

# City of Vacaville, California



Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2010



# CITY OF VACAVILLE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2010



Prepared by: Department of Finance



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**CITY OF VACAVILLE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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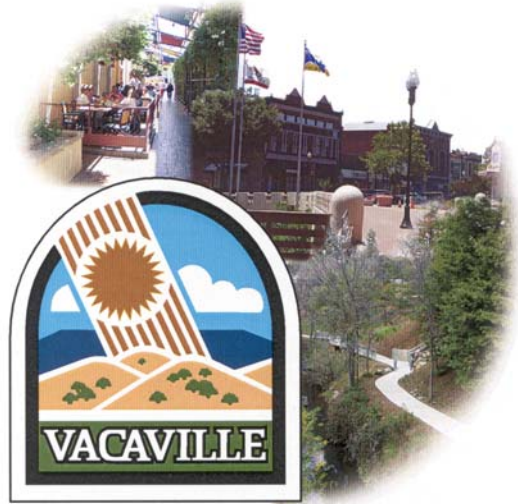
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**CITY OF VACAVILLE**  
650 MERCHANT STREET, VACAVILLE, CALIFORNIA 95688-6908  
ESTABLISHED 1850

COUNCIL MEMBERS  
STEVE HARDY, Mayor  
RON ROWLETT, Vice Mayor  
DILENNA HARRIS  
CURTIS HUNT  
MITCH MASHBURN  
[www.cityofvacaville.com](http://www.cityofvacaville.com)

December 27, 2010

To the Honorable Mayor, Members of the City Council and Citizens of the City of Vacaville:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Vacaville (the City) for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Caporicci & Larson, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2010. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the City of Vacaville**

The City of Vacaville, incorporated in 1892, is located in northern Solano County, on the I-80 corridor, roughly midway between San Francisco and Sacramento. The City currently occupies a land area of roughly 27 square miles.

The City operates under the council-manager form of government. It is classified as a general law city because it is reliant upon California state law to define procedural regulations utilized by the City Council. The mayor and four council members are elected to staggered four year terms through a general election process. The City Council serves as the primary governing body. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing directors of the various City departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness, emergency medical, ambulance transport and building inspection), construction and maintenance of streets, economic development, culture and recreation, parks, water, sewer, transportation, housing assistance and neighborhood revitalization. In addition to general City activities, the Council is financially accountable for the Vacaville Redevelopment Agency, Vacaville Housing Authority, Solano County Housing Authority and the Vacaville Public Financing Authority; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department directors may make transfers of appropriations within a department. The City Manager has certain authority to transfer appropriations between departments and funds, as long as overall appropriations remain within the amounts adopted by the City Council. (The City's budgetary procedures are more fully discussed later under the Required Supplementary Information section of the CAFR.) Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. This comparison is also presented as part of the Required Supplementary Information beginning on page 91 of this CAFR.

**Local economy.** Originally founded as an agricultural and rail shipping area, Vacaville has developed substantial retail and commercial activity matched with solid, well-considered residential growth. Vacaville is strategically located in Solano County midway between Sacramento and San Francisco and is home to a little over 97,000 residents (including 7,800 prisoners housed in the California State Department of Corrections and Rehabilitation penal and medical facilities located in Vacaville). Vacaville's population is well educated, commutes an average of 24 minutes to work, and earns \$71,000 in median household income. The unemployment rate in Vacaville is one of the lowest in Solano County, and the city is home to the world's largest bio-manufacturing plant, Genentech, as well as several other life sciences and biotech companies. A new three-building office project recently opened, bringing more than 600 new jobs to the community. Vacaville is also home to many retail opportunities, from the Nut Tree, California's Legendary Road Stop, to the Vacaville Premium Outlets, which features stores such as Gucci, DKNY, Kenneth Cole and many others.

The long-range economic outlook for the City remains strong. The infrastructure is in excellent condition and has excess capacity for continued commercial and residential development. Approximately one million highly educated and trained employed persons live in and around the vicinity of Vacaville. The City has excellent freeway access and is home to the Nut Tree Airport, which is the only general aviation airport on the I-80 corridor between the Bay Area and Sacramento. The housing market in Vacaville is fairly stable, with a nice mix of single family homes, apartments, and other forms of housing. Vacaville has an area of the city designated for seniors 55 and over, and recently celebrated the opening of a new senior housing project with more than 60 rooms at affordable rents. The housing stock has always been affordable, which is part of what makes this city so attractive to people raising a family. In April 2009, Vacaville was named one of the top 100 cities to call home, according to a real estate relocation website. The annual listing by RelocateAmerica.com included only four cities in California in 2010. This is the third consecutive year Vacaville has been selected as one of the Top 100 Places to Live. In determining its selections, the firm looked at communities with visionary leaders, improving or thriving economies including housing and realization of 'green' initiatives.

**Priorities for the future.** A citywide strategic plan has been developed through a series of public meetings, workshops and retreats with the City Council and City management. The plan, as updated, sets forth four major goals as follows:

- **Public Safety**
- **Strengthen the Local Economy**
- **Promote Community Viability**
- **Maintain Effective and Efficient City Services**

**Long-term financial planning.** To ensure the City can continue to provide in the future the same high quality infrastructure enjoyed by existing residents, the City annually updates its Capital Improvement Program (CIP) based upon the future capital and infrastructure needs as contained in the City's long-range development impact fee (DIF) analysis, along with other capital and technology planning documents. The CIP and technology projects for fiscal year 2009/2010 totaled \$24 million. Funding comes from multiple sources, including existing funds; Redevelopment Agency bond funds; utility operating and loan funds; and regional, state and federal grant funds. Water, wastewater and transportation infrastructure and funding plans are projected out over five to ten year horizons.

The City recently completed an \$80 million upgrade and expansion of its wastewater treatment plant. In April 2008, a new permit was issued by the State for the City's wastewater plant that requires advanced treatment including nitrate reduction and filtration (tertiary treatment). These advanced treatment mandates will require further major upgrades to the plant's processing equipment at an expected cost of approximately \$150 million. To finance the project, the City is applying for a low-interest State Revolving Fund loan. If the City is not successful in obtaining the loan, the City would need to issue a revenue bond to raise the needed funds. The City has gained approval from ratepayers to initiate a series of rate increases over the next five years in order to pay for the mandated improvements. Likewise, in 2006 the City approved an eight-year financing plan for its water utility to ensure continued funding for ongoing operations and needed capital improvements. Even with these financing plans in place, Vacaville's monthly water and wastewater rates remain near or below those in surrounding communities.

**Relevant financial policies.** The City Council has established a policy of maintaining an operating reserve in the General Fund equal to at least 15% of ongoing operating expenditures. However, the severity of the current economic recession has significantly impacted the two primary sources of revenue for the General Fund: sales taxes and property taxes. Given the nature of General Fund spending, however, the City has been unable to reduce expenditures at the same pace as the decline in revenues requiring the use of reserves and other one-time sources of funding. As a result, the General Fund reserve has dropped below the 15% threshold. The adopted General Fund budget for fiscal year 2010-2011 calls for a further use of reserves and supplemental "one-time" funding. The reserve balance at June 30, 2011, is projected at around 8%.

As noted above, it is the policy of the City to fund ongoing municipal services with ongoing revenues, without relying on the use of reserves or other one-time sources of funding. However, to match the significant (and rapid) decline in General Fund operating revenues would require a dramatic reduction in spending that could not be accomplished without a major disruption in service delivery to the community and sever impacts on the City's workforce. Therefore, the City has chose in recent years to use a combination of reserves and other one-time funding sources to fill the gap between ongoing spending and ongoing revenues while continuing to downsize the workforce and implement other spending and service reductions in a systematic and deliberate manner.

In 2009, a trust fund was established with CalPERS to begin the process of pre-funding the City's Other Post-Employment Benefit ("OPEB") obligation with respect to retiree medical benefits. The OPEB trust is being funded via annual contributions from both the City and its employees.

**Major initiatives.** As just discussed, the City's primary focus for the next fiscal year is to bring ongoing spending in line with ongoing revenues. This is a continuing effort as the effects the "Great Recession" are still being felt in terms of local government revenues. As we look toward fiscal year 2010-2011, the City is facing its' third consecutive year of declining revenues used to fund municipal services such as public safety, street and park maintenance and recreation programs. Over the past three years, the City has taken significant and unprecedented steps to reduce General Fund spending, including: across the board departmental budget reductions; workforce reductions from layoffs and attrition; and working with employee groups to achieve significant savings from salary and benefit concessions. The fiscal year 2010-2011 budget was based on a continuation of these spending reductions and the assumption that ongoing General Fund would finally stabilize. Additional measures are being developed to address a further deterioration in ongoing revenues should that occur.

The City's Redevelopment Agency was required by the State of California to make a \$9.5 million payment in fiscal year 2009-2010 to the Solano County Supplemental Education Revenue Augmentation Fund ("SERAF"); and is required to make an additional \$1.9 million SERAF payment the following fiscal year. While this "taking" of redevelopment funds does not impair the Agency's ability to meet bonded debt service and other contractual obligations, it does severely limit the Agency's ability to address blight and promote economic development within the community.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the eighteenth (18<sup>th</sup>) consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

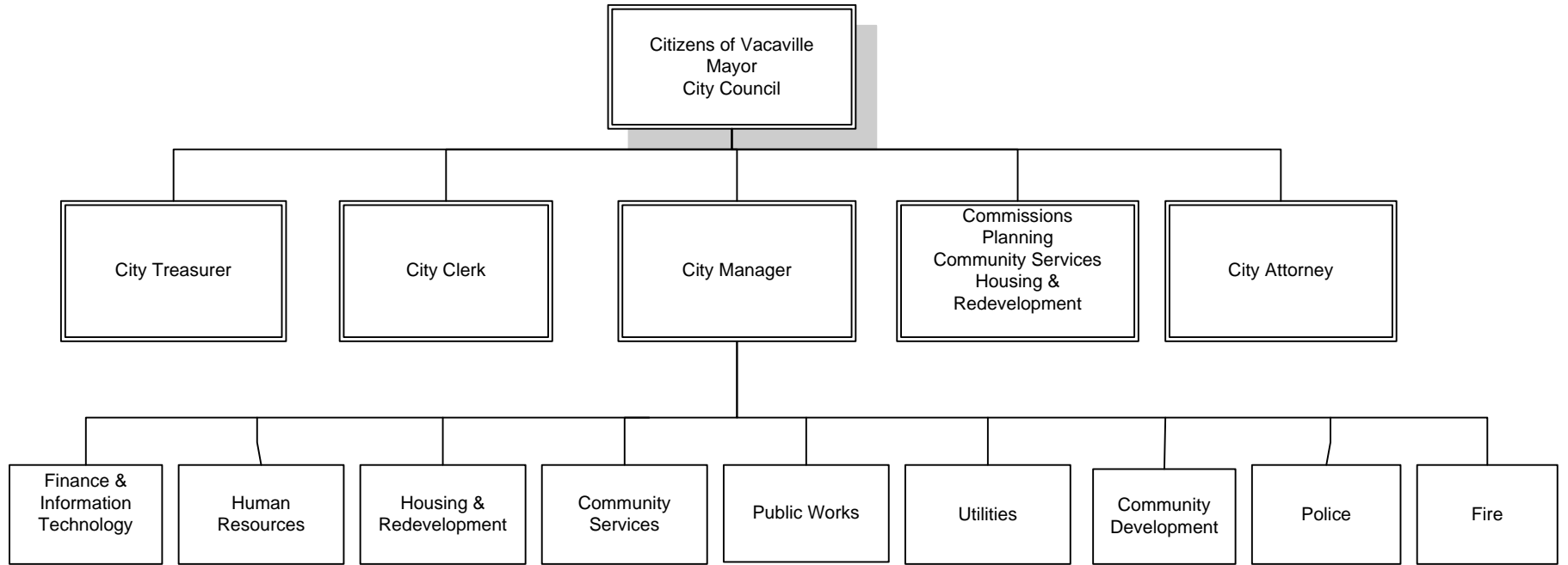
The preparation of this report would not have been possible without the highly professional and dedicated services of the entire staff of the Accounting Division, particularly the leadership of Joan Wallace, Accounting Manager and Kimberly DeYoung, Senior Accountant. Credit must also be given to the Mayor, City Council, and City Manager for their unfailing support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Kenneth R. Campo, CPA  
Assistant City Manager and Director of Finance  
City of Vacaville

# City of Vacaville Organization Chart



**City of Vacaville**  
**List of Elected and Appointed Officials**  
**June 30, 2010**

Elected Officials

Mayor  
Vice Mayor  
Council Member  
Council Member  
Council Member  
City Treasurer  
City Clerk

Steve Hardy  
Ron Rowlett  
Dilenna Harris  
Curtis Hunt  
Mitch Mashburn  
Andrew Suihkonen  
Michelle Thornbrugh

Appointed Officials

City Manager  
City Attorney  
Assistant City Manager and Director of Finance  
Fire Chief  
Chief of Police  
Director of Public Works  
Director of Utilities  
Director of Community Development  
Director of Housing & Redevelopment  
Director of Community Services  
Director of Human Resources

Laura Kuhn  
Gerald Hobrecht  
Kenneth R. Campo, CPA  
Brian Preciado  
Richard Word  
Rod Moresco  
Dave Tompkins  
Maureen Carson  
Cynthia Johnston  
Kerry Walker  
Dawn Villarreal

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Vacaville  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

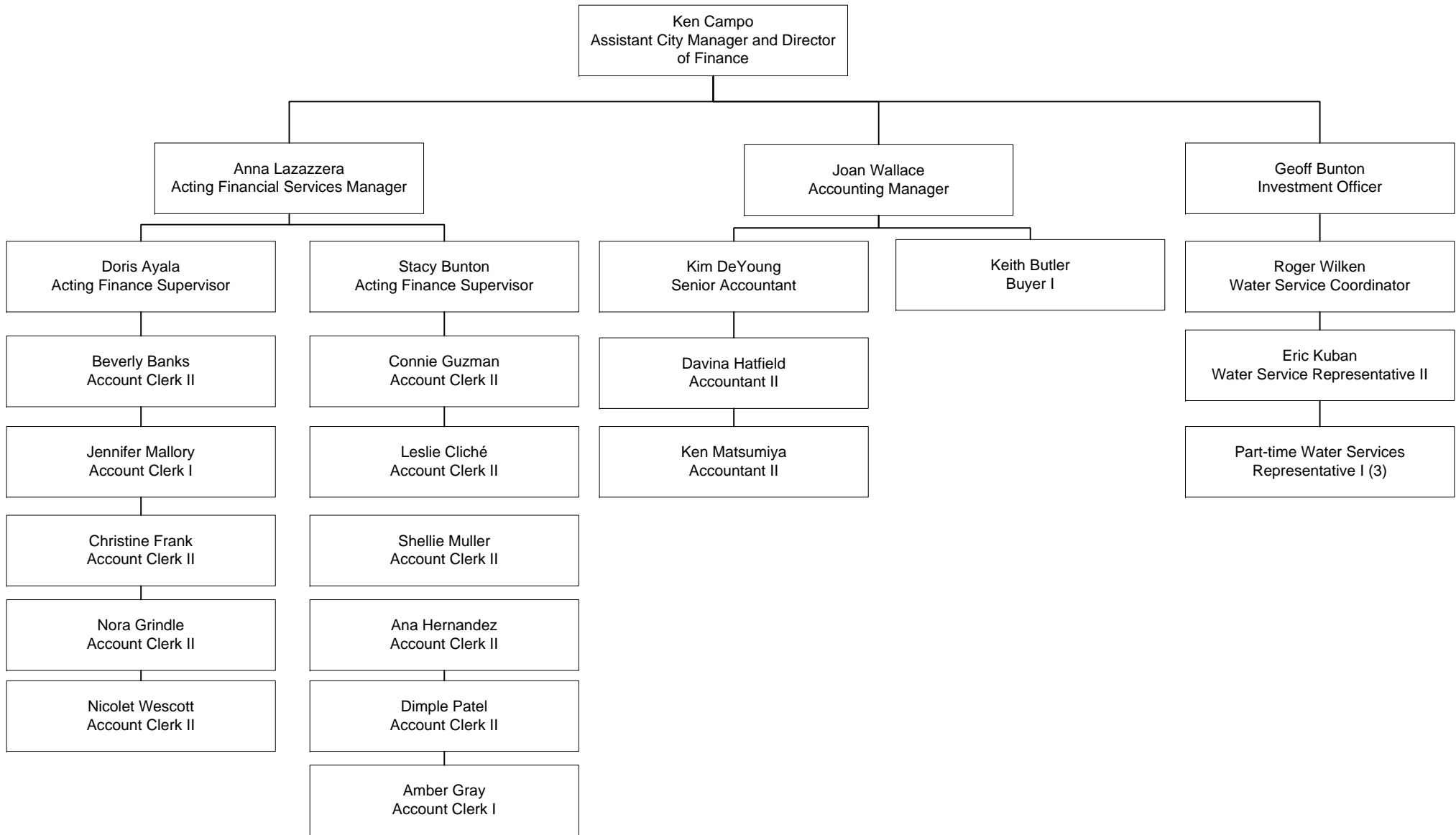
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vacaville for its comprehensive annual financial report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial report must satisfy both general accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Vacaville has received a Certificate of Achievement for the last eighteen consecutive fiscal years ended June 30, 2009. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

# Department of Finance







## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
of the City of Vacaville  
Vacaville, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vacaville, California (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position, and cash flows where applicable, 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 December 27, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and Members of the City Council  
of the City of Vacaville  
Vacaville, California  
Page 2

The Management Discussion and Analysis and the Required Supplementary Information on pages 3 to 16 and pages 90 to 94, respectively, 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's basic financial statements. The introductory section, combining fund statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

*Caproni & Larson, Inc.*

San Francisco, California  
December 27, 2010

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2010**  
(Amounts expressed in thousands)

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As management of the City of Vacaville (the City), we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages i-vii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- Assets exceeded liabilities at June 30, 2010 by \$799,562 (*net assets*). Of this amount, \$147,122 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to its citizens and creditors. The remaining net assets are *restricted* for specified purposes.
- Total net assets increased by \$10,051 from the previous year. There was a decrease in net assets in governmental funds of \$223 and an increase in net assets in business type activities of \$10,274 mainly from increased capital assets.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$98,051, a decrease of \$1,560 in comparison with the prior year. While 30% of the governmental funds balances (\$29,852) are classified as *unreserved fund balance*, only the General Fund unreserved fund balance (\$3,149) is available for spending at the City's discretion. The remaining unreserved fund balances are designated for spending on specific purposes such as debt service or capital projects.
- The \$3,149 unreserved fund balance of the General Fund represents 5.2% of ongoing, operating expenditures of the General Fund.
- Total long-term obligations for governmental activities decreased by \$957 and total long-term obligations for business-type activities decreased by \$2,435.
- Total liabilities increased by \$313 (0.2%) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains certain supplementary information.

**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* presents information on all of the City's assets and liabilities, with the excess of assets over liabilities reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal 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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2010**  
(Amounts expressed in thousands)

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governmental activities of the City include general government, public safety, public works, community development and community services. The business-type activities of the City include sewer, water and transit enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Vacaville Redevelopment Agency, Vacaville Housing Authority, Vacaville Public Financing Authority and the Solano County Housing Authority, for which the City is financially accountable. Although legally separate, these *component units* function for all practical purposes as departments of the City and therefore have been blended as part of the primary government.

Both the Governmental Activities and the Business Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 18-19 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 can be divided into three categories: governmental, proprietary, and fiduciary.

**Governmental funds.** *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus 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.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unreserved fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Community Development, Redevelopment Agency Special Revenue, Certificates of Participation, Redevelopment Debt Service, City Projects and Redevelopment Capital Projects funds, all of which are considered to be major funds. Data for the other seven 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* and can be found on pages 98-104 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided in supplemental information for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 22-25 of this report.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2010**  
(Amounts expressed in thousands)

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**Proprietary funds.** The City maintains two different types of proprietary funds, enterprise and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sewer, Water and Transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central services, vehicle replacement, technology replacement, self-insured insurance programs and employee benefits management. The central services, technology replacement, insurance and employee benefits activities benefit predominantly governmental rather than business-type functions, so they have been included within *governmental activities* in the government-wide financial statements. Vehicle replacement is included within *business-type activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, and Transit operations, all of which are considered to be major funds of the City. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* and can be found on pages 106-108 of this report.

The basic proprietary fund financial statements can be found on pages 28-33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 36 of this report.

**Notes to the 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 financial statements can be found on pages 37-88 of this report.

### **Government-wide Financial Analysis**

The following table presents a summarization of the City's assets, liabilities and net assets for its governmental and business type activities. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2010**  
(Amounts expressed in thousands)

	NET ASSETS					
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 131,902	\$ 128,964	\$ 94,194	\$ 101,444	\$ 226,096	\$ 230,408
Capital assets	485,800	487,221	273,930	257,833	759,730	745,054
Total assets	<u>617,702</u>	<u>616,185</u>	<u>368,124</u>	<u>359,277</u>	<u>985,826</u>	<u>975,462</u>
Current and other liabilities	14,726	12,028	6,829	5,822	21,555	17,850
Long-term obligations	96,188	97,145	68,521	70,956	164,709	168,101
Total liabilities	<u>110,914</u>	<u>109,173</u>	<u>75,350</u>	<u>76,778</u>	<u>186,264</u>	<u>185,951</u>
Net assets:						
Invested in capital assets, net of related debt	422,965	406,869	213,956	194,484	636,921	601,353
Restricted	15,519	28,588	-	-	15,519	28,588
Unrestricted	68,304	71,554	78,818	88,016	147,122	159,570
Total Net Assets	<u>\$ 506,788</u>	<u>\$ 507,011</u>	<u>\$ 292,774</u>	<u>\$ 282,500</u>	<u>\$ 799,562</u>	<u>\$ 789,511</u>

As noted earlier, the City's assets exceeded liabilities by \$799,562 at June 30, 2010, an increase of \$10,051 from June 30, 2009. By far the largest portion of net assets (78%) reflects the City's investment in capital assets (i.e., land, buildings, equipment, vehicles and infrastructure), less any related debt used to acquire those assets still outstanding and net of any unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide municipal 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.

Approximately 3% of net assets represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets (18%) may be used to meet the City's ongoing obligations to its citizens and creditors.

Total net assets increased by \$10,051 during the current fiscal year, which reflects a \$223 decrease in governmental activities and a \$10,274 increase in business type activities. This is primarily due to continued investment by the City in its infrastructure (including utility plants), which is largely funded by grants and dedicated revenue sources.

Following is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2010, with the prior fiscal year presented for comparative purposes. Also included are revenue and expense graphs to aid in understanding the results of the current year's activities.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2010**  
(Amounts expressed in thousands)

**CITY OF VACAVILLE'S CHANGES IN NET ASSETS**  
(Expressed in Thousands of Dollars)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2010	2009	2010	2009	2010	2009
<b>REVENUES:</b>						
Program Revenues:						
Charges for services	\$ 14,128	\$ 14,971	\$ 33,267	\$ 31,038	\$ 47,395	\$ 46,009
Operating grants & contributions	15,718	14,338	1,674	1,675	17,392	16,013
Capital grants & contributions	15,405	10,681	5,502	4,437	20,907	15,118
General Revenues:						
Taxes:						
Property taxes	64,348	65,731	83	81	64,431	65,812
Sales taxes	13,787	14,077	-	-	13,787	14,077
Franchise taxes	2,383	2,352	-	-	2,383	2,352
Transient lodging tax	929	930	-	-	929	930
Business license tax	281	298	-	-	281	298
Excise tax	2,258	2,169	-	-	2,258	2,169
Gasoline tax	1,596	1,564	-	-	1,596	1,564
Vehicle license taxes	290	283	-	-	290	283
Unrestricted capital contributions	7,592	431	10,070	4,700	17,662	5,131
Interest and other	3,836	4,988	1,694	2,947	5,530	7,935
Total revenues	<u>142,551</u>	<u>132,813</u>	<u>52,290</u>	<u>44,878</u>	<u>194,841</u>	<u>177,691</u>
Expenses:						
Governmental activities:						
General government	7,540	8,594	-	-	7,540	8,594
Public safety	46,573	46,837	-	-	46,573	46,837
Public works	25,464	25,069	-	-	25,464	25,069
Community services	13,490	12,578	-	-	13,490	12,578
Housing	14,567	16,189	-	-	14,567	16,189
Redevelopment	31,596	19,671	-	-	31,596	19,671
Interest on long-term debt	4,159	5,074	-	-	4,159	5,074
Business-type activities:						
Sewer	-	-	22,611	21,284	22,611	21,284
Water	-	-	16,124	15,282	16,124	15,282
Transit	-	-	2,666	2,384	2,666	2,384
Total expenses	<u>143,389</u>	<u>134,012</u>	<u>41,401</u>	<u>38,950</u>	<u>184,790</u>	<u>172,962</u>
Increase (decrease) in net assets before extraordinary item and transfers	(838)	(1,199)	10,889	5,928	10,051	4,729
Extraordinary item	-	-	-	(1,355)	-	(1,355)
Transfers	615	341	(615)	(341)	-	-
Increase (decrease) in net assets	(223)	(858)	10,274	4,232	10,051	3,374
Net assets-July 1, 2009	507,011	507,869	282,500	278,268	789,511	786,137
Net assets-June 30, 2010	<u>\$ 506,788</u>	<u>\$ 507,011</u>	<u>\$ 292,774</u>	<u>\$ 282,500</u>	<u>\$ 799,562</u>	<u>\$ 789,511</u>

**CITY OF VACAVILLE**  
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(Amounts expressed in thousands)

**Governmental activities.** Governmental activities decreased the City's net assets by \$223. Net assets decreased by \$858 during the previous fiscal year. Key elements of this year's activity in relation to the prior year are as follows:

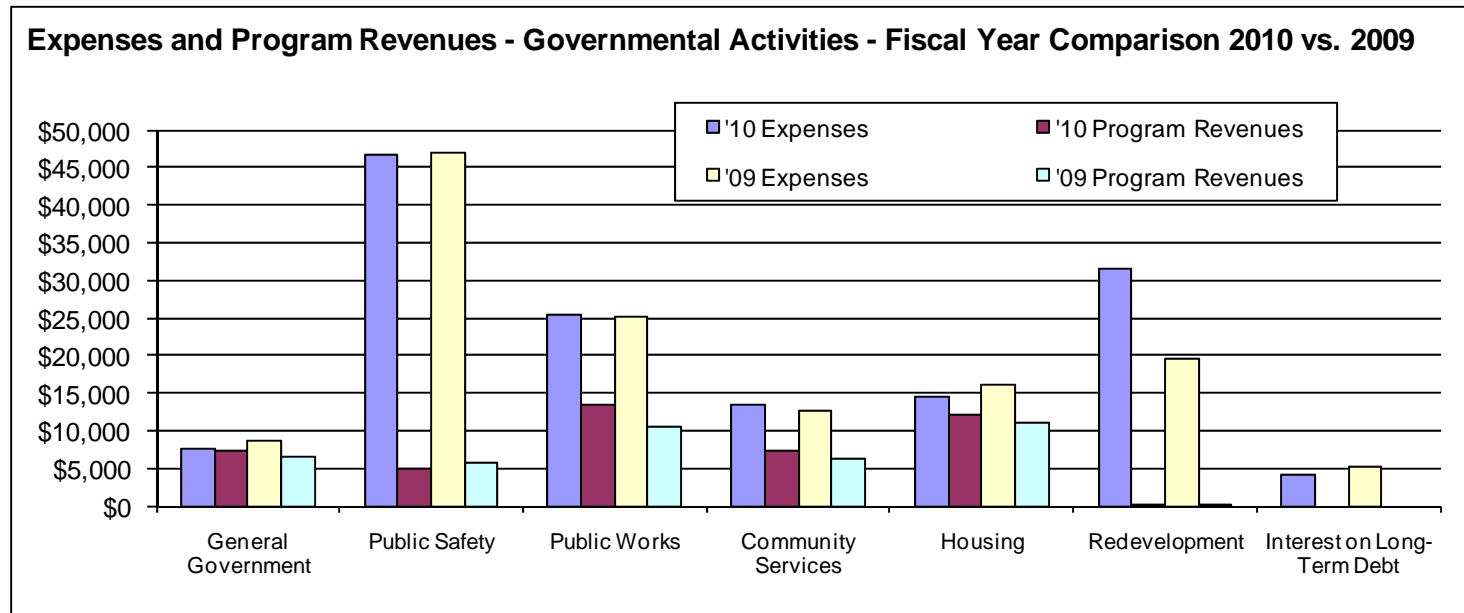
**Revenues:**

Overall, revenues in 2010 were up \$9,738 (7.3%) compared with 2009 primarily due to the federal economic stimulus funding.

- Property taxes decreased \$1,383 in 2010, principally due to the decrease in property values. (Note that property taxes collected in the current fiscal year reflect assessed values of the previous year.)
- Sales tax revenue was down 2% from the previous year. Vacaville continued to experienced declines in sales tax revenue related to new auto sales and building and construction related activities.
- Interest earnings decreased by \$887 due to significantly lower investment yields. The City's governmental and business-type activities combined cash portfolio has declined by \$5.9 million which also reduces investment yields.

**Expenses:**

- While significant variances between years exist for the various expense functions, the total net increase was approximately \$9.4 million. The most significant item was the return of property tax revenue, enforced by the State of California, to the county's Supplemental Revenue Augmentation Funds from the Redevelopment Agency, in addition to the increased costs associated with capital projects and development activities.





**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2010**  
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**Revenues by Source – Governmental Activities – Fiscal Year Comparison**



**Business-type activities.** Business-type activities increased the City's net assets by \$10,274 accounting for 102% of the total growth in net assets. By way of comparison, the net assets of business type activities increased by \$4,232 in 2009. Key elements of 2010 growth in net assets in relation to the prior year are as follows:

- Utility rate increases account for the increase in Charges for Services revenue.
- Capital grants and contributions (restricted and unrestricted) increased \$1,065 in the current year to \$5,502. As a result of economic conditions, the City saw an increase in capital contributions from development activity and from capital grants due to the federal government (stimulus package) for street and transit related projects.
- The total increase in expenses for business-type activities was \$740. Transit operational costs were higher due to the new intercity taxi service and depreciation expense from the grant funded purchase of 10 CNG buses.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2010**  
 (Amounts expressed in thousands)

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**Revenues by Source-Business Type Activities - Fiscal Year Comparison**

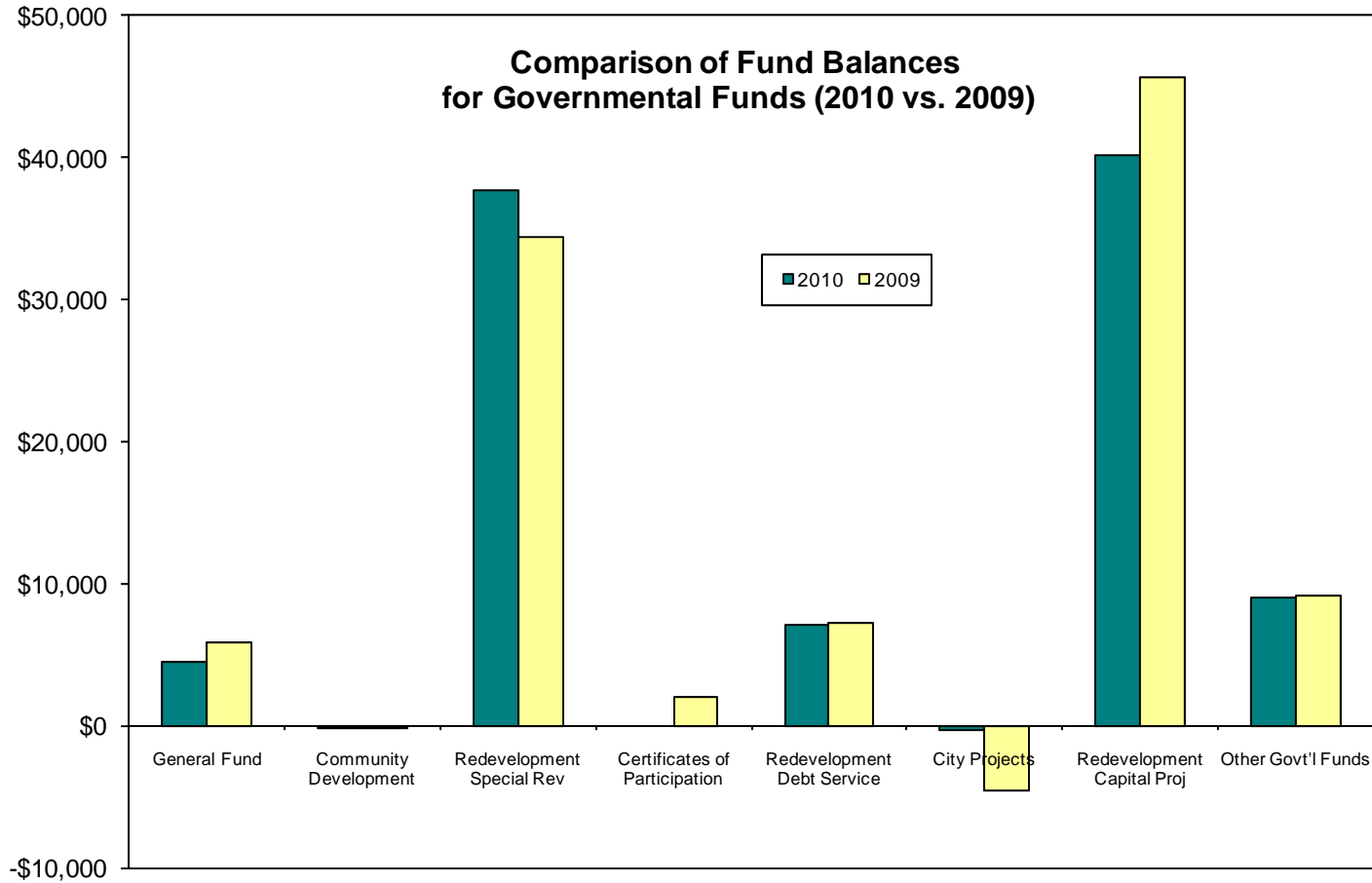


**Financial Analysis of the City's Funds**

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

The following chart compares the 2010 and 2009 fund balances for the City's General, Community Development, Redevelopment Special Revenue, Certificates of Participation, Redevelopment Debt Service, City Projects, Redevelopment Capital Projects, Other Governmental and Total Governmental Funds. As noted earlier, the City of Vacaville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
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(Amounts expressed in thousands)



As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$98,051 a decrease of \$1,561 in comparison with the prior year. Approximately 30% of this total amount (\$29,852) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for future spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$3,795), 2) to pay debt service (\$17,876), 3) to pay for construction (\$1,081), 4) for prepaid items (\$3,350), 5) for loans receivable (\$29,659) or 6) for a variety of other restricted purposes.

The decline in the General Fund fund balance reflects the use of reserve funds to maintain current ongoing service levels in light of little to no growth in General Fund revenues. The decline in Redevelopment Capital Projects fund balances reflect the use of funds collected in prior years for current capital projects. The elimination of the Certificates of Participation fund balance is due to the retirement of that debt.

**CITY OF VACAVILLE**  
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**For the year ended June 30, 2010**  
(Amounts expressed in thousands)

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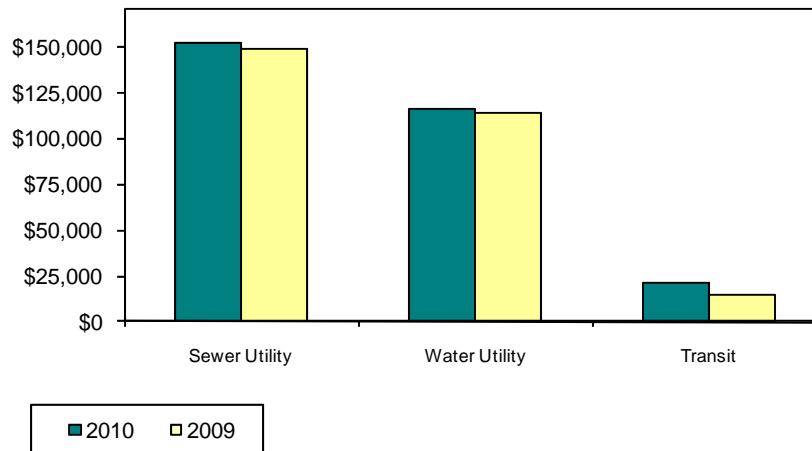
The General Fund is the primary operating fund of the City. At June 30, 2010, unreserved fund balance of the General Fund was \$3,149, while total fund balance was \$4,427. This amount can be viewed as the City's emergency operating reserve and is often measured as a percent of ongoing operating expenditures. Unreserved fund balance represents 5.2% of total General Fund operating expenditures. The fund balance of the City's General Fund decreased by \$1,456 during the current fiscal year. As noted above, the decline in fund balance reflects the use of reserves to maintain current service levels during a year in which revenues failed to keep pace with expenditures. The downturn in the economy continues to impacted sales tax, property tax and building-related revenues.

The Redevelopment Capital Projects fund balance decreased by \$5,420, reflecting the use of bond proceeds and other funds accumulated in prior years on projects constructed in the current year.

The City Projects fund has a total fund balance of -\$307. The fund balance increased during the fiscal year by \$4,330 as a result of the increase of federal grants (stimulus package). Also, the City was allowed to bill more timely for reimbursement of grant-related infrastructure project expenses.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following chart compares the 2010 and 2009 net asset balances for the City's Sewer, Water and Transit Funds.

**Comparison of Net Assets  
for Proprietary Funds (2010 vs. 2009)**



Unrestricted net assets at the end of the year amounted to \$40,639 for the sewer utility and \$36,012 for the water utility. Due to the subsidized nature of transportation, the transit operating funds have negative unrestricted net assets at year end. The increase in net assets for sewer operations was \$2,394. The increase in net assets for water and transit operations was \$1,508 and \$6,488 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

	Original Budget	Final Budget	Actual Amounts	Variance from Final Budget
Total revenues	\$ 61,614	\$ 61,350	\$ 56,231	\$ (5,119)
Expenditures:				
General government	5,245	4,851	3,874	977
Public safety	44,870	44,007	44,206	(199)
Public Works	5,306	4,877	4,029	848
Community services	8,895	8,195	8,058	137
Debt service	<u>258</u>	<u>258</u>	<u>258</u>	<u>-</u>
Total expenditures	64,574	62,188	60,425	1,763
Revenue over (under)				
expenditures	(2,960)	(838)	(4,194)	(3,356)
Other financing sources (uses)	804	3,054	2,738	(316)
Net change in fund balance	<u>(2,156)</u>	<u>2,216</u>	<u>(1,456)</u>	<u>(3,672)</u>
Beginning fund balance			<u>5,883</u>	
Ending fund balance			<u>\$ 4,427</u>	

Final budgeted expenditures were less than the original budgeted expenditures by \$2,386. The reason for this decrease can be summarized as follows:

- All departments were asked to reduce budget throughout the year particularly due to the economic downturn.

Actual amounts differed from the Final budget as follows:

- Actual revenues were about 8.3% less than the budget. This was primarily due to lower than projected property and sales tax revenue, decreased investment earnings due to the market decline and a general across-the-board decline in all building related revenue.

- Actual expenditures were \$1,763 below budget for the year. This favorable variance was mainly in the areas of public works, general government and community services. All departments were asked to reduce their spending.
- The net effect of all of the above was an unfavorable variance from the amounts budgeted of \$3,672.

### 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, 2010, amounted to \$759,730 (net of accumulated depreciation). This investment includes land, buildings and improvements, park facilities, equipment, vehicles, roads and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was \$14,676 (-\$1,421 for governmental activities, including internal service funds and \$16,097 for business type activities).

#### CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 206,079	\$ 206,079	\$ 9,672	\$ 9,672	\$ 215,751	\$ 215,751
Buildings and improvement:	40,808	42,231	133,129	135,272	173,937	177,503
Equipment	1,535	1,495	5,108	1,109	6,643	2,604
Vehicles	3,256	3,876	1,241	1,375	4,497	5,251
Infrastructure	223,547	222,300	57,413	52,767	280,960	275,067
Intangibles	788	788	-	-	788	788
Construction in progress	9,787	10,452	67,367	57,638	77,154	68,090
Total	<u>\$ 485,800</u>	<u>\$ 487,221</u>	<u>\$ 273,930</u>	<u>\$ 257,833</u>	<u>\$ 759,730</u>	<u>\$ 745,054</u>

Major capital asset events during the current fiscal year included completion of the I-80 Leisure Town Road Interchange, Elmira Road Sewer Main project, Vacaville Transit Plaza, Diatomaceous Earth Plant Contact Basin Roof Replacement and the Wykoff Water System Improvements. Construction-in-progress for business-type activities continues to reflect amounts spent on the upgrade and expansion of the City's wastewater treatment plant and the Teritary project.

Additional information on the City's capital assets can be found in Note 5 on pages 52-56.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$135,883. Of this amount, \$72,738 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt, \$63,145, represents debt secured solely by specified revenue sources (i.e., revenue type bonds).

**OUTSTANDING DEBT**  
(expressed in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Bonds payable	\$ 63,145	\$ 65,329	\$ -	\$ -	\$ 63,145	\$ 65,329
Capital lease obligations	3,879	4,226	482	538	4,361	4,764
Certificates of participation	4,330	5,270	-	-	4,330	5,270
Note payable	-	-	205	305	205	305
Loans payable	<u>4,555</u>	<u>4,833</u>	<u>59,287</u>	<u>62,475</u>	<u>63,842</u>	<u>67,308</u>
Total	<u>\$ 75,909</u>	<u>\$ 79,658</u>	<u>\$ 59,974</u>	<u>\$ 63,318</u>	<u>\$ 135,883</u>	<u>\$ 142,976</u>

The City's total debt decreased by \$7,093 during the current fiscal year, due primarily to the reduction of principal to the State Revolving Fund loan and the normal retirement of outstanding bonds.

The City and Redevelopment Agency maintain a "BBB+" rating from Standard & Poor's for its debt.

Additional information on the City's long-term debt can be found in Note 6 on pages 56-71 of this report.

**Economic Factors and Next Year's Budget**

The economic recession continues to have a dampening effect on municipal revenues. While the City has taken major steps over the past three years to reduce spending, the decline in operating revenue (primarily sales taxes and property taxes) has continued to outpace those efforts. The General Fund budget for fiscal year 2010-2011 is approximately \$60 million; which is roughly \$4 million, or about 6%, less than the previous year's adopted budget. The FY 2010-2011 budget again includes the use of one-time funding (\$750,000) and reserve funds (\$490,000) to cover the gap between spending and revenues. The use of reserves and one-time funds is part of a longer-range strategy to reduce spending in such a manner as to avoid a major disruption in service delivery to the community and minimizing the impact the City's workforce. The budget projects ending fiscal year 2010-2011 with an operating reserve of about \$4.8 million, or eight percent (8%) of operating expenditures.

The two largest sources of revenue for the General Fund are property tax and sales tax, accounting for over half of operating revenues. Property tax revenue is projected to be about 2.6% lower in FY 2010-2011, while sales tax is projected to grow by around 6%. (Note that even though sales tax is expected to increase

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2010**  
(Amounts expressed in thousands)

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next year, it remains well below the level received prior to the economic downturn.) While the budget assumes overall operating revenue will be static in FY 2010-2011, serious threats remain:

- If the economic recovery stalls, there could be further negative impacts on sales and property taxes as well as development related revenues.
- A continuation of the State budget crisis could result in further raids on local municipal revenues.
- Further reduction in Medicare/Medical reimbursement rates would result in lower Emergency Medical Services revenue.
- Further declines in investment yields would translate to reduced investment earnings.

**Federal Stimulus:**

The City was successful in securing \$6.5 million in federal stimulus funds under the American Recovery and Reinvestment Act ("ARRA"). This funding included \$2.3 million in transportation funds for the City's bus system; \$2.2 million for streets and roads; \$1 million to improve energy efficiency; and \$1 million for neighborhood stabilization projects. There is no expectation of receiving further stimulus funds beyond those listed above.

**Utilities:**

Following the process prescribed by state law, the City in 2010 approved a multi-year rate increase to cover the increased maintenance and debt service related to a \$150 million wastewater treatment project intended to provide advanced treatment and filtration processes. This advanced treatment is new requirement stemming from the City's most recent state permit to operate the wastewater treatment facility. The funding plan includes rate increases of 11.1% in the first year (2010), followed by a 15% increase in each of the next three years, and a 7.5% in the fifth year.

**Housing and Redevelopment:**

The State of California took \$9.5 million of Redevelopment funds in FY 2009-2010 and will be taking an additional \$1.9 million in FY 2010-2011. These "takings" are being used to help "balance" the State budget. As a result, the Redevelopment Agency has been forced to delay, delete, and/or suspend a number of revitalization and rehabilitation projects and other programs.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Vacaville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Vacaville, 650 Merchant Street, Vacaville, CA 95688 or you may visit our website at [www.cityofvacaville.com](http://www.cityofvacaville.com) for contact information.



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF VACAVILLE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 56,930,145	\$ 65,362,373	\$ 122,292,518
Receivables, net of allowance for uncollectibles:			
Interest	1,132,524	-	1,132,524
Taxes	3,080,271	-	3,080,271
Accounts	6,715,815	5,995,344	12,711,159
Loans	41,982,237	-	41,982,237
Inventories	177,701	-	177,701
Prepaid Items	3,349,518	-	3,349,518
Deferred charges	784,747	-	784,747
Internal Balances	(2,008,736)	2,008,736	-
Total current assets	<u>112,144,222</u>	<u>73,366,453</u>	<u>185,510,675</u>
Noncurrent assets:			
Restricted cash and investments	19,396,693	-	19,396,693
Deposits	360,632	-	360,632
Investment in joint venture	-	20,827,949	20,827,949
Capital assets:			
Capital assets, non-depreciable	216,654,375	77,038,751	293,693,126
Capital assets, net of accumulated depreciation	<u>269,145,551</u>	<u>196,891,075</u>	<u>466,036,626</u>
Total capital assets	<u>485,799,926</u>	<u>273,929,826</u>	<u>759,729,752</u>
Total noncurrent assets	<u>505,557,251</u>	<u>294,757,775</u>	<u>800,315,026</u>
<b>Total assets</b>	<u>617,701,473</u>	<u>368,124,228</u>	<u>985,825,701</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and contract payable	4,365,375	2,806,489	7,171,864
Accrued payroll	2,537,915	476,666	3,014,581
Interest payable	1,271,550	28,563	1,300,113
Employee benefits payable	183,313	-	183,313
Compensated absences-due within one year	466,406	83,998	550,404
Claims payable - due within one year	2,083,168	-	2,083,168
Long-term debt - due within one year	<u>3,818,304</u>	<u>3,433,028</u>	<u>7,251,332</u>
Total current liabilities	<u>14,726,031</u>	<u>6,828,744</u>	<u>21,554,775</u>
Noncurrent liabilities:			
Deposits payable	10,585,747	8,835,593	19,421,340
Due to other governments	-	435,703	435,703
Unearned revenue	2,621,080	347,068	2,968,148
Compensated absences-due in more than a year	6,793,927	919,213	7,713,140
Claims payable-due in more than a year	3,614,832	-	3,614,832
Remediation liability-due in more than a year	-	1,355,000	1,355,000
OPEB trust liability-due in more than a year	481,674	88,445	570,119
Long-term liabilities-due in more than a year	<u>72,090,290</u>	<u>56,540,761</u>	<u>128,631,051</u>
Total noncurrent liabilities	<u>96,187,550</u>	<u>68,521,783</u>	<u>164,709,333</u>
<b>Total liabilities</b>	<u>110,913,581</u>	<u>75,350,527</u>	<u>186,264,108</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	<u>422,965,513</u>	<u>213,956,037</u>	<u>636,921,550</u>
Restricted for:			
Capital projects	1,520,829	-	1,520,829
Debt service	5,587,408	-	5,587,408
Highway and streets	1,880,829	-	1,880,829
Housing	4,691,344	-	4,691,344
Special Programs	<u>1,838,381</u>	<u>-</u>	<u>1,838,381</u>
Total restricted	<u>15,518,791</u>	<u>-</u>	<u>15,518,791</u>
Unrestricted	<u>68,303,588</u>	<u>78,817,664</u>	<u>147,121,252</u>
<b>Total net assets</b>	<u>\$ 506,787,892</u>	<u>\$ 292,773,701</u>	<u>\$ 799,561,593</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTALS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<b>Governmental activities:</b>								
General government	\$ 7,540,213	\$ 2,737,188	\$ 13,864	\$ 4,612,674	\$ 7,363,726	\$ (176,487)	\$ -	\$ (176,487)
Public safety	46,573,472	4,203,915	838,015	-	5,041,930	(41,531,542)	-	(41,531,542)
Public works	25,464,020	593,478	1,979,369	10,791,856	13,364,703	(12,099,317)	-	(12,099,317)
Community services	13,489,596	5,828,663	1,519,246	-	7,347,909	(6,141,687)	-	(6,141,687)
Housing	14,567,377	661,129	11,367,856	-	12,028,985	(2,538,392)	-	(2,538,392)
Redevelopment	31,595,270	103,427	-	-	103,427	(31,491,843)	-	(31,491,843)
Interest on long-term debt	4,158,487	-	-	-	-	(4,158,487)	-	(4,158,487)
Total governmental activities	143,388,435	14,127,800	15,718,350	15,404,530	45,250,680	(98,137,755)	-	(98,137,755)
<b>Business-type activities:</b>								
Sewer	22,610,590	19,478,343	-	3,527,682	23,006,025	-	395,435	395,435
Water	16,124,150	13,411,924	-	1,974,217	15,386,141	-	(738,009)	(738,009)
Transit	2,666,352	376,693	1,674,673	-	2,051,366	-	(614,986)	(614,986)
Total business-type activities	41,401,092	33,266,960	1,674,673	5,501,899	40,443,532	-	(957,560)	(957,560)
<b>Total primary government</b>	<b>\$ 184,789,527</b>	<b>\$ 47,394,760</b>	<b>\$ 17,393,023</b>	<b>\$ 20,906,429</b>	<b>\$ 85,694,212</b>	<b>(98,137,755)</b>	<b>(957,560)</b>	<b>(99,095,315)</b>
<b>General revenues:</b>								
Taxes:								
						64,347,537	83,083	64,430,620
						13,786,871	-	13,786,871
						2,382,717	-	2,382,717
						928,306	-	928,306
						281,211	-	281,211
						2,258,045	-	2,258,045
						1,595,583	-	1,595,583
						290,083	-	290,083
						85,870,353	83,083	85,953,436
						2,111,806	515,779	2,627,585
						7,592,384	10,070,828	17,663,212
						1,724,555	1,177,447	2,902,002
						615,406	(615,406)	-
						97,914,504	11,231,731	109,146,235
						(223,251)	10,274,171	10,050,920
						507,011,143	282,499,530	789,510,673
						\$ 506,787,892	\$ 292,773,701	\$ 799,561,593

See accompanying Notes to Basic Financial Statements.



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# **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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## **GENERAL FUND**

The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. It derives a majority of its revenues from property, sales, business and excise tax.

## **COMMUNITY DEVELOPMENT**

To account for those funds received from the Federal Government for the purpose of correcting sub-standard, unsafe residences and eliminating building code deficiencies.

## **REDEVELOPMENT SPECIAL REVENUE**

To account for the 20% set aside funds received from tax increments in the City's two Redevelopment areas; to be used for low and moderate housing purposes.

## **CERTIFICATES OF PARTICIPATION**

To account for interest earnings, reserves, and payment of debt service for debt issued to fund public facilities and a community park.

## **REDEVELOPMENT DEBT SERVICE**

To account for receipts and payments related to the City's two Redevelopment areas' bonds outstanding.

## **CITY PROJECTS**

To account for proceeds used to fund the acquisition and construction of public improvements, proceeds from State Gas Tax (Section 2105 and 2106), State and Federal transit programs, development, and proceeds from bonds issued to fund City public facilities and infrastructure.

## **REDEVELOPMENT CAPITAL PROJECTS**

To account for tax increments received in the two Redevelopment areas used to facilitate economic development through construction of public improvements.

## **OTHER GOVERNMENTAL FUNDS**

Other Governmental Funds is the aggregate of all the non-major governmental funds.

**CITY OF VACAVILLE**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2010**

ASSETS	MAJOR FUNDS									
	GENERAL	COMMUNITY DEVELOPMENT	REDEVELOPMENT SPECIAL REVENUE	CERTIFICATES OF PARTICIPATION			REDEVELOPMENT CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
				REDEVELOPMENT DEBT SERVICE	REDEVELOPMENT	REDEVELOPMENT				
Cash and investments	\$ 2,633,771	\$ 304,467	\$ 12,255,849	\$ -	\$ 1,029,662	\$ 14,027,228	\$ 16,923,989	\$ 9,187,740	\$ 56,362,706	
Receivables:										
Interest	1,110,557	-	-	-	15,008	-	5,981	978	1,132,524	
Taxes	2,941,828	-	-	-	-	76,093	-	62,350	3,080,271	
Accounts	1,451,729	158,291	2,500	-	-	4,565,029	8,118	487,930	6,673,597	
Loans	3,177	10,385,642	23,713,644	-	2,364,740	-	5,515,034	-	41,982,237	
Prepaid items	801,453	-	-	-	1,135	1,628,533	-	918,397	3,349,518	
Restricted cash and investments held by fiscal agent	-	-	-	-	4,349,738	-	12,289,434	2,757,521	19,396,693	
Deposits	185,966	-	-	-	-	-	-	-	185,966	
Advances to other funds	-	-	1,898,429	-	-	-	10,539,452	-	12,437,881	
<b>Total assets</b>	<b>\$ 9,128,481</b>	<b>\$ 10,848,400</b>	<b>\$ 37,870,422</b>	<b>\$ -</b>	<b>\$ 7,760,283</b>	<b>\$ 20,296,883</b>	<b>\$ 45,282,008</b>	<b>\$ 13,414,916</b>	<b>\$ 144,601,393</b>	
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Accounts and contract payable	\$ 677,266	\$ 6,508	\$ 3,323	\$ -	\$ -	\$ 2,688,676	\$ 629,282	\$ 147,923	\$ 4,152,978	
Accrued payroll	2,097,310	11,849	37,909	-	-	49,835	49,835	194,424	2,441,162	
Deposits payable	1,604,479	898	115,204	-	692,831	4,987,505	133,302	3,031,528	10,565,747	
Deferred revenue	322,244	10,852,450	41,881	-	-	329,880	2,327,516	1,070,376	14,944,347	
Advances from other funds	-	-	-	-	-	12,548,188	1,898,429	-	14,446,617	
<b>Total liabilities</b>	<b>4,701,299</b>	<b>10,871,705</b>	<b>198,317</b>	<b>-</b>	<b>692,831</b>	<b>20,604,084</b>	<b>5,038,364</b>	<b>4,444,251</b>	<b>46,550,851</b>	
<b>Fund Balances:</b>										
Reserved	1,278,092	3,354	25,641,004	-	6,715,613	3,743,539	26,741,305	4,075,698	68,198,605	
Unreserved:										
Designated, General Fund	3,149,090	-	-	-	-	-	-	-	3,149,090	
Designated, Capital Projects Funds	-	-	-	-	-	-	13,502,339	-	13,502,339	
Undesignated, Special Revenue Funds	-	(26,659)	12,031,101	-	-	-	-	4,893,989	16,898,431	
Undesignated, Debt Service Funds	-	-	-	-	351,839	-	-	978	352,817	
Undesignated, Capital Projects Funds	-	-	-	-	-	(4,050,740)	-	-	(4,050,740)	
<b>Total fund balances</b>	<b>4,427,182</b>	<b>(23,305)</b>	<b>37,672,105</b>	<b>-</b>	<b>7,067,452</b>	<b>(307,201)</b>	<b>40,243,644</b>	<b>8,970,665</b>	<b>98,050,542</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 9,128,481</b>	<b>\$ 10,848,400</b>	<b>\$ 37,870,422</b>	<b>\$ -</b>	<b>\$ 7,760,283</b>	<b>\$ 20,296,883</b>	<b>\$ 45,282,008</b>	<b>\$ 13,414,916</b>	<b>\$ 144,601,393</b>	

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE**  
**Reconciliation of the Governmental Funds - Balance Sheet with the Statement of Net Assets**  
**JUNE 30, 2010**

**TOTAL FUND BALANCES- TOTAL GOVERNMENTAL FUNDS** \$ 98,050,542

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

**CASH AND INVESTMENTS**

The City's portfolio holds an investment instrument for the Redevelopment Agency's purchase on the Nut Tree property. This is considered a financing mechanism between the City and the Redevelopment Agency; therefore, it is eliminated on the Government-Wide Statement of Net Assets. (3,814,709)

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds Balance Sheet net of Central Services & Technology Replacement, internal service funds capital assets of \$510,798. 485,289,128

**ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS**

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in Governmental Activities in the Government-Wide Statement of Net Assets. (922,932)

**LONG TERM ASSETS AND LIABILITIES**

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the governmental funds:

OPEB trust liability	(481,674)
Deferred charges	784,747
Long-term debt	(75,908,594)
Compensated absences	(7,260,333)
Interest payable	(1,271,550)

**ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES**

Revenues which are unearned in the Fund Financial Statements because they are not available currently are taken into revenue in the Statement of Activities. 12,323,267

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 506,787,892

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	GENERAL	COMMUNITY DEVELOPMENT	REDEVELOPMENT SPECIAL REVENUE	CERTIFICATES OF PARTICIPATION	REDEVELOPMENT DEBT SERVICE	CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>									
Taxes and fees	\$ 45,922,213	\$ -	\$ 7,421,646	\$ -	\$ -	\$ 4,612,674	\$ 29,686,584	\$ 3,328,439	\$ 90,971,556
Licenses and permits	206,076	-	-	-	-	-	-	670,717	876,793
Investment income	1,582,334	-	336,387	-	98,952	102,019	688,183	146,788	2,954,663
Intergovernmental	651,607	1,473,188	-	-	-	13,366,558	-	13,518,422	29,009,775
Charges for services	7,670,041	-	-	-	-	-	-	1,529,876	9,199,917
Fines,forfeits and penalties	144,609	-	-	-	-	-	-	369,522	514,131
Other	54,097	-	75,725	-	455,000	189,596	41,022	150,916	966,356
<b>Total revenues</b>	<b>56,230,977</b>	<b>1,473,188</b>	<b>7,833,758</b>	<b>-</b>	<b>553,952</b>	<b>18,270,847</b>	<b>30,415,789</b>	<b>19,714,680</b>	<b>134,493,191</b>
<b>EXPENDITURES:</b>									
Current:									
General government	3,873,673	-	-	-	-	-	-	2,446,809	6,320,482
Public safety	44,206,094	-	-	-	-	-	-	923,451	45,129,545
Public works	4,028,831	-	-	-	-	212,700	-	1,894,369	6,135,900
Community services	8,058,122	1,460,541	-	-	-	-	-	3,370,546	12,889,209
Housing	-	-	2,053,707	-	-	-	-	12,491,505	14,545,212
Redevelopment	-	-	-	-	89,621	-	30,699,843	-	30,789,464
Capital outlay	-	-	-	-	-	12,634,398	743,750	208	13,378,356
Debt service:									
Principal	198,103	-	-	-	2,395,022	216,153	-	940,000	3,749,278
Interest and fiscal charges	60,365	-	-	-	3,581,897	472,202	-	250,563	4,365,027
<b>Total expenditures</b>	<b>60,425,188</b>	<b>1,460,541</b>	<b>2,053,707</b>	<b>-</b>	<b>6,066,540</b>	<b>13,535,453</b>	<b>31,443,593</b>	<b>22,317,451</b>	<b>137,302,473</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,194,211)</b>	<b>12,647</b>	<b>5,780,051</b>	<b>-</b>	<b>(5,512,588)</b>	<b>4,735,394</b>	<b>(1,027,804)</b>	<b>(2,602,771)</b>	<b>(2,809,282)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers in	4,512,758	-	-	-	5,402,447	531,275	321,478	4,239,884	15,007,842
Transfers out	(1,784,596)	-	(2,536,301)	(2,011,391)	-	(1,129,695)	(4,714,013)	(1,786,440)	(13,962,436)
Sale of capital assets	10,046	-	-	-	-	192,993	-	-	203,039
<b>Total other financing sources (uses)</b>	<b>2,738,208</b>	<b>-</b>	<b>(2,536,301)</b>	<b>(2,011,391)</b>	<b>5,402,447</b>	<b>(405,427)</b>	<b>(4,392,535)</b>	<b>2,453,444</b>	<b>1,248,445</b>
<b>NET CHANGES IN TOTAL FUND BALANCE</b>	<b>(1,456,003)</b>	<b>12,647</b>	<b>3,243,750</b>	<b>(2,011,391)</b>	<b>(110,141)</b>	<b>4,329,967</b>	<b>(5,420,339)</b>	<b>(149,327)</b>	<b>(1,560,837)</b>
<b>FUND BALANCES:</b>									
Fund balances, beginning of year	5,883,185	(35,952)	34,428,355	2,011,391	7,177,593	(4,637,168)	45,663,983	9,119,992	99,611,379
Fund balances, end of year	<u>\$ 4,427,182</u>	<u>\$ (23,305)</u>	<u>\$ 37,672,105</u>	<u>\$ -</u>	<u>\$ 7,067,452</u>	<u>\$ (307,201)</u>	<u>\$ 40,243,644</u>	<u>\$ 8,970,665</u>	<u>\$ 98,050,542</u>

See accompanying Notes to Basic Financial Statements.



**CITY OF VACAVILLE**  
**Reconciliation of the Net Change in Fund Balances - Total Governmental Funds with the Statement of Activities**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS** \$ (1,560,837)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

**CAPITAL ASSETS TRANSACTIONS**

Governmental Funds reported capital asset expenditures as part of capital outlay and other departmental expenditures. However, in the Government-Wide Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. Technology Replacement, internal service fund capital assets additions were \$103,196. This is detail of the amount of capital assets recorded in the current period

Capital outlay	13,378,356
Uncapitalized outlay costs	(6,313,421)
Departmental expenditures capitalized	(4,286,672)
Developer contributions	7,592,384

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. Internal service funds depreciation is \$137,535. (11,716,507)

**LONG TERM DEBT PROCEEDS AND PAYMENTS**

Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. 3,749,278

**ACCRUAL OF NON-CURRENT ITEMS**

The amounts below included in the Statement of Activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds:

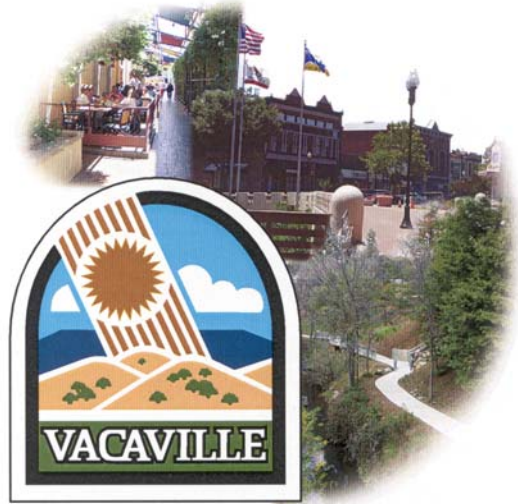
Compensated absences	(792,774)
OPEB ARC funding	(850,220)
Unearned revenue	477,392
Interest expense	206,540
Sale of capital assets	(203,039)
Gain on sale of property	162,501

**ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY**

Internal service funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with the governmental activities. (66,232)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ (223,251)

See accompanying Notes to Basic Financial Statements.



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## **PROPRIETARY FUND FINANCIAL STATEMENTS**

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### **SEWER UTILITY**

To account for the operation (including waste water treatment) of the City's sewer facility, a self-supporting activity which provides services on a user charge basis.

### **WATER UTILITY**

To account for the operation of the City's water utility, a self-supporting activity which provides services on a user charge basis.

### **TRANSIT**

To account for the operation of the City's transit system.

**CITY OF VACAVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT		
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 40,623,312	\$ 22,216,729	\$ 92,560	\$ 62,932,601	\$ 6,811,920
Accounts receivable	3,347,072	2,395,961	252,311	5,995,344	42,218
Due from other funds	-	-	-	-	363,958
Inventories-supplies	-	-	-	-	177,701
Total current assets	<u>43,970,384</u>	<u>24,612,690</u>	<u>344,871</u>	<u>68,927,945</u>	<u>7,395,797</u>
Noncurrent assets:					
Deposits	-	-	-	-	174,666
Advances to other funds	769,579	1,339,157	-	2,108,736	-
Investment in joint venture	-	20,827,949	-	20,827,949	-
Capital assets:					
Land	2,777,333	1,965,968	4,928,787	9,672,088	-
Construction in progress	40,720,489	22,521,327	4,124,847	67,366,663	-
Buildings and improvements	147,379,182	47,336,103	8,951,793	203,667,078	123,740
Machinery and equipment	1,167,462	421,314	8,147,466	9,736,242	5,375,467
Transmission and distribution system	35,893,262	41,361,514	-	77,254,776	-
Less: accumulated depreciation	<u>(57,491,678)</u>	<u>(33,260,997)</u>	<u>(4,247,052)</u>	<u>(94,999,727)</u>	<u>(3,755,703)</u>
Total capital assets	<u>170,446,050</u>	<u>80,345,229</u>	<u>21,905,841</u>	<u>272,697,120</u>	<u>1,743,504</u>
Total noncurrent assets	<u>171,215,629</u>	<u>102,512,335</u>	<u>21,905,841</u>	<u>295,633,805</u>	<u>1,918,170</u>
<b>Total assets</b>	<u>215,186,013</u>	<u>127,125,025</u>	<u>22,250,712</u>	<u>364,561,750</u>	<u>9,313,967</u>

**CITY OF VACAVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

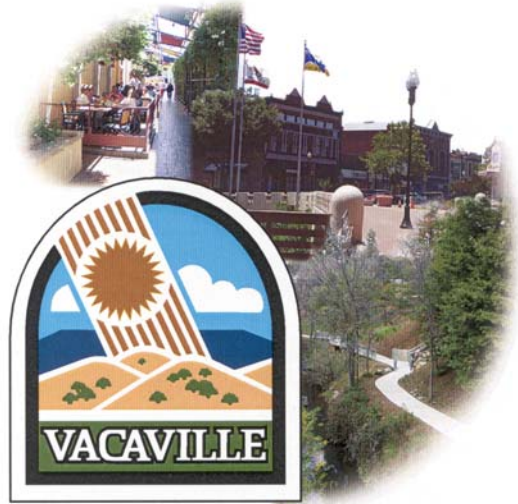
	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT		
<b>LIABILITIES</b>					
Current liabilities:					
Accounts and contract payable	1,308,694	1,340,848	119,200	2,768,742	250,144
Accrued payroll	281,191	189,568	5,907	476,666	96,753
Interest payable	23,076	5,487	-	28,563	-
Due to other funds	-	-	-	-	363,958
Employee benefits payable	-	-	-	-	183,313
Compensated absences-due within one year	50,831	33,167	-	83,998	-
Current portion of claims payable	-	-	-	-	2,083,168
Long-term debt - due within one year	3,305,015	128,013	-	3,433,028	-
<b>Total current liabilities</b>	<b>4,968,807</b>	<b>1,697,083</b>	<b>125,107</b>	<b>6,790,997</b>	<b>2,977,336</b>
Noncurrent liabilities:					
Deposits payable	6,590	8,820,937	8,066	8,835,593	20,000
Due to other governments	-	-	435,703	435,703	-
Advances from other funds	-	100,000	-	100,000	-
Unearned revenue	168,434	178,634	-	347,068	-
Compensated absences-due in more than a year	855,090	64,123	-	919,213	-
Remediation liability	1,355,000	-	-	1,355,000	-
OPEB trust liability	51,590	34,850	2,005	88,445	-
Long-term claims payable	-	-	-	-	3,614,832
Long-term debt - due in more than one year	56,237,898	302,863	-	56,540,761	-
<b>Total noncurrent liabilities</b>	<b>58,674,602</b>	<b>9,501,407</b>	<b>445,774</b>	<b>68,621,783</b>	<b>3,634,832</b>
<b>Total liabilities</b>	<b>63,643,409</b>	<b>11,198,490</b>	<b>570,881</b>	<b>75,412,780</b>	<b>6,612,168</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	110,903,137	79,914,353	21,905,841	212,723,331	1,743,504
Unrestricted	40,639,467	36,012,182	(226,010)	76,425,639	958,295
<b>Total net assets business-type activities</b>	<b>\$ 151,542,604</b>	<b>\$ 115,926,535</b>	<b>\$ 21,679,831</b>	<b>289,148,970</b>	<b>\$ 2,701,799</b>
				Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	3,624,731
				Net assets of business-type activities	<b>\$ 292,773,701</b>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
<b>OPERATING REVENUES:</b>					
Charges for sales and services:					
Sewer charges	\$ 23,003,755	\$ -	\$ -	\$ 23,003,755	\$ -
Water sales	-	15,386,141	-	15,386,141	-
Transit fares	-	-	376,693	376,693	-
Internal service charges	-	-	-	-	11,462,816
<b>Total operating revenues</b>	<b>23,003,755</b>	<b>15,386,141</b>	<b>376,693</b>	<b>38,766,589</b>	<b>11,462,816</b>
<b>OPERATING EXPENSES:</b>					
Treatment plant and sources of supply	6,714,590	7,933,414	-	14,648,004	-
Transmission and distribution	-	1,663,083	-	1,663,083	-
Maintenance	4,005,497	1,278,252	-	5,283,749	-
Customer services and administration	5,984,717	3,252,322	-	9,237,039	-
Transportation	-	-	2,047,203	2,047,203	-
Internal service expenses	-	-	-	-	10,657,959
Depreciation	4,183,946	1,971,681	615,414	6,771,041	481,955
<b>Total operating expenses</b>	<b>20,888,750</b>	<b>16,098,752</b>	<b>2,662,617</b>	<b>39,650,119</b>	<b>11,139,914</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,115,005</b>	<b>(712,611)</b>	<b>(2,285,924)</b>	<b>(883,530)</b>	<b>322,902</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Gain from joint venture	-	535,389	-	535,389	-
Interest revenue	472,534	43,245	-	515,779	-
Interest expense	(1,700,508)	(5,864)	(3,735)	(1,710,107)	-
Taxes and other	193,591	533,820	1,674,673	2,402,084	-
<b>Total nonoperating revenues (expenses)</b>	<b>(1,034,383)</b>	<b>1,106,590</b>	<b>1,670,938</b>	<b>1,743,145</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS, CONTRIBUTION AND EXTRAORDINARY ITEM</b>	<b>1,080,622</b>	<b>393,979</b>	<b>(614,986)</b>	<b>859,615</b>	<b>322,902</b>
<b>TRANSFER:</b>					
Transfers in	361,180	76,619	-	437,799	70,000
Transfers out	(637,376)	(341,219)	-	(978,595)	(574,610)
<b>Total transfers</b>	<b>(276,196)</b>	<b>(264,600)</b>	<b>-</b>	<b>(540,796)</b>	<b>(504,610)</b>
<b>CAPITAL CONTRIBUTIONS:</b>					
Intergovernmental	-	-	7,102,903	7,102,903	-
Developers	1,589,125	1,378,800	-	2,967,925	-
<b>Total capital contributions</b>	<b>1,589,125</b>	<b>1,378,800</b>	<b>7,102,903</b>	<b>10,070,828</b>	<b>-</b>
<b>Change in net assets</b>	<b>2,393,551</b>	<b>1,508,179</b>	<b>6,487,917</b>	<b>10,389,647</b>	<b>(181,708)</b>
<b>NET ASSETS:</b>					
Net assets, beginning of year	149,149,053	114,418,356	15,191,914		2,883,507
Net assets, end of year	<u>\$ 151,542,604</u>	<u>\$ 115,926,535</u>	<u>\$ 21,679,831</u>		<u>\$ 2,701,799</u>
				Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(115,476)
				Change in net assets of business-type activities	<u>\$ 10,274,171</u>

See accompanying Notes to Basic Financial Statements.



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**CITY OF VACAVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

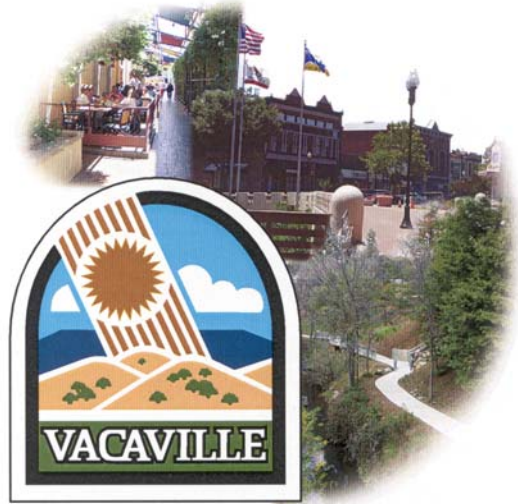
	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				GOVERNMENTAL
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	ACTIVITIES- INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ 22,615,387	\$ 15,672,334	\$ 830,359	\$ 39,118,080	\$ 11,459,703
Payments to suppliers	(8,686,021)	(8,750,461)	(1,800,059)	(19,236,541)	(8,549,269)
Payments to employees	(7,277,667)	(4,615,180)	(247,318)	(12,140,165)	(2,420,307)
Claims paid	-	-	-	-	(161,000)
<b>Net cash provided (used) by operating activities</b>	<b>6,651,699</b>	<b>2,306,693</b>	<b>(1,217,018)</b>	<b>7,741,374</b>	<b>329,127</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Advances to/(from) other funds	35,934	71,868	-	107,802	-
Due to/(from) other funds	365,032	-	(365,032)	-	-
Transfers in	361,180	76,619	-	437,799	70,000
Transfers out	(637,376)	(341,219)	-	(978,595)	(574,610)
Taxes	-	83,083	-	83,083	-
Ground lease	143,750	-	-	143,750	-
Annexation fees	-	421,353	-	421,353	-
Industry permit fees	2,270	-	-	2,270	-
Building rent	36,957	-	-	36,957	-
Power plant revenue	-	29,384	-	29,384	-
Miscellaneous revenue	10,614	-	-	10,614	-
Grants	-	-	1,674,673	1,674,673	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>318,361</b>	<b>341,088</b>	<b>1,309,641</b>	<b>1,969,090</b>	<b>(504,610)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(10,017,204)	(2,929,701)	(1)	(12,946,906)	(297,298)
Future funding of OPEB trust	95,753	64,307	3,673	163,733	-
Principal paid on capital debt	(3,217,645)	(126,902)	-	(3,344,547)	-
Interest paid	(1,702,544)	(6,529)	(3,735)	(1,712,808)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(14,841,640)</b>	<b>(2,998,825)</b>	<b>(63)</b>	<b>(17,840,528)</b>	<b>(297,298)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	472,534	43,245	-	515,779	-
<b>Net cash provided by investing activities</b>	<b>472,534</b>	<b>43,245</b>	<b>-</b>	<b>515,779</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,399,046)</b>	<b>(307,799)</b>	<b>92,560</b>	<b>(7,614,285)</b>	<b>(472,781)</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	48,022,358	22,524,528	-	70,546,886	7,284,701
End of year	<b>\$ 40,623,312</b>	<b>\$ 22,216,729</b>	<b>\$ 92,560</b>	<b>\$ 62,932,601</b>	<b>\$ 6,811,920</b>
<b>NONCASH TRANSACTIONS:</b>					
Contribution and transfers of capital assets, net	<b>\$ 1,589,125</b>	<b>\$ 1,378,800</b>	<b>\$ 7,102,903</b>	<b>\$ 10,070,828</b>	<b>\$ -</b>



**CITY OF VACAVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TRANSIT</u>	<u>TOTALS</u>	<u>ACTIVITIES- INTERNAL SERVICE FUNDS</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 2,115,005	\$ (712,611)	\$ (2,285,924)	\$ (883,530)	\$ 322,902
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	4,183,946	1,971,681	615,414	6,771,041	481,955
Changes in assets and liabilities:					
(Increase) decrease in receivables	(427,442)	251,299	229,010	52,867	(3,113)
Increase in inventories-supplies	-	-	-	-	23,236
Increase in prepaid items	6,819	518	-	7,337	250
Increase in deposits	-	-	-	-	(36,485)
Increase (decrease) in accounts and contracts payable	660,378	205,317	6,845	872,540	174,140
Increase in accrued payroll	(6,620)	4,133	(7,772)	(10,259)	(4,967)
Increase in employee benefits payable	-	-	-	-	(467,791)
Increase (decrease) in compensated absences	80,281	(97,136)	-	(16,855)	-
Increase (decrease) in deposits payable	258	648,598	753	649,609	-
Decrease in due to other governments	-	-	224,656	224,656	-
Increase (decrease) in unearned revenue	39,074	34,894	-	73,968	-
Increase in insurance liability	-	-	-	-	(161,000)
Total adjustments	4,536,694	3,019,304	1,068,906	8,624,904	6,225
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 6,651,699</b>	<b>\$ 2,306,693</b>	<b>\$ (1,217,018)</b>	<b>\$ 7,741,374</b>	<b>\$ 329,127</b>

See accompanying Notes to Basic Financial Statements.



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## **FIDUCIARY FUND FINANCIAL STATEMENTS**

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### **AGENCY FUNDS**

To account for other deposits received from outside parties including deposits from Solano Transportation Authority, refunding of permit monies and restitution for crimes committed. Also used to account for monies received through property tax to pay debt service for the Special Assessment Districts.

**CITY OF VACAVILLE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2010**

	<u>TOTAL AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash and investments	\$ 17,826,515
<b>Total assets</b>	<b><u>\$ 17,826,515</u></b>
<b>LIABILITIES</b>	
Deposits payable	7,831,469
Due to bondholders	9,995,046
<b>Total liabilities</b>	<b><u>\$ 17,826,515</u></b>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Vacaville, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

**A. *Reporting Entity***

The City of Vacaville was incorporated August 9, 1892 as a General Law City in the State of California. The City operates under the Council-Manager form of government. Services provided by the City include: public safety (police, fire and ambulance), public works (parks, streets and highways), community development (building regulation, planning and zoning), community services (culture and recreation), housing, redevelopment, public utilities (sewer and water), public improvements and general administrative services.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The City had no discretely presented component units. Each blended component unit has a June 30 year-end. The City Council serves as the governing board, or comprises a majority of the governing board of each of the blended component units. The City Council must represent a voting majority of the governing boards of the blended component units. The component units discussed in the following paragraphs are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The following entities are reported as blended component units:

Vacaville Housing Authority

The Vacaville Housing Authority (VHA) is organized under the California Health and Safety Code and was established pursuant to the laws of the State of California to provide housing subsidies on behalf of eligible participants, to transact business and to have those powers as defined by law. The Housing Authority has entered into an Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) pertaining to its Housing Choice Voucher Program. The objectives of VHA are to aid low-income families in obtaining decent, safe and sanitary housing through federal assistance programs.

Vacaville Redevelopment Agency

The Vacaville Redevelopment Agency (the Agency) is organized under the State of California Community Redevelopment Law. The Agency has established the Vacaville Community Redevelopment Project Area I (Project Area I) and the I-505/80 Redevelopment Project Area II (Project Area II). The construction projects within each area are financed through bonds which are repaid by property tax increment revenues. The Agency also has a low and moderate income housing program which is reported in a special revenue fund in these financial statements.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Vacaville Public Financing Authority

The Vacaville Public Financing Authority (the Authority) was established pursuant to a Joint Exercise of Powers Agreement dated April 12, 1988, by and between the City and the Agency in accordance with provisions of the Joint Powers Act (Act). The Authority was created for the purpose of assisting with the financing of public capital improvements. The Authority has the power to issue bonds to pay the cost of public capital improvements.

Solano County Housing Authority

The Solano County Housing Authority (SCHA), a component unit of Solano County, California, was established pursuant to the laws of the State of California to provide housing subsidies on behalf of eligible participants, to transact business and to have those powers as defined by law. The SCHA has entered into an Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) pertaining to its Housing Choice Voucher Program. The City is a sub-recipient of the SCHA and administers the program.

Financial statements for the Vacaville Housing Authority, Vacaville Redevelopment Agency and Solano County Housing Authority can be obtained by contacting the City's Finance Department. The Vacaville Public Financing Authority does not issue financial statements.

**B. Basis of Accounting, Measurement Focus and Financial Statement Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Research Bulletins (ARB) of the committee on Accounting Procedure. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the City has not elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements as prescribed by GASB Statement No. 34. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The assets and liabilities of the internal services funds have been included in the Statement of Net Assets based on the predominant user of the services. The Vehicle Replacement internal service fund assets and liabilities have been reported in the business type activities column and the Central Services, Technology Replacement, Insurance and Employee Benefits internal service funds assets and liabilities have been reported in the governmental activities column.

**Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds focus on total economic resources and employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 non-operating revenues and expenses.

Fiduciary funds include both trust and agency funds. The City has only Agency funds. Agency funds do not have a measurement focus since they do not report equity – they report only assets and liabilities. They do, however, use the accrual basis of accounting to recognize receivables and payables.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

The City reports the following major governmental funds:

General Fund – the City’s primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Development Special Revenue Fund – to account for those funds received from the Federal Government for the purpose of correcting sub-standard, unsafe residences and eliminating building code deficiencies.

Redevelopment Special Revenue Fund – to account for the 20% set aside funds received from tax increments in the City’s two Redevelopment areas; to be used for low and moderate housing purposes.

Certificates of Participation Debt Service Fund – to account for interest earnings, reserves, and payment of debt service for debt issued to fund public facilities and a community park.

Redevelopment Debt Service Fund – to account for receipts and payments related to the City’s two Redevelopment areas’ bonds outstanding.

City Projects Capital Projects Fund – to account for proceeds used to fund the acquisition and construction of public improvements, proceeds from State Gas Tax, State and Federal transit programs, development, and proceeds from bonds issued to fund City public facilities and infrastructure.

Redevelopment Capital Projects Fund – to account for tax increments received in the two Redevelopment areas used to facilitate economic development through construction of public improvements.

The City reports the following major enterprise funds:

Sewer Utility Fund – to account for the operation and maintenance of the City’s sewer system.

Water Utility Fund – to account for the operation and maintenance of the City’s water treatment and water transmission and distribution system.

Transit Fund – to account for the operation and management of the City’s transit operations including a fixed route bus system, taxi subsidy program and paratransit operations.

Additionally, the City reports the following fund types:

**Internal Service funds**

Internal service funds – account for centralized purchases, equipment replacement, sick and vacation leave payoffs related to employee retirements and retiree health insurance premiums, and self-insured services provided to other departments of the government, or to other governments, on a cost reimbursement basis.



**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Fiduciary funds**

Other Deposits fund – to account for deposits received from outside parties. Some of the large items include refunding of permit monies, amounts seized from crimes committed, and amounts held for Solano Transportation Authority.

Special assessments funds – to account for monies received through property tax to pay debt service for the Special Assessment Districts.

**C. *Cash, Cash Equivalents and Investments***

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

In addition, other disclosures are specified in Note 2 including use of certain methods to present deposits and investments, highly sensitive investments, and credit quality at year-end.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool for local governments and special districts managed by the State of California. Under Federal Law, the State of California cannot declare bankruptcy, therefore deposits in the LAIF shall not be subject to either of the following: (a) transfer or loan pursuant to Government Code Sections 16310, 16312 or 16313 or (b) impoundment or seizure by any state official or state agency.

**D. *Receivables and Payables***

Property, sales and use taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and collectible. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**E.     *Restricted/Unrestricted Net Assets***

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first. Additionally, certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, funds have been restricted for capital projects, streets and highways, housing and special programs.

**F.     *Inventory and Prepaid Items***

Inventory is valued at the lower of cost (weighted average) or market using the first-in first-out method. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Inventories and prepaid items, as reported in the fund financial statements, are offset by a reservation of fund balance for non-current assets in governmental funds to indicate that they do not constitute resources available for appropriation.

**G.     *Capital Assets***

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure at \$100,000, with all other non-enterprise capital assets at a \$5,000 threshold, and enterprise capital assets with a \$25,000 threshold. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and Improvements	40 years
Machinery and Equipment	5-7 years
Infrastructure	25-40 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, water and sewer systems, storm drains and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems. Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry current date or using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

**H. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For bond issuances subsequent to the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs, will be deferred and amortized over the life of the bonds using the effective interest method and bonds payable will be reported net of the applicable bond premium or discount. Bonds issued prior to the implementation of GASB Statement No. 34 have been presented at the gross issuance amount.

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

**I. Compensated Absences**

Employees accrue vacation, sick, holiday, and compensatory time off benefits. In the government-wide financial statements, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

In the fund financial statements, governmental fund types record compensated absences as expenditures in the years paid as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

**J. Property Tax Revenue**

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property.

Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

All property taxes are collected and allocated by the County of Solano to the various taxing entities. Property taxes are determined annually as of January 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan". The State Revenue and Taxation Code allow counties to distribute secured real property, assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and related penalties and interest during a fiscal year will revert to Solano County. The Teeter Plan payment, which includes 95% of the outstanding accumulated delinquency, is included in property tax revenue. Under the Teeter Plan code, 5% of the delinquency must remain with the County as a reserve for Teeter Plan funding.

**K. Use of Estimates**

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

**L. Implementation of New GASB Pronouncements**

In 2010, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 51, Accounting and Reporting for Intangible Assets – This Statement established accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. There was no impact on the financial statements implementing GASB 51. The City had already realized easements and trademarks when GASB 34 was implemented.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 2 - CASH AND INVESTMENTS**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City's Investment Officer, and overseen by the City's Treasurer, to enhance interest earnings. The pooled interest earned is allocated to the funds based on cash and investment balances in these funds at the end of each accounting period.

**A. Deposits**

The California Government Code requires California banks and savings and loans to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City has waived collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 122,292,518
Cash and Investments held by bond trustee	19,396,693
Fiduciary Funds:	
Cash and Investments	<u>17,826,515</u>
Total Cash and Investments	<u>\$ 159,515,726</u>

Cash and Investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 13,245
Deposits with financial institutions	(3,606,630)
Certificates of Deposit	3,000,000
Investments	<u>160,109,111</u>
Total Cash and Investments	<u>\$ 159,515,726</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS, continued**

**B. Investments Authorized by the California Government Code and Investment Policy**

The table below identifies the investment types authorized under the provisions of the City's investment policy, and in accordance with the California Government Code. 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund	N/A	100%	N/A
U.S. Government Securities	None	100%	100%
U.S. Agency Securities	None	100%	100%
Commercial Paper	270 days	25%	25%
Certificates of Deposit	N/A	N/A	N/A
Corporate Notes	5 years	30%	30%
U.S. Agency Discount Notes	None	100%	100%
Money Market Mutual Funds	N/A	20%	10%
Repurchase Agreements	1 year	100%	100%
Bankers Acceptance	180 days	40%	30%

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee and the City.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Government Securities	N/A	100%	100%
U.S. Agency Securities	N/A	100%	100%
Repurchase Agreements	1 year	100%	100%
Money Market Mutual Funds	N/A	100%	100%
Guarantee Investment Contract	N/A	100%	100%

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS, continued**

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income in all funds and component units:

Unrealized loss on investments	\$	(870,537)
Interest income		<u>3,498,122</u>
Total investment income	\$	<u><u>2,627,585</u></u>

The City portfolio value fluctuates in an inverse relationship to any change in interest rates. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen. In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's practice is to buy and hold investments until their maturity dates.

**C. Disclosures Relating to Interest Rate Risk**

The City manages its exposure to interest rate risk 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 trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments as of June 30, 2010 by maturity:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Local Agency Investment Fund	\$ 75,302,717	\$ 75,302,717	\$ -	\$ -	\$ -
U.S. Agency Securities	41,255,964	4,014,610	34,226,354	3,015,000	-
Commercial Paper	2,990,948	2,990,948	-	-	-
Corporate Notes	20,701,688	18,574,028	2,127,660	-	-
Repurchase Agreements	13,203,947	13,203,947	-	-	-
Guarantee Investment Contract	1,889,335	-	1,236,688	-	652,647
Money Market Mutual Funds	<u>4,764,512</u>	<u>4,764,512</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 160,109,111</u>	<u>\$ 118,850,762</u>	<u>\$ 37,590,702</u>	<u>\$ 3,015,000</u>	<u>\$ 652,647</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS, continued**

**D. Disclosures Relating to Credit Risk**

Credit Risk is the risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. Credit Risk 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 City's investment policy, or debt agreements, and the actual rating as of June 30, 2010 for each investment type. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments in commercial paper to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service.

Investment Type		Minimum Legal Rating	AAA	AA	A	A1/P1	BB	Defaulted	Not Rated
Local Agency Investment Fund	\$ 75,302,717	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$75,302,717
U.S. Agency Securities	41,255,964	N/A	41,255,964	-	-	-	-	-	-
Commercial Paper	2,990,948	A1/P1	-	-	-	2,990,948	-	-	-
Corporate Notes	20,701,688	A	2,127,660	8,082,000	10,393,278	-	-	98,750	-
Repurchase Agreements	13,203,947	N/A	-	-	-	-	-	-	13,203,947
Guarantee Investment Contract	1,889,335	N/A	1,236,688	-	-	-	652,647	-	-
Money Market Mutual Funds	4,764,512	AAA	4,764,512	-	-	-	-	-	-
Total	<u>\$ 160,109,111</u>		<u>\$49,384,824</u>	<u>\$ 8,082,000</u>	<u>\$ 10,393,278</u>	<u>\$2,990,948</u>	<u>\$652,647</u>	<u>\$ 98,750</u>	<u>\$88,506,664</u>

**E. Investments in Local Agency Investment Funds**

The Local Agency Investment Fund (LAIF), is a voluntary program created by state statute in 1977 as an investment alternative for California's local governments and special districts. Under the direction of the State Treasurer's Office and audited by the Bureau of State Audits, the program offers local agencies the opportunity to participate in a major portfolio. The fair value for the City's position in LAIF is the same as the value of the pooled shares.

The City's investments with LAIF at June 30, 2010, included a small portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes – debt securities (other than Asset-Backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or state maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities – generally mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.



**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 2 - CASH AND INVESTMENTS, continued**

As of June 30, 2010, the City had \$75,302,717 invested in LAIF, which has invested 5.42% of the pool investments funds in medium and short-term Structured Notes and Asset-Backed Securities. The City valued its investment in LAIF as of June 30, 2010 by multiplying the City's account balance with a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.001643776.

As of June 30, 2010 the City had \$13,203,947 in an overnight tri-party Repurchase Agreement with J. P. Morgan Chase as the custodian. There is a collateral requirement of 100% if cash is utilized or 102% if using obligations issued, or guaranteed by the U.S. government, or agencies instrumentalities, or establishments thereof.

**NOTE 3 – LOANS RECEIVABLE**

At June 30, 2010, the City's outstanding loans receivables were as follows:

\$ 8,273,110	City loans recorded in the Special Revenue Fund, Community Development, are for the HOME Partnership Program (HOME). HOME is a U.S. Housing and Urban Development program administered by the California Department of Housing and Community Development (HCD). The City uses HOME funds to operate an acquisition and rehabilitation loan program. The loans are made to owners of rental properties that agree to restrict the rent of the HOME-assisted units to low and moderate income families.
\$ 1,500,052	City loans recorded in the Special Revenue Fund, Community Development, are for the Community Development Block Grant (CDBG) and Rental Rehabilitation Program (RRP). In the past the City operated CDBG and RRP, even though the City no longer receives funding under these programs the borrowers are repaying the existing loan balances. Repayments are used to carry out CDBG and RRP eligible activities.
\$ 6,330,922	Redevelopment loans recorded in the Special Revenue Funds are for the Neighborhood Conservation Program (NCP), the purpose of which is to provide a pool of loan funds to encourage investor-owners and owner-occupants to improve the lower income neighborhoods of the City and further equal opportunity in housing. Loans ranging in amounts from \$1,000 to \$45,000 per unit, are offered at 3% interest, and may be amortized over 15 years. The loans are secured by property. Loans to households with very low incomes may be deferred until such time that household income becomes sufficient to repay the loan; the deferred loan will become fully amortized at 3% interest. Deferred loans may also be made to low-income households on fixed incomes.
\$ 13,454,741	The Redevelopment Agency Equity loans recorded in the Special Revenue Funds are for primary financing to obtain blighted property. The loan amounts and terms may vary depending on the amounts needed to acquire and improve the property. The loans are offered at 0% interest, with the total payment deferred until the end of the term and are secured by the property. The amount of loans in arrears is \$21,109.
\$ 2,364,740	A loan receivable has been recorded in the Redevelopment Debt Service Fund from Vacaville Community Housing, a non-profit corporation. The loan is secured by multi-family housing units at 0% interest and the payment is deferred until the year 2025.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 3 – LOANS RECEIVABLE, continued**

\$ 879,287	The Redevelopment Down Payment loans recorded in the Special Revenue Funds are for assisting low income families with their down payment and closing costs. There are two types of loans. The first type is given in coordination with a Mortgage Credit Certificate (MCC) for a maximum amount of \$15,000 deferred for five years, and repaid over ten years at an interest rate of 5%. The loan is not secured against the property. The second type has no other assistance for a maximum amount of \$10,000 deferred for five years, and repaid over fifteen years at an interest rate of 5%. The amount of loans in arrears is \$12,033.
\$ 1,937,625	In 2002, the Agency entered into an agreement with the Vacaville Library District to loan \$3,895,000 to finance the construction of a new Vacaville Library branch located in the Downtown Project Area. A loan receivable and deferred revenue have been recorded in the amount of \$3,895,000 in the Redevelopment Capital Projects Fund. The loan will be repaid by Fiscal Year 2031/2032 with interest rates ranging from 4% to 7%.
\$ 98,808	City loans recorded in the Special Revenue Fund, Community Development, are for the Community Development Block Grant (CDBG). These funds are available to eligible participant families to close the gap between the amount they qualify for and the current average price for a modest two-or three bedroom condo or single family home.
\$ 2,122,409	The Redevelopment Downtown Rehabilitation loans recorded in the Capital Projects Funds are for façade improvements and historic district building loans. Façade improvement loans are fully amortized for 15-year terms at 1% interest with a \$20,000 maximum loan per standard building street frontage. Façade improvements may include a complete renovation, signage, exterior lighting, landscaping, painting and awnings. Historic district building loans are fully amortized for 25-year terms at 3% interest with a maximum loan amount of \$135,000. Historic district building loans for tenant improvements and other non-seismic related costs require 50% matching funds contributed by the borrower, which may include private funds as well as loans made through the façade improvement loan program. Borrowers are not required to match funds on seismic upgrades. These loans may be assumable on a case by case basis.
\$ 3,037,569	The Redevelopment Shared Equity loans are recorded in the Special Revenue funds for expanding homeownership opportunities to low and moderate-income households. The amount borrowed is the minimum needed to close the gap between lender requirements and buyer's cash for down payment assistance and/or closing costs. Qualified homebuyers may receive up to \$50,000 or 20% of the purchase price (whichever is less) towards the purchase of a home located in Vacaville. The deferred loan terms are 45 years at zero interest with no payments required during that time as long as the homebuyer does not sell, transfer ownership, rent the property, refinance it with cash back, or prepay the loan with any other funds. The loan will be forgiven if the borrower remains in the home for the full 45 year loan term. There is a 45 year Resale Restriction Agreement that will be recorded against the property. The City will hold an option to purchase the home at a restricted sales price to keep the home affordable for another buyer.
\$ 1,455,000	A loan receivable has been recorded in the Capital Projects Funds from Vacaville Community Housing, a non-profit corporation. The loan is secured by multi-family housing units at 0% interest and the total payment is deferred until the year 2025.
\$ 11,125	Ten emergency interest-free loans were granted for purposes of paying the first month's rent and/or the security deposit required as a condition of renting certain temporary premises for individuals because of damages to their permanent residence by the January 2006 winter floods.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 3 – LOANS RECEIVABLE, continued**

\$ 513,672	City loans recorded in the Special Revenue Fund, Neighborhood Stabilization Program (NSP), are for a first time homebuyer loan program. The program is designed to provide assistance to eligible homebuyers in purchasing foreclosed homes located within the program's eligible area. The program provides this assistance in the form of a shared equity, deferred payment, second priority loan to reduce the gap between the purchase price and closing costs of affordable housing units that will be occupied by the homebuyers. The term of each loan shall be for a maximum of 15 years. If the borrower remains in the home for the full term of the affordability period the loan is forgiven.
<u>\$ 3,177</u>	Repayment of excess payroll contribution to deferred compensation plan. Amount should be repaid by October, 2011.
<u>\$ 41,982,237</u>	Total loans receivable

**NOTE 4 – OPERATING LEASES**

The City has entered into a five year lease for maintenance and related supplies for copiers, printers and fax machines used throughout the City. The lease began on May 1, 2004 and has been extended to December 2015. The lease may be renewed on a month-to-month basis upon termination of the lease. Annual minimum payments under the lease are \$218,937.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 5 - CAPITAL ASSETS**

**Government-Wide Financial Statements**

**A. Summary**

The following is a summary of capital assets as of June 30, 2010:

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Non-Depreciable Assets:			
Land	\$ 171,099,124	\$ 9,672,088	\$ 180,771,212
Land held for development	34,980,292	-	34,980,292
Intangibles (Nut Tree)	788,124	-	788,124
Construction in Progress	<u>9,786,835</u>	<u>67,366,663</u>	<u>77,153,498</u>
Total	<u>216,654,375</u>	<u>77,038,751</u>	<u>293,693,126</u>
Depreciable Assets:			
Buildings & Improvements	56,608,297	203,667,078	260,275,375
Equipment	6,331,969	9,810,870	16,142,839
Vehicles	10,110,103	4,523,260	14,633,363
Infrastructure	<u>380,217,055</u>	<u>77,254,776</u>	<u>457,471,831</u>
	453,267,424	295,255,984	748,523,408
Less accumulated depreciation	<u>(184,121,873)</u>	<u>(98,364,909)</u>	<u>(282,486,782)</u>
Total depreciable assets, net	<u>269,145,551</u>	<u>196,891,075</u>	<u>466,036,626</u>
Total capital assets, net	<u>\$ 485,799,926</u>	<u>\$ 273,929,826</u>	<u>\$ 759,729,752</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 5 – CAPITAL ASSETS, continued**

**B. Governmental Activities**

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2009	Additions	Disposals	Transfers	Balance June 30, 2010
<b>Non-Depreciable Assets:</b>					
Land	\$ 171,099,124	\$ -	\$ -	\$ -	\$ 171,099,124
Land held for development	34,980,292	-	-	-	34,980,292
Intangibles	788,124	-	-	-	788,124
Construction in Progress	10,452,048	1,353,190	(38,491)	(1,979,912)	9,786,835
<b>Total</b>	<u>217,319,588</u>	<u>1,353,190</u>	<u>(38,491)</u>	<u>(1,979,912)</u>	<u>216,654,375</u>
<b>Depreciable Assets:</b>					
Buildings & Improvements	56,608,297	-	-	-	56,608,297
Equipment	5,776,327	567,166	(11,524)	-	6,331,969
Vehicles	10,241,423	31,559	(155,553)	(7,326)	10,110,103
Infrastructure	369,719,712	8,517,431	-	1,979,912	380,217,055
<b>Total</b>	<u>442,345,759</u>	<u>9,116,156</u>	<u>(167,077)</u>	<u>1,972,586</u>	<u>453,267,424</u>
<b>Less accumulated depreciation for:</b>					
Buildings & Improvements	(14,377,800)	(1,422,593)	-	-	(15,800,393)
Equipment	(4,281,482)	(527,159)	11,524	-	(4,797,117)
Vehicles	(6,365,129)	(654,704)	153,506	11,822	(6,854,505)
Infrastructure	(147,420,272)	(9,249,586)	-	-	(156,669,858)
<b>Total</b>	<u>(172,444,683)</u>	<u>(11,854,042)</u>	<u>165,030</u>	<u>11,822</u>	<u>(184,121,873)</u>
Total depreciable assets, net	<u>269,901,076</u>	<u>(2,737,886)</u>	<u>(2,047)</u>	<u>1,984,408</u>	<u>269,145,551</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 487,220,664</u></u>	<u><u>\$ (1,384,696)</u></u>	<u><u>\$ (40,538)</u></u>	<u><u>\$ 4,496</u></u>	<u><u>\$ 485,799,926</u></u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 5 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 570,536
Community development	617
Public safety	1,061,224
Public works	8,836,246
Community services	556,290
Housing	6,580
Redevelopment	<u>822,549</u>
Total Government activities depreciation expense	<u>\$ 11,854,042</u>

Internal service fixed assets included in general governmental activities at June 30, 2010 were \$510,798 (net depreciable value) with related depreciation expense of \$137,535.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 5 – CAPITAL ASSETS, continued**

**C. Business-type Activities**

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2009	Additions	Disposals	Transfers	Balance June 30, 2010
Non-Depreciable Assets:					
Land	\$ 9,672,088	\$ -	\$ -	\$ -	\$ 9,672,088
Construction in Progress	57,638,399	10,574,672	(6,597)	(839,811)	67,366,663
Total	<u>67,310,487</u>	<u>10,574,672</u>	<u>(6,597)</u>	<u>(839,811)</u>	<u>77,038,751</u>
Depreciable Assets:					
Buildings & Improvements	200,991,044	2,177,989	-	498,045	203,667,078
Equipment	5,336,485	4,474,385	-	-	9,810,870
Vehicles	4,639,911	174,813	(211,456)	(80,008)	4,523,260
Infrastructure	71,119,712	6,192,034	(398,736)	341,766	77,254,776
Total	<u>282,087,152</u>	<u>13,019,221</u>	<u>(610,192)</u>	<u>759,803</u>	<u>295,255,984</u>
Less accumulated depreciation for:					
Buildings & Improvements	(65,718,659)	(4,819,724)	-	-	(70,538,383)
Equipment	(4,227,333)	(475,110)	-	-	(4,702,443)
Vehicles	(3,265,488)	(303,880)	211,456	75,512	(3,282,400)
Infrastructure	(18,352,709)	(1,492,961)	3,987	-	(19,841,683)
Total	<u>(91,564,189)</u>	<u>(7,091,675)</u>	<u>215,443</u>	<u>75,512</u>	<u>(98,364,909)</u>
Total depreciable assets, net	<u>190,522,963</u>	<u>5,927,546</u>	<u>(394,749)</u>	<u>835,315</u>	<u>196,891,075</u>
Business-type activities capital assets, net	<u>\$ 257,833,450</u>	<u>\$ 16,502,218</u>	<u>\$ (401,346)</u>	<u>\$ (4,496)</u>	<u>\$ 273,929,826</u>

Depreciation expense was charged to functions as follows:

Sewer	\$ 4,344,263
Water	2,131,998
Transit	<u>615,414</u>
Total Business-type activities depreciation expense	<u>\$ 7,091,675</u>

Vehicle and equipment replacement assets in the amount of \$1,232,706 (net depreciable value) are included in Business-type activities. At June 30, 2010 depreciation expense for these assets totaled \$344,420.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 5 – CAPITAL ASSETS, continued**

**Fund Financial Statements**

The fund financial statements do not present general government activities capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**NOTE 6 – LONG-TERM LIABILITIES**

**A. *Long-Term Liabilities***

The following is a summary of long-term liabilities for the fiscal year ended June 30, 2010:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Long-term debt			
Loans Payable	\$ 4,555,283	\$ 59,286,601	\$ 63,841,884
Note Payable	-	204,956	204,956
Certificates of Participation	4,330,000	-	4,330,000
Bonds Payable	63,144,510	-	63,144,510
Capital Lease Obligations	<u>3,878,801</u>	<u>482,232</u>	<u>4,361,033</u>
Total	<u>\$ 75,908,594</u>	<u>\$ 59,973,789</u>	<u>\$ 135,882,383</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with the significant limitations and restrictions.



**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

**Activity**

The following is a summary of changes in long-term liabilities for governmental activities. Activity for the City's fiscal year ended June 30, 2010:

Loans Payable:	Beginning			Ending	Due within
City:	Balance	Additions	Reductions	Balance	one year
Brazelton Family Living Trust	\$ 472,500	\$ -	\$ 67,500	\$ 405,000	\$ 67,500
Grindstaff Family Trust	168,750	-	-	168,750	-
Spencer Family Trust	168,750	-	-	168,750	-
Robert H. Power Trust	168,750	-	-	168,750	-
Michael/Jane Gonzalez Rev. Trust	168,750	-	-	168,750	-
Robert Rogers	500,000	-	-	500,000	-
Dorothy Brown	589,005	-	-	589,005	-
Charles Rogers	742,800	-	-	742,800	-
John Gonge	294,314	-	-	294,314	294,314
Sandra Merhoff	146,936	-	-	146,936	146,936
<b>Redevelopment:</b>					
Cernon Street Parking Lot	6,494	-	6,494	-	-
Beck & Clark Family Trust	337,362	-	21,236	316,126	22,748
Puerta, Frank & Betty	72,419	-	72,419	-	-
Klotz, Albert & Marita Family Trust	477,659	-	72,223	405,436	76,466
Babington, Richard & Carol	336,824	-	34,338	302,486	36,313
Dept. of Toxic Substances	181,562	-	3,382	178,180	3,581
Total Loans Payable	<u>4,832,875</u>	<u>-</u>	<u>277,592</u>	<u>4,555,283</u>	<u>647,858</u>
<b>Certificates of Participation:</b>					
1994 Certificates of Participation	<u>5,270,000</u>	<u>-</u>	<u>940,000</u>	<u>4,330,000</u>	<u>995,000</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<b>Bonds Payable:</b>					
1996 Tax Allocation Bonds	4,910,000	-	245,000	4,665,000	260,000
2000 Tax Allocation Bonds	9,500,000	-	690,000	8,810,000	250,000
2001 Tax Allocation Bonds	28,220,000	-	735,000	27,485,000	765,000
2000A Multifamily Mortgage	1,869,440	-	74,930	1,794,510	78,740
2006 Taxable Housing Bonds	18,355,000	-	340,000	18,015,000	360,000
2006 ABAG Tax Allocation Bonds	2,475,000	-	100,000	2,375,000	100,000
Total Bonds	<u>65,329,440</u>	<u>-</u>	<u>2,184,930</u>	<u>63,144,510</u>	<u>1,813,740</u>
<b>Capital Lease Obligations:</b>					
Vacaville Recreation Corporation	2,137,603	-	87,510	2,050,093	91,987
Westamerica Bank	445,131	-	67,702	377,429	70,173
Banc of America Leasing	960,250	-	120,878	839,372	125,942
Westamerica Bank	469,611	-	50,748	418,863	52,839
Westamerica Bank	212,962	-	19,918	193,044	20,765
Total Capital Lease Obligations	<u>4,225,557</u>	<u>-</u>	<u>346,756</u>	<u>3,878,801</u>	<u>361,706</u>
Total long-term debt	<u>\$ 79,657,872</u>	<u>\$ -</u>	<u>\$ 3,749,278</u>	<u>\$ 75,908,594</u>	<u>\$ 3,818,304</u>

The following is a description of long-term debt issues, along with the amount of original debt issuance:

**Loans Payable:**

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2010</u>
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\$ 675,000	\$ 405,000
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Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Principal and interest payments are due annually at a rate of 5.50%, due May 2016. Each installment includes principal of \$67,500 plus applicable interest on the unpaid balance. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 6 – LONG-TERM LIABILITIES, continued**

\$ 168,750	\$ 168,750	Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Interest payments are due annually at a rate of 5.50% (\$9,281.25) through May 2016 and principal of \$168,750 is due May 2016. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.
\$ 168,750	\$ 168,750	Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Interest payments are due annually at a rate of 5.50% (\$9,281.25) through May 2016 and principal of \$168,750 is due May 2016. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.
\$ 168,750	\$ 168,750	Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Interest payments are due annually at a rate of 5.50% (\$9,281.25) through May 2016 and principal of \$168,750 is due May 2016. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.
\$ 168,750	\$ 168,750	Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Interest payments are due annually at a rate of 5.50% (\$9,281.25) through May 2016 and principal of \$168,750 is due May 2016. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.
\$ 500,000	\$ 500,000	Long-term note for the purchase of real property (APN 0124-010-130) located west of Rogers Lane in an unincorporated portion of Solano County. Interest payments are due annually at a rate of 5.0% (\$25,000) through January 2013 and principal of \$500,000 is due January 2013. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.
\$ 589,005	\$ 589,005	Long-term note for the purchase of real property (APN 0124-010-120) located at 6536 Pleasants Valley Road in an unincorporated portion of Solano County. Interest payments are due annually at a rate of 5.0% (\$29,450) through January 2013 and principal of \$589,005 is due January 2013. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.
\$ 742,800	\$ 742,800	Long-term note for the purchase of real property (APN 0124-160-040 and APN 0124-160-050) consisting of approximately 30.95 acres, located west of Rogers Lane in an unincorporated portion of Solano County. Interest payments are due annually at a rate of 5.0% (\$37,140) through January 2013 and principal of \$742,800 is due January 2013. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.
\$ 294,314	\$ 294,314	Long-term note for the purchase of real property (APN 0123-100-080) located east of Bucktown Lane in an unincorporated portion of Solano County. This note represents two-thirds interest of the purchase price. Interest payments are due annually at a rate of 5.0% (\$14,716) through April 2011 and principal of \$294,314 is due April 2011. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 6 – LONG-TERM LIABILITIES, continued**

\$ 146,936	\$ 146,936	Long-term note for the purchase of real property (APN 0123-100-080) located east of Bucktown Lane in an unincorporated portion of Solano County. This note represents a one-third interest of the purchase price. Interest payments are due annually at a rate of 5.0% (\$7,347) through April 2011 and principal of \$146,936 is due April 2011. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.
\$ 475,000	\$ 316,126	Long-term note for the Agency's purchase of .51 acres of downtown property. Principal and interest are paid in semi-annual installments of \$22,243 each March and September including interest at 7.0% through March 1, 2020. Payments of principal and interest are funded by increment revenues of the Agency.
\$ 742,500	\$ 405,436	Long-term note for the Agency's purchase of 2 acres of downtown property. Principal and interest are paid in quarterly installments of \$24,537 at an annual interest rate of 5.75% through February 1, 2015. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$ 400,000	\$ 302,486	Long-term note for the Agency's acquisition of 140 Depot Street and 150 Depot Street. Principal and interest are paid in annual installments of \$53,705 each January through January 2017. Payment of principal and interest are funded by tax increment revenues of the Agency.
\$ 195,690	\$ 178,180	Long-term note for the Agency's liability for toxic and hazardous waste materials clean-up on property located at the southwest corner of East Main Street and Wilson Street. Principal and interest are payable in monthly installments of \$1,017 including interest at an annual rate of 5.7% through July 2011. Payments of principal and interest are funded by Redevelopment Project Area I revenues.
\$ 99,500	\$ -0-	Long-term note for the Agency's purchase of a downtown parking lot. Principal and interest are paid in semi-annual installments of \$6,688 each May and November including interest at 6% through November 1, 2009. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$ 565,000	\$ -0-	Long-term note for the Agency's purchase of 1.56 acres for a future park and ride lot. Principal and interest are payable in installments of \$76,765 each January, including interest at 6% through January, 2010. Payments of principal and interest are funded by tax increment revenues of the Agency.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

The annual requirement to amortize debt outstanding as of June 30, 2010 for loans payable is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 647,858	\$ 243,927	\$ 891,785
2012	385,827	199,890	585,717
2013	2,051,732	187,478	2,239,210
2014	229,158	82,944	312,102
2015	214,413	69,440	283,853
2016-2020	1,026,295	86,895	1,113,190
Total	<u>\$ 4,555,283</u>	<u>\$ 870,574</u>	<u>\$ 5,425,857</u>

**Certificates of Participation:**

Original Debt Amount	Outstanding June 30, 2010
\$15,170,000	\$ 4,330,000

1994 Certificates of Participation issued by the Authority for the acquisition, construction, and installation of a new community center, community theater, and public library complex within the City. Interest rates range from 3.00% to 5.25% and the certificates fully mature in 2013. Principal payments began December 1994 and payments of principal and interest are funded by excise tax assessments of city residents and businesses. Shortfalls in excise tax revenues are funded by other General Fund revenues. Annual principal and interest payments on the bonds are expected to require 55% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,795,906. For the current year, principal and interest paid were \$1,187,202.

The annual requirement to amortize debt outstanding as of June 30, 2010 for certificates of participation is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 995,000	\$ 198,330	\$ 1,193,330
2012	1,050,000	146,182	1,196,182
2013	1,110,000	90,547	1,200,547
2014	1,175,000	30,847	1,205,847
Total	<u>\$ 4,330,000</u>	<u>\$ 465,906</u>	<u>\$ 4,795,906</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

**Bonds Payable:**

There are five Bonds payable secured by property tax increments: Series 1996, 2000, 2001, 2000A, 2006 ABAG and 2006 Taxable. Annual principal and interest payments on the four bonds are expected to require 25% of net revenues. Property tax increment net revenues were \$16,179,975. Series 2000A and 2006 Taxable are paid by the Low and Moderate Housing fund and therefore not included in the net revenue calculation.

	Principal and Interest	
	Paid	Remaining
1996 Tax Allocation	\$ 499,025	\$ 6,473,682
2000 Tax Allocation	1,770,631	14,815,160
2000A Multifamily Mortgage Revenue	182,464	2,709,613
2001 Tax Allocation	2,086,600	44,763,974
2006 ABAG Tax Allocation	199,738	3,336,213
2006 Taxable Housing	1,483,966	33,749,324
	\$ 6,222,424	\$ 105,847,966

Original Debt Amount	Outstanding June 30, 2010	
\$ 9,250,000	\$ 4,665,000	Tax Allocation Revenue Bonds issued by the Authority for financing various public improvements in the Agency's Vacaville Community Redevelopment area. Interest rates range from 4.0% to 5.40% and the bonds mature in September 2022. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$11,995,000	\$ 8,810,000	Tax Allocation Revenue Bonds issued by the Authority for financing various public improvements in the Agency's redevelopment project areas. Interest rates range from 5.25% to 5.875% and the bonds mature in September 2031. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$31,980,000	\$27,485,000	Tax Allocation Revenue Bonds issued by the Authority for financing various public improvements in the Agency's redevelopment project areas. Interest rates range from 4.00% to 7.00% and the bonds mature in September 2026. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$18,875,000	\$18,015,000	Taxable Housing Tax Allocation Bonds issued by the Agency for financing redevelopment projects primarily by making loans to qualified 501(c)(3) non-profit corporations in connection with their development of multi-family rental housing in the City of Vacaville. Interest rates range from 5.6% to 7%. Payments of principal and interest are funded by tax increment revenues of the Agency.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

\$ 2,364,740      \$ 1,794,510      Multifamily Mortgage Revenue Bonds were issued by the Agency to provide financing for Vacaville Community Housing (VCH), a non-profit corporation, to acquire and rehabilitate multifamily rental housing units. The bonds are limited obligations of the Agency and are payable solely from VCH project revenues, certain tax increment revenues, and certain other revenue and pledge funds. The Agency is committed to funding 25.4% of the debt service on the bonds from tax increment revenue during the 30 year life of the bonds, and as such 25.4% of the bond principal has been recorded in the financial statements as an obligation of the Agency. The Agency has an offsetting note receivable from VCH for \$1,455,000, with payments starting in 2025, to be amortized over the following 30 years, to reimburse the Agency for debt service payments advanced on behalf of VCH. Interest rates on the bonds range from 4.78% to 6.00% and the bonds mature in 2025.

\$ 2,660,000      \$ 2,375,000      Tax Allocation Revenue Bonds issued by the Association of Bay Area Governments (ABAG) for financing redevelopment projects, primarily sewer main extension improvements, located in the Redevelopment Agency's I-505/80 project area. Interest rates range from 3.0% to 4.5% and the bonds mature in September 2026. Payments of principal and interest are funded by tax increment revenues of the Agency.

The annual requirement to amortize debt outstanding as of June 30, 2010 for bonds payable is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 1,813,740	\$ 3,373,858	\$ 5,187,598
2012	1,897,550	3,281,562	5,179,112
2013	1,997,630	3,182,784	5,180,414
2014	2,102,710	3,076,981	5,179,691
2015	2,207,790	2,964,846	5,172,636
2016-2020	12,914,120	12,879,086	25,793,206
2021-2025	15,790,970	8,934,289	24,725,259
2026-2030	17,200,000	4,483,919	21,683,919
2031-2033	7,220,000	526,131	7,746,131
Total	<u>\$ 63,144,510</u>	<u>\$ 42,703,456</u>	<u>\$ 105,847,966</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 6 – LONG-TERM LIABILITIES, continued**

**Capital Lease Obligations:**

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2010</u>	
\$ 2,626,700	\$ 2,050,093	<p>Sublease agreement with Vacaville Recreation Corporation (Corporation) and Agency. The Agency entered into an agreement, option to purchase and right of first refusal with the Corporation for the in-line/multi-purpose portion of the Vacaville Skating Center. Pursuant to a separate sublease agreement between the City and Agency, the City agreed to assume all rights and responsibilities of the Agency under the lease agreement. In the event of the City's inability to pay the sublease, the Agency is obligated to pay the Corporation the lease payments. The City also assumed the option to purchase the subleased premises for one dollar at the expiration of the term of the sublease or prepayment in full of the sublease payments. This sublease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid monthly through September 2025. Lease payments are funded through the Parks and Recreation Capital Projects Fund.</p>
\$ 703,100	\$ 377,429	<p>Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for two Type I Fire Engines at a total cost of \$703,100 with an interest rate of 3.65% with an option to purchase. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through July 2014. Lease payments are funded through the City's Government Vehicle Replacement Fund.</p>
\$ 1,280,000	\$ 839,372	<p>Lease agreement between the City and Banc of America Leasing &amp; Capital and Deutsche Bank National Trust Company for the lease of a ladder truck, brush unit, and backhoe with an estimated cost of \$1,280,000 with an option to purchase. The lease qualifies as a capital lease for accounting purposes and has been recorded as a liability at the present value of the future minimum lease payments. Lease payments will be paid annually through November 2015. Lease payments are funded through the City's Government Vehicle Replacement Fund.</p>
\$ 587,036	\$ 418,863	<p>Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for a brush unit, a backhoe, an asphalt grinder, and a shared interest (1/3) in a four-yard loader at an estimated cost of \$587,036 with an interest rate of 4.12%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2016. Lease payments are funded through the City's gas tax and general funds.</p>
\$ 239,500	\$ 193,044	<p>Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for the purchase of a patch truck and chipper at an estimated cost of \$239,500 with an interest rate of 4.25%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2017. Lease payments are funded through the City's gas tax and general funds.</p>



**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 6 – LONG-TERM LIABILITIES, continued**

The annual requirement to amortize debt outstanding as of June 30, 2010 for capital lease obligations is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 361,706	\$ 174,823	\$ 536,529
2012	377,309	159,219	536,528
2013	393,597	142,932	536,529
2014	410,596	125,932	536,528
2015	428,338	108,190	536,528
2016-2020	1,020,455	329,771	1,350,226
2021-2025	839,095	122,916	962,011
2026	47,704	398	48,102
Total	<u>\$ 3,878,800</u>	<u>\$ 1,164,181</u>	<u>\$ 5,042,981</u>

The assets acquired through capital leases are as follows:

Asset:	
Buildings & Improvements	\$ 2,626,700
Equipment	3,173,361
Less: Accumulated depreciation	<u>(1,504,794)</u>
Total	<u>\$ 4,295,267</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

**B. Business-Type and Proprietary Fund Long-Term Debt**

**Activity**

The following is a summary of changes in the business-type and proprietary fund long-term liabilities at June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
State Revolving Loans Payable:					
Easterly Wastewater Treatment Plant					
Interim Renovation	\$ 732,568	\$ -	\$ 52,208	\$ 680,360	\$ 53,669
Plant Expansion	<u>61,742,529</u>	<u>-</u>	<u>3,136,287</u>	<u>58,606,242</u>	<u>3,220,967</u>
Total State Revolving Loans Payable	<u>62,475,097</u>	<u>-</u>	<u>3,188,495</u>	<u>59,286,602</u>	<u>3,274,636</u>
Capital Lease Obligations:					
Equipment-2006 Acquisition	50,540	-	6,362	44,178	6,629
Equipment-2007 Acquisition	280,160	-	30,275	249,885	31,523
Equipment-2009 Acquisition	<u>207,583</u>	<u>-</u>	<u>19,415</u>	<u>188,168</u>	<u>20,240</u>
Total Capital Lease Obligations	<u>538,283</u>	<u>-</u>	<u>56,052</u>	<u>482,231</u>	<u>58,392</u>
Note Payable:					
Meadow Woods/DDA	<u>304,956</u>	<u>-</u>	<u>100,000</u>	<u>204,956</u>	<u>100,000</u>
Total	<u>\$ 63,318,336</u>	<u>\$ -</u>	<u>\$ 3,344,547</u>	<u>\$ 59,973,789</u>	<u>\$ 3,433,028</u>

**Loans Payable:**

**State Water Resources Control Board Loan for the Easterly Wastewater Treatment Plant Interim Renovation – Original Issue \$1,104,315**

This loan is a State Revolving Loan Fund Program contract between the State Water Resources Control Board and the City with a maximum loan amount of \$1,104,315 to fund the Easterly Wastewater Treatment Plant Interim Renovation. The loan is due in installments of \$72,719. Principal and interest at 2.8% are paid annually each September through 2021.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

The annual debt service requirement on this note is as follows:

Year Ending June 30	Proprietary Fund		Total
	Principal	Interest	
2011	\$ 53,669	\$ 19,050	\$ 72,719
2012	55,172	17,547	72,719
2013	56,717	16,003	72,720
2014	58,305	14,414	72,719
2015	59,938	12,782	72,720
2016-2021	396,559	39,757	436,316
Total	<u>\$ 680,360</u>	<u>\$ 119,553</u>	<u>\$ 799,913</u>

**State Water Resources Control Board Loan for the Easterly Wastewater Treatment Plant Expansion– Original Issue \$67,786,401**

This loan is a State Revolving Loan Fund Program contract between the State Water Resources Control Board and the City with a maximum loan amount of \$67,786,401 to fund the Easterly Wastewater Treatment Plant Expansion. The loan repayment amounts are due in installments of \$4,803,336 which began in 2006. Principal and interest at 2.7% are paid annually each July through 2026.

The estimated annual debt service requirement on this note is as follows:

Year Ending June 30	Proprietary Fund		Total
	Principal	Interest	
2011	\$ 3,220,967	\$ 1,582,369	\$ 4,803,336
2012	3,307,933	1,495,402	4,803,335
2013	3,397,247	1,406,088	4,803,335
2014	3,488,973	1,314,363	4,803,336
2015	3,583,175	1,220,160	4,803,335
2016-2020	19,420,373	4,596,304	24,016,677
2021-2025	22,187,574	1,829,103	24,016,677
Total	<u>\$ 58,606,242</u>	<u>\$ 13,443,789</u>	<u>\$ 72,050,031</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

**Capital Lease Obligations:**

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2010</u>	
\$ 70,000	\$ 44,178	Lease agreement between the City and Banc of America Leasing & Capital and Deutsche Bank National Trust Company for a water truck with an estimated cost of \$70,000 with an option to purchase. The lease qualifies as a capital lease for accounting purposes and has been recorded as a liability at the present value of the future minimum lease payments. Lease payments will be paid annually through November 2015. Lease payments are funded through the City's Sewer Fund.
\$ 350,214	\$ 249,885	Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for a shared interest (2/3) of a four-yard loader, a dump truck and a 30 ton trailer at an estimated cost of \$350,214 with an interest rate of 4.12%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2016. Lease payments are funded through the City's sewer and water funds.
\$ 233,450	\$ 188,168	Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for the purchase of a utility vacuum and a flusher truck at an estimated cost of \$233,450 with an interest rate of 4.25%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2017. Lease payments are funded through the City's sewer and water funds.

The annual requirement to amortize debt outstanding as of June 30, 2010 for capital lease obligations is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 58,392	\$ 20,144	\$ 78,536
2012	60,827	17,706	78,533
2013	63,367	15,168	78,535
2014	66,011	12,523	78,534
2015	68,766	9,770	78,536
2016	164,868	11,963	176,831
Total	<u>\$ 482,231</u>	<u>\$ 87,274</u>	<u>\$ 569,505</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 6 – LONG-TERM LIABILITIES, continued**

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	656,640
Less: Accumulated depreciation		<u>(106,099)</u>
Total	\$	<u>550,541</u>

**Note Payable:**

<u>Original Debt</u>	<u>Outstanding</u>	
<u>Amount</u>	<u>June 30, 2010</u>	

\$ 704,956	\$ 204,956	
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Agreement between the City and Fruitvale LLC to reimburse the developer for the construction of a water line in Gibson Canyon Road. The city is to reimburse the developer 50% of the design and engineering cost and 100% of the construction cost because the water line was not required for development of the Meadow Woods project. There was an initial payment of \$300,000. There are principal payments of \$100,000 per year for three years and then a final payment of \$104,956 in August 2011. Payments of principal are funded through the Water Capital Distribution Fund.

The annual requirement to amortize debt outstanding as of June 30, 2010 for loans payable is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 100,000	\$ -	\$ 100,000
2012	<u>104,956</u>	<u>-</u>	<u>104,956</u>
Total	<u>\$ 204,956</u>	<u>\$ -</u>	<u>\$ 204,956</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

**C. Compensated Absences**

**Other Long-term Liabilities:**

Compensated absences are due to employees for earned but unused compensated absence amounts, including vacation, sick, and compensated time off leave balances. Compensated absences are generally liquidated by the City's General Fund, internal service funds and enterprise funds in each fiscal year.. The following is a summary of the compensated absences liability at the fiscal year ended June 30, 2010:

	Beginning			Ending	Due within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental Activities	\$ 6,742,736	\$ 8,146,423	\$ 7,628,826	\$ 7,260,333	\$ 466,406
Business Activities	<u>968,340</u>	<u>1,177,570</u>	<u>1,142,699</u>	<u>1,003,211</u>	<u>83,998</u>
Total	<u>\$ 7,711,076</u>	<u>\$ 9,323,993</u>	<u>\$ 8,771,525</u>	<u>\$ 8,263,544</u>	<u>\$ 550,404</u>

**D. Debt Without City Commitment**

**Special Assessment Debt**

Payment of this debt is secured by valid assessment liens upon certain land within each district and, as such, is not a direct liability of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur. Neither the faith and credit nor taxing power of the City of Vacaville is pledged to the payment of the bonds; therefore, they are not included in the Financial Statements. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay those delinquencies out of any other available funds. The City acts solely as an agent for those paying assessments and the bondholders.

The amount of bonds outstanding at June 30, 2010 is as follows:

<u>Description</u>	<u>Original Bond Amount</u>	<u>June 30, 2010</u>
1997 Green Tree	4,505,000	\$ 1,465,000
1990 Eubanks Drive/Midway Road	3,660,000	1,525,000
1997 Allison/Ulatis Phase 2	1,140,739	510,000
1997 Northeast Sector	8,434,307	5,570,000
2002-A Consolidated Refunding	18,365,000	8,750,000
2005-Nut Tree Assessment Dist	7,275,000	<u>6,905,000</u>
Total 1915 Act Limited Obligation Bonds		<u>\$ 24,725,000</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 6 – LONG-TERM LIABILITIES, continued**

**Community Facilities District Bonds**

This \$10,365,000 bond issue was authorized pursuant to the Mello-Roos Community Facilities Act of 1982 as amended, and is payable from special taxes levied on property within the Community Facilities District according to a methodology approved by the voters within the District and by the City Council of the City of Vacaville. Neither the faith and credit nor taxing power of the City of Vacaville is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as an agent for those paying taxes levied and the bondholders. The amount of bonds outstanding at June 30, 2010 is \$3,160,000.

**Mark-Roos Local Bond Pooling Act Funds**

This \$6,150,000 bond issue was authorized pursuant to the Mark-Roos Local Bond Pooling Act, and is payable from special taxes levied on property within the District according to a methodology approved by the voters within the District and by the City Council of the City of Vacaville. Neither the faith and credit nor taxing power of the City of Vacaville is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as an agent for those paying taxes levied and the bondholders. The amount of bonds outstanding at June 30, 2010 is \$3,855,000.

**NOTE 7 – SALES OF REVENUE**

The State of California borrowed 8% of the City's property taxes. The State is required to repay this borrowing plus interest by June 30, 2013. The amount of this borrowing pertaining to the City of Vacaville was \$1,846,191.

The City participated in the Securitization Program which allowed local agencies to sell their eventual repayment from the State to investors to cover the property taxes and the State paid all issuance costs. Monies were received in two equal installments, on January 15, 2010 and May 3, 2010. The City has no obligation on the bonds and no credit exposure to the State. Property taxes have been recorded in the same manner as if the State had not borrowed these funds.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 8 – EMPLOYEE RETIREMENT PLANS**

**PENSION PLAN**

**Plan Description**

The City of Vacaville contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 Q Street, Sacramento, CA 95811.

**Funding Policy**

Participants are required to contribute 9% of their annual covered salary for safety employees and 7% of their annual covered salary for employees in the miscellaneous category. Participant contributions are made on a pre-tax basis pursuant to Internal Revenue Code Section 414(h) (2). The City is required to contribute at an actuarially determined rate; the rate during 2009-2010 was 13.482% for miscellaneous employees and 22.612% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

**Annual Pension Cost**

For 2010, the City's annual PERS pension cost of \$9,328,701, 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% investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. 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). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2007, was 20 years for prior and current service unfunded liability.

**Three-Year Trend Information**

<b>Miscellaneous</b>				
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
6/30/2008	\$ 3,624,059	100%	\$ -	
6/30/2009	\$ 3,826,454	100%	\$ -	
6/30/2010	\$ 3,627,073	100%	\$ -	



**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued**

<b>Safety</b>					
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation		
6/30/2008	\$ 4,583,098	100%	\$ -		
6/30/2009	\$ 4,972,908	100%	\$ -		
6/30/2010	\$ 5,701,628	100%	\$ -		

**Funding Progress**

Valuation Date	Actuarial Value of Assets	Entry Age Normal Accrued Liability	Unfunded Liability (UL)	Funded Status	Annual Covered Payroll	UL as a % of Payroll
<b>Miscellaneous</b>						
6/30/2008	\$ 110,077,223	\$ 134,102,308	\$ 24,025,085	82.1%	\$ 27,798,022	86.4%
<b>Safety</b>						
6/30/2008	\$ 109,638,638	\$ 143,365,134	\$ 33,726,496	76.5%	\$ 20,463,640	164.8%

**SUPPLEMENTAL PENSION PLAN**

**Plan Description**

The City of Vacaville entered into an agreement with the Public Agency Retirement System Trust (PARS Trust) and Phase II Systems as the Trust Administrator to contribute to a supplemental cost-sharing multiple-employer defined benefit pension plan (Supplemental Plan). The Supplemental Plan provides lifetime supplemental retirement benefits for participants that retire on or after age 50. Death and disability benefits are not covered under the plan. The amount of the supplement is determined based on: length of PERS service; final average compensation; and actuarially determined factors. The cost-of-living adjustment is 2% per year. The Supplemental Plan conforms to the requirements under Internal Revenue Code 401(a) and has received a favorable Letter of Determination from the Internal Revenue Service.

The Supplemental Program is a multiple-employer trust agreement established to provide administrative cost-sharing among public agencies (Member Agencies) and consists of Agency Trusts within the program. Phase II Systems issues a publicly available financial report that includes financial statements and required supplementary information for the program. That report may be obtained by writing to Phase II Systems, 3961 MacArthur Boulevard, Suite 200, Newport Beach, California 92660.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued**

**Funding Policy**

Participants are required to contribute 2% of their annual covered salary. The City is required to make contributions at rates determined by an actuarial study performed every two years. The City's contribution rate for fiscal year 2010 was 5.5% of covered payroll during the year. See excess benefit plan funding policy for additional information.

**Annual Pension Cost**

For 2010, the City's annual pension cost of \$1,400,732 was equal to the required and actual contributions. The required contribution was determined as part of a July 1, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were consistent with the PERS actuarial valuation, with the exception of the interest assumption, and included (a) 7.5% investment rate of return (b) projected annual salary increases that vary by duration of service and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%.

**Trend Information**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 1,522,141	100%	\$ -
6/30/2009	\$ 1,489,287	100%	\$ -
6/30/2010	\$ 1,440,692	100%	\$ -

**EXCESS BENEFIT PENSION PLAN**

**Plan Description**

The City of Vacaville entered into an agreement with the PARS Trust and Phase II Systems as the Trust Administrator to contribute to an excess benefit cost-sharing multiple-employer defined benefit pension plan (Excess Plan). The purpose of the Excess Plan is to supplement the benefits of certain employees under the City of Vacaville's PARS supplemental retirement plan, to the extent that such benefits are reduced by the limitations on benefits imposed by Internal Revenue Code 415 as amended. Death and disability benefits are not covered under the plan. The amount of the excess benefit is determined based on: length of PERS service; final average compensation; and actuarially determined factors. The amount of the benefit is equivalent to the difference between the actual benefits of the participant under the supplemental retirement plan and the actuarial equivalent of the benefits that would have been payable to the participant under such plan except for the limitations on benefits imposed by Internal Revenue Code 415. The cost-of-living adjustment is 2% per year. The Excess Plan complies with the requirements under Internal Revenue Code 415 as a qualified governmental excess benefit arrangement.

The Excess Plan is a multiple-employer trust agreement established to provide administrative cost-sharing among public agencies (Member Agencies) and consists of Agency Trusts within the program. Phase II Systems issues a publicly available financial report that includes financial statements and required supplementary information for the program. That report may be obtained by writing to Phase II Systems, 3961 MacArthur Boulevard, Suite 200, Newport Beach, California 92660.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued**

**Funding Policy**

Participants and the City's contributions are based on the difference between the actual benefits under the Supplemental Plan and the actuarial equivalent of the benefits that would have been payable to the participant under the Supplemental Plan without limitations imposed by Internal Revenue Code 415.

**Annual Pension Cost**

For 2010, the City's annual pension cost of \$406,000 was equal to the required and actual contributions. The required contribution was determined as part of a July 1, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were consistent with the PERS actuarial valuation, with the exception of the interest assumption, and included (a) 7.5% investment rate of return (b) projected annual salary increases that vary by duration of service and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial liabilities information included in the Supplemental Plan also includes Excess Plan information.

**Trend Information**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 216,000	100%	\$ -
6/30/2009	\$ 268,125	100%	\$ -
6/30/2010	\$ 518,535	100%	\$ -

The PARS Supplemental and Excess plans funding progress is reported together in the actuary.

**Funding Progress**

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UL)	Funded Status	Valuation Payroll	UL as a % of Payroll
7/1/2008	\$ 24,481,039	\$ 7,593,684	\$ 16,887,355	31.0%	\$ 27,602,940	61.2%

**NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS**

In addition to the pension benefits described in Note 7, the City provides other post-employment benefits (OPEB), in accordance with employee collective bargaining agreements, to all employees who retire from the City on or after attaining age 50 with at least five years of PERS service. For 2010, 285 retirees met those eligibility requirements.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS, continued**

The City contributes a monthly amount to PERS for each retiree, determined by the retiree's employment classification when employed by the City. If the retiree selects health coverage through PERS that has a higher premium than the City's contribution, the balance is deducted from the retiree's monthly PERS pension benefit. The post-retirement health care employer contributions range from \$298 to \$1,274 per month per participant, which covers between 92% and 100% of the benefit costs, depending on the choice of plan and number of dependents. The post employment health care contributions are defined by labor agreements and resolutions approved by the City Council.

In 2009, the City adopted new accounting standard GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions – This Statement establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplemental information (RSI) in the financial reports.

**Funding Policy**

In January 2009, the City joined the California Employer's Retiree Benefit Trust Program (CERBT) to pre-fund OPEB liabilities. The CERBT is an agent multiple employer plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions that are administered by PERS. A copy of the aggregated CERBT annual financial report may be obtained from the PERS office at 400 Q. Street, Sacramento, California 95811.

The City contributes an amount not less than the annual required contribution (ARC) of the employer. The ARC is an amount actuarially determined in accordance with the parameters of GASB statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC rate for the fiscal year ended June 30, 2010 was 11.84% of total payroll.

**Annual OPEB Cost and Net OPEB Asset**

The City's annual OPEB cost, amount actually contributed to the plan, and changes in the City's net OPEB obligation/asset for the fiscal year ended June 30, 2010, are as follows:

Annual required contribution	\$ 5,685,100
Interest on net OPEB obligation	(34,343)
Adjustment to annual required contribution	<u>-</u>
Annual OPEB expense (income)	5,650,757
Net OPEB transition obligation	-
Contribution made	<u>(4,637,504)</u>
Increase (decrease) in net OPEB obligation	1,013,253
Net OPEB obligation (asset) - beginning of year	<u>(443,134)</u>
Net OPEB obligation (asset) - end of year	<u>\$ 570,119</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS, continued**

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 and 2010 were as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	OPEB Asset (Liability)
6/30/2009	\$ 5,506,150	108.05%	\$ 443,134
6/30/2010	\$ 5,650,757	81.57%	\$ (570,119)

**Funded Status and Funding Progress**

As of July 1, 2010, the most recent actuarial valuation date, the plan had actuarial value of assets of \$6,050,369. The actuarial accrued liability for benefits was \$69,954,229, resulting in an unfunded actuarial accrued liability (UAAL) of \$63,903,860. The covered payroll (annual payroll of active employees covered by the plan) was \$46,819,164, and the ratio of the UAAL to the covered payroll was 136.5%.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information in subsequent years, that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

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

In the July 1, 2008, actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 7.75% investment rate of return, an annual healthcare cost trend rate of 10.0% initially and declining to 5.0% by 2018, and an inflation factor of 2.50%. The OPEB unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed 30-year period.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 10 – FUND EQUITY**

***Deficit Fund Balances***

The following fund had a deficit as of June 30, 2010:

Community Development Fund

The community Development fund has a deficit of (\$23,305) at June 30, 2010. The City has reduced staffing to lower expenditures for fiscal year 2010-2011.

City Projects Fund

The City Projects Fund has a deficit of (\$307,201) at June 30, 2010. The City has delayed several capital improvement projects until the building-related revenue improves.

***Deficit Net Assets***

Central Services Fund

The Central Services Internal Service fund has a deficit of (\$352,127) at June 30, 2010. The cost allocation for fiscal year 2010-2011 will be adjusted to recover a greater portion of engineering services project management of capital improvement projects. The cost allocation must go through both Federal and State review before being adjusted.

Insurance Fund

The Insurance Internal Service fund has a deficit of (\$1,431,964) at June 30, 2010. The City's policy has been to record the insurance liability at 100%. This has resulted in the fund going into deficit, because claims are paid out over several years. Management has decided to fund the insurance liability at a more historical experience rate of 72%, which still causes the fund to be in a deficit position.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 11 – INTERFUND TRANSACTIONS**

Transfers report the nonreciprocal contribution of resources from one fund to another. The interfund transfers generally are made for the purpose of debt service payments made from a debt service fund but funded from an operating fund or subsidiary transfers, funding for capital projects and re-allocation of special revenues.

The major transfer activity consists of the following: 1) General Fund transferred excise tax revenue in the amount of \$1,113,932 to the Debt Service Fund to cover the City's Measure I debt obligation; 2) Vaca Community Low and Moderate Housing transferred \$1,488,073 to the Debt Service Fund to cover downtown redevelopment debt obligations; 3) RDA Capital Project Funds transferred \$3,680,891 to the Debt Service Fund to cover downtown redevelopment debt obligations; 4) Community Facility Districts transferred \$1,460,874 in property tax to the General Fund to cover costs to maintain the districts; 5) Issue 1 COP Debt Service Fund Transferred \$2,011,391 to the City's Operating Reserve Fund due to the sale of the investment portfolio that was funding the Debt Service payments; 6) Capital Project Funds transferred \$779,436 to the Gas Tax Section 2107 Fund to cover operating street maintenance costs.

The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2010:

<b>Transfers Out (fund making transfer):</b>	<b>Transfers In (fund receiving transfer):</b>								<b>Totals</b>
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Funds</b>		<b>Other Governmental Funds</b>	<b>Enterprise Funds</b>		<b>Internal Service Funds</b>	
		Redevelopment	City Projects	Redevelopment		Sewer Utility	Water Utility		
<b>General Fund</b>	\$ -	\$ -	\$ 168,681	\$ -	\$ 1,585,915	\$ -	\$ -	\$ 30,000	\$ 1,784,596
<b>Special Revenue Funds:</b>									
Redevelopment	50,000	1,721,556	-	84,741	680,004	-	-	-	2,536,301
<b>Debt Service Funds:</b>									
Issue 1 COP	2,011,391	-	-	-	-	-	-	-	2,011,391
<b>Capital Projects Funds:</b>									
City Projects	108,523	-	-	236,737	779,435	-	-	5,000	1,129,695
Redevelopment	150,000	3,680,891	99,933	-	720,000	-	43,189	20,000	4,714,013
<b>Other Governmental Funds:</b>	1,692,515	-	93,925	-	-	-	-	-	1,786,440
<b>Enterprise Funds:</b>									
Sewer Utility	-	-	155,346	-	474,530	-	-	7,500	637,376
Water Utility	329	-	13,390	-	-	320,000	-	7,500	341,219
<b>Internal Service Funds:</b>									
Vehicle Replacement	-	-	-	-	-	41,180	33,430	-	74,610
Insurance	500,000	-	-	-	-	-	-	-	500,000
<b>Totals</b>	<b>\$ 4,512,758</b>	<b>\$ 5,402,447</b>	<b>\$ 531,275</b>	<b>\$ 321,478</b>	<b>\$ 4,239,884</b>	<b>\$ 361,180</b>	<b>\$ 76,619</b>	<b>\$ 70,000</b>	<b>\$ 15,515,641</b>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 11 – INTERFUND TRANSACTIONS, continued**

**Due To/Due From Other Funds:**

	<b>Due to Other Funds (fund receiving loan):</b>
<b>Due From Other Funds (fund making loan):</b>	<b>Central Services</b>
Technology Replacement	\$ 363,958

**Advances To/Advances From Other Funds:**

	<b>Advances From Other Funds (fund receiving loan):</b>			
<b>Advances To Other Funds (fund making loan):</b>	<b>City Projects Capital Projects Fund:</b>	<b>Redevelopment Capital Projects Fund:</b>	<b>Utility Funds Water Fund:</b>	<b>Total</b>
<b>Special Revenue Fund:</b>				
Redevelopment	\$ -	\$ 1,898,429	\$ -	\$ 1,898,429
total Special Revenue	-	1,898,429	-	1,898,429
<b>Capital Projects Fund:</b>				
Redevelopment	10,539,452	-	-	10,539,452
Total City Projects	10,539,452	-	-	10,539,452
<b>Enterprise Funds:</b>				
Sewer Utility	669,579	-	100,000	769,579
Water Utility	1,339,157	-	-	1,339,157
Total Enterprise	2,008,736	-	100,000	2,108,736
Total	\$ 12,548,188	\$ 1,898,429	\$ 100,000	\$ 14,546,617

The advances to/from consists of the following: The Redevelopment Capital Projects Funds loaned the City Capital Projects Fund for construction of a new police facility in the amount of \$10,539,452. Water and Sewer Utility Enterprise loans were for: 1) Parks and Recreation infrastructure in the amount of \$1,204,774; 2) Construction of a fire station in the amount of \$803,962.



**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 12 – UNEARNED AND DEFERRED REVENUE**

Unearned revenues in the government-wide financial statements as of June 30, 2010 were as follows:

	Governmental Activities	Business-Type Activities	Total
Community Development Block Grant	\$ 466,808	\$ -	\$ 466,808
Public Works grant	17,413	-	17,413
Development impact fees	311,322	-	311,322
General services and recreation revenue	304,831	-	304,831
Police grants	111,744	-	111,744
Building permit revenue	958,632	-	958,632
Buck & Eldridge Maintenance	348,064	-	348,064
Unearned interest revenue	102,266	288,017	390,283
Water utility revenue	-	59,051	59,051
<b>Total</b>	<b>\$ 2,621,080</b>	<b>\$ 347,068</b>	<b>\$ 2,968,148</b>

Deferred and unearned revenues in the fund financial statements as of June 30, 2010 were as follows:

	Major Governmental Funds					Other Governmental Funds	Proprietary Funds	
	General	Community Development	Redevelopment Special Revenue	City Projects	Redevelopment Capital Projects		Sewer Utility	Water Utility
General services and recreation revenue	\$ 304,831	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CDBG/HOME loans	-	10,835,612	-	-	-	-	-	-
CDBG maintenance reserve	-	16,838	-	-	-	-	-	-
Development Impact Fees	-	-	-	311,322	-	-	-	-
Public Works grant	17,413	-	-	-	-	-	-	-
Vacaville Library District loan	-	-	-	-	1,937,625	-	-	-
Buck & Eldridge Maintenance	-	-	-	-	348,064	-	-	-
Unearned interest revenue	-	-	41,881	18,558	41,827	-	168,434	119,584
Building permit revenue	-	-	-	-	-	958,632	-	-
Police grants	-	-	-	-	-	111,744	-	-
Water utility revenue	-	-	-	-	-	-	-	59,050
	<u>\$ 322,244</u>	<u>\$ 10,852,450</u>	<u>\$ 41,881</u>	<u>\$ 329,880</u>	<u>\$ 2,327,516</u>	<u>\$ 1,070,376</u>	<u>\$ 168,434</u>	<u>\$ 178,634</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 12 – UNEARNED AND DEFERRED REVENUE, continued**

The following amounts and descriptions are included in deferred revenue in the fund financial statements:

\$ 10,835,612	Recorded in the Community Development Special Revenue Fund for the HOME Partnership Program (HOME), the Community Development Block Grant (CDBG) and the Rental Rehabilitation Program (RRP). A long-term receivable and deferred revenue are recorded in the Community Development Special Revenue Fund.
\$ 1,937,625	Recorded in the Redevelopment Capital Projects Fund for the agreement with the Vacaville Library District to loan \$3,895,000 to finance the construction of a new Vacaville Library branch located in the Downtown Project Area. A loan receivable and deferred revenue were recorded in the amount of \$1,991,313 in the Redevelopment Capital Projects Fund.
\$ 958,632	Building permit revenues in excess of expenses recorded in Other Governmental Special Revenue Fund.
\$ 390,284	Unearned interest revenue
\$ 311,322	Agreement for acquisition of real property in fee. Seller agreement for credit for future development impact fees in lieu of payment of the property purchase price.
\$ 1,205,368	Various grants and fees for governmental and business type funds.

**NOTE 13 – CLASSIFICATION OF NET ASSETS AND FUND BALANCES**

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed as established by the City Council.

Unrestricted net assets – This category represents the net assets of the City, which are not restricted or invested in capital assets net of related debt for any project or other purpose.

In the Fund Financial Statements, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the City Council and management and can be increased, decreased or eliminated by similar actions. As of June 30, 2010, reservations of fund balance are shown on the next page. Additionally, the remaining unreserved, designated and undesignated fund balance are also shown on the next page:

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 13 – CLASSIFICATION OF NET ASSETS AND FUND BALANCES, continued**

	General	Community Development	Redevelopment Special Revenue	Certificates of Participation	Redevelopment Debt Service	City Projects	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Reserved Fund Balances:</b>									
Encumbrances	\$ 473,462	\$ 3,354	\$ 28,931	\$ -	\$ -	\$ 2,115,006	\$ 335,010	\$ 839,614	\$ 3,795,377
Loans and long-term receivables	3,177	-	23,713,644	-	2,364,740	-	3,577,409	-	29,658,970
Prepaid items	801,453	-	-	-	1,135	1,628,533	-	918,397	3,349,518
Advances to other funds	-	-	1,898,429	-	-	-	10,539,452	-	12,437,881
Debt service	-	-	-	-	4,349,738	-	12,289,434	1,236,692	17,875,864
Capital projects	-	-	-	-	-	-	-	1,080,995	1,080,995
Subtotal	<u>1,278,092</u>	<u>3,354</u>	<u>25,641,004</u>	<u>-</u>	<u>6,715,613</u>	<u>3,743,539</u>	<u>26,741,305</u>	<u>4,075,698</u>	<u>68,198,605</u>
<b>Unreserved Fund Balances:</b>									
<b>Designated for capital projects</b>									
General Fund	3,149,090	-	-	-	-	-	-	-	3,149,090
Capital Projects Funds	-	-	-	-	-	-	13,502,339	-	13,502,339
Subtotal	<u>3,149,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,502,339</u>	<u>-</u>	<u>16,651,429</u>
<b>Undesignated Fund Balances</b>									
Special Revenue Funds	-	(26,659)	12,031,101	-	-	-	-	4,893,989	16,898,431
Debt Service Funds	-	-	-	-	351,839	-	-	978	352,817
Capital Projects Funds	-	-	-	-	-	(4,050,740)	-	-	(4,050,740)
Subtotal	<u>-</u>	<u>(26,659)</u>	<u>12,031,101</u>	<u>-</u>	<u>351,839</u>	<u>(4,050,740)</u>	<u>-</u>	<u>4,894,967</u>	<u>13,200,508</u>
<b>Total Fund Balances</b>	<u>\$ 4,427,182</u>	<u>\$ (23,305)</u>	<u>\$ 37,672,105</u>	<u>\$ -</u>	<u>\$ 7,067,452</u>	<u>\$ (307,201)</u>	<u>\$ 40,243,644</u>	<u>\$ 8,970,665</u>	<u>\$ 98,050,542</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

**NOTE 14 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The City maintains the Insurance Internal Service Fund to account for and finance its risks of loss. Under this program, the City is self-insured for the first \$500,000 of each claim for general, auto liability, and public official liability and the first \$350,000 of each claim for worker's compensation.

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA). Through CJPRMA, the City has an additional \$40,000,000 in comprehensive general liability, auto liability, and public official liability over and above the self-insured retention of \$500,000.

The City is also a member of the Local Agency Worker's Compensation Excess Insurance Authority (LAWCX) Joint Powers Authority, which provides excess workers compensation coverage up to \$200,000,000 per occurrence.

The purpose of CJPRMA and LAWCX is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense. The City contributes its pro rata share of expected losses to pools administered by CJPRMA and LAWCX. Should actual losses among participants be greater than the anticipated losses, the City may be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City may be refunded its pro rata share of the excess. Settled claims have not exceeded excess coverage in any of the past three fiscal years.

All operating funds participate in the program and make payments to the Insurance Internal Service Fund based on historical cost and/or actuarial estimates of the amounts needed to pay prior and current year claims, loss of development and to allow accrual of estimated incurred but not reported claims. The total actuarial determined claims liability at June 30, 2010 is \$5,698,000 consisting of \$1,373,000 general liability and \$4,325,000 worker's compensation liability and it includes allocated expenses and a provision for the incurred but not reported claims. Of this balance, \$2,083,168 has been recorded as a current liability on the balance sheet.

Additionally, the City participates in the California Transit Insurance Pool (CalTIP), a California Joint Powers Authority. The purpose of CalTIP is to provide coverage for the City's public transit system. The City maintains, through its membership in CalTIP, General Liability, Automobile Liability and Public Officials Errors & Omissions limits of \$20,000,000 per occurrence, subject to a \$25,000 self-insured retention. In addition, the City also participates in CalTIP's Physical Damage Program, protecting the transit vehicle fleet with a \$20,000,000 per occurrence limit and \$5,000 deductible per accident.

These claims estimates are based on the requirements of Governmental Accounting Standards Board Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and include estimated claims incurred but not yet reported as of June 30, 2010.

Changes in the Insurance Fund claims liability during the fiscal year July 1, 2009 through June 30, 2010 are as follows:

	Claims Liability July 1	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance June 30	Due Within One Year
2009-2010	\$ 5,859,000	\$ 1,060,213	\$ (1,221,213)	\$ 5,698,000	\$ 2,083,168
2008-2009	5,573,000	1,664,380	(1,378,380)	5,859,000	2,284,584
2007-2008	5,045,000	1,329,171	(801,171)	5,573,000	2,000,125

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

**A. COMMITMENTS**

The City has a landscaping contract for the Leisure Town/I-80 over crossing. The original contract amount was approximately \$935,000 and at June 30, 2010 equals approximately \$134,000. The contract is expected to be completed October 2011.

The City has a contract for asphalt concrete overlay on various city and residential streets. The original contract amount was approximately \$2,189,000 and at June 30, 2010 equals approximately \$219,000. The contract is expected to be completed September, 2010.

The City has a contract for a transportation center located near the Alison/ I-80 intersection. The original contract amount was approximately \$3,800,000 and at June 30, 2010 equals approximately \$2,735,000. The contract is expected to be completed January, 2011.

**B. CONTINGENCIES**

The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Such audits could lead to request for reimbursement for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's management, on advice of legal counsel, it is unlikely that they will have a material adverse effect on the accompanying financial statements.

The City worked with the Department of Justice (DOJ) to determine the City's compliance with the Americans with Disabilities Act of 1990 (ADA). The DOJ provided a number of specific remedies including timelines, law specific solutions and reporting over the next ten years. The City was unable to provide a reasonable estimate of the work that remains to be completed. Therefore, no liability was recorded as of June 30, 2010.

**NOTE 16 – POLLUTION REMEDIATION**

Groundwater monitoring data collected since 1996 indicate that operations at the City's Gibson Canyon Wastewater Treatment Plant (WWTP) contributed to increased salinity in groundwater beneath the WWTP. The City determined that compliance with groundwater quality regulatory requirements would be cost prohibitive and agreed with users of the WWTP to a closure plan. As of December 2006, the WWTP has ceased operation. A Final Closure Plan has been developed to achieve a clean-closure. Once the groundwater remediation work is completed, the need for post-closure maintenance will be eliminated. However, corrective action will continue for up to 20 years with the operation of the groundwater remediation system. The Closure Plan consists of the demolition or renovation of existing structures, demolition or abandonment of existing piping systems and re-grading of the chlorination basin, the stabilization ponds and the aeration basins. At this time, the City has an engineering estimate of \$1,355,000 for the Closure Plan work with no estimated recoveries to reduce the liability.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 17 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS**

The City of Vacaville participates in various joint ventures and jointly governed organizations. The City's financial interests are as follows:

The Solano Water Authority

In preparation of future water needs, the U.S. Bureau of Reclamation began a study of the environmental impact of marketing additional water from the Central Valley Project. The Solano County Water Policy Advisory Committee issued a report showing the Solano County water needs through the year 2015. Subsequent to these studies, a number of Solano County agencies formed a joint venture, the Solano Water Authority (the Water Authority).

The Water Authority is a public agency created under a joint exercise of powers agreement among the participating members for the purpose of acquiring water rights from several water sources such as the Central Valley Project, North Bay Aqueduct, Sacramento River, the Noonan Reservoir, and the Solano project (Lake Berryessa).

The governing body of the Water Authority consists of a representative from each participating agency. Completed financial statements may be obtained from the Solano Irrigation District.

The following unaudited information for the Water Authority is presented as of, and for the year ended June 30, 2010:

Current assets	\$ 476,261
Property, plant and equipment, net	<u>954,067</u>
Total assets	<u>\$ 1,430,328</u>
Net assets	<u>\$ 1,430,328</u>
Other revenues (expenses), net	<u>(2,590)</u>
Decrease in retained earnings	<u>\$ (2,590)</u>

As of June 30, 2010 the City of Vacaville is one of 11 member agencies of the Water Authority, and participates in 3 of the 4 major projects.

North Bay Treatment Plant

The North Bay Treatment Plant was constructed through a joint exercise of powers agreement between the City of Fairfield and the City to operate and maintain facilities for supplying potable water to their respective service areas. A Joint Powers Policy Committee (JPPC) handles the organization and administration of the North Bay Treatment Plant. The JPPC is composed of the Director of Public Works from Fairfield and the Director of Public Works from the City or their designated alternates. The City's equity in the joint venture is shown as an investment in joint venture in the City's enterprise funds in the amount of \$20,827,949 which represents a 38.6% equity interest. Complete financial statements may be obtained through the City of Fairfield Finance Department.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 17 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued**

Summarized unaudited financial information for the North Bay Treatment Plant as of June 30, 2010 is shown below.

Current assets	\$ 7,731,847
Property, plant and equipment, net	<u>47,216,888</u>
Total assets	<u>54,948,735</u>
Current liabilities	1,046,746
Noncurrent liabilities - Minority Interest in Joint Agencies	<u>20,827,949</u>
Total liabilities	<u>21,874,695</u>
Invested in Capital Assets, net of related debt	39,589,219
Unrestricted	<u>(6,515,179)</u>
Total Net Assets	<u>\$ 33,074,040</u>
Total operating revenues	\$ 7,094,690
Total operating expenses	<u>7,226,870</u>
Operating loss	(132,180)
Total non-operating expense	<u>(87,372)</u>
Income before Contributions and Transfers	<u>(219,552)</u>
Capital contributions	1,725,466
Transfers out	<u>(73,832)</u>
Total Contributions and Transfer	<u>1,651,634</u>
Increase in Net Assets	<u>1,432,082</u>
Net Assets	
Beginning of Year	<u>31,641,958</u>
End of Year	<u>\$ 33,074,040</u>

Vacaville-Dixon Greenbelt Authority

In order to provide a distinct separation between the urban areas of Vacaville and Dixon, it was determined that a permanent greenbelt should be established. The Vacaville-Dixon Greenbelt Authority (VDGA) was created under a joint exercise of powers agreement between the two cities for the purpose of providing for the preservation and conservation of viable agricultural and open space land. The governing body consists of two members each from the City Councils of Vacaville and Dixon and one ex-officio member from the Solano County Board of Supervisors. The cities share equally in VDGA operations.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2010**

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**NOTE 17 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued**

Solano Animal Control Authority

The Solano Animal Control Authority (SACA), a California Joint Powers Authority, provides animal control services to member cities in Solano County. The City, through its membership in SACA, receives animal control services including response for vicious, injured, dead, loose, unwanted and noisy animals. The City has no equity interest in SACA.

Solano Transportation Authority

The Solano Transportation Authority (STA), a California Joint Powers Authority, provides for coordinated, continuous and comprehensive transportation planning for Solano County and the cities within its boundaries. STA members refine and update the County transportation plan, coordinate planning and implementation of improvements and operate or contract for transit and paratransit services. The City has no equity interest in STA.

**NOTE 18 – SUBSEQUENT EVENTS**

Subsequent to June 30, 2010, the State of California (State) has decided to borrow, to defer certain revenue payments and to take certain funds from local governments including the City of Vacaville. These amounts are very significant to the City and are as follows:

Gas Tax Revenues	\$	707,757
Redevelopment Agency	\$	1,945,265

Gas Tax revenues from the State were originally going to be deferred by approximately 40% from cities and counties for ten months, July 2010 through March 2011, with re-payment no later than May 2, 2011. However, due to the State budget impasse for fiscal year 2010/2011, July 2010 is the only month a partial payment has been received by the City as of October 5, 2010.

The State of California (State) will take \$1,954,265 in property tax from the Redevelopment Agency in fiscal year 2010/2011. However, the California Redevelopment Association and other parties are appealing the decision by the court in favor of the State to consider this takeaway unconstitutional. The appeal process could take one to two years to conclude.

The City had entered into a capital lease agreement in the amount of \$163,000 with West America for five police vehicles. The vehicles will be delivered by November 2010 and the four annual payments will start September 2011.

The Council has approved a lease/purchase for a vactor truck and a dump truck. Financing is in the process of being arranged. This will be a seven year lease. The vactor truck will cost approximately \$355,000 and the dump truck will cost approximately \$105,000.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF VACAVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2010**

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**Budgetary Data**

The City adopts annual budgets for the General and Special Revenue Funds. The City also adopts project length budgets which can span a number of years for the Capital Projects Funds. The Debt Service Funds' budgets are adopted when the debt issuances are authorized.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgetary comparisons presented in this report are on this budgetary basis and reflect applicable amendments and revisions. The City uses the following procedures in establishing the annual budget:

1. The City Manager submits a recommended annual operating budget to the City Council for each fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council holds budget study sessions which are open to the public for its comments.
3. The budget is prepared by fund and by department. The budget is approved by City Council through the passage of an ordinance.
4. The City Manager has the ability to transfer amounts between funds and fund types without City Council approval as long as there is no legal restriction and as long as the transfer does not result in the total appropriation amount being exceeded. When an appropriation requires an increase that cannot be supported by a transfer, City Council authorization is required.

Reductions to appropriations totaling \$1,583,512 for the City and Redevelopment operating budget were made by the City Council/Redevelopment Agency action during the year. Appropriations were also increased due to grant carryovers by \$270,900, and new grant awards of \$397,758 for a increase to appropriations of \$668,658.

**Encumbrances**

Encumbrance accounting is used during the year for budgetary control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather, a reservation of fund balance. The City honors contracts represented by year-end encumbrances and the appropriations carried over provide authority to complete these transactions in the following year.

**CITY OF VACAVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL -- GENERAL FUND**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		WITH FINAL BUDGET
<b>Revenues:</b>				
Taxes and fees	\$ 48,294,801	\$ 48,294,801	\$ 45,922,213	\$ (2,372,588)
Licenses and permits	189,528	189,528	206,076	16,548
Investment income	2,802,325	2,802,325	1,582,334	(1,219,991)
Intergovernmental	630,850	630,850	651,607	20,757
Charges for services	9,306,597	9,042,828	7,670,041	(1,372,787)
Fines, forfeits and penalties	246,214	246,214	144,609	(101,605)
Other	143,462	143,462	54,097	(89,365)
<b>Total revenues</b>	<b>61,613,777</b>	<b>61,350,008</b>	<b>56,230,977</b>	<b>(5,119,031)</b>
<b>Expenditures:</b>				
Current:				
General government	5,244,793	4,851,002	3,873,673	977,329
Public safety	44,870,447	44,006,743	44,206,094	(199,351)
Public works	5,305,390	4,876,903	4,028,831	848,072
Community services	8,895,322	8,195,020	8,058,122	136,898
Debt service:				
Principal	198,107	198,107	198,103	4
Interest and fiscal charges	60,363	60,363	60,365	(2)
<b>Total expenditures</b>	<b>64,574,422</b>	<b>62,188,138</b>	<b>60,425,188</b>	<b>1,762,950</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,960,645)</b>	<b>(838,130)</b>	<b>(4,194,211)</b>	<b>(3,356,081)</b>
<b>Other financing sources (uses):</b>				
Transfers in	2,409,380	4,829,230	4,512,758	(316,472)
Transfers out	(1,605,330)	(1,784,596)	(1,784,596)	-
Sale of capital assets	-	10,046	10,046	-
<b>Total other financing sources (uses)</b>	<b>804,050</b>	<b>3,054,680</b>	<b>2,738,208</b>	<b>(316,472)</b>
<b>Net change in total fund balance</b>	<b>\$ (2,156,595)</b>	<b>\$ 2,216,550</b>	<b>(1,456,003)</b>	<b>\$ (3,672,553)</b>
Fund balances, beginning of year			5,883,185	
Fund balances, end of year			<b>\$ 4,427,182</b>	

**CITY OF VACAVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL --  
SPECIAL REVENUE FUND-COMMUNITY DEVELOPMENT**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Use of money and property	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Intergovernmental	552,694	3,921,958	1,473,188	(2,448,770)
<b>Total revenues</b>	<u>567,694</u>	<u>3,936,958</u>	<u>1,473,188</u>	<u>(2,463,770)</u>
<b>Expenditures:</b>				
Current:				
Community services	706,277	3,932,569	1,460,541	2,472,028
<b>Total expenditures</b>	<u>706,277</u>	<u>3,932,569</u>	<u>1,460,541</u>	<u>2,472,028</u>
<b>Net change in total fund balance</b>	<u>\$ (138,583)</u>	<u>\$ 4,389</u>	12,647	<u>\$ 8,258</u>
Fund balances, beginning of year			(35,952)	
Fund balances, end of year			<u>\$ (23,305)</u>	

**CITY OF VACAVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL --**  
**SPECIAL REVENUE FUND-REDEVELOPMENT**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Taxes and fees	\$ 7,771,910	\$ 7,771,910	\$ 7,421,646	\$ (350,264)
Investment income	56,008	56,008	336,387	280,379
Other	11,637	11,637	75,725	64,088
<b>Total revenues</b>	<b>7,839,555</b>	<b>7,839,555</b>	<b>7,833,758</b>	<b>(5,797)</b>
<b>Expenditures:</b>				
Current:				
Housing	2,197,942	2,197,942	2,053,707	144,235
<b>Total expenditures</b>	<b>2,197,942</b>	<b>2,197,942</b>	<b>2,053,707</b>	<b>144,235</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>5,641,613</b>	<b>5,641,613</b>	<b>5,780,051</b>	<b>138,438</b>
<b>Other financing sources (uses):</b>				
Transfers out	(2,057,815)	(2,542,561)	(2,536,301)	(6,260)
<b>Total other financing sources (uses)</b>	<b>(2,057,815)</b>	<b>(2,542,561)</b>	<b>(2,536,301)</b>	<b>(6,260)</b>
<b>Net change in total fund balance</b>	<b>\$ 3,583,798</b>	<b>\$ 3,099,052</b>	<b>3,243,750</b>	<b>\$ 132,178</b>
Fund balances, beginning of year			34,428,355	
Fund balances, end of year			<b>\$ 37,672,105</b>	

**CITY OF VACAVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**EMPLOYEE RETIREMENT PLANS**

**SCHEDULE OF FUNDING PROGRESS- PERS**

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAL)	Funded Status	Annual Covered Payroll	AUL as % of Payroll
<b>Miscellaneous</b>						
6/30/2006	113,210,994	91,621,921	(21,589,073)	80.9%	24,483,195	88.2%
6/30/2007	124,331,761	101,159,337	(23,172,424)	81.4%	26,441,667	87.6%
6/30/2008	134,102,308	110,077,223	(24,025,085)	82.1%	27,798,022	86.4%
<b>Safety</b>						
6/30/2006	112,820,389	89,218,051	(23,602,338)	79.1%	17,460,380	135.2%
6/30/2007	123,386,079	99,292,374	(24,093,705)	80.5%	19,228,815	125.3%
6/30/2008	143,365,134	109,638,638	(33,726,496)	76.5%	20,463,640	164.8%

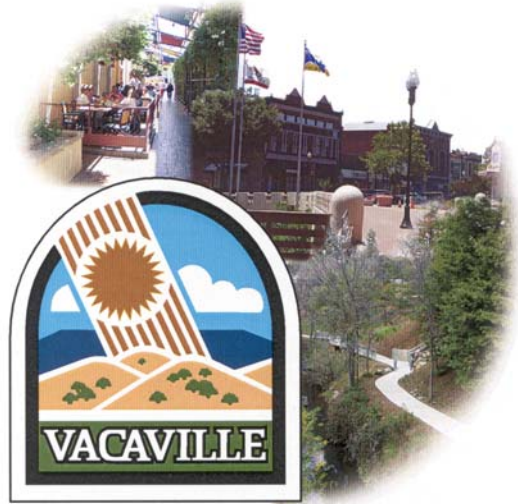
**SCHEDULE OF FUNDING PROGRESS- PARS**

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UAL)	Funded Ratio	Valuation Payroll	UAL as % of Payroll
<b>Miscellaneous</b>						
7/1/2004	\$ 12,985,251	\$ 3,360,055	\$ (9,625,196)	25.9%	\$ 22,335,408	43.1%
7/1/2006	20,018,276	5,807,551	(14,210,725)	29.0%	23,680,706	60.0%
7/1/2008	24,481,039	7,593,684	(16,887,355)	31.0%	27,602,940	61.2%

**SCHEDULE OF FUNDING PROGRESS- OPEB**

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UAL)	Funded Ratio	Valuation Payroll	UAL as % of Payroll
7/1/2008	\$ 57,555,169	\$ 2,489,911	\$ (55,065,258)	4.33%	\$ 45,670,482	120.6%
7/1/2010	69,954,229	6,050,369	(63,903,860)	8.65%	46,819,164	136.5%





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## **OTHER GOVERNMENTAL FUNDS**

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Other governmental funds are nonmajor governmental funds reported in the other governmental funds column of the governmental funds financial statements and include:

### **SPECIAL REVENUE FUNDS:**

#### **BUILDING & STREET DEVELOPMENT**

To account for funds received to provide for building and street maintenance. A portion of the funds is received from the Highway Users Tax Fund as provided in Section 2107.

#### **HOUSING ASSISTANCE**

To account for those funds received from the Federal Government to provide rental assistance payments to low-income, elderly, disabled, and handicapped people qualifying for the programs, as well as rehabilitation for rental property. Funds are received from the Housing and Urban Development's Section 8 Voucher Housing Programs and State Rehabilitation.

#### **MAINTENANCE DISTRICTS**

Funds established to account for park maintenance, setback maintenance, and maintenance of median strips for which no taxes have been levied.

#### **COMMUNITY FACILITIES**

To account for funds received for the administration of the Community Facilities Districts.

#### **SPECIAL PROGRAMS**

To account for monies received and expended from Federal, State and Local grants earmarked for public safety services, diversionary youth education, after school programs and recycling programs.

### **DEBT SERVICE FUNDS:**

#### **MEASURE I**

To account for interest earnings, reserves, and payment of debt service for the bonds issued to fund the Cultural Center.

### **CAPITAL PROJECTS FUNDS:**

#### **ASSESSMENT AND IMPROVEMENT DISTRICTS**

To account for proceeds from taxes and bonds used to construct public improvements benefiting specific property.

**CITY OF VACAVILLE**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	SPECIAL REVENUE					DEBT SERVICE	CAPITAL PROJECTS	
	BUILDING & STREET DEVELOPMENT	HOUSING ASSISTANCE	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	MEASURE I	ASSESSMENT & IMPROVEMENT DISTRICTS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>Assets</b>								
Cash and investments	\$ 3,028,618	\$ 1,965,986	\$ 3,860,431	\$ 99,811	\$ 232,894	\$ -	\$ -	\$ 9,187,740
Receivables:								
Interest	-	-	-	-	-	978	-	978
Taxes	62,350	-	-	-	-	-	-	62,350
Accounts	251,094	53,398	-	-	183,438	-	-	487,930
Prepaid items	-	918,397	-	-	-	-	-	918,397
Restricted cash and investments	-	-	-	-	-	1,236,692	1,520,829	2,757,521
<b>Total assets</b>	<b>\$ 3,342,062</b>	<b>\$ 2,937,781</b>	<b>\$ 3,860,431</b>	<b>\$ 99,811</b>	<b>\$ 416,332</b>	<b>\$ 1,237,670</b>	<b>\$ 1,520,829</b>	<b>\$ 13,414,916</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts and contract payable	\$ 61,342	\$ 25,646	\$ 23,127	\$ 6,287	\$ 31,521	\$ -	\$ -	\$ 147,923
Accrued payroll	86,247	41,446	48,397	-	18,334	-	-	194,424
Deposits payable	408,950	320,428	2,228,872	-	73,278	-	-	3,031,528
Deferred revenue	958,632	-	-	-	111,744	-	-	1,070,376
<b>Total liabilities</b>	<b>1,515,171</b>	<b>387,520</b>	<b>2,300,396</b>	<b>6,287</b>	<b>234,877</b>	<b>-</b>	<b>-</b>	<b>4,444,251</b>
<b>Fund balances:</b>								
Reserved for encumbrances	55,371	41,520	296,491	-	6,398	-	439,834	839,614
Reserved for prepaid items	-	918,397	-	-	-	-	-	918,397
Reserved for debt service	-	-	-	-	-	1,236,692	-	1,236,692
Reserved for capital projects	-	-	-	-	-	-	1,080,995	1,080,995
Unreserved:								
Undesignated	1,771,520	1,590,344	1,263,544	93,524	175,057	978	-	4,894,967
<b>Total fund balances</b>	<b>1,826,891</b>	<b>2,550,261</b>	<b>1,560,035</b>	<b>93,524</b>	<b>181,455</b>	<b>1,237,670</b>	<b>1,520,829</b>	<b>8,970,665</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,342,062</b>	<b>\$ 2,937,781</b>	<b>\$ 3,860,431</b>	<b>\$ 99,811</b>	<b>\$ 416,332</b>	<b>\$ 1,237,670</b>	<b>\$ 1,520,829</b>	<b>\$ 13,414,916</b>

**CITY OF VACAILLVE**  
**OTHER GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	SPECIAL REVENUE					DEBT SERVICE	CAPITAL PROJECTS	TOTAL OTHER GOVERNMENTAL FUNDS
	BUILDING & STREET DEVELOPMENT	HOUSING ASSISTANCE	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	MEASURE I	ASSESSMENT & IMPROVEMENT DISTRICTS	
<b>Revenues:</b>								
Taxes and fees	\$ -	\$ -	\$ 2,374,195	\$ 954,244	\$ -	\$ -	\$ -	\$ 3,328,439
Licenses and permits	670,717	-	-	-	-	-	-	670,717
Investment income	44,934	28,768	-	-	5,052	68,034	-	146,788
Intergovernmental	711,984	12,027,817	-	-	778,621	-	-	13,518,422
Charges for services	1,383,996	47,225	-	-	98,655	-	-	1,529,876
Fines, forfeits and penalties	369,522	-	-	-	-	-	-	369,522
Other	1,799	50,593	-	93,524	5,000	-	-	150,916
<b>Total revenues</b>	<b>3,182,952</b>	<b>12,154,403</b>	<b>2,374,195</b>	<b>1,047,768</b>	<b>887,328</b>	<b>68,034</b>	<b>-</b>	<b>19,714,680</b>
<b>Expenditures:</b>								
Current:								
General government	2,446,809	-	-	-	-	-	-	2,446,809
Public safety	-	-	-	1,606	921,845	-	-	923,451
Public works	1,881,156	-	-	-	13,213	-	-	1,894,369
Community services	-	47,405	3,297,288	23,571	2,282	-	-	3,370,546
Housing	-	12,491,505	-	-	-	-	-	12,491,505
Capital Outlay	-	-	-	-	-	-	208	208
Debt service:								
Principal	-	-	-	-	-	940,000	-	940,000
Interest and fiscal charges	-	-	-	-	-	250,563	-	250,563
<b>Total expenditures</b>	<b>4,327,965</b>	<b>12,538,910</b>	<b>3,297,288</b>	<b>25,177</b>	<b>937,340</b>	<b>1,190,563</b>	<b>208</b>	<b>22,317,451</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,145,013)</b>	<b>(384,507)</b>	<b>(923,093)</b>	<b>1,022,591</b>	<b>(50,012)</b>	<b>(1,122,529)</b>	<b>(208)</b>	<b>(2,602,771)</b>
<b>Other financing sources (uses):</b>								
Transfers in	1,709,435	-	441,983	500,004	-	1,113,932	474,530	4,239,884
Transfers out	(231,641)	-	-	(1,460,874)	-	-	(93,925)	(1,786,440)
<b>Total other financing sources (uses)</b>	<b>1,477,794</b>	<b>-</b>	<b>441,983</b>	<b>(960,870)</b>	<b>-</b>	<b>1,113,932</b>	<b>380,605</b>	<b>2,453,444</b>
<b>Net change in total fund balance</b>	<b>332,781</b>	<b>(384,507)</b>	<b>(481,110)</b>	<b>61,721</b>	<b>(50,012)</b>	<b>(8,597)</b>	<b>380,397</b>	<b>(149,327)</b>
Fund balances, beginning of year	1,494,110	2,934,768	2,041,145	31,803	231,467	1,246,267	1,140,432	9,119,992
Fund balances, end of year	<u>\$ 1,826,891</u>	<u>\$ 2,550,261</u>	<u>\$ 1,560,035</u>	<u>\$ 93,524</u>	<u>\$ 181,455</u>	<u>\$ 1,237,670</u>	<u>\$ 1,520,829</u>	<u>\$ 8,970,665</u>

**CITY OF VACAVILLE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL -- ALL SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	BUILDING & STREET DEVELOPMENT			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Licenses and permits	\$ 750,000	\$ 750,000	\$ 670,717	\$ (79,283)
Investment income	15,000	15,000	44,934	29,934
Intergovernmental	795,578	795,578	711,984	(83,594)
Charges for services	1,081,656	1,081,656	1,383,996	302,340
Fines, forfeits and penalties	-	-	369,522	369,522
Other	-	-	1,799	1,799
<b>Total revenues</b>	<b>2,642,234</b>	<b>2,642,234</b>	<b>3,182,952</b>	<b>540,718</b>
<b>Expenditures:</b>				
Current:				
General government	2,734,010	2,684,410	2,446,809	237,601
Public works	1,029,773	1,839,075	1,881,156	(42,081)
<b>Total expenditures</b>	<b>3,763,783</b>	<b>4,523,485</b>	<b>4,327,965</b>	<b>195,520</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,121,549)</b>	<b>(1,881,251)</b>	<b>(1,145,013)</b>	<b>345,198</b>
<b>Other financing sources (uses):</b>				
Transfers in	920,000	1,709,436	1,709,435	(1)
Transfers out	(372,000)	(372,000)	(231,641)	140,359
<b>Total other financing sources (uses)</b>	<b>548,000</b>	<b>1,337,436</b>	<b>1,477,794</b>	<b>140,358</b>
<b>Net change in total fund balance</b>	<b>\$ (573,549)</b>	<b>\$ (543,815)</b>	<b>332,781</b>	<b>\$ 485,556</b>
Fund balance, beginning of year			1,494,110	
Fund balance, end of year			<b>\$ 1,826,891</b>	

**CITY OF VACAVILLE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL--ALL SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	HOUSING ASSISTANCE			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 28,768	\$ 28,768
Intergovernmental	10,663,466	10,663,466	12,027,817	1,364,351
Charges for services	-	-	47,225	47,225
Other	-	-	50,593	50,593
<b>Total revenues</b>	<u>10,663,466</u>	<u>10,663,466</u>	<u>12,154,403</u>	<u>1,490,937</u>
<b>Expenditures:</b>				
Current:				
Community services	17,648	17,648	47,405	(29,757)
Housing	12,812,001	12,812,001	12,491,505	320,496
<b>Total expenditures</b>	<u>12,829,649</u>	<u>12,829,649</u>	<u>12,538,910</u>	<u>290,739</u>
<b>Net change in total fund balance</b>	<u>\$ (2,166,183)</u>	<u>\$ (2,166,183)</u>	(384,507)	<u>\$ 1,200,198</u>
Fund balance, beginning of year			2,934,768	
Fund balance, end of year			<u>\$ 2,550,261</u>	

**CITY OF VACAVILLE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL--ALL SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	MAINTENANCE DISTRICTS			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Taxes and fees	\$ 2,353,031	\$ 2,353,031	\$ 2,374,195	\$ 21,164
<b>Total revenues</b>	<u>2,353,031</u>	<u>2,353,031</u>	<u>2,374,195</u>	<u>21,164</u>
<b>Expenditures:</b>				
Current:				
Community services	4,764,968	3,629,394	3,297,288	332,106
<b>Total expenditures</b>	<u>4,764,968</u>	<u>3,629,394</u>	<u>3,297,288</u>	<u>332,106</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(2,411,937)</u>	<u>(1,276,363)</u>	<u>(923,093)</u>	<u>(310,942)</u>
<b>Other financing sources (uses):</b>				
Transfers in	441,983	441,983	441,983	-
<b>Total other financing sources (uses)</b>	<u>441,983</u>	<u>441,983</u>	<u>441,983</u>	<u>-</u>
<b>Net change in total fund balance</b>	<u>\$ (1,969,954)</u>	<u>\$ (834,380)</u>	<u>(481,110)</u>	<u>\$ (310,942)</u>
Fund balance, beginning of year			<u>2,041,145</u>	
Fund balance, end of year			<u>\$ 1,560,035</u>	

**CITY OF VACAVILLE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL--ALL SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	COMMUNITY FACILITIES			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Taxes and fees	\$ 1,637,380	\$ 1,637,380	\$ 954,244	\$ (683,136)
<b>Total revenues</b>	<u>1,637,380</u>	<u>1,637,380</u>	<u>1,047,768</u>	<u>(589,612)</u>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	1,606	(1,606)
Community services	-	-	23,571	(23,571)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>25,177</u>	<u>(25,177)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,637,380</u>	<u>1,637,380</u>	<u>1,022,591</u>	<u>(564,435)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	500,004	500,004	-
Transfers out	(837,380)	(1,636,987)	(1,460,874)	(176,113)
<b>Total other financing sources (uses)</b>	<u>(837,380)</u>	<u>(1,136,983)</u>	<u>(960,870)</u>	<u>(176,113)</u>
<b>Net change in total fund balance</b>	<u>\$ 800,000</u>	<u>\$ 500,397</u>	61,721	<u>\$ (740,548)</u>
Fund balance, beginning of year			<u>31,803</u>	
Fund balance, end of year			<u>\$ 93,524</u>	

**CITY OF VACAVILLE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL--ALL SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	SPECIAL PROGRAMS			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 5,052	\$ 5,052
Intergovernmental	-	681,694	778,621	96,927
Charges for services	-	-	98,655	98,655
Other	-	-	5,000	5,000
<b>Total revenues</b>	<u>-</u>	<u>681,694</u>	<u>887,328</u>	<u>205,634</u>
<b>Expenditures:</b>				
Current:				
Public safety	738,562	665,266	921,845	(256,579)
Public works	-	18,052	13,213	4,839
Community services	-	-	2,282	(2,282)
<b>Total expenditures</b>	<u>738,562</u>	<u>683,318</u>	<u>937,340</u>	<u>(254,022)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(738,562)</u>	<u>(1,624)</u>	<u>(50,012)</u>	<u>459,656</u>
<b>Net change in total fund balance</b>	<u>\$ (738,562)</u>	<u>\$ (1,624)</u>	<u>(50,012)</u>	<u>\$ 459,656</u>
Fund balance, beginning of year			231,467	
Fund balance, end of year			<u>\$ 181,455</u>	



## **INTERNAL SERVICE FUNDS**

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Internal Service Funds are used to finance and account for goods and special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are presented separately in the Fund financial statements, including the funds below.

### **CENTRAL SERVICES**

To account for all the centralized purchases which are in turn charged back to the operating department upon usage. The activity includes Central Stores, Fuel Station and Garage.

### **VEHICLE REPLACEMENT**

To account for the acquisition of replacement equipment. Charges are levied to departments on a straight line replacement basis in order to ensure funds are available when the equipment becomes obsolete.

### **TECHNOLOGY REPLACEMENT**

To account for the acquisition of technology equipment. Charges are levied to departments on a straight line replacement basis in order to ensure funds are available when the equipment becomes obsolete.

### **INSURANCE**

To account for premium costs and self-insured claim losses for the following risks: property-related, workers' compensation, unemployment, vehicle-related, and general liability.

### **EMPLOYEE BENEFITS**

To account for sick and vacation leave payoffs related to employee retirements, and other postemployment benefits (OPEB) that are held by California Employers' Retiree Benefit Trust (CERBT) Fund in an irrevocable trust established by PERS to pre-fund OPEB.

**CITY OF VACAVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENTS OF NET ASSETS**  
**JUNE 30, 2010**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
<b>Assets</b>						
Current assets:						
Cash and investments	\$ -	\$ 2,429,772	\$ 77,055	\$ 4,121,389	\$ 183,704	\$ 6,811,920
Receivables:						
Accounts	24,053	-	-	18,165	-	42,218
Due from other funds	-		363,958			363,958
Inventories - supplies	177,701	-	-	-	-	177,701
Total current assets	<u>201,754</u>	<u>2,429,772</u>	<u>441,013</u>	<u>4,139,554</u>	<u>183,704</u>	<u>7,395,797</u>
Non-current assets:						
Deposits	-	-	-	174,666	-	174,666
Capital assets - net of accumulated depreciation	89,902	1,232,706	420,896	-	-	1,743,504
Total non-current assets	<u>89,902</u>	<u>1,232,706</u>	<u>420,896</u>	<u>174,666</u>	<u>-</u>	<u>1,918,170</u>
<b>Total assets</b>	<u><u>\$ 291,656</u></u>	<u><u>\$ 3,662,478</u></u>	<u><u>\$ 861,909</u></u>	<u><u>\$ 4,314,220</u></u>	<u><u>\$ 183,704</u></u>	<u><u>\$ 9,313,967</u></u>
<b>Liabilities</b>						
Current liabilities:						
Accounts and contract payable	\$ 203,181	\$ 37,747	\$ 750	\$ 8,466	\$ -	\$ 250,144
Accrued payroll	76,644	-	-	19,718	391	96,753
Due to other funds	363,958	-	-	-	-	363,958
Employee benefits payable	-	-	-	-	183,313	183,313
Claims payable - due within one year	-	-	-	2,083,168	-	2,083,168
Total current liabilities	<u>643,783</u>	<u>37,747</u>	<u>750</u>	<u>2,111,352</u>	<u>183,704</u>	<u>2,977,336</u>
Non-current liabilities:						
Deposits payable	-	-	-	20,000	-	20,000
Claims payable - due in more than a year	-	-	-	3,614,832	-	3,614,832
<b>Total liabilities</b>	<u>643,783</u>	<u>37,747</u>	<u>750</u>	<u>5,746,184</u>	<u>183,704</u>	<u>6,612,168</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	89,902	1,232,706	420,896	-	-	1,743,504
Unrestricted	(442,029)	2,392,025	440,263	(1,431,964)	-	958,295
<b>Total net assets</b>	<u><u>\$ (352,127)</u></u>	<u><u>\$ 3,624,731</u></u>	<u><u>\$ 861,159</u></u>	<u><u>\$ (1,431,964)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,701,799</u></u>

**CITY OF VACAVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
<b>Operating revenues:</b>						
Internal service charges	\$ 2,694,326	\$ 284,194	\$ 854,756	\$ 3,480,450	\$ 4,149,090	\$ 11,462,816
<b>Operating expenses:</b>						
Internal service expenses	3,381,629	(19,360)	562,560	2,519,109	4,214,021	10,657,959
Depreciation	3,047	344,420	134,488	-	-	481,955
<b>Total operating expenses</b>	<b>3,384,676</b>	<b>325,060</b>	<b>697,048</b>	<b>2,519,109</b>	<b>4,214,021</b>	<b>11,139,914</b>
<b>Operating income (loss)</b>	<b>(690,350)</b>	<b>(40,866)</b>	<b>157,708</b>	<b>961,341</b>	<b>(64,931)</b>	<b>322,902</b>
<b>Transfers:</b>						
Transfers in	70,000	-	-	-	-	70,000
Transfers out	-	(74,610)	-	(500,000)	-	(574,610)
<b>Total transfers</b>	<b>70,000</b>	<b>(74,610)</b>	<b>-</b>	<b>(500,000)</b>	<b>-</b>	<b>(504,610)</b>
<b>Net income (loss)</b>	<b>(620,350)</b>	<b>(115,476)</b>	<b>157,708</b>	<b>461,341</b>	<b>(64,931)</b>	<b>(181,708)</b>
Net assets, beginning of year	268,223	3,740,207	703,451	(1,893,305)	64,931	2,883,507
Net assets, end of year	<u>\$ (352,127)</u>	<u>\$ 3,624,731</u>	<u>\$ 861,159</u>	<u>\$ (1,431,964)</u>	<u>\$ -</u>	<u>\$ 2,701,799</u>

**CITY OF VACAVILLE**  
**INTERNAL SERVICE FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 2,691,188	\$ 284,194	\$ 854,756	\$ 3,480,475	\$ 4,149,090	\$ 11,459,703
Payments to suppliers	(1,956,983)	57,107	(569,789)	(1,865,583)	(4,214,021)	(8,549,269)
Payments to employees	(1,267,958)	-	-	(683,578)	(468,771)	(2,420,307)
Claims paid	-	-	-	(161,000)	-	(161,000)
<b>Net cash provided by (used for) operating activities</b>	<b>(533,753)</b>	<b>341,301</b>	<b>284,967</b>	<b>770,314</b>	<b>(533,702)</b>	<b>329,127</b>
<b>Cash flows from noncapital financing activities:</b>						
Due to/(from) other funds	363,958	-	(363,958)	-	-	-
Transfers in	70,000	-	-	-	-	70,000
Transfers out	-	(74,610)	-	(500,000)	-	(574,610)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>433,958</b>	<b>(74,610)</b>	<b>(363,958)</b>	<b>(500,000)</b>	<b>-</b>	<b>(504,610)</b>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets	-	(194,103)	(103,195)	-	-	(297,298)
<b>Net cash used for capital and related financing activities</b>	<b>-</b>	<b>(194,103)</b>	<b>(103,195)</b>	<b>-</b>	<b>-</b>	<b>(297,298)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(99,795)</b>	<b>72,588</b>	<b>(182,186)</b>	<b>270,314</b>	<b>(533,702)</b>	<b>(472,781)</b>
Cash and cash equivalents, beginning of year	99,795	2,357,184	259,241	3,851,075	717,406	7,284,701
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 2,429,772</u>	<u>\$ 77,055</u>	<u>\$ 4,121,389</u>	<u>\$ 183,704</u>	<u>\$ 6,811,920</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) by Operating Activities:</b>						
Operating income (loss)	\$ (690,350)	\$ (40,866)	\$ 157,708	\$ 961,341	\$ (64,931)	\$ 322,902
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	3,047	344,420	134,488	-	-	481,955
Changes in assets and liabilities:						
Decrease in receivables	(3,138)	-	-	25	-	(3,113)
Increase in inventories-supplies	23,236	-	-	-	-	23,236
Increase in prepaid items	250	-	-	-	-	250
Increase in deposits	-	-	-	(36,485)	-	(36,485)
Decrease in accounts and contracts payable	139,176	37,747	(7,229)	4,446	-	174,140
Increase (decrease) in accrued payroll	(5,974)	-	-	1,987	(980)	(4,967)
Increase in employee benefits payable	-	-	-	-	(467,791)	(467,791)
Increase in claims payable	-	-	-	(161,000)	-	(161,000)
Total adjustments	156,597	382,167	127,259	(191,027)	(468,771)	6,225
<b>Net cash provided by (used for) operating activities</b>	<b><u>\$ (533,753)</u></b>	<b><u>\$ 341,301</u></b>	<b><u>\$ 284,967</u></b>	<b><u>\$ 770,314</u></b>	<b><u>\$ (533,702)</u></b>	<b><u>\$ 329,127</u></b>

## **FIDUCIARY FUND FINANCIAL STATEMENTS**

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### **OTHER DEPOSITS**

To account for deposits received from outside parties. Some of the large items include amounts on deposit from Solano Transportation Authority, refunding of permit monies, and restitution for crimes committed.

### **SPECIAL ASSESSMENTS**

To account for monies received through property tax to pay debt service for the Special Assessment Districts.

**CITY OF VACAVILLE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2010**

	AGENCY FUNDS		
	OTHER DEPOSITS	SPECIAL ASSESSMENTS	TOTAL AGENCY
<b>Assets</b>			
Cash and investments	\$ 7,831,469	\$ 9,995,046	\$ 17,826,515
<b>Total Assets</b>	<b>\$ 7,831,469</b>	<b>\$ 9,995,046</b>	<b>\$ 17,826,515</b>
<b>Liabilities</b>			
Liabilities:			
Deposits payable	\$ 7,831,469	\$ -	\$ 7,831,469
Due to bondholders	-	9,995,046	9,995,046
<b>Total Liabilities</b>	<b>\$ 7,831,469</b>	<b>\$ 9,995,046</b>	<b>\$ 17,826,515</b>

**CITY OF VACAVILLE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	BALANCES JULY 1, 2009	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2010
<b>OTHER DEPOSITS</b>				
<b>Assets</b>				
Cash and investments	\$ 6,145,779	\$ 2,683,924	\$ 998,234	\$ 7,831,469
<b>Liabilities</b>				
Accounts and contract payable	\$ -	\$ 953,816	\$ 953,816	\$ -
Deposits payable	6,145,779	2,676,218	990,528	7,831,469
<b>Total Liabilities</b>	<b>\$ 6,145,779</b>	<b>\$ 3,630,034</b>	<b>\$ 1,944,344</b>	<b>\$ 7,831,469</b>

**CITY OF VACAVILLE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	BALANCES JULY 1, 2009	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2010
<b>SPECIAL ASSESSMENTS</b>				
<b>Assets</b>				
Cash and investments	\$ 9,118,552	\$ 7,729,697	\$ 6,853,203	\$ 9,995,046
<b>Liabilities</b>				
Due to bondholders	\$ 9,118,552	\$ 7,729,697	\$ 6,853,203	\$ 9,995,046
<b>TOTAL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and investments	\$ 15,264,331	\$ 10,413,621	\$ 7,851,437	\$ 17,826,515
<b>Total Assets</b>	<b>\$ 15,264,331</b>	<b>\$ 10,413,621</b>	<b>\$ 7,851,437</b>	<b>\$ 17,826,515</b>
<b>Liabilities</b>				
Accounts and contract payable	\$ -	\$ 953,816	\$ 953,816	\$ -
Deposits payable	6,145,779	2,676,218	990,528	7,831,469
Due to bondholders	9,118,552	7,729,697	6,853,203	9,995,046
<b>Total Liabilities</b>	<b>\$ 15,264,331</b>	<b>\$ 11,359,731</b>	<b>\$ 8,797,547</b>	<b>\$ 17,826,515</b>



## STATISTICAL SECTION

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information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	114
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	120
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	124
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	128
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	130
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Schedule 1**

**CITY OF VACAVILLE**  
**Net Assets by Component,**  
**Last Eight Fiscal Years**  
 (accrual basis of accounting)  
 (expressed in thousands of dollars)

	<b>Fiscal Year</b>							
	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>	<u><b>2005</b></u>	<u><b>2004</b></u>	<u><b>2003</b></u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 422,965	\$ 406,869	\$ 388,546	\$ 375,201	\$ 362,498	\$ 340,941	\$ 310,054	\$ 306,087
Restricted	15,519	28,588	38,832	36,382	33,683	43,971	55,790	42,619
Unrestricted	<u>68,304</u>	<u>71,554</u>	<u>80,491</u>	<u>83,305</u>	<u>74,486</u>	<u>65,885</u>	<u>62,397</u>	<u>52,301</u>
Total governmental activities net assets	<u>506,788</u>	<u>507,011</u>	<u>507,869</u>	<u>494,888</u>	<u>470,666</u>	<u>450,798</u>	<u>428,240</u>	<u>401,006</u>
Business-type activities								
Invested in capital assets, net of related debt	213,956	194,484	187,090	180,813	159,094	146,253	150,320	142,676
Unrestricted	<u>78,818</u>	<u>88,016</u>	<u>91,178</u>	<u>88,653</u>	<u>94,960</u>	<u>100,600</u>	<u>95,617</u>	<u>77,227</u>
Total business-type activities net assets	<u>292,774</u>	<u>282,500</u>	<u>278,268</u>	<u>269,466</u>	<u>254,053</u>	<u>246,853</u>	<u>245,937</u>	<u>219,903</u>
Primary government								
Invested in capital assets, net of related debt	636,921	601,353	575,636	556,014	521,591	487,194	460,374	448,763
Restricted	15,519	28,588	38,832	36,382	33,683	43,971	55,790	42,619
Unrestricted	<u>147,122</u>	<u>159,570</u>	<u>171,669</u>	<u>171,958</u>	<u>169,446</u>	<u>166,485</u>	<u>158,014</u>	<u>129,528</u>
Total primary government net assets	<u>\$ 799,562</u>	<u>\$ 789,511</u>	<u>\$ 786,137</u>	<u>\$ 764,354</u>	<u>\$ 724,720</u>	<u>\$ 697,650</u>	<u>\$ 674,177</u>	<u>\$ 620,909</u>

*The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.*

**Schedule 2**

**CITY OF VACAVILLE**  
**Changes in Net Assets, Primary Government**  
**Last Eight Fiscal Years**  
 (accrual basis of accounting)  
 (expressed in thousands of dollars)

	<b>Fiscal Year</b>							
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Expenses</b>								
Governmental activities	\$ 143,389	\$ 134,012	\$ 130,966	\$ 123,762	\$ 106,922	\$ 97,954	\$ 96,879	\$ 87,847
Business-type	41,401	38,950	36,251	37,360	34,338	28,151	26,528	23,458
Total primary government expenses	<u>184,790</u>	<u>172,962</u>	<u>167,217</u>	<u>161,122</u>	<u>141,261</u>	<u>126,104</u>	<u>123,408</u>	<u>111,306</u>
<b>Program Revenues</b>								
Governmental activities	45,251	39,990	40,817	52,432	46,169	36,647	35,877	42,126
Business-type	40,443	37,150	37,443	43,791	36,621	32,362	44,351	31,062
Total primary government program revenues	<u>85,694</u>	<u>77,140</u>	<u>78,260</u>	<u>96,223</u>	<u>82,790</u>	<u>69,009</u>	<u>80,229</u>	<u>73,188</u>
<b>Net (Expense)/Revenue</b>								
Governmental activities	(98,138)	(94,022)	(90,149)	(71,330)	(60,753)	(61,307)	(61,002)	(45,721)
Business-type	(958)	(1,800)	1,192	6,431	2,282	4,211	17,823	7,604
Total primary government net expense	<u>(99,096)</u>	<u>(95,822)</u>	<u>(88,957)</u>	<u>(64,899)</u>	<u>(58,471)</u>	<u>(57,096)</u>	<u>(43,179)</u>	<u>(38,118)</u>
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities	97,915	93,164	103,130	95,189	80,620	84,847	68,072	62,058
Business-type	11,232	6,032	8,802	9,344	4,918	88	(1,285)	3,106
Total primary government	<u>109,147</u>	<u>99,196</u>	<u>111,932</u>	<u>104,533</u>	<u>85,539</u>	<u>84,935</u>	<u>66,787</u>	<u>65,163</u>
<b>Changes in Net Assets</b>								
Governmental activities	(223)	(858)	12,981	23,859	19,867	23,540	7,070	16,336
Business-type	10,274	4,232	9,994	15,775	7,201	4,299	16,538	10,709
Total primary government	<u>\$ 10,051</u>	<u>\$ 3,374</u>	<u>\$ 22,975</u>	<u>\$ 39,634</u>	<u>\$ 27,068</u>	<u>\$ 27,840</u>	<u>\$ 23,608</u>	<u>\$ 27,046</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Schedule 2a

**CITY OF VACAVILLE**  
**Changes in Net Assets, Governmental Activities**  
**Last Eight Fiscal Years**  
 (accrual basis of accounting)  
 (expressed in thousands of dollars)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>								
General Government	\$ 7,540	\$ 8,594	\$ 10,388	\$ 12,627	\$ 11,034	\$ 7,878	\$ 9,488	\$ 7,870
Public Safety	46,573	46,837	45,705	40,606	36,498	34,717	32,370	29,072
Public Works	25,464	25,069	21,328	22,432	18,313	14,585	16,810	11,372
Community Services	13,490	12,578	12,856	12,128	11,964	11,368	11,605	11,017
Housing	14,567	16,189	13,795	13,013	15,348	11,290	11,600	11,528
Redevelopment	31,596	19,671	21,500	17,753	8,684	13,666	10,718	11,086
Interest on long-term debt	4,159	5,074	5,394	5,203	5,082	4,451	4,290	5,903
<b>Total governmental activities expenses</b>	<b>143,389</b>	<b>134,012</b>	<b>130,966</b>	<b>123,762</b>	<b>106,922</b>	<b>97,954</b>	<b>96,879</b>	<b>87,847</b>
<b>Program Revenues</b>								
Charges for services:								
General Government	2,737	3,266	3,827	5,147	4,215	3,892	3,197	13,436
Public Safety	4,204	4,658	4,498	4,280	4,014	3,552	2,945	2,499
Public Works	594	870	311	545	2,531	441	693	911
Community Services	5,829	5,687	5,984	5,494	5,330	5,265	5,074	4,986
Housing	661	387	397	479	761	58	57	44
Redevelopment	103	103	103	159	245	380	217	346
Operating grants and contributions	15,718	14,338	17,386	14,651	16,011	14,161	13,227	12,183
Capital grants and contributions	15,405	10,681	8,311	21,677	13,063	8,897	10,469	7,720
<b>Total governmental activities program revenues</b>	<b>45,251</b>	<b>39,990</b>	<b>40,817</b>	<b>52,432</b>	<b>46,169</b>	<b>36,647</b>	<b>35,877</b>	<b>42,126</b>
<b>Net (Expense)/Revenue</b>	<b>(98,138)</b>	<b>(94,022)</b>	<b>(90,149)</b>	<b>(71,330)</b>	<b>(60,753)</b>	<b>(61,307)</b>	<b>(61,002)</b>	<b>(45,721)</b>
<b>General Revenues and Other Changes in Net Assets</b>								
Taxes								
Property taxes	64,348	65,731	63,793	55,145	48,450	40,044	32,370	29,557
Sales taxes	13,787	14,077	14,984	16,474	16,116	14,357	13,432	12,325
Franchise taxes	2,383	2,352	2,248	2,643	2,004	-	-	-
Transient lodging tax	929	930	1,005	1,048	942	-	-	-
Business license tax	281	298	306	319	290	-	-	-
Excise tax	2,258	2,169	2,234	2,217	2,251	-	-	-
Gasoline tax	1,596	1,564	1,719	1,772	1,776	-	-	-
Other taxes	-	-	-	-	-	6,241	7,574	7,183
Vehicle license taxes	290	283	417	595	596	2,105	4,278	-
Fines, penalties and forfeitures	-	-	-	-	-	-	452	442
Intergovernmental	-	-	-	-	-	-	-	6,087
Payments in lieu of services	-	-	-	-	-	-	967	-
Investment income	2,112	2,998	13,957	6,279	4,320	4,768	2,755	4,130
Unrestricted capital contributions	7,592	431	2,861	6,863	3,785	9,283	378	-
Loss on sale of property	-	-	-	-	-	-	-	(1,199)
Miscellaneous	1,724	1,990	1,331	1,791	58	5,347	2,294	527
Transfers	615	341	(1,725)	43	31	2,703	3,572	3,005
<b>Total governmental activities</b>	<b>97,915</b>	<b>93,164</b>	<b>103,130</b>	<b>95,189</b>	<b>80,620</b>	<b>84,847</b>	<b>68,072</b>	<b>62,058</b>
<b>Changes in Net Assets</b>	<b>\$ (223)</b>	<b>\$ (858)</b>	<b>\$ 12,981</b>	<b>\$ 23,859</b>	<b>\$ 19,867</b>	<b>\$ 23,540</b>	<b>\$ 7,070</b>	<b>\$ 16,336</b>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Schedule 2b

**CITY OF VACAVILLE**  
**Changes in Net Assets, Business-Type Activities**  
**Last Eight Fiscal Years**  
 (accrual basis of accounting)  
 (expressed in thousands of dollars)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>								
Sewer	\$ 22,611	\$ 21,284	\$ 18,710	\$ 19,800	\$ 18,230	\$ 13,831	\$ 12,683	\$ 11,266
Water	16,124	15,282	14,976	15,059	13,135	11,672	11,267	9,905
Transit	2,666	2,384	2,565	2,501	2,974	2,648	2,578	2,288
Total business-type activities expenses	<u>41,401</u>	<u>38,950</u>	<u>36,251</u>	<u>37,360</u>	<u>34,338</u>	<u>28,151</u>	<u>26,528</u>	<u>23,458</u>
<b>Program Revenues</b>								
Charges for services:								
Sewer	19,478	18,071	18,269	18,322	17,193	16,285	15,026	13,312
Water	13,412	12,608	12,323	11,463	10,109	10,106	10,009	9,087
Transit	377	359	411	356	363	374	343	323
Operating grants and contributions	1,674	1,675	1,812	1,810	2,090	1,947	1,568	1,600
Capital grants and contributions	5,502	4,437	4,628	11,840	6,866	3,650	17,406	6,739
Total business-type activities program revenues	<u>40,443</u>	<u>37,150</u>	<u>37,443</u>	<u>43,791</u>	<u>36,621</u>	<u>32,362</u>	<u>44,351</u>	<u>31,062</u>
<b>Net (Expense)/Revenue</b>	<u>(958)</u>	<u>(1,800)</u>	<u>1,192</u>	<u>6,431</u>	<u>2,282</u>	<u>4,211</u>	<u>17,823</u>	<u>7,604</u>
<b>General Revenues and Other Changes in Net Assets</b>								
Taxes								
Property taxes	83	81	90	89	87	86	92	83
Investment income	517	(85)	2,237	1,795	(195)	965	624	2,012
Unrestricted capital contributions	10,070	4,700	1,769	5,887	2,234	1,332	1,301	3,703
Miscellaneous	1,177	3,032	2,981	1,616	2,823	408	270	312
Extraordinary item	-	(1,355)						
Transfers	(615)	(341)	1,725	(43)	(31)	(2,703)	(3,572)	(3,005)
Total business-type activities	<u>11,232</u>	<u>6,032</u>	<u>8,802</u>	<u>9,344</u>	<u>4,918</u>	<u>88</u>	<u>(1,285)</u>	<u>3,106</u>
<b>Changes in Net Assets</b>	<u>\$ 10,274</u>	<u>\$ 4,232</u>	<u>\$ 9,994</u>	<u>\$ 15,775</u>	<u>\$ 7,201</u>	<u>\$ 4,299</u>	<u>\$ 16,538</u>	<u>\$ 10,709</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

**Schedule 3**

**CITY OF VACAVILLE  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**

(modified accrual basis of accounting)  
(expressed in thousands of dollars)

	Fiscal Year									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund										
Reserved	\$ 1,278	\$ 513	\$ 938	\$ 541	\$ 899	\$ 1,101	\$ 815	\$ 702	\$ 542	\$ 2,203
Unreserved	<u>3,149</u>	<u>5,370</u>	<u>10,664</u>	<u>13,518</u>	<u>14,139</u>	<u>14,355</u>	<u>12,322</u>	<u>11,075</u>	<u>10,877</u>	<u>10,759</u>
Total general fund	<u>\$ 4,427</u>	<u>\$ 5,883</u>	<u>\$ 11,602</u>	<u>\$ 14,059</u>	<u>\$ 15,038</u>	<u>\$ 15,456</u>	<u>\$ 13,137</u>	<u>\$ 11,776</u>	<u>\$ 11,419</u>	<u>\$ 12,962</u>
All Other Governmental Funds										
Reserved	\$ 66,921	\$ 77,773	\$ 81,231	\$ 71,750	\$ 67,158	\$ 88,567	\$ 80,957	\$ 76,397	\$ 73,975	\$ 47,959
Unreserved, reported in:										
Special revenue funds	16,898	17,388	15,256	17,108	16,977	2,079	3,055	2,477	1,736	2,242
Capital projects funds	9,452	(1,931)	9,782	12,674	1,343	2,918	16,193	23,646	15,042	17,749
Debt service funds	<u>353</u>	<u>498</u>	<u>601</u>	<u>708</u>	<u>2,319</u>	<u>2,521</u>	<u>6,988</u>	<u>4,216</u>	<u>7,669</u>	<u>8,411</u>
Total all other governmental funds	<u>\$ 93,624</u>	<u>\$ 93,728</u>	<u>\$ 106,870</u>	<u>\$ 102,240</u>	<u>\$ 87,797</u>	<u>\$ 96,085</u>	<u>\$ 107,192</u>	<u>\$ 106,737</u>	<u>\$ 98,422</u>	<u>\$ 76,361</u>

Schedule 4

**CITY OF VACAVILLE**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting)  
 (expressed in thousands of dollars)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Revenues</b>										
Taxes and fees	\$ 90,971	\$ 91,125	\$ 91,052	\$ 88,262	\$ 80,627	\$ 66,741	\$ 59,541	\$ 59,239	\$ 53,765	\$ 54,408
Licenses and permits	877	1,498	1,596	2,496	708	1,628	1,524	1,490	1,117	1,440
Investment income	2,955	3,499	15,026	7,058	5,104	5,433	3,246	4,692	4,916	6,713
Intergovernmental	29,010	24,052	24,265	30,958	23,487	22,337	23,700	27,147	21,648	17,340
Charges for services	9,200	9,733	9,664	9,906	12,566	9,041	9,290	8,897	7,500	7,447
Fines, penalties and forfeitures	514	494	471	491	460	503	452	442	425	429
Other	966	2,047	992	3,613	704	3,590	1,448	590	837	821
<b>Total revenues</b>	<b>134,493</b>	<b>132,448</b>	<b>143,066</b>	<b>142,784</b>	<b>123,656</b>	<b>109,273</b>	<b>99,201</b>	<b>102,498</b>	<b>90,209</b>	<b>88,598</b>
<b>Expenditures</b>										
General government	6,321	8,333	9,390	11,788	10,493	7,912	8,430	7,711	8,453	7,655
Public Safety	45,130	46,224	44,560	41,657	36,851	34,501	31,759	28,501	26,321	22,505
Public Works	6,136	6,786	7,566	7,076	6,224	6,040	5,080	4,679	4,451	4,510
Community Services	12,889	11,974	12,159	11,506	11,367	10,905	10,689	10,465	10,620	8,732
Housing	14,545	16,215	13,787	13,018	15,363	11,292	11,585	11,721	8,582	6,414
Redevelopment	30,789	23,868	21,533	17,531	18,042	13,354	10,270	9,209	3,932	3,198
Intergovernmental	-	-	-	-	-	-	-	300	272	300
Shared Revenues	-	-	-	-	-	-	-	300	5,656	5,368
Capital Outlay	13,378	21,071	25,755	35,607	38,123	35,542	18,673	21,615	17,606	24,309
Debt service										
Principal	3,749	15,677	3,456	4,932	2,816	2,622	2,448	1,708	1,430	1,667
Interest and fiscal charges	4,365	5,088	5,313	5,874	5,572	4,670	4,301	4,393	6,013	3,910
<b>Total expenditures</b>	<b>137,302</b>	<b>155,236</b>	<b>143,519</b>	<b>148,989</b>	<b>144,850</b>	<b>126,837</b>	<b>103,235</b>	<b>100,602</b>	<b>93,334</b>	<b>88,568</b>
Excess (deficiency) of revenues over (under) expenditures	(2,809)	(22,788)	(453)	(6,205)	(21,194)	(17,564)	(4,034)	1,895	(3,125)	30
<b>Other Financing Sources (uses)</b>										
Transfers in	15,008	13,888	15,171	18,144	23,976	12,288	17,096	11,531	10,098	8,496
Transfers out	(13,963)	(13,224)	(15,476)	(18,161)	(25,275)	(9,734)	(13,604)	(8,729)	(10,513)	(8,534)
Sale of capital assets	203	3,024	70	361	8,497	-	269	249	3,555	1,385
Issuance of debt and loans	-	239	2,860	19,325	5,290	1,475	449	3,099	230	9,011
Unrestricted capital contributions	-	-	-	-	-	5,800	-	-	-	-
Proceeds of refunding bonds and certificates of participation	-	-	-	-	-	-	-	-	31,807	2,301
Payment to refund bond escrow agent	-	-	-	-	-	-	-	-	(12,693)	(2,602)
<b>Total other financing sources (uses)</b>	<b>1,248</b>	<b>3,927</b>	<b>2,625</b>	<b>19,669</b>	<b>12,488</b>	<b>9,829</b>	<b>4,210</b>	<b>6,150</b>	<b>22,484</b>	<b>10,058</b>
<b>Net change in fund balances</b>	<b>\$ (1,561)</b>	<b>\$ (18,861)</b>	<b>\$ 2,172</b>	<b>\$ 13,464</b>	<b>\$ (8,706)</b>	<b>\$ (7,735)</b>	<b>\$ 176</b>	<b>\$ 8,045</b>	<b>\$ 19,359</b>	<b>\$ 10,088</b>
Debt services as a percentage of noncapital expenditures	6.0%	14.8%	9.3%	14.0%	12.4%	13.2%	9.7%	10.5%	-	-

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

**Schedule 5**

**CITY OF VACAVILLE**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
(expressed in thousands of dollars)

Fiscal Year Ended June 30,	City				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	
2010	\$ 10,289,975	\$ 363,728	\$ (715,811)	\$ 9,937,892	\$ 3,631,032	\$ 230,204	\$ (13,071)	\$ 3,848,165	0.467%
2009	10,812,770	290,993	(508,057)	10,595,706	3,597,849	178,363	(13,122)	3,763,090	0.458%
2008	10,510,853	283,351	(403,014)	10,391,190	2,960,637	172,093	(13,243)	3,119,487	0.473%
2007	9,011,573	259,110	(246,012)	9,024,671	2,514,697	167,430	(13,280)	2,668,847	0.472%
2006	7,862,985	241,095	(221,247)	7,882,833	2,360,718	149,711	(13,476)	2,496,952	0.462%
2005	7,086,380	219,210	(221,559)	7,084,031	2,230,342	149,188	(13,464)	2,366,066	0.425%
2004	6,462,026	206,005	(193,433)	6,474,598	2,041,732	137,780	(13,520)	2,165,993	0.376%
2003	5,991,020	193,142	(183,501)	6,000,661	1,925,870	130,812	(13,377)	2,043,305	0.368%
2002	5,395,925	143,025	(91,971)	5,446,979	1,830,265	115,299	(12,534)	1,933,030	-
2001	4,991,081	160,119	(92,031)	5,059,168	1,705,307	113,970	(12,206)	1,807,070	-

*The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information to complete the total direct tax rate calculation prior to the implementation of GASB 34 is not available.*

Source: Solano County Auditor-Controller's Office

Note: The assessed value is 100 percent of actual value for all types of secured and unsecured property. Tax rates are per \$1,000 of assessed value.



**Schedule 6**

**CITY OF VACAVILLE  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>City Direct Rates:</b>										
City basic rate	0.27350%	0.27343%	0.27352%	0.27362%	0.27370%	0.27381%	0.27395%	0.27402%	0.27413%	0.27424%
Redevelopment agency	1.03083%	1.03076%	1.03085%	1.03095%	1.03103%	1.03114%	1.03128%	1.03135%	1.03146%	1.04067%
Total City Direct Rate	0.52677%	0.51289%	0.49309%	0.46522%	0.45536%	0.45973%	0.47914%	0.47972%	0.47882%	0.47820%
<b>Overlapping Rates:</b>										
Basic Levy*	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Dixon Unified School Bonds		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00450%
Dixon USD GOB Series 2005		0.02131%	0.01958%	0.02335%	0.02902%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Dixon USD GOB Series 2006	0.05456%	0.00844%	0.00898%	0.00829%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Dixon USD State Repay		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
DUSD GOB Series 2003		0.01724%	0.01808%	0.01760%	0.01440%	0.04387%	0.05227%	0.00000%	0.00000%	0.00000%
Fairfield/Suisun USD GOB 2002S	0.05071%	0.01894%	0.01852%	0.02066%	0.02252%	0.02351%	0.04918%	0.05732%	0.00000%	0.00000%
Fairfield/Suisun USD GOB 2004S		0.02152%	0.02005%	0.02097%	0.02345%	0.02770%	0.00000%	0.00000%	0.00000%	0.00000%
Sc Fld State Wtr Prj Zone Ben#1	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%
Scc Gob Series 2003A	0.01846%	0.01240%	0.01189%	0.01211%	0.01643%	0.01532%	0.01432%	0.00000%	0.00000%	0.00000%
Solano Community College Gob Series 2006B		0.00258%	0.00269%	0.00336%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
City of Vacaville	0.03083%	0.03076%	0.03085%	0.03095%	0.03103%	0.03114%	0.03128%	0.03135%	0.03146%	0.03157%
Vacaville Unified School Bonds		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00910%
VV USD GOB Refunding Ser 2005		0.02109%	0.02256%	0.02293%	0.02388%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD GOB Series 2005	0.05906%	0.01107%	0.01095%	0.02617%	0.02602%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD Meas V GOB Series 2007		0.01590%	0.02055%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD Meas V GOB Series 2002		0.00000%	0.00000%	0.00000%	0.00000%	0.02289%	0.02361%	0.05741%	0.00000%	0.00000%
VV USD Meas V GOB Series 2003		0.00000%	0.00000%	0.00000%	0.00000%	0.02379%	0.03001%	0.00000%	0.00000%	0.00000%
	1.23362%	1.20125%	1.20470%	1.20639%	1.20675%	1.20822%	1.22067%	1.16608%	1.05146%	1.06517%

**NOTES**

Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

RDA rate is based on the largest RDA tax rate areas (TRA) and includes only the rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

\*In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property value for the payment of any voter approved bonds.

In 2010, tax rates are reported by agency not by bond.

Source: HDL & Cone, Solano County Assessor 2000/01 - 2009/10 Tax Rate Table

**Schedule 7**

**CITY OF VACAVILLE  
Principal Property Tax Payers  
Current Year and Ten Years Ago**

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable	Taxable Assessed Value	Rank	Percentage of Total City Taxable
			Assessed Value			Assessed Value
Genentech Inc.	\$ 1,238,154,822	1	12.459%			
Alza Corporation	191,824,187	2	1.930%	84,680,004	3	1.644%
CPG Finance II, LLC	95,333,514	3	0.959%			
Nut Tree Retail, LLC	92,126,674	4	0.927%			
Marvin L. Oates Trust	78,045,775	5	0.785%			
Novartis Pharmaceuticals Corporation	76,519,922	6	0.770%			
State Compensation Insurance Fund	56,235,140	7	0.566%			
North Pointe Vacaville Inc	52,559,228	8	0.529%			
SSR Western MultiFamily	49,395,642	9	0.497%			
Lucky Stores Inc.	44,774,521	10	0.451%	33,330,231	5	0.647%
BNP Leasing Corporation				320,732,919	1	6.226%
KPT Remic Loan LLC				85,120,419	2	1.652%
Chiron Corporation				37,040,310	4	0.719%
Travis Credit Union				29,199,922	6	0.567%
RM Vacaville Limited				28,189,665	7	0.547%
Wal Mart Stores Inc				27,418,046	8	0.532%
Mission Messenger Vacaville				22,551,094	9	0.438%
Spanos Corporation				18,123,130	10	0.352%

Source: HDL & Cone, Solano County 2000/01 & 2009/2010 Combined Tax Rolls.

**Schedule 8**

**CITY OF VACAVILLE  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>			<b>Total Collections to Date</b>		
		<b>Amount</b>	<b>Percentage of Levy</b>	<b>Supplemental/Prior Years Collections</b>	<b>Amount</b>	<b>Percentage of Levy</b>	
2010	\$ 10,344,568	\$ 10,344,568	100.00%	\$ (50,956)	\$ 10,293,612	99.51%	
2009	11,436,989	11,436,990	100.00%	54,823	11,491,812	100.48%	
2008	11,789,745	11,789,745	100.00%	597,191	12,386,936	105.07%	
2007	10,858,100	10,858,100	100.00%	945,990	11,804,090	108.71%	
2006	9,763,689	9,763,689	100.00%	1,681,759	11,445,448	117.22%	
2005	9,117,083	9,117,083	100.00%	1,266,370	10,383,453	113.89%	
2004	9,171,388	9,171,388	100.00%	624,167	9,795,555	106.81%	
2003	8,598,358	8,598,358	100.00%	528,975	9,127,333	106.15%	
2002	7,905,041	7,905,041	100.00%	445,665	8,350,706	105.64%	
2001	7,202,562	7,202,562	100.00%	379,051	7,581,613	105.26%	

**NOTES**

Article XIII A of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also establishes the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the article from imposing new ad valorem, sales or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 to \$100 of assessed valuation for county, cities, schools and special districts operating expenses. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of the taxes levied. This method was placed in effect by Solano County in the 1965/1966 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

Source: Solano County Auditor Controller's Office.

Schedule 9

CITY OF VACAVILLE  
Ratios of Outstanding Debt by Type  
Last Eight Fiscal Years

Fiscal Year	Governmental Activities						Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	City Loans	Redevelopment Loans	Certificates of Participation	Redevelopment Bonds	Capital Leases	Special Assessment Bonds	Total Governmental Activities	State Revolving Loan	Capital Leases	City Loans	Total Business-type Activities			
2010	\$ 3,353,055	\$ 1,202,228	\$ 4,330,000	\$ 63,144,510	\$ 3,878,801	\$ 31,740,000	\$ 107,648,594	\$ 59,286,601	\$ 482,232	\$ 204,956	\$ 59,973,789	\$ 167,622,383	5.98%	\$ 1,723
2009	3,420,555	1,412,320	5,270,000	65,329,440	4,225,557	36,440,000	116,097,872	62,475,097	538,283	304,956	63,318,336	179,416,208	6.66%	1,860
2008	3,620,769	1,616,772	17,375,000	68,095,560	4,386,742	38,910,000	134,004,843	65,579,716	365,883	404,956	66,350,555	200,355,398	7.62%	2,068
2007	1,587,485	1,809,596	18,540,000	69,572,870	4,180,923	42,625,000	138,315,874	65,621,100	62,507	-	65,683,607	203,999,481	7.82%	2,114
2006	2,007,430	1,792,420	19,645,000	53,386,370	4,466,613	46,130,000	127,427,833	68,437,147	120,000	-	68,557,147	195,984,980	7.68%	2,033
2005	810,607	2,073,587	20,695,000	51,862,330	3,382,546	11,913,650	90,737,720	71,179,114	-	-	71,179,114	161,916,834	6.44%	1,680
2004	955,046	1,586,616	21,700,000	52,930,750	2,798,023	47,145,000	127,115,435	61,980,796	-	-	61,980,796	189,096,231	7.68%	1,989
2003	1,337,052	1,450,328	22,026,539	50,669,473	2,580,129	51,450,000	129,513,521	54,307,953	-	-	54,307,953	183,821,474	7.81%	1,957

The City of Vacaville has elected to show only eight years of data for this schedule.

**Schedule 10**

**CITY OF VACAVILLE  
Direct and Overlapping Debt  
As of June 30, 2010**

City Assessed Valuation	\$ 9,937,891,890
Redevelopment Agency Incremental Valuation	<u>1,850,050,167</u>
Adjusted Assessed Valuation	<u><u>\$ 8,087,841,723</u></u>

	<u>Percentage</u>	<u>Outstanding Debt</u>	<u>Estimated Share</u> <u>of Overlapping</u> <u>Debt</u>
	<u>Applicable</u>		
	(1)		
<b>Overlapping Debt Repaid with Property Taxes:</b>			
Solano County Community College District	24.260%	\$ 112,430,090	\$ 27,275,540
Dixon Unified School District	0.764%	27,545,520	210,448
Fairfield-Suisun Joint Unified School District	0.183%	87,340,000	159,832
Vacaville Unified School District	88.198%	89,875,957	79,268,797
City of Vacaville Community Facilities District No. 2	100.000%	3,160,000	3,160,000
City of Vacaville 1915 Act Bonds	100.000%	<u>24,725,000</u>	<u>24,725,000</u>
Total overlapping debt repaid with property taxes		<u>345,076,567</u>	<u>134,799,617</u>
<b>Overlapping Other Debt:</b>			
Solano County Certificates of Participation	23.081%	127,355,000	29,394,808
Solano County Pension Obligations	23.081%	86,105,000	19,873,895
Solano County Board of Education Certificates of Participation	23.081%	2,750,000	634,728
Dixon Unified School District Certificates of Participation	0.764%	12,130,000	92,673
Travis Unified School District Certificates of Participation	59.381%	36,320,000	21,567,179
Vacaville Unified School District Certificates of Participation	88.198%	<u>12,832,173</u>	<u>11,317,720</u>
Total Overlapping other debt		<u>277,492,173</u>	<u>82,881,003</u>
Total Overlapping debt		<u>\$ 622,568,740</u>	217,680,620
City direct debt			<u>4,330,000</u>
Total direct and overlapping debt			<u>\$ 222,010,620</u> (2)

**NOTES**

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

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

Source: California Municipal Statistics, Inc.

**Schedule 11**

**CITY OF VACAVILLE  
Legal Debt Margin Information  
Last Ten Fiscal Years**  
(expressed in thousands of dollars)

	<b>Fiscal Year</b>									
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Assessed value	\$ 9,937,892	\$ 10,595,706	\$ 10,391,190	\$ 9,024,671	\$ 7,882,834	\$ 7,020,660	\$ 6,246,103	\$ 5,902,071	\$ 5,446,979	\$ 5,059,168
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,484,473	2,648,927	2,597,798	2,256,168	1,970,708	1,755,165	1,561,526	1,475,518	1,361,745	1,264,792
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	372,671	397,339	389,670	338,425	295,606	263,275	234,229	221,328	204,262	189,719
Total net debt applicable to limit:	-	-	-	-	-	-	-	-	-	-
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 372,671</u>	<u>\$ 397,339</u>	<u>\$ 389,670</u>	<u>\$ 338,425</u>	<u>\$ 295,606</u>	<u>\$ 263,275</u>	<u>\$ 234,229</u>	<u>\$ 221,328</u>	<u>\$ 204,262</u>	<u>\$ 189,719</u>
 Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: HDL & Cone, Solano County 2000/2001 - 2009/2010 Combined Tax Rolls.

**Schedule 12**

**CITY OF VACAVILLE  
Pledged-Revenue Coverage  
Last Ten Fiscal Years**  
(expressed in thousands of dollars)

**Water Revenue Bonds**

**Tax Allocation Bonds**

Fiscal Year	Water Revenue	Less Operating Expenses (1)	Net Available Revenue	Debt Service			Tax Increment	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2010	\$ 15,386	\$ 14,127	1,259	-	-	-	\$ 37,108	\$ 2,185	\$ 3,475	6.56
2009	14,797	13,327	1,470	-	-	-	37,083	2,766	3,337	6.08
2008	13,650	13,048	602	-	-	-	30,339	1,477	3,715	5.84
2007	16,975	13,189	3,786	-	-	-	28,911	2,688	3,308	4.82
2006	12,696	10,879	1,817	-	-	-	24,817	1,136	2,614	6.62
2005	11,503	10,300	1,203	-	-	-	23,463	1,068	2,674	6.27
2004	12,424	9,488	2,936	-	-	-	21,794	1,011	2,736	5.82
2003	11,515	8,247	3,268	-	-	-	19,730	1,011	2,956	4.97
2002	12,639	9,563	3,076	-	-	-	18,758	448	2,776	5.82
2001	8,691	11,664	(2,973)	-	-	-	17,815	581	1,561	8.32

**NOTE**

Water Revenue Bonds paid in full fiscal year 1994/95--no outstanding revenue bond indebtedness

(1) Expenses-exclude depreciation and debt service.

**Schedule 13**

**CITY OF VACAVILLE  
Demographic and Economic Statistics  
Last Ten Calendar Years**

<u>Year</u>	<u>Population</u> <sup>(1)</sup>	<u>Personal Income</u> <u>(thousands of dollars)</u>	<u>Per Capita</u> <u>Personal Income</u> <sup>(2)</sup>	<u>Unemployment</u> <u>Rate</u> <sup>(3)</sup>
2010	97,305	2,800,924	\$ 28,785	9.1%
2009	96,450	2,695,199	27,944	8.5%
2008	96,905	2,628,354	27,123	5.1%
2007	96,489	2,607,808	27,027	3.8%
2006	96,395	2,552,347	26,478	3.7%
2005	96,371	2,512,777	26,074	4.0%
2004	95,082	2,461,958	25,893	4.4%
2003	93,927	2,353,717	25,059	4.9%
2002	91,461	1,971,625	21,557	4.3%
2001	91,228	1,904,385	20,875	3.3%

Sources: (1) State of California Department of Finance  
(2) Claritas SiteReports  
(3) State of California Employment Development Department



**Schedule 14**

**CITY OF VACAVILLE  
Principal Employers  
Current Year and Ten Years Ago**

<b>Employer</b>	<b>2010</b>			<b>2001</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percent of Total Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percent of Total Employment</b>
California State Department of Corrections	3,553	1	8.60%	2,521	1	6.12%
Vacaville Unified School District	1,164	2	2.82%			
Kaiser Permanente	1,020	3	2.47%	320	6	0.78%
Genentech	850	4	2.06%	300	7	0.73%
City of Vacaville	734	5	1.78%			
State Compensation Insurance Co.	670	6	1.62%			
Alza Corporation	580	7	1.40%	550	3	1.33%
NorthBay VacaValley Hospital	479	8	1.16%	212	10	0.51%
Travis Credit Union	450	9	1.09%	370	5	0.90%
Mariani Packing Company	320	10	0.77%			
Albertsons				600	2	1.46%
Hines Nursery, Inc				380	4	0.92%
Wal-Mart Stores, Inc				295	8	0.72%
Simpson Dura-Vent				235	9	0.57%

**NOTES**

For Fiscal Year 2000/2001 the City of Vacaville did not include Vacaville Unified School District or itself as a major employer.

Source: State of California Employment Development Department

**Schedule 15**

**CITY OF VACAVILLE  
Full-time Equivalent City Government Employees by Function/Program  
Last Ten Fiscal Years**

**Full-time Equivalent Employees as of June 30,**

<u>Function/Program</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government										
City Attorney	4	4	4	4	4	4	4	4	4	4
City Manager	9	10	11	12	11	5	5	5	5	7
Finance	23	27	27	26	26	24	27	28	28	29
Human Resources	10	10	11	10	9	14	14	13	13	15
Information Technology	7	12	14	14	16	15	16	15	14	9
Community Development	14	14	21	22	26	22	24	25	22	27
Police Department	161	170	171	171	158	156	159	158	157	153
Fire Department	75	85	82	84	73	76	77	78	75	68
Community Services	16	16	20	20	20	17	20	20	20	23
Housing and Redevelopment	29	35	31	28	30	28	30	30	30	28
Public Works	<u>161</u>	<u>174</u>	<u>177</u>	<u>174</u>	<u>160</u>	<u>162</u>	<u>161</u>	<u>160</u>	<u>158</u>	<u>162</u>
Total	<u>509</u>	<u>557</u>	<u>569</u>	<u>565</u>	<u>533</u>	<u>523</u>	<u>537</u>	<u>536</u>	<u>526</u>	<u>525</u>

Sewer and Water Operations employees included in Public Works total.

**Schedule 16**  
**CITY OF VACAVILLE**  
**Operating Indicators by Function/Program**  
**Last Nine Fiscal Years**

<b>Function/Program</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>Fiscal Year 2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Fire</b>									
Emergency responses	8,020	8,360	8,155	7,812	7,554	6,677	6,445	6,434	*
Inspections	1,296	1,698	1,464	792	1,172	634	971	897	1,046
<b>Parks and Recreation</b>									
Number of recreation registrants	33,884	32,706	29,895	31,662	32,805	35,263	35,887	36,621	37,816
Number of facility rentals	611	780	910	852	733	759	677	648	707
<b>Police Department</b>									
Physical arrests	3,874	4,051	4,303	4,264	4,133	2,877	3,024	3,877	*
Parking citations issued	6,582	6,359	8,090	12,649	12,114	12,574	16,767	19,711	*
<b>Public Works</b>									
Street resurfacing (miles)	-	31.20	28.40	25.90	N/A	37.90	29.25	28.00	34.10
Potholes repaired	420	336	277	98	130	104	66	57	97
<b>Transit</b>									
Total revenue route miles	423,357	406,916	401,288	394,636	402,164	392,119	384,806	371,450	372,947
Passengers	350,410	302,461	280,691	222,367	211,280	211,609	241,522	260,055	214,102
<b>Wastewater</b>									
Average daily sewage treatment (million gallons per day)	8.29	8.45	8.45	8.25	9.97	9.20	8.70	8.10	8.60
<b>Water</b>									
New Connections (meter sets)	325	188	166	277	290	249	202	282	223
Average daily consumption (thousands gallons per day)	13,913	15,571	16,385.6	16,494.7	15,318.9	13,879.2	17,840.5	12,727.6	13,444.2

**NOTES**

N/A-Not available, this statistic is kept on calendar rather than a fiscal year basis.

\* Data not available

**Schedule 17  
CITY OF VACAVILLE  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire Engines	11	11	11	9	8	8	8	8	6	6
Parks and Recreation										
Parks	30	30	30	30	30	33	33	33	33	33
Park Acres	513	513	513	513	513	568	568	568	568	568
Special Community Facilities	6	6	6	6	6	6	6	6	6	6
Neighborhood Centers	11	11	11	11	11	11	9	9	9	9
Police Department										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	104	114	122	123	103	103	100	98	98	94
Police Motorcycles	9	9	9	9	9	9	9	6	6	6
Public Works										
Streets (centerline miles)	238	238	237	237	231	230	227	227	225	222
Traffic Signals	69	69	69	69	67	64	64	64	62	60
Transit Buses										
Fixed Route	12	12	12	12	12	12	12	12	12	7
Special Services	6	6	6	6	6	5	5	5	5	5
Wastewater										
Sewers (miles)	238	233	232	231	226	224	221	221	219	217
Storm Drain (miles)	140	134	134	132	128	127	125	124	123	121
Treatment Plants	1	1	1	1	3	2	2	2	2	2
Water										
Water Mains (miles)	283	278	277	276	269	267	265	264	260	257
Fire hydrants	3,413	3,348	3,338	3,320	3,231	3,207	3,166	3,146	3,076	3,019
Reservoirs	8	8	8	8	8	8	7	7	7	7
Wells	13	13	13	13	12	12	11	11	10	10