,500
Development	2,303		2,303	1,799		1,799	2,098		2,098
Public Ways and Facilities	5,745		5,745	5,890		5,890	7,013		7,013
Interest on Long-Term Debt	769		769	535		535	555		555
Business-type Activities									
Sewer		2,701	2,701		2,341	2,341		2,761	2,761
Water		711	711		555	555		583	583
Transit		642	642		646	646		601	601
Total Expenses	21,466	4,054	25,520	19,627	3,542	23,169	19,597	3,945	23,542
Excess (Deficiency)									
Before Transfers	810	2,041	2,851	10,025	4,241	14,266	7,105	2,975	10,080
Transfers	92	(92)		28	(28)		41	(41)	
Change in Net Assets	902	1,949	2,851	10,053	4,213	14,266	7,146	2,934	10,080
Net Assets, Beginning of Year	168,585	58,036	226,621	158,532	53,823	212,355	151,386	50,889	202,275
Net Assets, End of Year	\$ 169,487	\$ 59,985	\$ 229,472	\$ 168,585	\$ 58,036	\$ 226,621	\$ 158,532	\$ 53,823	\$ 212,355

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

Statement of Activities

Governmental Activities increased the City's net assets by \$.9 and \$10.1 million during the year ended June 30, 2007 and 2006 or .5% and 6.0% of the total governmental net assets of the City. Revenue decreased approximately \$7.4 in FY 2007-06 and increased \$3.0 million in 2005-06, in large part due to the revenues associated with building and permits, planning studies and other general revenues associated with growth. Expenses increased approximately \$1.8 and \$.3 million in FY 2007-06 and 2005-06. The net changes in expenditures from 2006 to 2007 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 \$2.0 and \$4.2 million during the year ended June 30, 2007 and 2006 or 3.4% and 7.2% of the total business-type net assets of the City. In the business-type activities, expenses and program revenues are generally equivalent.

Revenues

The City's total revenues were \$28.3 million for the year ended June 30, 2007 as compared to \$37.4 million as of June 30, 2006. Revenue from governmental activities totaled \$22.3 and \$29.7 million and revenues from business-type activities totaled \$6.0 and \$7.8 million for the years ended June 30, 2007 and 2006, respectively.

Program revenues include charges for services and grants and contributions. Program revenues provided \$6.5 and \$16.9 million for governmental activities (29% and 57%) and approximately \$5.6 and \$6.0 million (92% and 78%, respectively) for business-type activities during the years ended June 30, 2007 and 2006. Revenues kept pace with expenses in the business-type activities, reflecting an increase in net assets (\$2.0 and \$4.2 million for the years ended June 30, 2007 and 2006) because both projects and operations are proceeding as funding is available.

General revenues include, among other things, taxes and intergovernmental revenues. The majority of general revenues came from property, sales and other taxes and provided \$15.2 and \$11.7 million (68% and 40% of the total) for the years ended June 30, 2007 and 2006

Expenses

Expenses for the City totaled \$25.5 and \$23.2 million for the years ended June 30, 2007 and 2006, respectively. Governmental activities incurred \$21.4 and \$19.6 million and business-type activities incurred \$4.1 and \$3.5 million in expenses during the years ended June 30, 2007 and 2006, respectively. As can be seen in the table above, governmental activities expenses were about 30% and 86% funded by program revenues, fees, grants and contributions during the years ended June 30, 2007 and 2006. The remaining 70% and 14% (\$15.9 and \$2.7 million) of their funding came from general revenues for the years ended June 30, 2007 and 2006. 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.

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

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, 2007, 2006 and 2005 follows:

**Cost of Services by Program
Governmental Activities
For the Years Ended June 30, 2007, 2006 and 2005
(in thousands)**

Program	2007		2006		2005	
	Total	Net	Total	Net	Total	Net
General Government	\$ 3,048	\$ 1,616	\$ 2,612	\$ 736	\$ 2,160	\$ 579
Public Protection	7,425	6,246	6,828	5,640	6,271	4,931
Parks and Recreation	2,176	1,844	1,963	906	1,500	(2,756)
Development	2,303	959	1,799	1,412	2,098	(275)
Public Ways Facilities	5,745	3,499	5,890	(6,507)	7,013	872
Interest on Long-Term Debt	769	769	535	535	555	555
Total	<u>\$ 21,466</u>	<u>\$ 14,933</u>	<u>\$ 19,627</u>	<u>\$ 2,722</u>	<u>\$ 19,597</u>	<u>\$ 3,906</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, 2007

Revenue by Source - Governmental Activities
For the Years ended June 30, 2007, 2006 and 2005
(in thousands)

	2007		2006		2005	
	Govern- mental Activities	% Activities	Govern- mental Activities	% Activities	Govern- mental Activities	% Activities
Revenues:						
Program Revenues						
Charges for Services	\$ 3,763	17.0%	\$ 3,064	10.3%	\$ 4,503	16.9%
Operating Grants and Contributions	445	2.0%	1,122	3.8%	885	3.3%
Capital Grants and Contributions	2,326	10.4%	12,718	42.9%	10,303	38.6%
General Revenues						
Taxes:						
Sales and Use Taxes	6,288	28.2%	4,742	16.0%	4,144	15.5%
Property Taxes	5,335	23.9%	4,888	16.5%	4,269	16.0%
Motor Vehicle and Gas Taxes	1,817	8.2%	1,432	4.8%	1,339	5.0%
Franchise Taxes	492	2.2%	437	1.5%	405	1.5%
Transient Occupancy Taxes	266	1.2%	225	0.8%	192	0.7%
Interest and Investment Earnings	1,365	6.1%	936	3.2%	525	2.0%
Rental Income	33	0.1%	43	0.1%	20	0.1%
Other Revenue	148	0.7%	45	0.2%	116	0.4%
Gain on Sale of Capital Assets					1	0.0%
Total Revenues	<u>\$ 22,276</u>	<u>100.0%</u>	<u>\$ 29,652</u>	<u>100.0%</u>	<u>\$ 26,702</u>	<u>100.0%</u>

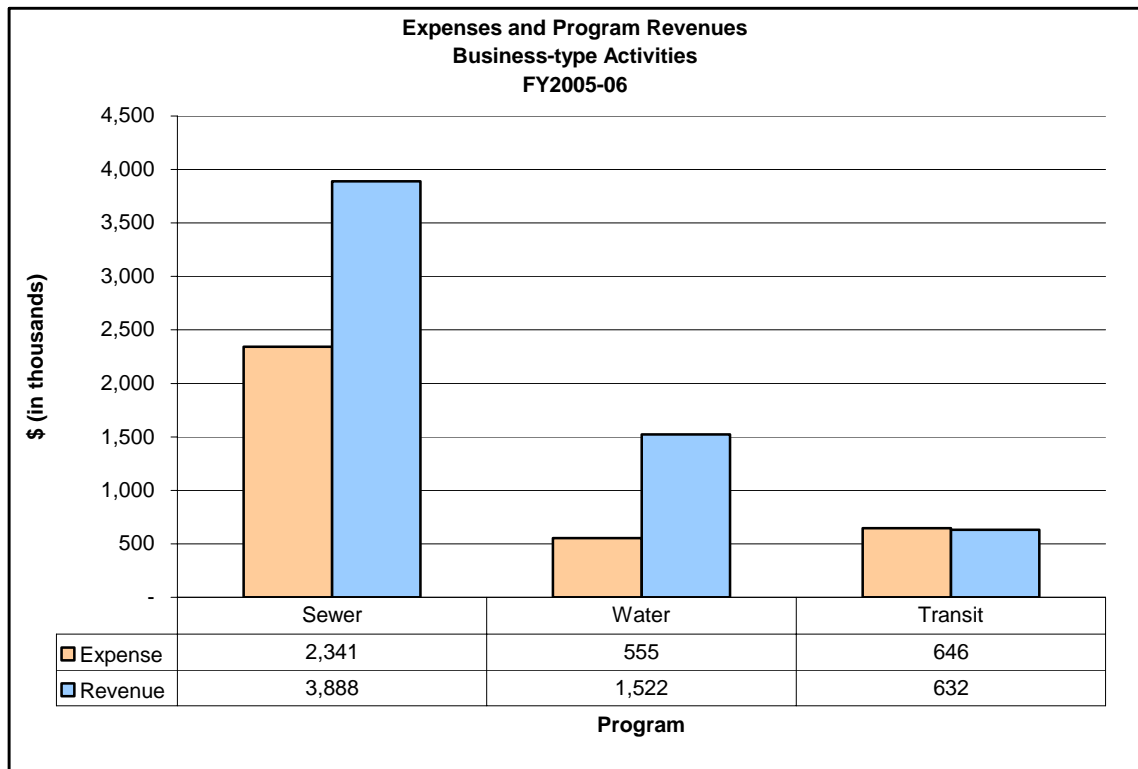
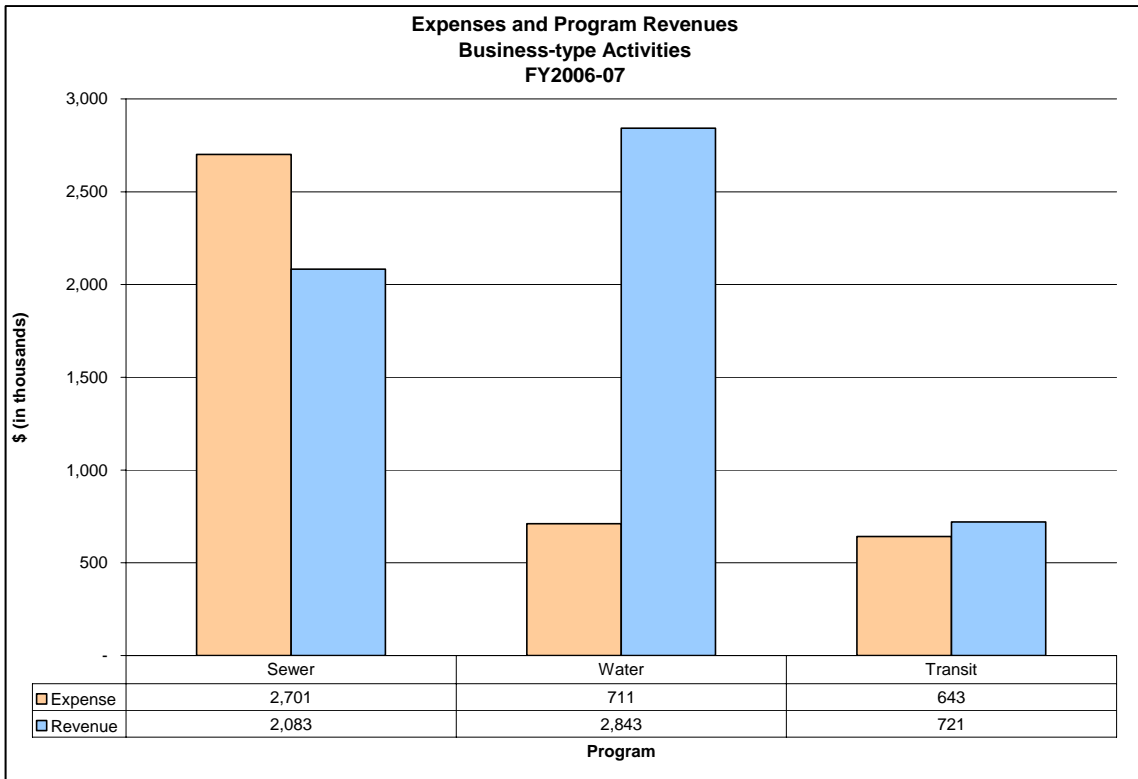
Business-Type Activities

The net assets for the business-type activities reflect sewer, water and transit operations. The net assets for these activities increased by \$2.9 and \$4.2 million during the years ended June 30, 2007 and 2006, 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, 2007, 2006 and 2005.

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007



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Management's Discussion and Analysis

For the Year Ended June 30, 2007

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:

**Revenues by Source - Business Type Activities
For the Years Ended June 30, 2007 2006 and 2005
(in thousands)**

Revenues by Source	2007		2006		2005	
	\$	%	\$	%	\$	%
Charges for Services	\$ 2,115	23.3%	\$ 1,817	23.3%	\$ 1,728	25.0%
Grants and Contributions	3,532	54.3%	4,226	54.3%	5,092	73.6%
Other	448	22.4%	1,740	22.4%	100	1.4%
Total	<u>\$ 6,095</u>	<u>100.0%</u>	<u>\$ 7,783</u>	<u>100.0%</u>	<u>\$ 6,920</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 government funds is to provide information on near-term inflows, outflows and balances of resources that are available to provide services and capital project construction. In particular, unreserved fund balance may serve as a useful measure of a government's net spendable resources.

At the end of FY 2006-07 the City's governmental funds reported combined fund balances of \$23.1 million an increase of \$3.4 million from the prior year. Typically the city collects fees in advance of projects, however, during the 2007 fiscal year, capital projects continued and transfers out to other funds created the reduction in fund balance. Of the total fund balance of \$23.1 million, approximately \$2.0 million is designated for equipment replacement and approximately \$1.9 million is undesignated. Of the remaining governmental fund balance (\$21.1 million), \$7.8 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 2005-06 the City's governmental funds reported fund balances of \$22.8 million. Approximately \$14.1 million was unreserved and \$8.7 million was reserved.

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

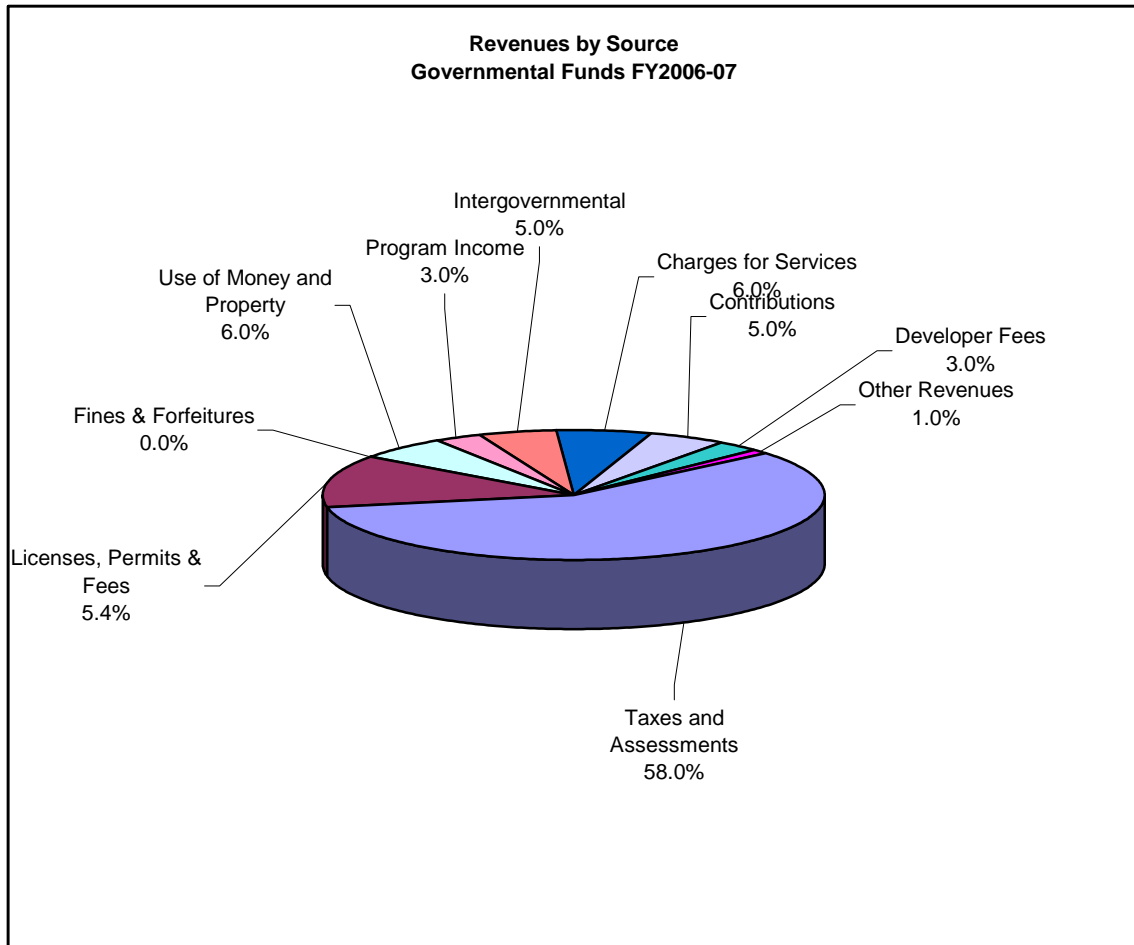
CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

**Revenues Classified by Source
Governmental Funds
For the Years Ended June 30, 2007, 2006 and 2005
(in thousands)**

Revenues by Source	2007		2006		2005	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Taxes and assessments	\$ 13,343	58.0%	\$ 10,946	34.9%	\$ 9,725	36.1%
Licenses, Permits and Fees	2,913	13.0%	1,696	5.4%	2,601	9.6%
Fines and Forfeitures	70	0.0%	77	0.2%	55	0.2%
Use of Money and Property	1,394	6.0%	958	3.1%	518	1.9%
Program Income	768	3.0%	1,594	5.1%	581	2.2%
Intergovernmental revenues	1,193	5.0%	2,748	8.8%	970	3.6%
Charges for Services	1,349	6.0%	1,828	5.8%	2,588	9.6%
Contributions	1,142	5.0%	9,703	30.9%	157	0.6%
Developer Fees	601	3.0%	1,677	5.3%	9,508	35.3%
Other Revenues	336	1.0%	166	0.5%	256	0.9%
Total	\$ 23,109	100.0%	\$ 31,393	100.0%	\$ 26,959	100.0%



CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

Key elements of the changes noted above include:

- * Taxes and assessments provide the greatest source of revenues for the City. These sources represent 58% of total revenues. The change is due to the slowdown of development caused by national economic conditions.
- * Intergovernmental revenues reflect revenue received from other agencies for capital projects. During FY 2007-06 these revenues decreased by \$1.56 million and represent about 5.0% of revenues, a decrease from 8.8% in FY2005-06. The decrease is mainly from a slow-down in various public work projects including street, storm water and sewer improvement projects.

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

**Expenditures by Function
Governmental Funds
For the Years Ended June 30, 2007, 2006 and 2005
(in thousands)**

Expenditures by Function	2007		2006		2005	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Current:						
General Government	\$ 2,939	12.8%	\$ 2,506	7.4%	\$ 2,092	8.2%
Public Safety	7,114	31.1%	6,416	18.9%	6,005	23.6%
Parks and Recreation	1,481	6.5%	1,306	3.8%	1,127	4.4%
Development	2,665	11.6%	2,686	7.9%	2,251	8.8%
Public Ways Facilities	2,667	11.6%	2,939	8.7%	4,364	17.2%
Debt Service						
Principal	465	2.0%	450	1.3%	456	1.8%
Interest Other Charges	762	3.3%	491	1.4%	515	2.0%
Capital Outlay	4,807	21.0%	17,182	50.6%	8,633	34.0%
Total	<u>\$ 22,900</u>	<u>100.0%</u>	<u>\$ 33,976</u>	<u>100.0%</u>	<u>\$ 25,443</u>	<u>100.0%</u>

Key elements of the changes noted above include:

- * Public Safety spending reflects an increase of 10.9% and 6.8% for the years ended June 30, 2007 and 2006, respectively, made up of increases in personnel costs and operating expenses.
- * 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, 2007 and 2006, respectively, the unrestricted net assets were approximately \$.3 and \$.6 million for the Dixon interest in Dixon-Solano Municipal Water Service (DSMWS). Unrestricted net assets in the Sewer fund were \$.6 million at June 30, 2007 and \$1.9 million at June 30, 2006. The Transit Fund had a net surplus of \$31,804 at June 30, 2007 and net asset deficit of \$25,485 at June 30, 2006.

Operations of proprietary funds showed an increase of 16% in operating revenues and an increase of 15% in operating expenses, mainly in the Sewer Fund.

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

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 \$.4 million due to unplanned decreases in development projects in the community. Revenues were more than expected due to an increase in property taxes from a full year of revenues from prior development, offset by 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 \$1.7 million, but actual results indicated a \$1.0 million increase 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, 2007 and 2006, respectively, was \$211.4 and \$209.0 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 2007-06 and 2005-06 was \$3.5 and \$21.5 million, prior to depreciation, from various public work project including street, storm water and sewer improvement projects.

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:

**Capital Assets (net of depreciation)
As of June 30, 2007, 2006 and 2005
(in thousands)**

	Governmental Activities			Business-Type Activities			Totals		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Land	\$ 2,738	\$ 2,738	\$ 2,728	\$ 785	\$ 785	\$ 785	\$ 3,523	\$ 3,523	\$ 3,513
Construction in Progress	4,966	3,432	3,295	4,832	1,547	6,918	9,797	4,979	10,213
Buildings & Improvements	8,237	7,975	6,584	52,535	53,970	45,000	60,772	61,945	51,584
Equipment	2,698	2,476	2,489	345	405	415	3,043	2,881	2,904
Infrastructure	134,310	135,676	123,929				134,310	135,676	123,929
Total	<u>\$ 152,949</u>	<u>\$ 152,297</u>	<u>\$ 139,025</u>	<u>\$ 58,496</u>	<u>\$ 56,707</u>	<u>\$ 53,118</u>	<u>\$ 211,445</u>	<u>\$ 209,004</u>	<u>\$ 192,143</u>

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 2007-06 and FY 2005-06 the City issued no new debt. At the end of FY 2007-06, the City of Dixon had outstanding bonds (net of portion due within the next year) and other long-term liabilities of \$7.5 million for governmental activities and \$1.9 million business-type activities, respectively. Bonds comprised all but about \$.99 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, 2007:

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

**Bonded Debt - Long Term
Outstanding Balances
As of June 30, 2007
(in thousands)**

Bond	Purpose	Balance
Governmental Activities		
1981 FHA Lease Revenue Bond	City Hall	\$ 535
1995 Tax Allocation Refunding Bonds	Redevelopment	3,450
1996 Refunding Lease Revenue Bonds	Police Station	1,085
1997 Dixon Fire Station Project Bonds	Fire Station	2,385
Total		<u>\$ 7,455</u>
Business-type Activities:		
1996 Lease Revenue Bonds	Sewer System	<u>\$ 1,865</u>

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, 2007 and 2006, a total of \$18.7 and \$19.7 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

The City's growth has slowed down during the past year due to the nation's economic state. This trend is reflected in the reduction of revenue from development during the past year. The FY 2007-06 budget has reflected the prior years' growth projected property tax increases of about 9% and sales tax increases of 4%.

During FY 2007-06 the General Fund fund balance decreased by \$42,600. It is anticipated that the operating revenue and available resources for FY 2007-07 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 2006-07 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 2007. 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.

CITY OF DIXON

Management's Discussion and Analysis

For the Year Ended June 30, 2007

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 Sandra Soto, Interim Finance Director for the City at 600 East A Street, Dixon, CA 95620, phone 707-678-7000, ssato@ci.dixon.ca.us. Or you may visit our website at www.ci.dixon.ca.us for information.

BASIC FINANCIAL STATEMENTS

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CITY OF DIXON, CALIFORNIA

STATEMENT OF NET ASSETS

As of June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 21,449,695	\$ 5,529,310	\$ 26,979,005
Receivables:			
Accounts receivable	105,744	429,103	534,847
Interest receivable	113,341	24,077	137,418
Taxes receivable	1,179,742		1,179,742
Due from other governments	250,974	54,530	305,504
Notes receivable	2,086,607	36,672	2,123,279
Internal balances	1,548,637	(1,548,637)	
Inventory	985		985
Prepaid expenses and other assets	487,498		487,498
Restricted cash and investments	450,349	549,747	1,000,096
Deferred charges	160,053	45,036	205,089
Capital assets:			
Not being depreciated	7,703,309	5,617,042	13,320,351
Being depreciated, net	145,245,460	52,879,398	198,124,858
TOTAL ASSETS	180,782,394	63,616,278	244,398,672
LIABILITIES			
Accounts payable	1,570,301	770,272	2,340,573
Salaries and benefits payable	184,717	14,515	199,232
Interest payable	131,121	36,352	167,473
Deposits payable	127,331	236,826	364,157
Deferred revenue	515,373	570,931	1,086,304
Long term liabilities			
Due within one year	1,021,084	121,153	1,142,237
Due in more than one year	7,745,271	1,881,243	9,626,514
TOTAL LIABILITIES	11,295,198	3,631,292	14,926,490
NET ASSETS			
Invested in capital assets, net of related debt	145,118,769	58,496,440	203,615,209
Restricted for debt service	1,171,232	549,747	1,720,979
Restricted for capital projects	11,525,079	21,262	11,546,341
Restricted for low and moderate income housing	3,816,400		3,816,400
Restricted for various projects	2,887,720		2,887,720
Unrestricted	4,967,996	917,537	5,885,533
TOTAL NET ASSETS	\$ 169,487,196	\$ 59,984,986	\$ 229,472,182

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, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General government	\$ 3,048,384	\$ 1,363,564	\$ 6,000	\$ 62,326
Public protection	7,425,268	726,652	52,092	400,413
Parks and recreation	2,175,573	199,957		131,215
Development	2,303,417	1,321,647	23,250	
Public ways and facilities	5,744,759	150,880	363,395	1,731,596
Interest on long-term debt	768,991			
TOTAL GOVERNMENTAL ACTIVITIES	21,466,392	3,762,700	444,737	2,325,550
BUSINESS-TYPE ACTIVITIES:				
Sewer	2,700,807	1,600,144		483,227
Water	710,802	433,202		2,409,434
Transit	642,065	81,276	558,303	81,512
TOTAL BUSINESS-TYPE ACTIVITIES	4,053,674	2,114,622	558,303	2,974,173
TOTAL PRIMARY GOVERNMENT	\$ 25,520,066	\$ 5,877,322	\$ 1,003,040	\$ 5,299,723

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

Net assets, end of year

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

Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,616,494)		\$ (1,616,494)
(6,246,111)		(6,246,111)
(1,844,401)		(1,844,401)
(958,520)		(958,520)
(3,498,888)		(3,498,888)
(768,991)		(768,991)
<u>(14,933,405)</u>		<u>(14,933,405)</u>
	\$ (617,436)	(617,436)
	2,131,834	2,131,834
	79,026	79,026
	<u>1,593,424</u>	<u>1,593,424</u>
<u>(14,933,405)</u>	<u>1,593,424</u>	<u>(13,339,981)</u>
6,287,672		6,287,672
5,334,968		5,334,968
1,816,804		1,816,804
491,875		491,875
265,824		265,824
1,365,437	303,829	1,669,266
32,886		32,886
147,591	907	148,498
	143,189	143,189
92,211	(92,211)	
<u>15,835,268</u>	<u>355,714</u>	<u>16,190,982</u>
901,863	1,949,138	2,851,001
<u>168,585,333</u>	<u>58,035,848</u>	<u>226,621,181</u>
<u>\$ 169,487,196</u>	<u>\$ 59,984,986</u>	<u>\$ 229,472,182</u>

CITY OF DIXON, CALIFORNIA

BALANCE SHEET - GOVERNMENTAL FUNDS

As of June 30, 2007

	General Fund	Low/Moderate Income Housing Special Revenue Fund	Transportation Capital Projects Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 5,084,778	\$ 2,255,097	\$ 3,531,711
Receivables:			
Accounts receivable	105,744		
Interest receivable	40,619	12,612	10,415
Taxes receivable	1,179,742		
Due from other governments	121,105		75,000
Notes receivable		1,550,023	
Due from other funds	236,302		
Advances to other funds			1,000,000
Inventory	985		
Prepaid costs and other assets	487,498		
Restricted cash and investments			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 7,256,773</u>	<u>\$ 3,817,732</u>	<u>\$ 4,617,126</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 609,525	\$ 1,332	\$ 729,664
Salaries and benefits payable	184,717		
Deposits payable	127,331		
Due to other funds			
Advances from other funds			
Deferred revenue	515,373	1,550,023	
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,436,946	1,551,355	729,664
FUND BALANCES			
Reserved for:			
Encumbrances	324,355		709,122
Advances to other funds			1,000,000
Prepaid costs and other assets	488,483		
Low and moderate income housing		2,266,377	
Debt service			
Unreserved, reported in:			
General fund			
Designated for senior/multi-use center	980		
Designated for equipment replacement	1,972,098		
Undesignated	3,033,911		
Special revenue funds			
Capital projects funds			2,178,340
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	5,819,827	2,266,377	3,887,462
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,256,773</u>	<u>\$ 3,817,732</u>	<u>\$ 4,617,126</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 10,578,109	\$ 21,449,695
	105,744
49,695	113,341
	1,179,742
	196,105
536,584	2,086,607
	236,302
1,032,154	2,032,154
	985
	487,498
450,349	450,349
<u>\$ 12,646,891</u>	<u>\$ 28,338,522</u>

\$ 229,780	\$ 1,570,301
	184,717
	127,331
236,302	236,302
483,517	483,517
536,584	2,601,980
<u>1,486,183</u>	<u>5,204,148</u>

885,000	1,918,477
1,032,154	2,032,154
	488,483
	2,266,377
1,171,232	1,171,232
	980
	1,972,098
	3,033,911
1,867,619	1,867,619
6,204,703	8,383,043
<u>11,160,708</u>	<u>23,134,374</u>
<u>\$ 12,646,891</u>	<u>\$ 28,338,522</u>

CITY OF DIXON, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

As of June 30, 2007

Fund balances - total governmental funds	\$ 23,134,374
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.	152,948,769
Long-term receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds.	2,086,607
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	(8,766,355)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(131,121)
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	160,053
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 in the government-wide statements.	<u>54,869</u>
Net assets - governmental activities	<u><u>\$ 169,487,196</u></u>

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

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CITY OF DIXON, CALIFORNIA

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

For the Year Ended June 30, 2007

	General Fund	Low/Moderate Income Housing Special Revenue Fund	Transportation Capital Projects Fund
REVENUES			
Taxes and assessments	\$ 10,820,016	\$ 433,926	
Licenses, permits and fees	2,913,140		
Fines and forfeitures	14,812		
Use of money and property	238,899	100,737	\$ 159,824
Program income		103,641	
Intergovernmental revenues	85,592		308,221
Charges for services	1,348,707		
Contributions from homeowners and others	10,011		967,597
Developer fees			184,059
Other revenues	335,500		
TOTAL REVENUES	15,766,677	638,304	1,619,701
EXPENDITURES			
Current:			
General government	2,934,494		2,219
Public safety	7,093,928		
Parks and recreation	1,479,881		
Development	1,264,655	248,538	
Public ways and facilities	2,106,521		118,471
Debt service:			
Principal retirement			
Interest and fiscal charges			
Capital outlay	105,666		2,954,852
TOTAL EXPENDITURES	14,985,145	248,538	3,075,542
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	781,532	389,766	(1,455,841)
OTHER FINANCING SOURCES (USES):			
Transfers in	844,112		1,382,100
Transfers out	(598,852)		
TOTAL OTHER FINANCING SOURCES (USES)	245,260		1,382,100
NET CHANGE IN FUND BALANCES	1,026,792	389,766	(73,741)
Fund balances, beginning of year	4,793,035	1,876,611	3,961,203
FUND BALANCES, END OF YEAR	\$ 5,819,827	\$ 2,266,377	\$ 3,887,462

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,088,848	\$ 13,342,790
	2,913,140
55,036	69,848
894,553	1,394,013
664,571	768,212
799,423	1,193,236
	1,348,707
164,215	1,141,823
416,954	601,013
795	336,295
<u>5,084,395</u>	<u>23,109,077</u>
2,596	2,939,309
19,928	7,113,856
1,500	1,481,381
1,151,514	2,664,707
441,536	2,666,528
465,000	465,000
762,198	762,198
1,746,550	4,807,068
<u>4,590,822</u>	<u>22,900,047</u>
493,573	209,030
1,652,513	3,878,725
<u>(3,187,662)</u>	<u>(3,786,514)</u>
<u>(1,535,149)</u>	<u>92,211</u>
(1,041,576)	301,241
<u>12,202,284</u>	<u>22,833,133</u>
<u>\$ 11,160,708</u>	<u>\$ 23,134,374</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, 2007

Net change in fund balances - total government funds	\$ 301,241
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	\$ 4,807,068
Depreciation expense	<u>(4,154,928)</u> 652,140
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	(398,080)
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.	
	465,000
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	8,065
Change in compensated absences	(42,514)
Governmental funds report debt issuance costs (deferred charges) as part of debt service expenditures, whereas these costs are deferred and amortized in the Government-wide Statement of Activities.	
	(14,858)
Grant revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period in the governmental funds. Revenues in the Statement of Activities are not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable in the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records the revenues that were unavailable at the end of the year.	
	<u>(69,131)</u>
Change in net assets - governmental activities	<u>\$ 901,863</u>

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

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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, 2007

	GENERAL FUND			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes and assessments	\$ 8,772,506	\$ 8,772,506	\$ 10,820,016	\$ 2,047,510
Licenses, permits and fees	1,592,560	1,592,560	2,913,140	1,320,580
Fines and forfeitures	10,700	10,700	14,812	4,112
Use of money and property	141,500	141,500	238,899	97,399
Program income				
Intergovernmental revenues	197,158	197,158	85,592	(111,566)
Charges for services	1,806,483	1,806,483	1,348,707	(457,776)
Contributions from homeowners and others	30,000	30,000	10,011	(19,989)
Other revenues	181,500	181,500	335,500	154,000
TOTAL REVENUES	12,732,407	12,732,407	15,766,677	3,034,270
EXPENDITURES				
Current:				
General government	2,861,573	2,861,573	2,934,494	(72,921)
Public safety	7,150,237	7,150,237	7,093,928	56,309
Parks and recreation	1,372,864	1,372,864	1,479,881	(107,017)
Development	847,322	847,322	1,264,655	(417,333)
Public ways and facilities	2,337,110	2,337,110	2,106,521	230,589
Capital outlay	133,815	133,815	105,666	28,149
TOTAL EXPENDITURES	14,702,921	14,702,921	14,985,145	(282,224)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,970,514)	(1,970,514)	781,532	2,752,046
OTHER FINANCING SOURCES (USES)				
Transfers in	886,640	886,640	844,112	(42,528)
Transfers out	(580,450)	(580,450)	(598,852)	(18,402)
TOTAL OTHER FINANCING SOURCES (USES)	306,190	306,190	245,260	(60,930)
NET CHANGE IN FUND BALANCES	(1,664,324)	(1,664,324)	1,026,792	2,691,116
Fund balances, beginning of year	4,793,035	4,793,035	4,793,035	
FUND BALANCES, END OF YEAR	\$ 3,128,711	\$ 3,128,711	\$ 5,819,827	\$ 2,691,116

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 Final Budget Positive (Negative)
Original	Final		
\$ 420,597	\$ 420,597	\$ 433,926	\$ 13,329
160,000	160,000	100,737	(59,263)
200,000	200,000	103,641	(96,359)
<u>780,597</u>	<u>780,597</u>	<u>638,304</u>	<u>(142,293)</u>
1,100,500	1,100,500	248,538	851,962
<u>1,100,500</u>	<u>1,100,500</u>	<u>248,538</u>	<u>851,962</u>
<u>(319,903)</u>	<u>(319,903)</u>	<u>389,766</u>	<u>709,669</u>
<u>(319,903)</u>	<u>(319,903)</u>	<u>389,766</u>	<u>709,669</u>
<u>1,876,611</u>	<u>1,876,611</u>	<u>1,876,611</u>	
<u>\$ 1,556,708</u>	<u>\$ 1,556,708</u>	<u>\$ 2,266,377</u>	<u>\$ 709,669</u>

CITY OF DIXON, CALIFORNIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

As of June 30, 2007

	Enterprise Funds			Total Proprietary Funds
	Sewer Fund	Dixon-Solano Municipal Water Service Fund (Dixon Interest)	Nonmajor Enterprise Fund TDA Transit Fund	
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 3,810,592	\$ 1,655,092	\$ 63,626	\$ 5,529,310
Receivables:				
Accounts receivable	323,453	105,650		429,103
Interest receivable	16,806	7,149	122	24,077
Due from other governments	26,775		27,755	54,530
Notes receivable	36,672			36,672
TOTAL CURRENT ASSETS	<u>4,214,298</u>	<u>1,767,891</u>	<u>91,503</u>	<u>6,073,692</u>
NONCURRENT ASSETS				
Restricted cash and investments	549,747			549,747
Deferred charges	45,036			45,036
Capital assets:				
Not being depreciated	2,236,642	3,380,400		5,617,042
Being depreciated, net	45,474,384	7,219,572	185,442	52,879,398
TOTAL NONCURRENT ASSETS	<u>48,305,809</u>	<u>10,599,972</u>	<u>185,442</u>	<u>59,091,223</u>
TOTAL ASSETS	<u>52,520,107</u>	<u>12,367,863</u>	<u>276,945</u>	<u>65,164,915</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	61,335	702,503	6,434	770,272
Salaries and benefits payable	8,456		6,059	14,515
Interest payable	36,352			36,352
Deposits payable		236,826		236,826
Advances from other funds	1,548,637			1,548,637
Deferred revenue		570,931		570,931
Long-term liabilities				
Due within one year	103,252		17,901	121,153
TOTAL CURRENT LIABILITIES	<u>1,758,032</u>	<u>1,510,260</u>	<u>30,394</u>	<u>3,298,686</u>
NONCURRENT LIABILITIES				
Long-term liabilities				
Due in more than one year	1,873,200		8,043	1,881,243
TOTAL NONCURRENT LIABILITIES	<u>1,873,200</u>		<u>8,043</u>	<u>1,881,243</u>
TOTAL LIABILITIES	<u>3,631,232</u>	<u>1,510,260</u>	<u>38,437</u>	<u>5,179,929</u>
NET ASSETS				
Invested in capital assets, net of related debt	47,711,026	10,599,972	185,442	58,496,440
Restricted for debt service	549,747			549,747
Restricted for capital projects			21,262	21,262
Unrestricted	628,102	257,631	31,804	917,537
	<u>\$ 48,888,875</u>	<u>\$ 10,857,603</u>	<u>\$ 238,508</u>	<u>\$ 59,984,986</u>

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, 2007

	Enterprise Funds			Total Proprietary Funds
	Sewer Fund	Dixon-Solano Municipal Water Service Fund (Dixon Interest)	Nonmajor Enterprise Fund TDA Transit Fund	
OPERATING REVENUES				
Charges for services	\$ 1,600,144	\$ 433,202	\$ 81,276	\$ 2,114,622
TOTAL OPERATING REVENUES	1,600,144	433,202	81,276	2,114,622
OPERATING EXPENSES				
Salaries and benefits	511,624		394,560	906,184
Office supplies and expenses	34,599	11,082	819	46,500
Maintenance and operation	180,765	259,098	101,853	541,716
Power and utilities	74,714	95,498	4,677	174,889
Contractual services	59,484	2,677	22,717	84,878
Administration	327,237	59,249	63,170	449,656
Miscellaneous	5,252	322		5,574
Depreciation and amortization	1,398,131	282,876	54,269	1,735,276
TOTAL OPERATING EXPENSES	2,591,806	710,802	642,065	3,944,673
OPERATING INCOME (LOSS)	(991,662)	(277,600)	(560,789)	(1,830,051)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	210,959	91,728	1,142	303,829
Interest expense	(109,001)			(109,001)
Intergovernmental revenues			558,303	558,303
Settlement revenue	143,189			143,189
Other revenues	907			907
TOTAL NONOPERATING REVENUES (EXPENSES)	246,054	91,728	559,445	897,227
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(745,608)	(185,872)	(1,344)	(932,824)
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions	483,227	2,409,434	81,512	2,974,173
Transfers out	(26,313)	(10,012)	(55,886)	(92,211)
CHANGE IN NET ASSETS	(288,694)	2,213,550	24,282	1,949,138
Net assets, beginning of year	49,177,569	8,644,053	214,226	58,035,848
NET ASSETS, END OF YEAR	\$ 48,888,875	\$ 10,857,603	\$ 238,508	\$ 59,984,986

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, 2007

	Enterprise Funds			
	Sewer Fund	Dixon-Solano Municipal Water Service Fund (Dixon Interest)	Nonmajor Enterprise Fund TDA Transit Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,662,402	\$ 437,415	\$ 81,276	\$ 2,181,093
Payments to suppliers	(997,704)	9,754	(193,602)	(1,181,552)
Payments to employees	(522,349)		(390,654)	(913,003)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	142,349	447,169	(502,980)	86,538
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental revenue received			558,303	558,303
Transfers out to other funds	(26,313)	(10,012)	(19,840)	(56,165)
Repayments on notes receivable	9,311			9,311
Other	907			907
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(16,095)	(10,012)	538,463	512,356
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Advances from other funds	(400,200)			(400,200)
Principal paid on long-term liabilities	(65,646)			(65,646)
Interest paid on long-term liabilities	(111,180)			(111,180)
Capital contributions received	331,070	2,384,697	20,250	2,736,017
Purchases of capital assets	(599,281)	(2,713,541)		(3,312,822)
Proceeds from insurance settlement	143,189			143,189
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(702,048)	(328,844)	20,250	(1,010,642)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	210,268	89,484	1,348	301,100
NET CASH PROVIDED BY INVESTING ACTIVITIES	210,268	89,484	1,348	301,100
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(365,526)	197,797	57,081	(110,648)
Cash and cash equivalents, beginning of year	4,725,865	1,457,295	6,545	6,189,705
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,360,339	\$ 1,655,092	\$ 63,626	\$ 6,079,057
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	\$ 3,810,592	\$ 1,655,092	\$ 63,626	\$ 5,529,310
Restricted cash and investments	549,747			549,747
CASH AND CASH EQUIVALENTS	\$ 4,360,339	\$ 1,655,092	\$ 63,626	\$ 6,079,057

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, 2007

	Enterprise Funds			Total Proprietary Funds
	Sewer Fund	Dixon-Solano Municipal Water Service Fund (Dixon Interest)	Nonmajor Enterprise Fund TDA Transit Fund	
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (991,662)	\$ (277,600)	\$ (560,789)	\$ (1,830,051)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation and amortization	1,398,131	282,876	54,269	1,735,276
Changes in operating assets and liabilities:				
Accounts receivable	62,258	1,763		64,021
Accounts payable	(315,653)	437,680	(366)	121,661
Salaries and benefits payable	3,425		1,215	4,640
Deposits payable		2,450		2,450
Compensated absences	(14,150)		2,691	(11,459)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 142,349	\$ 447,169	\$ (502,980)	\$ 86,538
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Capital contributions from developers	\$ 125,382	\$ 83,001		\$ 208,383

CITY OF DIXON, CALIFORNIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

As of June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 4,787,928
Accounts receivable	105,649
Interest receivable	18,762
Taxes receivable	1,181
Restricted cash and investments	<u>3,351,867</u>
TOTAL ASSETS	<u><u>\$ 8,265,387</u></u>
 LIABILITIES	
Accounts payable	\$ 703,662
Deposits payable	236,826
Deferred revenue	570,931
Agency obligations	<u>6,753,968</u>
TOTAL LIABILITIES	<u><u>\$ 8,265,387</u></u>

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2007

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 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

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. No separate financial statements are issued for the Authority.

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

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

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

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

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.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Separate financial statements are issued for the District and are available from the City's Finance Department.

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. The City does not eliminate interfund services provided and used from the financial statements. Internal transactions within governmental and business-type activities are eliminated in the government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers or applicants who purchase, 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, except for sales and use taxes which are considered to be available if collected within 90 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.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 and sales and use taxes are accrued as revenue and accounts receivable if received within 90 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."

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.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 and enterprise funds are used to liquidate compensated absences.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. A reserve for inventory is included in this category.

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.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

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, 2007:

Fund	Appropriations	Actual Expenditures and Transfers	Excess Expenditures and Transfers
General Fund	\$ 15,283,371	\$ 15,583,997	\$ (300,626)
Non-major Special Revenue Funds:			
Used Oil Recycling Block Grant Fund	4,050	5,592	(1,542)
OES/FEMA Grant Fund		45,617	(45,617)
Non-major Debt Service Fund:			
Certificates of Participation Reserve:	194,608	205,487	(10,879)
Non-major Capital Projects Fund:			
Industrial Park Fund	247,200	256,411	(9,211)
Police Fund	301,713	307,324	(5,611)
Storm Drainage Fund	111,435	289,392	(177,957)
Transit Fund	95,569	216,239	(120,670)
Vacaville/Dixon Greenbelt Authority Fund		302,051	(302,051)

Deficit Fund Equity: The following funds had a fund deficit at June 30, 2007:

Fund	Deficit
Landscaping and Lighting Assessment District Special Revenue Fund	\$ 154,632
Fire Capital Projects Fund	78,030
Agricultural Land Mitigation Capital Projects Fund	9,383

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.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE B – CASH AND INVESTMENTS

At June 30, 2007, the City’s pooled cash and investments were classified as follows:

Government-wide Statement of Net Assets	
Governmental Activities	
Cash and investments	\$ 21,449,695
Restricted cash and investments	450,349
Business-type Activities	
Cash and investments	5,529,310
Restricted cash and investments	549,747
Statement of Fiduciary Net Assets – Fiduciary Funds	
Cash and investments	4,787,928
Restricted cash and investments	<u>3,351,867</u>
Total cash and investments	<u>\$ 36,118,896</u>

Cash and investments as of June 30, 2007 consisted of the following:

Cash on hand	\$ 1,025
Deposits with financial institutions	<u>541,191</u>
Total cash and deposits	542,216
U.S. Agency securities	17,946,736
Money market mutual funds	4,474,331
Local Agency Investment Fund (LAIF)	<u>13,155,613</u>
Total investments	<u>35,576,680</u>
Total cash and investments	<u>\$ 36,118,896</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, 2007, the City’s permissible investments included the following instruments:

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment 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%
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 Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment 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 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.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE B – CASH AND INVESTMENTS (Continued)

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:

Type of Investment	Total	Remaining Maturity (in Months)	
		12 Months or less	13 to 24 Months
U.S. Agency securities	\$ 17,946,736	\$ 10,466,273	\$ 7,480,463
Money market mutual funds	122,368	122,368	
LAIF	13,155,613	13,155,613	
Held by Bond Trustee:			
Money market mutual funds	4,351,963	4,351,963	
	<u>\$ 35,576,680</u>	<u>\$ 28,096,217</u>	<u>\$ 7,480,463</u>

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.

Type of Investment	Minimum Legal Rating	Ratings as of Year End			
		Total	AAA/Aaa	A-1+	Unrated
U.S. Agency securities	N/A	\$ 17,946,736	\$ 16,924,868	\$ 1,021,868	
Money market mutual funds	AAA/Aaa	122,368	122,368		
LAIF	N/A	13,155,613			\$ 13,155,613
Held by bond trustee:					
Money market mutual funds	AAA/Aaa	4,351,963	4,351,963		
		<u>\$ 35,576,680</u>	<u>\$ 21,399,199</u>	<u>\$ 1,021,868</u>	<u>\$ 13,155,613</u>

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

Issuers	Investment Type	Amount
Federal Home Loan Mortgage Corporation	U.S. Agency Security	\$ 4,469,041
Federal National Mortgage Association	U.S. Agency Security	5,527,045
Federal Home Loan Bank	U.S. Agency Security	7,950,650

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

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE B – CASH AND INVESTMENTS (Continued)

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, 2007, the carrying amount of the City’s deposits was \$541,191 and the balance in financial institutions was \$26,927. The entire balance in financial institutions was covered by federal depository insurance. As of June 30, 2007, all of the City’s U.S. Agency securities were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

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 \$65,756,665,933 managed by the State Treasurer. Of that amount, 96.53% is invested in non-derivative financial products and 3.47% in derivative financial products and structured financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2007 were as follows:

Due to General Fund from:	
Nonmajor Special Revenue Funds	\$ 148,390
Nonmajor Capital Projects Funds	<u>87,912</u>
Total due to the General Fund	<u><u>\$ 236,302</u></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, 2007 were as follows:

Advance from Transportation Projects Capital Projects Fund to:	
Sewer Enterprise Fund	<u><u>\$ 1,000,000</u></u>
Advance from Nonmajor Special Revenue Funds to:	
Nonmajor Capital Projects Funds	<u><u>\$ 483,517</u></u>
Advance from Nonmajor Capital Projects Funds to:	
Sewer Enterprise Fund	<u><u>\$ 548,637</u></u>

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE C – INTERFUND TRANSACTIONS (Continued)

The advances from the Transportation Projects Capital Projects Fund and Capital Improvements Capital Projects Fund to the Sewer Enterprise Fund in the amount of \$1,000,000 and \$548,637, respectively, were to fund the sewer trunk line project. The advance from Redevelopment Special Revenue Fund to the 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.

Interfund transfers for the year ended June 30, 2007 were as follows:

Transfers to the General Fund from:

Sewer Enterprise Fund	\$ 1,313
Dixon-Solano Municipal Water Service Enterprise Fund	10,012
Nonmajor Enterprise Fund	2,129
Nonmajor Special Revenue Funds	525,094
Nonmajor Capital Projects Funds	<u>305,564</u>
Total transfers to the General Fund	<u><u>\$ 844,112</u></u>

Transfers to the Transportation Capital Projects Fund from:

Nonmajor Special Revenue Funds	\$ 482,100
Nonmajor Capital Projects Funds	<u>900,000</u>
Total transfers to Transportation Capital Projects Funds	<u><u>\$ 1,382,100</u></u>

Transfers to Nonmajor Special Revenue Funds from:

General Fund	\$ 30,202
Sewer Enterprise Fund	<u>25,000</u>
Total transfers to Nonmajor Special Revenue Funds	<u><u>\$ 55,202</u></u>

Transfers to Nonmajor Debt Service Funds from:

Nonmajor Capital Projects Funds	<u>\$ 485,048</u>
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Transfers to Nonmajor Capital Projects Funds from:

General Fund	\$ 568,650
TDA Transit Enterprise Fund	53,757
Nonmajor Special Revenue Funds	383,000
Nonmajor Debt Service Funds	96,856
Nonmajor Capital Projects Funds	<u>10,000</u>
Total transfers to Nonmajor Capital Projects Funds	<u><u>\$ 1,112,263</u></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 (Continued)

June 30, 2007

NOTE D – NOTES RECEIVABLE

The following is a summary of the notes receivable outstanding as of June 30, 2007:

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 balance of the notes receivable were \$1,550,023 at June 30, 2007.

Nonmajor Governmental Funds:

Redevelopment Special Revenue Fund – The Redevelopment Agency made two business loans to qualifying businesses within the redevelopment area. Interest rates were 4% and 6% on the two notes. The balance of the notes receivable was \$140,000 at June 30, 2007.

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 may be payable on a monthly basis or deferred until the related property is refinanced or sold. The balance of the note was \$396,584 at June 30, 2007.

Activity in governmental notes receivable for the year ended June 30, 2007 is as follows:

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Repayments</u>	<u>Charge Offs</u>	<u>Balance at June 30, 2007</u>
Major Governmental Funds:					
Low/Moderate Income Housing Special Revenue Fund	\$ 1,602,872	\$ 180,000	\$ (103,641)	\$ (129,208)	\$ 1,550,023
Nonmajor Governmental Funds:					
Redevelopment Special Revenue Fund	20,000	140,000		(20,000)	140,000
CDBG Revolving Special Revenue Fund	458,368	195,030	(256,814)		396,584
Industrial Park Capital Projects Fund	70,394		(70,394)		
Vacaville/Dixon Greenbelt Authority Capital Projects Fund	<u>333,053</u>		<u>(333,053)</u>		
	<u>\$ 2,484,687</u>	<u>\$ 515,030</u>	<u>\$ (763,902)</u>	<u>\$ (149,208)</u>	<u>\$ 2,086,607</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 the note was \$36,672 at June 30, 2007 and was past due.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE D – NOTES RECEIVABLE (Continued)

Activity in business-type notes receivable for the year ended June 30, 2007 was as follows:

	Balance at July 1, 2006	Additions	Repayments	Charge Offs	Balance at June 30, 2007
Major Enterprise Fund:					
Sewer Fund	\$ 45,983	\$ -	\$ 9,311	\$ -	\$ 36,672

NOTE E – CAPITAL ASSETS

Governmental capital asset activities for the fiscal year ended June 30, 2007 was as follows:

	Balance at July 1, 2006	Additions	Retirements	Transfers	Balance at June 20, 2007
Capital assets, not being depreciated:					
Land	\$ 2,737,728				\$ 2,737,728
Construction in progress	3,431,971	\$ 1,640,849		\$ (107,239)	4,965,581
Total capital assets, not being depreciated	6,169,699	1,640,849		(107,239)	7,703,309
Capital assets, being depreciated:					
Buildings and improvements	10,578,109	527,349			11,105,458
Equipment	4,262,681	527,813			4,790,494
Infrastructure	166,046,487	2,111,057		107,239	168,264,783
Total capital assets, being depreciated	180,887,277	3,166,219		107,239	184,160,735
Less accumulated depreciation for:					
Buildings and improvements	(2,603,518)	(264,454)			(2,867,972)
Equipment	(1,786,683)	(305,919)			(2,092,602)
Infrastructure	(30,370,146)	(3,584,555)			(33,954,701)
Total accumulated depreciation	(34,760,347)	(4,154,928)			(38,915,275)
Capital assets being depreciated, net	146,126,930	(988,709)		107,239	145,245,460
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 152,296,629	\$ 652,140	\$ -	\$ -	\$ 152,948,769

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE E – CAPITAL ASSETS (Continued)

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

General government	\$ 102,909
Public Safety	287,222
Parks and recreation	693,216
Community development	3,556
Public ways and facilities	<u>3,068,025</u>

TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE \$ 4,154,928

Business-type capital asset activity for the fiscal year ended June 30, 2007 was as follows:

	Balance at July 1, 2006	Additions	Retirements	Transfers	Balance at June 30, 2007
Capital assets, not being depreciated:					
Land	\$ 785,163				\$ 785,163
Construction in progress	<u>1,546,718</u>	\$ 3,285,161			<u>4,831,879</u>
Total capital assets, not being depreciated	<u>2,331,881</u>	<u>3,285,161</u>			<u>5,617,042</u>
Capital assets, being depreciated:					
Structures and improvements	67,645,829	208,382			67,854,211
Equipment	<u>1,064,213</u>	<u>27,662</u>	\$ (18,456)		<u>1,073,419</u>
Total capital assets, being depreciated	<u>68,710,042</u>	<u>236,044</u>	<u>(18,456)</u>		<u>68,927,630</u>
Less accumulated depreciation for:					
Structures and improvements	(13,675,808)	(1,643,705)			(15,319,513)
Equipment	<u>(658,774)</u>	<u>(88,401)</u>	18,456		<u>(728,719)</u>
Total accumulated depreciation	<u>(14,334,582)</u>	<u>(1,732,106)</u>	<u>18,456</u>		<u>(16,048,232)</u>
Capital assets being depreciated, net	<u>54,375,460</u>	<u>(1,496,062)</u>			<u>52,879,398</u>
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 56,707,341</u>	<u>\$ 1,789,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,496,440</u>

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

Sewer	\$ 1,394,961
Water	282,876
Transit	<u>54,269</u>

TOTAL BUSINESS-TYPE ACTIVITIES DEPRECIATION EXPENSE \$ 1,732,106

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

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, 2007:

	Balance at July 1, 2006	Incurred	Retired	Balance at June 30,	Due Within One year
Governmental Activities:					
1981 Lease Revenue Refunding Bonds	\$ 585,000		\$ (25,000)	\$ 560,000	\$ 25,000
1987 Certificates of Participation - Series A	105,000		(105,000)		
1995 Tax Allocation Refunding Bonds	3,675,000		(110,000)	3,565,000	115,000
1996 Refunding Lease Revenue Bonds	1,330,000		(120,000)	1,210,000	125,000
1997 Lease Revenue Bond	2,600,000		(105,000)	2,495,000	110,000
Compensated Absences	908,466	\$ 601,928	(574,039)	936,355	646,084
	9,203,466	\$ 601,928	\$ (1,039,039)	8,766,355	\$ 1,021,084
Less: Due within one year	(1,069,998)			(1,021,084)	
	<u>\$ 8,133,468</u>			<u>\$ 7,745,271</u>	
	Balance at July 1, 2006	Incurred	Retired	Balance at June 30,	Due Within One year
Business-Type Activities					
1996 Certificates of Participation	\$ 2,035,000		\$ (85,000)	\$ 1,950,000	\$ 85,000
Compensated Absences	44,501	\$ 61,302	(53,407)	52,396	36,153
	2,079,501	\$ 61,302	\$ (138,407)	2,002,396	\$ 121,153
Less: Due within one year	(114,636)			(121,153)	
	<u>\$ 1,964,865</u>			<u>\$ 1,881,243</u>	

Long-term debt related to governmental activities consists of the following at June 30, 2007:

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 \$13,375 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.

\$ 560,000

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE F – LONG-TERM LIABILITIES (Continued)

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 \$105,300 are payable semi-annually on March 1 and September 1 through September 1, 2024. Annual principal payments ranging from \$115,000 to \$310,000 are due on September 1 through September 1, 2024.

\$ 3,565,000

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 4.75% to 5.3%. Interest payments of \$4,770 to \$30,936 are due semi-annually on April 1 and October 1 through April 1, 2015. Annual principal payments of \$125,000 to \$180,000 are due on April 1 through April 1, 2015.

1,210,000

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 4.90% 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 \$110,000 to \$240,000 are due April 1 through April 1, 2022.

2,495,000

Long-term debt related to business-type activities consists of the following at June 30, 2007:

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 5.125% to 5.75%. Interest payments of \$5,319 to \$54,528 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.

1,950,000

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE F – LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the outstanding governmental activities debt as of June 30, 2007 are as follows:

Year Ending June 30:	1981 Lease Revenue Bonds		1995 Tax Allocation Refunding Bonds		1996 and 1997 Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 25,000	\$ 27,375	\$ 115,000	\$ 207,380	\$ 235,000	\$ 195,683
2009	25,000	26,125	125,000	200,660	250,000	184,355
2010	30,000	24,750	130,000	193,455	265,000	171,990
2011	30,000	23,250	140,000	185,760	275,000	158,615
2012	30,000	21,750	145,000	177,601	290,000	144,460
2013 - 2017	180,000	83,000	875,000	745,705	1,320,000	484,945
2018 - 2022	240,000	31,750	1,160,000	444,600	1,070,000	183,330
2023 - 2025			875,000	80,850		
	<u>\$ 560,000</u>	<u>\$ 238,000</u>	<u>\$ 3,565,000</u>	<u>\$ 2,236,011</u>	<u>\$ 3,705,000</u>	<u>\$ 1,523,378</u>

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2007 are as follows:

Year Ending June 30:	1996 Certificates of Participation	
	Principal	Interest
2008	\$ 85,000	\$ 106,877
2009	90,000	102,336
2010	95,000	97,456
2011	100,000	92,239
2012	105,000	86,651
2013 - 2017	635,000	333,956
2018 - 2022	840,000	125,480
	<u>\$ 1,950,000</u>	<u>\$ 944,995</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, 2007:

Dixon-West "A" Street Assessment District Limited Obligation Improvement Bonds	\$ 3,500,000
North First Street Assessment District Limited Obligation Improvement Bonds	15,150,000
Dixon Public Financing Authority:	
1998 Senior Lien Reassessment Revenue Bonds, Series A	6,120,000
1998 Junior Lien Reassessment Revenue Bonds, Series B	11,735,000
Total	<u>\$ 36,505,000</u>

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

NOTE H – DEFINED BENEFIT PENSION PLAN

Plan Description: The City contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS requires plans with less than 100 active participants to participate in risk pools. The City participates in the Safety 3.0% at 50 risk pool for its Safety Fire Plan and Safety 3.0% at 50 risk pool for its Safety Police Plan and Miscellaneous 2.0% at 55 risk pool for its Miscellaneous Plan. 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 3.0% at 50 Retirement Plan. The City is required to contribute at actuarially determined rates, which are 29.244% for safety police employees, 21.714% for safety fire employees and 13.605% 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, 2007, the City’s annual pension cost of \$1,520,648 for PERS were equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service of 3.25% to 14.45% 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 fifteen 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, 2004 was 14 years.

Three-year Trend Information for PERS

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2005	\$ 898,268	100.00%	None
2006	1,328,389	100.00%	None
2007	1,520,648	100.00%	None

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

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, 2007, 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 \$8,373 for the year ended June 30, 2007.

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
<i>LIABILITY CLAIM</i>		
\$ 0 - \$ 25,000	Self-insured	Banking layer
25,001 - 500,000	Northern California Cities Self Insurance Fund	Shared risk
500,001 - 40,000,000	California Joint Powers Risk Management Authority	Shared risk
<i>WORKERS’ COMPENSATION</i>		
\$ 0 - \$ 100,000	Self-insured	Banking layer
100,001 - 500,000	Northern California Cities Self Insurance Fund	Shared risk
500,001 - 200,000,000	Commercial insurance	

There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years. The City’s equity investment in the NCCSIF of \$487,498 is recorded as a prepaid asset in the General Fund. The audited financial statements of the JPA are available at the NCCSIF’s office.

CITY OF DIXON, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2007

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.

The City received a “Notice of Violation” from the Central Valley Regional Water Quality Control Board in June 2007 due to missing deadlines under a Cease and Desist Order related to the City’s wastewater system. The City Could potentially be subject to penalties if the matter is not resolved.

NOTE L – COMMITMENTS

The City had the following contract commitments as of June 30, 2007:

	<u>Committed</u>
Sewer Wastewater Treatment Plant	\$ 128,806
Northeast Quadrant Area #1 Well Facility	323,983
Modal Building-Downtown Transportation Center	543,000
Railroad Grade Separation	638,214
Fire Station #2	<u>149,631</u>
Total commitments	<u>\$ 1,783,634</u>

In addition to the contract commitments above, on September 11, 2007 the City Council approved a Joint Facility Use Agreement with the Dixon Unified School District for a performing arts center under which the City has agreed to contribute \$1,922,000 to the project.

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**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, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 2,058,397	\$ 718,824	\$ 7,800,888	\$ 10,578,109
Receivables:				
Interest receivable	17,316	2,059	30,320	49,695
Notes receivable	536,584			536,584
Advances to other funds	483,517		548,637	1,032,154
Restricted cash and investments		450,349		450,349
	TOTAL ASSETS	\$ 1,171,232	\$ 8,379,845	\$ 12,646,891
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 58,981		\$ 170,799	\$ 229,780
Due to other funds	148,390		87,912	236,302
Advances from other funds			483,517	483,517
Deferred revenue	536,584			536,584
	TOTAL LIABILITIES		742,228	1,486,183
FUND BALANCES				
Reserved for:				
Encumbrances	723		884,277	885,000
Advances to other funds	483,517		548,637	1,032,154
Debt service		\$ 1,171,232		1,171,232
Unreserved:				
Undesignated	1,867,619		6,204,703	8,072,322
	TOTAL FUND BALANCES	1,171,232	7,637,617	11,160,708
	TOTAL LIABILITIES AND FUND BALANCES	\$ 1,171,232	\$ 8,379,845	\$ 12,646,891

CITY OF DIXON, CALIFORNIA

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

For the Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes and assessments	\$ 2,088,848			\$ 2,088,848
Fines and forfeitures	55,036			55,036
Use of money and property	138,605	\$ 56,089	\$ 699,859	894,553
Program income	261,125		403,446	664,571
Intergovernmental revenues	639,223		160,200	799,423
Contributions from homeowners and others			164,215	164,215
Developer fees			416,954	416,954
Other revenues			795	795
TOTAL REVENUES	<u>3,182,837</u>	<u>56,089</u>	<u>1,845,469</u>	<u>5,084,395</u>
EXPENDITURES				
Current:				
General government			2,596	2,596
Public safety	19,868		60	19,928
Parks and recreation			1,500	1,500
Development	1,151,514			1,151,514
Public ways and facilities	248,740		192,796	441,536
Debt service:				
Principal retirement	110,000	355,000		465,000
Interest and fiscal charges	213,680	246,467	302,051	762,198
Capital outlay	94,142		1,652,408	1,746,550
TOTAL EXPENDITURES	<u>1,837,944</u>	<u>601,467</u>	<u>2,151,411</u>	<u>4,590,822</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,344,893	(545,378)	(305,942)	493,573
OTHER FINANCING SOURCE (USES)				
Transfers in	55,202	485,048	1,112,263	1,652,513
Transfers out	(1,390,194)	(96,856)	(1,700,612)	(3,187,662)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,334,992)</u>	<u>388,192</u>	<u>(588,349)</u>	<u>(1,535,149)</u>
NET CHANGE IN FUND BALANCES	9,901	(157,186)	(894,291)	(1,041,576)
Fund balances, beginning of year	<u>2,341,958</u>	<u>1,328,418</u>	<u>8,531,908</u>	<u>12,202,284</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,351,859</u>	<u>\$ 1,171,232</u>	<u>\$ 7,637,617</u>	<u>\$ 11,160,708</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.

Asset Forfeiture Fund – Accounts for receipts and expenditures related to asset forfeitures.

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).

OES/FEMA Fund – Accounts for receipts and expenditures related to FEMA grants.

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 June 30, 2007

	<u>Redevelopment Fund</u>	<u>Gas Tax Fund</u>	<u>Traffic Safety Fund</u>	<u>Used Oil Recycling Block Grant Fund</u>
ASSETS				
Cash and investments	\$ 1,043,557	\$ 115,248	\$ 49,357	\$ 2,505
Receivables:				
Interest receivable	12,318	1,309	184	6
Notes receivable	140,000			
Advances to other funds	<u>483,517</u>			
TOTAL ASSETS	<u><u>\$ 1,679,392</u></u>	<u><u>\$ 116,557</u></u>	<u><u>\$ 49,541</u></u>	<u><u>\$ 2,511</u></u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 22,383		\$ 15,627	\$ 2,498
Due to other funds				
Deferred revenue	<u>140,000</u>			
TOTAL LIABILITIES	<u>162,383</u>		<u>15,627</u>	<u>2,498</u>
 FUND BALANCES				
Reserved for:				
Encumbrances	723			
Advances to other funds	483,517			
Unreserved:				
Undesignated	<u>1,032,769</u>	<u>\$ 116,557</u>	<u>33,914</u>	<u>13</u>
TOTAL FUND BALANCES	<u><u>1,517,009</u></u>	<u><u>116,557</u></u>	<u><u>33,914</u></u>	<u><u>13</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,679,392</u></u>	<u><u>\$ 116,557</u></u>	<u><u>\$ 49,541</u></u>	<u><u>\$ 2,511</u></u>

COPS Block Grant Fund	Asset Forfeiture	CDBG Revolving Fund	OES/FEMA Grant	Landscaping and Lighting Assessment District Fund	Valley Glen Storm Drain Fund	Totals
\$ 135,001	\$ 1,998	\$ 417,365	\$ 36	\$ 152	\$ 293,178	\$ 2,058,397
413	7	1,631 396,584	60	252	1,136	17,316 536,584 483,517
<u>\$ 135,414</u>	<u>\$ 2,005</u>	<u>\$ 815,580</u>	<u>\$ 96</u>	<u>\$ 404</u>	<u>\$ 294,314</u>	<u>\$ 3,095,814</u>
\$ 200		\$ 8,598		\$ 6,646 148,390	\$ 3,029	\$ 58,981 148,390 536,584
<u>200</u>		<u>396,584 405,182</u>		<u>155,036</u>	<u>3,029</u>	<u>743,955</u>
						723 483,517
<u>135,214</u>	<u>\$ 2,005</u>	<u>410,398</u>	<u>\$ 96</u>	<u>(154,632)</u>	<u>291,285</u>	<u>1,867,619</u>
<u>135,214</u>	<u>2,005</u>	<u>410,398</u>	<u>96</u>	<u>(154,632)</u>	<u>291,285</u>	<u>2,351,859</u>
<u>\$ 135,414</u>	<u>\$ 2,005</u>	<u>\$ 815,580</u>	<u>\$ 96</u>	<u>\$ 404</u>	<u>\$ 294,314</u>	<u>\$ 3,095,814</u>

CITY OF DIXON, CALIFORNIA

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

For the Year Ended June 30, 2007

	Redevelopment Fund	Gas Tax Fund	Traffic Safety Fund	Used Oil Recycling Block Grant Fund
REVENUES				
Taxes and assessments	\$ 1,735,703			
Fines and forfeitures			\$ 55,036	
Use of money and property	86,604	\$ 16,143	1,401	\$ 8
Program income				
Intergovernmental revenues		449,799		6,000
TOTAL REVENUES	<u>1,822,307</u>	<u>465,942</u>	<u>56,437</u>	<u>6,008</u>
EXPENDITURES				
Current:				
Public safety				5,592
Development	892,162			
Public ways and facilities		11,224	36,167	
Debt service:				
Principal retirement	110,000			
Interest and fiscal charges	213,680			
Capital outlay	17,000			
TOTAL EXPENDITURES	<u>1,232,842</u>	<u>11,224</u>	<u>36,167</u>	<u>5,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	589,465	454,718	20,270	416
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000			
Transfers out	(962,736)	(410,318)	(6,180)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(937,736)</u>	<u>(410,318)</u>	<u>(6,180)</u>	
NET CHANGE IN FUND BALANCES	(348,271)	44,400	14,090	416
Fund balances, beginning of year	<u>1,865,280</u>	<u>72,157</u>	<u>19,824</u>	<u>(403)</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,517,009</u>	<u>\$ 116,557</u>	<u>\$ 33,914</u>	<u>\$ 13</u>

COPS Block Grant Fund	Asset Forfeiture	CDBG Revolving Fund	OES/FEMA Grant	Landscaping and Lighting Assessment District Fund	Valley Glen Storm Drain Fund	Totals
				\$ 140,074	\$ 213,071	\$ 2,088,848
						55,036
\$ 3,053	\$ 69	\$ 18,045	\$ 1,055	2,366	9,861	138,605
		261,125				261,125
136,830	1,936		44,658			639,223
<u>139,883</u>	<u>2,005</u>	<u>279,170</u>	<u>45,713</u>	<u>142,440</u>	<u>222,932</u>	<u>3,182,837</u>
14,276						19,868
		259,352				1,151,514
				140,173	61,176	248,740
						110,000
						213,680
20,986			45,617		10,539	94,142
<u>35,262</u>		<u>259,352</u>	<u>45,617</u>	<u>140,173</u>	<u>71,715</u>	<u>1,837,944</u>
104,621	2,005	19,818	96	2,267	151,217	1,344,893
		30,202				55,202
					(10,960)	(1,390,194)
		30,202			(10,960)	(1,334,992)
104,621	2,005	50,020	96	2,267	140,257	9,901
30,593		360,378		(156,899)	151,028	2,341,958
<u>\$ 135,214</u>	<u>\$ 2,005</u>	<u>\$ 410,398</u>	<u>\$ 96</u>	<u>\$ (154,632)</u>	<u>\$ 291,285</u>	<u>\$ 2,351,859</u>

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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.

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

As of June 30, 2007

	City Hall Fund	Certificates of Participation Reserve Fund	Dixon Public Improvement Fund	Public Financing Police Station Fund	Public Financing Fire Station Fund	Totals
ASSETS						
Cash and investments	\$ 553,212	\$ 1,547	\$ 28,929	\$ 70,434	\$ 64,702	\$ 718,824
Interest receivable	2,059					2,059
Due from other funds						
Restricted cash and investments				193,637	256,712	450,349
TOTAL ASSETS	<u>\$ 555,271</u>	<u>\$ 1,547</u>	<u>\$ 28,929</u>	<u>\$ 264,071</u>	<u>\$ 321,414</u>	<u>\$ 1,171,232</u>
LIABILITIES AND FUND BALANCES						
FUND BALANCES						
Reserved for debt service	<u>\$ 555,271</u>	<u>\$ 1,547</u>	<u>\$ 28,929</u>	<u>\$ 264,071</u>	<u>\$ 321,414</u>	<u>\$ 1,171,232</u>
TOTAL FUND BALANCES	<u>555,271</u>	<u>1,547</u>	<u>28,929</u>	<u>264,071</u>	<u>321,414</u>	<u>1,171,232</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 555,271</u>	<u>\$ 1,547</u>	<u>\$ 28,929</u>	<u>\$ 264,071</u>	<u>\$ 321,414</u>	<u>\$ 1,171,232</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, 2007

	City Hall Fund	Certificates of Participation Reserve Fund	Dixon Public Improvement Fund	Public Financing Police Station Fund	Public Financing Fire Station Fund	Totals
REVENUES						
Use of money and property	\$ 23,010	\$ 5,062		\$ 12,484	\$ 15,533	\$ 56,089
TOTAL REVENUES	23,010	5,062		12,484	15,533	56,089
EXPENDITURES						
Debt service:						
Principal retirement		105,000	\$ 25,000	120,000	105,000	355,000
Interest and fiscal charges		3,631	28,625	71,492	142,719	246,467
TOTAL EXPENDITURES		108,631	53,625	191,492	247,719	601,467
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	23,010	(103,569)	(53,625)	(179,008)	(232,186)	(545,378)
OTHER FINANCING SOURCES (USES)						
Transfers in			53,625	187,625	243,798	485,048
Transfers out		(96,856)				(96,856)
TOTAL OTHER FINANCING SOURCES (USES)		(96,856)	53,625	187,625	243,798	388,192
NET CHANGE IN FUND BALANCES	23,010	(200,425)		8,617	11,612	(157,186)
Fund balances, beginning of year	532,261	201,972	28,929	255,454	309,802	1,328,418
FUND BALANCES, END OF YEAR	\$ 555,271	\$ 1,547	\$ 28,929	\$ 264,071	\$ 321,414	\$ 1,171,232

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.

Vacaville/Dixon Greenbelt Authority Fund – Accounts for resources budgeted for Vacaville/Dixon Greenbelt Authority projects, including a greenbelt between the Cities of Dixon and Vacaville.

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

As of June 30, 2007

	Capital Improvements Fund	Industrial Park Fund	Community Development Fund	Fire Fund	Police Fund
ASSETS					
Cash and investments	\$ 257,583	\$ 193,040	\$ 1,153,234	\$ 188	\$ 204,575
Receivables:					
Interest receivable	2,185	1,185	4,346	311	1,107
Advances to other funds	547,953				
TOTAL ASSETS	\$ 807,721	\$ 194,225	\$ 1,157,580	\$ 499	\$ 205,682
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable					
Due to other funds				\$ 78,529	
Advances from other funds					
TOTAL LIABILITIES				78,529	
FUND BALANCES					
Reserved for:					
Encumbrances		\$ 8,590		149,631	\$ 19,045
Advances to other funds	\$ 547,953				
Unreserved:					
Undesignated	259,768	185,635	\$ 1,157,580	(227,661)	186,637
TOTAL FUND BALANCES	807,721	194,225	1,157,580	(78,030)	205,682
TOTAL LIABILITIES AND FUND BALANCES	\$ 807,721	\$ 194,225	\$ 1,157,580	\$ 499	\$ 205,682

City Facilities Fund	Public Works Fund	Storm Drainage Fund	Transit Projects Fund	Park Improvements Fund	Agricultural Land Mitigation Fund	Vacaville/ Dixon Greenbelt Authority	Totals
\$ 364,974	\$ 758,688	\$ 704,911	\$ 1,803,282	\$ 2,273,735		\$ 86,678	\$ 7,800,888
398 684	2,409	1,629	6,787	8,401		1,562	30,320 548,637
<u>\$ 366,056</u>	<u>\$ 761,097</u>	<u>\$ 706,540</u>	<u>\$ 1,810,069</u>	<u>\$ 2,282,136</u>		<u>\$ 88,240</u>	<u>\$ 8,379,845</u>
\$ 5,000		\$ 5,725	\$ 159,177	\$ 897	\$ 9,383		\$ 170,799 87,912 483,517
<u>5,000</u>		<u>483,517</u> 489,242	<u>159,177</u>	<u>897</u>	<u>9,383</u>		<u>742,228</u>
684	\$ 114,553	19,585	543,000	29,873			884,277 548,637
<u>360,372</u>	<u>646,544</u>	<u>197,713</u>	<u>1,107,892</u>	<u>2,251,366</u>	<u>(9,383)</u>	<u>\$ 88,240</u>	<u>6,204,703</u>
<u>361,056</u>	<u>761,097</u>	<u>217,298</u>	<u>1,650,892</u>	<u>2,281,239</u>	<u>(9,383)</u>	<u>88,240</u>	<u>7,637,617</u>
<u>\$ 366,056</u>	<u>\$ 761,097</u>	<u>\$ 706,540</u>	<u>\$ 1,810,069</u>	<u>\$ 2,282,136</u>	<u>\$ -</u>	<u>\$ 88,240</u>	<u>\$ 8,379,845</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, 2007

	Capital Improvements Fund	Industrial Park Fund	Community Development Fund	Fire Fund	Police Fund
REVENUES					
Use of money and property	\$ 303,335	\$ 49,715	\$ 49,530	\$ 4,303	\$ 12,265
Program income		70,394			
Intergovernmental revenues					
Contributions from homeowners and others					
Developer fees				216,519	47,064
Other revenues		795			
TOTAL REVENUES	<u>303,335</u>	<u>120,904</u>	<u>49,530</u>	<u>220,822</u>	<u>59,329</u>
EXPENDITURES					
Current:					
General government					
Public safety				1	59
Parks and recreation					
Public ways and facilities		9,411			
Debt service:					
Interest and fiscal charges					
Capital outlay				382,370	119,640
TOTAL EXPENDITURES		<u>9,411</u>		<u>382,371</u>	<u>119,699</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	303,335	111,493	49,530	(161,549)	(60,370)
OTHER FINANCING SOURCES (USES)					
Transfers in				380,450	83,200
Transfers out	(936,119)	(247,000)	(13,400)	(243,798)	(187,625)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(936,119)</u>	<u>(247,000)</u>	<u>(13,400)</u>	<u>136,652</u>	<u>(104,425)</u>
NET CHANGE IN FUND BALANCES	(632,784)	(135,507)	36,130	(24,897)	(164,795)
Fund balances, beginning of year	<u>1,440,505</u>	<u>329,732</u>	<u>1,121,450</u>	<u>(53,133)</u>	<u>370,477</u>
FUND BALANCES, END OF YEAR	<u>\$ 807,721</u>	<u>\$ 194,225</u>	<u>\$ 1,157,580</u>	<u>\$ (78,030)</u>	<u>\$ 205,682</u>

City Facilities Fund	Public Works Fund	Storm Drainage Fund	Transit Projects Fund	Park Improvements Fund	Agricultural Land Mitigation Fund	Vacaville/ Dixon Greenbelt Authority	Totals
\$ 29,549	\$ 21,331	\$ 13,719	\$ 75,153	\$ 91,873	\$ (1)	\$ 49,087	\$ 699,859
	36,200			124,000		333,052	403,446
		164,215					164,215
26,126	28,737	40,789	50,504	7,215			416,954
							795
<u>55,675</u>	<u>86,268</u>	<u>218,723</u>	<u>125,657</u>	<u>223,088</u>	<u>(1)</u>	<u>382,139</u>	<u>1,845,469</u>
		2,652		(56)			2,596
				1,500			60
5,467	2,350	2,999	172,569				1,500
						302,051	192,796
407,643	51,369	283,741	43,670	363,975			302,051
<u>413,110</u>	<u>53,719</u>	<u>289,392</u>	<u>216,239</u>	<u>365,419</u>		<u>302,051</u>	<u>1,652,408</u>
(357,435)	32,549	(70,669)	(90,582)	(142,331)	(1)	80,088	(305,942)
47,214	293,757	235,000		72,642			1,112,263
<u>(40,225)</u>				<u>(32,445)</u>			<u>(1,700,612)</u>
6,989	293,757	235,000		40,197			(588,349)
(350,446)	326,306	164,331	(90,582)	(102,134)	(1)	80,088	(894,291)
711,502	434,791	52,967	1,741,474	2,383,373	(9,382)	8,152	8,531,908
<u>\$ 361,056</u>	<u>\$ 761,097</u>	<u>\$ 217,298</u>	<u>\$ 1,650,892</u>	<u>\$ 2,281,239</u>	<u>\$ (9,383)</u>	<u>\$ 88,240</u>	<u>\$ 7,637,617</u>

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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.

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CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

As of June 30, 2007

	West "A" Street Improvement District	North First Street Improvement District	Dixon Fire Protection District	Public Financing Assessment Districts	Dixon-Solano Municipal Water Service (SID Interest)	Totals
ASSETS						
Cash and investments	\$ 389,387	\$ 1,830,252	\$ 532,013	\$ 381,186	\$ 1,655,090	\$ 4,787,928
Accounts receivable					105,649	105,649
Interest receivable	1,492	6,758	1,946	1,419	7,147	18,762
Taxes receivable			1,181			1,181
Restricted cash and investments				3,351,867		3,351,867
TOTAL ASSETS	\$ 390,879	\$ 1,837,010	\$ 535,140	\$ 3,734,472	\$ 1,767,886	\$ 8,265,387
LIABILITIES						
Accounts payable			\$ 1,160		\$ 702,502	\$ 703,662
Deposits payable					236,826	236,826
Deferred revenue					570,931	570,931
Agency obligations	\$ 390,879	\$ 1,837,010	533,980	\$ 3,734,472	257,627	6,753,968
TOTAL LIABILITIES	\$ 390,879	\$ 1,837,010	\$ 535,140	\$ 3,734,472	\$ 1,767,886	\$ 8,265,387

CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the year ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
WEST "A" STREET IMPROVEMENT DISTRICT				
ASSETS:				
Cash and investments	\$ 332,712	\$ 692,521	\$ (635,846)	\$ 389,387
Interest receivable	<u>2,962</u>	<u>1,492</u>	<u>(2,962)</u>	<u>1,492</u>
TOTAL ASSETS	<u><u>\$ 335,674</u></u>	<u><u>\$ 694,013</u></u>	<u><u>\$ (638,808)</u></u>	<u><u>\$ 390,879</u></u>
LIABILITIES:				
Agency obligations	<u>\$ 335,674</u>	<u>\$ 694,013</u>	<u>\$ (638,808)</u>	<u>\$ 390,879</u>
TOTAL LIABILITIES	<u><u>\$ 335,674</u></u>	<u><u>\$ 694,013</u></u>	<u><u>\$ (638,808)</u></u>	<u><u>\$ 390,879</u></u>
NORTH FIRST STREET IMPROVEMENT DISTRICT				
ASSETS:				
Cash and investments	\$ 1,685,020	\$ 1,822,651	\$(1,677,419)	\$ 1,830,252
Interest receivable	<u>8,627</u>	<u>6,758</u>	<u>(8,627)</u>	<u>6,758</u>
TOTAL ASSETS	<u><u>\$ 1,693,647</u></u>	<u><u>\$ 1,829,409</u></u>	<u><u>\$(1,686,046)</u></u>	<u><u>\$ 1,837,010</u></u>
LIABILITIES:				
Agency obligations	<u>\$ 1,693,647</u>	<u>\$ 1,829,409</u>	<u>\$(1,686,046)</u>	<u>\$ 1,837,010</u>
TOTAL LIABILITIES	<u><u>\$ 1,693,647</u></u>	<u><u>\$ 1,829,409</u></u>	<u><u>\$(1,686,046)</u></u>	<u><u>\$ 1,837,010</u></u>

CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the year ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
DIXON FIRE PROTECTION DISTRICT				
ASSETS:				
Cash and investments	\$ 465,776	\$ 449,175	\$ (382,938)	\$ 532,013
Accounts receivable	6,355		(6,355)	
Interest receivable	1,878	1,946	(1,878)	1,946
Taxes receivable		1,181		1,181
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 474,009</u>	<u>\$ 452,302</u>	<u>\$ (391,171)</u>	<u>\$ 535,140</u>
LIABILITIES:				
Accounts payable		\$ 1,160		\$ 1,160
Agency obligations	<u>\$ 474,009</u>	<u>451,142</u>	<u>\$ (391,171)</u>	<u>533,980</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 474,009</u>	<u>\$ 452,302</u>	<u>\$ (391,171)</u>	<u>\$ 535,140</u>
PUBLIC FINANCING ASSESSMENT DISTRICTS				
ASSETS:				
Cash and investments	\$ 380,914	\$ 2,414,954	\$(2,414,682)	\$ 381,186
Interest receivable		1,419		1,419
Restricted cash and investments	<u>3,033,664</u>	<u>318,203</u>	<u> </u>	<u>3,351,867</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,414,578</u>	<u>\$ 2,734,576</u>	<u>\$ (2,414,682)</u>	<u>\$ 3,734,472</u>
LIABILITIES:				
Agency obligations	<u>\$ 3,414,578</u>	<u>\$ 2,734,576</u>	<u>\$ (2,414,682)</u>	<u>\$ 3,734,472</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 3,414,578</u>	<u>\$ 2,734,576</u>	<u>\$ (2,414,682)</u>	<u>\$ 3,734,472</u>

CITY OF DIXON, CALIFORNIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the year ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
DIXON-SOLANO MUNICIPAL WATER SERVICE				
ASSETS:				
Cash and investments	\$ 1,457,295	\$ 524,930	\$ (327,135)	\$ 1,655,090
Accounts receivable	107,413	105,649	(107,413)	105,649
Interest receivable	4,905	7,147	(4,905)	7,147
TOTAL ASSETS	\$ 1,569,613	\$ 637,726	\$ (439,453)	\$ 1,767,886
LIABILITIES:				
Accounts payable	\$ 264,823	\$ 702,502	\$ (264,823)	\$ 702,502
Deposits payable	234,376	236,826	(234,376)	236,826
Deferred revenue	512,667	570,931	(512,667)	570,931
Agency obligations	557,747	(872,533)	572,413	257,627
TOTAL LIABILITIES	\$ 1,569,613	\$ 637,726	\$ (439,453)	\$ 1,767,886
TOTAL OF ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 4,321,717	\$ 5,904,231	\$ (5,438,020)	\$ 4,787,928
Accounts receivable	113,768	105,649	(113,768)	105,649
Interest receivable	18,372	18,762	(18,372)	18,762
Taxes receivable	1,181	1,181		1,181
Restricted cash and investments	3,033,664	318,203		3,351,867
TOTAL ASSETS	\$ 7,487,521	\$ 6,348,026	\$ (5,570,160)	\$ 8,265,387
LIABILITIES:				
Accounts payable	\$ 264,823	\$ 703,662	\$ (264,823)	\$ 703,662
Deposits payable	234,376	236,826	(234,376)	236,826
Deferred revenue	512,667	570,931	(512,667)	570,931
Agency obligations	6,475,655	4,836,607	(4,558,294)	6,753,968
TOTAL LIABILITIES	\$ 7,487,521	\$ 6,348,026	\$ (5,570,160)	\$ 8,265,387

SUPPLEMENTARY INFORMATION

CITY OF DIXON, CALIFORNIA

SCHEDULE OF FUND BALANCE BY DEPARTMENT - GENERAL FUND

As of June 30, 2007

	<u>General Fund</u>	<u>Contingency Fund</u>	<u>Council Contingency Fund</u>	<u>Recreation Fund</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 222,106			
Prepaid costs and other assets	488,483			
Unreserved, reported in:				
General fund				
Designated for senior/multi-use center	980			
Designated for equipment replacement				
Undesignated	<u>935,707</u>	<u>\$ 1,790,916</u>	<u>\$ 250,625</u>	<u>\$ 44,322</u>
 TOTAL FUND BALANCES	 <u><u>\$ 1,647,276</u></u>	 <u><u>\$ 1,790,916</u></u>	 <u><u>\$ 250,625</u></u>	 <u><u>\$ 44,322</u></u>

<u>Planning Agreements Fund</u>	<u>Equipment Replacement Fund</u>	<u>Building Reserve Fund</u>	<u>TOTAL GENERAL FUND</u>
\$ 102,249			\$ 324,355 488,483
	\$ 1,972,098		980 1,972,098
<u>(186,262)</u>	<u> </u>	<u>\$ 198,603</u>	<u>3,033,911</u>
<u>\$ (84,013)</u>	<u>\$ 1,972,098</u>	<u>\$ 198,603</u>	<u>\$ 5,819,827</u>

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