

City of Vacaville, California



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

CITY OF VACAVILLE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012



Prepared by: Department of Finance

CITY OF VACAVILLE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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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

January 8, 2013

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, 2012.

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 Badawi & Associates, 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, 2012. 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 92,000 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 \$64,000 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. 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, Coach, 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.

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 2011/2012 totaled \$15.8 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 received a low-interest State Revolving Fund loan. The City has gained approval from ratepayers to initiate a series of rate increases over a five year period 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 competitive with 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 2012-2013 calls for a further use of reserves and supplemental "one-time" funding. The reserve balance at June 30, 2012, is projected at approximately 4%.

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 2012-2013, the City is facing its' fifth consecutive year of declining revenues used to fund municipal services such as public safety, street and park maintenance and recreation programs. Over the past four 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 2012-2013 budget was based on a continuation of these spending reductions and the assumption that ongoing General Fund would finally stabilize.

On November 6, 2012, the Citizens of Vacaville approved Measure M, which will provide a ¼% sales tax increase for five years to assist in stabilizing the General Fund and continue essential services. The sales tax revenue will begin to be collected on April 1, 2013 and will be received by the City in July of 2013.

In Fiscal Year 2011-12, the State of California began its elimination of all Redevelopment Agencies in the State. The City has chosen to become the Successor Agency for the former Vacaville Redevelopment Agency and has begun the numerous steps necessary to complete the dissolution of the Agency. In Fiscal Year 2012-13 the Successor Agency will complete most of the final steps of dissolution and will transfer all uncommitted funds related to Redevelopment to Solano County for redistribution.

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, 2011. This was the twenty-first (21st) 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.

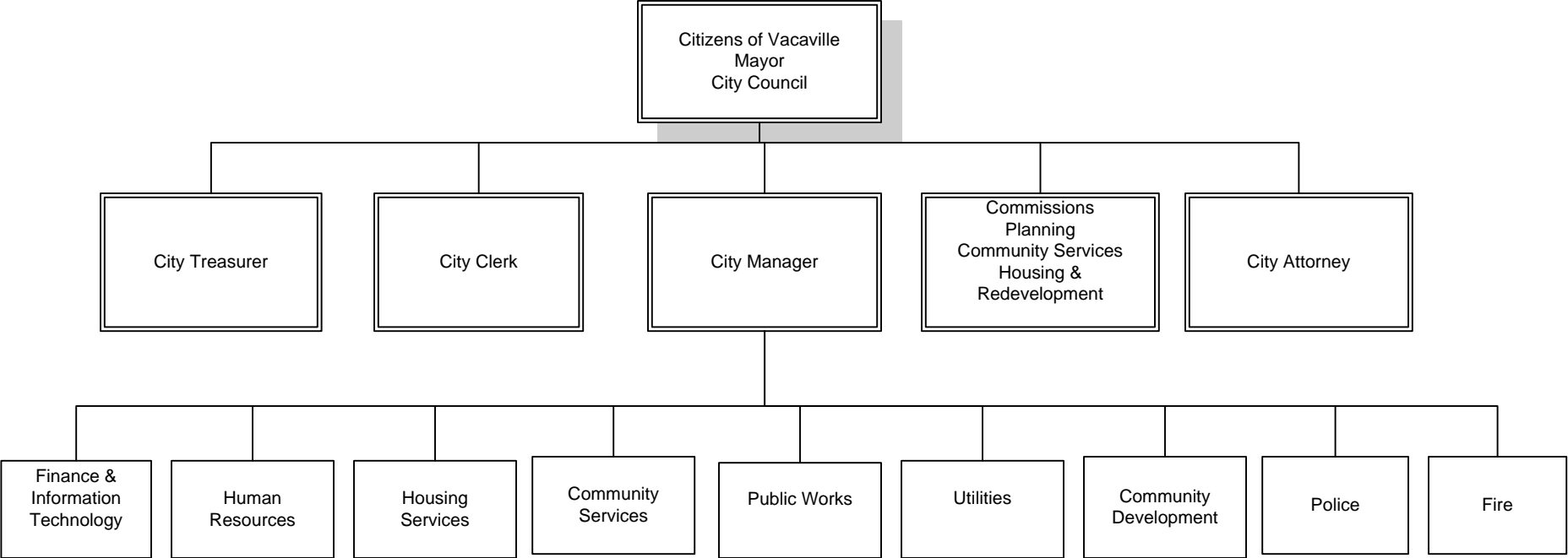
The preparation of this report would not have been possible without the highly professional and dedicated services of the entire staff of the Accounting Division, particularly the leadership of Davina Hatfield, Kimberly DeYoung and Ken Matsuyama. Credit must also be given to the Mayor, City Council,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

Respectfully submitted,



Jeremy T. Craig, CPA
Director of Finance and Information Technology
City of Vacaville

City of Vacaville Organization Chart



**City of Vacaville
List of Elected and Appointed Officials
June 30, 2012**

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
Director of Finance and Information Technology
Fire Chief
Chief of Police
Director of Public Works
Director of Community Development
Director of Housing
Director of Community Services
Director of Human Resources

Laura Kuhn
Gerald Hobrecht
Jeremy Craig, CPA
Frank Drayton
Richard Word
Rod Moresco
Maureen Carson
Cynthia Johnston
Kerry Walker
Dawn Del Biaggio

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, 2011

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.



Linda C. Sandson

President

Jeffrey R. Enos

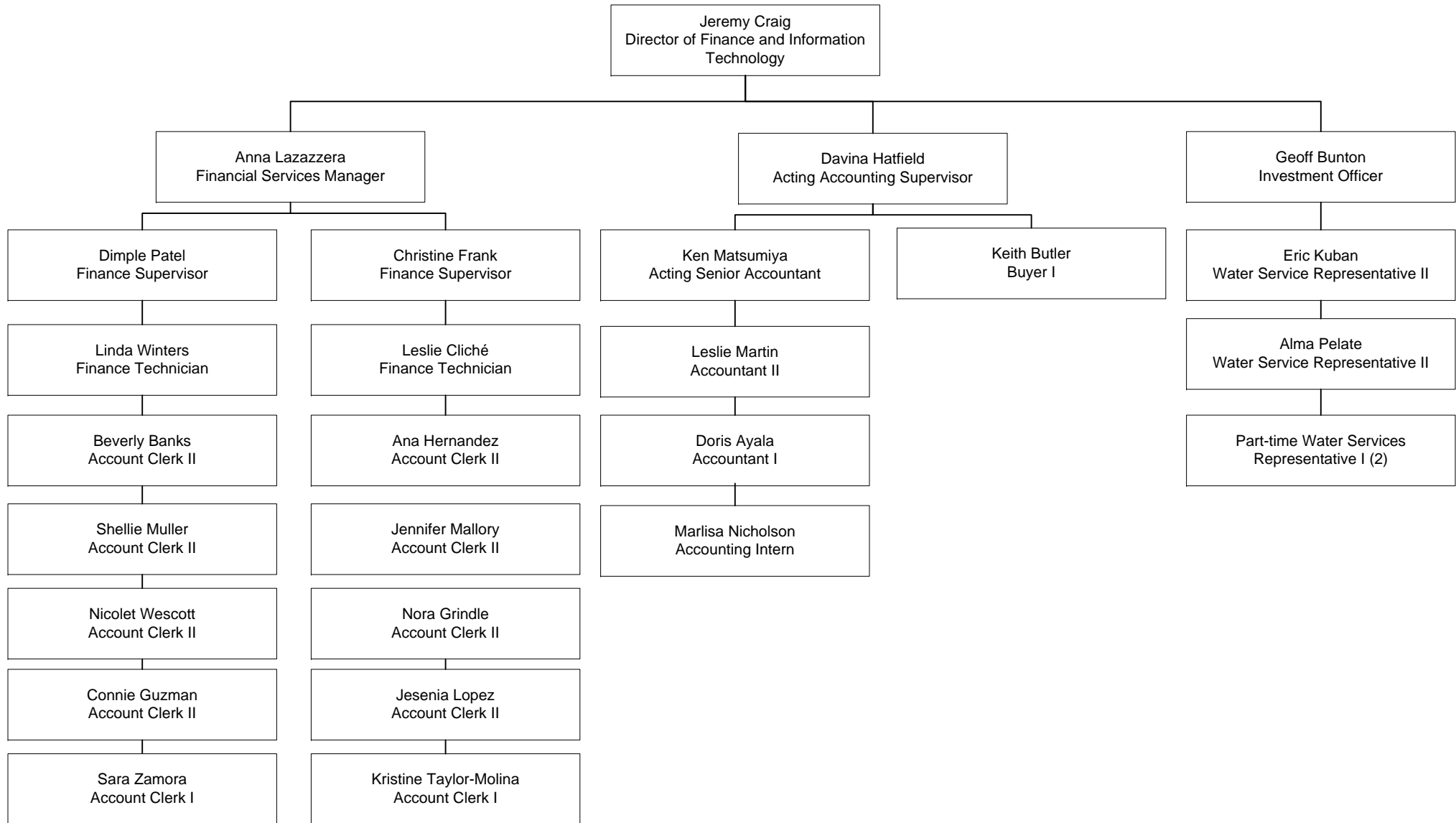
Executive Director

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, 2011. 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 twenty-one consecutive fiscal years ended June 30, 2011. 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 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 City of Vacaville, California (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

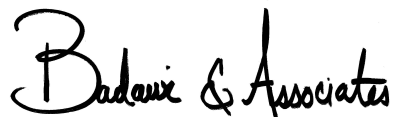
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the 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 January 8, 2013 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 City Council
of the City of Vacaville
Vacaville, California
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and budgetary comparison information on pages 3 through 16 and 99 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates
Certified Public Accountants
Oakland, California
January 8, 2013

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

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, 2012. 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-iv of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Assets exceeded liabilities at June 30, 2012 by \$767,585 (*net assets*). Of this amount, \$93,853 (*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 decreased by \$29,947 from the previous year. There was a decrease in net assets in governmental activities of \$32,735 related to the dissolution of Redevelopment and the creation of the Successor Agency as a private purpose trust fund. See the notes to the financial statements for more information on the impact of Redevelopment dissolution. There was an increase in net assets in business type activities of \$2,788 mainly from implementation of higher sewer rates and increase total water consumption.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$44,525, a decrease of \$54,009 in comparison with the prior year. This large decrease was due to the dissolution of the Redevelopment Agency. In accordance with the implementation of Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, fund balances are composed of three primary categories to increase the understanding of the availability of resources. The classifications establish a hierarchy based on the extent to which the city must observe constraints imposed upon the use of the resources that are reported. Applying governmental fund balances to the three primary categories the city has 10% categorized as Non-spendable, 88% as Restricted and 2% as Unrestricted (Committed, Assigned and Unassigned) fund balance.
- Total long-term obligations for governmental activities decreased by \$51,572 and total long-term obligations for business-type activities increased by \$23,647.
- Total liabilities decreased by \$31,225 (16.2%) 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).

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

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 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 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 thirteen 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, Successor Housing, Housing Assistance, and City 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 109-115 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.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

The governmental fund financial statements can be found on pages 21-25 of this report.

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 117-120 of this report.

The basic proprietary fund financial statements can be found on pages 27-33 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 35-37 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 39-98 of this report.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

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.

	GOVERNMENTAL ACTIVITIES		NET ASSETS BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 93,068	\$ 147,087	\$ 99,546	\$ 91,634	\$ 192,614	\$ 238,721
Capital assets	439,349	478,448	297,015	272,980	736,364	751,428
Total assets	532,417	625,535	396,561	364,614	928,978	990,149
Current and other liabilities	13,640	22,451	12,662	7,151	26,302	29,602
Long-term obligations	45,444	97,016	89,647	66,000	135,091	163,016
Total liabilities	59,084	119,467	102,309	73,151	161,393	192,618
Net assets:						
Invested in capital assets, net of related debt	431,692	407,621	214,851	216,439	646,543	624,060
Restricted	27,189	27,685	-	-	27,189	27,685
Unrestricted	14,452	70,762	79,401	75,025	93,853	145,787
Total Net Assets	<u>\$ 473,333</u>	<u>\$ 506,068</u>	<u>\$ 294,252</u>	<u>\$ 291,464</u>	<u>\$ 767,585</u>	<u>\$ 797,532</u>

As noted earlier, the City's assets exceeded liabilities by \$767,585 at June 30, 2012, a decrease of \$29,947 from June 30, 2011. By far the largest portion of net assets (80%) 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 6% of net assets represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets (3%) may be used to meet the City's ongoing obligations to its citizens and creditors.

Total net assets decreased by \$29,947 during the current fiscal year, which reflects a \$32,735 decrease in governmental activities and a \$2,788 increase in business type activities mainly from implementation of higher sewer rates and increase total water consumption.

Following is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2012, 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, 2012
(Amounts expressed in thousands)

CITY OF VACAVILLE'S CHANGES IN NET ASSETS							
(Expressed in Thousands of Dollars)							
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL		
	2012	2011	2012	2011	2012	2011	
REVENUES:							
Program Revenues:							
Charges for services	\$ 13,470	\$ 14,925	\$ 40,509	\$ 37,270	\$ 53,979	\$ 52,195	
Operating grants & contributions	15,330	16,360	2,108	1,696	17,438	18,056	
Capital grants & contributions	4,205	10,026	3,407	4,097	7,612	14,123	
General Revenues:							
Taxes:							
Property taxes	43,463	61,385	91	84	43,554	61,469	
Sales taxes	15,766	15,218	-	-	15,766	15,218	
Franchise taxes	2,461	2,441	-	-	2,461	2,441	
Transient lodging tax	986	955	-	-	986	955	
Business license tax	292	290	-	-	292	290	
Excise tax	2,302	2,262	-	-	2,302	2,262	
Gasoline tax	2,717	2,426	-	-	2,717	2,426	
Vehicle license taxes	-	569	-	-	-	569	
Unrestricted capital contributions	2,271	3,856	1,172	7,438	3,443	11,294	
Interest and other	1,264	1,812	386	1,310	1,650	3,122	
Total revenues	<u>104,527</u>	<u>132,525</u>	<u>47,673</u>	<u>51,895</u>	<u>152,200</u>	<u>184,420</u>	
Expenses:							
Governmental activities:							
General government	6,803	4,601	-	-	6,803	4,601	
Public safety	46,439	45,563	-	-	46,439	45,563	
Public works	19,978	26,123	-	-	19,978	26,123	
Community services	12,423	12,467	-	-	12,423	12,467	
Housing	14,637	15,209	-	-	14,637	15,209	
Redevelopment	11,981	25,720	-	-	11,981	25,720	
Interest on long-term debt	1,582	4,151	-	-	1,582	4,151	
Business-type activities:							
Sewer	-	-	23,792	23,464	23,792	23,464	
Water	-	-	16,637	16,601	16,637	16,601	
Transit	-	-	4,064	4,322	4,064	4,322	
Total expenses	<u>113,843</u>	<u>133,834</u>	<u>44,493</u>	<u>44,387</u>	<u>158,336</u>	<u>178,221</u>	
Increase (decrease) in net assets before transfers	(9,316)	(1,309)	3,180	7,508	(6,136)	6,199	
Transfers	1,095	589	(1,095)	(589)	-	-	
Increase (decrease) in net assets	(8,221)	(720)	2,085	6,919	(6,136)	6,199	
Prior period adjustment (Note 19)	(2,111)	-	703	(8,229)	(1,408)	(8,229)	
Extraordinary loss	(22,403)	-	-	-	(22,403)	-	
Net assets-July 1, 2011	506,068	506,788	291,464	292,774	797,532	799,562	
Net assets-June 30, 2012	<u>\$ 473,333</u>	<u>\$ 506,068</u>	<u>\$ 294,252</u>	<u>\$ 291,464</u>	<u>\$ 767,585</u>	<u>\$ 797,532</u>	

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Governmental activities. Governmental activities decreased the City's net assets by \$10,046. Net assets decreased by \$720 during the previous fiscal year. Key elements of this year's activity in relation to the prior year are as follows:

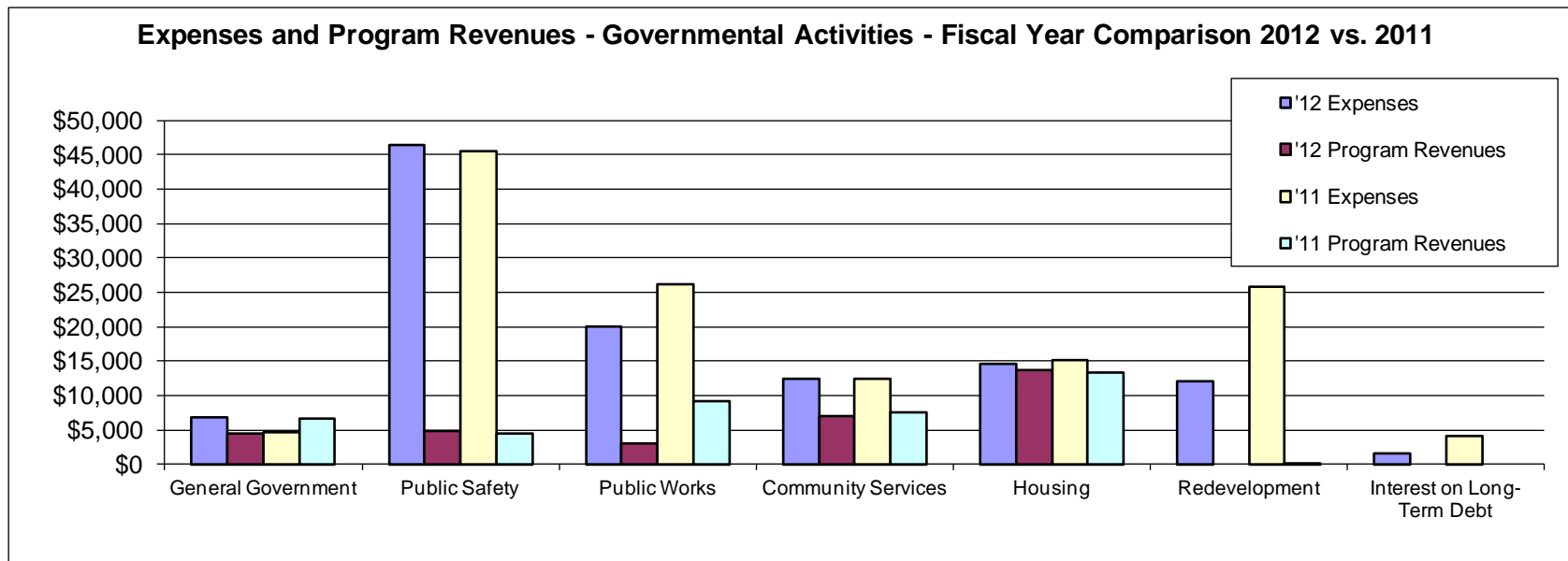
Revenues:

Overall, revenues in 2012 were down \$27,998 (21%) compared with 2011 primarily due to the dissolution of Redevelopment and its associated property tax revenues.

- Property taxes decreased \$17,922 in 2012, principally due to the decrease in property values and Redevelopment dissolution resulted in no property taxes received for one-half of the year.
- Sales tax revenue was up 4% from the previous year. Vacaville experienced an increase in sales tax revenue primarily related to the increase in general consumer goods, fuel and auto sales.
- Interest earnings decreased by \$548 due to historically low investment yields. The City's governmental and business-type activities combined cash portfolio decreased by \$21 million and the low interest rates reduced potential investment yields.

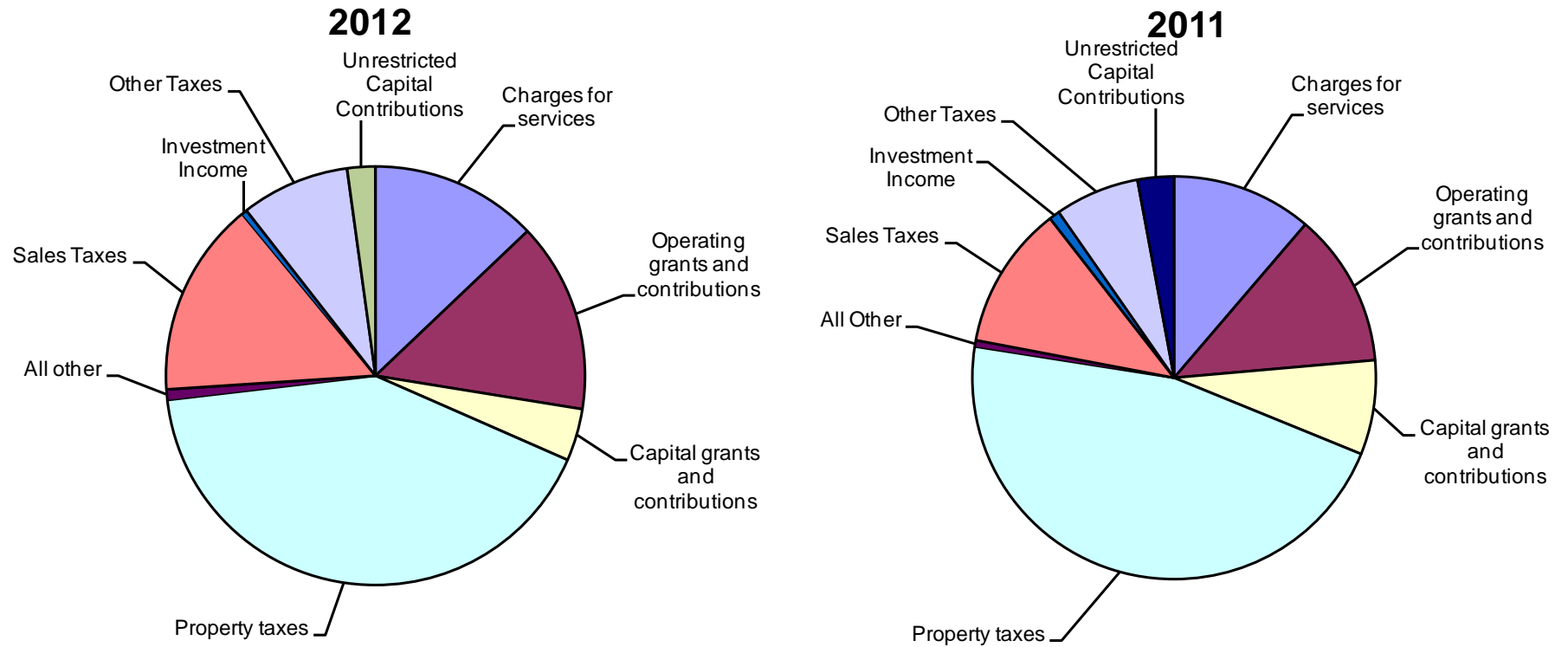
Expenses:

- While significant variances between years exist for the various expense functions, the total net decrease was approximately \$19.9 million. The most significant reduction was due to the Redevelopment Agency's dissolution which eliminated most of its expenses for the year.



CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

Revenues by Source – Governmental Activities – Fiscal Year Comparison

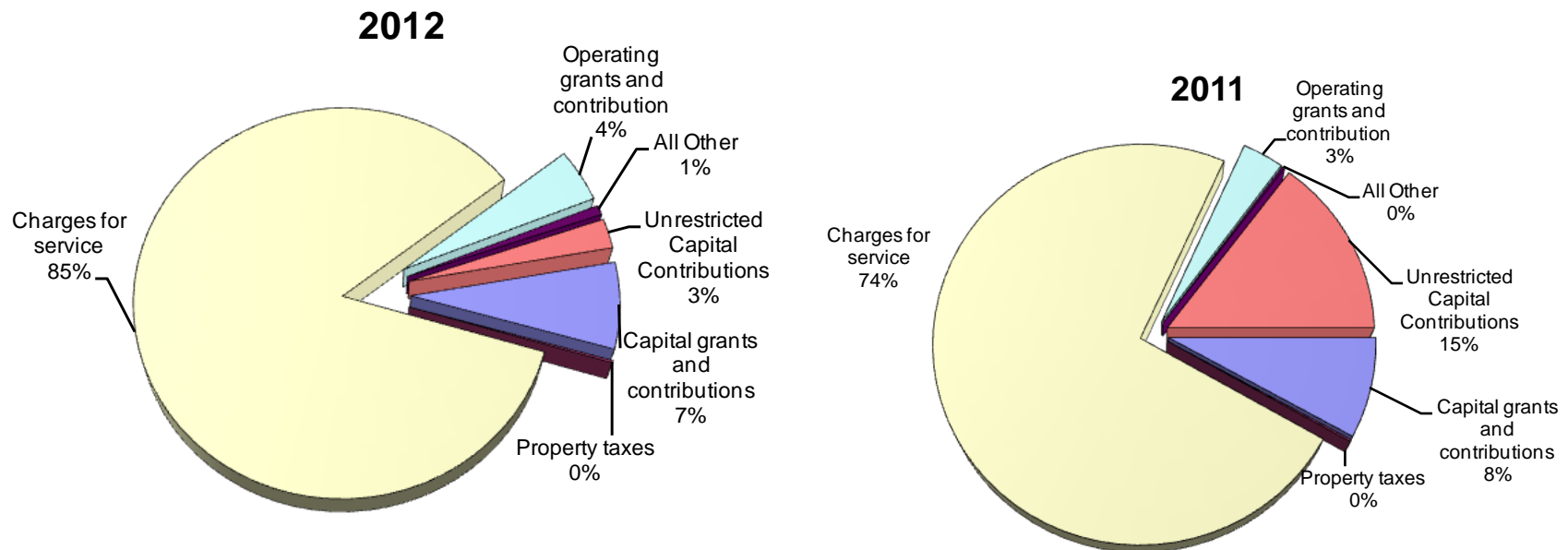


CITY OF VACAVILLE
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Business-type activities. Business-type activities increased the City's net assets by \$2,788. By way of comparison, the net assets of business type activities decreased by \$1,310 in 2011. Key elements of 2012 increase in net assets 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) decreased \$690 in the current year to \$3,407. As a result of economic conditions, the City saw a decrease in capital contributions from development activity.
- The total decrease in expenses for business-type activities was \$105. In the prior year, Transit non-operational costs were higher due to the loss recorded on sale of 12 fuel powered city busses with a book value greater than the sale price.

Revenues by Source-Business Type Activities - Fiscal Year Comparison

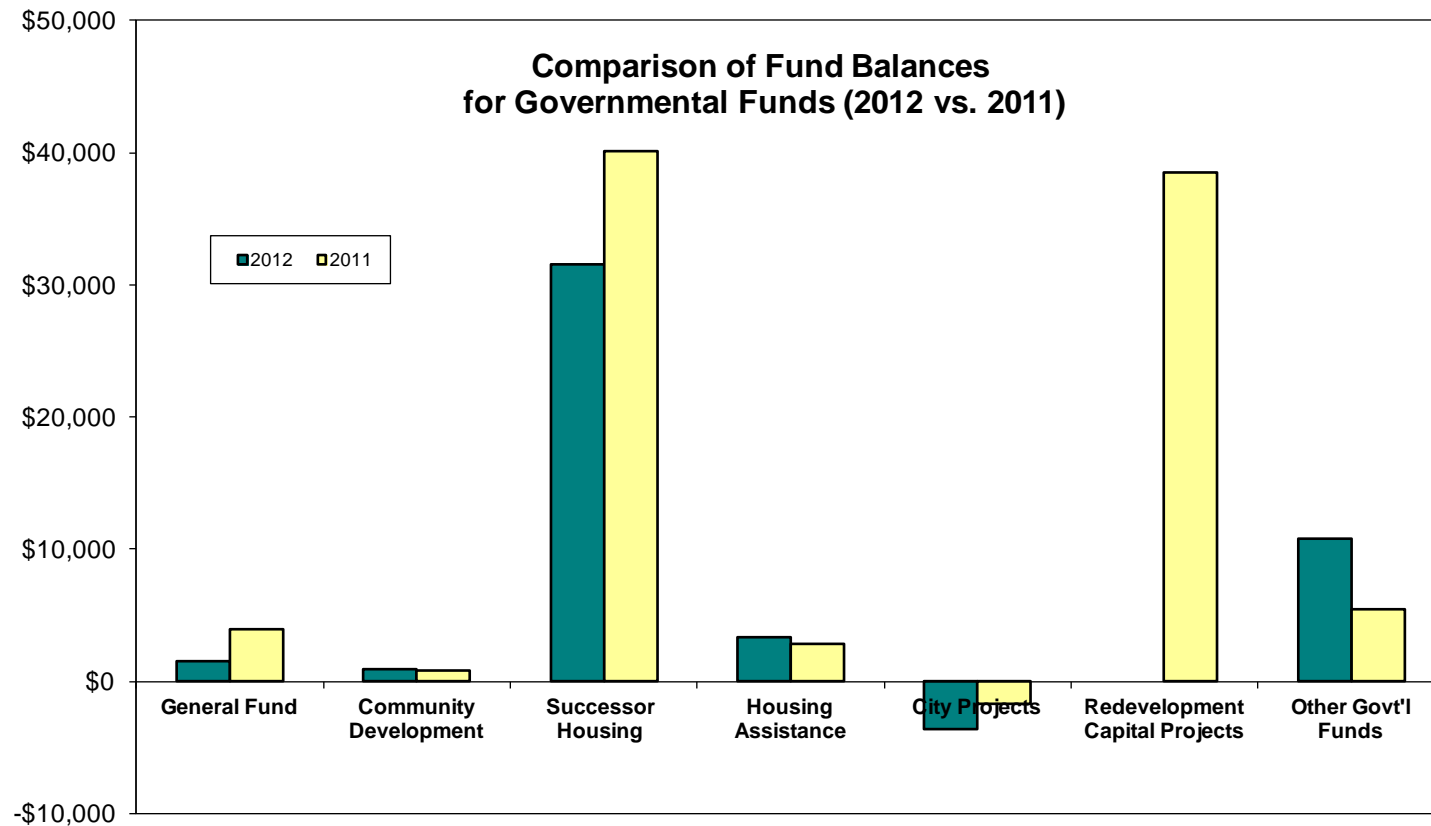


CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

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, the fund balance classification for *unrestricted fund balance* including; Committed-internally imposed restrictions set by formal action of the city council, Assigned-intended to be used for specific purposes that are neither restricted or committed, and Unassigned-positive fund balance within the general fund which has not been classified and negative fund balances from other governmental funds, 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 2012 and 2011 fund balances for the City's General, Community Development, Successor Housing, Housing Assistance, City 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.



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Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

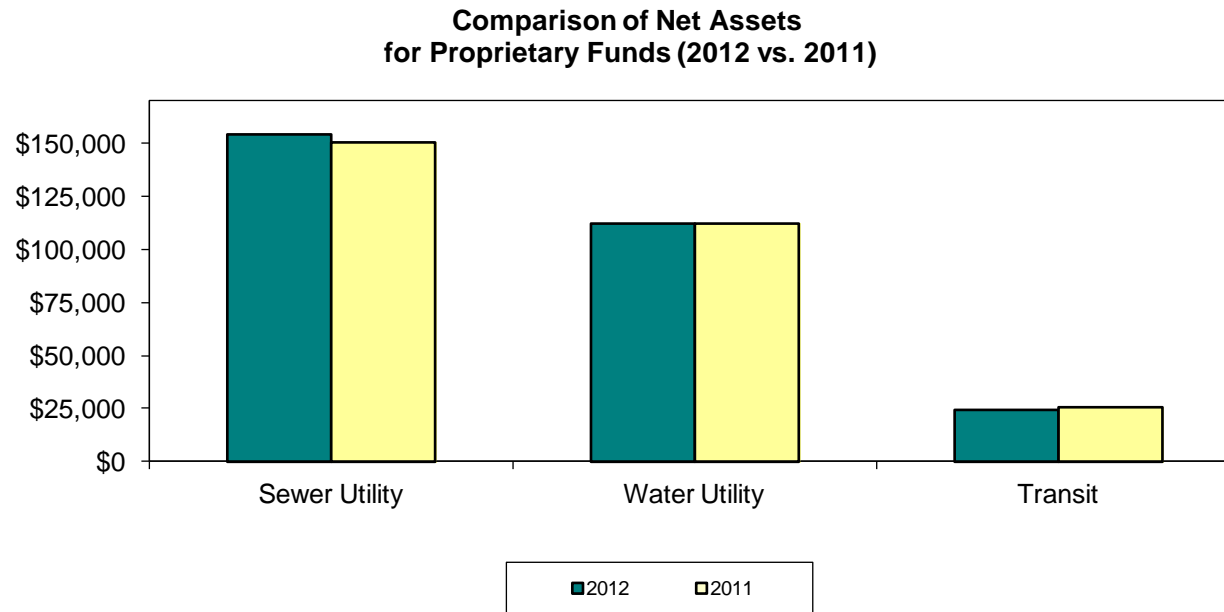
As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$44,525 a decrease of \$54,009 in comparison with the prior year. The majority of fund balance is either *Non-spendable* to indicate that it is not available for future spending because it is not in spendable form or is legally required to be maintained such as prepaid items (\$449), or *Restricted* to indicate there are spending constraints externally imposed on the city for purposes such as loans and long-term receivables (\$31,559), in addition to a variety of other restricted purposes.

The General Fund is the primary operating fund of the City. At June 30, 2012, fund balance, including Committed, Assigned and Unassigned, of the General Fund was \$1,562. This amount can be viewed as the City's emergency operating reserve and is often measured as a percent of ongoing operating expenditures. The fund balance of the City's General Fund decreased by \$2,363 during the current fiscal year. The decrease in fund balance was related to prior period and current year adjustments for our pension prefunding.

The Redevelopment Capital Projects was closed in the current year as part of the dissolution of the Redevelopment Agency and balances were transferred to the Successor Agency private purpose trust fund.

The City Projects fund has a total fund balance of (\$3,601). The negative fund balance increased over the prior year due to a prior period adjustment and the timing of designing projects to be reimbursed by development which has not occurred.

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 2012 and 2011 net asset balances for the City's Sewer, Water and Transit Funds.



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Unrestricted net assets at the end of the year amounted to \$41,121 for the sewer utility and \$36,225 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 \$3,647 and the decrease in water operations was \$214 respectively. The decrease in total net assets for transit operations was \$1,208. 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	\$ 56,673	\$ 56,699	\$ 57,553	\$ 854
Expenditures:				
General government	3,902	4,120	3,747	373
Public safety	42,410	41,602	43,627	(2,025)
Public Works	4,476	4,445	4,537	(92)
Community services	8,081	7,938	7,729	209
Housing	-	-	-	-
Debt service	260	260	287	(27)
Total expenditures	59,129	58,365	59,927	(1,562)
Revenue over (under) expenditures	(2,456)	(1,666)	(2,374)	(708)
Other financing sources (uses)	869	878	1,153	275
Net change in fund balance	\$ (1,587)	\$ (788)	(1,221)	\$ (433)
Beginning fund balance			3,924	
Prior period adjustment			(1,142)	
Ending fund balance			\$ 1,561	

Final budgeted expenditures were less than the original budgeted expenditures by \$764. 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 1.5% more than the budget. This was primarily due to higher than anticipated property tax revenues related to the dissolution of Redevelopment.
- Actual expenditures were \$1.56 million above budget for the year. This unfavorable variance was mainly due to the prepayment of the city's PERS obligation. All departments were asked to reduce their spending.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

- The net effect of all of the above was a favorable variance from the amounts budgeted of \$1,504.

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, 2012, amounted to \$736,364 (net of accumulated depreciation). This investment includes land, buildings and improvements, park facilities, equipment, vehicles, roads and bridges. The total decrease in the City's net investment in capital assets for the current fiscal year was \$15,064 (\$39,099 for governmental activities, including internal service funds and an increase of \$24,035 for business type activities).

CAPITAL ASSETS						
(net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 198,003	\$ 204,039	\$ 9,742	\$ 9,672	\$ 207,745	\$ 213,711
Buildings and improvement:	36,314	39,988	159,040	137,834	195,354	177,822
Equipment	1,295	1,498	6,050	6,624	7,345	8,122
Vehicles	3,155	2,845	1,257	1,439	4,412	4,284
Infrastructure	195,503	220,821	68,805	68,637	264,308	289,458
Intangibles	-	788	-	-	-	788
Construction in progress	5,079	9,183	52,121	49,626	57,200	58,809
Total	<u>\$ 439,349</u>	<u>\$ 479,162</u>	<u>\$ 297,015</u>	<u>\$ 273,832</u>	<u>\$ 736,364</u>	<u>\$ 752,994</u>

Major capital asset events during the current fiscal year included completion of the Bella Vista/I-80 soundwall and the replacement of heating, ventilation, and air conditioning equipment and controls at City Hall and the Ulatis Community Center. Construction-in-progress for business-type activities most significantly reflects amounts spent on the four phases of the Tertiary Project, Planning, Denitrification Improvements, Laboratory Expansion and the Filtration Improvements.

Additional information on the City's capital assets can be found in Note 5 on pages 56-60.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$90,490. Of this amount, \$90,490 comprises debt backed by the full faith and credit of the government.

OUTSTANDING DEBT
(expressed in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Bonds payable	\$ -	\$ 60,631	\$ -	\$ -	\$ -	\$ 60,631
Capital lease obligations	3,264	3,680	363	424	3,627	4,104
Certificates of participation	2,285	3,335	-	-	2,285	3,335
Note payable	-	-	-	105	-	105
Loans payable	<u>2,777</u>	<u>3,907</u>	<u>81,801</u>	<u>56,012</u>	<u>84,578</u>	<u>59,919</u>
Total	<u>\$ 8,326</u>	<u>\$ 71,553</u>	<u>\$ 82,164</u>	<u>\$ 56,541</u>	<u>\$ 90,490</u>	<u>\$ 128,094</u>

The City's total debt decreased by \$37,604 during the current fiscal year, due primarily to the dissolution of Redevelopment and the transfer of those debts to the Successor Agency (see more detail in Note 6 to the financial statements). Increases in Business-type activity are due to construction loans incurred in the construction of the Tertiary Sewer Treatment Plant.

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 60-76 of this report.

Economic Factors and Next Year's Budget

The sluggish recovery in the State of California continues to have a dampening effect on municipal revenues. While the City has taken major steps over the past five years to reduce spending, the decline in operating revenue (primarily sales taxes and property taxes) continued to outpace those efforts. In response to this ongoing fiscal stress, the City asked the voters to approve a temporary (five year) one-quarter cent sales tax which was passed by the voters in November of 2012. This new revenue source will stabilize the City's General Fund and is projected to create budget surpluses to begin replenishing the City's emergency reserve which has been depleted during the economic downturn.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2012
(Amounts expressed in thousands)

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 decrease 3% in FY 2012-2013, while sales tax is projected to grow by around 2%. (Note that even though sales tax is expected to increase next year, it remains well below the level received prior to the economic downturn.) While the budget assumes a small operating surplus in FY 2012-2013, 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.

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 legislative action to dissolve all Redevelopment Agencies in the State effective February 1, 2012. In addition to the loss of funding for critical economic development, public safety and infrastructure programs, twenty percent of all Redevelopment revenues were dedicated to Housing programs. While City staff has been overwhelmed with the work required to comply with the dissolution actions, there are currently no programs in place to provide funding for economic or housing programs outside of grant programs. The lack of these vital programs could negatively impact the City in future years if the State Legislature does not create alternative programs to address these community needs.

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 for contact information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF VACAVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and investments	\$ 32,888,316	\$ 67,400,159	\$ 100,288,475
Receivables, net of allowance for uncollectibles:			
Interest	328,106	-	328,106
Taxes	3,560,381	-	3,560,381
Accounts	7,086,069	9,292,747	16,378,816
Loans	39,680,141	-	39,680,141
Employee benefits	712,015	-	712,015
Inventories	166,433	-	166,433
Prepaid Items	1,452,778	-	1,452,778
Deferred charges	668,141	-	668,141
Internal balances	(2,391,356)	2,391,356	-
Total current assets	84,151,024	79,084,262	163,235,286
Noncurrent assets:			
Restricted cash and investments	8,531,119	-	8,531,119
Deposits	385,640	-	385,640
Investment in joint venture	-	20,461,896	20,461,896
Capital assets:			
Capital assets, non-depreciable	203,081,761	61,863,206	264,944,967
Capital assets, net of accumulated depreciation	236,267,185	235,152,122	471,419,307
Total capital assets	439,348,946	297,015,328	736,364,274
Total noncurrent assets	448,265,705	317,477,224	765,742,929
Total assets	532,416,729	396,561,486	928,978,215
LIABILITIES			
Current liabilities:			
Obligation - reverse repurchase agreement	2,467,000	-	2,467,000
Accounts payable and contract payable	2,434,052	6,526,307	8,960,359
Accrued payroll	2,350,291	468,922	2,819,213
Interest payable	460,258	22,868	483,126
Compensated absences-due within one year	705,933	126,690	832,623
Claims payable - due within one year	1,780,000	-	1,780,000
Long-term liabilities - due within one year	3,442,938	5,517,331	8,960,269
Total current liabilities	13,640,472	12,662,118	26,302,590
Noncurrent liabilities:			
Deposits payable	13,475,230	8,838,167	22,313,397
Due to other governments	-	30,264	30,264
Unearned revenue	4,323,307	628,644	4,951,951
Long-term payable to trust fund	6,674,216	-	6,674,216
Compensated absences-due in more than a year	7,072,565	955,849	8,028,414
Claims payable-due in more than a year	4,466,000	-	4,466,000
Remediation liability-due in more than a year	-	1,355,000	1,355,000
Net OPEB obligation	4,549,288	1,192,624	5,741,912
Long-term liabilities-due in more than a year	4,882,952	76,646,547	81,529,499
Total noncurrent liabilities	45,443,558	89,647,095	135,090,653
Total liabilities	59,084,030	102,309,213	161,393,243
NET ASSETS			
Invested in capital assets, net of related debt	431,691,197	214,851,450	646,542,647
Restricted for:			
Capital projects	12,994,072	-	12,994,072
Debt service	5,499,661	-	5,499,661
Highway and streets	1,065,267	-	1,065,267
Housing	6,241,108	-	6,241,108
Special programs	1,389,004	-	1,389,004
Total restricted	27,189,112	-	27,189,112
Unrestricted	14,452,390	79,400,823	93,853,213
Total net assets	\$ 473,332,699	\$ 294,252,273	\$ 767,584,972

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

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
Governmental activities:								
General government	\$ 6,802,520	\$ 2,866,135	\$ 30,886	\$ 1,579,766	\$ 4,476,787	\$ (2,325,733)	\$ -	\$ (2,325,733)
Public safety	46,439,076	3,497,154	1,367,387	-	4,864,541	(41,574,535)	-	(41,574,535)
Public works	19,977,924	125,669	340,147	2,625,096	3,090,912	(16,887,012)	-	(16,887,012)
Community services	12,423,478	6,006,669	940,719	-	6,947,388	(5,476,090)	-	(5,476,090)
Housing	14,637,249	974,946	12,650,765	-	13,625,711	(1,011,538)	-	(1,011,538)
Redevelopment	11,981,565	-	-	-	-	(11,981,565)	-	(11,981,565)
Interest on long-term debt	1,581,003	-	-	-	-	(1,581,003)	-	(1,581,003)
Total governmental activities	113,842,815	13,470,573	15,329,904	4,204,862	33,005,339	(80,837,476)	-	(80,837,476)
Business-type activities:								
Sewer	23,792,415	25,340,448	-	2,096,435	27,436,883	-	3,644,468	3,644,468
Water	16,636,919	14,665,303	-	1,310,461	15,975,764	-	(661,155)	(661,155)
Transit	4,064,049	502,956	2,108,649	-	2,611,605	-	(1,452,444)	(1,452,444)
Total business-type activities	44,493,383	40,508,707	2,108,649	3,406,896	46,024,252	-	1,530,869	1,530,869
Total primary government	\$ 158,336,198	\$ 53,979,280	\$ 17,438,553	\$ 7,611,758	\$ 79,029,591	(80,837,476)	1,530,869	(79,306,607)
General revenues:								
Taxes:								
Property taxes						43,463,105	91,029	43,554,134
Sales						15,765,675	-	15,765,675
Franchise taxes						2,461,492	-	2,461,492
Transient lodging tax						985,637	-	985,637
Business license tax						291,632	-	291,632
Excise tax						2,301,665	-	2,301,665
Gasoline tax						2,717,366	-	2,717,366
Subtotal taxes						67,986,572	91,029	68,077,601
Investment income						436,732	375,158	811,890
Unrestricted capital contributions						2,271,375	1,172,355	3,443,730
Miscellaneous						826,971	11,157	838,128
Extraordinary item - loss on dissolution of Redevelopment Agency (Note 15)						(22,403,301)	-	(22,403,301)
Transfers						1,094,915	(1,094,915)	-
Total general revenues, special item and transfers						50,213,264	554,784	50,768,048
Change in net assets						(30,624,212)	2,085,653	(28,538,559)
Net assets, beginning of year						506,067,883	291,463,838	797,531,721
Prior period adjustment (Note 19)						(2,110,972)	702,782	(1,408,190)
Net assets, beginning of year as restated						503,956,911	292,166,620	796,123,531
Net assets, end of year						\$ 473,332,699	\$ 294,252,273	\$ 767,584,972

See accompanying Notes to Basic Financial Statements.



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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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.

SUCCESSOR HOUSING

Formerly accounted 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. Upon dissolution of the Redevelopment Agency, the City will continue to use these funds for low and moderate housing purposes.

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 for the rehabilitation for rental property. Funds are received from the U.S. Department of Housing and Urban Development's Section 8 Voucher Housing Programs and State Rehabilitation Programs.

CITY PROJECTS

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

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, 2012

	MAJOR FUNDS							
	GENERAL	COMMUNITY DEVELOPMENT	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS								
Cash and investments	\$ 2,274,489	\$ 590,644	\$ 579,625	\$ 2,377,964	\$ 12,390,499	\$ -	\$ 8,685,551	\$ 26,898,772
Receivables:								
Interest	327,128	-	-	-	-	-	978	328,106
Taxes	3,296,928	-	-	-	227,566	-	35,887	3,560,381
Accounts	3,323,309	44,067	15,786	50,199	3,142,802	-	447,382	7,023,545
Loans	-	11,171,350	27,950,856	300,000	257,935	-	-	39,680,141
Prepaid items	449,482	-	-	1,003,296	-	-	-	1,452,778
Restricted cash and investments held by fiscal agent	-	-	-	-	-	-	8,531,119	8,531,119
Deposits	276,249	-	-	-	-	-	-	276,249
Advances to other funds	317,486	-	-	-	-	-	-	317,486
Due from RDA Successor Agency	-	-	3,118,743	-	290,883	-	-	3,409,626
Total assets	\$ 10,265,071	\$ 11,806,061	\$ 31,665,010	\$ 3,731,459	\$ 16,309,685	\$ -	\$ 17,700,917	\$ 91,478,203
LIABILITIES AND FUND BALANCES								
Liabilities:								
Obligation - reverse repurchase agreement	\$ 2,467,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,467,000
Accounts and contract payable	804,897	5,370	10,895	4,716	1,201,496	-	151,276	2,178,650
Accrued payroll	1,981,944	304	11,968	54,904	47,621	-	149,736	2,246,477
Deposits payable	3,117,917	898	61,825	372,144	5,604,567	-	4,316,044	13,473,395
Deferred revenue	331,767	10,873,678	-	-	993,149	-	2,290,613	14,489,207
Due to RDA Successor Agency	-	-	-	-	10,083,842	-	-	10,083,842
Advances from other funds	-	-	-	-	1,980,267	-	34,653	2,014,920
Total liabilities	8,703,525	10,880,250	84,688	431,764	19,910,942	-	6,942,322	46,953,491
Fund Balances:								
Nonspendable	766,968	-	-	1,003,296	-	-	-	1,770,264
Restricted	128,021	925,811	31,558,933	2,296,399	-	-	10,758,595	45,667,759
Assigned	666,557	-	21,389	-	-	-	-	687,946
Unassigned	-	-	-	-	(3,601,257)	-	-	(3,601,257)
Total fund balances	1,561,546	925,811	31,580,322	3,299,695	(3,601,257)	-	10,758,595	44,524,712
Total liabilities and fund balances	\$ 10,265,071	\$ 11,806,061	\$ 31,665,010	\$ 3,731,459	\$ 16,309,685	\$ -	\$ 17,700,917	\$ 91,478,203

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, 2012

TOTAL FUND BALANCES- TOTAL GOVERNMENTAL FUNDS	\$ 44,524,712
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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:

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 internal service funds (Central Services & Technology Replacement) capital assets of \$648,017.	438,700,929
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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.	386,951
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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	(4,549,288)
Deferred charges	668,141
Long-term debt	(8,325,890)
Compensated absences	(7,778,498)
Interest payable	(460,258)

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.	10,165,900
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 473,332,699
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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, 2012

	GENERAL	COMMUNITY DEVELOPMENT	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:								
Taxes and fees	\$ 49,219,210	\$ -	\$ -	\$ -	\$ 1,579,766	\$ 14,524,151	\$ 4,080,927	\$ 69,404,054
Licenses and permits	206,155	-	-	-	-	-	1,197,290	1,403,445
Investment income	460,028	276	12,582	7,845	25,557	152,063	239,589	897,940
Intergovernmental	125,064	863,873	-	13,620,253	4,986,519	-	1,989,944	21,585,653
Charges for services	6,933,634	-	-	55,651	-	-	803,548	7,792,833
Fines, forfeitures, and penalties	367,633	-	-	-	-	-	62,295	429,928
Other	241,596	-	20,296	57,419	255,917	12,773	176,330	764,331
Total revenues	57,553,320	864,149	32,878	13,741,168	6,847,759	14,688,987	8,549,923	102,278,184
EXPENDITURES:								
Current:								
General government	3,747,787	-	-	-	-	-	2,357,050	6,104,837
Public safety	43,627,581	-	-	-	-	-	1,533,213	45,160,794
Public works	4,536,776	-	-	-	243,346	-	1,070,432	5,850,554
Community services	7,728,716	489,041	-	64,983	-	-	3,527,657	11,810,397
Housing	-	-	465,392	13,540,700	-	-	921,777	14,927,869
Redevelopment	-	-	-	-	-	11,818,181	-	11,818,181
Capital outlay	-	-	-	-	8,034,835	387,844	-	8,422,679
Principal	214,288	-	-	-	230,522	-	3,267,334	3,712,144
Interest and fiscal charges	72,880	-	-	-	326,567	-	1,885,114	2,284,561
Total expenditures	59,928,028	489,041	465,392	13,605,683	8,835,270	12,206,025	14,562,577	110,092,016
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,374,708)	375,108	(432,514)	135,485	(1,987,511)	2,482,962	(6,012,654)	(7,813,832)
OTHER FINANCING SOURCES (USES):								
Transfers in	2,948,168	-	30,752,836	300,000	1,403,142	1,002,639	12,546,646	48,953,431
Transfers out	(1,804,854)	(300,000)	-	-	(1,291,232)	(11,949,772)	(32,637,766)	(47,983,624)
Sale of capital assets	10,080	-	1,260,000	-	-	-	-	1,270,080
Total other financing sources (uses)	1,153,394	(300,000)	32,012,836	300,000	111,910	(10,947,133)	(20,091,120)	2,239,887
EXTRAORDINARY ITEM								
Extraordinary loss	-	-	-	-	-	(30,069,472)	(15,571,844)	(45,641,316)
NET CHANGES IN TOTAL FUND BALANCE	(1,221,314)	75,108	31,580,322	435,485	(1,875,601)	(38,533,643)	(41,675,618)	(51,215,261)
Fund balances, beginning of year								
as previously reported	3,924,411	852,514	-	2,880,885	(133,305)	38,533,643	52,475,301	98,533,449
Prior period adjustment	(1,141,551)	(1,811)	-	(16,675)	(1,592,351)	-	(41,088)	(2,793,476)
Fund balances, beginning of year, restated	2,782,860	850,703	-	2,864,210	(1,725,656)	38,533,643	52,434,213	95,739,973
Fund balances, end of year	<u>\$ 1,561,546</u>	<u>\$ 925,811</u>	<u>\$ 31,580,322</u>	<u>\$ 3,299,695</u>	<u>\$ (3,601,257)</u>	<u>\$ -</u>	<u>\$ 10,758,595</u>	<u>\$ 44,524,712</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, 2012

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS \$ (51,215,261)

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

CAPITAL ASSETS TRANSACTIONS

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 \$64,905. This is detail of the amount of capital assets recorded in the current period

Capital outlay	8,422,679
Uncapitalized outlay costs	(4,569,755)
Departmental expenditures capitalized	2,394,836
Developer contributions	2,271,375

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 \$217,007. (10,877,047)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Repayment of bond principal is an expenditure in Governmental Funds, but the repayment is a reduction in long-term liabilities in the Government-Wide Statement of Net Assets. 3,712,144

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	(269,874)
OPEB expense	(2,160,530)
Unearned revenue	(22,570)
Interest expense	703,558
Loss from disposal of capital assets	(2,850,895)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

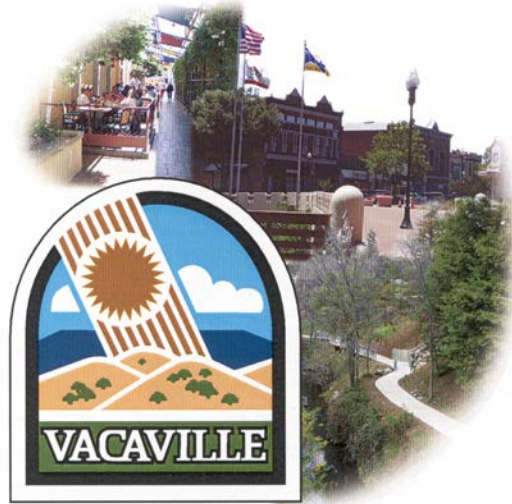
Internal service funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with the governmental activities. 599,113

EXTRAORDINARY LOSS

Contribution made to the Successor Agency, a private purpose trust fund upon dissolution of the Redevelopment Agency	23,238,015
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (30,624,212)
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See accompanying Notes to Basic Financial Statements.



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PROPRIETARY FUND FINANCIAL STATEMENTS

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, 2012

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
ASSETS					
Current assets:					
Cash and investments	\$ 42,667,593	\$ 22,424,919	\$ -	\$ 65,092,512	\$ 8,297,191
Accounts receivable	5,863,079	2,936,566	493,102	9,292,747	62,524
Employee benefits receivable	-	-	-	-	712,015
Due from other funds	1,063,491	-	-	1,063,491	-
Inventories-supplies	-	-	-	-	166,433
Total current assets	49,594,163	25,361,485	493,102	75,448,750	9,238,163
Noncurrent assets:					
Deposits	-	-	-	-	109,391
Advances to other funds	760,089	1,320,178	-	2,080,267	-
Investment in joint venture	-	20,461,896	-	20,461,896	-
Capital assets:					
Land	2,847,722	1,965,967	4,928,788	9,742,477	-
Construction in progress	45,643,411	6,158,040	319,278	52,120,729	-
Buildings and improvements	174,135,756	50,065,009	15,505,839	239,706,604	123,740
Machinery and equipment	1,555,458	413,453	7,695,553	9,664,464	5,565,864
Transmission and distribution system	36,969,463	54,987,451	-	91,956,914	-
Less: accumulated depreciation	(66,137,903)	(37,489,502)	(3,571,279)	(107,198,684)	(4,018,763)
Total capital assets	195,013,907	76,100,418	24,878,179	295,992,504	1,670,841
Total noncurrent assets	195,773,996	97,882,492	24,878,179	318,534,667	1,780,232
Total assets	245,368,159	123,243,977	25,371,281	393,983,417	11,018,395

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

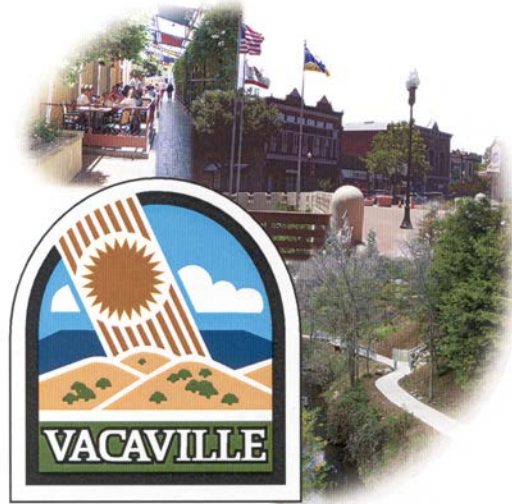
	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT		
LIABILITIES					
Current liabilities:					
Accounts and contract payable	5,242,197	987,048	297,062	6,526,307	255,402
Accrued payroll	295,179	167,741	6,002	468,922	103,814
Interest payable	19,049	3,819	-	22,868	-
Due to other funds	-	-	369,569	369,569	693,922
Compensated absences-due within one year	68,157	58,533	-	126,690	-
Current portion of claims payable	-	-	-	-	1,780,000
Long-term debt - due within one year	5,486,954	30,377	-	5,517,331	-
Total current liabilities	11,111,536	1,247,518	672,633	13,031,687	2,833,138
Noncurrent liabilities:					
Deposits payable	4,367	8,825,194	8,606	8,838,167	1,835
Due to other governments	-	-	30,264	30,264	-
Advances from other funds	282,833	100,000	-	382,833	-
Unearned revenue	339,359	289,285	-	628,644	-
Compensated absences-due in more than a year	908,748	47,101	-	955,849	-
Remediation liability	1,355,000	-	-	1,355,000	-
OPEB trust liability	718,210	439,538	34,876	1,192,624	-
Long-term claims payable	-	-	-	-	4,466,000
Long-term debt - due in more than one year	76,508,189	138,358	-	76,646,547	-
Total noncurrent liabilities	80,116,706	9,839,476	73,746	90,029,928	4,467,835
Total liabilities	91,228,242	11,086,994	746,379	103,061,615	7,300,973
NET ASSETS					
Invested in capital assets, net of related debt	113,018,764	75,931,683	24,878,179	213,828,626	1,670,841
Unrestricted	41,121,153	36,225,300	(253,277)	77,093,176	2,046,581
Total net assets business-type activities	\$ 154,139,917	\$ 112,156,983	\$ 24,624,902	290,921,802	\$ 3,717,422
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				3,330,471	
Net assets of business-type activities				\$ 294,252,273	

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, 2012

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
OPERATING REVENUES:					
Charges for sales and services:					
Sewer charges	\$ 27,434,850	\$ -	\$ -	\$ 27,434,850	\$ -
Water sales	-	15,975,764	-	15,975,764	-
Transit fares	-	-	502,956	502,956	-
Internal service charges	-	-	-	-	12,164,445
Total operating revenues	27,434,850	15,975,764	502,956	43,913,570	12,164,445
OPERATING EXPENSES:					
Treatment plant and sources of supply	6,469,595	7,268,035	-	13,737,630	-
Transmission and distribution	-	1,632,550	-	1,632,550	-
Maintenance	4,640,315	2,063,302	-	6,703,617	-
Customer services and administration	6,486,102	3,354,302	-	9,840,404	-
Transportation	-	-	2,634,195	2,634,195	-
Internal service expenses	-	-	-	-	11,313,595
Depreciation	4,584,356	2,291,286	1,068,467	7,944,109	434,258
Total operating expenses	22,180,368	16,609,475	3,702,662	42,492,505	11,747,853
OPERATING INCOME (LOSS)	5,254,482	(633,711)	(3,199,706)	1,421,065	416,592
NONOPERATING REVENUES (EXPENSES):					
Loss from joint venture	-	(244,385)	-	(244,385)	-
Interest revenue	274,347	100,811	-	375,158	-
Interest expense	(1,582,078)	-	(1,818)	(1,583,896)	-
Taxes and other	196,659	151,945	2,108,649	2,457,253	-
Loss on disposal of capital assets	-	-	(359,569)	(359,569)	-
Total nonoperating revenues (expenses)	(1,111,072)	8,371	1,747,262	644,561	-
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	4,143,410	(625,340)	(1,452,444)	2,065,626	416,592
TRANSFER:					
Transfers in	210,904	101,023	-	311,927	125,108
Transfers out	(1,009,783)	(167,500)	-	(1,177,283)	(229,559)
Total transfers	(798,879)	(66,477)	-	(865,356)	(104,451)
Intergovernmental	-	-	246,557	246,557	-
Developers	394,855	530,943	-	925,798	-
Total capital contributions	394,855	530,943	246,557	1,172,355	-
Change in net assets	3,739,386	(160,874)	(1,205,887)	2,372,625	312,141
NET ASSETS:					
Net assets, beginning of year as previously reported	149,860,690	112,152,056	25,833,649		3,436,079
Prior period adjustment	539,841	165,801	(2,860)		(30,798)
Net assets, beginning of year, restated	150,400,531	112,317,857	25,830,789		3,405,281
Net assets, end of year	\$ 154,139,917	\$ 112,156,983	\$ 24,624,902		\$ 3,717,422
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(286,972)	
Change in net assets of business-type activities				\$ 2,085,653	

See accompanying Notes to Basic Financial Statements.



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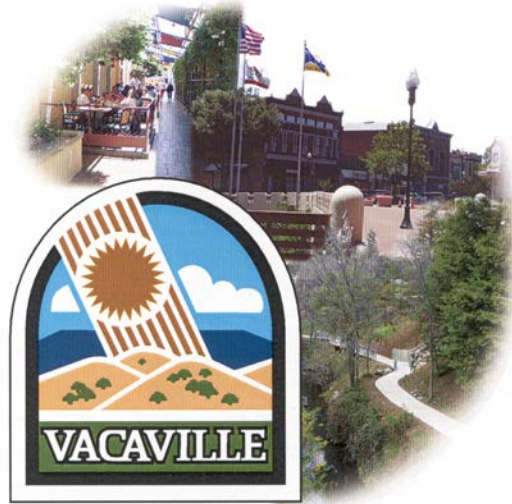
CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES- SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 25,572,671	\$ 15,688,629	\$ 263,482	\$ 41,524,782	\$ 11,345,667
Payments to suppliers	(6,926,375)	(9,927,475)	(2,270,563)	(19,124,413)	(8,614,254)
Payments to employees	(7,099,520)	(4,485,805)	(232,551)	(11,817,876)	(1,582,026)
Claims paid	-	-	-	-	(800,982)
Net cash provided by (used in) operating activities	11,546,776	1,275,349	(2,239,632)	10,582,493	348,405
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances to/(from) other funds	(42,293)	9,748	-	(32,545)	-
Due to/(from) other funds	(807,272)	-	113,353	(693,919)	693,922
Transfers in	210,904	101,023	-	311,927	125,108
Transfers out	(1,009,783)	(167,500)	-	(1,177,283)	(229,559)
Taxes	3,995	91,516	-	95,511	-
Ground lease	190,632	-	-	190,632	-
Annexation fees	-	41,886	-	41,886	-
Industry permit fees	2,032	-	-	2,032	-
Power plant revenue	-	18,543	-	18,543	-
Grants	-	-	2,108,649	2,108,649	-
Net cash provided by (used in) noncapital financing activities	(1,451,785)	95,216	2,222,002	865,433	589,471
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(29,061,416)	(1,512,154)	-	(30,573,570)	(169,874)
Future funding of OPEB trust	364,730	208,969	22,308	596,007	-
Principal paid on capital debt	25,757,244	(134,128)	-	25,623,116	-
Interest paid	(1,583,670)	(676)	(1,818)	(1,586,164)	-
Net cash provided by (used in) capital and related financing activities	(4,523,112)	(1,437,989)	20,490	(5,940,611)	(169,874)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	274,347	100,811	-	375,158	-
Net cash provided by investing activities	274,347	100,811	-	375,158	-
Net increase in cash and cash equivalents	5,846,226	33,387	2,860	5,882,473	768,002
CASH AND CASH EQUIVALENTS:					
Beginning of year	36,821,367	22,391,532	(2,860)	59,210,039	7,553,529
End of year	\$ 42,667,593	\$ 22,424,919	\$ -	\$ 65,092,512	\$ 8,321,531
NONCASH TRANSACTIONS:					
Contribution and transfer of capital assets, net	\$ 394,855	\$ 530,943	\$ 246,557	\$ 1,172,355	\$ -

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES- SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES:					
Operating income (loss)	\$ 5,254,482	\$ (633,711)	\$ (3,199,706)	\$ 1,421,065	\$ 416,592
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	4,584,356	2,291,286	1,068,467	7,944,109	434,258
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable	(1,634,108)	(109,252)	18,857	(1,724,503)	(13,761)
Increase in employee benefits receivable	-	-	-	-	(805,017)
Decrease in inventories-supplies	-	-	-	-	5,075
Decrease in deposits	-	-	-	-	22,499
Increase (decrease) in accounts and contracts payable	3,471,798	(89,690)	133,098	3,515,206	94,196
Increase in accrued payroll	(933)	(18,552)	(3,531)	(23,016)	5,728
Decrease in compensated absences	99,161	9,849	-	109,010	-
Increase (decrease) in deposits payable	91	3,302	1,513	4,906	(18,165)
Decrease in due to other governments	-	-	(258,330)	(258,330)	-
Increase in unearned revenue	(228,071)	(177,883)	-	(405,954)	-
Increase in insurance liability	-	-	-	-	207,000
Total adjustments	6,292,294	1,909,060	960,074	9,161,428	(68,187)
Net cash provided by (used in) operating activities	\$ 11,546,776	\$ 1,275,349	\$ (2,239,632)	\$ 10,582,493	\$ 348,405

See accompanying Notes to Basic Financial Statements.



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FIDUCIARY FUND FINANCIAL STATEMENTS

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 payments for the Special Assessment Districts.

PRIVATE PURPOSE TRUST FUND

To account for the proceeds of the dissolution of the Redevelopment Agency.

CITY OF VACAVILLE
STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Agency Funds	Private Purpose Trust Fund Successor Agency
Assets		
Current assets:		
Cash and investments	\$ 18,978,288	\$ 31,777,789
Restricted cash and investments	-	10,013,628
Receivables:		
Interest	-	18,273
Loans	-	5,846,557
Total current assets	18,978,288	47,656,247
Noncurrent assets:		
Long-term receivable from City of Vacaville	-	6,674,216
Capital assets, non-depreciable	-	5,992,486
Capital assets, net of accumulated depreciation	-	27,693,625
Total noncurrent assets	-	40,360,327
Total assets	\$ 18,978,288	88,016,574
Liabilities		
Current liabilities:		
Accounts payable and contracts payable	\$ -	2,299,487
Accrued payroll	-	25,743
Deposits payable	9,656,470	133,302
Due to other governments	-	2,837,807
Unearned revenue	-	99,132
Interest payable	-	725,059
Long-term liabilities - due within one year	-	2,150,057
Total current liabilities	9,656,470	8,270,587
Noncurrent liabilities:		
Long-Term liabilities - due in more than a year	-	57,327,957
Due to bondholders	9,321,818	-
Total liabilities	\$ 18,978,288	65,598,544
Net Assets		
Held in trust for dissolution of Redevelopment		\$ 22,418,030

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS
PRIVATE PURPOSE TRUST FUND - SUCCESSOR AGENCY
FOR THE YEAR ENDED JUNE 30, 2012

Additions:

Investment income	\$ 85,058
Property taxes	3,632,470
Revelopment Agency (RDA) property tax trust fund distribution	7,212,767
Other	726
Total additions:	<u>10,931,021</u>

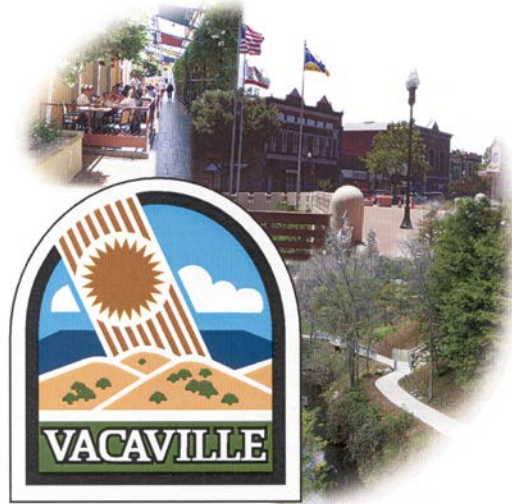
Deductions:

Program expenses of former RDA	568,351
AB 1484 True up	2,837,807
DDA agreements	4,143,469
Administration	109,032
Professional fees	108,071
Depreciation expense	799,800
Fiscal fines and other fees	15,571
Interest expense	2,334,191
Total deductions	<u>10,916,292</u>

Extraordinary gain on dissolution of RDA	<u>22,403,301</u>
Change in net assets	22,418,030

Net assets

Beginning of year	<u>-</u>
End of year	<u><u>\$ 22,418,030</u></u>



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CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

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. As of February 1, 2012 the Agency was dissolved under state law. See further discussion in footnote 15.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

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, 2012

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. 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. 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, 2012

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 restricted grant funds received from the Federal Government for the purpose of correcting sub-standard and/or unsafe residences and eliminating building code deficiencies.

Successor Housing Special Revenue Fund – to account for the proceeds and dissolution of Redevelopment due to AB26x1. See further description at footnote 15.

Housing Assistance Special Revenue Fund – to account for restricted grant 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 for the rehabilitation for rental property. Funds are received from the U.S. Department of Housing and Urban Development's Section 8 Voucher Housing Programs and State Rehabilitation Programs.

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 for proceeds from bonds issued to fund City public facilities and infrastructure projects.

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fiduciary funds

Agency 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 and Solano County Transit.

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

Private-Purpose Trust Fund

Successor Agency fund – to account for the proceeds and dissolution of Redevelopment due to AB26x1. See further description at footnote 15.

C. Cash, Cash Equivalents and Investments

The City pools cash resources of its various funds to facilitate cash management. The cash pool functions as a demand deposit from the position of each individual fund. 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.

See further disclosures 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Net Assets

In the government-wide and proprietary fund Financial statements, equity is displayed in three components as follows:

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.

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. Fund Balance

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2012 and classified fund balances into the following five categories:

Nonspendable – includes fund balance amounts that cannot be spent because they are either (a) not expected to be converted to cash or (b) legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the City Council. The City Council must approve an amendment to the Annual Appropriation resolution to allow for removal or change to the constraint. As of June 30, 2012 the City does not have any fund balances that have been committed.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The city reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The City reduced committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amount in any of those unrestricted fund balance classifications could be used. Additional information concerning the nature of the City's fund balances pursuant to GASB Statement No. 54 is provided in Note 13 – Fund Balance.

G. *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.

H. *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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

I. 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 June 30, 2003, 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.

J. 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.

K. 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.

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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

L. 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.

M. Implementation of New GASB Pronouncements

In 2012, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans – This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple—employer other post-employment benefit (OPEB) plans. There was no effect on net assets by the City implementing the new accounting standards.

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – The objective of this statement is to improve financial reporting for state and local governments by clarifying whether an effective hedging relationship continues after the replacement of a swap counter party or a swap counterparty’s credit support provider. There was no effect on net assets by the City implementing the new accounting standards.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

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 \$250,000 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, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 100,288,475
Cash and Investments held by bond trustee	8,531,119
Fiduciary Funds:	
Cash and Investments	50,756,077
Cash and Investments held by bond trustee	<u>10,013,628</u>
Total Cash and Investments	<u>\$ 169,589,299</u>

Cash and Investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 14,276
Deposits with financial institutions	(1,070,634)
Certificates of Deposit	4,000,000
Investments	<u>166,645,657</u>
Total Cash and Investments	<u>\$ 169,589,299</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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%
Municipal Bonds	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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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, 2012

NOTE 2 - CASH AND INVESTMENTS, continued

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 gain in changes in fair value of investments	\$ 13,923
Interest income	<u>797,967</u>
Total investment income	<u>\$ 811,890</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, 2012 by maturity:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Local Agency Investment Fund	\$ 75,900,581	\$ 75,900,581	\$ -	\$ -	\$ -
U.S. Agency Securities	29,631,535	2,575,000	27,056,535	-	-
Municipal Bonds	5,853,872	-	3,024,090	2,829,782	-
Corporate Notes	31,297,099	1,821,492	29,475,607	-	-
Commercial Paper	4,991,131	4,991,131	-	-	-
Guarantee Investment Contract	1,889,334	-	1,236,689	-	652,645
Money Market Mutual Funds	<u>17,082,105</u>	<u>17,082,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 166,645,657</u>	<u>\$ 102,370,309</u>	<u>\$ 60,792,921</u>	<u>\$ 2,829,782</u>	<u>\$ 652,645</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

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, 2012 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	A/P
Local Agency Investment Fund	\$ 75,900,581	N/A	\$ -	\$ -	\$ -	\$75,900,581
U.S. Agency Securities	29,631,535	N/A	29,631,535	-	-	-
Municipal Bonds	5,853,872	A1/P1	-	2,829,782	3,024,090	-
Corporate Notes	31,297,099	A	-	16,902,319	14,394,780	-
Commercial Paper	4,991,131	A/P	-	-	-	4,991,131
Guarantee Investment Contract	1,889,334	N/A	1,889,334	-	-	-
Money Market Mutual Funds	17,082,105	AAA	17,082,105	-	-	-
Total	<u>\$166,645,657</u>		<u>\$48,602,974</u>	<u>\$19,732,101</u>	<u>\$17,418,870</u>	<u>\$80,891,712</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, 2012, 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, 2012

NOTE 2 - CASH AND INVESTMENTS, continued

As of June 30, 2012, the City had \$75,900,581 invested in LAIF, which has invested 2.75% 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, 2012 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 1.001219643.

F. Reverse Repurchase Agreement

The City, under state statute, is allowed to enter into reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a broker-dealer or financial institution transfers cash to the City and the City transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for the same or similar securities. By state statute, proceeds from reverse repurchase agreements are to be used only for investment purposes; however, on several occasions during the period, the City used the proceeds to temporarily finance current operations.

The City was obligated under certain reverse purchase agreements as of June 30, 2012. Credit risk exposure for the City arises when a broker-dealer or financial institution does not return the securities or their value at the conclusion of the reverse repurchase agreement. The amount of the potential economic loss is the difference between the fair value of the securities related to the reverse repurchase agreements, including accrued interest, and the amount of the obligation, including accrued interest, under the reverse repurchase agreement.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 3 – LOANS RECEIVABLE

At June 30, 2012, the City's outstanding loans receivables were as follows:

\$ 8,652,183	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.
\$ 8,110,476	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.
\$ 14,541,068	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 \$120,628.
\$ 1,101,738	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 \$18,913.
\$ 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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 3 – LOANS RECEIVABLE, continued

\$ 2,733,484	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.
\$ 257,935	A loan receivable has been recorded in the Parks and Recreation Fund from an agreement reached with the Vacaville Unified School District to eliminate the repayment of a facilities use fee owed to the City in the form of a credit applied to back payment and future pass-through payments to the Vacaville Unified School District. The loan balance remaining after \$1,742,065 was settled in fiscal year 2010/11 will be applied to future pass-through payments between fiscal years 2011/12 through 2013/14.
\$ 920,307	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.
\$ 9,090	Ten emergency interest-free loans recorded in the Special Revenue Fund 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. Payments of \$100 per month began in September 30, 2006.
\$ 300,000	A loan receivable has been recorded in the Special Revenue Fund for a loan provided to Vacaville Social Services Corporation, a nonprofit corporation, which operates the Opportunity House homeless shelter in Vacaville. The \$300,000 loan will be used for construction improvements at the site where the shelter will be relocated and expanded. The loan will carry a simple interest rate of 3% and will be repaid on the date on which the earlier of the following events occur: within 60 days of the borrower obtaining title to the property and replacing the loan with other approved financing, one year from the effective date, or upon a default.
\$ <u>1,455,000</u>	A loan receivable was recorded in the former Redevelopment 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.
\$ <u>39,680,141</u>	Total City loans receivable

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 3 – LOANS RECEIVABLE, continued

At June 30, 2012, the Private Purpose Trust Fund Successor Agency's outstanding loans receivables were as follows:

\$ 2,364,740	A loan receivable was recorded in the former 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.
\$ 1,825,370	In 2002, the Agency entering 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 former Redevelopment Capital Projects Fund. Upon dissolution of Redevelopment, the loan was transferred into the Successor Agency. The loan will be repaid by Fiscal Year 2031/2032 with interest rates ranging from 4% to 7%.
<u>\$ 1,656,447</u>	The former 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.
<u>\$ 5,846,557</u>	Total Private Purpose Trust Fund Successor Agency 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 \$197,366.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 5 - CAPITAL ASSETS

Government-Wide Financial Statements

A. Summary

The following is a summary of capital assets as of June 30, 2012:

	Government Activities	Business-Type Activities	Total Primary Government
Non-Depreciable Assets:			
Land	\$ 197,012,703	\$ 9,742,477	\$ 206,755,180
Land held for development	990,186	-	990,186
Construction in progress	<u>5,078,872</u>	<u>52,120,729</u>	<u>57,199,601</u>
Total	<u>203,081,761</u>	<u>61,863,206</u>	<u>264,944,967</u>
Depreciable Assets:			
Buildings & improvements	54,130,824	239,706,603	293,837,427
Equipment	6,875,920	9,457,304	16,333,224
Vehicles	10,932,465	4,552,285	15,484,750
Infrastructure	<u>367,174,788</u>	<u>91,956,914</u>	<u>459,131,702</u>
	439,113,997	345,673,106	784,787,103
Less accumulated depreciation	<u>(202,846,812)</u>	<u>(110,520,984)</u>	<u>(313,367,796)</u>
Total depreciable assets, net	<u>236,267,185</u>	<u>235,152,122</u>	<u>471,419,307</u>
Total capital assets, net	<u>\$ 439,348,946</u>	<u>\$ 297,015,328</u>	<u>\$ 736,364,274</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 5 – CAPITAL ASSETS, continued

B. Governmental Activities

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

	Balance July 1, 2011	Additions	Disposals	Transfers	Transfer to Successor Agency	Balance June 30, 2012
Non-Depreciable Assets:						
Land	\$ 198,024,739	\$ 1,312,812	\$ (1,039,793)	\$ -	\$ (1,285,055)	\$ 197,012,703
Land held for development	6,014,742	-	(1,250,943)	-	(3,773,613)	990,186
Intangibles	788,124	-	-	-	(788,124)	-
Construction in progress	9,182,791	2,447,285	(558,949)	(5,880,600)	(111,655)	5,078,872
Total	214,010,396	3,760,097	(2,849,685)	(5,880,600)	(5,958,447)	203,081,761
Depreciable Assets:						
Buildings & improvements	57,056,366	909,779	-	128,695	(3,964,016)	54,130,824
Equipment	6,655,542	309,330	(113,772)	24,820	-	6,875,920
Vehicles	9,861,963	826,969	(122,603)	366,136	-	10,932,465
Infrastructure	386,365,450	2,736,706	-	5,751,905	(27,679,273)	367,174,788
Total	459,939,321	4,782,784	(236,375)	6,271,556	(31,643,289)	439,113,997
Less accumulated depreciation for:						
Buildings & improvements	(17,068,782)	(1,318,759)	-	-	571,916	(17,815,625)
Equipment	(5,157,103)	(510,009)	110,681	(24,820)	-	(5,581,251)
Vehicles	(7,017,159)	(558,538)	122,603	(324,977)	-	(7,778,071)
Infrastructure	(165,544,944)	(8,704,869)	-	-	2,577,948	(171,671,865)
Total	(194,787,988)	(11,092,175)	233,284	(349,797)	3,149,864	(202,846,812)
Total depreciable assets, net	265,151,333	(6,309,391)	(3,091)	5,921,759	(28,493,425)	236,267,185
Governmental activities capital assets, net	\$ 479,161,729	\$ (2,549,294)	\$ (2,852,776)	\$ 41,159	\$ (34,451,872)	\$ 439,348,946

The July 1, 2011 balance for accumulated depreciation has been restated and reduced by \$713,304. See Footnote 19 – Prior Period Adjustment.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 535,789
Community development	617
Public safety	926,169
Public works	9,012,325
Community services	553,208
Housing	<u>64,067</u>
Total Government activities depreciation expense	<u>\$ 11,092,175</u>

Internal service fixed assets included in general governmental activities at June 30, 2012 were \$648,017 (net depreciable value) with related depreciation expense of \$217,007.

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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 5 – CAPITAL ASSETS, continued

C. Business-type Activities

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

	Balance July 1, 2011	Additions	Disposals	Transfers	Balance June 30, 2012
Non-Depreciable Assets:					
Land	\$ 9,672,088	\$ 70,389	\$ -	\$ -	\$ 9,742,477
Construction in progress	49,625,428	30,237,158	(782,089)	(26,959,768)	52,120,729
Total	59,297,516	30,307,547	(782,089)	(26,959,768)	61,863,206
Depreciable Assets:					
Buildings & improvements	213,147,905	-	-	26,558,698	239,706,603
Equipment	9,418,987	173,745	(110,608)	(24,820)	9,457,304
Vehicles	4,885,499	118,683	(85,761)	(366,136)	4,552,285
Infrastructure	89,987,207	1,568,637	-	401,070	91,956,914
Total	317,439,598	1,861,065	(196,369)	26,568,812	345,673,106
Less accumulated depreciation for:					
Buildings & improvements	(75,313,691)	(5,352,675)	-	-	(80,666,366)
Equipment	(2,794,877)	(747,791)	110,608	24,820	(3,407,240)
Vehicles	(3,446,829)	(258,904)	85,761	324,977	(3,294,995)
Infrastructure	(21,350,394)	(1,801,989)	-	-	(23,152,383)
Total	(102,905,791)	(8,161,359)	196,369	349,797	(110,520,984)
Total depreciable assets, net	214,533,807	(6,300,294)	-	26,918,609	235,152,122
Business-type activities capital assets, net	<u>\$ 273,831,323</u>	<u>\$ 24,007,253</u>	<u>\$ (782,089)</u>	<u>\$ (41,159)</u>	<u>\$ 297,015,328</u>

The July 1, 2011 balance for Construction in progress and accumulated depreciation have been restated. The Construction in progress has been increased by \$480,194 and total accumulated depreciation has been decreased by \$371,406. See footnote 19 – Prior Period Adjustment.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

Business-type activities:	
Sewer	\$ 4,692,981
Water	2,399,911
Transit	<u>1,068,467</u>
Total Business-type activities depreciation expense	<u>\$ 8,161,359</u>

Vehicle and equipment replacement assets in the amount of \$1,022,824 (net depreciable value) are included in Business-type activities. At June 30, 2012 depreciation expense for these assets totaled \$217,251.

During the fiscal year ended June, 30, 2012 capital assets of \$34,451,872 were transferred to the Private Purpose Trust Fund Successor Agency due to the dissolution of the Vacaville Redevelopment Agency. As of June 30, 2012 the balances of capital assets in the Private Purpose Trust Fund Successor Agency consisted of \$33,686,111.

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, 2012:

	Governmental Activities	Business Type Activities	Total
Long-term debt			
Loans Payable	\$ 2,776,805	\$ 81,800,867	\$ 84,577,672
Certificates of Participation	2,285,000	-	2,285,000
Capital Lease Obligations	<u>3,264,085</u>	<u>363,011</u>	<u>3,627,096</u>
Total	<u>\$ 8,325,890</u>	<u>\$ 82,163,878</u>	<u>\$ 90,489,768</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

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, 2012:

Loans Payable:	Beginning				Ending	Due within
City:	Balance	Additions	Reductions	Transfers	Balance	one year
Brazelton Family Living Trust	\$ 337,500	\$ -	\$ 67,500	\$ -	\$ 270,000	\$ 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	500,000
Dorothy Brown	589,005	-	-	-	589,005	589,005
Charles Rogers	742,800	-	-	-	742,800	742,800
Redevelopment:						
Beck & Clark Family Trust	293,377	-	11,975	(281,402)	-	-
Klotz, Albert & Marita Family Trust	328,970	-	60,283	(268,687)	-	-
Babington, Richard & Carol	266,174	-	38,400	(227,774)	-	-
Dept. of Toxic Substances	174,599	-	174,599	-	-	-
Total Loans Payable	3,907,425	-	352,757	(777,863)	2,776,805	1,899,305
Certificates of Participation:						
1994 Certificates of Participation	3,335,000	-	1,050,000	-	2,285,000	1,110,000

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Due within one year
Bonds Payable:						
1996 Tax Allocation Bonds	4,405,000	-	275,000	(4,130,000)	-	-
2000 Tax Allocation Bonds	7,860,000	-	260,000	(7,600,000)	-	-
2001 Tax Allocation Bonds	26,720,000	-	790,000	(25,930,000)	-	-
2000A Multifamily Mortgage	1,715,770	-	82,550	(1,633,220)	-	-
2006 Taxable Housing Bonds	17,655,000	-	105,000	(17,550,000)	-	-
2006 ABAG Tax Allocation Bonds	2,275,000	-	385,000	(1,890,000)	-	-
Total Bonds	60,630,770	-	1,897,550	(58,733,220)	-	-
Capital Lease Obligations:						
Vacaville Recreation Corporation	1,958,106	-	96,693	-	1,861,413	101,640
Westamerica Bank	307,256	-	72,734	-	234,522	75,389
Banc of America Leasing	713,430	-	131,219	-	582,211	136,718
Westamerica Bank	366,024	-	55,016	-	311,008	57,283
Westamerica Bank	172,280	-	21,647	-	150,633	22,567
Westamerica Bank	163,000	-	38,702	-	124,298	40,036
Total Capital Lease Obligations	3,680,096	-	416,011	-	3,264,085	433,633
Total long-term debt	<u>\$ 71,553,291</u>	<u>\$ -</u>	<u>\$ 3,716,318</u>	<u>\$ (59,511,083)</u>	<u>\$ 8,325,890</u>	<u>\$ 3,442,938</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

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, 2012</u>	
\$ 675,000	\$ 270,000	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.
\$ 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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 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.

The annual requirement to amortize debt outstanding as of June 30, 2012 for loans payable is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,899,305	\$ 143,563	\$ 2,042,868
2014	67,500	48,262	115,762
2015	67,500	44,549	112,049
2016	742,500	40,849	783,349
Total	<u>\$ 2,776,805</u>	<u>\$ 277,223</u>	<u>\$ 3,054,028</u>

Certificates of Participation:

Original Debt Amount	Outstanding June 30, 2012
\$15,170,000	\$ 2,285,000

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 \$2,406,394. For the current year, principal and interest paid were \$1,196,182.

The annual requirement to amortize debt outstanding as of June 30, 2012 for certificates of participation is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,110,000	\$ 90,547	\$ 1,200,547
2014	1,175,000	30,847	1,205,847
Total	<u>\$ 2,285,000</u>	<u>\$ 121,394</u>	<u>\$ 2,406,394</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

Capital Lease Obligations:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2012</u>	
\$ 2,626,700	\$ 1,861,413	<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	\$ 234,522	<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	\$ 582,211	<p>Lease agreement between the City and Banc of America Leasing & 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	\$ 311,008	<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	\$ 150,632	<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, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 163,000 \$ 124,299 Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for the purchase of 5 police patrol cars at an estimated cost of \$163,000 with an interest rate of 3.45%. 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 September 2014. Lease payments are funded through the City's Government Vehicle Replacement Fund.

The annual requirement to amortize debt outstanding as of June 30, 2012 for capital lease obligations is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 433,633	\$ 147,220	\$ 580,853
2014	452,013	128,839	580,852
2015	471,184	109,668	580,852
2016	362,913	89,668	452,581
2017	218,070	73,400	291,470
Thereafter	1,326,272	290,017	1,616,289
Total	<u>\$ 3,264,085</u>	<u>\$ 838,812</u>	<u>\$ 4,102,897</u>

The assets acquired through capital leases are as follows:

Asset:	
Buildings & Improvements	\$ 2,626,700
Equipment	3,354,786
Less: Accumulated depreciation	<u>(2,124,222)</u>
Total	<u>\$ 3,857,264</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

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, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Easterly Wastewater Treatment Plant					
Line of Credit	\$ -	\$ 4,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
State Revolving Loans Payable:					
Interim Renovation	626,691	-	55,172	571,519	56,717
Tertiary Project	-	27,152,006	-	27,152,006	-
Plant Expansion	55,385,275	-	3,307,933	52,077,342	3,397,247
Total Easterly Wastewater Treatment Plant	56,011,966	31,152,006	5,363,105	81,800,867	5,453,964
Capital Lease Obligations:					
Equipment-2006 Acquisition	37,549	-	6,908	30,641	7,196
Equipment-2007 Acquisition	218,362	-	32,821	185,541	34,173
Equipment-2009 Acquisition	167,929	-	21,100	146,829	21,998
Total Capital Lease Obligations	423,840	-	60,829	363,011	63,367
Note Payable:					
Meadow Woods/DDA	104,956	-	104,956	-	-
Total	\$ 56,540,762	\$ 31,152,006	\$ 5,528,890	\$ 82,163,878	\$ 5,517,331

Loans Payable:

Line of Credit

The City entered into an agreement with Chase Bank on July 27, 2011 for a \$20,000,000 line of credit loan. The purpose of the loan was to bridge the funding gap between expenses on the Tertiary Project and disbursements from the State Revolving Fund loan. The line of credit loan is for a term of three years with interest tied to the LIBOR rate.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

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 \$72,720. Principal and interest at 2.8% are paid annually each September through 2021.

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

Year Ending June 30	Proprietary Fund		Total
	Principal	Interest	
2013	\$ 56,717	\$ 16,003	\$ 72,720
2014	58,305	14,415	72,720
2015	59,938	12,782	72,720
2016	61,616	11,104	72,720
2017	63,341	9,379	72,720
Thereafter	271,602	19,273	290,875
Total	<u>\$ 571,519</u>	<u>\$ 82,956</u>	<u>\$ 654,475</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 \$4,803,335 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	
2013	\$ 3,397,247	\$ 1,406,088	\$ 4,803,335
2014	3,488,973	1,314,362	4,803,335
2015	3,583,175	1,220,160	4,803,335
2016	3,679,921	1,123,414	4,803,335
2017	3,779,278	1,024,057	4,803,335
Thereafter	34,148,747	4,277,937	38,426,684
Total	<u>\$ 52,077,341</u>	<u>\$ 10,366,018</u>	<u>\$ 62,443,359</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

State Water Resources Control Board Loan for the Easterly Wastewater Treatment Plant Tertiary Project – Original Issue \$116,677,000

This loan is a State Revolving Loan Fund Program contract between the State Water Quality Control Board and the City with a maximum loan amount of \$116,677,000 to fund the Easterly Wastewater Treatment Plant Tertiary Project. The project consists of four construction phases. There are four separate financial agreements for each phase as follows:

- Phase 1 – Denitrification Improvements; financial agreement executed on August 23, 2011 for \$32,313,355
- Phase 2 – Laboratory Expansion Improvements; financial agreement executed on October 12, 2011 for \$3,497,000
- Phase 3 – Filtration Improvements; financial agreement executed on October 21, 2011 for \$68,125,000
- Phase 4 – Completion Improvements; financial agreement executed on October 12, 2011 for \$14,080,000

The term of the loan is 20 years with an interest rate of 2.6%. Annual payments will begin following the agreed upon completion date for each individual phase. The City has a contract with C. Overaa & Company for \$22,630,000 to construct the Denitrification Improvements, Phase 1 of the SRF loan. The Denitrification Improvements are required by the Central Valley Regional Water Quality Control Board of the City's National Pollutant Discharge Elminiaton System Discharge Permit for the Easterly Wastewater Treatment Plant, and by the Time Scheduled Order issued by the same board. The City anticipates phase 1 of the project to be completed in fiscal year 2013-14. The first annual payment of \$1,952,239 including principal and interest on phase 1 is due May 31, 2014.

The estimated annual debt service requirement on phase 1 of this note is as follows:

Year Ending June 30	Proprietary Fund		Total
	Principal	Interest	
2013	\$ -	\$ -	\$ -
2014	1,192,195	760,044	1,952,239
2015	1,277,775	773,805	2,051,580
2016	1,324,935	771,953	2,096,888
2017	1,355,408	741,480	2,096,888
Thereafter	27,163,042	6,387,160	33,550,202
Total	<u>\$ 32,313,355</u>	<u>\$ 9,434,442</u>	<u>\$ 41,747,797</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

Capital Lease Obligations:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2012</u>	
\$ 70,000	\$ 30,643	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	\$ 185,541	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	\$ 146,828	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, 2012 for capital lease obligations is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 63,367	\$ 15,168	\$ 78,535
2014	66,011	12,523	78,534
2015	68,766	9,770	78,536
2016	71,635	6,901	78,536
2017	66,146	3,911	70,057
Thereafter	27,087	1,151	28,238
Total	<u>\$ 363,012</u>	<u>\$ 49,424</u>	<u>\$ 412,436</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 656,640
Less: Accumulated depreciation	<u>(190,359)</u>
Total	<u><u>\$ 466,281</u></u>

Note Payable:

<u>Original Debt</u> <u>Amount</u>	<u>Outstanding</u> <u>June 30, 2012</u>
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\$ 704,956	\$ -	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.
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C. Compensated Absences

Compensated absences are due to employees for earned but unused leave balances, including vacation, sick, and compensated time off. 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, 2012:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due within <u>One Year</u>
Governmental Activities	\$ 7,508,624	\$ 9,172,717	\$ 8,902,843	\$ 7,778,498	\$ 705,933
Business Activities	<u>973,529</u>	<u>1,138,592</u>	<u>1,029,582</u>	<u>1,082,539</u>	<u>126,690</u>
Total	<u><u>\$ 8,482,153</u></u>	<u><u>\$ 10,311,309</u></u>	<u><u>\$ 9,932,425</u></u>	<u><u>\$ 8,861,037</u></u>	<u><u>\$ 832,623</u></u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

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, 2012 is as follows:

Description	Original Bond Amount	June 30, 2012
1997 Green Tree	4,505,000	\$ 630,000
1990 Eubanks Drive/Midway Road	3,660,000	880,000
1997 Allison/Ulatis Phase 2	1,140,739	315,000
1997 Northeast Sector	8,434,307	4,905,000
2002-A Consolidated Refunding	18,365,000	6,235,000
2005-Nut Tree Assessment Dist	7,275,000	6,340,000
Total 1915 Act Limited Obligation Bonds		<u>\$ 19,305,000</u>

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, 2012 is \$1,925,000.

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, 2012 is \$3,230,000.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

Private Purpose Trust Fund - Successor Agency Activity

Activity

The following is a summary of changes in long-term liabilities for Private Purpose Trust Fund Successor Agency (Agency) activities. Activity for the Successor Agency's fiscal year ended June 30, 2012:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Due within one year
Loans Payable:						
Beck & Clark Family Trust	\$ -	\$ -	\$ 12,394	\$ 281,402	\$ 269,008	\$ 26,104
Klotz, Albert & Marita Family Trust	-	-	20,675	268,687	248,012	85,715
Babington, Richard & Carol	-	-	-	227,774	227,774	40,608
Total Loans Payable	-	-	33,069	777,863	744,794	152,427
Bonds Payable:						
1996 Tax Allocation Bonds	-	-	-	4,130,000	4,130,000	285,000
2000 Tax Allocation Bonds	-	-	-	7,600,000	7,600,000	275,000
2001 Tax Allocation Bonds	-	-	-	25,930,000	25,930,000	825,000
2000A Multifamily Mortgage	-	-	-	1,633,220	1,633,220	87,630
2006 Taxable Housing Bonds	-	-	-	17,270,000	17,270,000	415,000
2006 ABAG Tax Allocation Bonds	-	-	-	2,170,000	2,170,000	110,000
Total Bonds	-	-	-	58,733,220	58,733,220	1,997,630
Total Long-Term Debt	\$ -	\$ -	\$ 33,069	\$ 59,511,083	\$ 59,478,014	\$ 2,150,057

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

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, 2012</u>	
\$ 475,000	\$ 269,008	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	\$ 248,012	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	\$ 227,774	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	\$ -	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.

The annual requirement to amortize debt outstanding as of June 30, 2012 for loans payable is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 152,427	\$ 43,913	\$ 196,340
2014	161,658	34,682	196,340
2015	146,914	24,892	171,806
2016	80,113	18,079	98,192
2017	85,160	13,032	98,192
Thereafter	118,522	14,936	133,458
Total	<u>\$ 744,794</u>	<u>\$ 149,534</u>	<u>\$ 894,328</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

Bonds Payable:

There are six 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. Due to the dissolution of Redevelopment, these bonds have been transferred to the Successor Agency and we received \$7,002,686 in Redevelopment Property Tax Trust Funds to fund enforceable obligations. 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	\$ 502,887	\$ 5,469,395
2000 Tax Allocation	699,190	11,921,693
2000A Multifamily Mortgage Revenue	181,423	2,346,142
2001 Tax Allocation	2,078,981	40,599,913
2006 ABAG Tax Allocation	197,638	2,942,150
2006 Taxable Housing	1,478,391	30,791,467
	<u>\$ 5,138,510</u>	<u>\$ 94,070,760</u>

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2012</u>	
\$ 9,250,000	\$ 4,130,000	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	\$ 7,600,000	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	\$25,930,000	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	\$17,270,000	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, 2012

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 2,364,740	\$ 1,633,220	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	\$ 2,170,000	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, 2012 for bonds payable is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,997,630	\$ 3,142,184	\$ 5,139,814
2014	2,102,710	3,036,381	5,139,091
2015	2,207,790	2,924,246	5,132,036
2016	2,317,870	2,805,019	5,122,889
2017	2,449,220	2,677,136	5,126,356
Thereafter	47,658,000	20,752,574	68,410,574
Total	<u>\$ 58,733,220</u>	<u>\$ 35,337,540</u>	<u>\$ 94,070,760</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, 2012

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, 2011 and May 3, 2011. 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.

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 2011-2012 was 15.052% for miscellaneous employees and 31.264% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Annual Pension Cost

For 2012, the City's annual PERS pension cost of \$12,446,842, was equal to the City's required and actual contributions. Employees contributed \$3.6 million as part of bargaining union concessions on behalf of the City. The required contribution was determined as part of the June 30, 2009 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 3.55% to 13.15% for miscellaneous employees and from 3.55% to 14.45% 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 fifteen-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, 2009, was 20 years for prior and current service unfunded liability.

Three-Year Trend Information

Miscellaneous

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 3,780,251	100%	\$ -
6/30/2011	\$ 3,968,760	100%	\$ -
6/30/2012	\$ 4,463,936	100%	\$ -

Safety

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 4,610,556	100%	\$ -
6/30/2011	\$ 6,069,297	100%	\$ -
6/30/2012	\$ 7,982,906	100%	\$ -

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

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
Miscellaneous						
6/30/2010	\$ 125,418,311	\$ 160,884,879	\$ 35,466,568	78.0%	\$26,304,950	134.8%
Safety						
6/30/2010	\$ 128,282,450	\$ 183,828,966	\$ 55,546,516	69.8%	\$20,159,546	275.5%

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.

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 2011 was 6.86% of covered payroll during the year. See excess benefit plan funding policy for additional information.

Annual Pension Cost

For 2012, the City's annual pension cost of \$1,536,200 was equal to the required and actual contributions. The required contribution was determined as part of a July 1, 2010 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%.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 1,440,692	100%	\$ -
6/30/2011	\$ 1,665,870	100%	\$ -
6/30/2012	\$ 1,536,200	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.

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 2012, the City's annual pension cost of \$657,165 was equal to the required and actual contributions. The required contribution was determined as part of a July 1, 2010 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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 518,535	100%	\$ -
6/30/2011	\$ 598,290	100%	\$ -
6/30/2012	\$ 657,165	100%	\$ -

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

Funding Progress

<u>Valuation Date</u>	<u>Actuarial Liability</u>	<u>Value of Assets</u>	<u>Unfunded Liability (UL)</u>	<u>Funded Status</u>	<u>Valuation Payroll</u>	<u>UL as a % of Payroll</u>
7/1/2010	\$ 35,685,109	\$ 8,120,448	\$ 27,564,661	22.8%	\$ 26,487,589	104.1%

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS

In addition to the pension benefits described in Note 8, 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 2011, 299 retirees met those eligibility requirements.

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 \$278 to \$1,460 per month per participant, which covers between 77% 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 2010, 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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS, continued

Funding Policy

In January 2010, 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, 2012 was 14.98% 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, 2012, are as follows:

Annual required contribution	\$ 7,085,839
Interest on net OPEB obligation	223,903
Adjustment to annual required contribution	<u>(177,888)</u>
Annual OPEB expense (income)	7,131,854
Contribution made	<u>(4,375,316)</u>
Increase in net OPEB obligation	2,756,538
Net OPEB obligation - beginning of year	<u>2,985,375</u>
Net OPEB obligation - end of year	<u>\$ 5,741,913</u>

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

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	OPEB (Asset) Liability
6/30/2010	\$ 5,685,100	\$ 4,637,504	81.57%	\$ 570,119
6/30/2011	\$ 6,445,050	\$ 4,039,824	62.68%	\$ 2,985,375
6/30/2012	\$ 7,085,839	\$ 4,375,316	61.75%	\$ 5,741,913

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS, continued

Funded Status and Funding Progress

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.

Funding Progress

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UL)	Funded Status	Valuation Payroll	UL as a % of Payroll
7/1/2010	\$ 69,954,229	\$ 6,050,369	\$ 63,903,860	8.65%	\$ 46,819,164	136.5%
7/1/2011	\$ 80,254,313	\$ 8,707,156	\$ 71,547,157	10.85%	\$ 47,313,037	151.2%

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 October 27, 2010 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 9.0% initially and declining to 5.0% by 2018, and an inflation factor of 3.00%. The OPEB unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed 28-year period.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 10 – FUND EQUITY

Deficit Fund Balances

The following fund had a deficit as of June 30, 2012:

City Projects Fund

The City Projects Fund has a deficit of (\$3,601,257) at June 30, 2012. The City has delayed several capital improvement projects until the building-related revenue improves.

Deficit Net Assets

Insurance Fund

The Insurance Internal Service fund has a deficit of (\$806,472) at June 30, 2012. 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, 2012

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 \$1,122,985 to the Debt Service Fund to cover the City's Measure I debt obligation; 2) Vaca Community Low and Moderate Housing transferred \$1,482,679 to the Debt Service Fund to cover downtown redevelopment debt obligations; 3) RDA Capital Project Funds transferred \$3,845,441 to the Debt Service Fund to cover downtown redevelopment debt obligations; 4) Community Facility Districts transferred \$1,922,404,905 in property tax to the General Fund to cover costs to maintain the districts; 5) Capital Project Funds transferred \$856,598 to the General Fund to cover operating street maintenance costs. In relation to the dissolution of the Redevelopment Agency, assets of \$30,752,836 were transferred from the Redevelopment Special Revenue Fund to the Successor Housing fund, and \$6,220,284 was transferred from the Redevelopment Capital Projects fund to the Successor Housing Capital Projects fund.

The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2012:

Transfers In (fund receiving transfer):											
Transfers Out (fund making transfer):	Special Revenue Fund				Capital Projects Funds		Other Governmental Funds	Enterprise Funds		Internal Service Fund	Totals
	General Fund	Community Development	Successor Housing	Housing Assistance	City Projects	Redevelopment		Sewer Utility	Water Utility	Central Services	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,774,853	\$ -	\$ -	\$ 30,001	\$ 1,804,854
Special Revenue Funds:											
Community Development	-	-	-	300,000	-	-	-	-	-	-	300,000
Capital Projects Funds:											
City Projects	911,519	-	-	-	272,374	-	811	15,869	33,120	57,539	1,291,232
Redevelopment	-	-	1,455,000	-	20,298	994,714	9,434,055	-	34,039	11,666	11,949,772
Other Governmental Funds:	2,030,913	-	29,297,836	-	108,621	7,925	1,181,569	-	-	10,902	32,637,766
Enterprise Funds:											
Sewer Utility	-	-	-	-	1,001,849	-	-	-	434	7,500	1,009,783
Water Utility	-	-	-	-	-	-	-	160,000	-	7,500	167,500
Internal Service Funds:											
Vehicle Replacement	-	-	-	-	-	-	155,358	35,035	33,430	-	223,823
Technology Replacement	5,736	-	-	-	-	-	-	-	-	-	5,736
Totals	<u>\$2,948,168</u>	<u>\$ -</u>	<u>\$30,752,836</u>	<u>\$ 300,000</u>	<u>\$1,403,142</u>	<u>\$ 1,002,639</u>	<u>\$12,546,646</u>	<u>\$ 210,904</u>	<u>\$ 101,023</u>	<u>\$ 125,108</u>	<u>\$49,390,466</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 11 – INTERFUND TRANSACTIONS, continued

Due To/Due From Other Funds:

Due From Other Funds (fund making loan):	Due to Other Funds (fund receiving loan):		
	Transit	Employee Benefits	Total
Sewer Utility	<u>\$ 369,569</u>	<u>\$ 693,922</u>	<u>\$1,063,491</u>

Advances To/Advances From Other Funds:

Advances To Other Funds (fund making loan):	City Projects Capital Projects Fund	Capital Projects Assessment & Improvement Districts	Capital Projects Successor Housing	Sewer Utility	Water Utility	Total
General Fund:						
General Fund	<u>\$ -</u>	<u>\$ 34,433</u>	<u>\$ 220</u>	<u>\$ 282,833</u>	<u>\$ -</u>	<u>\$ 317,486</u>
Total General Fund	<u>-</u>	<u>34,433</u>	<u>220</u>	<u>282,833</u>	<u>-</u>	<u>317,486</u>
Enterprise Funds:						
Sewer Utility	660,089	-	-	-	100,000	760,089
Water Utility	<u>1,320,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,320,178</u>
Total Enterprise	<u>1,980,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>2,080,267</u>
Total	<u>\$ 1,980,267</u>	<u>\$ 34,433</u>	<u>\$ 220</u>	<u>\$ 282,833</u>	<u>\$ 100,000</u>	<u>\$2,397,753</u>

The advances to/from consists of the following: The City Capital Projects Fund loaned Water and Sewer Utility Enterprise loans were for: 1) Parks and Recreation infrastructure in the amount of \$1,026,583; 2) Construction of a fire station in the amount of \$896,652. The General fund loaned the Sewer fund \$282,833 for the purchase of a vactor truck.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 12 – UNEARNED AND DEFERRED REVENUE

Unearned revenues in the government-wide financial statements as of June 30, 2012 were as follows:

	Governmental Activities	Business-Type Activities	Total
Community Development Block Grant	\$ 965,711	\$ -	\$ 965,711
Public Works grant	90,205	-	90,205
Development impact fees	735,216	524,011	1,259,227
General services and recreation revenue	270,477	-	270,477
Police grants	231,979	-	231,979
Building permit revenue	258,496	-	258,496
Community Facilities District	1,771,223	-	1,771,223
GWTP Closure	-	36,995	36,995
Water utility revenue	-	67,638	67,638
Total	<u>\$ 4,323,307</u>	<u>\$ 628,644</u>	<u>\$ 4,951,951</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 12 – UNEARNED AND DEFERRED REVENUE, continued

Deferred and unearned revenues in the fund financial statements as of June 30, 2012 were as follows:

	Major Governmental Funds				Proprietary Funds	
	General	Community Development	City Projects	Other Governmental Funds	Sewer Utility	Water Utility
General services and recreation revenue	\$270,477	\$ -	\$ -	\$ -	\$ -	\$ -
CDBG/HOME loans	-	10,838,820	-	-	-	-
CDBG maintenance reserve	-	34,858	-	-	-	-
Development Impact Fees	-	-	993,149	-	302,364	221,647
Public Works grant	61,290	-	-	28,915	-	-
Vacaville Library District loan	-	-	-	-	-	-
Community Facilities District	-	-	-	1,771,223	-	-
Building permit revenue	-	-	-	258,496	-	-
Police grants	-	-	-	231,979	-	-
Mariani GWTP closure	-	-	-	-	36,995	-
Water utility revenue	-	-	-	-	-	67,638
	<u>\$331,767</u>	<u>\$ 10,873,678</u>	<u>\$ 993,149</u>	<u>\$2,290,613</u>	<u>\$ 339,359</u>	<u>\$ 289,285</u>

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

\$ 10,838,820	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.
\$ 258,496	Building permits revenues in excess of expenses recorded in Other Governmental Special Revenue Fund.
\$ 1,517,160	Deferred Development Impact Fees for developers for single family residences to encourage continued growth in Vacaville.
\$ 1,771,223	Community Facilities District Fees for the Opportunity Hill project for the next 23 years.
\$ 732,152	Various grants and fees for governmental and business type funds.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 13 – CLASSIFICATION OF FUND BALANCES

As of June 30, 2012, classifications of fund balance are as follows:

Fund Balance:	General	Community Development	Sucessor Housing	Housing Assistance	City Projects	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Prepaid items	\$ 449,482	\$ -	\$ -	\$ 1,003,296	\$ -	\$ -	\$ 1,452,778
Advances to other funds	317,486	-	-	-	-	-	317,486
Subtotal	<u>766,968</u>	<u>-</u>	<u>-</u>	<u>1,003,296</u>	<u>-</u>	<u>-</u>	<u>1,770,264</u>
Restricted							
Grants	-	925,811	-	-	-	215,939	1,141,750
Donor specified use	128,021	-	-	-	-	-	128,021
Highway and streets	-	-	-	-	-	988,683	988,683
Park maintenance	-	-	-	-	-	963,126	963,126
Community facility district	-	-	-	-	-	93,524	93,524
Housing	-	-	31,558,933	2,296,399	-	-	33,855,332
Debt service	-	-	-	-	-	1,237,667	1,237,667
Capital Projects	-	-	-	-	-	7,259,656	7,259,656
Subtotal	<u>128,021</u>	<u>925,811</u>	<u>31,558,933</u>	<u>2,296,399</u>	<u>-</u>	<u>10,758,595</u>	<u>45,667,759</u>
Assigned							
Technology	27,366	-	-	-	-	-	27,366
Capital projects	284,378	-	-	-	-	-	284,378
General government	102,955	-	-	-	-	-	102,955
Community services	76,285	-	-	-	-	-	76,285
Public safety	97,837	-	-	-	-	-	97,837
Public works	77,736	-	-	-	-	-	77,736
Housing	-	-	21,389	-	-	-	21,389
Subtotal	<u>666,557</u>	<u>-</u>	<u>21,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>687,946</u>
Unassigned	-	-	-	-	(3,601,257)	-	(3,601,257)
Total Fund Balances	<u>\$ 1,561,546</u>	<u>\$ 925,811</u>	<u>\$ 31,580,322</u>	<u>\$ 3,299,695</u>	<u>\$ (3,601,257)</u>	<u>\$ 10,758,595</u>	<u>\$ 44,524,712</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss including government tort claims (general and automobile liability), employment practices liability, employee work related injuries and illnesses, public officials errors and omissions, natural disasters, and theft of or damage to property. The City protects its financial resources and assets through insurance programs managed and administered by the Risk Management Office within the Human Resources Department.

The Human Resources Department is responsible for managing the City's General Liability and Workers' Compensation Internal Service Funds to account for and finance the City's risk of loss. Under these programs, the City is self insured for the first \$500,000 per occurrence for general, auto, and employment liability and is self insured for the first \$350,000 for workers' compensation claims. All City operating funds and departments participate in the self insurance programs and make payments to the General Liability and Workers' Compensation Internal Service Funds based on size of payroll, risk, and actuarial estimates of the amounts needed to pay for both prior and current year claims. The total actuarial estimated claims liability at June 30, 2012 is \$6,246,000, consisting of \$1,063,000 general liability and \$5,183,000 worker's compensation liability. These amounts include allocated expenses and a provision for the incurred but not reported claims. Of this balance, \$1,780,000 has been recorded as a current liability on the City's balance sheet.

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) self insurance pool. Through CJPRMA, the City has an additional \$39,500,000 in comprehensive liability coverage over and above our self-insured retention of \$500,000 per occurrence. The City is also a member of the Local Agency Workers' Compensation Excess (LAWCX) Joint Powers Authority self insurance pool which provides excess workers compensation coverage up to \$50,000,000 per occurrence. The purpose of CJPRMA and LAWCX is to spread the adverse effects of losses among the member public agencies and to purchase excess insurance as a group, thereby reducing its expense. The City contributes its pro rata share of expected losses to these self insurance pools administered by CJPRMA and LAWCX. Should the pool's actual losses among participating agencies be greater than the anticipated losses, the City may be assessed its pro rata share of that deficiency. Conversely, if the actual losses for the pool are less than anticipated, the City may from time to time be refunded a pro rata share of the excess.

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, automobile, and public officials errors and omissions limits of \$20,000,000 per occurrence, subject to a \$25,000 self-insured retention. In addition, the City participates in CalTIP's Physical Damage Program, protecting the transit vehicle fleet with a \$5,000 deductible per accident.

The City also maintains separate policies for property coverage, boiler and machinery, automobile physical damage for vehicles valued over \$20,000 and employee crime and fidelity insurance.

The following claim 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, 2012.

Changes in the Insurance Fund claims liability during the fiscal year July 1, 2011 through June 30, 2012 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
2011-2012	\$ 6,039,000	\$ 1,007,982	\$ (800,982)	\$ 6,246,000	\$ 1,780,000
2010-2011	\$ 5,698,000	\$ 1,226,363	\$ (885,363)	\$ 6,039,000	\$ 1,716,000
2009-2010	\$ 5,859,000	\$ 1,060,213	\$ (1,221,213)	\$ 5,698,000	\$ 2,083,168

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Vacaville that previously reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of the redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-10.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installments payments on enforceable of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfer of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure of encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issues is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made as a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of the dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds were reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust as an extraordinary gain (or loss).

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY, continued

Because of the different measurement focus of the governmental funds (*current financial resource measurement focus*) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount of the extraordinary gain that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund	\$ 45,641,316
Capital assets recorded in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund	34,451,872
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	
Deferred revenue adjustment reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund.	1,825,370
Long-term debt reported in the government-wide financial Statements – decrease to net assets of the Successor Agency Trust Fund	<u>(59,515,257)</u>
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to the amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ 22,403,301</u>

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 estimate based on engineering cost estimates for closure of projects of \$1,355,000 for the Closure Plan work with no estimated recoveries to reduce the liability. There is no risk of an increase or decrease of the estimate since it is continuously monitored.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 17 – COMMITMENTS AND CONTINGENCIES

A. COMMITMENTS

The City has a contract for the widening of Davis Street between Bella Vista Road and the I-80 undercrossing. The original contract was approximately \$1,080,966, and the balance on the contract at June 30, 2012 equals approximately \$120,056. The contract is expected to be completed in the first quarter of fiscal year 2013.

The City has a contract for asphalt concrete overlay on various city and residential streets. The original contract was approximately \$1,650,193 and at June 30, 2012, the balance on the contract was approximately \$1,129,904. The contract is expected to be completed in the first quarter of fiscal year 2013.

The City has a contract for the construction of a new water treatment plant emergency generator building. The original contract was approximately \$882,494. At June 30, 2012, the balance on the contract was approximately \$774,288. The contract is expected to be completed by December 2012.

The City has a contract for the construction and improvement of facilities needed to meet the requirements of the National Pollutant Discharge Elimination System permit program. The original contract for the denitrification improvements phase was approximately \$22,630,000, and the balance of the contract at June 30, 2012 equals approximately \$6,828,327. The contract is expected to be completed by January 2013.

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 Successor Agency has certain contingent payments in connection with the purchase and sale of land held for development by the former redevelopment agency. The Successor Agency has retained responsibility for paying a portion of assessments assigned to each property if certain criteria are met. There are currently three areas in which the Agency could be contingently liable for paying the assessments:

Special Assessments	
Auto Mall	\$ 182,620
Cultrual Center	43,432
East Monte Vista	<u>7,035</u>
Total contingent liability	<u>\$ 233,087</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 18 - 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, 2012:

Current assets	\$ 468,661
Property, plant and equipment, net	<u>954,067</u>
Total assets	<u>\$ 1,422,728</u>
Net assets	<u>\$ 1,422,728</u>
Other revenues (expenses), net	<u>11,760</u>
Decrease in retained earnings	<u>\$ 11,760</u>

As of June 30, 2012 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 \$20,461,896 which represents a 62.8% equity interest. The City's contribution to the operations of the North Bay Treatment Plant for the fiscal year was \$2,901,689. This amount is included in the total operating revenues stated in the following financial information. 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, 2012

NOTE 18 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

Summarized unaudited financial information for the North Bay Treatment Plant as of June 30, 2012 is shown below.

Current assets	\$ 6,911,048
Property, plant and equipment, net	<u>46,490,506</u>
Total assets	<u>53,401,554</u>
Current liabilities	340,377
Noncurrent liabilities - Minority Interest in Joint Agencies	<u>20,461,896</u>
Total liabilities	<u>20,802,273</u>
Invested in Capital Assets, net of related debt	26,028,610
Restricted	7,912,487
Unrestricted	<u>(1,341,816)</u>
Total Net Assets	<u>\$ 32,599,281</u>
Total operating revenues	\$ 7,789,802
Total operating expenses	<u>8,512,133</u>
Operating loss	(722,331)
Total non-operating revenues	<u>438,170</u>
Income before transfers	<u>(284,161)</u>
Transfers	<u>(91,362)</u>
Total transfers	<u>(91,362)</u>
Increase in Net Assets	<u>(375,523)</u>
Net Assets	
Beginning of Year	<u>32,974,804</u>
End of Year	<u>\$ 32,599,281</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. During the fiscal year ended June 30, 2012 the City did not make any contributions to the VDGA.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 18 - 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. During the fiscal year ended June 30, 2012 the City contributed \$362,525 to the SACA. 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 pays a membership fee of approximately \$90,000 annually to STA through the Local Transportation Fund. The City has no equity interest in STA.

NOTE 19 – PRIOR PERIOD ADJUSTMENT

The beginning net assets for Governmental Activities on the Government-Wide Financial Statements and beginning fund balance for City Projects on the Governmental Fund Financial Statements have been decreased by \$1,578,534 due to the write-off of a prepaid expense for a facility license agreement which was terminated in a prior period. The 40-year license agreement between the City and the Vacaville Unified School district (District) granted the City a license for the use of certain District recreational facilities in exchange for a use fee in the amount of \$2,000,000. The City and District agreed to terminate the license agreement in fiscal year 2011.

The beginning net assets for Governmental and Business-Type Activities were restated to expense total lump sum prefunding payments made to PERS for fiscal years 2010 and 2011. Because of decreases in the number of employees and total wages paid, the prefunding amount paid in advance was more than the actual activity. The unused portion of the lump sum payment was recorded as a prepaid expense, however the amount should have been expensed. The beginning fund balances of the fund listed below have also been decreased to reflect the additional pension contributions.

The beginning net assets for Business-Type Activities on the Government-Wide Financial Statements and the beginning net assets for the Sewer Utility funds on the Proprietary Fund Financial Statements have been increased by \$480,194 due to the capitalization of prior period project expenses. The project expenses related to the design and construction of filtration improvements of the City's wastewater treatment plant that should have been capitalized as construction in progress in fiscal year 2011.

The beginning net assets for both Governmental and Business-Type Activities were restated due to a software error which accelerated the calculation of depreciation expense for several assets in the building and infrastructure capital asset classes. Beginning net assets for Governmental Activities on the Statement of Activities has been increased by \$713,304. Beginning net assets for Business-Type Activities on the Statement of Activities has also been increased in the amount of \$371,406. On the Statement of Revenue, Expenses and Changes in Net Assets, the beginning net asset balance for Sewer Utility funds has been increased by \$152,596 and the beginning balance for Water Utility funds has been increased by \$218,810.

A summary of the prior period adjustments is shown on the next page:

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 19 – PRIOR PERIOD ADJUSTMENT, continued

	Net Assets as Previously Reported	Prior Period Adjustments				Net Assets as Restated
		VUSD Prepaid Expense	PERS Prepaid Expense	EWWT Capital Assets	A/D Capital Assets	
Government-Wide Financial Statements						
Governmental Activities						
Net Assets	\$ 506,067,883	\$ (1,578,534)	\$ (1,245,742)	\$ -	\$ 713,304	\$ 503,956,911
Business Type Activities						
Net Assets	291,463,838	-	(148,818)	480,194	371,406	292,166,620
Total	<u>\$ 797,531,721</u>	<u>\$ (1,578,534)</u>	<u>\$ (1,394,560)</u>	<u>\$ 480,194</u>	<u>\$ 1,084,710</u>	<u>\$ 796,123,531</u>
	Fund Balance as Previously Reported	Prior Period Adjustments				Fund Balance as Restated
		VUSD Prepaid Expense	PERS Prepaid Expense	EWWT Capital Assets	A/D Capital Assets	
Fund Financial Statements						
Governmental Funds						
General Fund	\$ 3,924,411	\$ -	\$ (1,141,551)	\$ -	\$ -	\$ 2,782,860
Community Development	852,514	-	(1,811)	-	-	850,703
Housing Assistance	2,880,885	-	(16,675)	-	-	2,864,210
Capital Projects - City	(133,305)	(1,578,534)	(13,817)	-	-	(1,725,656)
Building & Street Development	1,371,457	-	(26,156)	-	-	1,345,301
Maintenance Districts	1,406,691	-	(12,237)	-	-	1,394,454
Special Programs	149,397	-	(2,695)	-	-	146,702
Total Governmental Funds	<u>\$ 10,452,050</u>	<u>\$ (1,578,534)</u>	<u>\$ (1,214,942)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,658,574</u>
Enterprise Funds						
Sewer Utility	149,860,690	-	(92,949)	480,194	152,596	150,400,531
Water Utility	112,152,056	-	(53,009)	-	218,810	112,317,857
Transit	25,833,649	-	(2,860)	-	-	25,830,789
Total Enterprise Funds	<u>\$ 287,846,395</u>	<u>\$ -</u>	<u>\$ (148,818)</u>	<u>\$ 480,194</u>	<u>\$ 371,406</u>	<u>\$ 288,549,177</u>
Internal Service Funds						
Central Services	91,817	-	(24,340)	-	-	67,477
Insurance	(1,254,469)	-	(6,458)	-	-	(1,260,927)
Total Internal Service Funds	<u>\$ (1,162,652)</u>	<u>\$ -</u>	<u>\$ (30,798)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,193,450)</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2012

NOTE 20 – SUBSEQUENT EVENTS

On August 21, 2012, the City entered into a capital lease agreement with Holman Capital Corporation in the amount of \$810,000 for a new telephone system. Principal and interest will be paid in quarterly installments of \$43,654 at an interest rate of 2.90%. The first rental payment will be made in November 2012 and the last scheduled payment is due in August 2017.

On November 6th, 2012, voters approved Measure M, which provides a ¼ cent sales tax to the general fund for a 5 year period beginning April 1, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2012

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 \$952,923 for the City operating budget was made by the City Council action during the year. Appropriations were also increased due to grant and operating carryovers by \$420,485, and new grant awards of \$632,988. The net increase to appropriations is \$100,550.

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, 2012

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Taxes and fees	\$ 47,822,697	\$ 47,822,697	\$ 49,219,210	\$ 1,396,513
Licenses and permits	191,948	191,948	206,155	14,207
Investment income	1,054,390	1,054,390	460,028	(594,362)
Intergovernmental	456,718	482,391	125,064	(357,327)
Charges for services	6,961,426	6,961,426	6,933,634	(27,792)
Fines, forfeits and penalties	151,501	151,501	367,633	216,132
Other	34,630	34,630	241,596	206,966
Total revenues	56,673,310	56,698,983	57,553,320	854,337
Expenditures:				
Current:				
General government	3,901,970	4,120,310	3,747,787	372,523
Public safety	42,409,793	41,601,925	43,627,581	(2,025,656)
Public works	4,477,636	4,445,306	4,536,776	(91,470)
Community services	8,080,884	7,937,763	7,728,716	209,047
Debt service:				
Principal	214,288	214,288	214,288	-
Interest	45,539	45,539	72,880	(27,341)
Total expenditures	59,130,110	58,365,131	59,928,028	(1,562,897)
Excess (deficiency) of revenues over (under) expenditures	(2,456,800)	(1,666,148)	(2,374,708)	(708,560)
Other financing sources (uses):				
Transfers in	2,572,238	2,580,935	2,948,168	367,233
Transfers out	(1,703,166)	(1,703,166)	(1,804,854)	(101,688)
Sale of capital assets	-	-	10,080	10,080
Total other financing sources (uses)	869,072	877,769	1,153,394	275,625
Net change in fund balance	\$ (1,587,728)	\$ (788,379)	(1,221,314)	\$ (432,935)
Fund balances, beginning of year			3,924,411	
Prior period adjustments			(1,141,551)	
Fund balances, end of year			<u>\$ 1,561,546</u>	

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Use of money and property	\$ 20,000	\$ 20,000	\$ 276	\$ (19,724)
Intergovernmental	1,813,149	1,813,149	863,873	(949,276)
Total revenues	<u>1,833,149</u>	<u>1,833,149</u>	<u>864,149</u>	<u>(969,000)</u>
Expenditures:				
Current:				
Community services	1,805,952	1,743,682	489,041	1,254,641
Total expenditures	<u>1,805,952</u>	<u>1,743,682</u>	<u>489,041</u>	<u>1,254,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,197</u>	<u>89,467</u>	<u>375,108</u>	<u>285,641</u>
Other financing sources (uses):				
Operating transfers out	-	-	(300,000)	(300,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
Net change in fund balance	<u>\$ 27,197</u>	<u>\$ 89,467</u>	<u>75,108</u>	<u>\$ (14,359)</u>
Fund balances, beginning of year			852,514	
Prior period adjustment			(1,811)	
Fund balances, end of year			<u>\$ 925,811</u>	

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL --
SPECIAL REVENUE FUND-SUCCESSOR HOUSING

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Investment income	\$ -	\$ -	\$ 12,582	\$ 12,582
Other	-	-	20,296	20,296
Total revenues	-	-	32,878	32,878
Expenditures:				
Current:				
Housing	-	-	465,392	(465,392)
Total expenditures	-	-	465,392	(465,392)
Excess (deficiency) of revenues over (under) expenditures	-	-	(432,514)	(432,514)
Other financing sources (uses):				
Transfers in	-	-	30,752,836	30,752,836
Sale of capital assets	-	-	1,260,000	1,260,000
Total other financing sources (uses)	-	-	32,012,836	32,012,836
Net change in fund balance	\$ -	\$ -	31,580,322	\$ 31,580,322
Fund balances, beginning of year			-	
Fund balances, end of year			\$ 31,580,322	

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL --
SPECIAL REVENUE FUND-HOUSING ASSISTANCE

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Investment income	\$ 6,000	\$ 6,000	\$ 7,845	\$ 1,845
Intergovernmental	13,622,805	13,622,805	13,620,253	(2,552)
Charges for services	45,000	45,000	55,651	10,651
Other	-	-	57,419	57,419
Total revenues	13,673,805	13,673,805	13,741,168	67,363
Expenditures:				
Current:				
Community services	14,132	14,132	64,983	(50,851)
Housing	13,644,488	13,644,488	13,540,700	103,788
Total expenditures	13,658,620	13,658,620	13,605,683	52,937
Excess (deficiency) of revenues over (under) expenditures	15,185	15,185	135,485	120,300
Other financing sources (uses):				
Transfers in	-	-	300,000	300,000
Net change in fund balance	\$ 15,185	\$ 15,185	435,485	\$ 120,300
Fund balance, beginning of year			2,880,885	
Prior period adjustment			(16,675)	
Fund balance, end of year			\$ 3,299,695	

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

EMPLOYEE RETIREMENT PLANS

SCHEDULE OF FUNDING PROGRESS- PERS

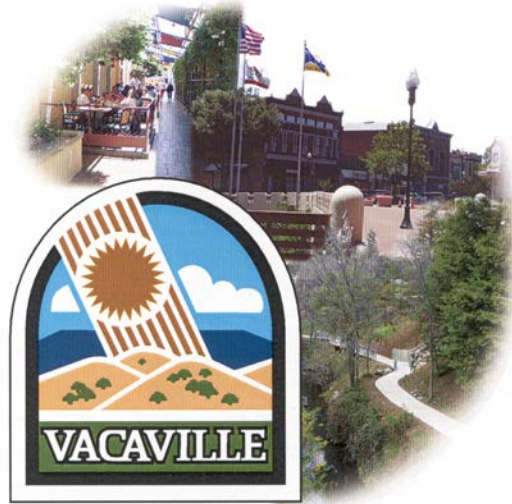
Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAL)	Funded Status	Annual Covered Payroll	AUL as % of Payroll
Miscellaneous						
6/30/2009	\$ 148,895,881	\$ 117,724,505	\$ (31,171,376)	79.1%	\$ 27,968,608	111.5%
6/30/2010	160,884,879	125,418,311	(35,466,568)	78.0%	26,304,950	134.8%
6/30/2011	172,996,776	133,227,261	(39,769,515)	77.0%	27,312,768	145.6%
Safety						
6/30/2009	\$ 160,692,199	\$ 118,633,806	\$ (42,058,393)	73.8%	\$ 21,519,394	195.4%
6/30/2010	183,828,966	128,282,450	(55,546,516)	69.8%	20,159,546	275.5%
6/30/2011	199,208,500	138,736,613	(60,471,887)	69.6%	19,426,826	311.3%

SCHEDULE OF FUNDING PROGRESS- PARS

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UAL)	Funded Ratio	Valuation Payroll	UAL as % of Payroll
Miscellaneous						
7/1/2008	\$ 24,481,039	\$ 7,593,684	\$ (16,887,355)	31.0%	\$ 27,602,940	61.2%
7/1/2010	\$ 35,685,109	\$ 8,120,448	\$ (27,564,661)	22.8%	26,487,589	104.1%

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%
7/1/2011	80,254,313	8,707,156	(71,547,157)	10.85%	47,313,037	151.2%



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SUPPLEMENTARY INFORMATION



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OTHER GOVERNMENTAL FUNDS

Other governmental funds are nonmajor governmental funds reported in the other governmental funds column of the governmental

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.

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.

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. On February 1, 2012, the Redevelopment Agency was dissolved under state law.

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.

REDEVELOPMENT DEBT SERVICE

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

ASSESSMENT AND IMPROVEMENT DISTRICTS

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

SUCCESSOR HOUSING CAPITAL PROJECTS

To account for proceeds from bonds used to construct housing related projects.

CITY OF VACAVILLE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2012

	SPECIAL REVENUE					DEBT SERVICE		CAPITAL PROJECTS			
	BUILDING & STREET DEVELOPMENT	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	REDEVELOPMENT SPECIAL REVENUE	REDEVELOPMENT MEASURE I	DEBT SERVICE	ASSESSMENT & IMPROVEMENT DISTRICTS	SUCCESSOR HOUSING CAPITAL PROJECTS	TOTAL OTHER GOVERNMENTAL FUNDS	
Assets											
Cash and investments	\$ 2,056,882	\$ 4,431,539	\$ 1,864,747	\$ 332,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,685,551	
Receivables:											
Interest	-	-	-	-	-	978	-	-	-	978	
Taxes	35,887	-	-	-	-	-	-	-	-	35,887	
Accounts	68,457	-	-	378,925	-	-	-	-	-	447,382	
Restricted cash and investments	-	-	-	-	-	1,236,689	-	1,074,146	6,220,284	8,531,119	
Total assets	\$ 2,161,226	\$ 4,431,539	\$ 1,864,747	\$ 711,308	\$ -	\$ 1,237,667	\$ -	\$ 1,074,146	\$ 6,220,284	\$ 17,700,917	
Liabilities and Fund Balances											
Liabilities:											
Accounts and contract payable	\$ 75,876	\$ 49,114	\$ -	\$ 26,286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,276	
Accrued payroll	83,721	45,138	-	20,756	-	-	-	-	121	149,736	
Deposits payable	754,450	3,374,161	-	187,433	-	-	-	-	-	4,316,044	
Deferred revenue	258,496	-	1,771,223	260,894	-	-	-	-	-	2,290,613	
Advances from other funds	-	-	-	-	-	-	-	34,433	220	34,653	
Total liabilities	1,172,543	3,468,413	1,771,223	495,369	-	-	-	34,433	341	6,942,322	
Fund balances:											
Restricted	988,683	963,126	93,524	215,939	-	1,237,667	-	1,039,713	6,219,943	10,758,595	
Total fund balances	988,683	963,126	93,524	215,939	-	1,237,667	-	1,039,713	6,219,943	10,758,595	
Total liabilities and fund balances	\$ 2,161,226	\$ 4,431,539	\$ 1,864,747	\$ 711,308	\$ -	\$ 1,237,667	\$ -	\$ 1,074,146	\$ 6,220,284	\$ 17,700,917	

CITY OF VACAVILLE
OTHER GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE					DEBT SERVICE		CAPITAL PROJECTS		
	BUILDING & STREET DEVELOPMENT	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	REDEVELOPMENT SPECIAL REVENUE	MEASURE I	REDEVELOPMENT DEBT SERVICE	ASSESSMENT & IMPROVEMENT DISTRICTS	SUCCESSOR HOUSING CAPITAL PROJECTS	TOTAL OTHER GOVERNMENTAL FUNDS
Revenues:										
Taxes and fees	\$ -	\$ 2,461,859	\$ 1,619,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,080,927
Licenses and permits	1,197,290	-	-	-	-	-	-	-	-	1,197,290
Investment income	9,790	-	-	1,138	70,282	76,556	81,823	-	-	239,589
Intergovernmental	642,981	-	-	1,346,963	-	-	-	-	-	1,989,944
Charges for services	669,962	-	-	133,586	-	-	-	-	-	803,548
Fines, forfeitures and penalties	62,295	-	-	-	-	-	-	-	-	62,295
Other	656	-	-	-	175,674	-	-	-	-	176,330
Total revenues	2,582,974	2,461,859	1,619,068	1,481,687	245,956	76,556	81,823	-	-	8,549,923
Expenditures:										
Current:										
General government	2,357,050	-	-	-	-	-	-	-	-	2,357,050
Public safety	-	-	1,243	1,531,970	-	-	-	-	-	1,533,213
Public works	1,029,033	-	-	41,399	-	-	-	-	-	1,070,432
Community services	-	3,490,527	18,164	18,966	-	-	-	-	-	3,527,657
Redevelopment	-	-	-	-	921,436	-	-	-	341	921,777
Debt service:										
Principal	-	-	-	-	-	1,050,000	2,217,334	-	-	3,267,334
Interest and fiscal charges	-	-	-	-	-	149,544	1,735,570	-	-	1,885,114
Total expenditures	3,386,083	3,490,527	19,407	1,592,335	921,436	1,199,544	3,952,904	-	341	14,562,577
Excess (deficiency) of revenues over (under) expenditures	(803,109)	(1,028,668)	1,599,661	(110,648)	(675,480)	(1,122,988)	(3,871,081)	-	(341)	(6,012,654)
Other financing sources (uses):										
Transfers in	555,000	597,340	-	179,885	-	1,122,985	3,870,341	811	6,220,284	12,546,646
Transfers out	(108,509)	-	(1,922,404)	-	(30,487,330)	-	-	(119,523)	-	(32,637,766)
Total other financing sources (uses)	446,491	597,340	(1,922,404)	179,885	(30,487,330)	1,122,985	3,870,341	(118,712)	6,220,284	(20,091,120)
Special item:										
Extraordinary gain (loss)	-	-	322,743	-	(8,931,269)	-	(6,963,318)	-	-	(15,571,844)
Net change in fund balance	(356,618)	(431,328)	-	69,237	(40,094,079)	(3)	(6,964,058)	(118,712)	6,219,943	(41,675,618)
Fund balances, beginning of year as previously reported	1,371,457	1,406,691	93,524	149,397	40,094,079	1,237,670	6,964,058	1,158,425	-	52,475,301
Prior period adjustment	(26,156)	(12,237)	-	(2,695)	-	-	-	-	-	(41,088)
Fund balances, beginning of year, restated	1,345,301	1,394,454	93,524	146,702	40,094,079	1,237,670	6,964,058	1,158,425	-	52,434,213
Fund balances, end of year	\$ 988,683	\$ 963,126	\$ 93,524	\$ 215,939	\$ -	\$ 1,237,667	\$ -	\$ 1,039,713	\$ 6,219,943	\$ 10,758,595

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, 2012

BUILDING & STREET DEVELOPMENT				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE/(NEGATIVE)
Revenues:				
Licenses and permits	\$ 493,000	\$ 493,000	\$ 1,197,290	\$ 704,290
Investment income	20,000	20,000	9,790	(10,210)
Intergovernmental	690,246	690,246	642,981	(47,265)
Charges for services	810,500	810,500	669,962	(140,538)
Fines, forfeits and penalties	-	-	62,295	62,295
Other	1,000	1,000	656	(344)
Total revenues	2,014,746	2,014,746	2,582,974	568,228
Expenditures:				
Current:				
General government	2,737,761	2,737,761	2,357,050	380,711
Public works	985,397	1,007,500	1,029,033	(21,533)
Total expenditures	3,723,158	3,745,261	3,386,083	359,178
Excess (deficiency) of revenues over (under) expenditures	(1,708,412)	(1,730,515)	(803,109)	927,406
Other financing sources (uses):				
Transfers in	930,000	930,000	555,000	(375,000)
Transfers out	(382,547)	(385,508)	(108,509)	276,999
Total other financing sources (uses)	547,453	544,492	446,491	(98,001)
Net change in fund balance	\$ (1,160,959)	\$ (1,186,023)	(356,618)	\$ 829,405
Fund balance, beginning of year			1,371,457	
Prior period adjustment			(26,156)	
Fund balance, end of year			\$ 988,683	

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, 2012

	MAINTENANCE DISTRICTS			VARIANCE WITH FINAL BUDGET
	BUDGETED AMOUNTS			POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Taxes and fees	\$ 2,458,234	\$ 2,458,234	\$ 2,461,859	\$ 3,625
Total revenues	2,458,234	2,458,234	2,461,859	3,625
Expenditures:				
Current:				
Community services	4,621,941	4,780,766	3,490,527	1,290,239
Total expenditures	4,621,941	4,780,766	3,490,527	1,290,239
Excess (deficiency) of revenues over (under) expenditures	(2,163,707)	(2,322,532)	(1,028,668)	1,293,864
Other financing sources (uses):				
Transfers in	441,984	597,340	597,340	-
Total other financing sources (uses)	441,984	597,340	597,340	-
Net change in fund balance	<u>\$ (1,721,723)</u>	<u>\$ (1,725,192)</u>	(431,328)	<u>\$ 1,293,864</u>
Fund balance, beginning of year			1,406,691	
Prior period adjustment			(12,237)	
Fund balance, end of year			<u>\$ 963,126</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, 2012

	COMMUNITY FACILITIES			VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Taxes and fees	\$ 1,489,691	\$ 1,489,691	\$ 1,619,068	\$ 129,377
Total revenues	1,489,691	1,489,691	1,619,068	129,377
Expenditures:				
Current:				
Public safety	-	-	1,243	(1,243)
Community services	-	-	18,164	(18,164)
Total expenditures	-	-	19,407	(19,407)
Excess (deficiency) of revenues over (under) expenditures	1,489,691	1,489,691	1,599,661	109,970
Other financing sources (uses):				
Transfers in	500,000	500,000	-	(500,000)
Transfers out	(1,989,691)	(1,989,691)	(1,922,404)	67,287
Total other financing sources (uses)	(1,489,691)	(1,489,691)	(1,922,404)	(432,713)
Special item				
Extraordinary gain	-	-	322,743	-
Net change in fund balance	\$ -	\$ -	-	\$ (322,743)
Fund balance, beginning of year			93,524	
Fund balance, end of year			\$ 93,524	

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, 2012

	SPECIAL PROGRAMS			VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Investment income	\$ -	\$ -	\$ 1,138	\$ 1,138
Intergovernmental	-	582,585	1,346,963	764,378
Charges for services	-	-	133,586	133,586
Total revenues	-	582,585	1,481,687	899,102
Expenditures:				
Current:				
Public safety	-	539,517	1,531,970	(992,453)
Public works	-	43,068	41,399	1,669
Community services	-	-	18,966	(18,966)
Total expenditures	-	582,585	1,592,335	(1,009,750)
Excess (deficiency) of revenues over (under) expenditures	-	-	(110,648)	(110,648)
Other financing sources (uses):				
Transfers in	-	-	179,885	179,885
Transfers out	-	(5,161)	-	5,161
Total other financing sources (uses)	-	(5,161)	179,885	185,046
Net change in fund balance	\$ -	\$ (5,161)	69,237	\$ 74,398
Fund balance, beginning of year			149,397	
Prior period adjustment			(2,695)	
Fund balance, end of year			\$ 215,939	



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INTERNAL SERVICE FUNDS

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, 2012

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
Assets						
Current assets:						
Cash and investments	\$ 165,283	\$ 2,307,647	\$ 450,705	\$ 5,373,556	\$ -	\$ 8,297,191
Receivables:						
Accounts	62,524	-	-	-	-	62,524
Employee benefits	-	-	-	-	712,015	712,015
Inventories - supplies	166,433	-	-	-	-	166,433
Total current assets	394,240	2,307,647	450,705	5,373,556	712,015	9,238,163
Non-current assets:						
Deposits	-	-	-	109,391	-	109,391
Capital assets - net of accumulated depreciation	83,809	1,022,824	564,208	-	-	1,670,841
Total non-current assets	83,809	1,022,824	564,208	109,391	-	1,780,232
Total assets	478,049	3,330,471	1,014,913	5,482,947	712,015	11,018,395
Liabilities						
Current liabilities:						
Accounts and contract payable	220,380	-	12,305	22,717	-	255,402
Accrued payroll	66,854	-	-	18,867	18,093	103,814
Due to other funds	-	-	-	-	693,922	693,922
Claims payable - due within one year	-	-	-	1,780,000	-	1,780,000
Total current liabilities	287,234	-	12,305	1,821,584	712,015	2,833,138
Non-current liabilities:						
Deposits payable	-	-	-	1,835	-	1,835
Claims payable - due in more than a year	-	-	-	4,466,000	-	4,466,000
Total liabilities	287,234	-	12,305	6,289,419	712,015	7,300,973
Net Assets						
Invested in capital assets, net of related debt	83,809	1,022,824	564,208	-	-	1,670,841
Unrestricted	107,006	2,307,647	438,400	(806,472)	-	2,046,581
Total net assets	\$ 190,815	\$ 3,330,471	\$ 1,002,608	\$ (806,472)	\$ -	\$ 3,717,422

CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
Operating revenues:						
Internal service charges	\$ 3,026,935	\$ 159,838	\$ 1,077,204	\$ 3,266,175	\$ 4,634,293	\$ 12,164,445
Operating expenses:						
Internal service expenses	3,025,658	-	841,924	2,811,720	4,634,293	11,313,595
Depreciation	3,047	217,251	213,960	-	-	434,258
Total operating expenses	3,028,705	217,251	1,055,884	2,811,720	4,634,293	11,747,853
Income (loss) before operating transfers	(1,770)	(57,413)	21,320	454,455	-	416,592
Transfers:						
Transfers in	125,108	-	-	-	-	125,108
Transfers out	-	(229,559)	-	-	-	(229,559)
Total transfers	125,108	(229,559)	-	-	-	(104,451)
Net income (loss)	123,338	(286,972)	21,320	454,455	-	312,141
Net assets, beginning of year	91,817	3,617,443	981,288	(1,254,469)	-	3,436,079
Prior period adjustment	(24,340)	-	-	(6,458)	-	(30,798)
Net assets, end of year	<u>\$ 190,815</u>	<u>\$ 3,330,471</u>	<u>\$ 1,002,608</u>	<u>\$ (806,472)</u>	<u>\$ -</u>	<u>\$ 3,717,422</u>

CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
Cash flows from operating activities:						
Receipts from customers and users	\$2,995,009	\$ 159,838	\$ 1,077,204	\$3,284,340	\$ 3,829,276	\$ 11,345,667
Payments to suppliers	(2,247,246)	-	(838,175)	(894,540)	(4,634,293)	(8,614,254)
Payments to employees	(711,713)	-	-	(887,449)	17,136	(1,582,026)
Claims paid	-	-	-	(800,982)	-	(800,982)
Net cash provided by (used in) operating activities	36,050	159,838	239,029	701,369	(787,881)	348,405
Cash flows from noncapital financing activities:						
Due to/(from) other funds	-	-	-	-	693,922	693,922
Transfers in	125,108	-	-	-	-	125,108
Transfers out	-	(229,559)	-	-	-	(229,559)
Net cash provided by (used in) noncapital financing activities	125,108	(229,559)	-	-	693,922	589,471
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	(104,970)	(64,904)	-	-	(169,874)
Net cash used in capital and related financing activities	-	(104,970)	(64,904)	-	-	(169,874)
Net increase in cash and cash equivalents	136,818	(174,691)	174,125	701,369	(93,959)	768,002
Cash and cash equivalents, beginning of year	28,465	2,482,338	276,580	4,672,187	93,959	7,553,529
Cash and cash equivalents, end of year	<u>\$ 165,283</u>	<u>\$ 2,307,647</u>	<u>\$ 450,705</u>	<u>\$5,373,556</u>	<u>\$ -</u>	<u>\$ 8,321,531</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ (1,770)	\$ (57,413)	\$ 21,320	\$ 454,455	\$ -	\$ 416,592
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	3,047	217,251	213,960	-	-	434,258
Changes in assets and liabilities:						
Decrease(increase) in accounts receivable	(31,926)	-	-	18,165	-	(13,761)
Increase in employee benefits receivable	-	-	-	-	(805,017)	(805,017)
Decrease in inventories-supplies	5,075	-	-	-	-	5,075
Decrease in deposits	-	-	-	22,499	-	22,499
Increase in accounts and contracts payable	73,188	-	3,749	17,259	-	94,196
Increase (decrease) in accrued payroll	(11,564)	-	-	156	17,136	5,728
Decrease in deposits payable	-	-	-	(18,165)	-	(18,165)
Increase in claims payable	-	-	-	207,000	-	207,000
Total adjustments	<u>37,820</u>	<u>217,251</u>	<u>217,709</u>	<u>246,914</u>	<u>(787,881)</u>	<u>(68,187)</u>
Net cash provided by (used for) operating activities	\$ 36,050	\$ 159,838	\$ 239,029	\$ 701,369	\$ (787,881)	\$ 348,405

FIDUCIARY FUND FINANCIAL STATEMENTS

OTHER DEPOSITS

To account for deposits received from outside parties. Some of the large items include amounts on deposit from Solano Transportation Authority, Solano County Transit, 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.

SUCCESSOR AGENCY

To account for the proceeds from the dissolution of the Redevelopment Agency.

CITY OF VACAVILLE
COMBING STATEMENT OF AGENCY FUNDS
JUNE 30, 2012

	OTHER DEPOSITS	SPECIAL ASSESSMENTS	TOTAL AGENCY
Assets			
Cash and investments	\$ 9,656,470	\$ 9,321,818	\$ 18,978,288
Total Assets	<u>\$ 9,656,470</u>	<u>\$ 9,321,818</u>	<u>\$ 18,978,288</u>
Liabilities			
Deposits payable	\$ 9,656,470	\$ -	\$ 9,656,470
Due to bondholders	-	9,321,818	9,321,818
Total Liabilities	<u>\$ 9,656,470</u>	<u>\$ 9,321,818</u>	<u>\$ 18,978,288</u>

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	BALANCES JULY 1, 2011	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2012
OTHER DEPOSITS				
Assets				
Cash and investments	\$ 7,149,124	\$ 3,737,737	\$ 1,230,391	\$ 9,656,470
Liabilities				
Accounts and contract payable	\$ -	\$ 683,227	\$ 683,227	\$ -
Deposits payable	7,149,124	3,407,078	899,732	9,656,470
Total Liabilities	\$ 7,149,124	\$ 4,090,305	\$ 1,582,959	\$ 9,656,470

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	BALANCES JULY 1, 2011	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2012
<u>SPECIAL ASSESSMENTS</u>				
<u>Assets</u>				
Cash and investments	\$ 9,880,304	\$ 7,532,529	\$ 8,091,015	\$ 9,321,818
<u>Liabilities</u>				
Due to bondholders	\$ 9,880,304	\$ 7,532,529	\$ 8,091,015	\$ 9,321,818

STATISTICAL SECTION

This part of the City of Vacaville's comprehensive annual financial report presents detailed 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.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	126
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	132
Debt Capacity 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.	136
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	140
Operating Information 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.	142

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 Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands of dollars)

	2012	2011	2010	2009	2008	Fiscal Year 2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 431,692	\$ 407,621	\$ 422,965	\$ 406,869	\$ 388,546	\$ 375,201	\$ 362,498	\$ 340,941	\$ 310,054	\$ 306,087
Restricted	27,189	27,685	15,519	28,588	38,832	36,382	33,683	43,971	55,790	42,619
Unrestricted	<u>14,452</u>	<u>70,762</u>	<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>473,333</u>	<u>506,068</u>	<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	214,851	216,439	213,956	194,484	187,090	180,813	159,094	146,253	150,320	142,676
Unrestricted	<u>79,401</u>	<u>75,025</u>	<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>294,252</u>	<u>291,464</u>	<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	646,543	624,060	636,921	601,353	575,636	556,014	521,591	487,194	460,374	448,763
Restricted	27,189	27,685	15,519	28,588	38,832	36,382	33,683	43,971	55,790	42,619
Unrestricted	<u>93,853</u>	<u>145,787</u>	<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>\$ 767,585</u>	<u>\$ 797,532</u>	<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 Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands of dollars)

	2012	2011	2010	2009	Fiscal Year 2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities	\$ 113,843	\$ 133,834	\$ 143,389	\$ 134,012	\$ 130,966	\$ 123,762	\$ 106,922	\$ 97,954	\$ 96,879	\$ 87,847
Business-type	44,493	44,388	41,401	38,950	36,251	37,360	34,338	28,151	26,528	23,458
Total primary government expenses	<u>158,336</u>	<u>178,222</u>	<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>
Program Revenues										
Governmental activities	33,006	41,311	45,251	39,990	40,817	52,432	46,169	36,647	35,877	42,126
Business-type	46,024	43,063	40,443	37,150	37,443	43,791	36,621	32,362	44,351	31,062
Total primary government program revenues	<u>79,030</u>	<u>84,374</u>	<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>
Net (Expense)/Revenue										
Governmental activities	(80,837)	(92,523)	(98,138)	(94,022)	(90,149)	(71,330)	(60,753)	(61,307)	(61,002)	(45,721)
Business-type	1,531	(1,325)	(958)	(1,800)	1,192	6,431	2,282	4,211	17,823	7,604
Total primary government net expense	<u>(79,306)</u>	<u>(93,848)</u>	<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>
General Revenues and Other Changes in Net Assets										
Governmental activities	50,213	91,803	97,915	93,164	103,130	95,189	80,620	84,847	68,072	62,058
Business-type	554	8,245	11,232	6,032	8,802	9,344	4,918	88	(1,285)	3,106
Total primary government	<u>50,767</u>	<u>100,048</u>	<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>
Prior Period Adjustment										
Governmental activities	(2,111)	-	-	-	-	-	-	-	-	-
Business-type	703	-	-	-	-	-	-	-	-	-
Total primary government	<u>(1,408)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets										
Governmental activities	(32,735)	(720)	(223)	(858)	12,981	23,859	19,867	23,540	7,070	16,336
Business-type	2,788	6,920	10,274	4,232	9,994	15,775	7,201	4,299	16,538	10,709
Total primary government	<u>\$ (29,947)</u>	<u>\$ 6,200</u>	<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 Ten Fiscal Years
 (accrual basis of accounting)
 (expressed in thousands of dollars)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
General Government	\$ 6,803	\$ 4,633	\$ 7,540	\$ 8,594	\$ 10,388	\$ 12,627	\$ 11,034	\$ 7,878	\$ 9,488	\$ 7,870
Public Safety	46,439	45,563	46,573	46,837	45,705	40,606	36,498	34,717	32,370	29,072
Public Works	19,978	26,091	25,464	25,069	21,328	22,432	18,313	14,585	16,810	11,372
Community Services	12,423	12,467	13,490	12,578	12,856	12,128	11,964	11,368	11,605	11,017
Housing	14,637	15,209	14,567	16,189	13,795	13,013	15,348	11,290	11,600	11,528
Redevelopment	11,982	25,720	31,596	19,671	21,500	17,753	8,684	13,666	10,718	11,086
Interest on long-term debt	1,581	4,151	4,159	5,074	5,394	5,203	5,082	4,451	4,290	5,903
Total governmental activities expenses	113,843	133,834	143,389	134,012	130,966	123,762	106,922	97,954	96,879	87,847
Program Revenues										
Charges for services:										
General Government	2,866	4,359	2,737	3,266	3,827	5,147	4,215	3,892	3,197	13,436
Public Safety	3,497	3,457	4,204	4,658	4,498	4,280	4,014	3,552	2,945	2,499
Public Works	125	288	594	870	311	545	2,531	441	693	911
Community Services	6,007	5,863	5,829	5,687	5,984	5,494	5,330	5,265	5,074	4,986
Housing	975	855	661	387	397	479	761	58	57	44
Redevelopment	-	103	103	103	103	159	245	380	217	346
Operating grants and contributions	15,330	16,360	15,718	14,338	17,386	14,651	16,011	14,161	13,227	12,183
Capital grants and contributions	4,206	10,026	15,405	10,681	8,311	21,677	13,063	8,897	10,469	7,720
Total governmental activities program revenues	33,006	41,311	45,251	39,990	40,817	52,432	46,169	36,647	35,877	42,126
Net (Expense)/Revenue	(80,837)	(92,523)	(98,138)	(94,022)	(90,149)	(71,330)	(60,753)	(61,307)	(61,002)	(45,721)
General Revenues and Other Changes in Net Assets										
Taxes										
Property taxes	43,463	61,385	64,348	65,731	63,793	55,145	48,450	40,044	32,370	29,557
Sales taxes	15,766	15,218	13,787	14,077	14,984	16,474	16,116	14,357	13,432	12,325
Franchise taxes	2,461	2,441	2,383	2,352	2,248	2,643	2,004	-	-	-
Transient lodging tax	986	955	929	930	1,005	1,048	942	-	-	-
Business license tax	291	290	281	298	306	319	290	-	-	-
Excise tax	2,302	2,262	2,258	2,169	2,234	2,217	2,251	-	-	-
Gasoline tax	2,717	2,426	1,596	1,564	1,719	1,772	1,776	-	-	-
Other taxes	-	-	-	-	-	-	-	6,241	7,574	7,183
Vehicle license taxes	-	569	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	437	1,145	2,112	2,998	13,957	6,279	4,320	4,768	2,755	4,130
Developer contributions	-	-	-	-	-	-	-	-	-	-
Unrestricted capital contributions	2,271	3,856	7,592	431	2,861	6,863	3,785	9,283	378	-
Loss on sale of property	-	-	-	-	-	-	-	-	-	(1,199)
Special Item - loss on dissolution of Redevelopment	(22,403)	-	-	-	-	-	-	-	-	-
Miscellaneous	827	667	1,724	1,990	1,331	1,791	58	5,347	2,294	527
Transfers	1,095	589	615	341	(1,725)	43	31	2,703	3,572	3,005
Total governmental activities	50,213	91,803	97,915	93,164	103,130	95,189	80,620	84,847	68,072	62,058
Prior period adjustment	(2,111)	-	-	-	-	-	-	-	-	-
Changes in Net Assets	\$ (32,735)	\$ (720)	\$ (223)	\$ (858)	\$ 12,981	\$ 23,859	\$ 19,867	\$ 23,540	\$ 7,070	\$ 16,336

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 Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands of dollars)

	2012	2011	2010	2009	Fiscal Year	2007	2006	2005	2004	2003
	2008									
Expenses										
Sewer	\$ 23,792	\$ 23,464	\$ 22,611	\$ 21,284	\$ 18,710	\$ 19,800	\$ 18,230	\$ 13,831	\$ 12,683	\$ 11,266
Water	16,637	16,601	16,124	15,282	14,976	15,059	13,135	11,672	11,267	9,905
Transit	4,064	4,323	2,666	2,384	2,565	2,501	2,974	2,648	2,578	2,288
Total business-type activities expenses	<u>44,493</u>	<u>44,388</u>	<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>
Program Revenues										
Charges for services:										
Sewer	25,340	22,793	19,478	18,071	18,269	18,322	17,193	16,285	15,026	13,312
Water	14,665	14,071	13,412	12,608	12,323	11,463	10,109	10,106	10,009	9,087
Transit	503	406	377	359	411	356	363	374	343	323
Operating grants and contributions	2,109	1,696	1,674	1,675	1,812	1,810	2,090	1,947	1,568	1,600
Capital grants and contributions	3,407	4,097	5,502	4,437	4,628	11,840	6,866	3,650	17,406	6,739
Total business-type activities program revenues	<u>46,024</u>	<u>43,063</u>	<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>
Net (Expense)/Revenue	<u>1,531</u>	<u>(1,325)</u>	<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>
General Revenues and Other Changes in Net Assets										
Taxes										
Property taxes	91	84	83	81	90	89	87	86	92	83
Investment income	375	946	517	(85)	2,237	1,795	(195)	965	624	2,012
Unrestricted capital contributions	1,173	7,439	10,070	4,700	1,769	5,887	2,234	1,332	1,301	3,703
Miscellaneous	10	365	1,177	3,032	2,981	1,616	2,823	408	270	312
Special item	-	-	-	(1,355)						
Transfers	(1,095)	(589)	(615)	(341)	1,725	(43)	(31)	(2,703)	(3,572)	(3,005)
Total business-type activities	<u>554</u>	<u>8,245</u>	<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>
Prior period adjustment	<u>703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	<u>\$ 2,788</u>	<u>\$ 6,920</u>	<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)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Fiscal Year</u> <u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund										
Reserved	\$ -	\$ -	\$ 1,278	\$ 513	\$ 938	\$ 541	\$ 899	\$ 1,101	\$ 815	\$ 702
Unreserved	-	-	3,149	5,370	10,664	13,518	14,139	14,355	12,322	11,075
Nonspendable	767	2,635	-	-	-	-	-	-	-	-
Restricted	128	115	-	-	-	-	-	-	-	-
Committed	-	1,012	-	-	-	-	-	-	-	-
Assigned	667	251	-	-	-	-	-	-	-	-
Unassigned	-	(89)	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 1,562</u>	<u>\$ 3,924</u>	<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>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 66,921	\$ 77,773	\$ 81,231	\$ 71,750	\$ 67,158	\$ 88,567	\$ 80,957	\$ 76,397
Unreserved, reported in:										
Special revenue funds	-	-	16,898	17,388	15,256	17,108	16,977	2,079	3,055	2,477
Capital projects funds	-	-	9,452	(1,931)	9,782	12,674	1,343	2,918	16,193	23,646
Debt service funds	-	-	353	498	601	708	2,319	2,521	6,988	4,216
Nonspendable	1,003	2,556	-	-	-	-	-	-	-	-
Restricted	45,540	83,046	-	-	-	-	-	-	-	-
Committed	-	13,198	-	-	-	-	-	-	-	-
Assigned	21	94	-	-	-	-	-	-	-	-
Unassigned	(3,601)	(4,285)	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 42,963</u>	<u>\$ 94,609</u>	<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>

The City of Vacaville implemented GASB 54 for the fiscal year ended June 30, 2011, which has revised classifications of fund balances.

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes and fees	\$ 69,404	\$ 87,292	\$ 90,971	\$ 91,125	\$ 91,052	\$ 88,262	\$ 80,627	\$ 66,741	\$ 59,541	\$ 59,239
Licenses and permits	1,403	1,022	877	1,498	1,596	2,496	708	1,628	1,524	1,490
Investment income	898	3,464	2,955	3,499	15,026	7,058	5,104	5,433	3,246	4,692
Intergovernmental	21,586	27,950	29,010	24,052	24,265	30,958	23,487	22,337	23,700	27,147
Charges for services	7,793	7,908	9,200	9,733	9,664	9,906	12,566	9,041	9,290	8,897
Fines, penalties and forfeitures	430	409	514	494	471	491	460	503	452	442
Other	764	977	966	2,047	992	3,613	704	3,590	1,448	590
Total revenues	<u>102,278</u>	<u>129,022</u>	<u>134,493</u>	<u>132,448</u>	<u>143,066</u>	<u>142,784</u>	<u>123,656</u>	<u>109,273</u>	<u>99,201</u>	<u>102,498</u>
Expenditures										
General government	6,105	6,087	6,321	8,333	9,390	11,788	10,493	7,912	8,430	7,711
Public Safety	45,161	43,849	45,130	46,224	44,560	41,657	36,851	34,501	31,759	28,501
Public Works	5,851	6,020	6,136	6,786	7,566	7,076	6,224	6,040	5,080	4,679
Community Services	11,810	11,787	12,889	11,974	12,159	11,506	11,367	10,905	10,689	10,465
Housing	14,928	15,152	14,545	16,215	13,787	13,018	15,363	11,292	11,585	11,721
Redevelopment	11,818	24,598	30,789	23,868	21,533	17,531	18,042	13,354	10,270	9,209
Intergovernmental	-	-	-	-	-	-	-	-	-	300
Shared Revenues	-	-	-	-	-	-	-	-	-	300
Capital Outlay	8,423	13,012	13,378	21,071	25,755	35,607	38,123	35,542	18,673	21,615
Debt service										
Principal	3,712	4,511	3,749	15,677	3,456	4,932	2,816	2,622	2,448	1,708
Interest and fiscal charges	2,284	4,142	4,365	5,088	5,313	5,874	5,572	4,670	4,301	4,393
Total expenditures	<u>110,092</u>	<u>129,158</u>	<u>137,302</u>	<u>155,236</u>	<u>143,519</u>	<u>148,989</u>	<u>144,850</u>	<u>126,837</u>	<u>103,235</u>	<u>100,602</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,814)</u>	<u>(136)</u>	<u>(2,809)</u>	<u>(22,788)</u>	<u>(453)</u>	<u>(6,205)</u>	<u>(21,194)</u>	<u>(17,564)</u>	<u>(4,034)</u>	<u>1,895</u>
Other Financing Sources (uses)										
Transfers in	48,953	17,610	15,008	13,888	15,171	18,144	23,976	12,288	17,096	11,531
Transfers out	(47,983)	(17,185)	(13,963)	(13,224)	(15,476)	(18,161)	(25,275)	(9,734)	(13,604)	(8,729)
Sale of capital assets	1,270	31	203	3,024	70	361	8,497	-	269	249
Issuance of debt and loans	-	163	-	239	2,860	19,325	5,290	1,475	449	3,099
Unrestricted capital contributions	-	-	-	-	-	-	-	5,800	-	-
Proceeds of refunding bonds and certificates of participation	-	-	-	-	-	-	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>2,240</u>	<u>619</u>	<u>1,248</u>	<u>3,927</u>	<u>2,625</u>	<u>19,669</u>	<u>12,488</u>	<u>9,829</u>	<u>4,210</u>	<u>6,150</u>
Extraordinary loss	<u>(45,641)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (51,215)</u>	<u>\$ 483</u>	<u>\$ (1,561)</u>	<u>\$ (18,861)</u>	<u>\$ 2,172</u>	<u>\$ 13,464</u>	<u>\$ (8,706)</u>	<u>\$ (7,735)</u>	<u>\$ 176</u>	<u>\$ 8,045</u>
Debt services as a percentage of noncapital expenditures	5.8%	7.0%	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	
2012	\$ 9,683,318	\$ 366,082	\$ (686,886)	9,362,514	\$ 3,348,177	\$ 234,200	\$ (12,817)	3,569,560	0.518%
2011	9,926,144	383,112	(718,975)	9,590,281	3,509,267	228,673	(13,111)	3,724,829	0.526%
2010	10,289,975	363,728	(715,811)	9,937,892	3,631,032	230,204	(13,071)	3,848,165	0.527%
2009	10,812,770	290,993	(508,057)	10,595,706	3,597,849	178,363	(13,122)	3,763,090	0.513%
2008	10,510,853	283,351	(403,014)	10,391,190	2,960,637	172,093	(13,243)	3,119,487	0.493%
2007	9,011,573	259,110	(246,012)	9,024,671	2,514,697	167,430	(13,280)	2,668,847	0.465%
2006	7,862,985	241,095	(221,247)	7,882,833	2,360,718	149,711	(13,476)	2,496,952	0.455%
2005	7,086,380	219,210	(221,559)	7,084,031	2,230,342	149,188	(13,464)	2,366,066	0.460%
2004	6,462,026	206,005	(193,433)	6,474,598	2,041,732	137,780	(13,520)	2,165,993	0.479%
2003	5,991,020	193,142	(183,501)	6,000,661	1,925,870	130,812	(13,377)	2,043,305	0.480%

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
City Direct Rates:										
City basic rate	0.27354%	0.27350%	0.27350%	0.27343%	0.27352%	0.27362%	0.27370%	0.27381%	0.27395%	0.27402%
Redevelopment agency	1.03087%	1.03084%	1.03083%	1.03076%	1.03085%	1.03095%	1.03103%	1.03114%	1.03128%	1.03135%
Total City Direct Rate	0.51806%	0.52590%	0.52677%	0.51289%	0.49309%	0.46522%	0.45536%	0.45973%	0.47914%	0.47972%
Overlapping Rates:										
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	0.06717%	0.05170%	0.05456%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Dixon USD GOB Series 2005				0.02131%	0.01958%	0.02335%	0.02902%	0.00000%	0.00000%	0.00000%
Dixon USD GOB Series 2006				0.00844%	0.00898%	0.00829%	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%
DUSD GOB Series 2003				0.01724%	0.01808%	0.01760%	0.01440%	0.04387%	0.05227%	0.00000%
Fairfield/Suisun USD GOB 2002S	0.05313%	0.05206%	0.05071%	0.01894%	0.01852%	0.02066%	0.02252%	0.02351%	0.04918%	0.05732%
Fairfield/Suisun USD GOB 2004S				0.02152%	0.02005%	0.02097%	0.02345%	0.02770%	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	0.02016%	0.01945%	0.01846%	0.01240%	0.01189%	0.01211%	0.01643%	0.01532%	0.01432%	0.00000%
Solano Community College Gob Series 2006B				0.00258%	0.00269%	0.00336%	0.00000%	0.00000%	0.00000%	0.00000%
City of Vacaville	0.03087%	0.03084%	0.03083%	0.03076%	0.03085%	0.03095%	0.03103%	0.03114%	0.03128%	0.03135%
Vacaville Unified School Bonds	0.06941%	0.06315%	0.05906%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD GOB Refunding Ser 2005				0.02109%	0.02256%	0.02293%	0.02388%	0.00000%	0.00000%	0.00000%
VV USD GOB Series 2005				0.01107%	0.01095%	0.02617%	0.02602%	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%
VV USD Meas V GOB Series 2002				0.00000%	0.00000%	0.00000%	0.00000%	0.02289%	0.02361%	0.05741%
VV USD Meas V GOB Series 2003				0.00000%	0.00000%	0.00000%	0.00000%	0.02379%	0.03001%	0.00000%
	1.26074%	1.23720%	1.23362%	1.20125%	1.20470%	1.20639%	1.20675%	1.20822%	1.22067%	1.16608%

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.

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

Source: HDL Coren & Cone, Solano County Assessor 2002/03 - 2011/12 Tax Rate Table

Schedule 7

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

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Genentech Inc.	\$ 1,106,750,624	1	11.821%	\$ 353,599,474	1	5.893%
Alza Corporation	136,071,994	2	1.453%	105,501,633	2	1.758%
CPG Finance II LLC	95,802,881	3	1.023%	49,427,500	3	0.824%
Nut Tree Retail LLC	72,374,716	4	0.773%			
Novartis Pharmaceuticals	61,660,211	5	0.659%			
State Compensation Insurance Fund	56,524,311	6	0.604%			
Irving and Varda Rabin Trust	46,367,519	7	0.495%			
Lucky Fla NoCal Investor LLC	43,823,682	8	0.468%			
6801 Leisure Town Road	38,473,137	9	0.411%			
Sequoia Equities-River Oaks	37,642,445	10	0.402%			
Glacier River Oaks Corporation				34,229,841	4	0.570%
Chiron Corporation				34,141,223	5	0.569%
Travis Credit Union				29,882,428	6	0.498%
RM Vacaville Limited				29,876,807	7	0.498%
Lucky Stores Inc				28,959,542	8	0.483%
Walmart Stores Inc				28,816,343	9	0.480%
Anthony A. Batarese Jr. Trust				20,144,599	10	0.336%

Source: HDL Coren & Cone, Solano County 2002/03 & 2011/2012 Combined Tax Rolls.

Schedule 8

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Supplemental/Prior Years Collections	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2012	\$ 11,259,697	\$ 11,259,697	100.00%		\$ 84,765	\$ 11,344,462	100.75%
2011	10,140,845	10,140,845	100.00%		215,790	10,356,635	102.13%
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%

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 Ten 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			
2012 *	\$ 2,776,805	\$ -	\$ 2,285,000	\$ -	\$ 3,264,085	\$ 19,305,000	\$ 27,630,890	\$ 81,800,867	\$ 363,011	\$ -	\$ 82,163,878	\$ 109,794,768	4.19%	1,192
2011	2,844,305	1,063,120	3,335,000	60,630,770	3,680,095	22,325,000	93,878,290	56,011,966	423,840	104,956	56,540,762	150,419,052	6.11%	1,617
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

*On February 1, 2012 the Redevelopment Agency was dissolved under state law. See Footnote 15 for further discussion.

Schedule 10

CITY OF VACAVILLE Direct and Overlapping Debt As of June 30, 2012

City Assessed Valuation	\$ 9,362,513,651
Redevelopment Agency Incremental Valuation	3,569,560,470
Adjusted Assessed Valuation	<u>\$ 5,792,953,181</u>

	<u>Percentage Applicable</u>	<u>Outstanding Debt</u>	<u>Estimated Share of Overlapping Debt</u>
	(1)		
Overlapping Debt Repaid with Property Taxes:			
Solano County Community College District	19.899%	\$ 104,445,090	\$ 20,783,528
Dixon Unified School District	0.503%	26,529,523	133,444
Fairfield-Suisun Joint Unified School District	0.122%	84,390,000	102,956
Vacaville Unified School District	84.394%	87,125,957	73,529,080
City of Vacaville Community Facilities District No. 2	100.000%	1,925,000	1,925,000
City of Vacaville 1915 Act Bonds	100.000%	<u>19,305,000</u>	<u>19,305,000</u>
Total overlapping debt repaid with property taxes		<u>323,720,570</u>	<u>115,779,008</u>
Overlapping Other Debt:			
Solano County Certificates of Participation	18.963%	117,170,000	22,218,947
Solano County Pension Obligations	18.963%	78,880,000	14,958,014
Solano County Board of Education Certificates of Participation	18.963%	2,230,000	422,875
Dixon Unified School District Certificates of Participation	0.503%	10,280,000	51,708
Fairfield-Suisun Joint Unified School District Certificates of Participation	0.122%	1,658,826	2,024
Travis Unified School District Certificates of Participation	61.310%	35,140,000	21,544,334
Vacaville Unified School District Certificates of Participation	84.394%	<u>12,814,255</u>	<u>10,814,462</u>
Total Overlapping other debt		<u>258,173,081</u>	<u>70,012,364</u>
Total Overlapping debt		<u>\$ 581,893,651</u>	185,791,372
City direct debt			2,285,000
Total direct and overlapping debt			<u>\$ 188,076,372</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)

	2012	2011	2010	2009	Fiscal Year 2008	2007	2006	2005	2004	2003
Assessed value	\$ 9,362,514	\$ 9,590,281	\$ 9,937,892	\$ 10,595,706	\$ 10,391,190	\$ 9,024,671	\$ 7,882,834	\$7,084,031	\$6,474,598	\$6,000,661
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,340,629	2,397,570	2,484,473	2,648,927	2,597,798	2,256,168	1,970,708	1,771,008	1,618,650	1,500,165
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	351,094	359,636	372,671	397,339	389,670	338,425	295,606	265,651	242,797	225,025
Total net debt applicable to limit:	-	-	-	-	-	-	-	-	-	-
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 351,094</u>	<u>\$ 359,636</u>	<u>\$ 372,671</u>	<u>\$ 397,339</u>	<u>\$ 389,670</u>	<u>\$ 338,425</u>	<u>\$ 295,606</u>	<u>\$ 265,651</u>	<u>\$ 242,797</u>	<u>\$ 225,025</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 Coren & Cone, Solano County 2001/2002 - 2010/2011 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 (2)	Debt Service			
				Principal	Interest	Coverage		Principal	Interest	Coverage	
2012	\$ 15,976	\$ 14,070	1,906	-	-	-	\$ -	\$ 1,898	\$ 3,241	-	
2011	15,712	14,464	1,248	-	-	-	33,824	2,514	4,125	5.09	
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	

NOTE

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

(1) Expenses-exclude depreciation and debt service.

(2) Due to the dissolution of the redevelopment agency in 2012, the tax allocation bonds secured by property tax increments will now be repaid from the Redevelopment Property Tax Trust Fund of the successor agency.

Schedule 13

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

<u>Year</u>	<u>Population</u> ⁽¹⁾	<u>Personal Income</u> <u>(thousands of dollars)</u>	<u>Per Capita</u> <u>Personal Income</u> ⁽²⁾	<u>Unemployment</u> <u>Rate</u> ⁽³⁾
2012	92,092	2,621,030	\$ 28,461	8.1%
2011	93,011	2,460,792	26,457	9.2%
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%

Sources: (1) State of California Department of Finance
(2) HDL Coren & Cone
(3) State of California Employment Development Department

Schedule 14

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

Employer	2012			2003		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
California State Department of Corrections	3,674	1	8.64%	2,600	1	6.22%
NorthBay VacaValley Hospital	1,868	2	4.40%	260	10	0.62%
Kaiser Permanente	1,275	3	3.00%	500	5	1.20%
Vacaville Unified School District	1,264	4	2.97%			
State Compensation Insurance Co.	1,050	5	2.47%			
City of Vacaville	723	6	1.70%			
Genentech	694	7	1.63%	600	4	1.44%
Alza Corporation	451	8	1.06%	700	2	1.67%
Wal-Mart Stores, Inc.	311	9	0.73%	350	8	0.84%
Save Mart Distribution Center	300	10	0.71%			
Albertsons				700	2	1.67%
Hines Nursery, Inc.				400	6	0.96%
Travis Credit Union				350	7	0.84%
Simpson Dura-Vent				275	9	0.66%

NOTES

For Fiscal Year 2002/2003 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,										
Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
City Attorney	4	4	4	4	4	4	4	4	4	4
City Manager	6	9	9	10	11	12	11	5	5	5
Finance	23	22	23	27	27	26	26	24	27	28
Human Resources	9	8	10	10	11	10	9	14	14	13
Information Technology	7	7	7	12	14	14	16	15	16	15
Community Development	12	15	14	14	21	22	26	22	24	25
Police Department	143	151	161	170	171	171	158	156	159	158
Fire Department	69	74	75	85	82	84	73	76	77	78
Community Services	14	16	16	16	20	20	20	17	20	20
Housing and Successor Agency	18	29	29	35	31	28	30	28	30	30
Public Works	<u>152</u>	<u>168</u>	<u>161</u>	<u>174</u>	<u>177</u>	<u>174</u>	<u>160</u>	<u>162</u>	<u>161</u>	<u>160</u>
Total	<u>457</u>	<u>503</u>	<u>509</u>	<u>557</u>	<u>569</u>	<u>565</u>	<u>533</u>	<u>523</u>	<u>537</u>	<u>536</u>

Sewer and Water Operations employees included in Public Works total.

Schedule 16

**CITY OF VACAVILLE
Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/Program	2012	2011	2010	2009	Fiscal Year		2006	2005	2004	2003
					2008	2007				
Fire										
Emergency responses	7,758	7,874	8,020	8,360	8,155	7,812	7,554	6,677	6,445	6,434
Inspections	1,152	1,035	1,296	1,698	1,464	792	1,172	634	971	897
Parks and Recreation										
Number of recreation registrants	33,533	34,915	33,884	32,706	29,895	31,662	32,805	35,263	35,887	36,621
Number of facility rentals	568	609	611	780	910	852	733	759	677	648
Police Department										
Physical arrests	2,966	3,504	3,874	4,051	4,303	4,264	4,133	2,877	3,024	3,877
Parking citations issued	4,184	5,193	6,582	6,359	8,090	12,649	12,114	12,574	16,767	19,711
Public Works										
Street resurfacing (miles)	4.19	-	-	31.20	28.40	25.90	N/A	37.90	29.25	28.00
Potholes repaired	545	758	420	336	277	98	130	104	66	57
Transit										
Total revenue route miles	587,521	353,354	423,357	406,916	401,288	394,636	402,164	392,119	384,806	371,450
Passengers	459,816	386,624	350,410	302,461	280,691	222,367	211,280	211,609	241,522	260,055
Wastewater										
Average daily sewage treatment (million gallons per day)	7.70	8.52	8.29	8.45	8.45	8.25	9.97	9.20	8.70	8.10
Water										
New Connections (meter sets)	84	214	325	188	166	277	290	249	202	282
Average daily consumption (thousands gallons per day)	13,398	13,847	13,913	15,571	16,385.6	16,494.7	15,318.9	13,879.2	17,840.5	12,727.6

NOTES

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

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

Function/Program	2012	2011	2010	2009	Fiscal Year 2008	2007	2006	2005	2004	2003
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire Engines	12	11	11	11	11	9	8	8	8	8
Parks and Recreation										
Parks	30	30	30	30	30	30	30	33	33	33
Park Acres	513	513	513	513	513	513	513	568	568	568
Special Community Facilities	6	6	6	6	6	6	6	6	6	6
Neighborhood Centers	11	11	11	11	11	11	11	11	9	9
Police Department										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	110	111	104	114	122	123	103	103	100	98
Police Motorcycles	9	9	9	9	9	9	9	9	9	6
Public Works										
Streets (centerline miles)	264	264	238	238	237	237	231	230	227	227
Traffic Signals	69	69	69	69	69	69	67	64	64	64
Transit Buses										
Fixed Route	15	15	12	12	12	12	12	12	12	12
Special Services	6	6	6	6	6	6	6	5	5	5
Wastewater										
Sewers (miles)	242	241	238	233	232	231	226	224	221	221
Storm Drain (miles)	144	143	140	134	134	132	128	127	125	124
Treatment Plants	1	1	1	1	1	1	3	2	2	2
Water										
Water Mains (miles)	288	286	283	278	277	276	269	267	265	264
Fire hydrants	3,467	3,453	3,413	3,348	3,338	3,320	3,231	3,207	3,166	3,146
Reservoirs	9	9	8	8	8	8	8	8	7	7
Wells	13	13	13	13	13	13	12	12	11	11

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Vacaville, California (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

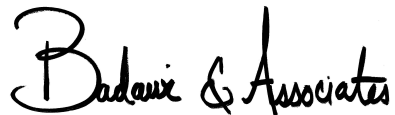
To the Honorable Mayor and Members of City Council
of the City of Vacaville
Vacaville, California
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be a significant deficiency in internal control over financial reporting as item 2012-01. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Oakland, California
January 8, 2013

City of Vacaville
Schedule of Findings
For the year ended June 30, 2012

1. SCHEDULE OF FINDINGS

FS2012-01: Restatement of Previously Issued Financial Statements

Criteria:

The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Condition:

The City has restated its previously issued financial statements to capitalize previously recorded expenditures for the Tertiary Sewer – Filtration and Improvement project, to correct for systematic errors in the City’s capital asset module which resulted in incorrect calculations of depreciation expense for infrastructure type capital assets in previous fiscal years, and to expense prepaid items related to lease agreements and pension costs.

Cause:

The City’s internal controls over financial reporting did not identify the misstatement in a timely manner. There are limited review procedures in place over the City’s capital asset schedules which are prepared for financial reporting.

Context and Effect:

The previously issued financial statements were not presented in conformity with accounting principles generally accepted in the United States of America.

Recommendation:

We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all nonroutine and nonsystematic transactions were accounted for, the appropriate accounting standards were applied, and transactions were accounted for in the proper period.

Management Response:

The City will evaluate our internal controls in accounting for and reporting capital assets by reviewing expenditures being capitalized and recalculating depreciation on a test basis. Additional procedures will ensure that transactions are appropriately accounted for in conformity with accounting principles generally accepted in the United States of America.