

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

City of Vacaville, California



Fire Station 75



Vacaville Museum

**Clock Tower in
Town Square**



CITY OF VACAVILLE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016



Prepared by: Administrative Services Department
Finance Division

CITY OF VACAVILLE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

COUNCIL MEMBERS:
LEN AUGUSTINE, Mayor
DILENNA HARRIS, Vice Mayor
CURTIS HUNT
MITCH MASHBURN
RON ROWLETT
www.cityofvacaville.com

January 9, 2017

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, 2016.

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 rather than absolute 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 unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2016. 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 a narrative introduction, overview, and overall analysis of the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). The MD&A should be read in conjunction with this letter of transmittal. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

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 and occupies a land area of roughly 28 square miles. The Napa wine country lies an hour to the west and Lake Tahoe two hours to the east.

Vacaville is the third largest city in Solano County with the State of California Department of Finance estimating the population on January 1, 2016 at 97,667.

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, overseeing the day-to-day operations of the City, and appointing directors of the various City departments. The City 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 former Vacaville Redevelopment Agency, Vacaville 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 127 of this CAFR.

Local economy. Originally founded as an agricultural and rail shipping area, Vacaville has developed substantial retail and commercial activity matched with solid, well-considered residential growth. Vacaville is strategically located in Solano County midway between Sacramento and San Francisco and is home to a little over 97,600 residents (including 6,300 prisoners housed in the California State Department of Corrections and Rehabilitation penal and medical facilities located in Vacaville) with a median household income of over \$74,000. Vacaville's population is well educated with approximately 90% of the population over the age of 25 having at least a high school degree and over 22% of the same demographic having at least a bachelor's degree. Similar to most cities in the region, Vacaville continued its economic recovery in 2016. The unemployment rate in Vacaville, one of the lowest in Solano County, fell from 5.5% at the end of fiscal year 2015 to 4.6% at the end of fiscal year 2016. Health care and social services remains the top industry in the City with the California State Department of Corrections and Kaiser Permanente being the largest principal employers. Retail, accommodation and food services, and public administration round out the top four industries. 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, Nike, and many others.

The long-range economic outlook for the City remains strong. The City 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 diverse, 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 continues to expand development. 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 2015-2017 Strategic Plan, as adopted by City Council in April 2015, set forth the following major goals:

- **Public Safety**
 - Public Safety Training/Combined Fire Station Facility with Solano Community College
 - Replacement of the Public Safety Radio System
 - Homelessness Roundtable
 - Replacement of 60 Self-Contained Breathing Apparatus Utilized by the Fire Department
 - Crime Suppression, Prevention and Community Engagement
- **Strengthen the Local Economy**
 - Develop and Implement Strategies to Strengthen Downtown Vacaville
 - Complete the Nut Tree Development
 - Implement Economic Development Initiatives
 - Financing Plan for Completion of Jepson Parkway Project
- **Promote Community Viability**
 - Collaboration Between Travis Air Force Base and Vacaville Community Services Department
 - Focus on Improving and Enhancing the Quality of Life for Youth, Teens, and the Growing Boomer Population
 - Update the Comprehensive Parks, Recreation, and Open Space Master Plan
 - Secure Funding for the Lagoon Valley and Centennial Park Master Plans
 - General Plan Implementation
 - Citywide Infrastructure and Facilities Planning
 - Development of Recycled Water Master Plan for Treated Wastewater
- **Maintain Effective and Efficient City Services**
 - Detention Basins and Stormwater Conveyance Improvements
 - Evaluate Funding for Stormwater Maintenance, Monitoring, and Reporting
 - Recovery Plan Implementation/Maintaining Fiscal Sustainability
 - Develop and Implement a Succession and Leadership Planning Strategy
 - Implementation of a Centralized Geographical Information System
 - Implementation of a Comprehensive Records Management Plan
 - Implementation of a Financial and Budget Transparency Program
 - Develop and Maintain Collaborative Relationships with Regional Stakeholders

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 proposed CIP budget for the upcoming fiscal year is a little over \$38.2 million with planned improvements to the City's community centers and facilities. Funding comes from multiple sources, including existing funds; Successor 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.

Relevant financial policies. In November 2015, the City Council adopted a financial policy for the funding of Other Post-Employment Benefits (OPEB). The City offers OPEB to its employees in the form of retiree health care. In the past, the City paid the cost of the benefit each year as the premiums came due. Beginning with fiscal year 2016, the recently adopted financial policy establishes a goal of increasingly funding a percentage of the actuarially

determined annual required contribution (ARC) in each successive year until full ARC funding is reached in fiscal year 2020. The policy includes a hardship exemption which allows the ARC funding goal to be suspended if the General Fund reserve is projected to reach below 10%.

In 2011, the City Council established a policy of maintaining an operating reserve in the General Fund equal to at least 20% of ongoing operating expenditures. Improving property and sales tax revenues, including Measure M, have enabled the City to meet its reserve target the last two fiscal years. The General Fund ended fiscal year 2015/2016 with a reserve level over 26%.

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. City voters approved a five-year $\frac{1}{4}$ -cent sales tax measure to help address the economic downturn and maintain service levels in November 2012, and the receipt of funds began in April 2013. This additional stabilizing revenue source has assisted the City in maintaining current service levels and meet its reserve requirements the last three fiscal years. It should be noted that absent the additional revenue from the new sales tax, the City would still be in an operating deficit. City Council has worked to bring that structural balance back in place as the economy continues to recover. In November 2016, voters approved to extend the measure at $\frac{3}{4}$ -cent sales tax for the next twenty years to protect City services, prepare for emergencies and alleviate the City's operating deficit.

Major initiatives. 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 since The Great Recession. As the economy has continued to improve, the City has eliminated employee concessions and added a number of full-time positions during fiscal year 2016 to meet service needs. During the fiscal year, the City also agreed to three-year term Memorandum of Understanding (MOUs)/agreements with labor groups in the City, which included increases in the employee contribution towards healthcare, a direct employee contribution to the OPEB trust, and the enforcement of vacation caps to reduce the City's compensated absences liability.

While revenues have improved, the City continues to carefully prioritize spending going forward to meet critical needs over the long-term. The City's management team continues to look for ways to develop a more sustainable fiscal framework and implement long-term solutions to address the City's financial challenges.

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, 2015. This was the twenty-fifth (25th) 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.

In 2015, the City was awarded its second GFOA award for a newly created Popular Annual Financial Report (PAFR). We will continue to produce the PAFR each year and believe it will again be eligible for the GFOA PAFR award for fiscal year 2016.

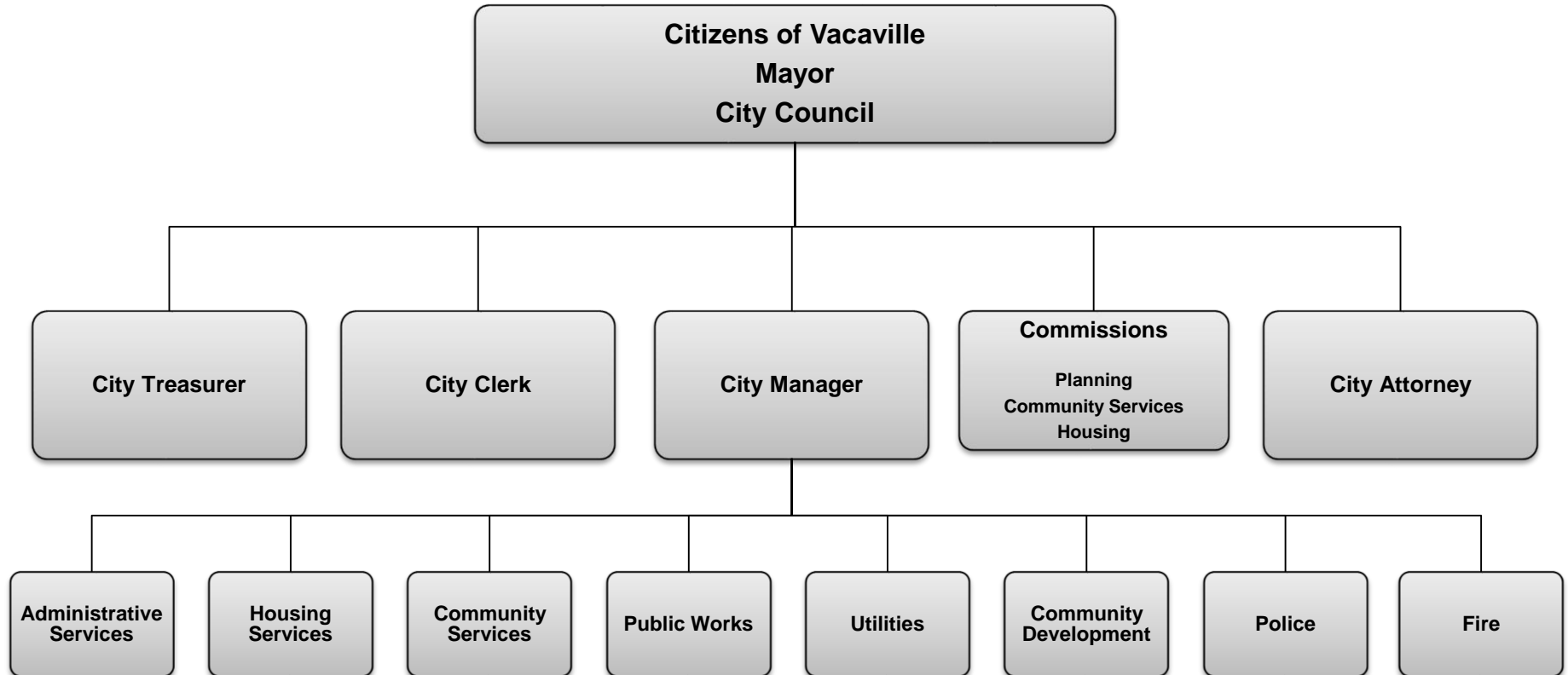
The preparation of this report would not have been possible without the highly professional and dedicated services of the entire staff of the Accounting Division. The commitment and effort of each employee made this report possible. Credit must also be given to the Mayor, City Council, and City Manager for their unfailing support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Dawn Leonardini
Director of Administrative Services

City of Vacaville Organizational Chart



**City of Vacaville
List of Elected and Appointed Officials
June 30, 2016**

Elected Officials

Mayor	Len Augustine
Vice Mayor	Ron Rowlett
Council Member	Curtis Hunt
Council Member	Mitch Mashburn
Council Member	Dilenna Harris
City Treasurer	Jay Yerkes
City Clerk	Michelle Thornbrugh

Appointed Officials

City Manager	Laura Kuhn
City Attorney	Gerald Hobrecht
Assistant City Manager	Jeremy Craig
Fire Chief	Kristian Concepcion
Chief of Police	John Carli
Director of Public Works	Shawn Cunningham
Director of Community Development	Barton Brierley
Director of Housing	Emily Cantu
Director of Community Services	Kerry Walker
Director of Administrative Services	Dawn Leonardini
Director of Utilities	Royce Cunningham



Government Finance Officers Association

**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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

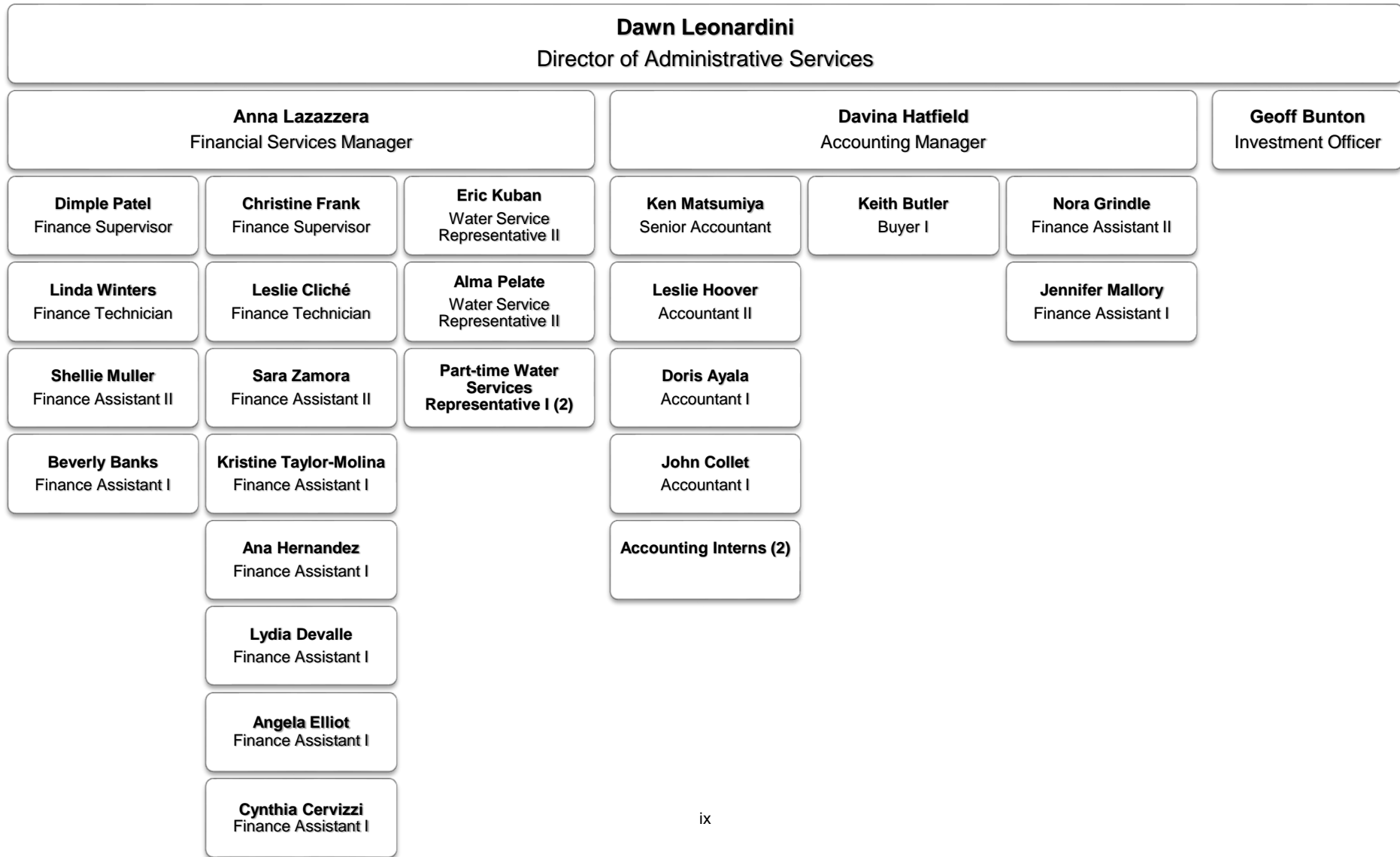
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vacaville for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement 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 generally 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-five consecutive fiscal years ended June 30, 2015. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Administrative Services Department

Finance Division





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vacaville, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's equity in the North Bay Regional Water Treatment Plant, which represent 15 percent, 19.6 percent, and 3.2 percent, respectively, of the assets, net position, and revenues of the Water Utility Fund, and 4.0 percent, 6.7 percent, and 0.9 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City's equity in the North Bay Regional Water Treatment Plant, is based solely on the report of the other auditors. 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 from material misstatement.

To the Honorable Mayor and Members of the City Council
of the City of Vacaville
Vacaville, California
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members of the City Council
of the City of Vacaville
Vacaville, California
Page 3

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and schedule of funding progress for OPEB on pages 5–20 and 116–120 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 and other auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information on pages 129 to 143 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 129 to 143 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements, budgetary comparison information on pages 129 to 143 are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Vacaville
Vacaville, California
Page 4

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017, 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* in considering the City's internal control over financial reporting and compliance.

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 9, 2017

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2016
(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, 2016. 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-v of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Assets exceeded liabilities at June 30, 2016 by \$667,512 (*net position*). Of this amount, the negative (\$31,145) (*unrestricted net position*) includes the City's net pension liability of \$178,381. The remaining net position is *restricted* for specified purposes.
- Total net position increased by \$47,026 from the previous year. There was an increase in net position in governmental activities of \$29,836 related to developer contributed infrastructure from the completion of several phases of the Southtown subdivision and increased sales and property tax revenues. There was also an increase in net position in business type activities of \$17,190 mainly from an increase in sewer development impact fee revenue and the aforementioned developer contributed infrastructure.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$107,906, an increase of \$15,541 in comparison with the prior year. This increase in fund balance was mainly due to the increase in the General Fund and City Projects fund. In the General Fund, the increase can be attributed primarily to increases in sales and property tax revenues. The City received a one-time payment as part of the closeout of the state triple-flip tax swap. The City Projects fund saw an increase in fund balance as a result of increased impact fees from development in the current year and a receipt of former Redevelopment Agency bond proceeds from the Successor 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 3% categorized as Nonspendable, 71% as Restricted, and 26% as Unrestricted (Committed, Assigned and Unassigned) fund balance.
- Total obligations for governmental activities increased by \$13,094 and total obligations for business-type activities increased by \$6,026. The increases are primarily due to increases in the City's net OPEB obligation and net pension liability.

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

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2016
(Amounts expressed in thousands)

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The 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 and Vacaville Public Financing 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 21-24 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 unrestricted 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, Successor Housing, Housing Assistance, and City Projects funds, all of which are considered to be major funds. Data for the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 129-130 of this report.

CITY OF VACAVILLE
Management's Discussion and Analysis
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The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided in supplemental information for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 25-32 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 137-140 of this report.

The basic proprietary fund financial statements can be found on pages 33-39 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 41-43 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 45-114 of this report.

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Government-wide Financial Analysis

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

	GOVERNMENTAL ACTIVITIES		NET POSITION BUSINESS-TYPE ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 146,085	\$ 132,883	\$ 153,123	\$ 134,323	\$ 299,208	\$ 267,206
Capital assets	432,513	415,985	356,519	354,869	789,032	770,854
Total assets	578,598	548,868	509,642	489,192	1,088,240	1,038,060
Deferred outflows of resources	16,191	13,047	3,270	2,483	19,461	15,530
Total liabilities	221,096	208,002	208,254	202,228	429,350	410,230
Deferred inflows of resources	8,820	18,876	2,019	3,998	10,839	22,874
Total liabilities and deferred inflows of resources	229,916	226,878	210,273	206,226	440,189	433,104
Net position:						
Net investment in capital assets	419,177	400,267	202,700	205,054	621,877	605,321
Restricted	76,780	59,773	-	102	76,780	59,875
Unrestricted	(131,084)	(125,003)	99,939	80,293	(31,145)	(44,710)
Total Net Position	<u>\$ 364,873</u>	<u>\$ 335,037</u>	<u>\$ 302,639</u>	<u>\$ 285,449</u>	<u>\$ 667,512</u>	<u>\$ 620,486</u>

As noted earlier, the City's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$667,512 at June 30, 2016, an increase of \$47,026 from June 30, 2015. By far the largest portion of net position, 93%, 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 12% of net position represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position (5%) may be used to meet the City's ongoing obligations to its citizens and creditors. Unrestricted net position for the City has been negative since the implementation of GASB Statement No. 68 – reporting of the long-term obligation for pension benefits as a liability - in fiscal year 2015.

Total net position increased by \$47,026 during the current fiscal year, which reflects an increase of \$29,836 in governmental activities and a \$17,190 increase in business-type activities mainly from increases in tax revenues, impact fee revenue from building development, and developer contributed infrastructure.

CITY OF VACAVILLE
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For the year ended June 30, 2016
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Following is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2016, 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'S CHANGES IN NET POSITION
(Expressed in Thousands of Dollars)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2016	2015*	2016	2015*	2016	2015*
REVENUES:						
Program Revenues:						
Charges for services	\$ 16,592	\$ 15,634	\$ 50,112	\$ 48,920	\$ 66,704	\$ 64,554
Operating grants & contributions	18,784	16,520	1,856	1,807	20,640	18,327
Capital grants & contributions	34,107	15,611	15,228	8,430	49,335	24,041
General Revenues:						
Taxes:						
Property taxes	37,868	35,283	97	101	37,965	35,384
Sales taxes	26,632	23,627	-	-	26,632	23,627
Franchise taxes	4,045	3,924	-	-	4,045	3,924
Transient lodging tax	1,688	1,398	-	-	1,688	1,398
Business license tax	300	339	-	-	300	339
Excise tax	2,617	2,407	-	-	2,617	2,407
Interest and other	1,826	3,813	3,870	2,248	5,696	6,061
Total revenues	<u>144,459</u>	<u>118,556</u>	<u>71,163</u>	<u>61,506</u>	<u>215,622</u>	<u>180,062</u>

The 2015 revenue amounts for program revenues and general revenues have been restated. Gasoline tax received from the state Highway Users Tax Account and developer contributed infrastructure, which were previously reported as gasoline tax and unrestricted capital contributions under general revenues, are now being reported as grants and contributions of the program these resources are restricted for in use.

CITY OF VACAVILLE
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For the year ended June 30, 2016
(Amounts expressed in thousands)

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2016	2015	2016	2015	2016	2015
EXPENSES:						
Governmental activities:						
General government	11,350	10,997	-	-	11,350	10,997
Public safety	58,052	52,077	-	-	58,052	52,077
Public works	19,989	21,159	-	-	19,989	21,159
Community services	12,507	12,258	-	-	12,507	12,258
Housing	13,303	24,623	-	-	13,303	24,623
Interest on long-term debt	663	505	-	-	663	505
Business-type activities:						
Sewer	-	-	29,548	28,480	29,548	28,480
Water	-	-	18,318	17,747	18,318	17,747
Transit	-	-	3,553	3,548	3,553	3,548
Total expenses	<u>115,864</u>	<u>121,619</u>	<u>51,419</u>	<u>49,775</u>	<u>167,283</u>	<u>171,394</u>
Increase in net position before transfers	28,595	(3,063)	19,744	11,731	48,339	8,668
Transfers	<u>(341)</u>	<u>(176)</u>	<u>341</u>	<u>176</u>	<u>-</u>	<u>-</u>
Increase in net position	28,254	(3,239)	20,085	11,907	48,339	8,668
Prior period adjustment	-	(141,279)	(2,895)	(33,410)	(2,895)	(174,689)
Extraordinary item	1,582	3,815	-	-	1,582	3,815
Net position - July 1, 2015	<u>335,037</u>	<u>475,740</u>	<u>285,449</u>	<u>306,952</u>	<u>620,486</u>	<u>782,692</u>
Net position - June 30, 2016	<u>\$ 364,873</u>	<u>\$ 335,037</u>	<u>\$ 302,639</u>	<u>\$ 285,449</u>	<u>\$ 667,512</u>	<u>\$ 620,486</u>

Governmental activities: Net position increased by \$29,836 during the fiscal year. Revenues increased by \$25,903 and expenses decreased by \$5,755. Key elements of this year's activity in relation to the prior year are as follows:

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2016
(Amounts expressed in thousands)

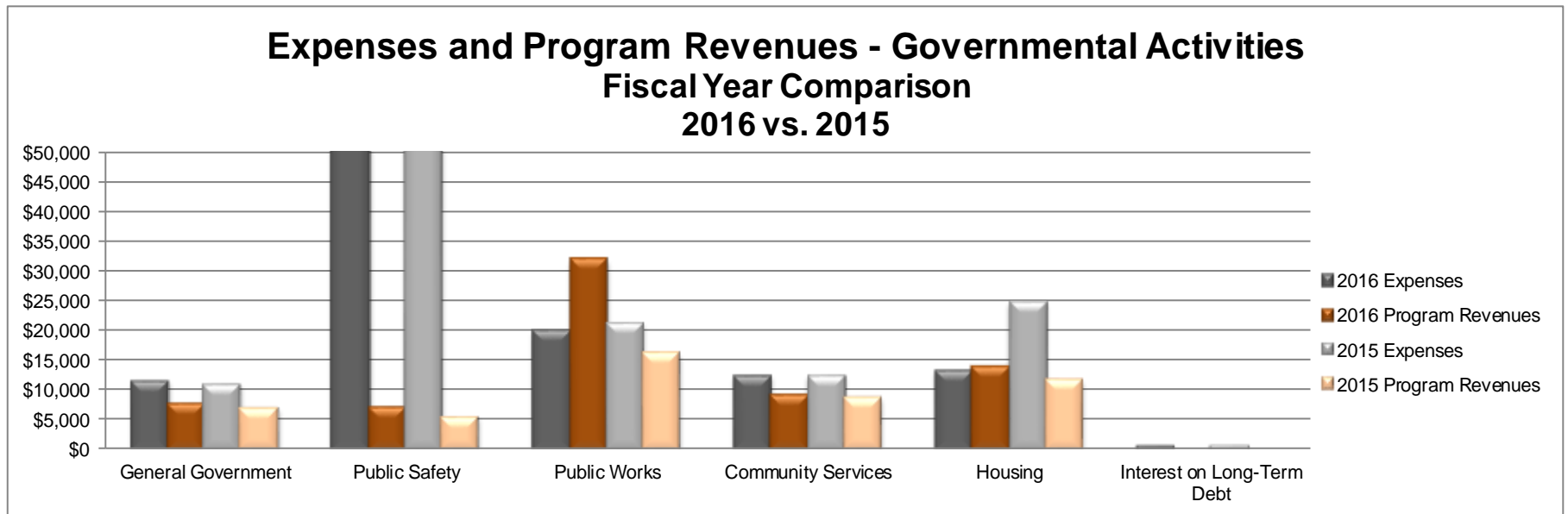
Revenues:

The increase in revenues, \$25,903 or 21.8%, compared with 2015 was primarily due to the following reasons.

- Capital grants & contributions, which includes development impact fees, developer contributed infrastructure, and other proceeds used for capital purposes, doubled from the prior year. Housing development has increased significantly throughout the City as the economy has rebounded. The increase in developer contributed infrastructure was due to the completion of several phases of the Southtown subdivision.
- Similar to other areas in the region, the City also saw increases in property values and sales tax revenue during the fiscal year. The City also received a one-time \$2.3 million payment as part of the triple flip unwinding.

Expenses:

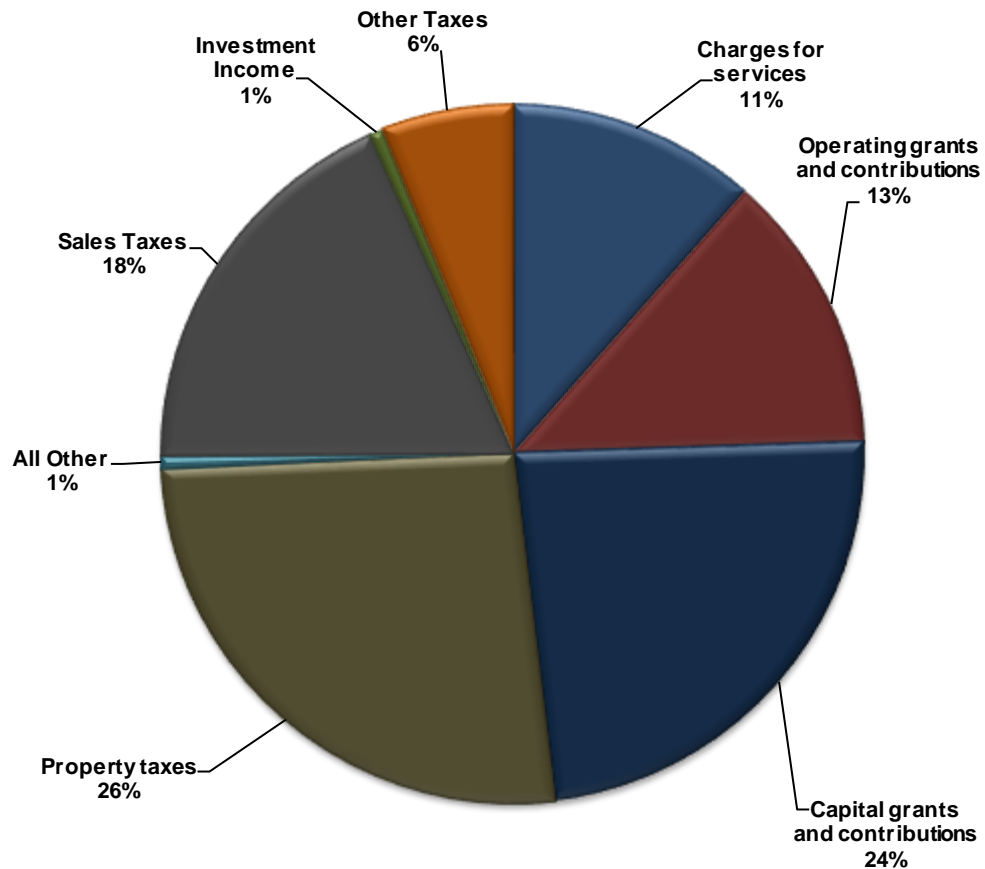
- While significant variances between years exist for the various expense functions, the total net decrease was approximately \$5.8 million. The net decrease is primarily due to a reduction in expenses in the Housing function. In 2015, a loss on the land transferred to the developer for the Callen project caused an increase in Housing expenses for the year.



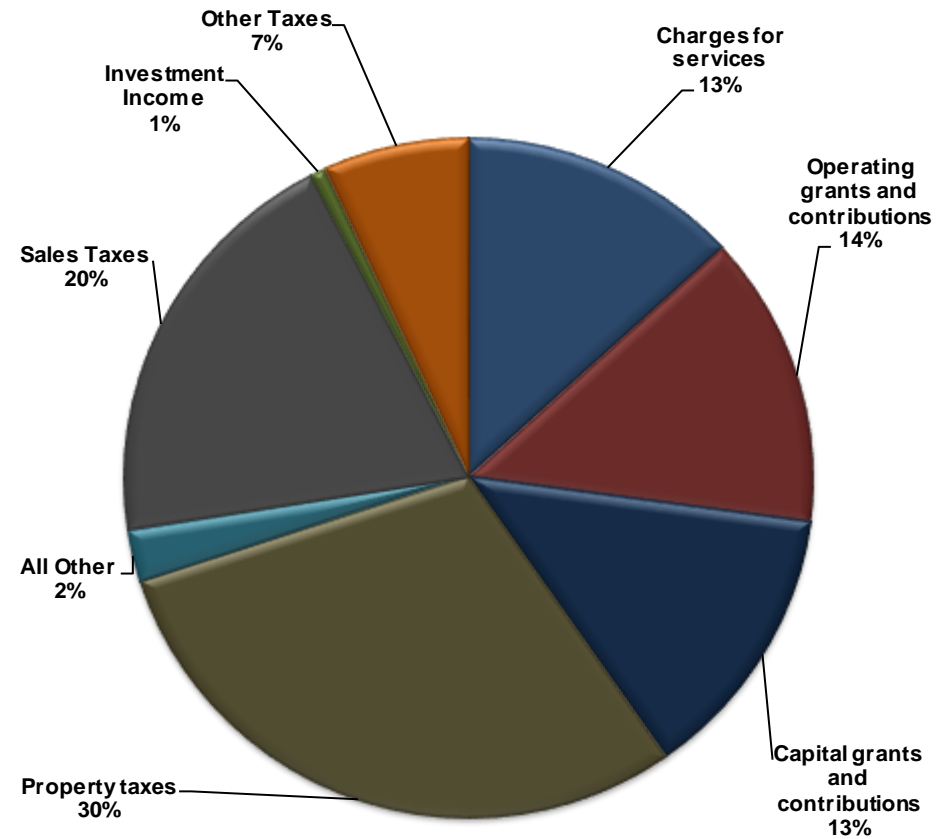
CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2016
(Amounts expressed in thousands)

Revenues by Source – Governmental Activities – Fiscal Year Comparison

2016



2015

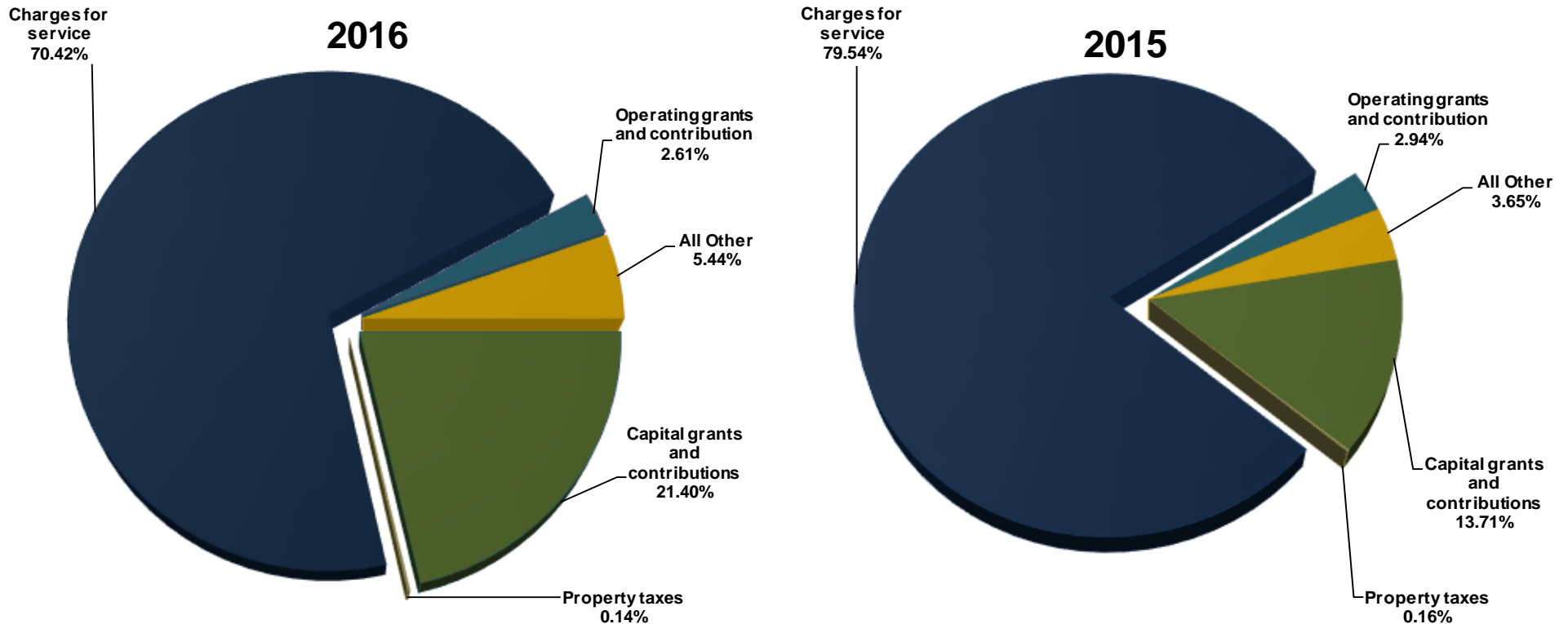


CITY OF VACAVILLE
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Business-type activities. Business-type activities increased the City's net position by \$17,190; this amount includes the (\$2,895) restatement of the net position as of June 30, 2015. For comparison purposes, the net position of business-type activities decreased by \$21,503 in 2015; amount includes the (\$33,410) restatement of the 2015 beginning net position for implementation of GASB Statement No. 68. Key elements of the 2016 increase in net position in relation to the prior year are as follows:

- Increase in water sale revenue due to an increase in water service rates and implementation of a water conservation surcharge in February 2016.
- Capital grants and contributions, which is comprised of developer contributed infrastructure, also increased with the rise in housing development and the completion of several sewer and water infrastructure in the Southtown subdivision.

Revenues by Source-Business Type Activities - Fiscal Year Comparison

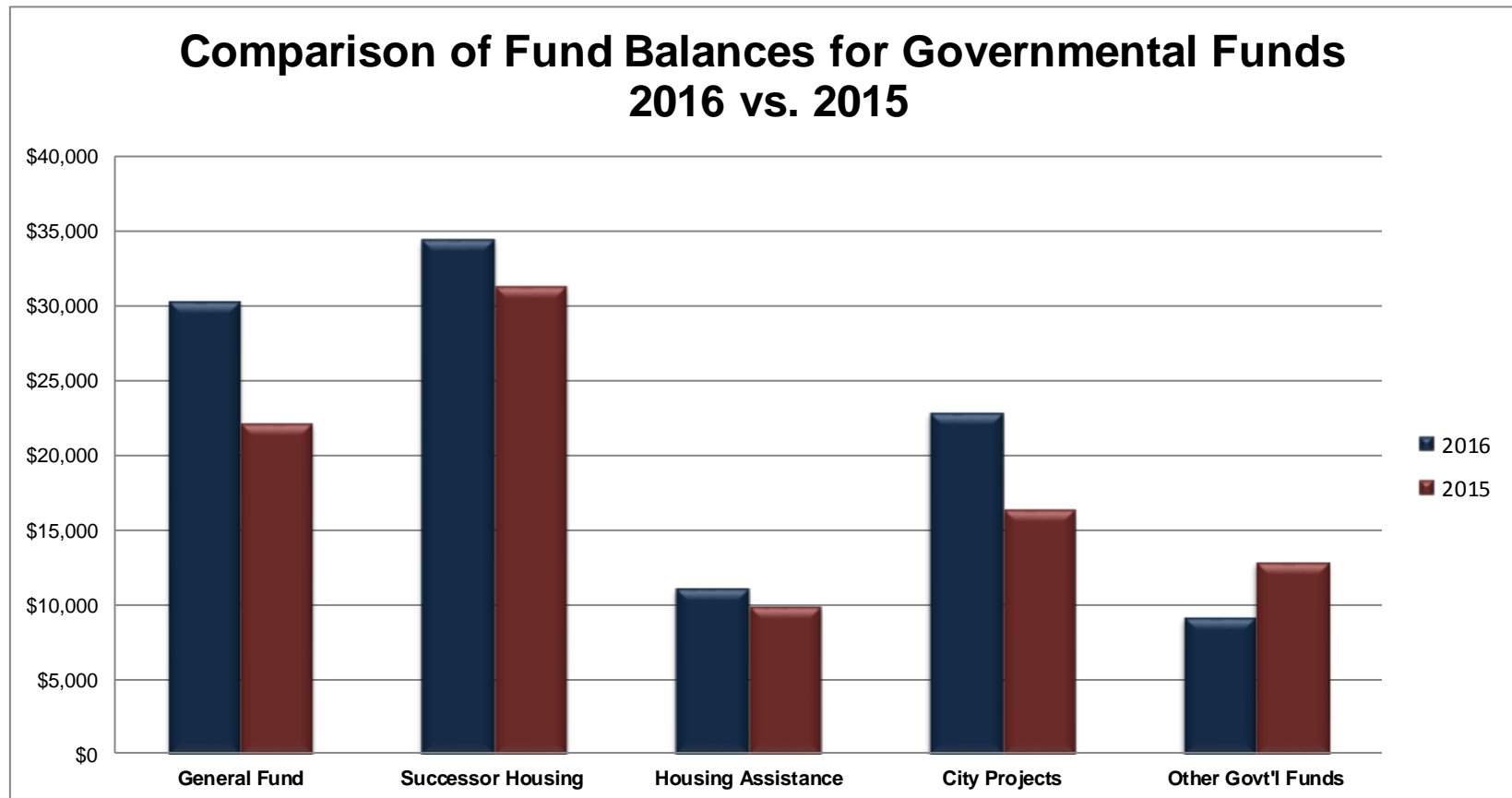


CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2016
(Amounts expressed in thousands)

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 2016 and 2015 fund balances for the City's General, Successor Housing, Housing Assistance, City Projects, and Other Governmental Funds. As noted earlier, the City of Vacaville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



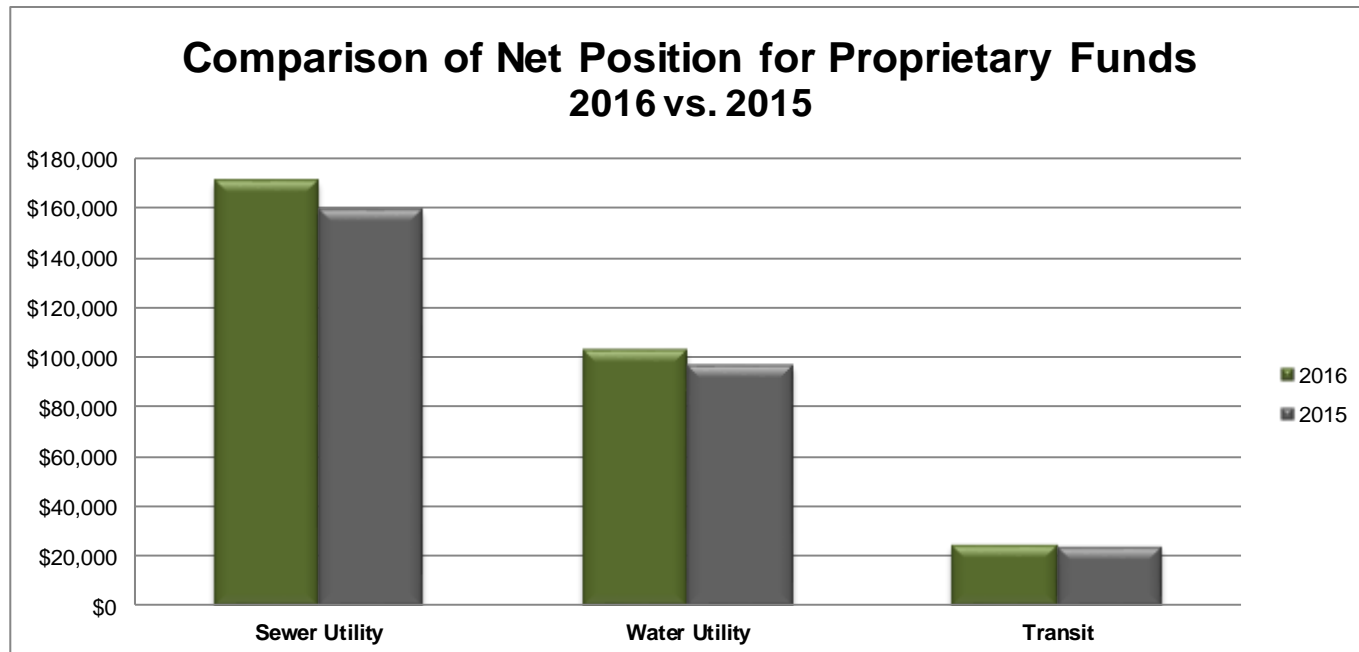
CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2016
(Amounts expressed in thousands)

As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$107,906 an increase of \$15,542 in comparison with the prior year. The majority of fund balance, 74%, 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, or *Restricted* to indicate there are spending constraints externally imposed on the city for specific purposes.

The General Fund is the primary operating fund of the City. At June 30, 2016, the Assigned and Unassigned fund balance of the General Fund was \$27,440 or 91% of the total General Fund fund balance. 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 increased by \$8,239 during the current fiscal year. The increase in fund balance was related to increased sales tax and property tax revenues, which have been discussed in previous sections.

The City Projects fund has a total fund balance of \$22,800 and saw the second largest increase of fund balance from 2015 amongst the governmental funds. As previously discussed, additional developer impact fees collected as a result of the rise in housing development and the receipt of former Redevelopment Agency bond proceeds from the Successor Agency were the main factors in the fund balance increase.

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 2016 and 2015 net position balances for the City's Sewer, Water and Transit Funds.



CITY OF VACAVILLE
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Unrestricted net position at the end of the year amounted to \$61,614 for the Sewer Utility fund and \$35,073 for the Water Utility fund. Due to the subsidized nature of transportation, the Transit fund had negative unrestricted net position at year end. The increase in net position for sewer operations was \$12,029, factoring in the restatement of beginning net position, and the increase in water operations was \$6,926. Although the Transit fund had negative unrestricted net position, total net position increased from the prior year by \$582. 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	\$ 78,208	\$ 78,208	\$ 82,139	\$ 3,931
Expenditures:				
General government	9,452	9,881	8,071	1,810
Public safety	52,183	51,911	51,784	127
Public Works	5,719	5,943	5,353	590
Community services	8,446	8,489	8,015	474
Debt service	221	221	221	-
Total expenditures	76,021	76,445	73,444	3,001
Revenue over (under)				
expenditures	2,187	1,763	8,695	6,932
Other financing sources (uses)	(1,716)	(2,786)	(456)	2,330
Net change in fund balance	\$ 471	\$ (1,023)	8,239	\$ 9,262
Beginning fund balance			22,063	
Ending fund balance			\$ 30,302	

Final budgeted expenditures were more than the original budgeted expenditures by \$424 and other financing uses increased by \$1,070. The reasons for the increase are as follows:

- Grant related budgets are recorded when grants are awarded and approved by council, therefore not included in the original budget.
- Mid-year budget augmentation was approved by council for City facilities repairs and maintenance, costs associated with the Pena Adobe Fire, and replacement of the Graham Aquatic Center heater.

CITY OF VACAVILLE
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Actual amounts differed from the Final budget as follows:

- Actual revenues were about 5% more than the budget. This was primarily due to higher than anticipated sales tax revenue from the one-time payment of the triple flip closeout.
- Actual expenditures were \$3,001 or 4% below budget for the year. This favorable variance was mainly due to the City's prudent management of employee salary and benefit costs and overall cost savings achieved throughout the City.
- The net effect of all of the above was a favorable variance from the amounts budgeted of \$9,262.

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, 2016, amounted to \$789,032 (net of accumulated depreciation). This investment includes land, buildings and improvements, park facilities, equipment, vehicles, roads and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was \$18,178 (\$16,528 for governmental activities, including internal service funds and an increase of \$1,650 for business-type activities).

CAPITAL ASSETS (net of depreciation)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Land	\$ 190,140	\$ 188,558	\$ 10,857	\$ 10,607	\$ 200,997	\$ 199,165
Land improvements	16,504	13,235	-	-	16,504	13,235
Buildings and improvements	38,709	34,267	237,089	244,733	275,798	279,000
Equipment	1,979	2,246	5,657	5,837	7,636	8,083
Vehicles	4,130	4,099	2,659	1,651	6,789	5,750
Infrastructure	169,205	165,424	77,188	71,529	246,393	236,953
Software	278	297	-	-	278	297
Construction in progress	<u>11,568</u>	<u>7,859</u>	<u>23,069</u>	<u>20,512</u>	<u>34,637</u>	<u>28,371</u>
Total	<u>\$ 432,513</u>	<u>\$ 415,985</u>	<u>\$ 356,519</u>	<u>\$ 354,869</u>	<u>\$ 789,032</u>	<u>\$ 770,854</u>

Major capital asset events during the current fiscal year included completion of the Brown Street Lift Station Project in the business-type activities and completion of Southtown Fire Station # 75, the opening of Magnolia Park and the completion of the Centennial Park bike and pedestrian path in the governmental activities. The Jepson Parkway project and the lab expansion phase of the tertiary project are significant projects currently recorded in the construction in progress total.

Additional information on the City's capital assets can be found in Note 5 on pages 64-68.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2016
(Amounts expressed in thousands)

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$167,155, which is 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Capital lease obligations	\$ 13,336	\$ 14,976	\$ 8,045	\$ 7,282	\$ 21,381	\$ 22,258
Loans payable	<u>-</u>	<u>742</u>	<u>145,774</u>	<u>145,526</u>	<u>145,774</u>	<u>146,268</u>
Total	<u>\$ 13,336</u>	<u>\$ 15,718</u>	<u>\$ 153,819</u>	<u>\$ 152,808</u>	<u>\$ 167,155</u>	<u>\$ 168,526</u>

The City's total debt decreased by \$1,371 during the current fiscal year primarily due to final payments made on long-term notes related to the purchase of detention basin land. The City also began making payments on the Holman Capital Corporation lease for the construction of Fire Station #75 in Southtown. The increase in the business-type activity debt are mainly due to additional funds drawn for the lab expansion phase of the Tertiary Sewer Treatment Plant.

Additional information on the City's long-term debt can be found in Note 6 on pages 69-84 of this report.

Economic Factors and Next Year's Budget

The economic outlook continues to look more favorable than in previous years. Continued steady growth in sales and property tax revenue and the return of historic levels of residential construction are expected to be bright spots in the upcoming year. The City will be reviewing spending priorities as revenues continue to return to more historical norms. The City's operating budget for the coming year is \$177 million, of which \$89 million is in the General Fund. The budget includes the use of reserve funds for the replacement of vehicle and equipment, funding a slurry seal program for street maintenance, and funding for deferred maintenance needs of City facilities.

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, including property tax in lieu of vehicle license fee revenue, is projected to increase 6.1% in FY 2016-2017, while sales tax (including Measure M) is projected to decrease by 5.5% in FY 2016-2017 with the elimination of the triple flip. While the City's General Fund reserve has been able to recover to a healthy level and steps are being taken to address infrastructure maintenance issues in City facilities and replace the City's aging vehicle fleet, there remains much to be addressed. Impacts to the budget and reserve include continuing increases in healthcare and retiree costs for City employees and retirees and the unfunded liability for Other Post-Employment Benefits (OPEB).

Utilities:

In January 2016, the City Council approved a five-year water service rate increase designated to increase overall revenues by 5.5% annually in order to address issues in the Water Fund, including the existing cumulative deficit in the operating fund, the revenue impacts from drought-related water conservation, and other

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2016
(Amounts expressed in thousands)

structural fund issues. The increases are expected to stabilize revenues to meet anticipated increases in operating costs and to continue reducing the operating fund deficit.

Successor Agency and Housing Services:

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.

Capital Improvement Program:

The proposed CIP budget is \$38 million, which includes \$1.4 million in General Fund monies. The proposed program includes funding for 62 priority projects. New projects include Three Oaks Community Center, Graham Aquatic Center, and McBride Senior Center facility improvements such as roofing, restroom upgrades, and flooring; VPAT Theater seat replacement; painting the exterior of Fire Station 74; and the replacement of carpet and paint at City Hall, along with the reconstruction of the Lagoon Valley entrance and further funding towards the radio replacement project.

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 Administrative Services Department, City of Vacaville, 650 Merchant Street, Vacaville, CA 95688 or you may visit our website at www.cityofvacaville.com for contact information.



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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF VACAVILLE
STATEMENT OF NET POSITION
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 75,631,200	\$ 120,565,500	\$ 196,196,700
Receivables, net of allowance for uncollectibles:			
Interest	330,538	57,843	388,381
Taxes	8,668,244	-	8,668,244
Accounts	5,448,035	8,657,135	14,105,170
Loans	42,924,000	-	42,924,000
Inventories	128,556	-	128,556
Prepaid Items	131,800	1,647,354	1,779,154
Internal balances	(1,644,516)	1,644,516	-
Restricted cash and investments	10,579,372	-	10,579,372
Deposits	412,775	-	412,775
Investment in joint venture	-	20,551,222	20,551,222
Due from RDA Successor Agency	3,475,731	-	3,475,731
Capital assets:			
Capital assets, non-depreciable	201,708,209	33,926,405	235,634,614
Capital assets, net of accumulated depreciation	230,804,594	322,592,417	553,397,011
Total capital assets	432,512,803	356,518,822	789,031,625
Total assets	578,598,538	509,642,392	1,088,240,930
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	16,190,965	3,270,257	19,461,222
Total deferred outflows	16,190,965	3,270,257	19,461,222

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
STATEMENT OF NET POSITION
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
LIABILITIES			
Accounts payable and contract payable	2,374,719	2,032,931	4,407,650
Accrued payroll	2,401,045	432,876	2,833,921
Interest payable	96,643	1,974,415	2,071,058
Employee benefits payable	1,070,748	-	1,070,748
Deposits payable	10,078,099	10,537,719	20,615,818
Due to other governments	2,860	8,196	11,056
Unearned revenue	2,115,400	144,810	2,260,210
Long-term payable to trust fund	7,806,825	-	7,806,825
Remediation liability - due in more than a year	-	1,355,000	1,355,000
Net OPEB obligation - due in more than a year	20,216,998	4,212,788	24,429,786
Net Pension liability - due in more than a year	145,600,287	32,780,630	178,380,917
Compensated absences			
Due within one year	840,402	165,085	1,005,487
Due in more than one year	8,568,063	791,288	9,359,351
Claims payable			
Due within one year	1,893,000	-	1,893,000
Due in more than one year	4,695,000	-	4,695,000
Long-term liabilities			
Due within one year	1,093,744	8,548,104	9,641,848
Due in more than one year	12,242,393	145,270,700	157,513,093
Total liabilities	221,096,226	208,254,542	429,350,768
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	8,820,477	2,019,365	10,839,842
Total deferred inflows	8,820,477	2,019,365	10,839,842
NET POSITION			
Net investment in capital assets	419,176,666	202,700,018	621,876,684
Restricted for:			
Capital projects	18,724,911	-	18,724,911
Highway and streets	8,437,717	-	8,437,717
Housing	45,624,875	-	45,624,875
Special programs	3,992,370	-	3,992,370
Total restricted	76,779,873	-	76,779,873
Unrestricted	(131,083,739)	99,938,724	(31,145,015)
Total net position	\$ 364,872,800	\$ 302,638,742	\$ 667,511,542

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTALS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
Governmental activities:								
General government	\$ 11,349,848	\$ 4,893,140	\$ 160,614	\$ 2,673,767	\$ 7,727,521	\$ (3,622,327)	\$ -	\$ (3,622,327)
Public safety	58,051,844	4,333,832	2,061,358	714,409	7,109,599	(50,942,245)	-	(50,942,245)
Public works	19,989,439	991,456	2,110,373	28,520,650	31,622,479	11,633,040	-	11,633,040
Community services	12,506,662	6,339,682	731,791	2,197,803	9,269,276	(3,237,386)	-	(3,237,386)
Housing	13,303,501	33,685	13,720,405	-	13,754,090	450,589	-	450,589
Interest on long-term debt	662,668	-	-	-	-	(662,668)	-	(662,668)
Total governmental activities	115,863,962	16,591,795	18,784,541	34,106,629	69,482,965	(46,380,997)	-	(46,380,997)
Business-type activities:								
Sewer	29,547,830	33,679,883	-	8,822,339	42,502,222	-	12,954,392	12,954,392
Water	18,318,482	15,979,356	-	4,579,934	20,559,290	-	2,240,808	2,240,808
Transit	3,552,664	452,451	1,856,581	1,825,872	4,134,904	-	582,240	582,240
Total business-type activities	51,418,976	50,111,690	1,856,581	15,228,145	67,196,416	-	15,777,440	15,777,440
Total primary government	\$ 167,282,938	\$ 66,703,485	\$ 20,641,122	\$ 49,334,774	\$ 136,679,381	(46,380,997)	15,777,440	(30,603,557)
General revenues:								
Taxes:								
Property taxes						37,868,570	96,578	37,965,148
Sales taxes						26,632,048	-	26,632,048
Franchise taxes						4,045,235	-	4,045,235
Transient lodging tax						1,688,093	-	1,688,093
Business license tax						299,636	-	299,636
Excise tax						2,616,919	-	2,616,919
Subtotal taxes						73,150,501	96,578	73,247,079
Investment income						967,095	769,208	1,736,303
Miscellaneous						858,595	3,100,925	3,959,520
Extraordinary Item (Note 14) - Land Transferred from Successor Agency						1,581,617	-	1,581,617
Transfers						(340,755)	340,755	-
Total general revenues and transfers						76,217,053	4,307,466	80,524,519
Change in net position						29,836,056	20,084,906	49,920,962
Net position, beginning of year						335,036,744	285,449,329	620,486,073
Prior period adjustment (Note 18)						-	(2,895,493)	(2,895,493)
Net position, beginning of year as restated						335,036,744	282,553,836	617,590,580
Net position, end of year						\$ 364,872,800	\$ 302,638,742	\$ 667,511,542

See accompanying Notes to Basic Financial Statements.

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.

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 and homebuyer loans 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 Federal and State rehabilitation and home loan 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.

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, 2016**

	MAJOR FUNDS				OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS		
ASSETS						
Cash and investments	\$ 22,840,653	\$ 5,644,089	\$ 1,890,737	\$ 25,388,908	\$ 12,336,480	\$ 68,100,867
Receivables:						
Interest	323,966	-	-	6,572	-	330,538
Taxes	8,516,763	-	-	124,612	26,869	8,668,244
Accounts	1,709,535	11,280	96,481	2,913,056	695,785	5,426,137
Loans	-	31,070,865	9,576,066	-	2,277,069	42,924,000
Restricted cash and investments held by fiscal agent	-	2,760,365	-	6,771,840	1,047,167	10,579,372
Due from other funds	859,570	-	-	-	-	859,570
Deposits	240,100	-	-	-	-	240,100
Advances to other funds	81,241	-	-	-	-	81,241
Due from RDA Successor Agency	2,780,585	695,146	-	-	-	3,475,731
Total assets	<u>\$ 37,352,413</u>	<u>\$ 40,181,745</u>	<u>\$ 11,563,284</u>	<u>\$ 35,204,988</u>	<u>\$ 16,383,370</u>	<u>\$ 140,685,800</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	MAJOR FUNDS				OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and contract payable	\$ 1,438,627	\$ 12,810	\$ 2,243	\$ 571,856	\$ 198,180	\$ 2,223,716
Accrued payroll	2,034,810	12,928	36,352	37,001	190,996	2,312,087
Due to other funds	-	-	-	-	270,871	270,871
Deposits payable	3,025,202	27,217	246,917	1,911,406	4,865,522	10,076,264
Unearned revenue	414,655	-	119,607	-	1,581,138	2,115,400
Due to RDA Successor Agency	-	-	-	7,806,825	-	7,806,825
Due to other governments	-	-	117	-	2,743	2,860
Advances from other funds	136,981	-	-	1,724,081	-	1,861,062
Total liabilities	7,050,275	52,955	405,236	12,051,169	7,109,450	26,669,085
Deferred Inflows of Resources:						
Deferred development impact fees	-	-	-	311,322	-	311,322
Unavailable revenue under modified accrual	-	5,662,519	-	42,082	95,054	5,799,655
Total deferred inflows	-	5,662,519	-	353,404	95,054	6,110,977
Fund Balances:						
Nonspendable	2,861,826	-	-	-	-	2,861,826
Restricted	-	34,466,271	11,158,048	21,702,643	9,449,737	76,776,699
Assigned	3,278,812	-	-	1,097,772	-	4,376,584
Unassigned	24,161,500	-	-	-	(270,871)	23,890,629
Total fund balances	30,302,138	34,466,271	11,158,048	22,800,415	9,178,866	107,905,738
Total liabilities, deferred inflows of resources and fund balances	\$ 37,352,413	\$ 40,181,745	\$ 11,563,284	\$ 35,204,988	\$ 16,383,370	\$ 140,685,800

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET WITH THE STATEMENT OF NET POSITION
JUNE 30, 2016

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 107,905,738

Amounts reported for Governmental Activities in the Statement of Net Position 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 \$1,271,115. 431,241,688

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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 Position. (6,444,301)

PREPAID ITEMS

The City applies the purchases method for prepaid items in the governmental funds and recognizes the entire amount of the prepayment as an expenditure of the period payment is made. 126,176

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	(20,216,998)
Deferred employer pension contributions	13,143,828
Deferred outflows of resources - pension	2,320,415
Net pension liability	(138,315,704)
Deferred inflows of resources - pension	(8,371,730)
Long-term debt	(13,122,955)
Compensated absences	(9,408,465)
Interest payable	(95,869)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are not recognized in the Fund Financial Statements because they are not currently available are taken into revenue in the Statement of Activities. 6,110,977

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 364,872,800

CITY OF VACAVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes and fees	\$ 70,825,401	\$ -	\$ -	\$ 11,425,359	\$ 4,891,409	\$ 87,142,169
Licenses and permits	211,253	-	-	-	1,817,117	2,028,370
Investment income	747,472	50,712	4,706	156,446	15,973	975,309
Intergovernmental	918,579	-	13,720,405	10,557,359	2,789,049	27,985,392
Charges for services	8,598,887	-	27,432	-	2,553,020	11,179,339
Rents and royalties	533,349	6,254	-	-	-	539,603
Fines, forfeitures, and penalties	269,172	-	-	-	40,350	309,522
Other	34,691	58,464	66,814	662,407	3,285	825,661
Total revenues	82,138,804	115,430	13,819,357	22,801,571	12,110,203	130,985,365
EXPENDITURES:						
Current:						
General government	8,071,152	-	-	-	3,058,140	11,129,292
Public safety	51,783,681	-	-	-	1,275,293	53,058,974
Public works	5,352,696	-	-	-	1,754,210	7,106,906
Community services	8,015,061	-	-	-	3,766,536	11,781,597
Housing	-	632,125	12,535,660	-	-	13,167,785
Capital outlay	-	-	-	16,040,975	72,414	16,113,389
Debt service:						
Principal	206,585	-	-	938,612	1,071,635	2,216,832
Interest and fiscal charges	14,162	-	-	231,527	441,648	687,337
Total expenditures	73,443,337	632,125	12,535,660	17,211,114	11,439,876	115,262,112
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,695,467	(516,695)	1,283,697	5,590,457	670,327	15,723,253

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, 2016

	GENERAL	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):						
Transfers in	2,398,121	3,708,383	-	2,213,805	2,137,686	10,457,995
Transfers out	(3,043,151)	-	-	(1,295,888)	(6,489,751)	(10,828,790)
Sale of capital assets	188,868	-	-	-	-	188,868
Total other financing sources (uses)	(456,162)	3,708,383	-	917,917	(4,352,065)	(181,927)
NET CHANGES IN TOTAL FUND BALANCE	8,239,305	3,191,688	1,283,697	6,508,374	(3,681,738)	15,541,326
Fund balances, beginning of year as previously reported	22,062,833	31,274,583	1,289,180	16,292,041	21,445,775	92,364,412
Prior period adjustment	-	-	8,585,171	-	(8,585,171)	-
Fund balances, beginning of year	22,062,833	31,274,583	9,874,351	16,292,041	12,860,604	92,364,412
Fund balances, end of year	<u>\$ 30,302,138</u>	<u>\$ 34,466,271</u>	<u>\$ 11,158,048</u>	<u>\$ 22,800,415</u>	<u>\$ 9,178,866</u>	<u>\$ 107,905,738</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, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 15,541,326**

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds reported capital asset expenditures as part of capital outlay and other departmental expenditures. However, in the Government-Wide Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. Technology Replacement, internal service fund capital asset additions were \$139,652. This is detail of the amount of capital assets recorded in the current period.

Capital outlay	16,113,389
Uncapitalized outlay costs	(3,248,303)
Departmental expenditures capitalized	1,218,484
Developer contributions	13,436,283
Transfer from successor agency	1,581,617

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 \$349,827. (11,396,639)

Capital assets transferred from governmental activities to business-type activities are reported as transfers in the Government-Wide Statement of Activities. The transfers are not reported in the governmental funds as the amount did not involve the transfer of financial resources. (2,388)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Repayment of principal is an expenditure in Governmental Funds, but the repayment is a reduction in long-term liabilities in the Government-Wide Statement of Net Position. 2,216,832

PREPAID ITEMS

The City applies the purchases method for prepaid items in the governmental funds and recognizes the entire amount of the prepayment as an expenditure of the period payment is made. (967,589)

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:

Unavailable Revenue	44,136
Compensated absences	738,285
OPEB expense	(6,399,041)
Interest expense	24,669
Proceeds from sale of capital assets	(188,868)
Loss from disposal of capital assets	(775,971)

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, 2016

PENSION ACTIVITY

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred. 13,143,828

In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet.

Pension expense related to the net pension liability does not require the use of current financial resources and therefore was not included in the Governmental Funds but should be recognized in the Statement of Net Position for full accrual. (11,396,911)

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.

152,917

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 29,836,056

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 POSITION
JUNE 30, 2016**

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
ASSETS					
Current assets:					
Cash and investments	\$ 83,238,570	\$ 35,433,423	\$ -	\$ 118,671,993	\$ 9,423,840
Interest receivable	41,239	16,604	-	57,843	-
Accounts receivable	5,394,379	3,008,108	254,648	8,657,135	21,898
Prepaid items	3,946	7,284	-	11,230	1,641,748
Inventories-supplies	-	-	-	-	128,556
Total current assets	88,678,134	38,465,419	254,648	127,398,201	11,216,042
Noncurrent assets:					
Deposits	-	-	-	-	172,675
Advances to other funds	811,675	1,149,387	-	1,961,062	-
Investment in joint venture	-	20,551,222	-	20,551,222	-
Total noncurrent assets	811,675	21,700,609	-	22,512,284	172,675
Capital assets:					
Land	2,847,722	3,080,581	4,928,788	10,857,091	-
Construction in progress	17,922,325	3,633,223	1,513,766	23,069,314	-
Buildings and improvements	276,393,820	53,159,919	15,876,541	345,430,280	145,369
Machinery and equipment	1,001,278	144,579	10,138,282	11,284,139	8,615,570
Transmission and distribution system	47,204,247	60,540,811	-	107,745,058	-
Less: accumulated depreciation	(89,979,921)	(46,495,534)	(8,003,542)	(144,478,997)	(4,877,887)
Total capital assets	255,389,471	74,063,579	24,453,835	353,906,885	3,883,052
Total assets	344,879,280	134,229,607	24,708,483	503,817,370	15,271,769
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension	2,089,330	1,180,927	-	3,270,257	726,722

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
LIABILITIES					
Current liabilities:					
Accounts and contract payable	668,990	1,206,807	143,995	2,019,792	164,142
Accrued payroll	272,044	154,695	6,137	432,876	88,958
Interest payable	1,873,994	59,466	-	1,933,460	41,729
Due to other funds	-	-	135,305	135,305	453,394
Employee benefits payable	-	-	-	-	1,070,748
Deposits payable	59,580	10,371,146	106,993	10,537,719	1,835
Due to other governments	-	-	8,196	8,196	-
Compensated absences - due within one year	102,033	63,052	-	165,085	-
Claims payable - due within one year	-	-	-	-	1,893,000
Long-term debt - due within one year	7,977,047	380,452	-	8,357,499	360,865
Total current liabilities	10,953,688	12,235,618	400,626	23,589,932	4,074,671
Noncurrent liabilities:					
Advances from other funds	81,241	100,000	-	181,241	-
Unearned revenue	36,995	107,815	-	144,810	-
Compensated absences - due in more than a year	687,773	103,515	-	791,288	-
Remediation liability	1,355,000	-	-	1,355,000	-
OPEB trust liability	2,594,079	1,540,959	77,750	4,212,788	-
Pension liability	20,943,179	11,837,451	-	32,780,630	7,284,583
Claims payable - due in more than one year	-	-	-	-	4,695,000
Long-term debt - due in more than one year	137,850,840	5,506,200	-	143,357,040	1,956,582
Total noncurrent liabilities	163,549,107	19,195,940	77,750	182,822,797	13,936,165
Total liabilities	174,502,795	31,431,558	478,376	206,412,729	18,010,836
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension	1,290,150	729,215	-	2,019,365	448,747
NET POSITION					
Net investment in capital assets	109,561,584	68,176,927	24,453,835	202,192,346	1,565,605
Unrestricted	61,614,081	35,072,834	(223,728)	96,463,187	(4,026,697)
Total net position business-type activities	\$ 171,175,665	\$ 103,249,761	\$ 24,230,107	298,655,533	\$ (2,461,092)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				3,983,209	
Net position of business-type activities				\$ 302,638,742	

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</u>
	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TRANSIT</u>	<u>TOTALS</u>	
OPERATING REVENUES:					
Charges for sales and services:					
Sewer charges	\$ 33,677,561	\$ -	\$ -	\$ 33,677,561	\$ -
Water sales	-	15,855,312	-	15,855,312	-
Transit fares	-	-	452,450	452,450	-
Internal service charges	-	-	-	-	14,355,526
Total operating revenues	<u>33,677,561</u>	<u>15,855,312</u>	<u>452,450</u>	<u>49,985,323</u>	<u>14,355,526</u>
OPERATING EXPENSES:					
Treatment plant and sources of supply	6,082,662	5,877,452	-	11,960,114	-
Transmission and distribution	-	1,870,295	-	1,870,295	-
Maintenance	5,306,399	2,321,053	-	7,627,452	-
Customer services and administration	8,092,716	5,699,623	-	13,792,339	-
Transportation	-	-	2,280,342	2,280,342	-
Internal service expenses	-	-	-	-	12,868,303
Depreciation	7,554,367	2,500,578	1,272,322	11,327,267	713,276
Total operating expenses	<u>27,036,144</u>	<u>18,269,001</u>	<u>3,552,664</u>	<u>48,857,809</u>	<u>13,581,579</u>
OPERATING INCOME (LOSS)	<u>6,641,417</u>	<u>(2,413,689)</u>	<u>(3,100,214)</u>	<u>1,127,514</u>	<u>773,947</u>
NONOPERATING REVENUES (EXPENSES):					
Gain from joint venture	-	629,836	-	629,836	-
Gain on disposal of capital assets	-	-	595	595	6,738
Interest revenue	534,201	235,549	(543)	769,207	-
Interest expense	(3,017,248)	(190,749)	-	(3,207,997)	(65,144)
Rents and royalties	-	124,042	-	124,042	-
Taxes and other	14,821	2,606,355	1,856,581	4,477,757	-
Total nonoperating revenues (expenses)	<u>(2,468,226)</u>	<u>3,405,033</u>	<u>1,856,633</u>	<u>2,793,440</u>	<u>(58,406)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>4,173,191</u>	<u>991,344</u>	<u>(1,243,581)</u>	<u>3,920,954</u>	<u>715,541</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TRANSIT</u>	<u>TOTALS</u>	
TRANSFER:					
Transfers in	41,179	1,376,164	-	1,417,343	94,375
Transfers out	(1,007,500)	(21,241)	-	(1,028,741)	(112,182)
Total transfers	<u>(966,321)</u>	<u>1,354,923</u>	<u>-</u>	<u>388,602</u>	<u>(17,807)</u>
CAPITAL CONTRIBUTIONS:					
Connection fees	6,982,868	1,745,454	-	8,728,322	-
Intergovernmental	-	16,517	1,825,872	1,842,389	2,388
Developers	1,839,471	2,817,963	-	4,657,434	-
Total capital contributions	<u>8,822,339</u>	<u>4,579,934</u>	<u>1,825,872</u>	<u>15,228,145</u>	<u>2,388</u>
Change in net position	<u>12,029,209</u>	<u>6,926,201</u>	<u>582,291</u>	<u>19,537,701</u>	<u>700,122</u>
NET POSITION:					
Net position, beginning of year					
as previously reported	162,041,949	96,323,560	23,647,816		(3,161,214)
Prior period adjustment	(2,895,493)	-	-		-
Net position, beginning of year	<u>159,146,456</u>	<u>96,323,560</u>	<u>23,647,816</u>		<u>(3,161,214)</u>
Net position, end of year	<u>\$ 171,175,665</u>	<u>\$ 103,249,761</u>	<u>\$ 24,230,107</u>		<u>\$ (2,461,092)</u>
Adjustment to reflect the consolidation of internal service					
fund activities related to enterprise funds				547,205	
Change in net position of business-type activities				<u>\$ 20,084,906</u>	

**CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	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	\$ 33,348,894	\$ 15,152,446	\$ 568,243	\$ 49,069,583	\$ 14,333,628
Payments to suppliers	(11,592,317)	(9,810,518)	(2,148,341)	(23,551,176)	(9,346,581)
Payments to employees	(8,213,979)	(4,950,127)	(186,415)	(13,350,521)	(2,272,810)
Claims paid	-	-	-	-	(1,502,659)
Net cash provided by (used in) operating activities	13,542,598	391,801	(1,766,513)	12,167,886	1,211,578
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances to/(from) other funds	54,400	81,944	-	136,344	-
Due to/(from) other funds	225,425	-	(90,120)	135,305	453,394
Transfers in	41,179	1,376,164	-	1,417,343	94,375
Transfers out	(1,007,500)	(21,241)	-	(1,028,741)	(112,182)
Taxes	-	96,570	-	96,570	-
Ground lease	12,500	-	-	12,500	-
Annexation fees	-	977,713	-	977,713	-
Industry permit fees	2,321	-	-	2,321	-
Water transfer charge credit	-	1,506,748	-	1,506,748	-
Power plant revenue	-	25,194	-	25,194	-
Rents and royalties	-	124,042	-	124,042	-
Grants	-	130	1,856,581	1,856,711	-
Net cash provided by noncapital financing activities	(671,675)	4,167,264	1,766,461	5,262,050	435,587
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Net proceeds from issuance of long-term debt	7,998,775	-	-	7,998,775	1,641,125
Proceeds from sale of capital assets	-	-	595	595	6,738
Connection fees	6,982,868	1,745,454	-	8,728,322	-
Acquisition and construction of capital assets	(5,301,952)	(533,397)	-	(5,835,349)	(2,778,287)
Principal paid on capital debt	(7,788,408)	(796,852)	-	(8,585,260)	(210,336)
Interest paid	(3,864,696)	(199,001)	-	(4,063,697)	(28,457)
Net cash used in capital and related financing activities	(1,973,413)	216,204	595	(1,756,614)	(1,369,217)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	534,201	235,549	(543)	769,207	-
Net cash provided by investing activities	534,201	235,549	(543)	769,207	-
Net increase (decrease) in cash and cash equivalents	11,431,711	5,010,818	-	16,442,529	277,948
CASH AND CASH EQUIVALENTS:					
Beginning of year	71,806,859	30,422,605	-	102,229,464	9,145,892
Cash and investments	83,238,570	35,433,423	-	118,671,993	9,423,840
Total cash and investments end of year	\$ 83,238,570	\$ 35,433,423	\$ -	\$ 118,671,993	\$ 9,423,840
NONCASH TRANSACTIONS:					
Contribution and transfer of capital assets, net	\$ 1,839,471	\$ 2,834,480	\$ 1,825,872	\$ 6,499,823	\$ 2,388

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	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)	\$ 6,641,417	\$ (2,413,689)	\$ (3,100,214)	\$ 1,127,514	\$ 773,947
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	7,554,367	2,500,578	1,272,322	11,327,267	713,276
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable	(389,842)	(735,637)	200,434	(925,045)	(21,898)
Decrease (increase) in interest receivable	56,515	22,335	-	78,850	-
Decrease (increase) in prepaid expenses	(3,946)	(7,284)	-	(11,230)	9,994
Decrease (increase) in inventories - supplies	-	-	-	-	10,263
Decrease (increase) in deposits	-	-	-	-	(8,952)
Decrease (increase) in deferred outflow of resources - pension	(502,972)	(284,290)	-	(787,262)	(174,945)
Increase (decrease) in accounts and contracts payable	(239,170)	242,232	(27,506)	(24,444)	(412,955)
Increase (decrease) in accrued payroll	(22,437)	(33,245)	(2,765)	(58,447)	(77,108)
Increase (decrease) in employee benefits payable	-	-	-	-	409,027
Increase (decrease) in compensated absences	(234,331)	(2,470)	-	(236,801)	-
Increase (decrease) in deposits payable	(3,661)	623,341	(42,545)	577,135	-
Increase (decrease) in due to other governments	-	-	(84,641)	(84,641)	-
Increase (decrease) in unearned revenue	4,660	10,436	-	15,096	-
Increase (decrease) in OPEB trust liability	544,191	391,604	18,402	954,197	-
Increase (decrease) in pension liability	1,401,793	792,318	-	2,194,111	487,577
Increase (decrease) in deferred inflow of resources - pension	(1,263,986)	(714,428)	-	(1,978,414)	(439,648)
Increase (decrease) in insurance liability	-	-	-	-	(57,000)
Total adjustments	6,901,181	2,805,490	1,333,701	11,040,372	437,631
Net cash provided by (used in) operating activities	\$ 13,542,598	\$ 391,801	\$ (1,766,513)	\$ 12,167,886	\$ 1,211,578

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, Solano County Transit, Community Action Partnership of Solano, 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 and to account for bond proceeds and repayment of debt service held in trust.

PRIVATE PURPOSE TRUST FUND

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

CITY OF VACAVILLE
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Agency Funds	Private Purpose Trust Fund Successor Agency
ASSETS		
Current assets:		
Cash and investments	\$ 26,709,012	\$ 9,352,135
Receivables:		
Interest	-	20,641
Accounts	-	226,448
Loans	-	4,756,547
Prepaid expenses	-	118,613
Total current assets	26,709,012	14,474,384
Noncurrent assets:		
Restricted cash and investments	-	2,987,913
Long-term receivable from City of Vacaville	-	7,806,825
Capital assets, non-depreciable	-	864,400
Capital assets, net of accumulated depreciation	-	24,619,738
Total noncurrent assets	-	36,278,876
Total assets	\$ 26,709,012	50,753,260
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	-	512,657
Total deferred outflows of resources	-	512,657
LIABILITIES		
Current liabilities:		
Accounts payable and contracts payable	\$ -	1,657
Accrued payroll	-	6,220
Deposits payable	19,674,797	133,302
Unearned revenue	-	19,946
Interest payable	-	877,555
Long-Term note payable to City of Vacaville - due within one year	-	1,099,725
Long-term liabilities - due within one year	-	1,659,380
Total current liabilities	19,674,797	3,797,785
Noncurrent liabilities:		
Long-Term note payable to City of Vacaville - due in more than a year	-	2,376,006
Long-Term liabilities - due in more than a year	-	44,205,515
Due to bondholders	7,034,215	-
Total liabilities	\$ 26,709,012	50,379,306
NET POSITION		
Held in trust for dissolution of the Redevelopment Agency		\$ 886,611

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND - SUCCESSOR AGENCY
FOR THE YEAR ENDED JUNE 30, 2016

ADDITIONS:

Investment income	\$ 158,039
Revelopment Agency (RDA) property tax trust fund distribution	6,754,749
Other	<u>192,892</u>
Total additions:	<u>7,105,680</u>

DEDUCTIONS:

Program expenses of former RDA	472,164
DDA agreements	1,065,101
Professional fees	113,469
Depreciation expense	805,294
Fiscal fines and other fees	237,821
Interest expense	2,513,510
Transfer of bond proceeds	5,579,537
Sale of property	<u>163,299</u>
Total deductions	<u>10,950,195</u>

Extraordinary Item (Note 14) - Land transferred to the City of Vacaville	(1,581,617)
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Change in net position	(5,426,132)
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NET POSITION:

Beginning of year	<u>6,312,743</u>
End of year	<u><u>\$ 886,611</u></u>



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CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

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, 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. The City Council serves as the governing body for the Vacaville Housing Authority and the City Manager has operational responsibility for the component unit.

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.

Financial statements for the Vacaville Housing Authority can be obtained by contacting the City's Administrative Services Department. The Vacaville Public Financing Authority does not issue financial statements.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The City is no longer reporting the Solano County Housing Authority as a component unit. Solano County includes the Solano County Housing Authority as a component unit in their Comprehensive Annual Financial Report. The Solano County Board of Supervisors is the governing body of the Solano County Housing Authority.

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 Position and a Statement of Activities and Changes in Net Position. 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 Position. The Statement of Activities presents changes in net position. 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.

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 Position 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 position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, except for sales tax and grant revenues, to be available if they are collected within 60 days of the end of the current fiscal period. Sales tax and grant revenues are considered available if they are collected within 90 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.

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.

Successor Housing Special Revenue Fund – to account for the proceeds and dissolution of Redevelopment due to AB26x1. See further description at footnote 14.

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, the rehabilitation for rental property, and first-time homebuyer programs. Funds are received from the U.S. Department of Housing and Urban Development's Section 8 Voucher Housing Programs, State Rehabilitation Programs, and both federal and state first-time homebuyer 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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

Multifamily Housing Revenue Bonds – to account for bond proceeds and repayment of debt service held in trust. The City participated in the issuance of the Multifamily Housing Revenue and Refunding Bonds Series 2000A, 1999 Series A, and Multifamily Revenue Bonds 1988 Issue A. The bond proceeds were loaned to Vacaville Community Housing, WLP Sycamores Apartments, LLC and 700 Market Associates XXIII, respectively.

Private-Purpose Trust Fund

Successor Agency fund – to account for the proceeds and dissolution of the Redevelopment Agency due to AB26x1. See further description at footnote 14.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 position. 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Net Position

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

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. 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 position – 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 position – This category represents the net position 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 position are available, the City's policy is to apply restricted net position 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, 2016 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, 2016 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, 2016

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. The City Council assigns fund balance.

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

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 reduces 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 12 – 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).

The City applies the purchases method for prepaid items in the governmental funds and recognizes the entire amount of the prepayment as an expenditure of the period payment is made.

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 acquisition value, the price that would have been paid to acquire the asset, on the date donated. City policy has set the capitalization threshold for reporting infrastructure at \$100,000 with the exception of water and sewer/wastewater system networks, which have a \$25,000 threshold. All other non-infrastructure capital assets have a capitalization threshold of \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and Improvements	10-40 years
Machinery and Equipment	5-20 years
Infrastructure	25-50 years
Land Improvements	25-40 years
Software	10 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, water and sewer systems, and storm drains. 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, 2016

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 position. 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. Property Tax Revenue

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

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

M. 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.

N. Implementation of New GASB Pronouncements

In 2016, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 72, Fair Value Measurement and Application – This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. There was no impact on beginning net position as part of implementation of this accounting standard.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact on beginning net position as part of implementation of this accounting standard.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no impact on beginning net position as part of implementation of this accounting standard.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants - This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. There was no impact on beginning net position as part of implementation of this accounting standard.

GASB Statement No. 82, Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73 - This Statement addresses certain issues that had been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68. Specifically, this Statement addresses issued regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard. There was no impact on beginning net position as part of implementation of this accounting standard.

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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS, continued

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, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 196,196,700
Cash and Investments held by bond trustee	10,579,372
Fiduciary Funds:	
Cash and Investments	36,061,147
Cash and Investments held by bond trustee	<u>2,987,913</u>
Total Cash and Investments	<u><u>\$ 245,825,132</u></u>

Cash and Investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 25,639
Deposits with financial institutions	9,070,848
Investments	<u>236,728,645</u>
Total Cash and Investments	<u><u>\$ 245,825,132</u></u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

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 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
Negotiable Certificates of Deposit	N/A	30%	30%
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%
Supranational Obligations	5 years	30%	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 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, 2016

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	\$ 405,565
Interest income	<u>1,488,777</u>
Total investment income - Governmental and Proprietary Funds	<u>\$ 1,736,303</u>
Total investment income - Fiduciary Funds	<u>\$ 158,039</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, 2016 by maturity:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Local Agency Investment Fund	\$ 73,579,650	\$ 73,579,650	\$ -
U.S. Agency Securities	59,056,790	2,006,560	57,050,230
U.S. Government Securities	20,103,706	14,023,786	6,079,920
Municipal Bonds	3,755,545	1,000,230	2,755,315
Corporate Notes	32,104,340	8,009,220	24,095,120
Commercial Paper	33,852,705	33,852,705	-
Negotiable Certificates of Deposit	3,758,497	1,498,096	2,260,401
Money Market Mutual Funds	<u>10,517,412</u>	<u>10,517,412</u>	<u>-</u>
Total	<u>\$ 236,728,645</u>	<u>\$ 144,487,659</u>	<u>\$ 92,240,986</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

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, 2016 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. The U.S. Agency Securities and Treasuries have a split rating. As of June 30, 2016 the securities were rated AAA by Moody's and AA by Standard & Poor's Rating Services. All negotiable certificates of deposit held by the City are under \$250,000 and fully insured by the Federal Deposit Insurance Corporation.

Investment Type		Minimum Legal Rating	AAA	AA	A	A1/P1	Not Rated
Local Agency Investment Fund	\$ 73,579,650	N/A	\$ -	\$ -	\$ -	\$ -	\$ 73,579,650
U.S. Agency Securities	59,056,790	N/A	59,056,790	-	-	-	-
U.S. Government Securities	20,103,706	N/A	20,103,706	-	-	-	-
Municipal Bonds	3,755,545	N/A	-	3,755,545	-	-	-
Corporate Notes	32,104,340	A	-	14,060,920	18,043,420	-	-
Commercial Paper	33,852,705	A1/P1	33,852,705	-	-	-	-
Negotiable Certificates of Deposit	3,758,497	N/A	-	-	-	-	3,758,497
Money Market Mutual Funds	10,517,412	AAA	10,517,412	-	-	-	-
Total	<u>\$ 236,728,645</u>		<u>\$ 123,530,613</u>	<u>\$ 17,816,465</u>	<u>\$ 18,043,420</u>	<u>\$ -</u>	<u>\$ 77,338,147</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, 2016, 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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS, continued

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.

As of June 30, 2016, the City had \$73,579,650 invested in LAIF, which has invested 2.81% of the pool investments funds in medium-term and short-term Structured Notes and Asset-Backed Securities. The City valued its investment in LAIF as of June 30, 2016 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 1.000621222.

F. Fair Value of Investments

The City of Vacaville measures and records its investments using the fair value measurement framework established with GASB Statement No. 72. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are (unadjusted) quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk).

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS, continued

The City had the following recurring fair value measurements as of June 30, 2016:

Investments by fair value level	6/30/2016	Fair Value Measurement Using			Total
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Local Agency Investment Fund	\$ 73,579,650	\$ -	\$ 73,579,650	\$ -	\$ 73,579,650
U.S. Agency Securities	59,056,790	-	59,056,790	-	59,056,790
U.S. Government Securities	20,103,706	20,103,706	-	-	20,103,706
Municipal Bonds	3,755,545	-	3,755,545	-	3,755,545
Corporate Notes	32,104,340	-	32,104,340	-	32,104,340
Commercial Paper	33,852,705	-	33,852,705	-	33,852,705
Negotiable Certificates of Deposit	3,758,497	-	3,758,497	-	3,758,497
Total	\$ 226,211,233	\$ 20,103,706	\$ 206,107,527	\$ -	\$ 226,211,233
Money Market					\$ 10,517,412
Investment portfolio total					<u>\$ 236,728,645</u>

The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments. When available, quoted prices were used to determine fair value. When quoted prices in active markets were not available, fair values were based on information received from the City's custodians of investments. There have been no changes in the methods and assumptions used at June 30, 2016. Debt securities classified in Level 1 were valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 were valued accordingly:

Local Agency Investment Fund – The City's fair value for its investment in the State of California Local Agency Investment Fund (LAIF) is based on the fair market value factors provided by LAIF that are calculated based on the total fair market value of the pool. LAIF includes investments categorized as Level 1, such as U.S. Government securities, Federal Agency securities, and supranational debentures that are valued based on prices quoted in active markets, and investments categorized as Level 2, such as negotiable certificates of deposit and bank notes that are based on market corroborated pricing utilizing inputs such are derived principally from or corroborated by observable market data by correlation to other means.

U.S. Agency Securities, Municipal Bonds, Corporate Notes, Commercial Paper – Quoted prices for similar securities in active markets.

Negotiable Certificates of Deposit – Matrix pricing based on the securities' relationship to benchmark quoted prices.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 3 – LOANS RECEIVABLE

At June 30, 2016, the City's outstanding loans receivables net of allowances were as follows:

\$ 8,413,184	City loans recorded in the Special Revenue Fund, Housing Assistance, 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 and to provide assistance to first-time homebuyers.
\$ 1,477,304	City loans recorded in the Special Revenue Fund, Community Development, are for the Community Development Block Grant (CDBG) and Rental Rehabilitation Program (RRP). In the past, the City operated CDBG and RRP, even though the City no longer receives funding under these programs the borrowers are repaying the existing loan balances. Repayments are used to carry out CDBG and RRP eligible activities.
\$ 6,650,493	Successor Housing 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. The amount of loans in arrears is \$46,826.
\$ 12,600,109	The Successor Housing 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.
\$ 323,705	The Successor Housing 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 \$24,041.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 3 – LOANS RECEIVABLE, continued

\$ 1,064,040	The Successor Housing 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.
\$ 887,882	A loan receivable was recorded in the Special Revenue Fund, Housing Assistance, for the CalHome Program. The purpose of the program is to provide assistance in the form of a deferred payment loan to eligible households in purchasing their first home. Qualified homebuyers may receive a maximum loan amount of \$50,000. The loan term is a minimum 30-year deferred payment loan at 0% interest with the principal due and payable at year 30.
\$ 4,357,518	A loan receivable was recorded in the Successor Housing Special Revenue Fund from Rocky Hill Investors, L.P. for phase one of the Callen Street/Bennett Hill Court Housing Project. Phase one of the project involves the acquisition and rehabilitation of sixty-four affordable rental units on Bennett Hill Court and Rocky Hill Road. The term of the promissory note is fifty-five years at 1% interest. The developer shall make annual payments of principal and interest in the amount of fifty percent of residual receipts.
\$ 799,765	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.
\$ 4,620,000	A loan receivable was recorded in the Successor Housing Special Revenue Fund from Callen Street Investors, L.P. for phase two of the Callen Street/Bennett Hill Court Housing Project. Phase two includes the acquisition and rehabilitation/new construction of 66 rental units on Callen Street. The term of the promissory note is fifty-five years at 1% interest. The developer shall make annual payments of principal and interest in the amount of fifty percent of residual receipts with the first payment due and payable on May 1, 2018.
\$ 275,000	A loan receivable has been recorded in the Special Revenue Fund, Housing Assistance, for a loan provided to Vacaville Social Services Corporation, a nonprofit corporation, which operates the Opportunity House homeless shelter in Vacaville. The original \$300,000 loan was used for construction improvements at the site where the shelter was relocated and expanded. The loan term is 10 years at 0% interest with monthly payments beginning in January 2017.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 3 – LOANS RECEIVABLE, continued

\$ 1,455,000 A loan receivable was recorded in the Successor Housing Special Revenue 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.

\$ 42,924,000 Total City loans receivable

For governmental activities, the City recorded an allowance for delinquent and forgivable loans of \$2,356,226.

At June 30, 2016, 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 Agency 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.

\$ 1,561,814 In 2002, the former Vacaville Redevelopment Agency entered into an agreement with the Vacaville Library District to loan \$3,895,000 to finance the construction of a new Vacaville Library branch located in the Downtown Project Area. A loan receivable was recorded in the amount of \$3,895,000 in the former Redevelopment Agency Capital Projects Fund. Upon dissolution of the Redevelopment Agency, 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%.

\$ 829,993 The former Redevelopment Agency Downtown Rehabilitation loans recorded in the Capital Projects Funds are for façade improvements and historic district building loans made to business tenants in the downtown area. 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. The amount of loans in arrears is \$2,985.

\$ 4,756,547 Total Private Purpose Trust Fund Successor Agency loans receivable

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

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 has been renewed on a month-to-month basis upon termination of the lease. Annual minimum payments under the lease are \$197,366.

NOTE 5 - CAPITAL ASSETS

Government-Wide Financial Statements

A. Summary

The following is a summary of capital assets as of June 30, 2016:

	Governmental Activities	Business-Type Activities	Total Primary Government
Non-Depreciable Assets:			
Land	\$ 190,139,722	\$ 10,857,091	\$ 200,996,813
Construction in progress	11,568,487	23,069,314	34,637,801
Total	<u>201,708,209</u>	<u>33,926,405</u>	<u>235,634,614</u>
Depreciable Assets:			
Buildings & improvements	60,663,992	345,430,279	406,094,271
Land improvements	54,736,157	-	54,736,157
Equipment	7,665,300	11,100,891	18,766,191
Vehicles	12,078,004	6,657,696	18,735,700
Software	383,098	-	383,098
Infrastructure	<u>337,933,995</u>	<u>107,745,058</u>	<u>445,679,053</u>
	473,460,546	470,933,924	944,394,470
Less accumulated depreciation	<u>(242,655,952)</u>	<u>(148,341,507)</u>	<u>(390,997,459)</u>
Total depreciable assets, net	<u>230,804,594</u>	<u>322,592,417</u>	<u>553,397,011</u>
Total capital assets, net	<u><u>\$ 432,512,803</u></u>	<u><u>\$ 356,518,822</u></u>	<u><u>\$ 789,031,625</u></u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 5 – CAPITAL ASSETS, continued

B. Governmental Activities

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

	Balance July 1, 2015	Additions	Disposals	Transfers	Balance June 30, 2016
Non-Depreciable Assets:					
Land	\$ 188,558,105	\$ 1,581,617	\$ -	\$ -	\$ 190,139,722
Construction in progress	<u>7,858,508</u>	<u>5,184,796</u>	<u>(126,807)</u>	<u>(1,348,010)</u>	<u>11,568,487</u>
Total	<u>196,416,613</u>	<u>6,766,413</u>	<u>(126,807)</u>	<u>(1,348,010)</u>	<u>201,708,209</u>
Depreciable Assets:					
Buildings & improvements	55,667,597	5,225,389	(1,431,074)	1,202,080	60,663,992
Land improvements	50,184,531	4,475,110	-	76,516	54,736,157
Equipment	7,968,163	293,232	(623,541)	27,446	7,665,300
Vehicles	12,300,383	1,069,774	(1,319,233)	27,080	12,078,004
Software	365,478	5,120	-	12,500	383,098
Infrastructure	<u>326,527,911</u>	<u>11,406,084</u>	<u>-</u>	<u>-</u>	<u>337,933,995</u>
Total	<u>453,014,063</u>	<u>22,474,709</u>	<u>(3,373,848)</u>	<u>1,345,622</u>	<u>473,460,546</u>
Less accumulated depreciation for:					
Buildings & improvements	(21,399,754)	(1,508,953)	953,793	-	(21,954,914)
Land improvements	(36,949,344)	(1,282,763)	-	-	(38,232,107)
Equipment	(5,722,323)	(587,091)	623,541	-	(5,685,873)
Vehicles	(8,200,861)	(705,084)	958,482	-	(7,947,463)
Software	(68,537)	(37,669)	-	-	(106,206)
Infrastructure	<u>(161,104,483)</u>	<u>(7,624,906)</u>	<u>-</u>	<u>-</u>	<u>(168,729,389)</u>
Total	<u>(233,445,302)</u>	<u>(11,746,466)</u>	<u>2,535,816</u>	<u>-</u>	<u>(242,655,952)</u>
Total depreciable assets, net	<u>219,568,761</u>	<u>10,728,243</u>	<u>(838,032)</u>	<u>1,345,622</u>	<u>230,804,594</u>
Governmental activities capital assets, net	<u>\$ 415,985,374</u>	<u>\$ 17,494,656</u>	<u>\$ (964,839)</u>	<u>\$ (2,388)</u>	<u>\$ 432,512,803</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 640,026
Public safety	1,399,092
Public works	9,068,277
Community services	580,399
Housing	<u>58,672</u>
Total Government activities depreciation expense	<u>\$ 11,746,466</u>

Internal service fixed assets included in general governmental activities at June 30, 2016 were \$1,271,115 (net depreciable value) with related depreciation expense of \$349,827.

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 Position.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 5 – CAPITAL ASSETS, continued

C. Business-type Activities

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

	Balance July 1, 2015	Additions	Disposals	Transfers	Balance June 30, 2016
Non-Depreciable Assets:					
Land	\$ 10,607,260	\$ 249,831	\$ -	\$ -	\$ 10,857,091
Construction in progress	20,512,229	5,653,328	-	(3,096,243)	23,069,314
Total	31,119,489	5,903,159	-	(3,096,243)	33,926,405
Depreciable Assets:					
Buildings & improvements	344,748,108	143,748	-	538,423	345,430,279
Equipment	10,496,440	715,552	(116,151)	5,050	11,100,891
Vehicles	5,427,850	989,566	(172,255)	412,535	6,657,696
Infrastructure	100,016,777	5,585,658	-	2,142,623	107,745,058
Total	460,689,175	7,434,524	(288,406)	3,098,631	470,933,924
Less accumulated depreciation for:					
Buildings & improvements	(100,014,735)	(8,326,285)	-	-	(108,341,020)
Equipment	(4,659,174)	(901,308)	116,151	-	(5,444,331)
Vehicles	(3,777,031)	(394,092)	172,255	-	(3,998,868)
Infrastructure	(28,488,257)	(2,069,031)	-	-	(30,557,288)
Total	(136,939,197)	(11,690,716)	288,406	-	(148,341,507)
Total depreciable assets, net	323,749,978	(4,256,192)	-	3,098,631	322,592,417
Business-type activities capital assets, net	<u>\$ 354,869,467</u>	<u>\$ 1,646,967</u>	<u>\$ -</u>	<u>\$ 2,388</u>	<u>\$ 356,518,822</u>

During fiscal year ended June 30, 2016, capitalized interest of \$56,912 was included in Construction in Progress.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

Business-type activities:	
Sewer	\$ 7,746,472
Water	2,671,922
Transit	<u>1,272,322</u>
Total Business-type activities depreciation expense	<u><u>\$ 11,690,716</u></u>

Vehicle and equipment replacement assets in the amount of \$2,611,937 (net depreciable value) are included in Business-type activities. At June 30, 2016 depreciation expense for these assets totaled \$363,449. The assets of the vehicle and equipment replacement fund are included in the Business-type activities because the enterprise funds are the predominant participants of the internal service fund.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

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, 2016:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Governmental Activities:					
Loans Payable	\$ 742,500	\$ -	\$ 742,500	\$ -	\$ -
Capital Lease Obligations	14,976,298	-	1,640,161	13,336,137	1,093,744
Compensated Absences	10,146,752	6,213,470	6,951,757	9,408,465	840,402
Net Pension Liability	134,493,066	46,736,854	35,629,633	145,600,287	-
Net OPEB Obligation	13,817,946	11,952,341	5,553,289	20,216,998	-
Governmental activities long-term liabilities	<u>\$ 174,176,562</u>	<u>\$ 64,902,665</u>	<u>\$ 50,517,340</u>	<u>\$ 188,561,887</u>	<u>\$ 1,934,146</u>
	Balance 6/30/2015 (as restated)	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Business-Type Activities:					
Loans Payable	\$ 145,526,438	\$ 7,998,775	\$ 7,751,075	\$ 145,774,138	\$ 7,946,622
Capital Lease Obligations	7,282,233	1,641,125	878,692	8,044,666	601,482
Compensated Absences	1,193,172	688,492	925,291	956,373	165,085
Net Pension Liability	30,586,519	4,677,106	2,482,995	32,780,630	-
Net OPEB Obligation	3,258,602	954,186	-	4,212,788	-
Pollution Remediation	1,355,000	-	-	1,355,000	-
Business-Type activities long-term liabilities	<u>\$ 189,201,964</u>	<u>\$ 15,959,684</u>	<u>\$ 12,038,053</u>	<u>\$ 193,123,595</u>	<u>\$ 8,713,189</u>
	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Private-Purpose Trust:					
Loans Payable	\$ 283,795	\$ -	\$ 80,112	\$ 203,683	\$ 85,160
Bonds Payable	30,399,082	16,765,000	1,502,870	45,661,212	1,574,220
Private-Purpose trust long-term liabilities	<u>\$ 30,682,877</u>	<u>\$ 16,765,000</u>	<u>\$ 1,582,982</u>	<u>\$ 45,864,895</u>	<u>\$ 1,659,380</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Loans Payable:					
Brazelton Family Living Trust	\$ 67,500	\$ -	\$ 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	-	-
Total Loans Payable	742,500	-	742,500	-	-
Capital Lease Obligations:					
Vacaville Recreation Corporation	1,540,627	-	118,052	1,422,575	124,092
Banc of America Leasing	154,633	-	154,633	-	-
Westamerica Bank	131,982	-	64,659	67,323	67,323
Westamerica Bank	80,014	-	25,568	54,446	26,655
Westamerica Bank	80,314	-	39,785	40,529	40,529
Holman Corporation	379,010	-	165,828	213,182	170,260
PNC, LLC	6,609,718	-	762,551	5,847,167	344,731
Holman Corporation	6,000,000	-	309,085	5,690,915	320,154
Total Capital Lease Obligations	14,976,298	-	1,640,161	13,336,137	1,093,744
Total Long-term debt	\$ 15,718,798	\$ -	\$ 2,382,661	\$ 13,336,137	\$ 1,093,744

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

Capital Lease Obligations:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2016</u>	
\$ 2,626,700	\$ 1,422,575	<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>
\$ 587,036	\$ 67,323	<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	\$ 54,446	<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>
\$ 160,656	\$ 40,529	<p>Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for the purchase of 5 police motorcycles at an estimated cost of \$160,656 with an interest rate of 1.87%. 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 December 2016. Lease payments are funded through the City's General Fund.</p>
\$ 810,000	\$ 213,182	<p>Lease agreement between the City and Holman Capital Corporation for telecommunication equipment installed throughout the City at an estimated cost of \$810,000 with an interest rate of 2.90%. Lease payment will be paid quarterly through August 2017. Lease payments are funded through the Technology Replacement Internal Service Fund.</p>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 6,993,972	\$5,847,167	Lease agreement between the City and PNC, LLC for facility improvement projects in progress throughout the City at an estimated cost of \$6,993,972 with an interest rate of 3.10%. Lease payment will be paid semi-annually beginning February 2014 through August 2026. Lease payments are funded through energy cost savings in the General Fund, Gas Tax and Special Revenue Maintenance Districts Funds.
\$ 6,000,000	\$5,690,915	Lease agreement between the City and Holman Capital Corporation, for the construction of Fire Station 75 at an estimated cost of \$6,000,000 with an interest rate of 3.55%. Lease payment will be paid semi-annually beginning October 2015 through April 2030. Lease payments are funded through the Community Benefit District Fund.
	<u>\$13,336,137</u>	Total capital lease obligations

The annual requirement to amortize debt outstanding as of June 30, 2016 for capital lease obligations is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,093,744	\$ 455,180	\$ 1,548,924
2018	923,963	418,044	1,342,007
2019	920,404	385,101	1,305,505
2020	990,837	351,759	1,342,596
2021	1,054,688	316,025	1,370,713
2022-2026	6,044,110	973,823	7,017,933
2027-2030	2,308,391	204,875	2,513,266
Total	<u>\$ 13,336,137</u>	<u>\$ 3,104,807</u>	<u>\$ 16,440,944</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

The assets acquired through capital leases are as follows:

Buildings & Improvements	\$ 10,870,125
Equipment	3,185,312
Less: Accumulated depreciation	<u>(2,999,113)</u>
Total	<u>\$ 11,056,324</u>

The capital lease obligation exceeds the total of the capital assets acquired through leases due to the Siemens Energy Efficiency project. Some of the projects did not meet our threshold for capitalization and therefore are not included in the table above.

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, 2016:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due within one year
State Revolving Loans Payable:					
Interim Renovation	\$ 396,559	\$ -	\$ 61,616	\$ 334,943	\$ 63,341
Tertiary Project	99,938,757	7,998,775	4,106,284	103,831,248	4,203,360
Plant Expansion	<u>45,191,122</u>	<u>-</u>	<u>3,583,175</u>	<u>41,607,947</u>	<u>3,679,921</u>
Total Easterly Wastewater Treatment Plant	<u>145,526,438</u>	<u>7,998,775</u>	<u>7,751,075</u>	<u>145,774,138</u>	<u>7,946,622</u>
Capital Lease Obligations:					
Equipment - 2006 Acquisition	8,137	-	8,137	-	-
Equipment - 2007 Acquisition	78,738	-	38,574	40,164	40,164
Equipment - 2009 Acquisition	77,992	-	24,922	53,070	25,982
PNC, LLC	6,609,719	-	762,552	5,847,167	344,731
Holman Corporation - 2014 Acquisition	507,647	-	44,507	463,140	45,793
Holman Corporation - 2015 Acquisition	<u>-</u>	<u>1,641,125</u>	<u>-</u>	<u>1,641,125</u>	<u>144,812</u>
Total Capital Lease Obligations	<u>7,282,233</u>	<u>1,641,125</u>	<u>878,692</u>	<u>8,044,666</u>	<u>601,482</u>
Total	<u>\$ 152,808,671</u>	<u>\$ 9,639,900</u>	<u>\$ 8,629,767</u>	<u>\$ 153,818,804</u>	<u>\$ 8,548,104</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

The beginning balance of the Tertiary Project loan payable has been restated to include \$2,895,493 in accrued construction period interest transferred to the principal balance in June 2015 when the construction of the filtration phase of the project was completed.

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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 63,341	\$ 9,378	\$ 72,719
2018	65,115	7,605	72,720
2019	66,938	5,782	72,720
2020	68,812	3,907	72,719
2021	70,737	1,981	72,718
Total	<u>\$ 334,943</u>	<u>\$ 28,653</u>	<u>\$ 363,596</u>

State Water Resources Control Board Loan for the Easterly Wastewater Treatment Plant Tertiary Project – Original Issue \$119,632,073

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 \$119,632,073 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 \$33,136,932
- Phase 2 – Laboratory Expansion Improvements; financial agreement executed on October 12, 2011 for \$4,549,000
- Phase 3 – Filtration Improvements; financial agreement executed on October 21, 2011 for \$71,730,483
- Phase 4 – Completion Improvements; financial agreement executed on October 12, 2011 for \$83,905

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 Elimination System Discharge Permit for the Easterly Wastewater Treatment Plant, and by the Time Scheduled Order issued by the same board. Phase 1 of the project was completed in fiscal year 2013-14. Phase 3 was completed in fiscal year 2015-16.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

The City currently draws on the SRF loan as work is performed. The City has drawn the following amounts through June 30, 2016 for each phase:

	Available Loan	Amount Drawn	Remaining Loan To Be Drawn
Phase 1 - Denitrification	\$ 33,136,932	\$ (33,136,932)	\$ -
Phase 2 - Lab Expansion	4,549,000	(4,286,073)	262,927
Phase 3 - Filtration Improvements	71,730,483	(71,730,483)	-
Phase 4 - Completion	83,905	(75,000)	8,905
	<u>\$ 109,500,320</u>	<u>\$ (109,228,488)</u>	<u>\$ 271,832</u>
Less: Repayments		5,397,240	
Amount Due		<u>\$ (103,831,248)</u>	

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 4,203,360	\$ 2,704,506	\$ 6,907,866
2018	4,488,955	2,590,635	7,079,590
2019	4,608,920	2,475,986	7,084,906
2020	4,728,751	2,356,031	7,084,782
2021	4,851,699	2,232,958	7,084,657
2022-2026	26,217,545	9,203,739	35,421,284
2027-2031	29,807,726	5,609,896	35,417,622
2032-2036	24,635,618	1,318,388	25,954,006
2037-2038	288,674	410	289,084
Total	<u>\$ 103,831,248</u>	<u>\$ 28,492,549</u>	<u>\$ 132,323,797</u>

The debt service requirement includes scheduled principal and interest payments for the total amount of the loans although the entire loan amount has not been drawn upon. A principal payment in the amount of \$4,106,284 was made during fiscal year 2016 for Phase 1 and 3 of the project.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

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 2025.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,679,921	\$ 1,123,415	\$ 4,803,336
2018	3,779,278	1,024,057	4,803,335
2019	3,881,319	922,016	4,803,335
2020	3,986,115	817,221	4,803,336
2021	4,093,740	709,595	4,803,335
2022-2026	22,187,574	1,829,103	24,016,677
Total	<u>\$ 41,607,947</u>	<u>\$ 6,425,407</u>	<u>\$ 48,033,354</u>

Capital Lease Obligations:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2016</u>	
\$ 350,214	\$ 40,164	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	\$ 53,070	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.
\$ 6,993,972	\$ 5,847,167	Lease agreement between the City and PNC, LLC for facility improvement projects in progress throughout the City at an estimated cost of \$6,993,972 with an interest rate of 3.10%. Lease payment will be paid semi-annually beginning February 2014 through August 2026. Lease payments are funded through the City's Water Fund.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 507,647	\$ 463,140	Lease agreement between the City and Holman Corporation for the purchase of a dump truck and vector truck at an estimated cost of \$507,647 with an interest rate of 2.89%. Lease payment will be paid annually through March 2025. Lease payments are funded through the Equipment Replacement Internal Service Fund, which primarily services the City's business-type activities.
\$ 1,641,125	<u>\$1,641,125</u>	Lease agreement between the City and Holman Capital Corporation, for the purchase of a fire engine and ladder truck for Fire Station 75 at an estimated cost of \$1,641,125 with an interest rate of 2.75%. Lease payment will be paid annually beginning September 2016 through 2025. Lease payments are funded through the City's Equipment Replacement Internal Service Fund, which primarily services the City's business-type activities.
	<u>\$8,044,666</u>	Total capital lease obligations

The annual requirement to amortize debt outstanding as of June 30, 2016 for capital lease obligations is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 601,482	\$ 239,883	\$ 841,365
2018	613,722	220,786	834,508
2019	641,157	201,702	842,859
2020	697,879	182,071	879,950
2021	747,375	160,693	908,068
2022-2026	4,393,625	478,176	4,871,801
2027	349,426	4,867	354,293
Total	<u>\$ 8,044,666</u>	<u>\$ 1,488,178</u>	<u>\$ 9,532,844</u>

The assets acquired through capital leases are as follows:

Equipment	\$ 1,251,689
Less: Accumulated depreciation	<u>(377,175)</u>
Total	<u>\$ 874,514</u>

Individual assets, such as water meters, purchased for the Energy Efficiency project were below the City's capitalization threshold, therefore were not included in the table above. The fire engine and ladder truck purchased through the lease agreement with Holman Capital Corporation was also excluded from the asset calculation since the vehicles were not received as of the end of the fiscal year.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities	\$ 10,146,752	\$ 6,213,470	\$ 6,951,757	\$ 9,408,465	\$ 840,402
Business Activities	1,193,172	688,492	925,291	956,373	165,085
Total	<u>\$ 11,339,924</u>	<u>\$ 6,901,962</u>	<u>\$ 7,877,048</u>	<u>\$ 10,364,838</u>	<u>\$ 1,005,487</u>

D. *Debt Without City Commitment*

Special Assessment Debt

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

The amount of bonds outstanding at June 30, 2016 is as follows:

Description	Original Bond Amount	June 30, 2016
1997 Northeast Sector	\$ 8,434,307	\$ 3,420,000
2002-A Consolidated Refunding	18,365,000	1,005,000
2005-Nut Tree Assessment Dist	7,275,000	5,430,000
Total 1915 Act Limited Obligation Bonds		<u>\$ 9,855,000</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

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, 2016 is \$1,615,000.

Conduit Debt

The City has issued multifamily housing revenue bonds to provide funds for the refinancing and rehabilitation of rental housing developments by private developers. The proceeds were used for the following multifamily rental housing projects: The Willows, Orchards/Maples, Quail Run, and The Sycamores Apartments. The bonds are payable solely from loan repayments made by the borrower directly to the bond trustee. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the principal or interest on the bonds.

The amount of bonds outstanding at June 30, 2016 is as follows:

<u>Description</u>	<u>Original Bond Amount</u>	<u>June 30, 2016</u>
Multifamily Revenue Bonds 1988A	10,500,000	\$ 6,800,000
Multifamily Revenue Bonds 1999A	9,600,000	9,600,000
Multifamily Revenue Bonds 2000A	6,945,260	3,677,780
Total Conduit Debt		<u>\$ 20,077,780</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Loans Payable:					
Beck & Clark Family Trust	\$ 184,985	\$ -	\$ 32,088	\$ 152,897	\$ 34,374
Babington, Richard & Carol	98,810	-	48,024	50,786	50,786
Total Loans Payable	<u>283,795</u>	<u>-</u>	<u>80,112</u>	<u>203,683</u>	<u>85,160</u>
Bonds Payable:					
2000A Multifamily Mortgage	1,355,090	-	102,870	1,252,220	109,220
2014 Subordinate Tax Allocation Refunding Bonds	26,410,000	-	1,400,000	25,010,000	1,465,000
2014 Subordinate Tax Allocation Refunding Bonds Premium	2,633,992	-	-	2,633,992	-
2016 Subordinate Tax Allocation Refunding Bonds Series A	-	1,480,000	-	1,480,000	-
2016 Subordinate Tax Allocation Refunding Bonds Series A-T	-	15,285,000	-	15,285,000	-
Total Bonds	<u>30,399,082</u>	<u>16,765,000</u>	<u>1,502,870</u>	<u>45,661,212</u>	<u>1,574,220</u>
Total Long-Term Debt	<u>\$ 30,682,877</u>	<u>\$ 16,765,000</u>	<u>\$ 1,582,982</u>	<u>\$ 45,864,895</u>	<u>\$ 1,659,380</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

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, 2016</u>	
\$ 475,000	\$ 152,897	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 property tax revenues distributed to the former Redevelopment Property Tax Trust Fund (RPTTF).
\$ 400,000	\$ 50,786	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 property tax revenues distributed to the former Redevelopment Property Tax Trust Fund (RPTTF).
	<u>\$ 203,683</u>	Total loans payable

The annual requirement to amortize debt outstanding as of June 30, 2016 for loans payable is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 85,160	\$ 13,032	\$ 98,192
2018	36,823	7,663	44,486
2019	39,445	5,041	44,486
2020	42,255	2,239	44,494
Total	<u>\$ 203,683</u>	<u>\$ 27,975</u>	<u>\$ 231,658</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

Bonds Payable:

There are four Bonds payable secured by property tax increments: Series 2000A, 2014 Subordinate Tax Allocation Refunding, 2016 Subordinate Tax Allocation Refunding A and 2016 Subordinate Tax Allocation Refunding A-T Bonds. Due to the dissolution of the Redevelopment Agency, these bonds have been transferred to the Successor Agency and \$6,754,749 in Redevelopment Property Tax Trust Funds were received during the fiscal year to fund these enforceable obligations.

	Principal and Interest	
	Paid to Date	Estimated Remaining to be Paid
2000A Multifamily Mortgage Revenue	\$ 181,089	\$ 1,624,968
2014 Subordinate Tax Allocation Refunding	2,618,844	36,843,922
2016 Subordinate Tax Allocation Refunding A	-	2,154,291
2016 Subordinate Tax Allocation Refunding A-T	-	19,058,707
	<u>\$ 2,799,933</u>	<u>\$ 59,681,888</u>

<u>Original Debt</u> <u>Amount</u>	<u>Outstanding</u> <u>June 30, 2016</u>
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\$ 2,364,740	\$ 1,252,220
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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.

\$ 28,090,000	\$ 25,010,000
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Subordinate Tax Allocation Refunding Bonds issued by the Successor Agency to the Redevelopment Agency of the City of Vacaville to prepay 1996, 2000 and 2001 Tax Allocation Bonds outstanding loans payable from tax increment revenue generated in the Vacaville Community Redevelopment Project Area in the I-505/80 Project Area. Interest rates range from 2.0% to 5.0% and the bonds mature in March 2032. Payments of principal and interest are funded by property tax revenues distributed to the former Redevelopment Property Tax Trust Fund (RPTTF).

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2016</u>	
\$ 1,480,000	\$ 1,480,000	Subordinate Tax Allocation Series A Refunding Bonds issued by the Successor Agency to advance refund \$1.7 million of outstanding 2006 ABAG Tax Allocation Bonds. Interest rates for the newly issued bonds range from 2.75% to 2.875% and the bonds mature in September 2032. Proceeds of the bonds were placed in an irrevocable trust with an escrow agent pending the call date of the refunded debt, and as a result, the 2006 ABAG Tax Allocation Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The refunding will increase the Successor Agency's debt service payments by approximately \$161,328 over the next 15 years but resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$66,330. Payments of principal and interest are funded by property tax revenues distributed to the former Redevelopment Property Tax Trust Fund (RPTTF).
\$15,285,000	\$15,285,000	Subordinate Tax Allocation Series A-T Refunding Bonds issued by the Successor Agency to advance refund \$15.4 million of 2006 Taxable Housing Bonds. Interest rates range from 1.1% to 3.4% and the bonds mature in September 2031. Proceeds of the bonds were placed in an irrevocable trust with an escrow agent pending the call date of the refunded debt, and as a result, the 2006 Taxable Housing Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The refunding will decrease the Successor Agency's debt service payments by approximately \$4.8 million over the next 14 years and resulted in an economic gain of \$3.4 million. Payments of principal and interest are funded by property tax revenues distributed to the former Redevelopment Property Tax Trust Fund (RPTTF).
	<u>\$43,027,220</u>	Total bonds payable

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES, continued

The annual requirement to amortize debt outstanding as of June 30, 2016 for bonds payable is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,574,220	\$ 1,529,746	\$ 3,103,966
2018	2,505,570	1,595,051	4,100,621
2019	2,671,920	1,498,292	4,170,212
2020	2,774,540	1,394,431	4,168,971
2021	2,882,160	1,283,574	4,165,734
2022-2026	13,648,810	4,673,714	18,322,524
2027-2031	13,435,000	1,966,323	15,401,323
2032-2033	3,535,000	222,723	3,757,723
Subtotal	43,027,220	<u>\$ 14,163,854</u>	<u>\$ 57,191,074</u>
Unamortized premium	<u>2,633,992</u>		
Total	<u>\$ 45,661,212</u>		

There are a number of limitations and restrictions contained in the various bond indentures. The Successor Agency 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, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS

Pension related balances presented on the Statement of Net Position as of June 30, 2016 by individual plan are described in the following table:

	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense
CALPERS Miscellaneous	\$ 5,289,899	\$ 5,113,666	\$ 58,863,851	\$ 3,246,894
CALPERS Safety	10,377,178	5,230,495	87,323,616	7,979,297
PARS	3,794,145	495,681	32,193,450	3,151,807
	<u>\$ 19,461,222</u>	<u>\$ 10,839,842</u>	<u>\$ 178,380,917</u>	<u>\$ 14,377,998</u>

Deferred Outflows and Inflows by individual plan are described below:

	Deferred Outflows	Deferred Inflows
CalPERS Miscellaneous		
Changes of Assumptions	\$ -	\$ 2,627,894
Differences between Expected and Actual Experiences	-	1,096,455
Difference between Projected and Actual Earnings on		
Pension Plan Investments	-	1,389,317
Current Year Contributions	5,289,899	-
Total CalPERS Miscellaneous	<u>5,289,899</u>	<u>5,113,666</u>
CalPERS Safety		
Changes of Assumptions	-	3,875,836
Differences between Expected and Actual Experiences	1,539,974	-
Difference between Projected and Actual Earnings on		
Pension Plan Investments	-	1,354,659
Current Year Contributions	8,837,204	-
Total CalPERS Safety	<u>10,377,178</u>	<u>5,230,495</u>
PARS		
Changes of Assumptions	1,247,330	-
Differences between Expected and Actual Experiences	-	495,681
Difference between Projected and Actual Earnings on		
Pension Plan Investments	146,313	-
Current Year Contributions	2,400,502	-
Total PARS	<u>3,794,145</u>	<u>495,681</u>
Total	<u>\$ 19,461,222</u>	<u>\$ 10,839,842</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years of service	5 years of service
Benefit payment	monthly for life	monthly for life
Earliest retirement age	50	50
Benefit factor for each year of service, as a % of salary	3% at age 50	2% at age 55
Required employee contribution rates	9%	7%
Required employer contribution rates	45.347%	20.921%

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. This State law applies to employees hired after January 1, 2013 who are new to PERS. These employees are termed PEPRA members and employees that were enrolled in PERS (without significant separation) prior to January 1, 2013 are now referred to as classic members. PEPRA miscellaneous members will be enrolled in a 2% at 62 plan and PEPRA safety members will be enrolled in a 2.7% at 57 plan. PEPRA members will be required to pay half the normal cost of their plans.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	Safety	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	180	414
Inactive employees entitled to but not yet received benefits	78	227
Active employees	<u>162</u>	<u>314</u>
Total	<u><u>420</u></u>	<u><u>955</u></u>

Contributions

Section 20814(C) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The Total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with estimated amount to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following assumptions:

	Safety	Miscellaneous
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	
Investment Rate of Return	7.65%	7.65%
Mortality (1)	Derived using CalPERS' Membership Data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.75 until Purchasing Power Protection Allowance Floor on Purchasing Power applies,	

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Change of Assumptions

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.5 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follow:

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	<u>\$ 249,797,460</u>	<u>\$ 169,680,423</u>	<u>\$ 80,117,037</u>
Changes in the year:			
Service Cost	5,591,667	-	5,591,667
Interest on Total Pension Liability	18,681,145	-	18,681,145
Differences between Expected and Actual Experience	1,979,967	-	1,979,967
Changes of Assumptions	(4,983,218)	-	(4,983,218)
Plan to Plan Resource Movement	-	(851)	851
Contribution - Employer	-	8,631,967	(8,631,967)
Contribution - Employee	-	1,816,937	(1,816,937)
Investment Income	-	3,809,579	(3,809,579)
Administrative Expenses	-	(194,650)	194,650
Benefit Payments, including Refunds of Employee Contributions	<u>(10,784,136)</u>	<u>(10,784,136)</u>	<u>-</u>
Net Changes	<u>10,485,425</u>	<u>3,278,846</u>	<u>7,206,579</u>
Balances at June 30, 2015	<u><u>\$ 260,282,885</u></u>	<u><u>\$ 172,959,269</u></u>	<u><u>\$ 87,323,616</u></u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Changes in the Net Pension Liability

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	<u>\$ 206,417,956</u>	<u>\$ 151,716,898</u>	<u>\$ 54,701,058</u>
Changes in the year:			
Service Cost	3,593,518	-	3,593,518
Interest on Total Pension Liability	15,160,887	-	15,160,887
Differences between Expected and Actual Experience	(1,553,311)	-	(1,553,311)
Changes of Assumptions	(3,722,850)	-	(3,722,850)
Plan to Plan Resource Movement	-	851	(851)
Contribution - Employer	-	4,433,062	(4,433,062)
Contribution - Employee	-	1,680,540	(1,680,540)
Investment Income	-	3,371,547	(3,371,547)
Administrative Expenses	-	(170,549)	170,549
Benefit Payments, including Refunds of Employee Contributions	<u>(9,514,061)</u>	<u>(9,514,061)</u>	<u>-</u>
Net changes	<u>3,964,183</u>	<u>(198,610)</u>	<u>4,162,793</u>
Balances at June 30, 2015	<u><u>\$ 210,382,139</u></u>	<u><u>\$ 151,518,288</u></u>	<u><u>\$ 58,863,851</u></u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

NPL - Discount rate

	Safety	Miscellaneous
	<u>6.65%</u>	<u>6.65%</u>
1% Decrease		
Net Pension Liability	\$ 125,696,284	\$ 87,064,131
	<u>7.65%</u>	<u>7.65%</u>
Current Discount Rate		
Net Pension Liability	\$ 87,323,616	\$ 58,863,851
	<u>8.65%</u>	<u>8.65%</u>
1% Increase		
Net Pension Liability	\$ 56,077,405	\$ 35,489,366

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$11,226,191. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety		Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,837,204	\$ -	\$ 5,289,899	\$ -
Changes of Assumptions	-	(3,875,836)	-	(2,627,894)
Differences between Expected and Actual Experiences	1,539,974	-	-	(1,096,455)
Differences between Projected and Actual Earnings on Pension Plan Investments	-	(1,354,659)	-	(1,389,317)
Total	<u>\$ 10,377,178</u>	<u>\$ (5,230,495)</u>	<u>\$ 5,289,899</u>	<u>\$ (5,113,666)</u>

\$8,837,204 for Safety and \$5,289,899 for Miscellaneous reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Safety	Miscellaneous
Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2016	\$ (1,727,915)	\$ (2,553,056)
2017	(1,727,915)	(2,553,056)
2018	(1,727,913)	(1,621,968)
2019	1,493,222	1,614,414

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

SUPPLEMENTAL PENSION PLAN

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 agent 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.

Benefits Provided

PARS provides service retirement benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for each plan are applied as specified by contract. Death and disability benefits are not covered under the plan.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>
Benefit vesting schedule	5 years of service
Benefit payment	monthly for life
Earliest retirement age	50
Benefit factor for each year of service, as a % of salary	.7% at age 55
Required employee contribution rates	2%
Required employer contribution rates	16.820%

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. This State law applies to employees hired after January 1, 2013. The City updated the Plan to reflect compliance with PEPRA. The Plan has been amended and is closed to all new hires on or after January 1, 2013.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	202
Active employees	258
Total	<u>460</u>

Contributions

Section 20814(C) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The Total plan contributions are determined through PARS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate is 2.0 percent of annual pay for the Plan, and employer contribution rate is 16.82 percent of annual payroll for the Plan.

Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2015. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality	Consistent with the Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.
Post Retirement Benefit Increase	2.00%

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Plan.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses

In determining the long-term expected rate of return, the best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2016.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation	Real Return Long-Term Arithmetic	Real Return Long-Term Geometric
US Cash	2.81%	0.38%	0.38%
US Core Fixed Income	39.58%	2.00%	1.87%
US Equity Market	41.61%	5.14%	3.83%
Foreign Developed Equity	12.33%	5.93%	4.28%
Emerging Markets Equity	3.67%	8.20%	4.91%
Total	100.00%		

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follow:

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	<u>\$ 44,502,391</u>	<u>\$ 14,240,901</u>	<u>\$ 30,261,490</u>
Changes in the year:			
Service Cost	1,070,789	-	1,070,789
Interest on Total Pension Liability	3,331,873	-	3,331,873
Differences between Expected and Actual Experience	(622,779)	-	(622,779)
Changes of Assumptions	1,567,158	-	1,567,158
Contribution - Employer	-	2,760,122	(2,760,122)
Contribution - Employee	-	414,680	(414,680)
Investment Income	-	311,185	(311,185)
Administrative Expenses		(70,906)	70,906
Benefit Payments, including Refunds of Employee Contributions	<u>(2,338,674)</u>	<u>(2,338,674)</u>	<u>-</u>
Net changes	<u>3,008,367</u>	<u>1,076,407</u>	<u>1,931,960</u>
Balances at June 30, 2015	<u><u>\$ 47,510,758</u></u>	<u><u>\$ 15,317,308</u></u>	<u><u>\$ 32,193,450</u></u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.50%
Net Pension Liability	\$ 37,040,999
Current Discount Rate	7.50%
Net Pension Liability	\$ 32,193,450
1% Increase	8.50%
Net Pension Liability	\$ 26,618,244

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PARS financial report.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$3,151,807. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,400,502	\$ -
Changes of Assumptions	1,247,330	
Differences between Expected and Actual Experiences		(495,681)
Net differences between projected and actual earnings on plan investments	<u>146,313</u>	<u>-</u>
Total	<u>\$ 3,794,145</u>	<u>\$ (495,681)</u>

\$2,400,502 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ 189,164
2017	189,164
2018	189,163
2019	330,471

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 8 – POST-EMPLOYMENT HEALTH BENEFITS

In addition to the pension benefits described in Note 7, the City provides other post-employment benefits (OPEB), in accordance with employee collective bargaining agreements, to all employees who retire from the City on or after attaining age 50 with at least five years of PERS service. For 2016, 371 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 \$297 to \$1,727 per month per participant, which covers between 89% 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.

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 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, 2016 was 29.72% of total payroll.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 8 – POST-EMPLOYMENT HEALTH BENEFITS, continued

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, 2016, are as follows:

Annual required contribution	\$ 12,935,275
Interest on net OPEB obligation	1,195,467
Adjustment to annual required contribution	<u>(1,224,215)</u>
Annual OPEB expense (income)	12,906,527
Contribution made	<u>(5,553,289)</u>
Increase in net OPEB obligation	7,353,238
Net OPEB obligation - beginning of year	<u>17,076,548</u>
Net OPEB obligation - end of year	<u><u>\$ 24,429,786</u></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 OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	OPEB (Asset) Liability
6/30/2014	\$ 9,548,608	\$ 5,115,557	53.57%	\$ 12,683,524
6/30/2015	\$ 9,973,803	\$ 5,580,779	55.95%	\$ 17,076,548
6/30/2016	\$ 12,906,527	\$ 5,553,289	43.03%	\$ 24,429,786

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	Actuarial Value of Assets	Unfunded Liability (UL)	Funded Status	Valuation Payroll	UL as a % of Payroll
7/1/2015	\$ 141,683,924	\$ 17,030,398	\$ 124,653,526	12.02%	\$ 43,332,311	287.7%

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 8 – POST-EMPLOYMENT HEALTH BENEFITS, continued

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 7.00% investment rate of return, an annual healthcare cost trend rate of 6.25% initially and declining to 4.5%, and an inflation factor of 2.50%. The OPEB unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed 30-year period, 23 years remaining as of July 1, 2015.

NOTE 9 – FUND EQUITY

Deficit Fund Balances

The following fund had a deficit as of June 30, 2016:

Energy Efficiency Siemens Fund

The Energy Efficiency Debt Service Fund has a deficit of (\$270,871) at June 30, 2016. The City entered into a contract with Siemens to perform facility improvements throughout the City. The improvements will produce energy savings for the City which in turn will be used to pay the debt service commitment. Upon completion of the improvements, the operational departments will contribute to the debt service fund.

Deficit Net Position

Central Services Fund

The Central Services Internal Service fund has a deficit of (\$6,004,498) at June 30, 2016. Engineering services is a component of Central Services. Engineering services charge capital projects overhead costs based on the allocation rate approved by our cognizant agent. Upon final approval of the allocation rate, the Central Services fund will recover the current deficit. The charge-out rate for the City's central garage services will also be increased beginning fiscal year 2017. The City is planning to evaluate and recover costs in future years.

Insurance Fund

The Insurance Internal Service fund has a deficit of (\$2,185,287) at June 30, 2016. The City's policy has been to record the insurance liability at 100%. This has resulted in the fund going into a deficit position, because claims expenses have exceeded revenues charged over the past three years. Charges in future periods will be increased over time to recover the current deficit. The City is planning to evaluate and recover costs in future years.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 10 – 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) Community Facility Districts transferred \$2,323,649 in property tax to the General Fund to cover costs to maintain the districts; 2) Successor Housing Capital Projects fund transferred \$3,706,961 to the Successor Housing fund for the Bennett Hill/Callen Street affordable housing project; 3) General Fund transferred \$1,556,220 to the City Projects fund for the City Hall and Fire Station #71 roof replacement projects; 4) General Fund transferred \$459,713 to Special Revenue Maintenance Districts to cover costs of maintenance.

The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2016:

Transfers In (fund receiving transfer):

Transfers Out (fund making transfer):	Special Revenue		Capital Projects Fund	Other Governmental Funds	Enterprise Funds		Internal Service Fund		Totals
	General Fund	Successor Housing	City Projects		Sewer Utility	Water Utility	Central Services	Vehicle Replacement	
General Fund	\$ -	\$ -	\$ 2,028,020	\$ 940,756	\$ -	\$ -	\$ 50,000	\$ 24,375	\$ 3,043,151
Capital Projects Funds:									
City Projects	-	1,422	-	946,733		342,733	5,000	-	1,295,888
Other Governmental Funds:	2,363,426	3,706,961	180,039	239,325	-	-	-	-	6,489,751
Enterprise Funds:									
Sewer Utility	-	-	-	-	-	1,000,000	7,500	-	1,007,500
Water Utility	-	-	5,746	7,995	-	-	7,500	-	21,241
Internal Service Funds:									
Central Services	-	-	-	2,877	-	-	-	-	2,877
Vehicle Replacement	-	-	-	-	41,179	33,431	-	-	74,610
Technology Replacement	34,695	-	-	-	-	-	-	-	34,695
Totals	\$ 2,398,121	\$ 3,708,383	\$ 2,213,805	\$ 2,137,686	\$ 41,179	\$ 1,376,164	\$ 70,000	\$ 24,375	\$ 11,969,713

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 10 – INTERFUND TRANSACTIONS, continued

Due To/Due From Other Funds:

Due From Other Funds (fund making loan):	Due to Other Funds (fund receiving loan):			
	Internal Service	Other		
	Fund	Governmental	Transit	Total
	<u>Fund</u>	<u>Funds</u>	<u>Transit</u>	<u>Total</u>
General Fund	\$ 453,394	\$ 270,871	\$ 135,305	\$ 859,570
	<u>\$ 453,394</u>	<u>\$ 270,871</u>	<u>\$ 135,305</u>	<u>\$ 859,570</u>

Advances To/Advances From Other Funds:

Advances To Other Funds (fund making loan):	City Projects				Total
	General Fund	Capital			
	<u>General Fund</u>	<u>Projects Fund</u>	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Total</u>
General Fund:					
General Fund	\$ -	\$ -	\$ 81,241	\$ -	\$ 81,241
Total General Fund	<u>-</u>	<u>-</u>	<u>81,241</u>	<u>-</u>	<u>81,241</u>
Enterprise Funds:					
Sewer Utility	136,981	574,694	-	100,000	811,675
Water Utility	<u>-</u>	<u>1,149,387</u>	<u>-</u>	<u>-</u>	<u>1,149,387</u>
Total Enterprise	<u>136,981</u>	<u>1,724,081</u>	<u>-</u>	<u>100,000</u>	<u>1,961,062</u>
Total	<u>\$ 136,981</u>	<u>\$ 1,724,081</u>	<u>\$ 81,241</u>	<u>\$ 100,000</u>	<u>\$ 2,042,303</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, and 3) the purchase of 2 two ambulances in the amount of \$449,482. 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, 2016

NOTE 11 – UNEARNED REVENUE

Unearned revenues in the government-wide financial statements as of June 30, 2016 were as follows:

	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds
General services and recreation revenue	409,414	-	409,414	-
Community Facilities District	1,398,334	-	1,398,334	-
Grant proceeds received in advance	307,652	-	307,652	-
GWTP Closure	-	36,995	36,995	-
Water utility revenue	-	107,815	107,815	-
Harbison maintenance reserve	-	-	-	19,946
Total	<u>\$ 2,115,400</u>	<u>\$ 144,810</u>	<u>\$ 2,260,210</u>	<u>\$ 19,946</u>

Unearned revenues in the fund financial statements as of June 30, 2016 were as follows:

	<u>Major Governmental Funds</u>			<u>Proprietary Funds</u>		<u>Fiduciary Funds</u>	
	General	Housing Assistance	Other Governmental Funds	Sewer Utility	Water Utility	Total	Successor Agency
General services and recreation revenue	\$ 409,414	\$ -	\$ -	\$ -	\$ -	\$ 409,414	\$ -
Grant proceeds received in advance	5,241	119,607	182,804	-	-	307,652	-
Community Facilities District	-	-	1,398,334	-	-	1,398,334	-
Mariani GWTP closure	-	-	-	36,995	-	36,995	-
Water utility revenue	-	-	-	-	107,815	107,815	-
Harbison maintenance reserve	-	-	-	-	-	-	19,946
	<u>\$ 414,655</u>	<u>\$ 119,607</u>	<u>\$ 1,581,138</u>	<u>\$ 36,995</u>	<u>\$ 107,815</u>	<u>\$ 2,260,210</u>	<u>\$ 19,946</u>

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

- \$ 1,398,334 Community Facilities District Fees for the Opportunity Hill project for the next 21 years.
- \$ 100,373 Cal Home grant funds received in advance of meeting eligibility requirements for first time home buyer loans.
- \$ 79,899 Cell tower lease revenue received in advance of service period.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 12 – CLASSIFICATION OF FUND BALANCES

As of June 30, 2016, classifications of fund balance are as follows:

Fund Balance:	General	Successor Housing	Housing Assistance	City Projects	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Loans and long-term receivables	\$ 2,780,585	\$ -	\$ -	\$ -	\$ -	\$ 2,780,585
Advances to other funds	81,241	-	-	-	-	81,241
Subtotal	<u>2,861,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,861,826</u>
Restricted						
Grants, Development Impact Fees	-	-	-	12,066,960	3,025,715	15,092,675
Bond Proceeds	-	-	-	5,608,166	-	5,608,166
Highway and streets	-	-	-	4,027,517	4,410,775	8,438,292
Park maintenance	-	-	-	-	863,556	863,556
Community facility district	-	-	-	-	102,524	102,524
Housing	-	34,466,271	11,158,048	-	-	45,624,319
Capital projects	-	-	-	-	1,047,167	1,047,167
Subtotal	<u>-</u>	<u>34,466,271</u>	<u>11,158,048</u>	<u>21,702,643</u>	<u>9,449,737</u>	<u>76,776,699</u>
Assigned						
Vehicle replacement	678,523	-	-	-	-	678,523
Capital projects	1,967,793	-	-	1,097,772	-	3,065,565
Technology	181,095	-	-	-	-	181,095
General government	145,111	-	-	-	-	145,111
Community services	120,105	-	-	-	-	120,105
Public safety	35,854	-	-	-	-	35,854
Public works	150,331	-	-	-	-	150,331
Subtotal	<u>3,278,812</u>	<u>-</u>	<u>-</u>	<u>1,097,772</u>	<u>-</u>	<u>4,376,584</u>
Unassigned	<u>24,161,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(270,871)</u>	<u>23,890,629</u>
Total Fund Balances	<u>\$ 30,302,138</u>	<u>\$ 34,466,271</u>	<u>\$ 11,158,048</u>	<u>\$ 22,800,415</u>	<u>\$ 9,178,866</u>	<u>\$ 107,905,738</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 13 – 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, 2016 is \$6,588,000, consisting of \$1,466,000 general liability and \$5,122,000 worker's compensation liability. These amounts include allocated expenses and a provision for the incurred but not reported claims. Of this balance, \$1,893,000 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 official's 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 special events with a \$25,000 deductible, automobile physical damage for vehicles valued over \$10,000, property insurance with a \$25,000 deductible, boiler and machinery insurance, 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, 2016. Changes in the Insurance Fund claims liability during the fiscal year July 1, 2015 through June 30, 2016 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
2013-2014	\$ 5,894,000	\$ 1,209,928	\$ (876,928)	\$ 6,227,000	\$ 1,916,000
2014-2015	\$ 6,227,000	\$ 1,427,789	\$ (1,009,789)	\$ 6,645,000	\$ 1,849,000
2015-2016	\$ 6,645,000	\$ 1,388,659	\$ (1,445,659)	\$ 6,588,000	\$ 1,893,000

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 14 – 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 (SCO) 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 issue 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 at 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.

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.

As a result of the dissolution of the redevelopment agency, the City received a one-time settlement of \$4,482,226 during the fiscal year 2012-13.

During fiscal year 2013-14, Pursuant to Health and Safety Code section 34167.5, the SCO reviewed all asset transfers made by the Vacaville Redevelopment Agency (RDA) to the City of Vacaville or any other public agency after January 1, 2011. The SCO determined that the RDA made an unallowable asset transfer in cash to the City after January 1, 2011 in the amount of \$3,814,709 on February 28, 2011 to repay an unsecured Promissory Note dated November 17, 2000. The City was ordered to reverse the transfer and turn it over to the Successor Agency.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY, continued

This “clawback” has been recorded as a receivable to the City from the Successor Agency as of June 30, 2016 and will be repaid as allowed by the California Department of Finance's (DOF) calculation for Loans between the Former RDAs and Sponsoring Entities.

On December 16, 2015 the DOF issued a final determination related to the disposition of Successor Agency properties. The DOF determination approved the transfer of 16 parcels to the City for governmental use, including the Harbison Event Center, Carnegie Library, and the downtown parking lots. This transfer of property was recorded as an extraordinary item on the Government-Wide Statement of Activities and Statement of Fiduciary Net Position Private Purpose Trust Fund – Successor Agency.

Long-term Receivable from City of Vacaville

\$ 7,806,825	The former Redevelopment Agency loaned the City \$10,999,100 for the construction of a City owned police facility. Repayments will be made twice a year on December 31st and June 30th in amounts equal to 80% of the revenue collected by the Police Development Impact Fee with an interest rate of 0%. Additional repayments will also be made when funds become available in the Community Benefit Contribution fund.
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Long-term Note Payable to City of Vacaville

\$ 3,475,731	The former Redevelopment Agency loaned the City \$7,881,241 for the purchase of the Nut Tree Property in October 2000. The former Redevelopment Agency repaid the note February 28, 2011. Upon dissolution of Redevelopment and during the course of a review conducted by the State Controller's Office, it was determined that the loan repayment was not allowed, therefore the City had to return the payment. The City returned the payment, however the amount was still due to the City. The amount may be repaid as allowed by the Department of Finance's calculation for Loans between the Former RDAs and Sponsoring Entities.
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NOTE 15 – 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, 2016

NOTE 16 – COMMITMENTS AND CONTINGENCIES

A. COMMITMENTS

General Fund

The City awarded State Roofing Systems the contract for the City Hall Roof Replacement in 2015. The project consists of demolition of the existing roof system over City Hall and installation of an asphalt composite shingle roof. The original contract was for \$1,055,350 and with additions the final cost is \$1,472,777. The contract balance as of June 30, 2016 is approximately \$120,548. The project is expected to be completed by November 2016.

City Projects

The City has entered into a contract with Alanix Construction for the Central Garage Improvements. The project consists of facility improvements at the City's Central Garage, located in the City's Corporation Yard at 1001 Allison Drive. Improvements include construction of concrete aprons adjacent to the work bays, storage sheds and drainage improvements. The contract is for \$333,666 and balance as of June 30, 2016 was approximately \$292,478. The contract is expected to be completed in August 2016.

The City awarded Mike Brown Electric Company the contract for the Nut Tree Road/Summerfield Dr. signal improvements projects. The project consists of traffic improvements at the intersection of Nut Tree Road, Summerfield Drive and the Vaca Valley Hospital access. The project includes installation of a new traffic signal, vehicle detector loops, and modifications to the existing median on Nut Tree Road, accessible ramp construction, signage and striping. The contract was for \$388,823 and is set to be completed in October 2016.

The City entered into a contract with Drake Haglan and Associates in 2013 to provide structural design services on the Buck Avenue Bridge over Alamo Creek Rehabilitation Project. The project consists of rehabilitating the existing functionally obsolete bridge and widening it to meet current standards for travel lane and shoulder widths. This project has now become a bridge replacement instead of a widening. The City is still consulting with Drake Haglan and Associates on the environmental requirements for this project. The balance of the contract as of June 30, 2016 was approximately \$123,941.

Sewer Utility

The City entered into a contract with Kennedy/Jenks Consultants for the preliminary design and phase management services for the Well improvement project. This project provides funding to research various treatment systems and methods to bring City groundwater wells exceeding the maximum contaminate level (MCL) of 10 parts per billion (ppb) for hexavalent chromium into regulatory compliance with the MCL established in June of 2014. The contract was entered into in March 2016 for \$453,483 and the balance as of June 30, 2016 was approximately \$407,936.

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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 17 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS

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

The Solano Water Authority

The Solano Water Authority (the Water Authority), a joint powers agency, was organized in September of 1987 to develop water resources and related water projects for the participating local county agencies. The governing body of the Water Authority consists of a representative from each participating agency. The Water Authority has initiated three major water projects to date; Noonan Reservoir, Imported Water Supply Development, and Groundwater Management; all of which are in the research and development phase.

The City's equity investment in the Water Authority, \$352,587, is reported in the Water Utility Enterprise Fund as an investment in joint venture. Complete 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, 2016:

Current assets	\$ 489,507
Property, plant and equipment, net	<u>954,067</u>
Total assets	<u>1,443,574</u>
Current liabilities	<u>7,508</u>
Total liabilities	<u>7,508</u>
Net position	<u>\$ 1,436,066</u>
Other revenues (expenses), net	<u>272</u>
Increase in net position	<u>\$ 272</u>

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 Utilities 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 \$20,198,635 which represents a 36.9% equity interest. The City's contribution to the operations of the North Bay Treatment Plant for the fiscal year was \$3,139,026. 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, 2016

NOTE 17 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

Summarized audited financial information for the North Bay Treatment Plant as of June 30, 2016 is shown below.

Current assets	\$ 5,526,323
Noncurrent assets	<u>54,861,188</u>
Total assets	<u>60,387,511</u>
Deferred outflows of resources	<u>340,654</u>
Current liabilities	357,551
Noncurrent liabilities	<u>5,096,186</u>
Total liabilities	<u>5,453,737</u>
Deferred inflows of resources	<u>488,179</u>
Net investment in Capital Assets	35,683,262
Restricted for major maintenance	18,508,211
Restricted for minority interest	632,519
Unrestricted	<u>(37,743)</u>
Total Net Position	<u>\$ 54,786,249</u>
Total operating revenues	\$ 8,556,272
Total operating expenses	<u>7,243,588</u>
Operating Income	1,312,684
Total non-operating revenues	<u>427,938</u>
Income before transfers	<u>1,740,622</u>
Transfers	<u>(98,677)</u>
Total transfers	<u>(98,677)</u>
Increase in Net Position	<u>1,641,944</u>
Net Position	
Beginning of Year	<u>53,144,305</u>
End of Year	<u>\$ 54,786,249</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 17 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

A summary of the City's equity in the joint venture is presented below:

<u>Net Position</u>	<u>City of Vacaville</u>	<u>City of Fairfield</u>	<u>Total</u>
Net investment in capital assets	\$ 12,598,914	\$ 23,084,348	\$ 35,683,262
Restricted for major maintenance	6,967,202	11,541,009	18,508,211
Restricted for minority interest	632,519	-	632,519
Unrestricted	<u>-</u>	<u>(37,743)</u>	<u>(37,743)</u>
Total net position	<u>\$ 20,198,635</u>	<u>\$ 34,587,614</u>	<u>\$ 54,786,249</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, 2016 the City did not make any contributions to the VDGA.

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, 2016 the City contributed \$428,663 to the operation and maintenance of the Claybank Animal Shelter and \$89,477 towards capital improvements. 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 paid a membership fee of approximately \$112,700 through the Local Transportation Fund and \$82,485 from gas tax revenues to STA for fiscal year 2016. The City has no equity interest in STA.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

The beginning net position for Business-Type Activities on the Government-Wide Finance Statements and the beginning net position for the Sewer Utility fund on the Proprietary Fund Financial Statements have been decreased by \$2,895,493. A restatement was made to record the construction period interest accrued and added to the principal balance of the clean water state revolving fund loan for the City's tertiary project at construction completion in June 2015.

A summary of the prior period adjustment is shown below:

	Prior Period Adjustments			
	Net Position as Previously Reported	Tertiary Loan Construction Period Interest	Home Investment Partnership Program	Net Position as Restated
Government-Wide Financial Statements				
Business Type Activities				
Net Position	285,449,329	(2,895,493)	-	282,553,836
Total	\$ 285,449,329	\$ (2,895,493)	\$ -	\$ 282,553,836

The beginning fund balance for the Housing Assistance fund has been increased by \$8,585,171 and the beginning fund balance for the Community Development fund (Other Governmental Funds) has been decreased by the same amount on the Governmental Fund Financial Statements. A restatement was recorded to report the City's Home Investment Partnerships (HOME) Program fund under Housing Assistance instead of Community Development due to the primary activities of the HOME Program, such as issuing homebuyer loans.

	Prior Period Adjustments			
	Fund Balance as Previously Reported	Tertiary Loan Construction Period Interest	Home Investment Partnership Program	Fund Balance as Restated
<i>Fund Financial Statements</i>				
Governmental Funds				
Community Development	\$ 11,350,860	\$ -	\$ (8,585,171)	\$ 2,765,689
Housing Assistance	<u>1,289,180</u>	<u>-</u>	<u>8,585,171</u>	<u>9,874,351</u>
Total Governmental Funds	<u>\$ 12,640,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,640,040</u>
Enterprise Funds				
Sewer Utility	<u>162,041,949</u>	<u>(2,895,493)</u>	<u>-</u>	<u>159,146,456</u>
Total Enterprise Funds	<u>\$ 162,041,949</u>	<u>\$ (2,895,493)</u>	<u>\$ -</u>	<u>\$ 159,146,456</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2016

NOTE 19 – SUBSEQUENT EVENTS

On November 8, 2016 Vacaville voters approved the extension of Measure M. The sales tax measure imposes an additional ½ -cent sales tax to the original Measure M approved in November 2012 and extends the tax for 20 years. The original tax measure was set to expire in March 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2016

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.

Increases to appropriations totaling \$1,099,253 for the City operating budget was made by City Council action during the year. Appropriations were also increased due to operating carryovers by \$142,500 and grant awards of \$964,891. The net increase to appropriations is \$2,206,644.

Encumbrances

Encumbrance accounting is used during the year for budgetary control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather, an assignment 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, 2016

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	\$ 67,860,333	\$ 67,860,333	\$ 70,825,401	\$ 2,965,068
Licenses and permits	212,400	212,400	211,253	(1,147)
Investment income	621,615	621,615	747,472	125,857
Intergovernmental	592,128	592,128	918,579	326,451
Charges for services	8,109,198	8,109,198	8,598,887	489,689
Rents and royalties	527,526	527,526	533,349	5,823
Fines, forfeitures and penalties	230,719	230,719	269,172	38,453
Other	53,500	53,500	34,691	(18,809)
Total revenues	78,207,419	78,207,419	82,138,804	3,931,385
Expenditures:				
Current:				
General government	9,452,226	9,880,859	8,071,152	1,809,707
Public safety	52,182,710	51,910,808	51,783,681	127,127
Public works	5,718,602	5,942,902	5,352,696	590,206
Community services	8,445,984	8,488,984	8,015,061	473,923
Debt service:				
Principal	206,585	206,585	206,585	-
Interest	14,162	14,162	14,162	-
Total expenditures	76,020,269	76,444,299	73,443,337	3,000,962
Excess (deficiency) of revenues over (under) expenditures	2,187,150	1,763,120	8,695,467	6,932,347
Other financing sources (uses):				
Transfers in	2,138,510	2,138,510	2,398,121	259,611
Transfers out	(3,854,450)	(4,924,547)	(3,043,151)	1,881,396
Sale of capital assets	-	-	188,868	188,868
Total other financing sources (uses)	(1,715,940)	(2,786,037)	(456,162)	2,329,875
Net change in fund balance	\$ 471,210	\$ (1,022,918)	8,239,305	\$ 9,262,223
Fund balances, beginning of year			22,062,833	
Fund balances, end of year			\$ 30,302,138	

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE/(NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 50,712	\$ 50,712
Rents and royalties	6,008	6,008	6,254	246
Other	4,186,831	4,186,831	58,464	(4,128,367)
Total revenues	<u>4,192,839</u>	<u>4,192,839</u>	<u>115,430</u>	<u>(4,077,409)</u>
Expenditures:				
Current:				
Housing	742,834	742,834	632,125	110,709
Total expenditures	<u>742,834</u>	<u>742,834</u>	<u>632,125</u>	<u>110,709</u>
Excess (deficiency) of revenues over (under) expenditures	3,450,005	3,450,005	(516,695)	(3,966,700)
Other financing sources (uses):				
Transfers in	-	-	3,708,383	3,708,383
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,708,383</u>	<u>3,708,383</u>
Net change in fund balance	<u>\$ 3,450,005</u>	<u>\$ 3,450,005</u>	<u>3,191,688</u>	<u>\$ (258,317)</u>
Fund balances, beginning of year			31,274,583	
Fund balances, end of year			<u>\$ 34,466,271</u>	

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE/(NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 4,706	\$ 4,706
Intergovernmental	13,612,586	13,620,011	13,720,405	100,394
Charges for services	13,000	13,000	27,432	14,432
Other	-	-	66,814	66,814
Total revenues	<u>13,625,586</u>	<u>13,633,011</u>	<u>13,819,357</u>	<u>186,346</u>
Expenditures:				
Current:				
Housing	<u>13,670,019</u>	<u>13,677,444</u>	<u>12,535,660</u>	<u>1,141,784</u>
Total expenditures	<u>13,670,019</u>	<u>13,677,444</u>	<u>12,535,660</u>	<u>1,141,784</u>
Net change in fund balance	<u>\$ (44,433)</u>	<u>\$ (44,433)</u>	<u>1,283,697</u>	<u>\$ 1,328,130</u>
Fund balance, beginning of year			<u>1,289,180</u>	
Prior period adjustment			<u>8,585,171</u>	
Fund balance, end of year			<u>\$ 11,158,048</u>	

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

OTHER POST-EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS- OPEB

Valuation Date	Actuarial Liability	Actuarial Value of Assets	Unfunded Liability (UAL)	Funded Ratio	Valuation Payroll	UAL as % of Payroll
7/1/2011	80,254,313	8,707,156	(71,547,157)	10.85%	47,313,037	151.2%
7/1/2013	105,221,390	12,288,500	(92,932,890)	11.68%	43,370,992	214.3%
7/1/2015	141,683,924	17,030,398	(124,653,526)	12.02%	43,332,311	287.7%

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period		
CalPERS - Safety Plan		
Measurement Period	2014-15	2013-14
TOTAL PENSION LIABILITY		
Service Cost	\$ 5,591,667	\$ 5,523,872
Interest	18,681,145	17,583,301
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	1,979,967	-
Changes of Assumptions	(4,983,218)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(10,784,136)</u>	<u>(9,983,580)</u>
Net Change in Total Pension Liability	10,485,425	13,123,593
Total Pension Liability - Beginning	<u>249,797,460</u>	<u>236,673,867</u>
Total Pension Liability - Ending (a)	<u><u>\$ 260,282,885</u></u>	<u><u>\$ 249,797,460</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 8,631,967	\$ 7,911,265
Contributions - Employee	1,816,937	1,940,540
Net Investment Income	3,809,579	25,257,498
Benefit Payments, Including Refunds of Employee Contributions	(10,784,136)	(9,983,580)
Administrative Expense	(194,650)	-
Other Changes in Fiduciary Net Position	<u>(851)</u>	<u>-</u>
Net Change in Fiduciary Net Position	3,278,846	25,125,723
Plan Fiduciary Net Position - Beginning	<u>169,680,423</u>	<u>144,554,700</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 172,959,269</u></u>	<u><u>\$ 169,680,423</u></u>
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	<u><u>\$ 87,323,616</u></u>	<u><u>\$ 80,117,037</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.45%	67.93%
Covered Payroll	\$ 20,137,068	\$ 22,090,332
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	433.65%	362.68%

Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Benefit Changes

The figures reported do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 valuation date.

This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions

The discount rate was changed from 7.5percent (net of administrative expense) to 7.65 percent.

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
CalPERS - Miscellaneous Plan

Measurement Period	2014-15	2013-14
TOTAL PENSION LIABILITY		
Service Cost	\$ 3,593,518	\$ 3,780,586
Interest	15,160,887	14,586,721
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	(1,553,311)	-
Changes of Assumptions	(3,722,850)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(9,514,061)</u>	<u>(9,097,351)</u>
Net Change in Total Pension Liability	3,964,183	9,269,956
Total Pension Liability - Beginning	<u>206,417,956</u>	<u>197,148,000</u>
Total Pension Liability - Ending (a)	<u>\$ 210,382,139</u>	<u>\$ 206,417,956</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 4,433,062	\$ 4,145,910
Contributions - Employee	1,680,540	1,856,352
Net Investment Income	3,371,547	22,833,932
Benefit Payments, Including Refunds of Employee Contributions	(9,514,061)	(9,097,351)
Administrative Expense	(170,549)	-
Other Changes in Fiduciary Net Position	<u>851</u>	<u>-</u>
Net Change in Fiduciary Net Position	(198,610)	19,738,843
Plan Fiduciary Net Position - Beginning	<u>151,716,898</u>	<u>131,978,055</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 151,518,288</u>	<u>\$ 151,716,898</u>
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 58,863,851</u>	<u>\$ 54,701,058</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.02%	73.50%
Covered Payroll	\$ 25,025,634	\$ 26,450,347
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	235.21%	206.81%

Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Benefit Changes

The figures reported do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

CalPERS - Schedule of Plan Contributions

	Fiscal Year	
	<u>2015-16*</u>	<u>2014-15</u>
Safety Plan		
Actuarially determined contribution	\$ 8,837,204	\$ 8,632,358
Contribution in relation to the actuarially determined contributions	<u>(8,837,204)</u>	<u>(8,632,358)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 19,953,801	\$ 20,137,068
Contributions as a percentage of covered payroll	44.29%	42.87%

*Historical information is required only for measurement periods for which GASB 68 is applicable.

	<u>2015-16*</u>	<u>2014-15</u>
Miscellaneous Plan		
Actuarially determined contribution	\$ 5,289,899	\$ 4,433,886
Contribution in relation to the actuarially determined contributions	<u>(5,289,899)</u>	<u>(4,433,886)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 23,566,640	\$ 25,025,634
Contributions as a percentage of covered payroll	22.45%	17.72%

*Historical information is required only for measurement periods for which GASB 68 is applicable.

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
PARS

Measurement Period	2014-15	2013-14
TOTAL PENSION LIABILITY		
Service Cost	\$ 1,070,789	\$ 1,037,084
Interest	3,331,873	3,183,730
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	(622,779)	-
Changes of Assumptions	1,567,158	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,338,674)</u>	<u>(2,221,976)</u>
Net Change in Total Pension Liability	3,008,367	1,998,838
Total Pension Liability - Beginning	<u>44,502,391</u>	<u>42,503,553</u>
Total Pension Liability - Ending (a)	<u>\$ 47,510,758</u>	<u>\$ 44,502,391</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 2,760,122	\$ 2,102,393
Contributions - Employee	414,680	443,777
Net Investment Income	311,185	1,731,278
Administrative Expenses	(70,906)	(66,579)
Benefit Payments, Including Refunds of Employee Contributions	(2,338,674)	(2,221,976)
Other Changes in Fiduciary Net Position	<u>-</u>	<u>-</u>
Net Change in Fiduciary Net Position	1,076,407	1,988,893
Plan Fiduciary Net Position - Beginning	<u>14,240,901</u>	<u>12,252,008</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,317,308</u>	<u>\$ 14,240,901</u>
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 32,193,450</u>	<u>\$ 30,261,490</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.24%	32.00%
Covered Payroll	\$ 21,588,915	\$ 23,910,195
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	149.12%	126.56%

Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Benefit Changes

The figures reported do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013.

This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions

There were no changes in assumptions.

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

PARS - Schedule of Plan Contributions

Miscellaneous Plan	Fiscal Year	
	<u>2015-16*</u>	<u>2014-15</u>
Actuarially determined contribution	\$ 2,400,502	\$ 2,760,122
Contribution in relation to the actuarially determined contributions	<u>(2,400,502)</u>	<u>(2,463,322)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 296,800</u>
Covered payroll	\$ 19,274,948	\$ 21,588,915
Contributions as a percentage of covered payroll	12.45%	12.78%

*Historical information is required only for measurement periods for which GASB 68 is applicable.



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SUPPLEMENTARY INFORMATION

OTHER GOVERNMENTAL FUNDS

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

SPECIAL REVENUE FUNDS:

BUILDING & STREET DEVELOPMENT

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

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.

MAINTENANCE DISTRICTS

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

COMMUNITY FACILITIES

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

SPECIAL PROGRAMS

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

DEBT SERVICE FUNDS:

ENERGY EFFICIENCY SIEMENS

To account for the collection of energy savings and payment of debt service for the lease issued to fund facility improvements throughout the City.

FIRE STATION # 75

To account for the payment of debt service for the lease issued to fund the construction of Fire Station 75 in the Southtown subdivision.

CAPITAL PROJECT FUNDS:

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, 2016**

	SPECIAL REVENUE					DEBT SERVICE		CAPITAL PROJECTS		
	BUILDING & STREET DEVELOPMENT	COMMUNITY DEVELOPMENT	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	ENERGY EFFICIENCY SIEMENS	FIRE STATION # 75	ASSESSMENT & IMPROVEMENT DISTRICTS	SUCCESSOR HOUSING CAPITAL PROJECTS	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS										
Cash and investments	\$ 4,626,748	\$ 418,050	\$ 5,467,637	\$ 1,500,858	\$ 321,124	\$ -	\$ -	\$ -	\$ 2,063	\$ 12,336,480
Receivables:										
Taxes	26,869	-	-	-	-	-	-	-	-	26,869
Accounts	212,912	140,424	-	-	342,449	-	-	-	-	695,785
Loans	-	2,277,069	-	-	-	-	-	-	-	2,277,069
Restricted cash and investments	-	-	-	-	-	-	-	1,047,167	-	1,047,167
Total assets	\$ 4,866,529	\$ 2,835,543	\$ 5,467,637	\$ 1,500,858	\$ 663,573	\$ -	\$ -	\$ 1,047,167	\$ 2,063	\$ 16,383,370
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Accounts and contract payable	\$ 100,607	\$ 18,485	\$ 22,525	\$ -	\$ 56,563	\$ -	\$ -	\$ -	\$ -	\$ 198,180
Accrued payroll	110,754	2,279	41,731	-	34,169	-	-	-	2,063	190,996
Due to other funds	-	-	-	-	-	270,871	-	-	-	270,871
Deposits payable	151,968	898	4,539,825	-	172,831	-	-	-	-	4,865,522
Unearned revenue	-	43,628	-	1,398,334	139,176	-	-	-	-	1,581,138
Due to other governments	-	2,743	-	-	-	-	-	-	-	2,743
Total liabilities	363,329	68,033	4,604,081	1,398,334	402,739	270,871	-	-	2,063	7,109,450
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue under modified accrual	93,000	-	-	-	2,054	-	-	-	-	95,054
Total deferred inflows	93,000	-	-	-	2,054	-	-	-	-	95,054
Fund balances:										
Restricted	4,410,200	2,767,510	863,556	102,524	258,780	-	-	1,047,167	-	9,449,737
Unassigned	-	-	-	-	-	(270,871)	-	-	-	(270,871)
Total fund balances	4,410,200	2,767,510	863,556	102,524	258,780	(270,871)	-	1,047,167	-	9,178,866
Total liabilities, deferred outflows of resources and fund balances	\$ 4,866,529	\$ 2,835,543	\$ 5,467,637	\$ 1,500,858	\$ 663,573	\$ -	\$ -	\$ 1,047,167	\$ 2,063	\$ 16,383,370

CITY OF VACAVILLE
OTHER GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE					DEBT SERVICE		CAPITAL PROJECTS		
	BUILDING & STREET DEVELOPMENT	COMMUNITY DEVELOPMENT	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	ENERGY EFFICIENCY SIEMENS	FIRE STATION # 75	SUCCESSOR ASSESSMENT & IMPROVEMENT DISTRICTS	HOUSING CAPITAL PROJECTS	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES:										
Taxes and fees	\$ -	\$ -	\$ 2,532,340	\$ 2,359,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,891,409
Licenses and permits	1,817,117	-	-	-	-	-	-	-	-	1,817,117
Investment income	13,666	1,820	-	-	253	-	-	234	-	15,973
Intergovernmental	656,399	425,190	-	-	1,707,460	-	-	-	-	2,789,049
Charges for services	2,498,614	-	-	-	54,406	-	-	-	-	2,553,020
Fines, forfeitures and penalties	-	-	-	-	40,350	-	-	-	-	40,350
Other	2,837	-	-	-	-	-	-	-	448	3,285
Total revenues	4,988,633	427,010	2,532,340	2,359,069	1,802,469	-	-	234	448	12,110,203
EXPENDITURES:										
Current:										
General government	3,058,140	-	-	-	-	-	-	-	-	3,058,140
Public safety	-	-	-	-	1,275,293	-	-	-	-	1,275,293
Public works	1,708,095	-	-	-	46,115	-	-	-	-	1,754,210
Community services	-	317,799	3,140,532	-	308,205	-	-	-	-	3,766,536
Capital outlay	-	-	-	-	-	-	-	-	72,414	72,414
Debt service:										
Principal	-	-	-	-	-	762,551	309,084	-	-	1,071,635
Interest and fiscal charges	-	-	-	35,420	-	195,947	210,281	-	-	441,648
Total expenditures	4,766,235	317,799	3,140,532	35,420	1,629,613	958,498	519,365	-	72,414	11,439,876
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	222,398	109,211	(608,192)	2,323,649	172,856	(958,498)	(519,365)	234	(71,966)	670,327
OTHER FINANCING SOURCES (USES):										
Transfers in	250,000	-	459,713	-	728	862,880	519,365	45,000	-	2,137,686
Transfers out	(172,153)	(107,390)	(101,990)	(2,323,649)	(39,775)	-	-	(37,833)	(3,706,961)	(6,489,751)
Total other financing sources (uses)	77,847	(107,390)	357,723	(2,323,649)	(39,047)	862,880	519,365	7,167	(3,706,961)	(4,352,065)
NET CHANGE IN TOTAL FUND BALANCE	300,245	1,821	(250,469)	-	133,809	(95,618)	-	7,401	(3,778,927)	(3,681,738)
Fund balances, beginning of year	4,109,955	11,350,860	1,114,025	102,524	124,971	(175,253)	-	1,039,766	3,778,927	21,445,775
Prior period adjustment	-	(8,585,171)	-	-	-	-	-	-	-	(8,585,171)
Fund balances, beginning of year, restated	4,109,955	2,765,689	1,114,025	102,524	124,971	(175,253)	-	1,039,766	3,778,927	12,860,604
Fund balances, end of year	\$ 4,410,200	\$ 2,767,510	\$ 863,556	\$ 102,524	\$ 258,780	\$ (270,871)	\$ -	\$ 1,047,167	\$ -	\$ 9,178,866

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, 2016

BUILDING & STREET DEVELOPMENT				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Licenses and permits	\$ 1,450,000	\$ 1,450,000	\$ 1,817,117	\$ 367,117
Investment income	4,000	4,000	13,666	9,666
Intergovernmental	767,554	767,554	656,399	(111,155)
Charges for services	1,812,736	1,812,736	2,498,614	685,878
Other	2,800	2,800	2,837	37
Total revenues	4,037,090	4,037,090	4,988,633	951,543
Expenditures:				
Current:				
General government	3,637,717	3,637,717	3,058,140	579,577
Public works	1,148,165	1,148,165	1,708,095	(559,930)
Total expenditures	4,785,882	4,785,882	4,766,235	19,647
Excess (deficiency) of revenues over (under) expenditures	(748,792)	(748,792)	222,398	971,190
Other financing sources (uses):				
Transfers in	250,000	250,000	250,000	-
Transfers out	-	-	(172,153)	(172,153)
Total other financing sources (uses)	250,000	250,000	77,847	(172,153)
Net change in fund balance	\$ (498,792)	\$ (498,792)	300,245	\$ 799,037
Fund balance, beginning of year			4,109,955	
Fund balance, end of year			\$ 4,410,200	

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, 2016

	COMMUNITY DEVELOPMENT			VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Investment income	\$ 20,160	\$ 20,160	\$ 1,820	\$ (18,340)
Intergovernmental	556,446	556,446	425,190	(131,256)
Total revenues	576,606	576,606	427,010	(149,596)
Expenditures:				
Current:				
Community services	576,688	584,808	317,799	267,009
Total expenditures	576,688	584,808	317,799	267,009
Excess (deficiency) of revenues over (under) expenditures	(82)	(8,203)	109,211	117,414
Other financing sources (uses):				
Transfers out	-	-	(107,390)	(107,390)
Total other financing sources (uses)	-	-	(107,390)	(107,390)
Net change in fund balance	\$ (82)	\$ (8,203)	1,821	\$ 10,024
Fund balances, beginning of year			11,350,860	
Prior period adjustment			(8,585,171)	
Fund balances, end of year			\$ 2,767,510	

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, 2016

	MAINTENANCE DISTRICTS			
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	POSITIVE/(NEGATIVE)
Revenues:				
Taxes and fees	\$ 2,516,474	\$ 2,516,474	\$ 2,532,340	\$ 15,866
Total revenues	2,516,474	2,516,474	2,532,340	15,866
Expenditures:				
Current:				
Community services	3,465,340	3,465,340	3,140,532	324,808
Total expenditures	3,465,340	3,465,340	3,140,532	324,808
Excess (deficiency) of revenues over (under) expenditures	(948,866)	(948,866)	(608,192)	340,674
Other financing sources (uses):				
Transfers in	459,713	459,713	459,713	-
Transfers out	-	-	(101,990)	(101,990)
Total other financing sources (uses)	459,713	459,713	357,723	(101,990)
Net change in fund balance	<u>\$ (489,153)</u>	<u>\$ (489,153)</u>	(250,469)	<u>\$ 238,684</u>
Fund balance, beginning of year			1,114,025	
Fund balance, end of year			<u>\$ 863,556</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, 2016

COMMUNITY FACILITIES				
BUDGETED AMOUNTS				VARIANCE WITH FINAL BUDGET
ORIGINAL		FINAL	ACTUAL	POSITIVE/(NEGATIVE)
Revenues:				
Taxes and fees	\$ 2,059,592	\$ 2,059,592	\$ 2,359,069	\$ 299,477
Total revenues	2,059,592	2,059,592	2,359,069	299,477
Expenditures:				
Debt service:				
Interest and fiscal charges	-	-	35,420	(35,420)
Total expenditures	-	-	35,420	-
Excess (deficiency) of revenues over (under) expenditures	2,059,592	2,059,592	2,323,649	299,477
Other financing sources (uses):				
Transfers out	(2,059,592)	(2,059,592)	(2,323,649)	(264,057)
Total other financing sources (uses)	(2,059,592)	(2,059,592)	(2,323,649)	(264,057)
Net change in fund balance	\$ -	\$ -	-	\$ 35,420
Fund balance, beginning of year			102,524	
Fund balance, end of year			\$ 102,524	

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ALL SPECIAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL PROGRAMS			
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Investment income	\$ -	\$ -	\$ 253	\$ 253
Intergovernmental	-	1,575,468	1,707,460	131,992
Charges for services	-	-	54,406	54,406
Fines, forfeitures and penalties	-	-	40,350	40,350
Total revenues	-	1,575,468	1,802,469	227,001
Expenditures:				
Current:				
Public safety	676,123	1,543,664	1,275,293	268,371
Public works	-	31,804	46,115	(14,311)
Community services	315,196	315,196	308,205	6,991
Total expenditures	991,319	1,890,664	1,629,613	261,051
Excess (deficiency) of revenues over (under) expenditures	(991,319)	(315,196)	172,856	488,052
Other financing sources (uses):				
Transfers in	-	-	728	728
Transfers out	-	-	(39,775)	(39,775)
Total other financing sources (uses)	-	-	(39,047)	(39,047)
Net change in fund balance	\$ (991,319)	\$ (315,196)	133,809	\$ 449,005
Fund balance, beginning of year			124,971	
Fund balance, end of year			\$ 258,780	

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 Position.

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, and Engineering Services.

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 POSITION
JUNE 30, 2016

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
ASSETS						
Cash and investments	\$ -	\$ 1,893,507	\$ 776,059	\$ 5,654,784	\$ 1,099,490	\$ 9,423,840
Receivables:						
Accounts	21,898	-	-	-	-	21,898
Inventories - supplies	128,556	-	-	-	-	128,556
Prepaid expenses	-	1,636,124	5,624	-	-	1,641,748
Deposits	-	-	-	172,675	-	172,675
Capital assets - net of accumulated depreciation	71,622	2,611,937	1,199,493	-	-	3,883,052
Total assets	222,076	6,141,568	1,981,176	5,827,459	1,099,490	15,271,769
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension	581,378	-	-	145,344	-	726,722
LIABILITIES						
Accounts and contract payable	104,759	13,139	21,736	339	24,169	164,142
Accrued payroll	63,134	-	-	21,251	4,573	88,958
Interest payable	-	40,955	774	-	-	41,729
Employee benefits payable	-	-	-	-	1,070,748	1,070,748
Due to other funds	453,394	-	-	-	-	453,394
Deposits payable	-	-	-	1,835	-	1,835
Pension liability	5,827,667	-	-	1,456,916	-	7,284,583
Claims payable - due within one year	-	-	-	1,893,000	-	1,893,000
Claims payable - due in more than a year	-	-	-	4,695,000	-	4,695,000
Lease payable - due within one year	-	190,605	170,260	-	-	360,865
Lease payable - due in more than a year	-	1,913,660	42,922	-	-	1,956,582
Total liabilities	6,448,954	2,158,359	235,692	8,068,341	1,099,490	18,010,836
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension	358,998	-	-	89,749	-	448,747
NET POSITION						
Net investment in capital assets	71,622	507,672	986,311	-	-	1,565,605
Restricted for capital projects	-	-	-	-	-	-
Unrestricted	(6,076,120)	3,475,537	759,173	(2,185,287)	-	(4,026,697)
Total net position	\$ (6,004,498)	\$ 3,983,209	\$ 1,745,484	\$ (2,185,287)	\$ -	\$ (2,461,092)

CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
OPERATING REVENUES:						
Internal service charges	\$ 3,091,751	\$ 1,015,822	\$ 1,609,541	\$ 3,376,850	\$ 5,261,562	\$ 14,355,526
OPERATING EXPENSES:						
Internal service expenses	2,923,974	5,543	1,206,301	3,470,923	5,261,562	12,868,303
Depreciation	3,047	363,449	346,780	-	-	713,276
Total operating expenses	2,927,021	368,992	1,553,081	3,470,923	5,261,562	13,581,579
OPERATING INCOME (LOSS)	164,730	646,830	56,460	(94,073)	-	773,947
NON-OPERATING REVENUES (EXPENSES):						
Interest expense	-	(56,958)	(8,186)	-	-	(65,144)
Gain (Loss) on disposal of capital assets	-	5,180	1,558	-	-	6,738
Total non-operating revenues (expenses)	-	(51,778)	(6,628)	-	-	(58,406)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	164,730	595,052	49,832	(94,073)	-	715,541
TRANSFERS:						
Transfers in	70,000	24,375	-	-	-	94,375
Transfers out	(2,877)	(74,610)	(34,695)	-	-	(112,182)
Total transfers	67,123	(50,235)	(34,695)	-	-	(17,807)
CAPITAL CONTRIBUTIONS:						
Intergovernmental	-	2,388	-	-	-	2,388
Total capital contributions	-	2,388	-	-	-	2,388
Change in net position	231,853	547,205	15,137	(94,073)	-	700,122
NET POSITION:						
Net position, beginning of year	(6,236,351)	3,436,004	1,730,347	(2,091,214)	-	(3,161,214)
Net position, end of year	<u>\$ (6,004,498)</u>	<u>\$ 3,983,209</u>	<u>\$ 1,745,484</u>	<u>\$ (2,185,287)</u>	<u>\$ -</u>	<u>\$ (2,461,092)</u>

**CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 3,069,853	\$ 1,015,822	\$ 1,609,541	\$ 3,376,850	\$ 5,261,562	\$ 14,333,628
Payments to suppliers	(2,173,760)	(402,551)	(1,208,768)	(1,102,403)	(4,459,099)	(9,346,581)
Payments to employees	(882,304)	-	-	(965,265)	(425,241)	(2,272,810)
Claims paid	-	-	-	(1,502,659)	-	(1,502,659)
Net cash provided by (used in) operating activities	13,789	613,271	400,773	(193,477)	377,222	1,211,578
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Due to/(from) other funds	(80,912)	-	-	534,306	-	453,394
Transfers in	70,000	24,375	-	-	-	94,375
Transfers out	(2,877)	(74,610)	(34,695)	-	-	(112,182)
Net cash provided by (used in) noncapital financing activities	(13,789)	(50,235)	(34,695)	534,306	-	435,587
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Net proceeds from issuance of long-term debt	-	1,641,125	-	-	-	1,641,125
Acquisition of capital assets	-	(2,638,635)	(139,652)	-	-	(2,778,287)
Proceeds from sale of capital assets	-	5,180	1,558	-	-	6,738
Principal paid on capital debt	-	(44,507)	(165,829)	-	-	(210,336)
Interest paid	-	(19,671)	(8,786)	-	-	(28,457)
Net cash used in capital and related financing activities	-	(1,056,508)	(312,709)	-	-	(1,369,217)
Net increase (decrease) in cash and cash equivalents	-	(493,472)	53,369	340,829	377,222	277,948
CASH AND CASH EQUIVALENTS:						
Cash and cash equivalents, beginning of year	-	2,386,979	722,690	5,313,955	722,268	9,145,892
Cash and investments	-	1,893,507	776,059	5,654,784	1,099,490	9,423,840
Cash and cash equivalents, end of year	\$ -	\$ 1,893,507	\$ 776,059	\$ 5,654,784	\$ 1,099,490	\$ 9,423,840
NONCASH TRANSACTIONS:						
Contribution and transfer of capital assets, net	\$ -	\$ 2,388	\$ -	\$ -	\$ -	\$ 2,388

**CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)						
OPERATING ACTIVITIES:						
Operating income (loss)	\$ 164,730	\$ 646,830	\$ 56,460	\$ (94,073)	\$ -	\$ 773,947
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	3,047	363,449	346,780	-	-	713,276
Changes in assets and liabilities:						
Decrease (increase) in prepaid expenses	864	-	9,130	-	-	9,994
Decrease (increase) in inventories - supplies	10,263	-	-	-	-	10,263
Decrease (increase) in deposits	-	-	-	(8,952)	-	(8,952)
Decrease (increase) in deferred outflows of resources - pension	(139,957)	-	-	(34,988)	-	(174,945)
Increase (decrease) in accounts and contracts payable	(20,756)	(397,008)	(11,597)	(7,763)	24,169	(412,955)
Increase (decrease) in accrued payroll	(20,847)	-	-	(287)	(55,974)	(77,108)
Increase (decrease) in employee benefits payable	-	-	-	-	409,027	409,027
Increase (decrease) in pension liability	390,062	-	-	97,515	-	487,577
Increase (decrease) in deferred inflow of resources - pension	(351,719)	-	-	(87,929)	-	(439,648)
Increase (decrease) in claims payable	-	-	-	(57,000)	-	(57,000)
Total adjustments	(150,941)	(33,559)	344,313	(99,404)	377,222	437,631
Net cash provided by (used for) operating activities	\$ 13,789	\$ 613,271	\$ 400,773	\$ (193,477)	\$ 377,222	\$ 1,211,578

FIDUCIARY FUND FINANCIAL STATEMENTS

OTHER DEPOSITS

Authority, Solano County Transit, Community Action Partnership of Solano, 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.

MULTIFAMILY HOUSING REVENUE BONDS

To account for bond proceeds and repayment of debt service held in trust. The City participated in the issuance of the Multifamily Housing Revenue and Refunding Bonds Series 2000A, 1999 Series A, and Multifamily Mortgage Revenue Bonds 1988 Issue A.

**CITY OF VACAVILLE
COMBING STATEMENT OF AGENCY FUNDS
JUNE 30, 2016**

	OTHER DEPOSITS	SPECIAL ASSESSMENTS	MULTIFAMILY HOUSING REVENUE BOND PROCEEDS	TOTAL AGENCY
Assets				
Cash and investments	\$ 19,674,797	\$ 4,476,261	\$ 2,557,954	\$ 26,709,012
Total Assets	<u>\$ 19,674,797</u>	<u>\$ 4,476,261</u>	<u>\$ 2,557,954</u>	<u>\$ 26,709,012</u>
Liabilities				
Deposits payable	\$ 19,674,797	\$ -	\$ -	\$ 19,674,797
Due to bondholders	-	4,476,261	2,557,954	7,034,215
Total Liabilities	<u>\$ 19,674,797</u>	<u>\$ 4,476,261</u>	<u>\$ 2,557,954</u>	<u>\$ 26,709,012</u>

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	BALANCES JULY 1, 2015	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2016
OTHER DEPOSITS				
Assets				
Cash and investments	\$ 24,964,550	\$ 1,102,557	\$ 6,392,310	\$ 19,674,797
Liabilities				
Accounts and contracts payable	\$ -	\$ 790,628	\$ 790,628	\$ -
Deposits payable	24,964,550	1,198,672	6,488,425	19,674,797
Total Liabilities	\$ 24,964,550	\$ 1,989,300	\$ 7,279,053	\$ 19,674,797

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	BALANCES JULY 1, 2015	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2016
<u>SPECIAL ASSESSMENTS</u>				
<u>Assets</u>				
Cash and investments	\$ 6,021,606	\$ 4,640,415	\$ 6,185,760	\$ 4,476,261
<u>Liabilities</u>				
Due to bondholders	\$ 6,021,606	\$ 4,640,415	\$ 6,185,760	\$ 4,476,261

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	BALANCES JULY 1, 2015	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2016
<u>MULTIFAMILY HOUSING REVENUE BONDS</u>				
<u>Assets</u>				
Cash and investments	\$ 2,298,162	\$ 340,673	\$ 80,881	\$ 2,557,954
<u>Liabilities</u>				
Due to bondholders	\$ 2,298,162	\$ 340,673	\$ 80,881	\$ 2,557,954



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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

148

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

154

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

158

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

162

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

164

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

Schedule 1

**CITY OF VACAVILLE
Net Position by Component,
Last Ten Fiscal Years**

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$419,176	\$400,267	\$418,360	\$420,604	\$431,692	\$407,621	\$422,965	\$406,869	\$388,546	\$375,201
Restricted	76,780	59,774	22,122	19,306	27,189	27,685	15,519	28,588	38,832	36,382
Unrestricted	<u>(131,083)</u>	<u>(125,004)</u>	<u>35,258</u>	<u>34,732</u>	<u>14,452</u>	<u>70,762</u>	<u>68,304</u>	<u>71,554</u>	<u>80,491</u>	<u>83,305</u>
Total governmental activities net position	<u>364,873</u>	<u>335,037</u>	<u>475,740</u>	<u>474,642</u>	<u>473,333</u>	<u>506,068</u>	<u>506,788</u>	<u>507,011</u>	<u>507,869</u>	<u>494,888</u>
Business-type activities										
Net investment in capital assets	202,700	205,054	204,329	227,804	214,851	216,439	213,956	194,484	187,090	180,813
Restricted	-	102	473	2,309	-	-	-	-	-	-
Unrestricted	<u>99,939</u>	<u>80,293</u>	<u>102,150</u>	<u>70,344</u>	<u>79,401</u>	<u>75,025</u>	<u>78,818</u>	<u>88,016</u>	<u>91,178</u>	<u>88,653</u>
Total business-type activities net position	<u>302,639</u>	<u>285,449</u>	<u>306,952</u>	<u>300,457</u>	<u>294,252</u>	<u>291,464</u>	<u>292,774</u>	<u>282,500</u>	<u>278,268</u>	<u>269,466</u>
Primary government										
Net investment in capital assets	621,876	605,321	622,689	648,408	646,543	624,060	636,921	601,353	575,636	556,014
Restricted	76,780	59,876	22,595	21,615	27,189	27,685	15,519	28,588	38,832	36,382
Unrestricted	<u>(31,144)</u>	<u>(44,711)</u>	<u>137,408</u>	<u>105,076</u>	<u>93,853</u>	<u>145,787</u>	<u>147,122</u>	<u>159,570</u>	<u>171,669</u>	<u>171,958</u>
Total primary government net position	<u>\$667,512</u>	<u>\$620,486</u>	<u>\$782,692</u>	<u>\$775,099</u>	<u>\$767,585</u>	<u>\$797,532</u>	<u>\$799,562</u>	<u>\$789,511</u>	<u>\$786,137</u>	<u>\$764,354</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Schedule 2

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities	\$ 115,864	\$ 121,619	\$ 107,636	\$ 104,526	\$ 113,843	\$ 133,834	\$ 143,389	\$ 134,012	\$ 130,966	\$ 123,762
Business-type	<u>51,419</u>	<u>49,775</u>	<u>50,193</u>	<u>49,291</u>	<u>44,493</u>	<u>44,388</u>	<u>41,401</u>	<u>38,950</u>	<u>36,251</u>	<u>37,360</u>
Total primary government expenses	<u>167,283</u>	<u>171,394</u>	<u>157,829</u>	<u>153,817</u>	<u>158,336</u>	<u>178,222</u>	<u>184,790</u>	<u>172,962</u>	<u>167,217</u>	<u>161,122</u>
Program Revenues										
Governmental activities	55,659	47,765	44,265	34,627	33,006	41,311	45,251	39,990	40,817	52,432
Business-type	<u>60,697</u>	<u>59,156</u>	<u>53,650</u>	<u>54,245</u>	<u>46,024</u>	<u>43,063</u>	<u>40,443</u>	<u>37,150</u>	<u>37,443</u>	<u>43,791</u>
Total primary government program revenues	<u>116,356</u>	<u>106,921</u>	<u>97,915</u>	<u>88,872</u>	<u>79,030</u>	<u>84,374</u>	<u>85,694</u>	<u>77,140</u>	<u>78,260</u>	<u>96,223</u>
Net (Expense)/Revenue										
Governmental activities	(60,204)	(73,854)	(63,371)	(69,899)	(80,837)	(92,523)	(98,138)	(94,022)	(90,149)	(71,330)
Business-type	<u>9,278</u>	<u>9,381</u>	<u>3,457</u>	<u>4,954</u>	<u>1,531</u>	<u>(1,325)</u>	<u>(958)</u>	<u>(1,800)</u>	<u>1,192</u>	<u>6,431</u>
Total primary government net expense	<u>(50,926)</u>	<u>(64,473)</u>	<u>(59,914)</u>	<u>(64,945)</u>	<u>(79,306)</u>	<u>(93,848)</u>	<u>(99,096)</u>	<u>(95,822)</u>	<u>(88,957)</u>	<u>(64,899)</u>
General Revenues and Other Changes in Net Position										
Governmental activities	90,040	74,430	64,469	71,877	50,213	91,803	97,915	93,164	103,130	95,189
Business-type	<u>10,807</u>	<u>2,526</u>	<u>3,038</u>	<u>2,477</u>	<u>554</u>	<u>8,245</u>	<u>11,232</u>	<u>6,032</u>	<u>8,802</u>	<u>9,344</u>
Total primary government	<u>100,847</u>	<u>76,956</u>	<u>67,507</u>	<u>74,354</u>	<u>50,767</u>	<u>100,048</u>	<u>109,147</u>	<u>99,196</u>	<u>111,932</u>	<u>104,533</u>
Changes in Net Position										
Governmental activities	29,836	576	1,098	1,978	(30,624)	(720)	(223)	(858)	12,981	23,859
Business-type	<u>20,085</u>	<u>11,907</u>	<u>6,495</u>	<u>7,431</u>	<u>2,085</u>	<u>6,920</u>	<u>10,274</u>	<u>4,232</u>	<u>9,994</u>	<u>15,775</u>
Total primary government	<u>\$ 49,921</u>	<u>\$ 12,483</u>	<u>\$ 7,593</u>	<u>\$ 9,409</u>	<u>\$ (28,539)</u>	<u>\$ 6,200</u>	<u>\$ 10,051</u>	<u>\$ 3,374</u>	<u>\$ 22,975</u>	<u>\$ 39,634</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Schedule 2a

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
General Government	\$11,350	\$10,997	\$10,446	\$ 8,439	\$ 6,803	\$ 4,633	\$ 7,540	\$ 8,594	\$10,388	\$12,627
Public Safety	58,052	52,077	49,612	46,731	46,439	45,563	46,573	46,837	45,705	40,606
Public Works	19,989	21,159	21,135	23,099	19,978	26,091	25,464	25,069	21,328	22,432
Community Services	12,507	12,258	12,118	11,601	12,423	12,467	13,490	12,578	12,856	12,128
Housing	13,303	24,623	13,805	14,425	14,637	15,209	14,567	16,189	13,795	13,013
Redevelopment	-	-	-	-	11,982	25,720	31,596	19,671	21,500	17,753
Interest on long-term debt	663	505	520	231	1,581	4,151	4,159	5,074	5,394	5,203
Total governmental activities expenses	<u>115,864</u>	<u>121,619</u>	<u>107,636</u>	<u>104,526</u>	<u>113,843</u>	<u>133,834</u>	<u>143,389</u>	<u>134,012</u>	<u>130,966</u>	<u>123,762</u>
Program Revenues										
Charges for services:										
General Government	4,893	4,382	3,476	3,026	2,866	4,359	2,737	3,266	3,827	5,147
Public Safety	4,334	3,715	3,503	3,673	3,497	3,457	4,204	4,658	4,498	4,280
Public Works	991	778	2,429	486	125	288	594	870	311	545
Community Services	6,340	6,333	6,426	6,226	6,007	5,863	5,829	5,687	5,984	5,494
Housing	34	426	928	929	975	855	661	387	397	479
Redevelopment	-	-	-	-	-	103	103	103	103	159
Operating grants and contributions	18,785	16,520	13,831	14,339	15,330	16,360	15,718	14,338	17,386	14,651
Capital grants and contributions	34,106	15,611	13,672	5,948	4,206	10,026	15,405	10,681	8,311	21,677
Total governmental activities program revenues	<u>69,483</u>	<u>47,765</u>	<u>44,265</u>	<u>34,627</u>	<u>33,006</u>	<u>41,311</u>	<u>45,251</u>	<u>39,990</u>	<u>40,817</u>	<u>52,432</u>
Net (Expense)/Revenue	<u>(46,381)</u>	<u>(73,854)</u>	<u>(63,371)</u>	<u>(69,899)</u>	<u>(80,837)</u>	<u>(92,523)</u>	<u>(98,138)</u>	<u>(94,022)</u>	<u>(90,149)</u>	<u>(71,330)</u>
General Revenues and Other Changes in Net Position										
Taxes										
Property taxes	37,869	35,283	32,855	31,805	43,463	61,385	64,348	65,731	63,793	55,145
Sales taxes	26,632	23,627	22,215	17,596	15,766	15,218	13,787	14,077	14,984	16,474
Franchise taxes	4,045	3,925	3,578	3,471	2,461	2,441	2,383	2,352	2,248	2,643
Transient lodging tax	1,688	1,398	1,194	1,067	986	955	929	930	1,005	1,048
Business license tax	300	339	325	315	291	290	281	298	306	319
Excise tax	2,617	2,407	2,431	2,322	2,302	2,262	2,258	2,169	2,234	2,217
Gasoline tax	-	-	3,050	2,211	2,717	2,426	1,596	1,564	1,719	1,772
Vehicle license taxes	-	-	-	41	-	569	290	283	417	595
Investment income	967	875	668	728	437	1,145	2,112	2,998	13,957	6,279
Unrestricted capital contributions	-	-	898	1,165	2,271	3,856	7,592	431	2,861	6,863
Special Item - gain on dissolution of Redevelopment	1,582	3,815	(3,815)	4,482	(22,403)	-	-	-	-	-
Miscellaneous	858	2,938	1,145	6,642	827	667	1,724	1,990	1,331	1,791
Transfers	(341)	(177)	(75)	32	1,095	589	615	341	(1,725)	43
Total governmental activities	<u>76,217</u>	<u>74,430</u>	<u>64,469</u>	<u>71,877</u>	<u>50,213</u>	<u>91,803</u>	<u>97,915</u>	<u>93,164</u>	<u>103,130</u>	<u>95,189</u>
Changes in Net Position	<u>\$29,836</u>	<u>\$ 576</u>	<u>\$ 1,098</u>	<u>\$ 1,978</u>	<u>\$(30,624)</u>	<u>\$ (720)</u>	<u>\$ (223)</u>	<u>\$ (858)</u>	<u>\$12,981</u>	<u>\$23,859</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Starting 2015, gasoline tax and unrestricted capital contributions are reported as grants and contributions under Program Revenues instead of General Revenues due to restrictions placed on the use of these resources.

Schedule 2b

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Sewer	\$ 29,548	\$ 28,480	\$ 26,659	\$ 23,502	\$ 23,792	\$ 23,464	\$ 22,611	\$ 21,284	\$ 18,710	\$ 19,800
Water	18,318	17,747	20,063	21,731	16,637	16,601	16,124	15,282	14,976	15,059
Transit	3,553	3,548	3,471	4,058	4,064	4,323	2,666	2,384	2,565	2,501
Total business-type activities expenses	<u>51,419</u>	<u>49,775</u>	<u>50,193</u>	<u>49,291</u>	<u>44,493</u>	<u>44,388</u>	<u>41,401</u>	<u>38,950</u>	<u>36,251</u>	<u>37,360</u>
Program Revenues										
Charges for services:										
Sewer	33,680	33,071	32,222	29,017	25,340	22,793	19,478	18,071	18,269	18,322
Water	15,979	15,361	16,514	16,010	14,665	14,071	13,412	12,608	12,323	11,463
Transit	453	487	456	502	503	406	377	359	411	356
Operating grants and contributions	1,857	1,807	1,865	2,248	2,109	1,696	1,674	1,675	1,812	1,810
Capital grants and contributions	<u>15,228</u>	<u>8,430</u>	<u>2,593</u>	<u>6,468</u>	<u>3,407</u>	<u>4,097</u>	<u>5,502</u>	<u>4,437</u>	<u>4,628</u>	<u>11,840</u>
Total business-type activities program revenues	<u>67,197</u>	<u>59,156</u>	<u>53,650</u>	<u>54,245</u>	<u>46,024</u>	<u>43,063</u>	<u>40,443</u>	<u>37,150</u>	<u>37,443</u>	<u>43,791</u>
Net (Expense)/Revenue	<u>15,778</u>	<u>9,381</u>	<u>3,457</u>	<u>4,954</u>	<u>1,531</u>	<u>(1,325)</u>	<u>(958)</u>	<u>(1,800)</u>	<u>1,192</u>	<u>6,431</u>
General Revenues and Other Changes in Net Position										
Taxes										
Property taxes	96	101	92	91	91	84	83	81	90	89
Investment income	769	540	202	97	375	946	517	(85)	2,237	1,795
Unrestricted capital contributions	-	-	2,540	1,045	1,173	7,439	10,070	4,700	1,769	5,887
Miscellaneous	3,101	1,708	129	1,276	10	365	1,177	3,032	2,981	1,616
Special item	-	-	-	-	-	-	-	(1,355)	-	-
Transfers	<u>341</u>	<u>177</u>	<u>75</u>	<u>(32)</u>	<u>(1,095)</u>	<u>(589)</u>	<u>(615)</u>	<u>(341)</u>	<u>1,725</u>	<u>(43)</u>
Total business-type activities	<u>4,307</u>	<u>2,526</u>	<u>3,038</u>	<u>2,477</u>	<u>554</u>	<u>8,245</u>	<u>11,232</u>	<u>6,032</u>	<u>8,802</u>	<u>9,344</u>
Changes in Net Position	<u>\$ 20,085</u>	<u>\$ 11,907</u>	<u>\$ 6,495</u>	<u>\$ 7,431</u>	<u>\$ 2,085</u>	<u>\$ 6,920</u>	<u>\$ 10,274</u>	<u>\$ 4,232</u>	<u>\$ 9,994</u>	<u>\$ 15,775</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Starting 2015, unrestricted capital contributions are reported as grants and contributions under Program Revenues instead of General Revenues due to restrictions placed on the use of these resources.

Schedule 3

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Fiscal Year</u> <u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,278	\$ 513	\$ 938	\$ 541
Unreserved	-	-	-	-	-	-	3,149	5,370	10,664	13,518
Nonspendable	2,862	3,185	185	234	767	2,635	-	-	-	-
Restricted	-	102	118	143	128	115	-	-	-	-
Committed	-	-	-	-	-	1,012	-	-	-	-
Assigned	3,279	2,674	2,855	1,419	667	251	-	-	-	-
Unassigned	<u>24,161</u>	<u>16,101</u>	<u>8,587</u>	<u>8,068</u>	<u>-</u>	<u>(89)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 30,302</u>	<u>\$ 22,062</u>	<u>\$ 11,745</u>	<u>\$ 9,864</u>	<u>\$ 1,562</u>	<u>\$ 3,924</u>	<u>\$ 4,427</u>	<u>\$ 5,883</u>	<u>\$ 11,602</u>	<u>\$ 14,059</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,921	\$ 77,773	\$ 81,231	\$ 71,750
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	16,898	17,388	15,256	17,108
Capital projects funds	-	-	-	-	-	-	9,452	(1,931)	9,782	12,674
Debt service funds	-	-	-	-	-	-	353	498	601	708
Nonspendable	-	-	97	194	1,003	2,556	-	-	-	-
Restricted	76,777	58,340	21,753	17,755	45,540	83,046	-	-	-	-
Committed	-	-	-	-	-	13,198	-	-	-	-
Assigned	1,098	12,137	608	-	21	94	-	-	-	-
Unassigned	<u>(271)</u>	<u>(175)</u>	<u>(250)</u>	<u>(1,309)</u>	<u>(3,601)</u>	<u>(4,285)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 77,604</u>	<u>\$ 70,302</u>	<u>\$ 22,208</u>	<u>\$ 16,640</u>	<u>\$ 42,963</u>	<u>\$ 94,609</u>	<u>\$ 93,624</u>	<u>\$ 93,728</u>	<u>\$ 106,870</u>	<u>\$ 102,240</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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes and fees	\$ 87,142	\$ 77,766	\$ 75,450	\$ 62,910	\$ 69,404	\$ 87,292	\$ 90,971	\$ 91,125	\$ 91,052	\$ 88,262
Licenses and permits	2,028	1,545	1,264	1,212	1,403	1,022	877	1,498	1,596	2,496
Investment income	975	1,701	1,157	1,108	898	3,464	2,955	3,499	15,026	7,058
Intergovernmental	27,985	20,178	21,144	19,752	21,586	27,950	29,010	24,052	24,265	30,958
Charges for services	11,179	10,088	11,356	8,834	7,793	7,908	9,200	9,733	9,664	9,906
Rents and royalties	540	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeitures	310	235	287	352	430	409	514	494	471	491
AB 1484 County distribution	-	-	-	4,482	-	-	-	-	-	-
Other	826	1,934	767	2,665	764	977	966	2,047	992	3,613
Total revenues	<u>130,985</u>	<u>113,447</u>	<u>111,425</u>	<u>101,315</u>	<u>102,278</u>	<u>129,022</u>	<u>134,493</u>	<u>132,448</u>	<u>143,066</u>	<u>142,784</u>
Expenditures										
General Government	11,129	9,509	9,093	7,580	6,105	6,087	6,321	8,333	9,390	11,788
Public Safety	53,059	50,112	46,950	44,868	45,161	43,849	45,130	46,224	44,560	41,657
Public Works	7,107	6,904	6,196	5,993	5,851	6,020	6,136	6,786	7,566	7,076
Community Services	11,782	11,387	11,474	11,066	11,810	11,787	12,889	11,974	12,159	11,506
Housing	13,168	13,207	13,258	14,520	14,928	15,152	14,545	16,215	13,787	13,018
Redevelopment	-	-	-	-	11,818	24,598	30,789	23,868	21,533	17,531
Capital Outlay	16,113	10,236	11,002	9,712	8,423	13,012	13,378	21,071	25,755	35,607
Debt service										
Principal	2,217	961	1,737	3,443	3,712	4,511	3,749	15,677	3,456	4,932
Interest and fiscal charges	687	483	572	541	2,284	4,142	4,365	5,088	5,313	5,874
Total expenditures	<u>115,262</u>	<u>102,799</u>	<u>100,282</u>	<u>97,723</u>	<u>110,092</u>	<u>129,158</u>	<u>137,302</u>	<u>155,236</u>	<u>143,519</u>	<u>148,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,723</u>	<u>10,648</u>	<u>11,143</u>	<u>3,592</u>	<u>(7,814)</u>	<u>(136)</u>	<u>(2,809)</u>	<u>(22,788)</u>	<u>(453)</u>	<u>(6,205)</u>
Other Financing Sources (uses)										
Transfers in	10,458	4,645	4,186	5,819	48,953	17,610	15,008	13,888	15,171	18,144
Transfers out	(10,829)	(4,897)	(4,331)	(5,846)	(47,983)	(17,185)	(13,963)	(13,224)	(15,476)	(18,161)
Sale of capital assets	189	240	105	3	1,270	31	203	3,024	70	361
Issuance of debt and loans	-	6,000	161	6,994	-	163	-	239	2,860	19,325
Total other financing sources (uses)	<u>(182)</u>	<u>5,988</u>	<u>121</u>	<u>6,970</u>	<u>2,240</u>	<u>619</u>	<u>1,248</u>	<u>3,927</u>	<u>2,625</u>	<u>19,669</u>
Extraordinary gain/(loss)	<u>-</u>	<u>3,815</u>	<u>(3,815)</u>	<u>-</u>	<u>(45,641)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 15,541</u>	<u>\$ 20,451</u>	<u>\$ 7,449</u>	<u>\$ 10,562</u>	<u>\$ (51,215)</u>	<u>\$ 483</u>	<u>\$ (1,561)</u>	<u>\$ (18,861)</u>	<u>\$ 2,172</u>	<u>\$ 13,464</u>
Debt services as a percentage of noncapital expenditures	2.9%	1.5%	2.5%	4.2%	5.8%	7.0%	6.0%	14.8%	9.3%	14.0%

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

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					
		Nonunitary		Less	Taxable			Less	Taxable	Total Direct Tax Rate	
	Secured	Utilities	Unsecured	Exemptions	Assessed Value	Secured	Unsecured	Exemptions	Assessed Value		
2016	\$ 11,163,934	\$ 240	\$ 392,820	\$ (836,233)	\$ 10,720,761	\$ -	\$ -	\$ -	\$ -	0.214%	
2015	10,696,951	240	378,843	(759,342)	10,316,692	-	-	-	-	0.216%	
2014	9,942,612	240	365,046	(776,951)	9,530,947	-	-	-	-	0.220%	
2013	9,430,496	240	388,656	(767,410)	9,051,982	-	-	-	-	0.516%	
2012	9,683,084	234	366,082	(686,886)	9,362,514	3,348,177	234,200	(12,817)	3,569,560	0.518%	
2011	9,925,910	234	383,112	(718,975)	9,590,281	3,509,267	228,673	(13,111)	3,724,829	0.526%	
2010	10,289,741	234	363,728	(715,811)	9,937,892	3,631,032	230,204	(13,071)	3,848,165	0.527%	
2009	10,812,536	234	290,993	(508,057)	10,595,706	3,597,849	178,363	(13,122)	3,763,090	0.513%	
2008	10,510,630	223	283,351	(403,014)	10,391,190	2,960,637	172,093	(13,243)	3,119,487	0.493%	
2007	9,011,342	231	259,110	(246,012)	9,024,671	2,514,697	167,430	(13,280)	2,668,847	0.465%	

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Source: HDL Coren & Cone, Solano County Assessor 2006/07 - 2015/16 Combined Tax Rolls

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									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
City Direct Rates:										
City Basic Rate	0.24267%	0.24267%	0.24267%	0.27352%	0.27354%	0.27350%	0.27350%	0.27343%	0.27352%	0.27362%
Redevelopment agency	0.00000%	0.00000%	0.00000%	0.00000%	1.03087%	1.03084%	1.03083%	1.03076%	1.03085%	1.03095%
Total City Direct Rate	0.21439%	0.21596%	0.22018%	0.51629%	0.51806%	0.52590%	0.52677%	0.51289%	0.49309%	0.46522%
Overlapping Rates:										
Basic Levy*	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Davis Unified	0.04833%	0.05691%	0.05222%	0.05487%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Dixon Unified School Bonds	0.00000%	0.00000%	0.00000%	0.00000%	0.06717%	0.05170%	0.05456%	0.00000%	0.00000%	0.00000%
Dixon USD GOB Series 2005								0.02131%	0.01958%	0.02335%
Dixon USD GOB Series 2006								0.00844%	0.00898%	0.00829%
Dixon USD State Repay								0.00000%	0.00000%	0.00000%
DUSD GOB Series 2003								0.01724%	0.01808%	0.01760%
Fairfield/Suisun USD GOB 2002S	0.04185%	0.05176%	0.05018%	0.05547%	0.05313%	0.05206%	0.05071%	0.01894%	0.01852%	0.02066%
Fairfield/Suisun USD GOB 2004S								0.02152%	0.02005%	0.02097%
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	0.03492%	0.03672%	0.03955%	0.02060%	0.02016%	0.01945%	0.01846%	0.01240%	0.01189%	0.01211%
Solano Community College GOB Series 2006B								0.00258%	0.00269%	0.00336%
City of Vacaville	0.03080%	0.03080%	0.03086%	0.03085%	0.03087%	0.03084%	0.03083%	0.03076%	0.03085%	0.03095%
Vacaville Unified School Bonds	0.11411%	0.05921%	0.07033%	0.06550%	0.06941%	0.06315%	0.05906%	0.00000%	0.00000%	0.00000%
VV USD GOB Refunding Ser 2005								0.02109%	0.02256%	0.02293%
VV USD GOB Series 2005								0.01107%	0.01095%	0.02617%
VV USD Meas V GOB Series 2007								0.01590%	0.02055%	0.00000%
VV USD Meas V GOB Series 2002								0.00000%	0.00000%	0.00000%
VV USD Meas V GOB Series 2003								0.00000%	0.00000%	0.00000%
	1.29001%	1.25540%	1.26314%	1.24729%	1.26074%	1.23720%	1.23362%	1.20125%	1.20470%	1.20639%

Because basic and debt rates vary by tax rate area individual rates cannot be summed. Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information. Beginning in 2013/2014, the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/2013.

Redevelopment agency (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. The approval of California Assembly Bill ABX1 26 eliminated RDA from the State of California for the fiscal year 2012/13 and years thereafter.

*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 2006/07 - 2015/16 Tax Rate Table

Schedule 7

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

Taxpayer	2016			2007		
	Percentage of		Rank	Percentage of		Rank
	Taxable	Total City		Taxable	Total City	
	Assessed Value	Assessed Value		Assessed Value	Assessed Value	
Genentech Inc.	\$ 866,863,311	1	8.086%	\$ 582,015,253	1	6.449%
Alza Corporation	114,863,099	2	1.071%	161,058,008	2	1.785%
Nut Tree Dunhill I LLC	106,471,249	3	0.993%			
CPG Finance II LLC	102,357,036	4	0.955%	53,605,864	5	0.594%
Central Valley Industries Core H LLC	59,282,258	5	0.553%			
Novartis Animal Health US Inc	57,773,576	6	0.539%			
Sequoia Equities - River Oaks	54,789,146	7	0.511%			
6801 Leisure Town Road Apt Invest	54,534,010	8	0.509%			
State Compensation Insurance Fund	51,349,391	9	0.479%			
Walmart/Sams Club	47,872,929	10	0.447%			
Chiron Corporation				56,974,765	3	0.631%
Wetern Pacific Housing INC				55,425,900	4	0.614%
SSR Western Multifamily LLC				46,623,340	6	0.517%
Marvin L. Oates Trust				46,345,609	7	0.514%
Protea North Point Aprtmnts LP				45,295,139	8	0.502%
RM Vacaville Limited				32,562,255	9	0.361%
Knickerbocker Prop Inc XXXVIII				32,530,538	10	0.360%

Source: HDL Coren & Cone, Solano County 2006/07 & 2015/2016 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

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
2016	\$ 12,107,472	\$ 12,107,472	100.00%		\$ 327,997	\$ 12,435,469	102.71%
2015	11,390,987	11,390,987	100.00%		219,506	11,610,493	101.93%
2014	10,303,894	10,303,894	100.00%		330,585	10,634,479	103.21%
2013	12,809,959	12,809,959	100.00%		76,530	12,886,489	100.60%
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%

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	Special Assessment Bonds
	City Loans	Redevelopment Loans	Certificates of Participation	Redevelopment Bonds	Capital Leases	Total Governmental Activities	State Revolving Loan	Capital Leases	City Loans	Total Business-type Activities					
2016	\$ -	\$ -	\$ -	\$ -	\$ 13,336,137	\$ 13,336,137	\$ 145,774,138	\$ 8,044,666	\$ -	\$ 153,818,804	\$ 167,154,941	5.91%	\$ 1,711	\$ 9,855,000	
2015	742,500	-	-	-	14,976,298	15,718,798	142,630,945	7,282,233	-	149,913,178	165,631,976	5.99%	1,749	12,480,000	
2014	810,000	-	-	-	10,093,165	10,903,165	137,072,464	7,226,227	-	144,298,691	155,201,856	5.64%	1,658	14,560,000	
2013	877,500	-	1,175,000	-	10,520,257	12,572,757	88,894,322	7,293,616	-	96,187,938	108,760,695	3.97%	1,174	17,040,000	
2012 *	2,776,805	-	2,285,000	-	3,264,085	8,325,890	81,800,867	363,011	-	82,163,878	90,489,768	3.45%	983	19,305,000	
2011	2,844,305	1,063,120	3,335,000	60,630,770	3,680,095	71,553,290	56,011,966	423,840	104,956	56,540,762	128,094,052	5.21%	1,377	22,325,000	
2010	3,353,055	1,202,228	4,330,000	63,144,510	3,878,801	75,908,594	59,286,601	482,232	204,956	59,973,789	135,882,383	4.85%	1,396	31,740,000	
2009	3,420,555	1,412,320	5,270,000	65,329,440	4,225,557	79,657,872	62,475,097	538,283	304,956	63,318,336	142,976,208	5.30%	1,482	36,440,000	
2008	3,620,769	1,616,772	17,375,000	68,095,560	4,386,742	95,094,843	65,579,716	365,883	404,956	66,350,555	161,445,398	6.14%	1,666	38,910,000	
2007	1,587,485	1,809,596	18,540,000	69,572,870	4,180,923	95,690,874	65,621,100	62,507	-	65,683,607	161,374,481	6.19%	1,672	42,625,000	

*On February 1, 2012 the Redevelopment Agency was dissolved under state law. See Footnote 14 for further discussion.

Schedule 10

**CITY OF VACAVILLE
Direct and Overlapping Debt
As of June 30, 2016**

City Assessed Valuation \$ 10,720,761,000

	Percentage Applicable	Outstanding Debt	Estimated Share of Overlapping Debt
	(1)		
Overlapping Tax and Assessment Debt:			
Solano County Community College District	24.045%	\$ 216,406,333	\$ 52,034,903
Dixon Unified School District	0.408%	31,711,999	129,385
Fairfield-Suisun Joint Unified School District	0.064%	71,430,000	45,715
Vacaville Unified School District	90.089%	116,490,000	104,944,676
City of Vacaville 1915 Act Bonds	100.000%	<u>11,470,000</u>	<u>11,470,000</u>
Total overlapping debt repaid with property taxes		<u>447,508,332</u>	<u>168,624,679</u>
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	23.077%	94,655,000	21,843,534
Solano County Pension Obligations	23.077%	55,810,000	12,879,274
Solano County Board of Education Certificates of Participation	23.077%	1,045,000	241,155
Solano Community College District Certificates of Participation	24.045%	10,572,508	2,542,160
Dixon Unified School District Certificates of Participation	0.408%	9,537,362	38,912
Fairfield-Suisun Joint Unified School District Certificates of Participation	0.064%	1,286,033	823
Travis Unified School District Certificates of Participation	57.462%	28,975,000	16,649,615
Vacaville Unified School District Certificates of Participation	90.089%	<u>16,194,233</u>	<u>14,589,223</u>
Total Overlapping other debt		<u>218,075,136</u>	<u>68,784,696</u>
Overlapping Tax Increment Debt (Successor Agency):	92.126%	<u>46,705,000</u>	<u>43,027,220</u>
Total Overlapping debt		<u>\$ 712,288,468</u>	280,436,595
City direct debt			<u>13,336,137</u>
Total direct and overlapping debt			<u>\$ 293,772,732</u> (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the districts's total taxable assessed value

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

Source: California Municipal Statistics, Inc. and HDL Coren & Cone, Solano County Assessor 2015/16 Combined Tax Rolls

Schedule 11

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

	2016	2015	2014	Fiscal Year 2013	2012	2011	2010	2009	2008	2007
Assessed value	\$10,720,761	\$ 10,316,692	\$9,530,947	\$9,051,982	\$9,362,514	\$9,590,281	\$ 9,937,892	\$10,595,706	\$10,391,190	\$9,024,671
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,680,190	2,579,173	2,382,737	2,262,996	2,340,629	2,397,570	2,484,473	2,648,927	2,597,798	2,256,168
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	402,029	386,876	357,411	339,449	351,094	359,636	372,671	397,339	389,670	338,425
Total net debt applicable to limit:	-	-	-	-	-	-	-	-	-	-
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 402,029</u>	<u>\$ 386,876</u>	<u>\$ 357,411</u>	<u>\$ 339,449</u>	<u>\$ 351,094</u>	<u>\$ 359,636</u>	<u>\$ 372,671</u>	<u>\$ 397,339</u>	<u>\$ 389,670</u>	<u>\$ 338,425</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 2006/2007 - 2015/2016 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				
				Debt Service				Debt Service			
Fiscal Year	Water Revenue	Less Operating Expenses (1)	Net Available Revenue	Principal	Interest	Coverage	Tax Increment (2)	Principal	Interest	Coverage	
2016	\$ 15,855	\$ 15,768	\$ 87	\$ -	\$ -	-	\$ -	\$ 2,128	\$ 2,343	-	
2015	15,361	14,881	480	-	-	-	-	2,368	2,388	-	
2014	16,514	17,224	(710)	-	-	-	-	3,453	3,166	-	
2013	16,010	19,391	(3,381)	-	-	-	-	1,998	3,108	-	
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	

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> ⁽²⁾	<u>Per Capita</u> <u>Personal Income</u>	<u>Unemployment</u> <u>Rate</u> ⁽³⁾
2016	97,667	\$ 2,830,236	\$ 28,978	4.6%
2015	94,702	2,764,353	29,190	5.5%
2014	93,613	2,751,473	29,392	6.0%
2013	92,677	2,737,586	29,539	7.5%
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%

Sources: (1) State of California Department of Finance (as of January 1st each year)
(2) HDL Coren & Cone
(3) State of California Employment Development Department (as of January each year)

Schedule 14

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

Employer	2016			2007		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
California State Department of Corrections	3,438	1	7.76%	2,608	1	5.83%
Kaiser Permanente	1,500	2	3.39%	500	6	1.12%
Vacaville Unified School District	1,380	3	3.12%	1,251	2	2.80%
Genentech	1,004	4	2.27%	950	4	2.13%
City of Vacaville	794	5	1.79%	768	5	1.72%
State Compensation Insurance Co.	509	6	1.15%			
Walmart	441	7	1.00%			
NorthBay VacaValley Hospital	437	8	0.99%	412	7	0.92%
Alza Corporation	383	9	0.86%	1,200	3	2.68%
Travis Credit Union	383	9	0.86%			
Simpson Dura-Vent	375	10	0.85%	375	9	0.84%
Hines Nursery, Inc.				400	8	0.89%
Save Mart Distribution Center				330	10	0.74%

Number of Employees data is obtained from area businesses. Businesses that did not respond to annual inquiry are excluded from schedule.

Source: State of California Employment Development Department & City survey of area businesses conducted in 2015.

Schedule 15

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

Function/Program	Full-time Equivalent Employees as of June 30, 2016									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
City Attorney	2	4	4	4	4	4	4	4	4	4
City Manager	10	7	6	6	6	9	9	10	11	12
Finance	25	23	24	24	23	22	23	27	27	26
Human Resources	11	9	9	9	9	8	10	10	11	10
Information Technology	9	8	7	7	7	7	7	12	14	14
Community Development	18	13	13	13	12	15	14	14	21	22
Police Department	153	149	145	143	143	151	161	170	171	171
Fire Department	102	75	78	76	69	74	75	85	82	84
Community Services	17	15	15	15	14	16	16	16	20	20
Housing and Successor Agency	12	15	15	14	18	29	29	35	31	28
Utilities	67	59	63	68	-	-	-	-	-	-
Public Works	<u>83</u>	<u>70</u>	<u>87</u>	<u>83</u>	<u>152</u>	<u>168</u>	<u>161</u>	<u>174</u>	<u>177</u>	<u>174</u>
Total	<u>509</u>	<u>447</u>	<u>466</u>	<u>462</u>	<u>457</u>	<u>503</u>	<u>509</u>	<u>557</u>	<u>569</u>	<u>565</u>

Starting fiscal year 2013, Sewer and Water Operations employees are reported in the Utilities function. In previous years, employees were included with Public Works.

Schedule 16

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

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Fire										
Emergency responses	9,471	9,242	8,780	7,642	7,758	7,874	8,020	8,360	8,155	7,812
Inspections	2,287	1,251	1,292	903	1,152	1,035	1,296	1,698	1,464	792
Parks and Recreation										
Number of recreation registrants	31,741	33,824	32,358	32,744	33,533	34,915	33,884	32,706	29,895	31,662
Number of facility rentals	502	561	582	557	568	609	611	780	910	852
Police Department										
Physical arrests	4,767	4,555	3,523	2,977	2,966	3,504	3,874	4,051	4,303	4,264
Parking citations issued	3,615	3,615	3,614	3,983	4,184	5,193	6,582	6,359	8,090	12,649
Public Works										
Street resurfacing (miles)	-	34	-	-	4	-	-	31	28	26
Potholes repaired	1,035	952	453	586	545	758	420	336	277	98
Transit										
Total revenue route miles	569,949	568,463	569,139	584,797	587,521	353,354	423,357	406,916	401,288	394,636
Passengers	509,023	499,458	523,372	521,248	459,816	386,624	350,410	302,461	280,691	222,367
Wastewater										
Average daily sewage treatment (million gallons per day)	7	7	7	8	8	9	8	8	8	8
Water										
New Connections (meter sets)	376	273	170	145	84	214	325	188	166	277
Average daily consumption (thousands gallons per day)	14,297	12,879	13,353	14,498	13,398	13,847	13,913	15,571	16,386	16,495

Source: Various City Departments

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

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Fire										
Fire Stations	5	4	4	4	4	4	4	4	4	4
Fire Engines	13	12	12	12	12	11	11	11	11	9
Parks and Recreation										
Parks	34	34	30	30	30	30	30	30	30	30
Park Acres	572	572	566	513	513	513	513	513	513	513
Special Community Facilities	6	6	6	6	6	6	6	6	6	6
Neighborhood Centers	11	11	11	11	11	11	11	11	11	11
Police Department										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles (excluding motorcycles)	113	112	108	109	110	111	104	114	122	123
Police Motorcycles	9	9	7	9	9	9	9	9	9	9
Public Works										
Streets (centerline miles)	264	264	264	264	264	264	238	238	237	237
Traffic Signals	69	69	69	69	69	69	69	69	69	69
Transit Buses										
Fixed Route	18	18	18	15	15	15	12	12	12	12
Special Services	6	6	6	6	6	6	6	6	6	6
Wastewater										
Sewers (miles)	249	245	244	244	242	241	238	233	232	231
Storm Drain (miles)	151	147	145	145	144	143	140	134	134	132
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Water										
Water Mains (miles)	295	291	290	289	288	286	283	278	277	276
Fire hydrants	3580	3509	3,490	3,478	3,467	3,453	3,413	3,348	3,338	3,320
Reservoirs	10	8	8	8	9	9	8	8	8	8
Wells	13	12	12	12	13	13	13	13	13	13

Source: Various City Departments