

# CITY OF DIXON

CALIFORNIA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2009

WITH

INDEPENDENT AUDITOR'S REPORT

WELCOME TO THE  
CITY OF DIXON

**CITY OF DIXON**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council of  
 the City of Dixon  
 Dixon, California

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dixon (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

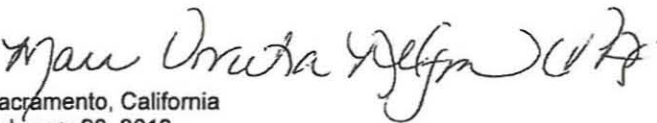
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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 opinion.

In our opinion, the basic 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 as of June 30, 2009, and the respective changes in the financial position, and where applicable, cash flows thereof 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 our report dated February 23, 2010 on our consideration of the City of Dixon's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dixon's basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
 Sacramento, California  
 February 23, 2010

### PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Kriss Ann Mann, CPA, CCPS

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**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

This section of the City of Dixon California's Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

Citywide:

- The City's total net assets decreased \$5.0 million in fiscal year 2009. At June 30, 2009, net assets totaled \$219.8 million.
- Citywide revenues totaled \$19.9 million, including program revenues of \$6.0 million and general revenues of \$13.9 million, a decrease of \$5.1 million from prior year's \$25.0 million.
- Total Citywide expenses were \$25.3 million, an decrease of \$2.7 million from the prior year's \$28.0 million.
- Net assets in governmental activities decreased \$3.3 million, while net assets in business-type activities decreased \$1.7 million.
- Governmental program revenues decreased to \$3.0 million from fiscal 2008's \$6.7 million.
- Governmental program expenses increased to \$20.7 million in fiscal 2009, down \$2.6 million from the prior year's \$23.3 million.
- Program revenues from business-type activities remained stable in fiscal 2009, equaling the \$3.0 million from the prior year.
- Expenses of business-type activities decreased to \$4.5 million in fiscal 2009, a \$.1 million decrease from the prior year's level of \$4.6 million.

Fund Level:

- Governmental fund balances decreased to \$20.4 million in fiscal 2009 from the prior year's \$21.1 million.
- Governmental fund revenues decreased to \$17.0 million in fiscal 2009, down \$4.5 million from the prior year's \$21.5 million.
- Governmental fund expenditures decreased to \$18.0 million in fiscal 2009, down \$6.0 million from fiscal 2008's level of \$24.0 million.
- General Fund revenues of \$12.4 million represented a decrease of \$3.1 million from fiscal 2008's revenues of \$15.5 million.
- General Fund balance decreased to \$5.4 million at June 30, 2009 down from fiscal 2008's level of \$5.9 million.

**OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

The financial section of this report consists of four parts:

- 1) Independent Auditor's Report;
- 2) Management's Discussion and Analysis (this section);
- 3) Basic Financial Statements which include:
  - Government-Wide Financial Statements;
  - Fund Financial Statements;
  - Notes to the Basic Financial Statements; and
- 4) Combining and Individual Fund Financial Statements and Schedules.

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

**CITY OF DIXON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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 16) 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 (page 17) 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 body 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 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.

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.

**CITY OF DIXON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, the City of Dixon's major funds are as follows:

- \*\* General Fund
- \*\* Redevelopment Special Revenue Fund
- \*\* Low/Moderate Income Housing Fund (Redevelopment) Special Revenue Fund
- \*\* Transportation Capital Projects Fund
- \*\* Storm Drain Fund

Data from the remaining nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of "combining statements" starting on page 66.

For the governmental funds financial statements, the following funds were reported as major funds in the 2007-08 fiscal year and continue to be reported as a major fund for FY 2008-09.

- \*\* 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) makes long-term, low-interest loans to first time home buyers and for homeowner rehabilitation projects for citizens of the City who meet income criteria.
- \*\* The Transportation Capital Projects Fund tracks grants, fees, and transfers collected to fund streets and transportation infrastructure.
- \*\* The Storm Drain Fund is a capital improvement project fund established to monitor the use of development impact fees collected to expand drainage facilities in the City of Dixon.

Changes in major fund designation include the following:

Funds treated as nonmajor funds in FY 2007-08 now shown as major funds include:

- \*\* Redevelopment Special Revenue Fund tracks the activity of the Dixon Redevelopment Agency which operates one economic redevelopment area encompassing most of the first street development area.

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.

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 28 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).

**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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 29 - 57 of this report.

Combining and Individual Fund Statements and Schedules

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted above, net assets may serve over time as a useful indicator of a government's financial position. For the City of Dixon, restricted and unrestricted net assets were \$219.8 and \$224.8 million at June 30, 2009 and 2008, respectively. Overall total net assets decreased by \$5.0 million in FY 2009.

The Summary of Net Assets as of June 30, 2009 and 2008 follows:

**Statement of Net Assets**  
**As of June 30, 2009 and 2008**  
(in thousands)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Government</u>		
	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>2009</u>	<u>2008</u>	<u>Net Change</u>
<b>ASSETS</b>									
Current and other assets	\$ 22,415	\$ 23,309	\$ (894)	\$ 3,381	\$ 3,826	\$ (445)	\$ 25,796	\$ 27,135	\$ (1,339)
Capital assets	<u>149,692</u>	<u>153,161</u>	<u>(3,469)</u>	<u>56,162</u>	<u>57,584</u>	<u>(1,422)</u>	<u>205,854</u>	<u>210,745</u>	<u>(4,891)</u>
Total Assets	<u>172,107</u>	<u>176,470</u>	<u>(4,363)</u>	<u>59,543</u>	<u>61,410</u>	<u>(1,867)</u>	<u>231,650</u>	<u>237,880</u>	<u>(6,230)</u>
<b>LIABILITIES</b>									
Long-term liabilities	7,353	7,967	(614)	1,696	1,791	(95)	9,049	9,758	(709)
Other liabilities	<u>2,082</u>	<u>2,510</u>	<u>(428)</u>	<u>699</u>	<u>785</u>	<u>(86)</u>	<u>2,781</u>	<u>3,295</u>	<u>(514)</u>
Total Liabilities	<u>9,435</u>	<u>10,477</u>	<u>(1,042)</u>	<u>2,395</u>	<u>2,576</u>	<u>(181)</u>	<u>11,830</u>	<u>13,053</u>	<u>(1,223)</u>
<b>NET ASSETS</b>									
Invested in capital assets, net of related debt	142,637	145,706	(3,069)	54,387	55,719	(1,332)	197,024	201,425	(4,401)
Restricted	2,509	4,811	(2,302)	182	373	(191)	2,691	5,184	(2,493)
Unrestricted	<u>17,525</u>	<u>15,476</u>	<u>2,049</u>	<u>2,579</u>	<u>2,743</u>	<u>(164)</u>	<u>20,104</u>	<u>18,219</u>	<u>1,885</u>
Total Net Assets	<u>\$162,671</u>	<u>\$165,993</u>	<u>\$ (3,322)</u>	<u>\$ 57,148</u>	<u>\$ 58,835</u>	<u>\$ (1,687)</u>	<u>\$219,819</u>	<u>\$224,828</u>	<u>\$ (5,009)</u>

Analysis of Net Assets

With the consolidation of government-wide net assets into one statement and other changes such as the exclusion of fiduciary funds, net assets may now serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$219.8 million in FY 2009 and \$224.8 in FY 2008. The decrease of approximately \$5.0 million for the year ended June 30, 2009 was the result of governmental expenses exceeding revenues by \$3.3 million and an operating loss in business type activities of \$1.7 million. The \$4.3 million decrease in 2008 was the result of governmental revenues exceeding expenses by \$3.2 million and an operating loss of \$1.2 million in business type-activities for the year ended June 30, 2008. The loss in 2009 is mainly due to the loss of revenue as result of the decline in development combined with recession impacted property and sales tax revenues.



**CITY OF DIXON**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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:

- \*\* \$197.0 million and \$201.4 million (90% and 89%) at June 30, 2009 and 2008 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.
  
- \*\* \$2.7 million and \$5.2 million (1% and 2%) at June 30, 2009 and 2008 in net assets represent resources that are subject to external restrictions on how they may be used. Included in restricted net assets are \$1.9 million and \$3.8 million for community development for FY 2009 and 2008 and \$0.8 million and \$1.4 million for debt service and retirement at June 30, 2009 and 2008.
  
- \*\* The remaining \$20.1 million and \$18.2 million are unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

Statement of Activities

Governmental activities decreased the City's net assets by \$3.6 million in FY 2009. In FY 2008, governmental activities decreased net assets \$3.5 million. Total revenue decreased approximately \$4.5 million in FY 2009 and \$0.9 million in 2008, reflecting the continuing decrease in revenues associated with building and permits and recession impacted property and sales tax. Expenses decreased approximately \$2.6 million during FY 2009 and increased \$1.9 million during 2008. Business-type activities decreased the City's net assets by \$1.7 million during the year ended June 30, 2009, while resulting in a decrease of \$1.1 million during 2008. An analysis of key changes at the governmental funds level is provided below under Financial Analysis of the City's Funds.

**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Statement of Activities**  
**For the Years Ended June 30, 2009 and 2008**  
(in thousands)

	<u>Governmental Activities</u>			<u>Business-type Activities</u>			<u>Total Government</u>		
	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>2009</u>	<u>2008</u>	<u>Net Change</u>
<b>REVENUES:</b>									
Program revenues									
Charges for services	\$ 1,597	\$ 3,913	\$ (2,316)	\$ 2,358	\$ 2,376	\$ (18)	\$ 3,955	\$ 6,289	\$ (2,334)
Operating grants and contributions	505	632	(127)	669	577	92	1,174	1,209	(35)
Capital grants and contributions	853	2,122	(1,269)	-	-	-	853	2,122	(1,269)
General revenues									
Taxes	13,165	13,567	(402)	-	-	-	13,165	13,567	(402)
Interest and investment earnings	537	1,072	(535)	91	249	(158)	628	1,321	(693)
Rental income	-	36	(36)	-	-	-	-	36	(36)
Other revenue	125	50	75	9	449	(440)	134	499	(365)
Transfers	305	160	145	(305)	(160)	(145)	-	-	-
Total Revenues	<u>17,087</u>	<u>21,552</u>	<u>(4,465)</u>	<u>2,822</u>	<u>3,491</u>	<u>(669)</u>	<u>19,909</u>	<u>25,043</u>	<u>(5,134)</u>
<b>EXPENSES:</b>									
Governmental activities									
General government	2,323	3,534	(1,211)	-	-	-	2,323	3,534	(1,211)
Public safety	7,961	7,798	163	-	-	-	7,961	7,798	163
Parks and recreation	2,394	2,254	140	-	-	-	2,394	2,254	140
Community development	2,426	2,859	(433)	-	-	-	2,426	2,859	(433)
Public ways and facilities	5,186	6,455	(1,269)	-	-	-	5,186	6,455	(1,269)
Interest on long-term liabilities	428	445	(17)	-	-	-	428	445	(17)
Business-type activities									
Sewer	-	-	-	3,066	3,150	(84)	3,066	3,150	(84)
Water	-	-	-	830	779	51	830	779	51
Transit	-	-	-	638	713	(75)	638	713	(75)
Total Expenses	<u>20,718</u>	<u>23,345</u>	<u>(2,627)</u>	<u>4,534</u>	<u>4,642</u>	<u>(108)</u>	<u>25,252</u>	<u>27,987</u>	<u>(2,735)</u>
Change in net assets	<u>(3,631)</u>	<u>(1,793)</u>	<u>(1,838)</u>	<u>(1,712)</u>	<u>(1,151)</u>	<u>(561)</u>	<u>(5,343)</u>	<u>(2,944)</u>	<u>(2,399)</u>
Net assets - beginning of year	165,993	169,487	(3,494)	58,834	59,985	(1,151)	224,827	229,472	(4,645)
Restatement	309	(1,701)	2,010	25	-	25	334	(1,701)	2,035
Net assets - beginning of year, restated	<u>166,302</u>	<u>167,786</u>	<u>(1,484)</u>	<u>58,859</u>	<u>59,985</u>	<u>(1,126)</u>	<u>225,161</u>	<u>227,771</u>	<u>(2,610)</u>
Net assets - end of year	<u>\$162,671</u>	<u>\$165,993</u>	<u>\$ (3,322)</u>	<u>\$ 57,147</u>	<u>\$ 58,834</u>	<u>\$ (1,687)</u>	<u>\$219,818</u>	<u>\$224,827</u>	<u>\$ (5,009)</u>

**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Revenues

The City's total revenues were \$19.9 million for the year ended June 30, 2009 as compared to \$25.0 million as of June 30, 2008. Revenue from governmental activities totaled \$17.1 million in 2009 and \$21.5 million in 2008. Revenues from business-type activities totaled \$3.1 million and \$3.6 million for the years ended June 30, 2009 and 2008, respectively.

Program revenues included charges for services and grants and contributions. Program revenues were \$6.0 million in 2009 and \$9.6 million in 2008 or 30% and 38%. Revenues did not keep pace with expenses in the business-type activities, which is reflected in the reduction in net assets of \$5.0 million for the year ending June 30, 2009. During FY 2008 net assets decreased by \$4.3 million.

General revenues include, among other things, taxes and intergovernmental revenues. The majority of general revenues came from property, sales and other taxes. General revenues provided \$13.9 million and \$15.4 million (70% and 61% of the total) for the years ended June 30, 2009 and 2008, respectively.

Expenses

Expenses for the City totaled \$25.3 million and \$28.0 million for the years ended June 30, 2009 and 2008, respectively. Governmental activities incurred \$20.7 million and \$23.3 million and business-type activities incurred \$4.5 million and \$4.6 million in expenses during the years ended June 30, 2009 and 2008, respectively. As can be seen in the table above, governmental activities expenses were about 14% and 28% funded by program revenues, fees, grants and contributions during the years ended June 30, 2009 and 2008. The remaining 86% and 72% (\$17.8 million and \$16.6 million) of their funding came from general revenues for the years ended June 30, 2009 and 2008. On the other hand, business-type activities expenses were 100% funded by program revenues (with the exception of interest and investment earnings), consistent with City financial policies.

Governmental Activities

As shown above in the summary of the Statement of Activities, the majority of governmental activities and operations rely on general revenues for funding. The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2009 and 2008 follows:

**Cost of Services by Program**  
**Governmental Activities**  
**For the Years Ended June 30, 2009 and 2008**  
**(in thousands)**

Program	2009		2008	
	Total	Net	Total	Net
General government	\$ 2,323	2,137	\$ 3,534	1,624
Public safety	7,961	7,014	7,798	6,522
Parks and recreation	2,394	2,060	2,254	1,955
Development	2,426	2,223	2,859	1,125
Public ways and facilities	5,186	3,901	6,455	5,008
Interest on long term liabilities	<u>428</u>	<u>428</u>	<u>445</u>	<u>445</u>
<b>Total Expenses</b>	<b>\$ <u>20,718</u></b>	<b>\$ <u>17,763</u></b>	<b>\$ <u>23,345</u></b>	<b>\$ <u>16,679</u></b>

**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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:

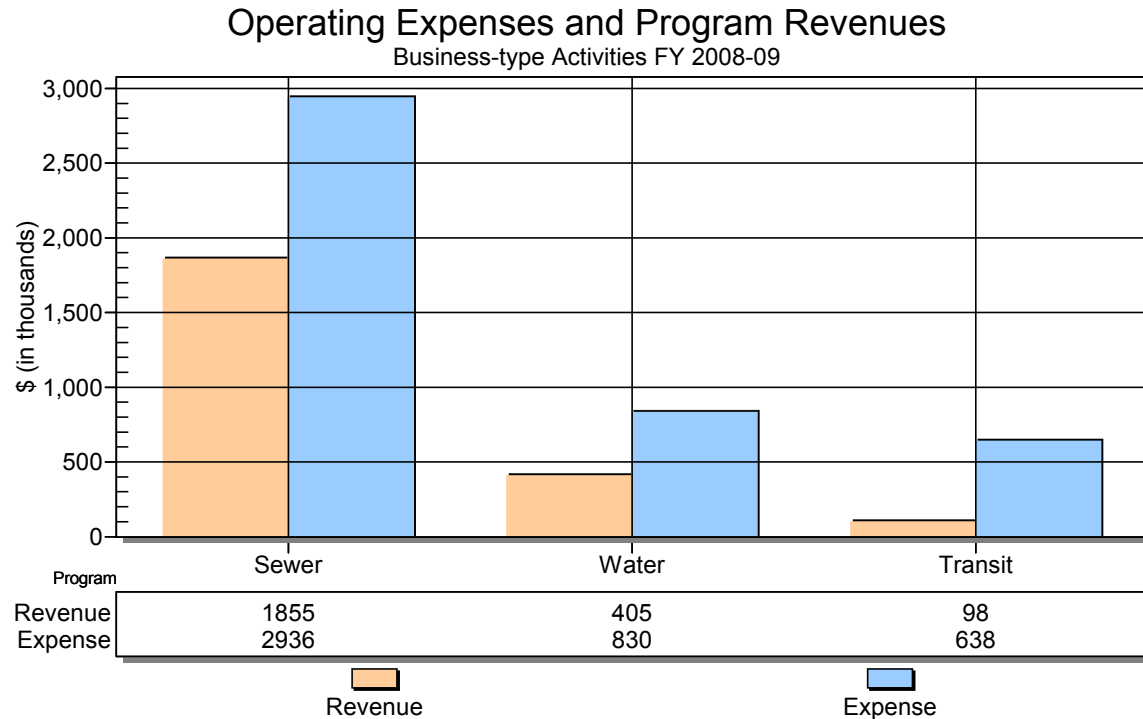
**Revenues by Source**  
**Governmental Activities**  
**For the Years Ended June 30, 2009 and 2008**  
**(in thousands)**

	<b>2009</b>		<b>2008</b>	
	Amount	% of Total	Amount	% of Total
<b>Revenues:</b>				
Program revenues				
Charges for services	\$ 1,597	9.3 %	\$ 3,913	18.2 %
Operating grants and contributions	505	3.0 %	632	2.9 %
Capital grants and contributions	853	5.0 %	2,122	9.8 %
General revenues				
Sales and use taxes	5,236	30.6 %	5,504	25.5 %
Property taxes	5,363	31.4 %	5,558	25.8 %
Motor vehicle and gas taxes	1,847	10.8 %	1,790	8.3 %
Franchise taxes	520	3.0 %	472	2.2 %
Transient occupancy taxes	200	1.2 %	243	1.1 %
Interest and investment earnings	537	3.1 %	1,072	5.0 %
Rental income	-	-	36	0.2 %
Other revenue	125	0.7 %	50	0.2 %
Transfers	305	1.8 %	160	0.7 %
<b>Total Revenues</b>	<b>\$ 17,088</b>	<b>100 %</b>	<b>\$ 21,552</b>	<b>100 %</b>

**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Business-Type Activities

The net assets for the business-type activities reflect sewer, water and transit operations. The net assets for these activities decreased by \$1.7 million during FY 2009. 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 operating expenses and program revenues by source for the business-type activities for the fiscal years ended June 30, 2009 and 2008.



As stated above, program expenses and revenues are generally equivalent. Expenses in the current year exceeded revenues and net assets were utilized.

Revenues by source in business-type activities break down as follows:

**Revenues by Source**  
**Business-type Activities**  
**For the Years Ended June 30, 2009 and 2008**  
**(in thousands)**

	<b>2009</b>		<b>2008</b>	
	Amount	% of Total	Amount	% of Total
<b>Revenues by Source</b>				
Charges for services	\$ 2,358	75.4 %	\$ 2,376	65.1 %
Grants and contributions	669	21.4 %	577	15.8 %
Other	100	3.2 %	699	19.1 %
<b>Total Revenues</b>	<b>\$ 3,127</b>	<b>100 %</b>	<b>\$ 3,652</b>	<b>100 %</b>

**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Financial Analysis of the City's Funds**

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

**Governmental Funds**

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

At the end of FY 2009, the City's governmental funds reported combined fund balances of \$20.4 million, a decrease of \$0.8 million from the prior year. This decrease is the result of the decline in revenues in the past two years. Of the total fund balance of \$20.4 million, approximately \$2.1 million was designated for equipment replacement and approximately \$3.0 million was undesignated. Of the remaining governmental fund balance of \$18.3 million, \$4.6 million was reserved and not available for new spending because it has been committed to pay for prior year commitments and other specific requirements.

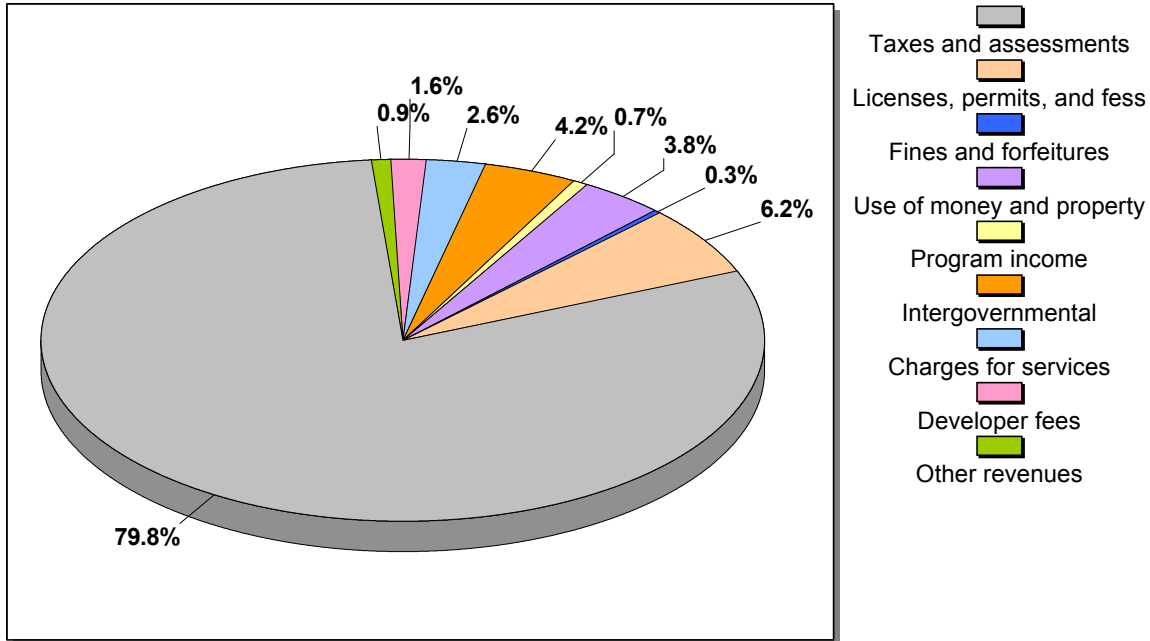
The table below presents the amount of revenues from various sources for the current and prior fiscal year.

**Revenues Classified by Source**  
**Governmental Funds**  
**For the Years Ended June 30, 2009 and 2008**  
**(in thousands)**

	<b>2009</b>		<b>2008</b>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<b>Revenues by Source</b>				
Taxes and assessments	\$ 13,536	79.8 %	\$ 12,820	59.6 %
Licenses, permits, and fees	1,052	6.2 %	2,402	11.2 %
Fines and forfeitures	54	0.3 %	52	0.2 %
Use of money and property	637	3.8 %	1,108	5.1 %
Program income	112	0.7 %	111	0.5 %
Intergovernmental revenues	707	4.2 %	2,459	11.4 %
Charges for services	446	2.6 %	1,974	9.2 %
Contributions	-	-	4	-
Developer fees	272	1.6 %	322	1.5 %
Other revenue	<u>146</u>	<u>0.9 %</u>	<u>265</u>	<u>1.2 %</u>
<b>Total Revenue</b>	<b>\$ <u>16,962</u></b>	<b><u>100 %</u></b>	<b>\$ <u>21,517</u></b>	<b><u>100 %</u></b>

**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Revenues by Source**  
 Governmental Funds FY 2008-09



Key elements of the changes noted above include:

Taxes and assessments provide the greatest source of revenues for the City. These sources represent 80% of total revenues. The decline in collections is largely the result of the effect of economic conditions on consumer spending.

Intergovernmental revenues reflect revenue received from other agencies for capital projects. During FY 2009, these revenues increased by \$1.8 million and represented about 4.2% of revenues, a decrease from 11.4% in FY 2008. The decrease was largely due to various public work projects including street, storm water, and sewer improvement projects, which were completed in 2008, with no similar projects undertaken in 2009.

**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

**Expenditures by Function**  
**Governmental Funds**  
**For the Years Ended June 30, 2009 and 2008**  
**(in thousands)**

Expenditures by Function	2009		2008	
	Amount	% of Total	Amount	% of Total
General government	\$ 1,956	10.8 %	\$ 3,554	14.8 %
Public safety	7,570	41.9 %	7,530	31.4 %
Parks and recreation	1,706	9.4 %	1,711	7.1 %
Development	2,930	16.2 %	2,880	12.0 %
Public ways and facilities	1,924	10.7 %	2,884	12.0 %
Debt service				
Principal	400	2.2 %	375	1.6 %
Interest and other charges	419	2.3 %	438	1.8 %
Capital outlay	1,148	6.4 %	4,602	19.2 %
<b>Total Expenditures</b>	<b>\$ 18,053</b>	<b>100 %</b>	<b>\$ 23,974</b>	<b>100 %</b>

Key elements of the changes noted above include:

General government spending increased by 45% from the prior year due to decreases in liability and workman's compensation costs passed on to the City as member of the Northern California Cities Self Insurance Fund (NCCCSIF).

Capital outlay decreased significantly from 2008 to 2009, due to timing of projects and reductions of activity related to revenue reductions.

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, 2009 and 2008, respectively, the unrestricted net assets were approximately \$.22 million and \$.28 million for the Dixon interest in Dixon-Solano Municipal Water Service (DSMWS). Unrestricted net assets in the Sewer fund were \$2.3 million at June 30, 2009 and \$2.4 million at June 30, 2008. The Transit Fund showed an increase in net assets to \$.26 million in 2009 from \$.19 million in 2008 as result of a surplus of \$.73 million.

Operations of proprietary funds showed an increase of 24% in operating revenues mainly due to a large grant in the transit fund and a decrease of 3% in operating expenses, mainly in the transit fund also.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Starting July 1, 2007, the City began spending more in General Fund expenditures than revenues and used reserves to balance the budget. Despite the use of reserves the City was fortunate enough to start FY 2008-09 with a projected 17% reserve. The actual ending reserve for the FY 2009 turned out to higher at 18%. The Council approved a General Fund budget of \$14.0 million for FY 2009-10 which required the use of \$.77 million in reserves with a projected 13% ending reserve balance.



**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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, 2009 and 2008, respectively, was \$205.9 million and \$210.7 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 decrease in the City's investment in capital assets for FY 2009 was \$4.8 million and reflects the decline in growth taking place in prior years. In FY 2008 the decrease of \$0.7 million, prior to depreciation, was also a result of declining growth.

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, 2009 and 2008**  
**(in thousands)**

	2009			2008		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Land	\$ 2,737	\$ 785	\$ 3,522	\$ 2,738	\$ 785	\$ 3,523
Construction in progress	1,922	1,187	3,109	3,478	2,768	6,246
Buildings & improvements	7,921	53,669	61,590	8,188	53,666	61,854
Equipment	4,570	521	5,091	2,672	365	3,037
Infrastructure	<u>132,543</u>	<u>-</u>	<u>132,543</u>	<u>136,086</u>	<u>-</u>	<u>136,086</u>
Total Net Capital Assets	<u>\$ 149,693</u>	<u>\$ 56,162</u>	<u>\$ 205,855</u>	<u>\$ 153,162</u>	<u>\$ 57,584</u>	<u>\$ 210,746</u>

Additional information about the City's capital assets can be found in Note 5 in the Notes to the Basic Financial Statements.

DEBT ADMINISTRATION

During FY 2009 and FY 2008 the City issued no new debt. At the end of FY 2009, the City of Dixon had outstanding bonds and other long-term liabilities of \$7.1million for governmental activities and \$1.8 million for business-type activities, respectively. Bonds comprised all but about \$1.0 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 6 in the Notes to Basic Financial Statements. The following table recaps the City's bonds payable as of June 30, 2009:

**CITY OF DIXON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Bonded Debt - Long Term**  
**Outstanding Balances**  
**As of June 30, 2009**  
**(in thousands)**

<u>Bond</u>	<u>Purpose</u>	<u>Amount</u>
<b>Governmental Activities:</b>		
1981 FHA lease revenue bond	City Hall	\$ 510
1995 Tax allocation refunding bonds	Redevelopment	3,325
1996 Refunding lease revenue bonds	Police station	950
1997 Dixon fire station project bonds	Fire station	<u>2,270</u>
<b>Total Governmental Activities</b>		<b>\$ <u>7,055</u></b>
<b>Business-type Activities:</b>		
1996 Lease revenue bonds	Sewer system	<b>\$ <u>1,775</u></b>

**Special Assessment District Debt:**

Two special assessment districts and one financing authority 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, 2009 and 2008, a total of \$27.3 and \$33.5 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 a limited obligation of the City. The City's only responsibilities are to collect assessments from the property owners and take actions to collect delinquent special assessments from property owners in accordance with the City's covenant with the bondholders.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In fiscal year 2009, the City saw the national economy enter a major recession which had a large impact on home values and consumer spending. Those impacts led to large decrease in the City's two major revenue sources: property and sales taxes. The City has met these challenges through employee actions, such as layoffs, and furloughs, and significantly cutting nonessential spending. The fiscal year 2010 budget anticipates a slow recovery in revenues by maintaining and expanding the cost cutting measures in place.

The City's proprietary funds face other challenges. A long term financial plan and rate and fee study for the Dixon Solano Municipal Water Services (DSMWS) is currently underway to deal with under recovery of the costs associated with delivery of water to the citizens. In addition, transit fares, which have remained at their current levels, are also under consideration.

**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 Jeremy Craig, Director of Finance and Technology for the City at 600 East A Street, Dixon, CA 95620, phone 707-678-7000, jrcraig@ci.dixon.ca.us, or you may visit our website at [www.ci.dixon.ca.us](http://www.ci.dixon.ca.us) for information.

**CITY OF DIXON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and investments (Note 2)	\$ 18,502,580	\$ 2,928,684	\$ 21,431,264
Accounts receivable	503,040	732,743	1,235,783
Interest receivable	19,102	2,908	22,010
Taxes receivable	992,770	-	992,770
Due from other governments	-	210,214	210,214
Notes receivable, net of allowance \$3,473,334 (Note 3)	826,415	-	826,415
Internal balances	713,733	(713,733)	-
Prepaid expenses	281,653	-	281,653
Inventory	1,287	-	1,287
Restricted cash and cash equivalents (Note 2)	444,162	181,920	626,082
Deferred charges, net of accumulated amortization (Note 6)	130,337	38,697	169,034
Capital assets (Note 5)			
Land and construction in progress	4,659,024	1,972,487	6,631,511
Other capital assets, net of depreciation	<u>145,032,570</u>	<u>54,189,359</u>	<u>199,221,929</u>
Total capital assets	<u>149,691,594</u>	<u>56,161,846</u>	<u>205,853,440</u>
<b>Total Assets</b>	<b><u>\$ 172,106,673</u></b>	<b><u>\$ 59,543,279</u></b>	<b><u>\$ 231,649,952</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 476,097	\$ 113,219	\$ 589,316
Accrued payroll and benefits	247,333	17,853	265,186
Accrued interest payable	117,298	32,872	150,170
Deferred revenue	94,216	143,379	237,595
Deposits payable	279,481	235,776	515,257
Other postemployment benefits (Note 9)	212,038	20,521	232,559
Accrued compensated absences (Note 6):			
Due within one year	231,000	40,570	271,570
Due in more than one year	723,166	16,243	739,409
Long-term liabilities (Note 6):			
Due within one year	425,000	95,000	520,000
Due in more than one year	<u>6,630,000</u>	<u>1,680,000</u>	<u>8,310,000</u>
<b>Total Liabilities</b>	<b><u>9,435,629</u></b>	<b><u>2,395,433</u></b>	<b><u>11,831,062</u></b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	142,636,594	54,386,846	197,023,440
Restricted for:			
Debt service	622,617	181,920	804,537
Housing projects	1,719,382	-	1,719,382
Redevelopment activities	167,455	-	167,455
Unrestricted	<u>17,524,996</u>	<u>2,579,080</u>	<u>20,104,076</u>
<b>Total Net Assets</b>	<b><u>162,671,044</u></b>	<b><u>57,147,846</u></b>	<b><u>219,818,890</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 172,106,673</u></b>	<b><u>\$ 59,543,279</u></b>	<b><u>\$ 231,649,952</u></b>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General government	\$ 2,322,562	\$ 154,518	\$ 10,000	\$ 21,469	\$ (2,136,575)	\$ -	\$ (2,136,575)
Public safety	7,960,611	707,001	90,903	148,446	(7,014,261)	-	(7,014,261)
Parks and recreation	2,393,804	333,458	-	-	(2,060,346)	-	(2,060,346)
Development	2,426,015	180,311	15,640	7,500	(2,222,564)	-	(2,222,564)
Public ways and facilities	5,186,189	222,019	388,255	675,188	(3,900,727)	-	(3,900,727)
Interest and fiscal charges	<u>427,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(427,594)</u>	<u>-</u>	<u>(427,594)</u>
Total governmental activities	<u>20,716,775</u>	<u>1,597,307</u>	<u>504,798</u>	<u>852,603</u>	<u>(17,762,067)</u>	<u>-</u>	<u>(17,762,067)</u>
Business-type activities:							
Sewer	3,065,721	1,854,713	-	-	-	(1,211,008)	(1,211,008)
Water	830,317	405,383	-	-	-	(424,934)	(424,934)
Transit	<u>638,264</u>	<u>98,277</u>	<u>668,897</u>	<u>-</u>	<u>-</u>	<u>128,910</u>	<u>128,910</u>
Total business-type activities	<u>4,534,302</u>	<u>2,358,373</u>	<u>668,897</u>	<u>-</u>	<u>-</u>	<u>(1,507,032)</u>	<u>(1,507,032)</u>
Total primary government	<u>\$ 25,251,077</u>	<u>\$ 3,955,680</u>	<u>\$ 1,173,695</u>	<u>\$ 852,603</u>	<u>\$ (17,762,067)</u>	<u>\$ (1,507,032)</u>	<u>\$ (19,269,099)</u>
General revenues:							
Property taxes					\$ 5,362,732	\$ -	\$ 5,362,732
Sales and use taxes					5,235,785	-	5,235,785
Motor vehicle and gas taxes					1,846,503	-	1,846,503
Franchise taxes					519,623	-	519,623
Transient occupancy taxes					200,282	-	200,282
Interest and investment earnings					536,787	91,025	627,812
Other revenue					124,771	9,122	133,893
Transfers					<u>304,794</u>	<u>(304,794)</u>	<u>-</u>
Total general revenues and transfers					<u>14,131,277</u>	<u>(204,647)</u>	<u>13,926,630</u>
Change in net assets					(3,630,790)	(1,711,679)	(5,342,469)
Net assets - July 1, 2008					165,992,992	58,834,375	224,827,367
Prior period restatement (Note 14)					<u>308,842</u>	<u>25,150</u>	<u>333,992</u>
Net assets - July 1, 2008, restated					<u>166,301,834</u>	<u>58,859,525</u>	<u>225,161,359</u>
Net assets - June 30, 2009					<u>\$ 162,671,044</u>	<u>\$ 57,147,846</u>	<u>\$ 219,818,890</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<b>General Fund</b>	<b>Redevelopment</b>	<b>Low/Moderate Income Housing</b>	<b>Trans- portation</b>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 4,285,029	\$ 1,901,743	\$ 1,718,243	\$ 4,001,806
Restricted cash and investments	-	18	-	-
Accounts receivable	433,370	-	-	-
Interest receivable	4,364	2,185	2,632	3,781
Taxes receivable	992,770	-	-	-
Notes receivable	-	501,192	3,266,527	-
Due from other funds	456,757	-	-	-
Advances to other funds	-	283,517	-	1,373,052
Prepaid expenses	281,653	-	-	-
Inventory	1,287	-	-	-
	<u>\$ 6,455,230</u>	<u>\$ 2,688,655</u>	<u>\$ 4,987,402</u>	<u>\$ 5,378,639</u>
Total Assets				
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>(DEFICITS)</u></b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 308,388	\$ 24,762	\$ 1,493	\$ -
Accrued payroll and benefits	247,333	-	-	-
Deferred revenue	38,622	501,192	3,266,527	-
Deposits payable	279,481	-	-	-
Due to other funds	162,262	-	-	-
Advances from other funds	-	-	-	-
	<u>1,036,086</u>	<u>525,954</u>	<u>3,268,020</u>	<u>-</u>
Total Liabilities				
<b>FUND BALANCES (DEFICITS)</b>				
<b>Reserved for:</b>				
Encumbrances	14,218	-	-	-
Low and moderate housing	-	-	1,719,382	-
Debt service	-	-	-	-
Advances to other funds	-	-	-	1,373,052
Inventory	1,287	-	-	-
Prepaid expenditures	281,653	-	-	-
<b>Unreserved:</b>				
General fund	5,121,986	-	-	-
Special revenue funds	-	2,162,701	-	-
Capital projects funds	-	-	-	4,005,587
	<u>5,419,144</u>	<u>2,162,701</u>	<u>1,719,382</u>	<u>5,378,639</u>
Total Fund Balances (Deficits)				
Total Liabilities and Fund Balances	<u>\$ 6,455,230</u>	<u>\$ 2,688,655</u>	<u>\$ 4,987,402</u>	<u>\$ 5,378,639</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
BALANCE SHEET (continued)  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<b>Storm Drain</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 816,075	\$ 5,779,684	\$ 18,502,580
Restricted cash and investments	-	444,144	444,162
Accounts receivable	-	69,670	503,040
Interest receivable	763	5,377	19,102
Taxes receivable	-	-	992,770
Notes receivable	-	532,030	4,299,749
Due from other funds	-	-	456,757
Advances to other funds	-	547,953	2,204,522
Prepaid expenses	-	-	281,653
Inventory	-	-	1,287
	<u>816,838</u>	<u>7,378,858</u>	<u>27,705,622</u>
Total Assets	<u>\$ 816,838</u>	<u>\$ 7,378,858</u>	<u>\$ 27,705,622</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>(DEFICITS)</u></b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 141,454	\$ 476,097
Accrued payroll and benefits	-	-	247,333
Deferred revenue	-	587,624	4,393,965
Deposits payable	-	-	279,481
Due to other funds	-	226,767	389,029
Advances from other funds	1,558,517	-	1,558,517
	<u>1,558,517</u>	<u>955,845</u>	<u>7,344,422</u>
Total Liabilities	<u>1,558,517</u>	<u>955,845</u>	<u>7,344,422</u>
<b>FUND BALANCES (DEFICITS)</b>			
<b>Reserved for:</b>			
Encumbrances	-	-	14,218
Low and moderate housing	-	-	1,719,382
Debt service	-	622,617	622,617
Advances to other funds	-	547,953	1,921,005
Inventory	-	-	1,287
Prepaid expenditures	-	-	281,653
<b>Unreserved:</b>			
General fund	-	-	5,121,986
Special revenue funds	-	615,016	2,777,717
Capital projects funds	(741,679)	4,637,427	7,901,335
	<u>(741,679)</u>	<u>6,423,013</u>	<u>20,361,200</u>
Total Fund Balances (Deficits)	<u>(741,679)</u>	<u>6,423,013</u>	<u>20,361,200</u>
Total Liabilities and Fund Balances	<u>\$ 816,838</u>	<u>\$ 7,378,858</u>	<u>\$ 27,705,622</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

Total fund balances of governmental funds	\$ 20,361,200
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds, net of accumulated depreciation of \$47,368,431.	149,691,594
Certain notes, loans, and interest receivables are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.	
Notes receivable	(3,473,334)
Deferred revenue	4,299,749
Long-term liabilities are not due in the current period and, therefore are not reported in the governmental funds.	
Long-term liabilities	(7,055,000)
Compensated absences	(954,166)
Net OPEB obligation	(212,038)
Deferred charges, net of accumulated amortization of \$192,571 for debt issuance costs and discounts on long-term liabilities are expensed when incurred and, therefore are not reported in the governmental funds.	130,337
Accrued interest payable from the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	<u>(117,298)</u>
Net assets of governmental activities	<u>\$ 162,671,044</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Redevelopment</u>	<u>Low/Moderate Income Housing</u>	<u>Trans- portation</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 10,375,566	\$ 1,901,950	\$ 475,488	\$ -
License, permits, and fees	1,044,880	-	-	7,500
Fines and forfeitures	15,818	-	-	-
Use of money and property	266,924	31,628	40,698	98,646
Program income	-	-	34,219	-
Intergovernmental	90,903	-	-	279,112
Charges for services	446,407	-	-	-
Developer fees	-	-	-	179,687
Other revenues	<u>133,916</u>	<u>3,353</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>12,374,414</u>	<u>1,936,931</u>	<u>550,405</u>	<u>564,945</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General administration	1,954,018	-	-	1,507
Public safety	7,510,644	-	-	-
Parks and recreation	1,705,596	-	-	-
Development	1,041,918	952,652	661,237	-
Public ways and facilities	1,653,668	-	-	-
Capital outlay	73,034	-	-	432,997
Debt service:				
Principal	-	125,000	-	-
Interest and fiscal charges	<u>-</u>	<u>200,643</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>13,938,878</u>	<u>1,278,295</u>	<u>661,237</u>	<u>434,504</u>
Excess (deficiency) of Revenues over Expenditures	<u>(1,564,464)</u>	<u>658,636</u>	<u>(110,832)</u>	<u>130,441</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	1,142,355	25,000	-	72,000
Transfers out	<u>(34,607)</u>	<u>(319,940)</u>	<u>(170,690)</u>	<u>(38,403)</u>
Total Other Financing Sources (Uses)	<u>1,107,748</u>	<u>(294,940)</u>	<u>(170,690)</u>	<u>33,597</u>
Net Change in Fund Balances	(456,716)	363,696	(281,522)	164,038
Fund Balances (Deficits) - July 1, 2008	5,875,860	1,799,005	2,000,904	5,012,885
Prior period adjustment (Note 14)	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,716</u>
Fund Balances (Deficits) - July 1, 2008, restated	<u>5,875,860</u>	<u>1,799,005</u>	<u>2,000,904</u>	<u>5,214,601</u>
Fund Balances (Deficits) - June 30, 2009	<u>\$ 5,419,144</u>	<u>\$ 2,162,701</u>	<u>\$ 1,719,382</u>	<u>\$ 5,378,639</u>

See accompanying notes to the basic financial statements.



**CITY OF DIXON**  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Storm Drain</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
Taxes and assessments	\$ -	\$ 782,729	\$ 13,535,733
License, permits, and fees	-	-	1,052,380
Fines and forfeitures	-	37,770	53,588
Use of money and property	26,246	172,879	637,021
Program income	-	77,853	112,072
Intergovernmental	-	336,736	706,751
Charges for services	-	-	446,407
Developer fees	17,093	75,562	272,342
Other revenues	-	8,317	145,586
	<u>43,339</u>	<u>1,491,846</u>	<u>16,961,880</u>
Total Revenues			
<b><u>EXPENDITURES</u></b>			
Current:			
General administration	-	-	1,955,525
Public safety	-	59,547	7,570,191
Parks and recreation	-	-	1,705,596
Development	-	274,325	2,930,132
Public ways and facilities	-	270,067	1,923,735
Capital outlay	32,873	609,304	1,148,208
Debt service:			
Principal	-	275,000	400,000
Interest and fiscal charges	-	217,889	418,532
	<u>32,873</u>	<u>1,706,132</u>	<u>18,051,919</u>
Total Expenditures			
Excess (deficiency) of Revenues over Expenditures	<u>10,466</u>	<u>(214,286)</u>	<u>(1,090,039)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	-	648,122	1,887,477
Transfers out	-	(1,019,043)	(1,582,683)
	<u>-</u>	<u>(370,921)</u>	<u>304,794</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	10,466	(585,207)	(785,245)
Fund Balances (Deficits) - July 1, 2008	(752,145)	6,901,094	20,837,603
Prior period adjustment (Note 14)	-	107,126	308,842
	<u>(752,145)</u>	<u>7,008,220</u>	<u>21,146,445</u>
Fund Balances (Deficits) - July 1, 2008, restated			
Fund Balances (Deficits) - June 30, 2009	<u>\$ (741,679)</u>	<u>\$ 6,423,013</u>	<u>\$ 20,361,200</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
**RECONCILIATION OF THE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$ (785,245)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets.	
Capital asset purchases	997,318
Depreciation expense	(4,325,280)
Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.	
	(141,671)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Bond principal payments	400,000
Compensated absence expenditures reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.	
	(41,910)
Costs associated with the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the Statement of Net Assets.	
Amortization of bond issuance costs	(14,858)
Receipts of payments and disbursements of funds related to notes and loans receivable are reported as revenue and expenditures, respectively, in governmental funds, but an increase and decrease, respectively, in notes receivable in the Statement of Net Assets.	
Loan program receipts	(156,726)
Loans made during the year	1,597,413
Accrued interest payable is interest due on long-term liabilities. This is the net change in accrued interest in the current period.	
	5,796
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Allowance for notes receivable	(953,589)
Other postemployment benefits	<u>(212,038)</u>
Change in net assets of governmental activities	<u>\$ (3,630,790)</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Dixon-Solano Municipal Water Service (Dixon- Interest)</b>	<b>Transit</b>	<b>Totals</b>
<b>ASSETS</b>				
Current Assets				
Cash and investments	\$ 2,398,355	\$ 530,329	\$ -	\$ 2,928,684
Accounts receivable	617,082	115,621	40	732,743
Interest receivable	2,411	494	3	2,908
Due from other governments	<u>14,181</u>	<u>-</u>	<u>196,033</u>	<u>210,214</u>
<b>Total Current Assets</b>	<u>3,032,029</u>	<u>646,444</u>	<u>196,076</u>	<u>3,874,549</u>
Non Current Assets				
Restricted cash and investments	181,920	-	-	181,920
Deferred issuance costs, net	38,697	-	-	38,697
Capital assets, net of accumulated depreciation	<u>45,545,589</u>	<u>10,436,641</u>	<u>179,616</u>	<u>56,161,846</u>
<b>Total Non-Current Assets</b>	<u>45,766,206</u>	<u>10,436,641</u>	<u>179,616</u>	<u>56,382,463</u>
<b>Total Assets</b>	<u>\$ 48,798,235</u>	<u>\$ 11,083,085</u>	<u>\$ 375,692</u>	<u>\$ 60,257,012</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 65,920	\$ 43,953	\$ 3,346	\$ 113,219
Accrued salary and benefits	10,283	-	7,570	17,853
Accrued interest payable	32,872	-	-	32,872
Deposits payable	-	235,776	-	235,776
Due to other funds	-	-	67,728	67,728
Advances from other funds	646,005	-	-	646,005
Deferred revenue	-	143,379	-	143,379
Compensated absences - current	18,472	-	22,098	40,570
Bonds payable - current	<u>95,000</u>	<u>-</u>	<u>-</u>	<u>95,000</u>
<b>Total Current Liabilities</b>	<u>868,552</u>	<u>423,108</u>	<u>100,742</u>	<u>1,392,402</u>
Non-Current Liabilities				
Compensated absences	8,200	-	8,043	16,243
Bonds payable	1,680,000	-	-	1,680,000
Net OPEB obligation	<u>20,521</u>	<u>-</u>	<u>-</u>	<u>20,521</u>
<b>Total Non-Current Liabilities</b>	<u>1,708,721</u>	<u>-</u>	<u>8,043</u>	<u>1,716,764</u>
<b>Total Liabilities</b>	<u>2,577,273</u>	<u>423,108</u>	<u>108,785</u>	<u>3,109,166</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	43,770,589	10,436,641	179,616	54,386,846
Restricted for debt service	181,920	-	-	181,920
Unrestricted	<u>2,268,453</u>	<u>223,336</u>	<u>87,291</u>	<u>2,579,080</u>
<b>Total Net Assets</b>	<u>46,220,962</u>	<u>10,659,977</u>	<u>266,907</u>	<u>57,147,846</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 48,798,235</u>	<u>\$ 11,083,085</u>	<u>\$ 375,692</u>	<u>\$ 60,257,012</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Dixon-Solano Municipal Water Service (Dixon- Interest)</b>	<b>Transit</b>	<b>Totals</b>
<b><u>OPERATING REVENUES</u></b>				
Charges for services, net of refunds	\$ 1,745,923	\$ 405,383	\$ 98,277	\$ 2,249,583
Operating grants	-	-	583,075	583,075
Other revenue	<u>108,790</u>	<u>-</u>	<u>-</u>	<u>108,790</u>
<b>Total Operating Revenue</b>	<u>1,854,713</u>	<u>405,383</u>	<u>681,352</u>	<u>2,941,448</u>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and benefits	642,627	-	431,426	1,074,053
Materials, supplies, and operational expenses	43,320	17,227	1,407	61,954
Repairs and maintenance	461,654	247,699	100,336	809,689
Power and utilities	73,924	135,300	4,711	213,935
Contractual services	205,392	17,032	36,490	258,914
Administration	36,661	98,903	35,201	170,765
Miscellaneous	6,846	391	-	7,237
Depreciation and amortization	<u>1,466,052</u>	<u>313,765</u>	<u>28,693</u>	<u>1,808,510</u>
<b>Total Operating Expenses</b>	<u>2,936,476</u>	<u>830,317</u>	<u>638,264</u>	<u>4,405,057</u>
<b>Operating Income (Loss)</b>	<u>(1,081,763)</u>	<u>(424,934)</u>	<u>43,088</u>	<u>(1,463,609)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Interest income	75,378	15,647	-	91,025
Interest expense	(129,245)	-	-	(129,245)
Intergovernmental revenues	-	-	85,822	85,822
Other revenues	<u>-</u>	<u>9,122</u>	<u>-</u>	<u>9,122</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(53,867)</u>	<u>24,769</u>	<u>85,822</u>	<u>56,724</u>
<b>Income (Loss) Before Transfers</b>	<u>(1,135,630)</u>	<u>(400,165)</u>	<u>128,910</u>	<u>(1,406,885)</u>
<b><u>TRANSFERS</u></b>				
Transfers out	<u>(248,523)</u>	<u>-</u>	<u>(56,271)</u>	<u>(304,794)</u>
<b>Total Transfers</b>	<u>(248,523)</u>	<u>-</u>	<u>(56,271)</u>	<u>(304,794)</u>
Change in net assets	(1,384,153)	(400,165)	72,639	(1,711,679)
Net Assets - July 1, 2008	47,605,115	11,036,588	192,672	58,834,375
Prior period adjustment (Note 14)	<u>-</u>	<u>23,554</u>	<u>1,596</u>	<u>25,150</u>
Net Assets - July 1, 2008, restated	<u>47,605,115</u>	<u>11,060,142</u>	<u>194,268</u>	<u>58,859,525</u>
Net Assets - June 30, 2009	<u>\$ 46,220,962</u>	<u>\$ 10,659,977</u>	<u>\$ 266,907</u>	<u>\$ 57,147,846</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Dixon-Solano Municipal Water Service (Dixon -Interest)</b>	<b>Transit</b>	<b>Totals</b>
<b><u>CASH FLOWS FROM OPERATING</u></b>				
<b><u>ACTIVITIES</u></b>				
Cash received from customers	\$ 1,541,846	\$ 370,744	\$ 98,277	\$ 2,010,867
Cash received from operating grants	-	-	388,285	388,285
Cash paid to suppliers	(796,421)	(593,145)	(194,583)	(1,584,149)
Cash paid to employees	(624,876)	-	(431,946)	(1,056,822)
Net Cash Provided (Used) by Operating Activities	<u>120,549</u>	<u>(222,401)</u>	<u>(139,967)</u>	<u>(241,819)</u>
<b><u>CASH FLOWS FROM NON-CAPITAL</u></b>				
<b><u>FINANCING ACTIVITIES</u></b>				
Due from other funds	(455,042)	-	-	(455,042)
Transfers to other funds	(248,523)	-	11,457	(237,066)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(703,565)</u>	<u>-</u>	<u>11,457</u>	<u>(692,108)</u>
<b><u>CASH FLOWS FROM CAPITAL AND</u></b>				
<b><u>RELATED FINANCING ACTIVITIES</u></b>				
Capital contributions	-	9,122	-	9,122
Capital grants	-	-	85,822	85,822
Acquisition of capital assets	(358,229)	(2,103)	-	(360,332)
Principal paid on capital debt	(90,000)	-	-	(90,000)
Interest paid on capital debt	(132,725)	-	-	(132,725)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(580,954)</u>	<u>7,019</u>	<u>85,822</u>	<u>(488,113)</u>
<b><u>CASH FLOWS FROM INVESTING</u></b>				
<b><u>ACTIVITIES</u></b>				
Interest and dividends	74,681	15,559	42	90,282
Net Decrease in Cash and Cash Equivalents	(1,089,289)	(199,823)	(42,646)	(1,331,758)
Cash and Cash Equivalents - July 1, 2008	<u>3,669,564</u>	<u>730,152</u>	<u>42,646</u>	<u>4,442,362</u>
Cash and Cash Equivalents - June 30, 2009	<u>\$ 2,580,275</u>	<u>\$ 530,329</u>	<u>\$ -</u>	<u>\$ 3,110,604</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and investments	\$ 2,398,355	\$ 530,329	\$ -	\$ 2,928,684
Restricted cash and investments	<u>181,920</u>	<u>-</u>	<u>-</u>	<u>181,920</u>
Cash and Cash Equivalents - June 30, 2009	<u>\$ 2,580,275</u>	<u>\$ 530,329</u>	<u>\$ -</u>	<u>\$ 3,110,604</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
STATEMENT OF CASH FLOWS (continued)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Sewer</u>	<u>Dixon-Solano Municipal Water Service (Dixon -Interest)</u>	<u>Transit</u>	<u>Totals</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>				
Operating Income (Loss)	\$ (1,081,763)	\$ (424,934)	\$ 43,088	\$ (1,463,609)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,462,882	313,765	28,693	1,805,340
Amortization	3,170	-	-	3,170
Changes in assets and liabilities:				
Increase in accounts receivable	(312,867)	(15,784)	-	(328,651)
Increase in operating grants	-	-	(194,790)	(194,790)
Increase (decrease) in accounts payable	31,376	(76,593)	(16,438)	(61,655)
Decrease in deferred revenue	-	(40,659)	-	(40,659)
Increase in deposits payable	-	21,804	-	21,804
Increase (decrease) in accrued wages	181	-	(656)	(475)
Increase in net OPEB obligation	20,521	-	-	20,521
Increase (decrease) in compensated absences	<u>(2,951)</u>	<u>-</u>	<u>136</u>	<u>(2,815)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,549</u>	<u>\$ (222,401)</u>	<u>\$ (139,967)</u>	<u>\$ (241,819)</u>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

<u><b>ASSETS</b></u>	<u><b>Agency Funds</b></u>
Cash and cash equivalents	\$ 3,626,794
Accounts receivable	115,622
Interest receivable	4,001
Taxes receivable	7,724
Restricted cash	<u>1,964,671</u>
<b>Total Assets</b>	<b>\$ <u>5,718,812</u></b>
 <u><b>LIABILITIES</b></u>	
Accounts payable	\$ 44,049
Deposits payable	235,776
Interest payable	595,145
Deferred revenue	143,380
Due to special assessment districts	<u>4,700,462</u>
<b>Total Liabilities</b>	<b>\$ <u>5,718,812</u></b>

See accompanying notes to the basic financial statements.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1: 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 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.

**A. The Reporting Entity**

The accompanying basic financial statements present the financial activity of the City along with the financial activities of its blended component units, which are entities for which the City is financially accountable. Together these entities comprise the primary government for reporting purposes. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units, which are described below, are all blended.

City of Dixon Redevelopment Agency

The City of Dixon Redevelopment Agency (the "Redevelopment Agency") was formed as a separate legal entity under the Community Redevelopment Law. The City Council acts as the governing board of the Redevelopment Agency in concurrent session. The City Manager acts as the Redevelopment Agency's Executive Director. The annual budget is approved by the Redevelopment Agency's Board of Directors. The State's redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area, and the capability to broaden financing capabilities utilizing a variety of public and private sources. The major source of financing to undertake redevelopment is a "tax increment." Tax increment is the additional property taxes that are paid on the value of new development within the redevelopment project area. This increment can then be leveraged for financial investments to fund the identified projects. The redevelopment and low/moderate income housing programs of the Redevelopment Agency are reported as special revenue funds. The Redevelopment Agency has one project area. Audited financial statements for the Redevelopment Agency may be obtained from the City of Dixon, 600 East A Street, Dixon, California, 95620.

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.

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.

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

Dixon-Solano Municipal Water Service (DSMWS)

The DSMWS was created in July 1984 under a joint exercise of powers agreement between the City and the 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 the Solano Irrigation District Board of Directors. The City provides record keeping services for DSMWS.



**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Dixon-Solano Municipal Water Service (DSMWS) (continued)

The City's interest is reported as the Dixon-Solano Municipal Water Service (Dixon Interest) as an enterprise fund. The Solano Irrigation District's interest in DSMWS is reported as the Dixon-Solano Municipal Water Service (SID) 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 the 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 by SID. Audited financial statements for the Dixon-Solano Municipal Water Service may be obtained from the City of Dixon, 600 East A Street, Dixon, California, 95620.

Vacaville-Dixon Greenbelt Authority (VDG 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 two 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 record keeping 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 VDG Authority's assets will be returned equally to the participants.

Dixon Regional Watershed Joint Powers Authority (the DRWJPA)

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 the 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.

Dixon Fire Protection District (the Fire District)

The City entered into a joint powers agreement with the Dixon Fire Protection District to provide fire protection services to the entire territory of the Fire District and provide accounting services, including investing Fire District funds, for 90% of the Fire District's property tax revenues. Audited financial statements for the Dixon Fire Protection District may be obtained from the City of Dixon, 600 East A Street, Dixon, California, 95620.

**B. Basis of Presentation**

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These standards require that the financial statements described below be presented.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include the activities of the overall City government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities of the City. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories with each major fund displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

**Governmental Funds**

General Fund - The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other 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 Fund - Debt Service Funds are used to account for the accumulation of financial resources for the payment of interest and principal on the general long-term liabilities of the City other than debt service payments made by enterprise funds.

Capital Project Funds - Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by enterprise funds.

**Proprietary Funds**

Enterprise Funds - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**Fiduciary Funds (not included in government-wide statements)**

Agency Funds - Agency Funds are clearing type funds for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Major Funds**

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - This is the City's primary operating fund. 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 such as public safety, public ways and facilities, parks and recreation services, and economic development services.

Redevelopment Fund - This fund is used to account for property tax increment revenues net of the 20% set-aside for low and moderate income housing and expenses for furtherance of project goal areas.

Low/Moderate Income Housing Fund - The low/moderate income housing 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 Fund -The transportation fund is a capital projects fund used to account for the revenue and expenses budgeted for capital projects relating to transportation.

Storm Drain Fund - The storm drain fund is a capital projects fund used to account for resources budgeted for storm drain projects.

The City reports the following major proprietary funds in the accompanying financial statements:

Sewer Fund - The sewer fund is used to account for all revenues and expenses for operations, maintenance, and capital improvement funding of the Dixon Sewer Plan.

Dixon-Solano Municipal Water Service Fund (Dixon-Interest) - The Dixon-Solano Municipal Water Service 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

Transit Fund - The transit fund is used to account for the City's transit system, Read-Ride. In addition, the City receives funds as part of the Solano Transportation Authority to be used for public transportation purposes.

The City also reports the following fund type:

**Agency Funds** - These funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services. Certain indirect costs are included in program expenses reported for individual functions and activities.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets are available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The City follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, which do not conflict with Government Accounting Standards Board Pronouncements.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. 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 funds's principal operations. The principal operating revenues of the sewer, water, and transit 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.

**D. Property Taxes**

The County of Solano levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year or levy, due to the adoption of the "alternate method of property tax distribution", known as the Teeter Plan, by the City and the County of Solano. The Teeter Plan authorizes the Auditor/Controller of the County of Solano to allocate 100% of the secured property taxes billed, but not yet paid. The County of Solano remits tax monies to the City in three installments as follows:

50% remitted in December  
45% remitted in April  
5% remitted in June

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County of Solano for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

**E. Cash and Investments**

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF and the Solano County Investment Pool determine the fair value of their portfolio quarterly and report a factor to the City; the City applies that factor to convert its share of LAIF and the Solano County Investment Pool from amortized cost to fair value. This amount is included in cash and cash equivalents in the balance sheet of the governmental funds. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

**F. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees. Federal and state grants are considered receivable and accrue as revenue when reimbursable costs are incurred. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Long-term loans in governmental funds are treated 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. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables.

**G. Prepaid Expenses and Inventory**

Inventories are stated at cost (average cost per unit) for governmental and proprietary funds. The cost is recorded as an expenditure/expense in the funds at the time individual inventory items are consumed, rather than purchased. Inventories of governmental funds are offset by a reservation of fund balance to indicate they do not constitute resources available for future appropriation.

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**H. Capital Assets**

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, 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 one year are capitalized. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment	5-25 years
Buildings and improvements	5-40 years
Infrastructure	7-100 years

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.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**I. Compensated Absences**

Compensated absences comprise unused vacation leave and compensatory time off, which are accrued as earned. Employees may accumulate sick leave without limits. The City's liability for compensated absences is recorded in the government-wide Statement of Net Assets for governmental funds and the Statement of Net Assets for proprietary funds as appropriate. A liability is calculated for all the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs are those in effect at June 30, 2009. Accumulated unpaid vacation and sick pay are accrued when earned. The general fund and enterprise funds are used to liquidate compensated absences.

**J. Long Term Liabilities**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term liabilities, 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. Initial issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discounts, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Interfund Transactions**

Following is a description of the three basic types of interfund transactions made during the year and the related accounting policies:

1. Interfund services provided and used - transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
2. Reimbursements (expenditure transfers) - transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and a reduction of expenditures in the receiving fund.
3. Operating transfers - all other interfund transactions which allocate resources from one fund to another fund. These transactions are recorded as operating transfers in and out.

Transactions between funds of the City are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds (current portion of interfund loans) or advances to and advances from other funds (non-current portion of interfund loans) on the balance sheet of the governmental funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

**L. Equity Classifications**

Government-wide Statements

Net assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net assets are divided into three categories under GASB Statement 34. These categories apply only to net assets, which is determined at the Government-wide level, and are described below:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Designations of fund balance represent tentative plans approved by the City Council that are subject to change. Proprietary fund equity is classified the same as in the government-wide statements. The following is a description of the reserves and designations used by the City.

- a. Reserved for encumbrances - Used to segregate that portion of fund balance to indicate that encumbrances do not represent available, spendable resources.
- b. 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.
- c. 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 net assets. A reserve for inventory is included in this category.



**CITY OF DIXON**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- d. 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.
- e. Reserved for debt service - Used to represent that portion of fund balance segregated for service of long-term indebtedness.

**M. General Budget Policies**

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.

**N. Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**O. Reclassifications**

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments as of June 30, 2009 were classified in the accompanying financial statements as follows:

	<u>Cash and Investments</u>	<u>Restricted Cash and Investments</u>	<u>Total</u>
Governmental activities	\$ 18,502,580	\$ 444,162	\$ 18,946,742
Business-type activities	<u>2,928,684</u>	<u>181,920</u>	<u>3,110,604</u>
<b>Total government-wide cash and investments</b>	<u>21,431,264</u>	<u>626,082</u>	<u>22,057,346</u>
Fiduciary activities	<u>3,626,794</u>	<u>1,964,671</u>	<u>5,591,465</u>
<b>Total cash and investments</b>	<u>\$ 25,058,058</u>	<u>\$ 2,590,753</u>	<u>\$ 27,648,811</u>

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

Cash and investments were carried at fair value as of June 30, 2009 and consisted of the following:

Cash in investment pools	\$ 12,837,456
Certificates of deposit	101,952
Restricted cash with fiscal agent	2,590,753
Money market funds	3,284,515
Investments	8,096,971
Cash in banks	736,039
Petty cash	<u>1,125</u>
Total cash and investments	<u>\$ 27,648,811</u>

Authorized Investments of the City

The table below identifies the investment types that are authorized by the City's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>
Local agency bonds	5 years	None	10%
U.S. Treasury obligations	5 years	None	None
U.S. Agency securities	5 years	None	None
California local agency debt	5 years	None	10%
Banker's Acceptances	180 days	45%	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%
Local Agency Investment Fund (LAIF)	N/A	None	None

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

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

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 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
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2009:

	Remaining Maturity			Fair Value
	12 months or less	1-5 years	2-5 years	
U.S. Treasuries	\$ 3,299,547	\$ -	\$ -	\$ 3,299,547
U.S. Agency Securities	2,746,804	2,050,620	-	4,797,424
Money market mutual funds	3,284,515	-	-	3,284,515
Local Agency Investment Fund	7,834,379	-	-	7,834,379
California Asset Management Program	5,003,077	-	-	5,003,077
Held by bond trustee:				
Money market funds	<u>2,590,753</u>	<u>-</u>	<u>-</u>	<u>2,590,753</u>
	<u>\$ 24,759,075</u>	<u>\$ 2,050,620</u>	<u>\$ -</u>	<u>\$ 26,809,695</u>

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City had no investments (including investments held by bond trustees) that were highly sensitive to interest rate fluctuations as of June 30, 2009.

Disclosures Relating to 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, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
U.S. Treasuries	\$ 3,299,547	Exempt		Not rated
U.S. Agency Securities	4,797,424	AAA	Aaa	
Money market mutual funds	3,284,515			Not rated
Local Agency Investment Fund	7,834,379			Not rated
California Asset Management Program	5,003,077	AAAm		
Held by bond trustee:				
Money market funds	<u>2,590,753</u>	AAAm	Aaa	
	<u>\$ 26,809,695</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 represented 5% or more of total City investments were as follows:

Issuers	Investment Type	Amount
Federal Home Loan Bank	U.S. Agency security	\$ 3,589,924

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2009, the carrying amount of the City's deposits was \$736,039 and bank balances were \$117, all of which were insured.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the 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 the LAIF for the entire 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 is recorded on an amortized cost basis.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated monthly based on the ending cash balances of the previous month in each fund receiving interest.

**NOTE 3: NOTES AND LOANS RECEIVABLE**

The City has made various business loans to qualifying businesses in the redevelopment area and various home loans to qualifying participants within the City under the Federal First Time Homebuyers Loan program (HOME), the 2000 Home Rehabilitation program, the Community Development Block Grant (CDBG) revolving loan program, and the 2005 Community Development Block Grant (CDBG) Housing Rehabilitation program, which are owner occupied housing rehabilitation programs. The loans have varying maturity dates and interest rates, depending on loan agreements. Certain notes receivable payments are deferred with interest being capitalized and recorded in the respective loan balances. A summary of notes receivable at June 30, 2009 is as follows:

<u>Government-wide balances</u>	<u>Balance July 1, 2008,</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>
Redevelopment	\$ 169,321	\$ 334,331	\$ (2,460)	\$ 501,192
Low/Moderate Income Housing	2,237,663	1,063,082	(34,218)	3,266,527
CDBG	<u>452,078</u>	<u>200,000</u>	<u>(120,048)</u>	<u>532,030</u>
Total Notes Receivable	<u>2,859,062</u>	<u>1,597,413</u>	<u>(156,726)</u>	<u>4,299,749</u>
Less Allowance for Notes Receivable	<u>(2,519,745)</u>	<u>(1,349,913)</u>	<u>396,324</u>	<u>(3,473,334)</u>
Total Notes Receivable, net	<u>\$ 339,317</u>	<u>\$ 247,500</u>	<u>\$ 239,598</u>	<u>\$ 826,415</u>

The balance of the notes receivable have been offset in the fund financial statements by deferred revenue as they are not deemed measurable and available within 60 days. In the government-wide financial statements, the City has provided 100% allowance for all notes receivable subject to long-term deferral and/or payment from future refinancing as well as notes receivable having subordination provisions except for those accounts that have current payment activity and are not delinquent at June 30, 2009.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 4: INTERFUND AND INTRA-FUND TRANSACTIONS**

**Interfund Transactions**

Transfers between funds during the fiscal year ended June 30, 2009 were as follows:

<u>Transfer from</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
<b><u>Major Governmental Funds</u></b>			
General Fund	Lighting and Landscaping	Fund operating deficits	\$ 24,499
General Fund	CFD Pond C	Reimburse allocated costs	\$ 10,108
Redevelopment	General Fund	Reimburse allocated costs	319,940
Low/Moderate Income Housing	General Fund	Reimburse allocated costs	170,690
Transportation	General Fund	Reimburse allocated costs	5,300
Transportation	Gas Tax	Allocated costs	29,112
Transportation	Traffic Safety	Allocated costs	<u>3,991</u>
<b>Total Major Governmental Interfund Transfers</b>			<u>563,640</u>
<b><u>Non-Major Governmental Funds</u></b>			
Gas Tax	General Fund	Street maintenance	299,684
Gas Tax	Transportation	Street construction projects	72,000
Traffic Safety	General Fund	Reimburse allocated costs	6,490
CDBG	General Fund	Reimburse allocated costs	3,071
CDBG	CDBG Grant PTA	Project reimbursement	7,267
Valley Glen Storm Drain	General Fund	Reimburse allocated costs	11,510
Capital Improvements	General Fund	Reimburse allocated costs	12,865
Fire	DPFA Fire	Debt service	168,000
Police	DPFA Police	Debt service	115,000
City Facilities	General Fund	Reimburse allocated costs	5,565
City Facilities	DPIC	Debt service	51,145
Public Works	General Fund	Reimburse allocated costs	2,059
Transit CIP	General Fund	Reimburse allocated costs	8,148
Recreation CIP	General Fund	Reimburse allocated costs	12,325
City Hall Debt Reserve	General Fund	Reimburse allocated costs	4,914
City Hall Debt Reserve	Fire	Debt service	134,000
City Hall Debt Reserve	Police	Debt service	<u>105,000</u>
<b>Total Non- Major Governmental Interfund Transfers</b>			<u>1,019,043</u>
<b><u>Proprietary Funds</u></b>			
Sewer	General Fund	Reimburse allocated costs	223,523
Sewer	Redevelopment	Project reimbursement	25,000
Transit	General Fund	Reimburse allocated costs	<u>56,271</u>
<b>Total Proprietary Interfund Transfers</b>			<u>304,794</u>
<b>Total Interfund Transfers</b>			<u>\$ 1,887,477</u>

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 4: INTERFUND AND INTRA-FUND TRANSACTIONS (CONTINUED)**

**Intra-Fund Transactions**

The following table represents intra-fund transfers made during the fiscal year ended June 30, 2009:

<u>Transfer from</u>	<u>Transfer To</u>	<u>Description of Transfer</u>	<u>Amount</u>
<u>General Fund</u>			
Recreation Fund	General Fund	Reimburse allocated costs	\$ 5,465
Equipment Replacement	General Fund	Reimburse allocated costs	158,912
Building Reserve	General Fund	Reimburse allocated costs	<u>35,258</u>
		<b>Total General Fund Intra-Fund Transfers</b>	<u>199,635</u>
<u>Sewer Fund</u>			
Sewer Rehab	Sewer Improvements	Finance rehab projects	358,696
Sewer Improvements	Sewer DPFA COPS	Debt service payment	2,359
Sewer Debt	Sewer DPFA COPS	Debt service payment	<u>142,349</u>
		<b>Total Sewer Intra-Fund Transfers</b>	<u>503,404</u>
		<b>Total Intra-fund Transfers</b>	<u>\$ 703,039</u>

Intra-fund transfers are not presented on the Statement of Revenues, Expenses, and Changes in Net Assets for the governmental and proprietary funds as they are presented on a net basis. However, the combining Schedule of Revenues, Expenditures, and Changes in Fund Balances for the general fund on page 80 presents both general fund interfund transfers and intra-fund transfers.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 5: CAPITAL ASSETS**

**Governmental activities:**

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2009</u>
Capital assets not being depreciated					
Land	\$ 2,737,728	\$ -	\$ (462)	\$ -	\$ 2,737,266
Construction-in-progress	<u>3,477,596</u>	<u>795,922</u>	<u>-</u>	<u>(2,351,760)</u>	<u>1,921,758</u>
Total capital assets not being depreciated	<u>6,215,324</u>	<u>795,922</u>	<u>(462)</u>	<u>(2,351,760)</u>	<u>4,659,024</u>
Capital assets being depreciated					
Buildings and improvements	11,333,171	16,124	(176,511)	141,941	11,314,725
Equipment	5,049,842	16,093	-	2,209,819	7,275,754
Infrastructure	<u>173,641,343</u>	<u>169,179</u>	<u>-</u>	<u>-</u>	<u>173,810,522</u>
Total capital assets being depreciated	<u>190,024,356</u>	<u>201,396</u>	<u>(176,511)</u>	<u>2,351,760</u>	<u>192,401,001</u>
Less accumulated depreciation					
Buildings and improvements	(3,145,608)	(283,876)	35,302	-	(3,394,182)
Equipment	(2,377,963)	(328,269)	-	-	(2,706,232)
Infrastructure	<u>(37,554,882)</u>	<u>(3,713,135)</u>	<u>-</u>	<u>-</u>	<u>(41,268,017)</u>
Total accumulated depreciation	<u>(43,078,453)</u>	<u>(4,325,280)</u>	<u>35,302</u>	<u>-</u>	<u>(47,368,431)</u>
<b>Total capital assets, net</b>	<b><u>\$ 153,161,227</u></b>	<b><u>\$ (3,327,962)</u></b>	<b><u>\$ (141,671)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 149,691,594</u></b>

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:

General administration	\$ 119,613
Public safety	303,643
Parks and recreation	674,883
Community development	4,149
Public ways and facilities	<u>3,222,992</u>
Total governmental activities depreciation expense	<b><u>\$ 4,325,280</u></b>



**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

**Business-type activities:**

	<u>Balance at July 1, 2008</u>	<u>Adjustments</u>	<u>Balance at July 1, 2008, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2009</u>
Capital assets not being depreciated							
Land	\$ 785,163	\$ -	\$ 785,163	\$ -	\$ -	\$ -	\$ 785,163
Construction-in-progress	<u>2,767,904</u>	<u>-</u>	<u>2,767,904</u>	<u>98,013</u>	<u>-</u>	<u>(1,678,593)</u>	<u>1,187,324</u>
Total capital assets not being depreciated	<u>3,553,067</u>	<u>-</u>	<u>3,553,067</u>	<u>98,013</u>	<u>-</u>	<u>(1,678,593)</u>	<u>1,972,487</u>
Capital assets being depreciated							
Structures and improvements	70,646,285	-	70,646,285	-	-	1,678,593	72,324,878
Equipment	<u>1,194,948</u>	<u>-</u>	<u>1,194,948</u>	<u>262,319</u>	<u>-</u>	<u>-</u>	<u>1,457,267</u>
Total capital assets being depreciated	<u>71,841,233</u>	<u>-</u>	<u>71,841,233</u>	<u>262,319</u>	<u>-</u>	<u>1,678,593</u>	<u>73,782,145</u>
Less accumulated depreciation							
Structures and improvements	(16,979,923)	-	(16,979,923)	(1,676,272)	-	-	(18,656,195)
Equipment	<u>(830,381)</u>	<u>22,858</u>	<u>(807,523)</u>	<u>(129,068)</u>	<u>-</u>	<u>-</u>	<u>(936,591)</u>
Total accumulated depreciation	<u>(17,810,304)</u>	<u>22,858</u>	<u>(17,787,446)</u>	<u>(1,805,340)</u>	<u>-</u>	<u>-</u>	<u>(19,592,786)</u>
<b>Total capital assets, net</b>	<u>\$ 57,583,996</u>	<u>\$ 22,858</u>	<u>\$ 57,606,854</u>	<u>\$ (1,445,008)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,161,846</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Sewer	\$ 1,462,882
Water	313,765
Transit	<u>28,693</u>
Total business-type activities depreciation expense	<u>\$ 1,805,340</u>

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2009:

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 926,944	\$ 27,222	\$ -	\$ 954,166	\$ 231,000
1981 Lease revenue	535,000	-	(25,000)	510,000	30,000
1995 Tax allocation refunding	3,450,000	-	(125,000)	3,325,000	130,000
1996 Refunding lease revenue	1,085,000	-	(135,000)	950,000	140,000
1997 Lease revenue	<u>2,385,000</u>	<u>-</u>	<u>(115,000)</u>	<u>2,270,000</u>	<u>125,000</u>
Total Governmental activities	<u>\$ 8,381,944</u>	<u>\$ 27,222</u>	<u>\$ (400,000)</u>	<u>\$ 8,009,166</u>	<u>\$ 656,000</u>

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 59,628	\$ -	\$ (2,815)	\$ 56,813	\$ 40,570
1996 Certificates of participation	<u>1,865,000</u>	<u>-</u>	<u>(90,000)</u>	<u>1,775,000</u>	<u>95,000</u>
Total Business-type activities	<u>\$ 1,924,628</u>	<u>\$ -</u>	<u>\$ (92,815)</u>	<u>\$ 1,831,813</u>	<u>\$ 135,570</u>

A description of the long-term liabilities related to governmental activities at June 30, 2009 follows:

**A. Governmental Activities**

1981 Lease Revenue Bond

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 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 are due semi-annually on August 1 and January 1 through August 2021 at an interest rate of 5.0%. Annual principal payments are due on August 1. The outstanding principal balance of the 1981 bonds at June 30, 2009 was \$510,000.

1995 Tax Allocation Refunding Bonds

On December 1, 1995, the 1995 Tax Allocation Refunding Bonds were issued by the Redevelopment Agency in the amount of \$4,575,000 to refund all of the outstanding 1994 Central Dixon Redevelopment Agency Tax Allocation Bonds. The bonds are secured by the pledge of tax revenues payable to or receivable by the Redevelopment Agency. Interest rates range from 5.6% to 6.0%. Interest payments are payable semi-annually on March 1 and September 1 through September 2024. Annual principal payments are due on September 1. The outstanding principal balance of the 1995 bonds at June 30, 2009 was \$3,325,000.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 6: LONG-TERM LIABILITES (CONTINUED)**

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 \$2,990,000 to refund the Dixon Public Financing Authority Lease Revenue Bonds, Series 1990 A 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 are due semi-annually on April 1 and October 1 through April 2015. Annual principal payments are due on April 1. The outstanding principal balance of the 1996 refunding lease revenue bonds at June 30, 2009 was \$950,000.

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 4.9% to 5.5%. Interest payments are due semi-annually on April 1 and October 1 through April 2022. Annual principal payments are due April 1. The outstanding principal balance of the 1997 bonds at June 30, 2009 was \$2,270,000.

Deferred Charges

Capitalized bond costs related to the above issuances have been recorded as deferred charges, net of accumulated amortization in the amount of \$130,337 in the government-wide financial statements. The balance is amortized using the straight line method over the bond terms which range from 17 to 20 years. Amortization expense for bond costs for the year ended June 30, 2009 was \$14,858.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 6: LONG-TERM LIABILITES (CONTINUED)**

Governmental Activities Long-Term Liabilities Amortization:

<b>For the Year Ending June 30</b>	<b>1981 Lease Revenue</b>		<b>1995 Tax Allocation Refunding</b>		<b>1996 Refunding Lease Revenue</b>		<b>1997 Lease Revenue</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 30,000	\$ 24,750	\$ 130,000	\$ 193,455	\$ 140,000	\$ 49,320	\$ 125,000	\$ 122,670	\$ 425,000	\$ 390,195
2011	30,000	23,250	140,000	185,760	145,000	42,320	130,000	116,296	445,000	367,626
2012	30,000	21,750	145,000	177,601	155,000	34,926	135,000	109,536	465,000	343,813
2013	35,000	20,125	155,000	168,976	160,000	26,866	145,000	102,448	495,000	318,415
2014	35,000	18,375	165,000	159,735	170,000	18,466	155,000	94,762	525,000	291,338
2015 - 2019	195,000	64,375	980,000	636,143	180,000	9,540	900,000	340,022	2,255,000	1,050,080
2020 - 2024	155,000	11,875	1,300,000	297,000	-	-	680,000	76,176	2,135,000	385,051
2025 - 2029	-	-	310,000	9,300	-	-	-	-	310,000	9,300
<b>Total</b>	<b>\$ 510,000</b>	<b>\$ 184,500</b>	<b>\$ 3,325,000</b>	<b>\$ 1,827,970</b>	<b>\$ 950,000</b>	<b>\$ 181,438</b>	<b>\$ 2,270,000</b>	<b>\$ 961,910</b>	<b>\$ 7,055,000</b>	<b>\$ 3,155,818</b>

**CITY OF DIXON**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 6: LONG-TERM LIABILITES (CONTINUED)**

**B. Business-type Activities**

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 sales 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 are due semi-annually on March 1 and September 1 through September 2021. Annual principal payments are due September 1. The outstanding principal balance of the certificates of participation at June 30, 2009 was \$1,775,000.

Deferred Charges

Capitalized bond costs related to the Business-type long term liabilities have been recorded as deferred issuance costs in the amount of \$38,697 in the government-wide and fund financial statements. The balance is amortized using the straight line method over the debt term. Amortization expense for issuance costs for the year ended June 30, 2009 was \$3,170.

Business-type Long-Term Liabilities Amortization

<b>1996 Certificates of Participation</b>			
For the Year Ending June 30	Principal	Interest	Total
2010	\$ 95,000	\$ 97,456	\$ 192,456
2011	100,000	92,238	192,238
2012	105,000	86,651	191,651
2013	115,000	80,601	195,601
2014	120,000	74,078	194,078
2015 - 2019	710,000	258,183	968,183
2020 - 2024	530,000	61,814	591,814
<b>Total</b>	<b>\$ 1,775,000</b>	<b>\$ 751,021</b>	<b>\$ 2,526,021</b>

**NOTE 7: SPECIAL ASSESSMENT DEBT**

Special assessment bonds have been issued pursuant to the provisions of the Improvement Bond Acts of 1915. The City is in no way liable for repayment of any bonds of the funds related to 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 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 at June 30, 2009 were as follows:

Dixon-West "A" Street Assessment District Limited Obligation Improvement Bonds	\$ 2,265,000
North First Street Assessment District Limited Obligation Improvement Bonds	11,815,000
Dixon Public Financing Authority:	
1998 Senior Lien Reassessment Bonds, Series A	4,445,000
1998 Junior Lien Reassessment Bonds, Series B	8,745,000
Total Special Assessment Debt	<b>\$ 27,270,000</b>

**CITY OF DIXON**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City contributes to the California Public Employees Retirement Systems (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. The City participates in the Safety 3.0% at 50 risk pool for its Safety Fire Plan and Safety Police Plan, and also participates in the Miscellaneous 2.5% at 55 risk pool for its Miscellaneous Plan. All permanent and full 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 are authorized by resolution of the City Council. Copies of PERS annual financial report may be obtained from their executive office: 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 the 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 2.2% of their covered salary as the result of negotiations for the 3.0% at 50 Retirement Plan. The City is required to contribute an actuarially determined rates which are 28.443% for safety police employees, 21.827% for safety fire employees, and 15.287% for non-safety employees of annual covered payroll for the fiscal year ended June 30, 2009. The contribution requirement of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For the fiscal year ended June 30, 2009, the City's annual pension cost (employer contribution) of \$254,000 for safety and miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-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. PERS has combined the prior service unfunded liability and current service unfunded liability into a single initial unfunded liability.

<b>Three Year Trend Information for PERS</b>			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 1,520,648	100%	-
2008	\$ 1,429,230	100%	-
2009	\$ 1,584,760	100%	-

**CITY OF DIXON**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Schedule of Funding Progress for PERS  
 (Risk Pool as a Whole)

**Safety Plan:**

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
June 30, 2007	\$ 7,986,055,176	\$ 6,826,599,459	\$ 1,159,455,717	85.5%	\$ 831,607,658	139.4%

**Miscellaneous Plan:**

Actuarial Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* as a % of Covered Payroll
June 30, 2007	\$ 1,315,454,361	\$ 1,149,247,298	\$ 166,207,063	87.4%	\$ 289,090,187	57.5%

\* UAAL - Unfunded actuarial accrued liability

\*\* A new State Law authorized the creation of risk pools by PERS and required mandatory participation of small employers to help reduce large fluctuations in their contribution rates. As an employer with less than 100 active members, the City of Dixon is now required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available.

The schedule of funding progress, which is presented as required supplementary information immediately following the notes to the financial statements, provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS**

This note includes information required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Description of the Plan

The City sponsors and administers a single-employer health care plan for its employees. The plan provides medical, dental, and vision plan coverage. Medical coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. Dependent children are eligible for coverage until age 23. Retired employees who were part of the Public Employees Union #1 (Local One) receive one month's premium at the Kaiser plus one dependent rate for each year of full time service to a maximum of 24 months. In addition, the City provides dental and vision insurance. As the City's OPEB benefits are administered by City personnel, no separate financial statements are issued.

For the year ended June 30, 2009, the City reported 21 retired employees. The City currently has 120 active participants.

Funding Policy

Employees become eligible to retire under PEMHCA and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The City has selected the unequal contribution method, where it contributes a percent of the amount paid for actives to its eligible retirees. The City contribution is up to 5% of active contribution times years of participation in PEMHCA. All bargaining groups are eligible except for police officers and firefighters. As of June 30, 2009, the City had not established a formal funding policy or trust to maintain future required contributions. The City is currently funding the benefits on a pay-as-you-go basis.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2009, the City's annual cost for the healthcare plan was \$254,000. The City's annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2009 were as follows:

Annual required contribution		
Service cost at year-end	\$	197,000
30-year amortization of funded liability		<u>57,000</u>
 Total annual required contribution		 <u>254,000</u>
Employer contributions		<u>(21,441)</u>
Net pension obligation	\$	<u><u>232,559</u></u>

<u>Year Ended</u>	<u>Annual OPEB cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB</u>
June 30, 2009	\$ 254,000	\$ 21,441	8 %	\$ 232,559

As of June 30, 2009, \$212,038 of the net pension obligation was recorded in the governmental activities and \$20,521 was recorded in the business-type activities Statement of Net Assets.

Fiscal year 2009 was the year of implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City has elected to implement the statement prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

Funded Status and Funding Progress

The funded status of the plan based on an actuarial study using age-adjusted premiums as of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)		
Active employees	\$	1,290,000
Retired employees		<u>183,000</u>
		<u>1,473,000</u>
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u><u>1,473,000</u></u>
Funded Ratio (actuarial value of plan assets / AAL)		0 %
Covered payroll (active plan members)	\$	7,613,000
UAAL as a percentage of covered payroll		19 %



**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on the values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because 2009 was the year of implementation of GASB Statement No. 45 and the City elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the 2009 actuarial valuation, the entry age normal cost method was used along with the level percent of payroll amortization for 30 years. The asset valuation method was based on the market value of assets. The actuarial assumptions included a 7.75% interest rate if funded, and a 4.25% interest rate if unfunded. Salary increases were assumed to be 3.25% per year. Medical rate increases were based on experience. Part-time employees would terminate before eligible for retirement. Current active and current retire spousal coverage was the same as the current coverage at election.

**NOTE 10: RISK MANAGEMENT**

The City is a member of the Northern California Cities Self Insurance Fund (NCCCSIF) along with eighteen other northern California cities. The NCCCSIF is a joint powers authority (JPA) organized in accordance with Article 1, Chapter 5, Division 7, Title 1 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 NCCCSIF provides claims processing, administrative services, risk management services, and actuarial studies. A member from each city governs the NCCCSIF. 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 NCCCSIF is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA become insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

The NCCCSIF 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.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 10: RISK MANAGEMENT (CONTINUED)**

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

Amount	Coverage Provider	Payment
Liability Claims:		
\$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
Workers' Compensation		
\$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 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 NCCCSIF of \$281,653 is recorded as a prepaid asset in the General Fund. Audited condensed financial information for the NCCCSIF for the fiscal year ended June 30, 2009 was as follows:

Total Assets	\$ 50,442,354
Total Liabilities	\$ 32,576,751
Net Assets	\$ 17,865,603
Total Revenues	\$ 10,551,366
Total Expenses	\$ 11,189,574
Change in Net Assets	\$ (638,208)

**NOTE 11: EXCESS EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS**

The following funds incurred expenditures and/or transfers in excess of appropriations in the following amounts for the year ended June 30, 2009:

Fund	Excess Expenditures
Gas Tax	\$ 850
Traffic Safety	7,121
CDBG	8,218
CDBG PTA Grant	440

The excess expenditures were covered by available fund balance in the funds.

**CITY OF DIXON**  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 12: DEFICIT FUND BALANCES**

As of June 30, 2009, the following funds had a fund deficit:

Fund	Deficit
Storm Drain Fund	\$ 741,679
Lighting and Landscaping Assessment District	127,610
CDBG PTA Grant	48,874

These deficits were a result of expenditures incurred in advance of receipt of revenue and will be eliminated through future revenues and expenditure reductions.

**NOTE 13: CONTINGENCIES AND COMMITMENTS**

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The City is involved in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that potential claims against the City, not covered by insurance, will not have a material adverse effect on the financial statements of the City.

**NOTE 14: PRIOR PERIOD ADJUSTMENTS**

The City determined that certain accounts were invalid or inactive and should be adjusted to actual amounts. Accordingly, the balance sheet of the fund financial statements has been adjusted to reflect the following prior period adjustments:

Fund	Description of Restatement	Amount
<u>Governmental funds</u>		
Transportation	Write off of long outstanding payables	\$ 201,716
Transit Projects	Write off of long outstanding payables	156,000
CDBG Grant PTA	Write off of stale dated accounts receivable	<u>(48,874)</u>
	Total Governmental Fund Balance Restatement	\$ <u>308,842</u>
<u>Proprietary funds</u>		
Water	Write off of retention payable	\$ 48,625
Water	Reverse double posting of deposit	(25,071)
Transit	Write off of stale dated accounts receivable	(21,262)
Transit	True up of depreciation expense	<u>22,858</u>
	Total Proprietary Fund Balance Restatement	\$ <u>25,150</u>

In addition, the Government-wide Statement of Net Assets for governmental activities has been adjusted by \$333,992 to reflect the above misstatements.

**CITY OF DIXON**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 15: COMPONENT UNIT REPORTS**

As stated in Note 1, the Redevelopment Agency of the City of Dixon (Agency) is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The financial activities of the Agency have been included in these financial statements in the Redevelopment Fund and the Low/Moderate Income Housing Fund. In addition, separate audited financials were prepared for the Redevelopment Agency. Likewise, the City's transit district which is included in these financial statements in the Enterprise funds, has also issued separate financial statements. Subsequent to these audit reports being completed as of December 10, 2009, the City determined that adjustments were necessary to be recorded to these funds in order to reconcile pooled balances with the City. As this discovery was made after the issuance of the reports, differences exist between the separately issued reports and the City-wide report as follows:

<u>Fund</u>	<u>Description</u>	<u>Fund Balance Effect</u>
Redevelopment Fund	\$24,568 reclassification between cash and investments and accounts payable	none
Low/Moderate Income Housing	Adjustment to cash and investments and expenditure	\$ 14,069
Transit Fund	Write-off of uncollectible accounts receivable, resulting in a prior period adjustment	\$ 21,262

In the subsequent stand-alone reports that will be issued (FY 2010), a prior period adjustment will be recorded to reflect these differences.

**NOTE 16: SUBSEQUENT EVENT**

In July 2009, the California Legislature passed ABX4-26 as part of the State's budget package which requires redevelopment agencies to remit approximately \$2.05 billion in redevelopment revenues back to the State. Under ABX4-26, each redevelopment agency must contribute a proportionate share of revenue to the newly created Supplemental Educational Revenue Augmentation Fund (SERAF). The bill authorizes redevelopment agencies, from July 1, 2009, to June 30, 2010, to suspend all or part of its required 20% allocation to its Low and Moderate Income Housing Fund in order to make the required payments. The Housing Fund must be repaid by June 30, 2015. If the agency fails to repay the Housing Fund, the required allocation of tax increment to the Housing Fund is increased to 25% for most agencies as long as the project area continues to receive tax increment. This will result in the delay or elimination of many affordable housing projects where redevelopment funding is a key funding component. In October 2009, the California Redevelopment Association and two of its members filed a lawsuit to challenge the constitutionality of the bill. A ruling is expected before May 2010, the date redevelopment agencies must make their 2009-2010 payment to the State. The amount payable to the State from the Agency is approximately \$768,000 in 2009-2010 and \$161,000 in 2010-2011.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DIXON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>2008-2009</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 9,800,723	\$ 10,501,473	\$ 10,375,566	\$ (125,907)
License, permits, and fees	1,940,614	1,239,864	1,044,880	(194,984)
Fines and forfeitures	19,456	19,456	15,818	(3,638)
Use of money and property	166,496	166,496	266,924	100,428
Intergovernmental	148,155	148,155	90,903	(57,252)
Charges for services	1,034,279	292,513	446,407	153,894
Other revenues	<u>294,461</u>	<u>159,961</u>	<u>133,916</u>	<u>(26,045)</u>
Total Revenues	<u>13,404,184</u>	<u>12,527,918</u>	<u>12,374,414</u>	<u>(153,504)</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General administration	2,626,984	1,968,908	1,954,018	14,890
Public safety	7,944,766	7,944,766	7,510,644	434,122
Parks and recreation	1,685,861	1,663,536	1,705,596	(42,060)
Development	1,417,475	1,417,475	1,041,918	375,557
Public ways and facilities	2,213,744	2,017,879	1,653,668	364,211
Capital outlay	<u>164,494</u>	<u>164,494</u>	<u>73,034</u>	<u>91,460</u>
Total Expenditures	<u>16,053,324</u>	<u>15,177,058</u>	<u>13,938,878</u>	<u>1,238,180</u>
Excess (deficiency) of revenues over expenditures	<u>(2,649,140)</u>	<u>(2,649,140)</u>	<u>(1,564,464)</u>	<u>(1,391,684)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	999,224	1,142,355	143,131
Transfers out	<u>-</u>	<u>(244,817)</u>	<u>(34,607)</u>	<u>210,210</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>754,407</u>	<u>1,107,748</u>	<u>353,341</u>
Net change in fund balance	<u>(2,649,140)</u>	<u>(1,894,733)</u>	<u>(456,716)</u>	<u>(1,038,343)</u>
Fund balance - July 1, 2008			<u>5,875,860</u>	
Fund balance - June 30, 2009			<u>\$ 5,419,144</u>	

**CITY OF DIXON**  
**REDEVELOPMENT - SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>2008-2009</b>		<b>Actual</b>	<b>Variance</b>
	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Positive</b>
				<b>(Negative)</b>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 1,866,822	\$ 1,866,822	\$ 1,901,950	\$ 35,128
Use of money and property	50,000	50,000	31,628	(18,372)
Other revenues	<u>3,409</u>	<u>3,409</u>	<u>3,353</u>	<u>(56)</u>
Total Revenues	<u>1,920,231</u>	<u>1,920,231</u>	<u>1,936,931</u>	<u>16,700</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Development	1,824,009	1,824,009	952,652	871,357
Capital outlay	216,951	216,951	-	216,951
Debt service:				
Principal	115,000	115,000	125,000	(10,000)
Interest and fiscal charges	<u>213,160</u>	<u>213,160</u>	<u>200,643</u>	<u>(12,517)</u>
Total Expenditures	<u>2,369,120</u>	<u>2,369,120</u>	<u>1,278,295</u>	<u>1,065,791</u>
Excess (deficiency) of revenues over expenditures	<u>(448,889)</u>	<u>(448,889)</u>	<u>658,636</u>	<u>1,107,525</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	25,000	25,000	25,000	-
Transfers out	<u>(328,100)</u>	<u>(328,100)</u>	<u>(319,940)</u>	<u>8,160</u>
Total Other Financing Sources (Uses)	<u>(303,100)</u>	<u>(303,100)</u>	<u>(294,940)</u>	<u>8,160</u>
Net change in fund balance	<u>(751,989)</u>	<u>(751,989)</u>	<u>363,696</u>	<u>1,115,685</u>
Fund balance - July 1, 2008			<u>1,799,005</u>	
Fund balance - June 30, 2009			<u>\$ 2,162,701</u>	

**CITY OF DIXON**  
 LOW/MODERATE INCOME HOUSING FUND - SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>2008-2009</u> <u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 466,705	\$ 466,705	\$ 475,488	\$ 8,783
Use of money and property	85,000	85,000	40,698	(44,302)
Program income	85,000	85,000	34,219	(50,781)
Other revenues	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Total Revenues	<u>686,705</u>	<u>686,705</u>	<u>550,405</u>	<u>(136,300)</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Development	<u>2,466,816</u>	<u>2,446,816</u>	<u>661,237</u>	<u>1,785,579</u>
Total Expenditures	<u>2,466,816</u>	<u>2,446,816</u>	<u>661,237</u>	<u>1,785,579</u>
Excess (deficiency) of revenues over expenditures	<u>(1,780,111)</u>	<u>(1,760,111)</u>	<u>(110,832)</u>	<u>1,649,279</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers out	<u>-</u>	<u>-</u>	<u>(170,690)</u>	<u>(170,690)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(170,690)</u>	<u>(170,690)</u>
Net change in fund balance	<u>(1,780,111)</u>	<u>(1,760,111)</u>	<u>(281,522)</u>	<u>1,478,589</u>
Fund balance - July 1, 2008			<u>2,000,904</u>	
Fund balance - June 30, 2009			<u>\$ 1,719,382</u>	



**CITY OF DIXON  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY ACCOUNTING AND CONTROL  
FOR THE YEAR ENDED JUNE 30, 2009**

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.

**CITY OF DIXON  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS FOR CalPERS PENSIONS PLANS**

Required Supplementary Information - Safety Plan\*\*

<u>Valuation Date</u>	(1) Entry Age Actuarial Accrued Liability	(2) Actuarial Value of Assets	(3) Unfunded Liability (Excess Assets) (1) - (2)	(4) Funded Status (2) / (1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Liability as a percentage of Covered Payroll ((1) - (2)) / (5)
June 30, 2005	\$ 6,367,049,264	\$ 5,295,150,375	\$ 1,071,898,889	83.2 %	\$ 664,147,796	161.4 %
June 30, 2006	\$ 7,278,049,834	\$ 6,102,615,567	\$ 1,175,434,267	83.8 %	\$ 754,730,438	155.7 %
June 30, 2007	\$ 7,986,055,176	\$ 6,826,599,459	\$ 1,159,455,717	85.5 %	\$ 831,607,658	139.4 %

Required Supplementary Information - Miscellaneous Plan\*\*

<u>Valuation Date</u>	(1) Entry Age Actuarial Accrued Liability	(2) Actuarial Value of Assets	(3) Unfunded Liability (Excess Assets) (1) - (2)	(4) Funded Status (2) / (1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Liability as a percentage of Covered Payroll ((1) - (2)) / (5)
June 30, 2005	\$ 579,276,103	\$ 500,388,523	\$ 78,887,580	86.4 %	\$129,379,492	61.0 %
June 30, 2006	\$ 912,988,585	\$ 787,758,909	\$ 125,229,676	86.3 %	\$200,320,145	62.5 %
June 30, 2007	\$ 1,315,454,361	\$ 1,149,247,298	\$ 166,207,063	87.4 %	\$289,090,187	57.5 %

\*\*A new State law authorized the creation of risk pools by PERS and required mandatory participation of small employers to help reduce large fluctuations in their contribution rates. As an employer with less than 100 active members, the City is now required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available.

**CITY OF DIXON  
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

<u>Actuarial Valuation Date</u>	<u>Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Liability (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
June 30, 2009	\$ 1,473,000	\$ -	\$ 1,473,000	0%	\$ 7,613,000	19 %

See accompanying notes to the basic financial statements.

**COMBINING FINANCIAL STATEMENT AND OTHER SUPPLEMENTARY INFORMATION**

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## NON-MAJOR GOVERNMENTAL FUNDS

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The following funds are reported in total on the Governmental Fund Financial Statements under the column Other Governmental Funds.

### **SPECIAL REVENUE FUNDS**

#### Gas Tax Fund

This fund is used to account 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

This fund is used to account for receipts of motor vehicle fines and forfeitures expended for traffic safety projects.

#### Used Oil Recycling Block Grant Fund

This fund is used to account for receipts and expenditures for the "Community Oriented Public Safety" funds provided by the State of California.

#### COPS Block Grant

This fund accounts for the receipts and expenditures for the "Community Oriented Public Safety" funds provided by the State of California.

#### Asset Forfeiture Fund

This fund is used to account for receipts and expenditures related to asset forfeitures.

#### CDBG Fund

This fund is used to account 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).

#### CDBG Grant PTA Fund

This fund is used to account for planning technical assistance which the City received in 2006 to promote economic development.

#### OES/FEMA

This fund is used to account for receipts and expenditures related to FEMA grants.

#### Landscaping and Lighting Assessment Districts

This fund is used to account for revenues from assessments and expenditures for the landscaping maintenance and lighting operations of 10 zones within the City limits.

#### Valley Glen Storm Drain

This fund accounts for revenues from assessments and expenditures for the maintenance of the Valley Glen Pump Station and for the Valley Glen housing development proportionate share of cost for the pond A and lateral one storm drainage improvements.

#### CFD Pond C/Lateral Two

This fund accounts for assessments and expenditures for the maintenance of the drainage Pond C. The funding for this maintenance is shared by the Brookfield development and the City.

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## NON-MAJOR GOVERNMENTAL FUNDS

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### **CAPITAL PROJECT FUNDS**

#### Capital Improvements Fund

This fund is used to account for miscellaneous capital projects and for portions of capital projects which do not have other resources available (i.e., ineligible for development of impact fees).

#### Industrial Park Fund

This fund is used to account 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

This fund is used to account 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

This fund is used to account for revenue and expenditures budgeted for capital projects relating to fire infrastructure.

#### Police Fund

This fund is used to account for revenue and expenditures budgeted for capital projects relating to police infrastructure.

#### City Facilities Fund

This fund accounts for revenue and expenditures budgeted for capital projects relating to administrative infrastructure.

#### Public Works Fund

This fund accounts for revenue and expenditures budgeted for capital projects relating to public works (municipal service center) infrastructure.

#### Transit Projects Fund

This fund is used to account for grants received to fund transit facilities.

#### Recreation Improvements Fund

This fund is used to account for development impact fees collected to fund expansion of recreation and park facilities.

#### Agricultural Land Mitigation Fund

This fund is used to account for development impact fees collected to fund greenbelts.

#### Vacaville/Dixon Greenbelt Authority

This fund is used to account for resources budgeted for Vacaville/Dixon Greenbelt (VDG) Authority projects, including a greenbelt between the cities of Dixon and Vacaville.

### **DEBT SERVICE FUNDS**

#### City Hall Debt Reserve Fund

This fund is used to account for funds set aside from the general fund as a reserve for future debt service payments.

#### Dixon Public Improvement Fund (DPIC)

This fund is used to account for lease revenue and debt service payments for the 1981 Lease Revenue Refunding bonds which were used to construct City Hall.

#### Dixon Public Financing Authority - Police

This fund is used to account 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.

#### Dixon Public Financing Authority - Fire

This fund is used to account for the debt service payments of the 1997 Lease Revenue bonds issued for the construction of the City of Dixon fire station and administrative center.

**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2009**

<b>Special Revenue Funds</b>						
	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>Used Oil Recycling Block Grant</u>	<u>COPS Block Grant</u>	<u>Asset Forfeiture</u>	<u>CDBG</u>
<b>ASSETS</b>						
Cash and investments	\$ 170,518	\$ 19,609	\$ 4,266	\$ 70,997	\$ 2,159	\$ 127,139
Restricted cash and investments	-	-	-	-	-	-
Accounts receivable	-	7,908	-	42,272	-	-
Interest receivable	124	18	4	66	2	172
Notes receivable	-	-	-	-	-	532,030
Advances to other funds	-	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 170,642</u></b>	<b><u>\$ 27,535</u></b>	<b><u>\$ 4,270</u></b>	<b><u>\$ 113,335</u></b>	<b><u>\$ 2,161</u></b>	<b><u>\$ 659,341</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>(DEFICITS)</b>						
LIABILITIES:						
Accounts payable	\$ 3,187	\$ 9,122	\$ 240	\$ -	\$ -	\$ 348
Deferred revenue	-	-	-	-	-	532,030
Due to other funds	-	-	-	-	-	-
<b>Total Liabilities</b>	<b><u>3,187</u></b>	<b><u>9,122</u></b>	<b><u>240</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>532,378</u></b>
FUND BALANCES (DEFICITS):						
Reserved:						
Debt service	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Special revenue funds	167,455	18,413	4,030	113,335	2,161	126,963
Capital project funds	-	-	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b><u>167,455</u></b>	<b><u>18,413</u></b>	<b><u>4,030</u></b>	<b><u>113,335</u></b>	<b><u>2,161</u></b>	<b><u>126,963</u></b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b><u>\$ 170,642</u></b>	<b><u>\$ 27,535</u></b>	<b><u>\$ 4,270</u></b>	<b><u>\$ 113,335</u></b>	<b><u>\$ 2,161</u></b>	<b><u>\$ 659,341</u></b>

**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2009**

<b>Special Revenue Funds</b>					
	CDBG Grant PTA	OES/FEMA	Landscaping and Lighting Assessment Districts	Valley Glen Storm Drain	CFD Pond C
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -	\$ 101,973	\$ 359,316	\$ 2,550
Restricted cash and investments	-	-	-	-	-
Accounts receivable	6,720	-	-	-	2
Interest receivable	-	-	101	340	-
Notes receivable	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 6,720</b>	<b>\$ -</b>	<b>\$ 102,074</b>	<b>\$ 359,656</b>	<b>\$ 2,552</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>(DEFICITS)</b>					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ 4,458	\$ 3,065	\$ -
Deferred revenue	55,594	-	-	-	-
Due to other funds	-	-	225,226	-	-
<b>Total Liabilities</b>	<b>55,594</b>	<b>-</b>	<b>229,684</b>	<b>3,065</b>	<b>-</b>
FUND BALANCES (DEFICITS):					
Reserved:					
Debt service	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Special revenue funds	(48,874)	-	(127,610)	356,591	2,552
Capital project funds	-	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b>(48,874)</b>	<b>-</b>	<b>(127,610)</b>	<b>356,591</b>	<b>2,552</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ 6,720</b>	<b>\$ -</b>	<b>\$ 102,074</b>	<b>\$ 359,656</b>	<b>\$ 2,552</b>



**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2009**

<b>Capital Project Funds</b>
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	Capital Improvements	Industrial Park	Community Development	Fire	Police
<b>ASSETS</b>					
Cash and investments	\$ 248,948	\$ 9,264	\$ 1,241,750	\$ 554	\$ 24,678
Restricted cash and investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Interest receivable	233	9	1,161	1	23
Notes receivable	-	-	-	-	-
Advances to other funds	<u>547,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 797,134</u></b>	<b><u>\$ 9,273</u></b>	<b><u>\$ 1,242,911</u></b>	<b><u>\$ 555</u></b>	<b><u>\$ 24,701</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>(DEFICITS)</b>					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):					
Reserved:					
Debt service	-	-	-	-	-
Advances to other funds	547,953	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital project funds	<u>249,181</u>	<u>9,273</u>	<u>1,242,911</u>	<u>555</u>	<u>24,701</u>
<b>Total Fund Balances (Deficits)</b>	<b><u>797,134</u></b>	<b><u>9,273</u></b>	<b><u>1,242,911</u></b>	<b><u>555</u></b>	<b><u>24,701</u></b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b><u>\$ 797,134</u></b>	<b><u>\$ 9,273</u></b>	<b><u>\$ 1,242,911</u></b>	<b><u>\$ 555</u></b>	<b><u>\$ 24,701</u></b>

**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2009**

<b>Capital Project Funds</b>						
	<u>City Facilities</u>	<u>Public Works</u>	<u>Transit Projects</u>	<u>Recreation Improvements</u>	<u>Agricultural Land Mitigation</u>	<u>Vacaville/Dixon Greenbelt Authority</u>
<b>ASSETS</b>						
Cash and investments	\$ 269,862	\$ 844,432	\$ 509,691	\$ 327,063	\$ 1,172,554	\$ 92,515
Restricted cash and investments	-	-	-	-	-	-
Accounts receivable	-	-	12,768	-	-	-
Interest receivable	252	789	426	306	1,096	86
Notes receivable	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 270,114</u></b>	<b><u>\$ 845,221</u></b>	<b><u>\$ 522,885</u></b>	<b><u>\$ 327,369</u></b>	<b><u>\$ 1,173,650</u></b>	<b><u>\$ 92,601</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>(DEFICITS)</b>						
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ 121,034	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>121,034</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
FUND BALANCES (DEFICITS):						
Reserved:						
Debt service	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-
Capital project funds	<u>270,114</u>	<u>845,221</u>	<u>401,851</u>	<u>327,369</u>	<u>1,173,650</u>	<u>92,601</u>
<b>Total Fund Balances (Deficits)</b>	<b><u>270,114</u></b>	<b><u>845,221</u></b>	<b><u>401,851</u></b>	<b><u>327,369</u></b>	<b><u>1,173,650</u></b>	<b><u>92,601</u></b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b><u>\$ 270,114</u></b>	<b><u>\$ 845,221</u></b>	<b><u>\$ 522,885</u></b>	<b><u>\$ 327,369</u></b>	<b><u>\$ 1,173,650</u></b>	<b><u>\$ 92,601</u></b>

**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2009**

	<b>Debt Service Funds</b>				<b>Total Non-major Governmental Funds</b>
	City Hall Debt Reserve	Dixon Public Improvement (DPIC)	Public Financing - Police (DPFA)	Public Financing - Fire (DPFA)	
<b>ASSETS</b>					
Cash and investments	\$ 149,417	\$ 29,040	\$ 1,389	\$ -	\$ 5,779,684
Restricted cash and investments	-	-	190,939	253,205	444,144
Accounts receivable	-	-	-	-	69,670
Interest receivable	140	27	1	-	5,377
Notes receivable	-	-	-	-	532,030
Advances to other funds	-	-	-	-	547,953
<b>Total Assets</b>	<b>\$ 149,557</b>	<b>\$ 29,067</b>	<b>\$ 192,329</b>	<b>\$ 253,205</b>	<b>\$ 7,378,858</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>(DEFICITS)</b>					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 141,454
Deferred revenue	-	-	-	-	587,624
Due to other funds	-	-	-	1,541	226,767
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,541</b>	<b>955,845</b>
FUND BALANCES (DEFICITS):					
Reserved:					
Debt service	149,557	29,067	192,329	251,664	622,617
Advances to other funds	-	-	-	-	547,953
Special revenue funds	-	-	-	-	615,016
Capital project funds	-	-	-	-	4,637,427
<b>Total Fund Balances (Deficits)</b>	<b>149,557</b>	<b>29,067</b>	<b>192,329</b>	<b>251,664</b>	<b>6,423,013</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ 149,557</b>	<b>\$ 29,067</b>	<b>\$ 192,329</b>	<b>\$ 253,205</b>	<b>\$ 7,378,858</b>

**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<b>Special Revenue Funds</b>						
	<u>Gas Tax</u>	<u>Traffic Safety</u>	<u>Used Oil Recycling Block Grant</u>	<u>COPS Block Grant</u>	<u>Asset Forfeiture</u>	<u>CDBG</u>
<b>REVENUES</b>						
Taxes and assessments	\$ 411,921	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	37,770	-	-	-	-
Use of money and property	1,597	134	68	1,976	61	5,993
Program income	-	-	-	-	-	77,853
Intergovernmental	-	-	10,000	100,000	-	-
Developer fees	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	<u>413,518</u>	<u>37,904</u>	<u>10,068</u>	<u>101,976</u>	<u>61</u>	<u>83,846</u>
<b>EXPENDITURES</b>						
Current:						
Public safety	-	-	4,523	53,954	-	-
Development	-	-	-	-	-	257,218
Public ways and facilities	11,684	27,121	-	-	-	-
Capital outlay	30,078	-	-	30,410	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>41,762</u>	<u>27,121</u>	<u>4,523</u>	<u>84,364</u>	<u>-</u>	<u>257,218</u>
Excess (Deficiency) of Revenues over Expenditures	<u>371,756</u>	<u>10,783</u>	<u>5,545</u>	<u>17,612</u>	<u>61</u>	<u>(173,372)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	29,112	3,991	-	-	-	-
Transfers out	(371,684)	(6,490)	-	-	-	(10,338)
Total Other Financing Sources (Uses)	<u>(342,572)</u>	<u>(2,499)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,338)</u>
Net change in fund balances	29,184	8,284	5,545	17,612	61	(183,710)
Fund balances (deficits) - July 1, 2008	138,271	10,129	(1,515)	95,723	2,100	310,673
Prior period adjustment (Note 14)	-	-	-	-	-	-
Fund balances - July 1, 2008, restated	<u>138,271</u>	<u>10,129</u>	<u>(1,515)</u>	<u>95,723</u>	<u>2,100</u>	<u>310,673</u>
Fund balances (deficits) - June 30, 2009	<u>\$ 167,455</u>	<u>\$ 18,413</u>	<u>\$ 4,030</u>	<u>\$ 113,335</u>	<u>\$ 2,161</u>	<u>\$ 126,963</u>

**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Special Revenue Funds</b>				
	CDBG Grant PTA	OES/FEMA	Landscaping and Lighting Assessment Districts	Valley Glen Storm Drain	CFD Pond C
<b>REVENUES</b>					
Taxes and assessments	\$ -	\$ -	\$ 141,939	\$ 228,869	\$ -
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	2,084	7,003	123
Program income	-	-	-	-	-
Intergovernmental	15,640	-	-	-	-
Developer fees	-	-	-	-	-
Other revenue	-	-	-	-	5,317
Total Revenues	<u>15,640</u>	<u>-</u>	<u>144,023</u>	<u>235,872</u>	<u>5,440</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	-	-	-	-	-
Development	15,960	-	150	-	-
Public ways and facilities	-	-	126,786	89,419	7,304
Capital outlay	-	-	-	83,353	5,692
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>15,960</u>	<u>-</u>	<u>126,936</u>	<u>172,772</u>	<u>12,996</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(320)</u>	<u>-</u>	<u>17,087</u>	<u>63,100</u>	<u>(7,556)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	7,267	-	24,499	-	10,108
Transfers out	-	-	-	(11,510)	-
Total Other Financing Sources (Uses)	<u>7,267</u>	<u>-</u>	<u>24,499</u>	<u>(11,510)</u>	<u>10,108</u>
Net change in fund balances	6,947	-	41,586	51,590	2,552
Fund balances (deficits) - July 1, 2008	(6,947)	-	(169,196)	305,001	-
Prior period adjustment (Note 14)	<u>(48,874)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - July 1, 2008, restated	<u>(55,821)</u>	<u>-</u>	<u>(169,196)</u>	<u>305,001</u>	<u>-</u>
Fund balances (deficits) - June 30, 2009	<u>\$ (48,874)</u>	<u>\$ -</u>	<u>\$ (127,610)</u>	<u>\$ 356,591</u>	<u>\$ 2,552</u>

**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Capital Project Funds</b>				
	<u>Capital Improvements</u>	<u>Industrial Park</u>	<u>Community Development</u>	<u>Fire</u>	<u>Police</u>
<b><u>REVENUES</u></b>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Use of money and property	20,661	243	30,213	405	866
Program income	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Developer fees	-	-	-	33,744	14,702
Other revenue	-	-	-	-	-
Total Revenues	<u>20,661</u>	<u>243</u>	<u>30,213</u>	<u>34,149</u>	<u>15,568</u>
<b><u>EXPENDITURES</u></b>					
Current:					
Public safety	-	-	-	-	1,070
Development	-	997	-	-	-
Public ways and facilities	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>997</u>	<u>-</u>	<u>-</u>	<u>1,070</u>
Excess (Deficiency) of Revenues over Expenditures	<u>20,661</u>	<u>(754)</u>	<u>30,213</u>	<u>34,149</u>	<u>14,498</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	-	-	-	134,000	105,000
Transfers out	<u>(12,865)</u>	<u>-</u>	<u>-</u>	<u>(168,000)</u>	<u>(115,000)</u>
Total Other Financing Sources (Uses)	<u>(12,865)</u>	<u>-</u>	<u>-</u>	<u>(34,000)</u>	<u>(10,000)</u>
Net change in fund balances	7,796	(754)	30,213	149	4,498
Fund balances (deficits) - July 1, 2008	789,338	10,027	1,212,698	406	20,203
Prior period adjustment (Note 14)	-	-	-	-	-
Fund balances - July 1, 2008, restated	<u>789,338</u>	<u>10,027</u>	<u>1,212,698</u>	<u>406</u>	<u>20,203</u>
Fund balances (deficits) - June 30, 2009	<u>\$ 797,134</u>	<u>\$ 9,273</u>	<u>\$ 1,242,911</u>	<u>\$ 555</u>	<u>\$ 24,701</u>

**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Capital Project Funds</b>					
	<u>City Facilities</u>	<u>Public Works</u>	<u>Transit Projects</u>	<u>Recreation Improvements</u>	<u>Agricultural Land Mitigation</u>	<u>Vacaville/Dixon Greenbelt Authority</u>
<b>REVENUES</b>						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	7,440	23,734	11,256	7,596	34,439	2,957
Program income	-	-	-	-	-	-
Intergovernmental	-	17,447	193,649	-	-	-
Developer fees	21,469	5,647	-	-	-	-
Other revenue	-	-	-	3,000	-	-
Total Revenues	<u>28,909</u>	<u>46,828</u>	<u>204,905</u>	<u>10,596</u>	<u>34,439</u>	<u>2,957</u>
<b>EXPENDITURES</b>						
Current:						
Public safety	-	-	-	-	-	-
Development	-	-	-	-	-	-
Public ways and facilities	-	-	1,415	-	-	6,338
Capital outlay	20,692	63,586	363,495	11,998	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>20,692</u>	<u>63,586</u>	<u>364,910</u>	<u>11,998</u>	<u>-</u>	<u>6,338</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,217</u>	<u>(16,758)</u>	<u>(160,005)</u>	<u>(1,402)</u>	<u>34,439</u>	<u>(3,381)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(56,710)	(2,059)	(8,148)	(12,325)	-	-
Total Other Financing Sources (Uses)	<u>(56,710)</u>	<u>(2,059)</u>	<u>(8,148)</u>	<u>(12,325)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(48,493)	(18,817)	(168,153)	(13,727)	34,439	(3,381)
Fund balances (deficits) - July 1, 2008	318,607	864,038	414,004	341,096	1,139,211	95,982
Prior period adjustment (Note 14)	-	-	156,000	-	-	-
Fund balances - July 1, 2008, restated	<u>318,607</u>	<u>864,038</u>	<u>570,004</u>	<u>341,096</u>	<u>1,139,211</u>	<u>95,982</u>
Fund balances (deficits) - June 30, 2009	<u>\$ 270,114</u>	<u>\$ 845,221</u>	<u>\$ 401,851</u>	<u>\$ 327,369</u>	<u>\$ 1,173,650</u>	<u>\$ 92,601</u>

**CITY OF DIXON**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Debt Service Funds</b>				<b>Total Non-major Governmental Funds</b>
	City Hall Debt Reserve	Dixon Public Improvement (DPIC)	Public Financing - Police (DPFA)	Public Financing - Fire (DPFA)	
<b>REVENUES</b>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 782,729
Fines and forfeitures	-	-	-	-	37,770
Use of money and property	8,228	71	2,983	2,748	172,879
Program income	-	-	-	-	77,853
Intergovernmental	-	-	-	-	336,736
Developer fees	-	-	-	-	75,562
Other revenue	-	-	-	-	8,317
Total Revenues	<u>8,228</u>	<u>71</u>	<u>2,983</u>	<u>2,748</u>	<u>1,491,846</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	-	-	-	-	59,547
Development	-	-	-	-	274,325
Public ways and facilities	-	-	-	-	270,067
Capital outlay	-	-	-	-	609,304
Debt service:					
Principal	-	25,000	135,000	115,000	275,000
Interest and fiscal charges	-	26,125	59,687	132,077	217,889
Total Expenditures	<u>-</u>	<u>51,125</u>	<u>194,687</u>	<u>247,077</u>	<u>1,706,132</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,228</u>	<u>(51,054)</u>	<u>(191,704)</u>	<u>(244,329)</u>	<u>(214,286)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	51,145	115,000	168,000	648,122
Transfers out	<u>(243,914)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,019,043)</u>
Total Other Financing Sources (Uses)	<u>(243,914)</u>	<u>51,145</u>	<u>115,000</u>	<u>168,000</u>	<u>(370,921)</u>
Net change in fund balances	(235,686)	91	(76,704)	(76,329)	(585,207)
Fund balances (deficits) - July 1, 2008	385,243	28,976	269,033	327,993	6,901,094
Prior period adjustment (Note 14)	-	-	-	-	107,126
Fund balances - July 1, 2008, restated	<u>385,243</u>	<u>28,976</u>	<u>269,033</u>	<u>327,993</u>	<u>7,008,220</u>
Fund balances (deficits) - June 30, 2009	<u>\$ 149,557</u>	<u>\$ 29,067</u>	<u>\$ 192,329</u>	<u>\$ 251,664</u>	<u>\$ 6,423,013</u>



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## AGENCY FUNDS

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Agency funds are fiduciary funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The specific agency funds used by the City are shown below:

West "A" Street Improvement District Fund

This fund is used to account for 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 Fund

This fund is used to account 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

This fund is used to account 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

This fund is used to account 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 Junior Lien Reassessment bonds, Series B.

Dixon-Solano Municipal Water Service (SID) Interest

This fund is used to account for Solano Irrigation District's share of the Dixon-Solano Municipal Water Service, a water service operated under a joint exercise of power agreement between the City of Dixon and Solano Irrigation District.

**CITY OF DIXON**  
**COMBINING STATEMENT OF NET ASSETS**  
**AGENCY FUNDS**  
**JUNE 30, 2009**

	<b>West "A" Street Improvement District</b>	<b>North First Street Improvement District</b>	<b>Dixon Fire Protection Agency</b>	<b>Public Financing Assessment Districts</b>	<b>Dixon-Solano Municipal Water Service (SID Interest)</b>	<b>Totals</b>
<b><u>ASSETS</u></b>						
Cash and investments	\$ 269,530	\$ 1,944,372	\$ 480,874	\$ 401,688	\$ 530,330	\$ 3,626,794
Accounts receivable	-	-	-	-	115,622	115,622
Interest receivable	252	1,818	450	987	494	4,001
Taxes receivable	-	-	7,724	-	-	7,724
Restricted cash	-	-	-	1,964,671	-	1,964,671
<b>Total Assets</b>	<b><u>\$ 269,782</u></b>	<b><u>\$ 1,946,190</u></b>	<b><u>\$ 489,048</u></b>	<b><u>\$ 2,367,346</u></b>	<b><u>\$ 646,446</u></b>	<b><u>\$ 5,718,812</u></b>
<b><u>LIABILITIES</u></b>						
Accounts payable	\$ -	\$ -	\$ 96	\$ -	\$ 43,953	\$ 44,049
Deposits payable	-	-	-	-	235,776	235,776
Interest payable	53,611	275,112	-	266,422	-	595,145
Deferred revenue	-	-	-	-	143,380	143,380
Agency obligations	<u>216,171</u>	<u>1,671,078</u>	<u>488,952</u>	<u>2,100,924</u>	<u>223,337</u>	<u>4,700,462</u>
<b>Total Liabilities</b>	<b><u>\$ 269,782</u></b>	<b><u>\$ 1,946,190</u></b>	<b><u>\$ 489,048</u></b>	<b><u>\$ 2,367,346</u></b>	<b><u>\$ 646,446</u></b>	<b><u>\$ 5,718,812</u></b>

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## GENERAL FUNDS

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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 funds used by the City are shown below:

### General Fund

This fund is the primary source for discretionary spending that is not restricted by the source of the funds received. It serves the administration, development services, community facilities, public safety, and non-departmental divisions.

### Contingency Fund

The sole purpose of this fund is to separate out a portion of the general fund reserve. Interest earnings are normally the only transaction in this fund. The undesignated fund balance of the general fund and the contingency fund are added together for the general fund balance available to finance budgetary transactions.

### Council Discretionary Fund

This fund was established to separate out expenditures which the City Council has set aside for particular purposes. Revenues from the KBI/Select Build sales taxes and other one time revenues are transferred into this fund from the General Fund. Currently, this fund is being used mainly to account for the General Plan activities.

### Recreation Fund

This fund is used to account for programs such as classes of general interest, day camp, youth and adult sports leagues, and teen activities.

### Performing Arts Fund

This fund is used to account for operations of the Performing Arts Center and is managed by the Recreation and Community Services Department.

### Planning Agreements Fund

This fund is used to account for developer deposits to cover the cost of planning services.

### Equipment Replacement Fund

This fund is funded by a transfer from the General Fund. Its funds are used to for the replacement of equipment.

### Building Reserve Fund

This fund is used to account for expenditures related to building costs. It is funded by transfers made from time to time from the General Fund.

**CITY OF DIXON**  
**GENERAL FUND**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2009**

	<u>General Fund</u>	<u>Contingency</u>	<u>Council Discretionary</u>	<u>Recreation</u>	<u>Performing Arts</u>	<u>Planning Agreements</u>	<u>Equipment Replacement</u>	<u>Building Reserve</u>	<u>Total General Fund</u>
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ 1,700,847	\$ 155,583	\$ 52,792	\$ -	\$ 47,578	\$ 2,164,253	\$ 163,976	\$ 4,285,029
Accounts receivable	403,348	-	-	-	-	30,022	-	-	433,370
Interest receivable	144	1,806	145	49	-	44	2,023	153	4,364
Taxes receivable	992,770	-	-	-	-	-	-	-	992,770
Due from other funds	225,226	231,531	-	-	-	-	-	-	456,757
Prepaid expenses	281,653	-	-	-	-	-	-	-	281,653
Inventory	1,287	-	-	-	-	-	-	-	1,287
<b>Total Assets</b>	<b><u>\$ 1,904,428</u></b>	<b><u>\$ 1,934,184</u></b>	<b><u>\$ 155,728</u></b>	<b><u>\$ 52,841</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 77,644</u></b>	<b><u>\$ 2,166,276</u></b>	<b><u>\$ 164,129</u></b>	<b><u>\$ 6,455,230</u></b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES:</b>									
Accounts payable	\$ 275,787	\$ -	\$ 3,715	\$ 7,978	\$ -	\$ 20,908	\$ -	\$ -	\$ 308,388
Accrued payroll and benefits	246,580	-	-	753	-	-	-	-	247,333
Deferred revenue	-	-	-	5,000	-	33,622	-	-	38,622
Deposits payable	255,077	-	-	-	-	24,404	-	-	279,481
Due to other funds	149,966	-	-	-	12,296	-	-	-	162,262
<b>Total Liabilities</b>	<b><u>927,410</u></b>	<b><u>-</u></b>	<b><u>3,715</u></b>	<b><u>13,731</u></b>	<b><u>12,296</u></b>	<b><u>78,934</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,036,086</u></b>
<b>FUND BALANCES:</b>									
<b>Reserved for:</b>									
Encumbrances	14,218	-	-	-	-	-	-	-	14,218
Prepays and other assets	281,653	-	-	-	-	-	-	-	281,653
Inventory	1,287	-	-	-	-	-	-	-	1,287
<b>Unreserved, reported in:</b>									
Designated for senior/multi-use center	980	-	-	-	-	-	-	-	980
Designated for equipment replacement	-	-	-	-	-	-	2,166,276	-	2,166,276
Undesignated	678,880	1,934,184	152,013	39,110	(12,296)	(1,290)	-	164,129	2,954,730
<b>Total Fund Balances</b>	<b><u>977,018</u></b>	<b><u>1,934,184</u></b>	<b><u>152,013</u></b>	<b><u>39,110</u></b>	<b><u>(12,296)</u></b>	<b><u>(1,290)</u></b>	<b><u>2,166,276</u></b>	<b><u>164,129</u></b>	<b><u>5,419,144</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,904,428</u></b>	<b><u>\$ 1,934,184</u></b>	<b><u>\$ 155,728</u></b>	<b><u>\$ 52,841</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 77,644</u></b>	<b><u>\$ 2,166,276</u></b>	<b><u>\$ 164,129</u></b>	<b><u>\$ 6,455,230</u></b>

**CITY OF DIXON**  
**GENERAL FUND**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**JUNE 30, 2009**

	<u>General Fund</u>	<u>Contingency</u>	<u>Council Discretionary</u>	<u>Recreation Fund</u>	<u>Performing Arts</u>	<u>Planning Agreements</u>	<u>Equipment Replacement</u>	<u>Building Reserve</u>	<u>Total General Fund</u>
<b>REVENUES</b>									
Taxes and assessments	\$10,375,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$10,375,566
Licence, permits, and fees	954,665	-	493	51,975	-	37,747	-	-	1,044,880
Fines and forfeitures	15,818	-	-	-	-	-	-	-	15,818
Use of money and property	136,679	47,828	5,545	1,246	510	1,276	70,443	3,397	266,924
Intergovernmental	90,903	-	-	-	-	-	-	-	90,903
Charges for services	326,126	-	-	59,132	-	61,149	-	-	446,407
Other revenues	<u>118,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,916</u>
Total Revenues	<u>12,018,211</u>	<u>47,828</u>	<u>6,038</u>	<u>112,353</u>	<u>15,972</u>	<u>100,172</u>	<u>70,443</u>	<u>3,397</u>	<u>12,374,414</u>
<b>EXPENDITURES</b>									
General administration	1,912,509	-	41,509	-	-	-	-	-	1,954,018
Public safety	7,510,644	-	-	-	-	-	-	-	7,510,644
Parks and recreation	1,575,359	-	-	110,050	20,187	-	-	-	1,705,596
Development	914,979	-	-	-	-	111,381	-	15,558	1,041,918
Public ways and facilities	1,630,379	-	23,289	-	-	-	-	-	1,653,668
Capital outlay	<u>68,991</u>	<u>-</u>	<u>4,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,034</u>
Total Expenditures	<u>13,612,861</u>	<u>-</u>	<u>68,841</u>	<u>110,050</u>	<u>20,187</u>	<u>111,381</u>	<u>-</u>	<u>15,558</u>	<u>13,938,878</u>
Excess (deficiency) of revenues over expenditures	<u>(1,594,650)</u>	<u>47,828</u>	<u>(62,803)</u>	<u>2,303</u>	<u>(4,215)</u>	<u>(11,209)</u>	<u>70,443</u>	<u>(12,161)</u>	<u>(1,564,464)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	1,341,990	-	-	-	-	-	-	-	1,341,990
Transfers out	<u>(34,607)</u>	<u>-</u>	<u>-</u>	<u>(5,465)</u>	<u>-</u>	<u>-</u>	<u>(158,912)</u>	<u>(35,258)</u>	<u>(234,242)</u>
Total Other Financing Sources (Uses)	<u>1,307,383</u>	<u>-</u>	<u>-</u>	<u>(5,465)</u>	<u>-</u>	<u>-</u>	<u>(158,912)</u>	<u>(35,258)</u>	<u>1,107,748</u>
Net Change in Fund Balance	(287,267)	47,828	(62,803)	(3,162)	(4,215)	(11,209)	(88,469)	(47,419)	(456,716)
Fund Balances - July 1, 2008	<u>1,264,285</u>	<u>1,886,356</u>	<u>214,816</u>	<u>42,272</u>	<u>(8,081)</u>	<u>9,919</u>	<u>2,254,745</u>	<u>211,548</u>	<u>5,875,860</u>
Fund Balances - June 30, 2009	<u>\$ 977,018</u>	<u>\$ 1,934,184</u>	<u>\$ 152,013</u>	<u>\$ 39,110</u>	<u>\$ (12,296)</u>	<u>\$ (1,290)</u>	<u>\$ 2,166,276</u>	<u>\$ 164,129</u>	<u>\$ 5,419,144</u>

## OTHER REPORTS



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
 MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
 IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council of  
 the City of Dixon  
 Dixon, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dixon (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City of Dixon's basic financial statements and have issued our report thereon dated February 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: findings 2009-01 through 2009-04.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. Of the significant deficiencies in internal control over financial reporting described in the accompanying schedule of findings and responses, we consider item 2009-01 to be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PRINCIPALS

Chris A. Mann, CPA, CFP • John R. Urrutia, CPA • Michelle O. Nelson, CPA, CFE, CVA • Kriss Ann Mann, CPA, CCPS

Christine L. Collins, EA • Justin J. Williams, CPA, CVA • Neil J. Beeman, CPA

We noted certain other matters that we reported to management of the City in a separate letter dated February 23, 2010.

The City of Dixon's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Dixon's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the entity, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Urata Nelson". The signature is written in black ink and is positioned to the right of the typed text.

Sacramento, California  
February 23, 2010



**CITY OF DIXON**  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2009

**Finding 2009-01: Bank Reconciliations**

**Criteria**

Certain deficiencies in internal control over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Condition**

Bank reconciliations were not being prepared accurately or in a timely manner. It was also discovered that throughout the year, pooled cash in the funds was not being reconciled to the pooled cash account.

**Cause**

The City has incurred significant turnover in its accounting department which has lead to different individuals performing the bank reconciliation, resulting in inconsistencies. In addition, it was discovered that journal entries were being posted to a closed year.

**Recommendation**

We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the Finance Director. The review should include tests of mathematical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded. We also recommend that the reconciliations be signed and dated by employees preparing and approving them. As a prompt to the preparer and reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for signatures, or a stamp with a signature block could be applied to the reconciliations.

**Management's Response**

The City hired a new Director of Finance and Technology in July of 2009 after a nearly two year recruitment period. A contractor was fulfilling the role for the two year gap. In addition, the accounting manager position, the only other accountant for the City, has turned over several times in the recent few years. The new Finance Director is implementing new internal control processes to ensure timely reconciliation of cash accounts and the recommendation will be incorporated into those procedures.

**CITY OF DIXON**  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2009

**Finding 2009-02: Notes Receivable**

**Criteria**

Certain deficiencies in internal control over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Condition**

Loan originations, payments, and transactions were not being recorded properly on the City's general ledger, resulting in inaccurate loan balances and tracking of payments.

**Cause**

It appears the economic development department and the finance departments were maintaining and tracking loan activity on different ledgers which resulted in inconsistent information being applied to the loans.

**Recommendation**

The economic development department should track all loans originated and outstanding, and significant terms, and should forward this information to the finance department. Likewise, the finance department should forward information on major transactions related to the loans such as payments and payoffs to the economic development department so both departments have current information. A reconciliation, performed at least quarterly, should be performed. We also recommend that outstanding loans with delinquent payments be followed up on. Management should prepare an analysis of uncollectible accounts annually. This analysis should consider prior charge-off experience, as well as other information management may have about an account, such as indications of financial difficulty. Management should adjust the allowance for doubtful accounts after reviewing the analysis of uncollectible accounts and making appropriate collection efforts in order to collect as much possible and to ensure that the estimated loss from uncollectible accounts is reflected on the balance sheet.

**Management's Response**

The Finance Director and the RDA Director have already met to rewrite procedures for tracking and reporting of loan programs. These procedures are being tested by staff and will be implemented immediately. In addition, a bimonthly meeting will be held to review activity and reconcile to the general ledger.

**CITY OF DIXON**  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2009

**Finding 2009-03: General Ledger Account Balances**

**Criteria**

Certain deficiencies in internal control over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Condition**

During review of several account balances and classes of transactions, it was noted that balance sheet accounts had old, unidentifiable, or unaccountable items included in their balances. It appears that aging reports for accounts receivable and accounts payable, as well as deposit balances, were not being reviewed on a regular basis.

**Cause**

As stated above, it appears account balances and aging reports were not being reviewed on a regular basis. In addition, it was noted that when payments were made or cash was received, the corresponding payable/receivable was not being cleared out.

**Recommendation**

The City should adopt a policy requiring monthly reconciliation of all balance sheet accounts to their subsidiary ledgers in order to ensure the accuracy of the monthly financial statements and underlying subsidiary ledgers. Balance sheet reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant corrections when the reconciliations are performed. Aging reports should be reviewed and any items greater than 90 days outstanding should be investigated. Any reconciling differences should be corrected before the books are closed for the month-end.

**Management's Response**

Management agrees this is an issue which needs improvement and the new Director of Finance and Technology has put a policy in place for accounting staff to reconcile all balance sheet accounts monthly as part of the closing process. This practice has already been implemented with the newly hired accounting manager being responsible for review and reconciliation.

**CITY OF DIXON**  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2009

**Finding 2009-04: Capital Assets**

**Criteria**

Certain deficiencies in internal control over financial reporting could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Condition**

We noted that records for property and equipment items are not being updated as additions and deletions are not being entered into the subsidiary ledger and reconciled on a consistent basis.

**Cause**

The City does not have a formal tracking system for capital assets. A reconciliation of capital assets to the general ledger is not being performed on a regular basis.

**Recommendation**

The establishment of updated subsidiary records will assist the City in maintaining control over individual assets, and provide a means whereby information pertinent to the property and equipment assets can be kept up to date. A physical count of property should be periodically taken, compared to the items carried on the detailed subsidiary records of property and equipment, and significant differences investigated. Such physical counts will help detect the loss or unauthorized use of valuable property. We also recommend that the Director of Finance, or designated official, at the time of approval of purchase orders, indicate on the purchase order which items should be added to the capital asset subsidiary schedules. When invoices are matched with purchase orders and receiving reports, the accounts payable clerk should enter property and equipment acquisitions into the subsidiary ledger. Monthly comparisons of capital expenditure guideline reports with recorded fixed asset additions will help ensure all capital expenditures are entered into capital asset detail records.

**Management's Response**

Management agrees this is an issue which needs improvement and the new Director of Finance and Technology has put a policy in place for accounting staff to update fixed asset ledgers as part of the closing process. This practice will be implemented with the newly hired accounting manager being responsible for review and reconciliation.

**CITY OF DIXON**  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
JUNE 30, 2009

**Finding 2008-1: RDA Compliance**

**Condition**

The Agency failed to file the Department of Housing and Community Development report for the 2006-07 year in a timely manner.

**Status**

Implemented. The 2007-08 and 2008-09 reports were filed in a timely manner.