



# **CITY OF VALLEJO CALIFORNIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**CITY OF VALLEJO, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**PREPARED BY THE**  
**FINANCE DEPARTMENT**

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**CITY OF VALLEJO, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**Table of Contents**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents .....	i
Transmittal Letter .....	iv
Principal City Officials .....	x
Organization Chart .....	xi
Certificate of Achievement for Excellence in Financial Reporting – Government Finance Officers Association .....	xii
<b>FINANCIAL SECTION</b>	
<i>Independent Auditor's Report</i> .....	1
<i>Management's Discussion and Analysis</i> .....	3
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	14
Statement of Activities .....	15
Governmental Fund Financial Statements:	
<i>Fund Financial Statements:</i>	
Balance Sheet .....	18
Reconciliation of the Governmental Funds - Fund Balance with Governmental Net Assets .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	20
Reconciliation of the Net Change in Governmental Fund Balances with the Change in Governmental Net Assets .....	21
Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual:	
General Fund .....	22

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2006

Table of Contents

	<u>Page</u>
<b>FINANCIAL SECTION (Continued)</b>	
Housing Authority Fund .....	23
Proprietary Funds:	
Statement of Net Assets .....	26
Statement of Revenue, Expenses and Changes in Fund Net Assets.....	28
Statement of Cash Flows .....	30
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	34
Notes to Financial Statements .....	35
<b>Supplemental Information:</b>	
<i>Non-major Governmental Funds:</i>	
Combining Balance Sheet.....	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	92
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual .....	100
<b>Internal Service Funds</b>	
Combining Statement of Net Assets.....	110
Combining Statements of Revenues, Expenses and Changes in Fund Net Assets .....	111
Combining Statements of Cash Flows .....	112
<b>Fiduciary Funds</b>	
Statements of Changes in Assets and Liabilities .....	114

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2006

Table of Contents

	<u>Page</u>
<b>STATISTICAL SECTION</b>	
Net Assets by Component.....	117
Changes in Net Assets .....	118
Fund Balances of Governmental Funds.....	120
Changes in Fund Balances of Governmental Funds .....	121
Assessed Value and Estimated Actual Value of Taxable Property .....	122
Direct and Overlapping Property Taxes Rates .....	123
Principal Property Tax Payers .....	124
Property Tax Levies and Collections.....	125
Ratios of Outstanding Debt by Type .....	126
Ratio of General Bonded Debt Outstanding.....	128
Direct and Overlapping Debt.....	129
Legal Debt Margin Information.....	130
Pledged Revenue Coverage.....	131
Demographic and Economic Information .....	135
Principal Employers .....	136
Full-time and Part-time City Employees by Functions .....	137
Operating Indicators by Function .....	138
Capital Asset Statistics by Function .....	139

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# CITY OF VALLEJO

OFFICE OF THE FINANCE DIRECTOR

555 SANTA CLARA STREET • P.O. BOX 3068 • VALLEJO • CALIFORNIA • 94590-5934 • (707) 648-4592  
FAX (707) 649-5406

January 26, 2007

## To the Honorable Mayor, Members of the City Council And Citizens of the City of Vallejo, California

It is our pleasure to present to you the 2006 Comprehensive Annual Financial Report (CAFR) of the City of Vallejo, California. This CAFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The Finance Department has prepared this report to present the financial position of the City of Vallejo at June 30, 2006, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in accordance with Generally Accepted Accounting Principles.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, we believe the data, as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position, and changes in financial position, of the City as measured by the financial activity of its governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The City's basic financial statements have been audited by Maze & Associates CPA, a public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion & Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

This is the first year the City prepared the CAFR using the new financial reporting requirements as prescribed by GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section* (GASB 44). This new GASB Statement was issued in May 2004 with the objective to improve the understandability and usefulness of the information that state and local governments present as supplementary information in the statistical section.

## PROFILE OF GOVERNMENT

Vallejo, California is located in southern Solano County, the fastest growing County in the San Francisco Bay Area. With a current population of 121,099 Vallejo is the largest City in Solano County and the 47<sup>th</sup> largest City in population among California's 478 cities. Vallejo is located approximately 30 miles northeast of San Francisco and 50 miles southwest of Sacramento on Interstate 80. The Sacramento, Napa and San Joaquin Rivers all flow into the San Francisco Bay at Vallejo. Rolling hills surround the City, protecting it from fogs and wind typical of many coastal towns. The climate is mild Mediterranean. It is connected to the Greater Bay Area, the Pacific Rim, and the rest of the world by ship, rail, car and air.



The City of Vallejo, a municipal corporation incorporated in March 1868, under the laws of the State of California is a Charter City located within Solano County in Northern California. Vallejo is the forty-seventh largest City in population in the State of California. The City operates under a City Charter originally adopted in 1911 and last amended in November 2000. The Charter provides for a Council-Manager form of government. Under the Charter, the City Manager recommends policy, program and budget priorities to the City Council, which in turn develops legislation and policies to direct the City. The City Manager is appointed by the Council and serves as the chief administrative officer of the City and is responsible for implementation of Council policies, administration of City affairs, day-to-day operations, and for appointing the Assistant City Manager and the Directors of the City's departments and overseeing all City personnel and all municipal operations. The Mayor, elected by the community at-large to a four-year term, acts as the formal representative of the City and presides over Council meetings. The City Council is elected on a nonpartisan basis and has six members elected by the community at-large to four-year, staggered terms, with three Councilmembers elected every two years.

The City provides a wide range of municipal services, including public safety (police and fire protection), a municipal water system, a mass transit bus and ferry-boat system, street maintenance and other public works infrastructure functions, housing assistance, golf courses, planning, building inspection, public marina, and general administration. The Greater Vallejo Recreation District (GVRD), however, provides for Parks and Recreation.

The City of Vallejo's governing body is elected by the citizens in a general, popular election. This report includes all organizations and activities for which elected City officials exercise financial accountability. The notes to the financial statements further discuss the City as a financial reporting entity.

Accordingly, the following entities, although legally separate, are component units and are incorporated in the accompanying financial statements:

- Redevelopment Agency of the City of Vallejo (the Agency),
- Parking Authority of the City of Vallejo (the Parking Authority),
- Housing Authority of the City of Vallejo (the Housing Authority),
- Public Financing Authority of the City of Vallejo (the Financing Authority),
- Vallejo Sanitation and Flood Control District (VSFCD),
- Marine World Joint Powers Authority (the Marine World JPA).

## ECONOMIC CONDITION AND OUTLOOK

The City of Vallejo has been fortunate to experience a growing economic environment with commercial, light industrial, housing and retail development this year. In addition to strong development trends, property values continue to increase.

The City continues to focus on offering several new resources and projects to the community, including the expansion of the citywide transportation system, new retail stores, and major residential development projects.

After years of struggle, the City is on the verge of moving forward with two major residential/development projects that herald significant short and long term financial gains. The Triad Downtown Development and the Marina projects recognize the growing importance of value of Vallejo's location.

In addition, the long awaited conversion of the Mare Island Naval base to a mixed use residential/commercial is well under way. Over two hundred residential units have been sold and that number is expected to grow dramatically in the years to come.

All of these projects capitalize the growing recognition of Vallejo as a regional transportation hub, and, by injecting thousands of residents into the middle of the downtown/waterfront area, promise a revival of the City's core.

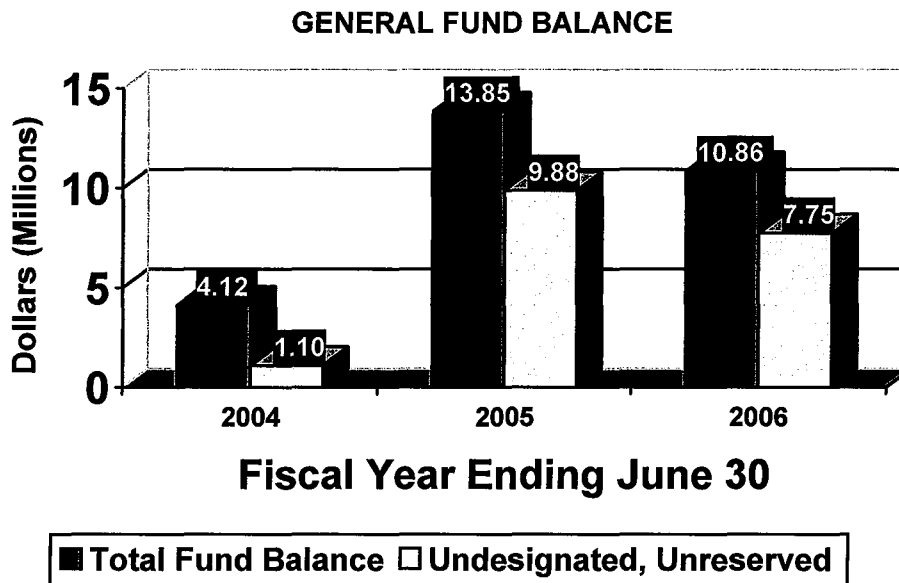
This growth in demand for City services presents the City with significant challenges, and if the current level of service is to be maintained, the City will need to continue to explore new methods of obtaining financial resources and/or improve methods for the delivery of services.

The City adopted a balanced General Fund budget for Fiscal Year 2006-2007. The Fiscal Year 2007-2008 budget may require further expenditure reductions in order to balance revenues and expenditures if revenue projections fall short, or if the State of California makes additional reductions in local government funding. The City has used conservative revenue estimates in preparing the budget for Fiscal Year 2006-2007.

During the last several years, the City has taken numerous steps to balance the budget; including, eliminating personnel positions, left vacant positions unfilled, frozen existing positions, refinanced outstanding debt issues, and cancelled construction of new capital facilities.

The City is still being negatively impacted by primarily three factors substantially beyond the control of the City: 1) increases in retirement system contributions due to employee benefit increases and investment losses by the California Public Employees' Retirement System (CalPERS); 2) increases in health insurance premiums due to accelerating cost pressures in the health care industry; and 3) increases in workers' compensation costs. However, retirement costs appear to have peaked and have leveled out recently with the better than expected earnings of pension system assets. Recently enacted legislative changes in the State's Workers' Compensation system appear to be reining in cost growth.

The graph below presents the changes in fund balance for the General Fund for the fiscal year ending June 30, 2006, as compared with the two prior years. The large increase in General Fund balance for Fiscal Year 2004-2005, was the result of the combined efforts of the City Council, management and City employees to reduce costs and find new revenues as an effort to continue essential City services. The graph illustrates a three-year trend for this same information:



### Factors Affecting Financial Condition

The City's management reviewed its budget for Fiscal Year 2006-2007 to determine what operating and capital expenditures can be reduced and/or deferred. Certain capital projects and some programs and expenditures were reduced, postponed or eliminated. However, such reductions are not expected to adversely affect current operations of the City. The City will continue to make timely payments of principal and interest on all of its outstanding bonds and other obligations and will be able to satisfy its covenants with respect to such bonds and obligations.

The City's commitment to manage expenditure growth has been and will continue to be a key factor in maintaining the City's strong financial position. The City Council has wisely taken advantage of past years' financial prosperity to secure the future stability of the City. A fifteen (15) percent of expenditures General Fund undesignated reserve policy was approved and the City is working towards achieving that goal.

On a long-term basis, the City continues to make great strides in economic development and business retention, which has developed a strong and diverse retail base along with a strong job producing industrial base.

## FINANCIAL ISSUES UNIQUE TO CALIFORNIA

During the last thirty years, the City has lost its ability to set tax rates without voter approval, and the State of California has diverted local revenues to offset its own budget problems. In Fiscal Year 2005-2006, the State shifted \$1.2 million of property taxes from the City to help solve its own budget problems. That reduction will not be repeated in Fiscal Year 2006-2007. In addition, the State has continued to withhold reimbursement for the cost of complying with most State mandates.

In 2004, California voters approved a \$15 billion bond measure to refinance existing State debt and by their action, approved the "triple flip" provision. Under the triple flip measure beginning July 1, 2004, the State began transferring ¼% of a local government's 1% sales tax rate to the State to guarantee repayment of the State bonds. In order to make local governments whole, the local government's lost ¼% of sales tax revenue was replaced with property tax that had previously been transferred from local governments. The triple flip revenue shift began in Fiscal Year 2004-2005 and will continue until the deficit bonds issued by the State to finance its budget shortfalls are repaid.

State and local governments came to another agreement for an additional revenue swap. This agreement provides that Vehicle License Fees, or VLF, will be permanently reduced from 2% to .65% of a vehicles fair value assessment, and the State backfill of this revenue is suspended. To make local government whole, the State increased local government property tax revenues that had previously been transferred from local governments.

Another significant change during Fiscal Year 2004-2005 was the passage of Proposition 1A, a constitutional amendment passed by state voters on November 2, 2004, which provides protection for local government revenues. Proposition 1A limits the State's ability to take local government revenues starting in Fiscal Year 2006-2007. Proposition 1A recharacterizes future reductions of local government revenue as "loans" rather than "takeaways". It also limits the State's ability to borrow local revenue allocations to twice every ten years. In addition, Proposition 1A allows the State to borrow local government revenues only in the event of a fiscal emergency. The State may borrow under the following conditions:

- A separate emergency bill must be passed by a 2/3 vote of the legislature;
- The legislature must pass a law to fully repay the loan with interest within three years;
- New borrowings are prohibited until prior borrowings have been fully repaid;
- No more than two loans may occur during a ten year period;
- The borrowing is capped at 8% of local government property tax amounts.

## MAJOR INITIATIVES

Each year provides the City an opportunity to identify, address and resolve issues facing the community and its citizens. The City's major challenge is to provide the services needed to maintain the quality of life that has attracted considerable growth to the Vallejo community. The City is positioning itself so that despite all the immediate economic challenges, new investments and development will continue to take place.

New development projects are currently under way in Downtown Vallejo, including the Triad Downtown Development project. The first phase of the Triad project is scheduled to begin in Spring 2007 with the construction of 158 condominium units, 9% of which will be affordable to moderate income families, and 11,500 square feet of commercial space on Virginia Street. The total Triad project is proposed to include more than 800 condominium units, and 68,000 square feet of commercial retail space. Condominium units are estimated to be marketed at a median price of more than \$400,000.

### ***Mare Island***

Mare Island continues to be one of the primary catalysts for the future strength and development of the City. The Mare Island Naval Shipyard transfer to the City of Vallejo is one of the City's primary projects. Since the closing of the Naval Shipyard in 1996, the City has actively pursued the conversion of this 100 year old Naval base to civilian use. The Mare Island conversion to the City of Vallejo has been cited as a model for military base reuse.

Redevelopment of the former military site is expected to positively impact the City's tax revenues and employment base.

### ***Hiddenbrooke***

This year, too, saw continuation of the Hiddenbrooke area development. With its Arnold Palmer designed golf course already in use and the completion of a \$12 million lodge, approximately 1,170 dwelling units have been built or are in the process of being built and about 105 more units are currently authorized to begin construction. These high-end homes and townhouses should attract buyers from around the Bay Area. Home construction began in 1999 and will continue over the next few years.

### **Redevelopment in Downtown and Waterfront Areas**

The City of Vallejo's Redevelopment Agency ("Agency") continues to make progress toward Downtown revitalization as the City commenced renovation activities on the Empress Theater, which is scheduled to open by Summer 2007.

In an effort to kick-start the Waterfront district redevelopment activities, construction has been completed on the State Farm office building and planning efforts are underway for other Waterfront residential housing and a mixed-use, master planned area. Discussions continued with other private entities for various Waterfront development projects.

In addition, the Agency continued its planning efforts to provide affordable single and multifamily housing in the Downtown and Waterfront neighborhoods. Finally, the Agency completed the merger of three of the City's existing redevelopment project areas.

The City and Agency are beginning work on the Vallejo Station Project. This project is in the downtown area and will help transform downtown Vallejo into a new transportation hub for the region, with new residential housing, office, retail and community amenities in walking distance of the existing ferry terminal and a new bus transit center.

## **AWARDS**

### **GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

We are pleased to report that 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 Vallejo for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. 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 governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. We believe the current CAFR continues to meet these requirements and we will be submitting it for review.

## ACKNOWLEDGEMENTS

The preparation and publication of this Comprehensive Annual Financial Report on a timely basis was made possible by the outstanding efforts, dedication, and teamwork throughout the year of the entire Finance Department who prepared and compiled this report with the cooperation and assistance of all City departments. We would like to express our appreciation to all members of the Finance Department.

We would like to express special thanks to Susan Mayer, Assistant Finance Director; Elena Adair, Accounting Manager; and Jon R. Oiler, Auditor Controller, as they have worked closely with the auditors in finalizing this report. Additionally, we would like to thank the City's audit firm of Maze & Associates CPA for the professional support and guidance they have given us.

We would also like to thank the Mayor and the members of the City Council for their support and commitment to the fiscal integrity and financial leadership of the City in a responsible and progressive manner to protect, preserve and enhance the quality of life for present and future generations.

Through the team effort of the City Council, City Manager, Department Managers, and employees, the City expects to continue the high level of service, which is currently provided to the citizens of our community.

Respectively submitted,



Robert V. Stout  
Finance Director

# CITY OF VALLEJO

## Public Officials

### City Council

	<u>Term Expires</u>
Anthony J. Intintoli, Jr., Mayor	December 2007
Anthony Pearsall, Vice Mayor	December 2007
Tom Bartee, Councilmember	December 2009
Gary Cloutier, Councilmember	December 2007
Hermie Sunga, Councilmember	December 2009
Stephanie Gomes, Councilmember	December 2009

### Interim City Manager

John P. Thompson

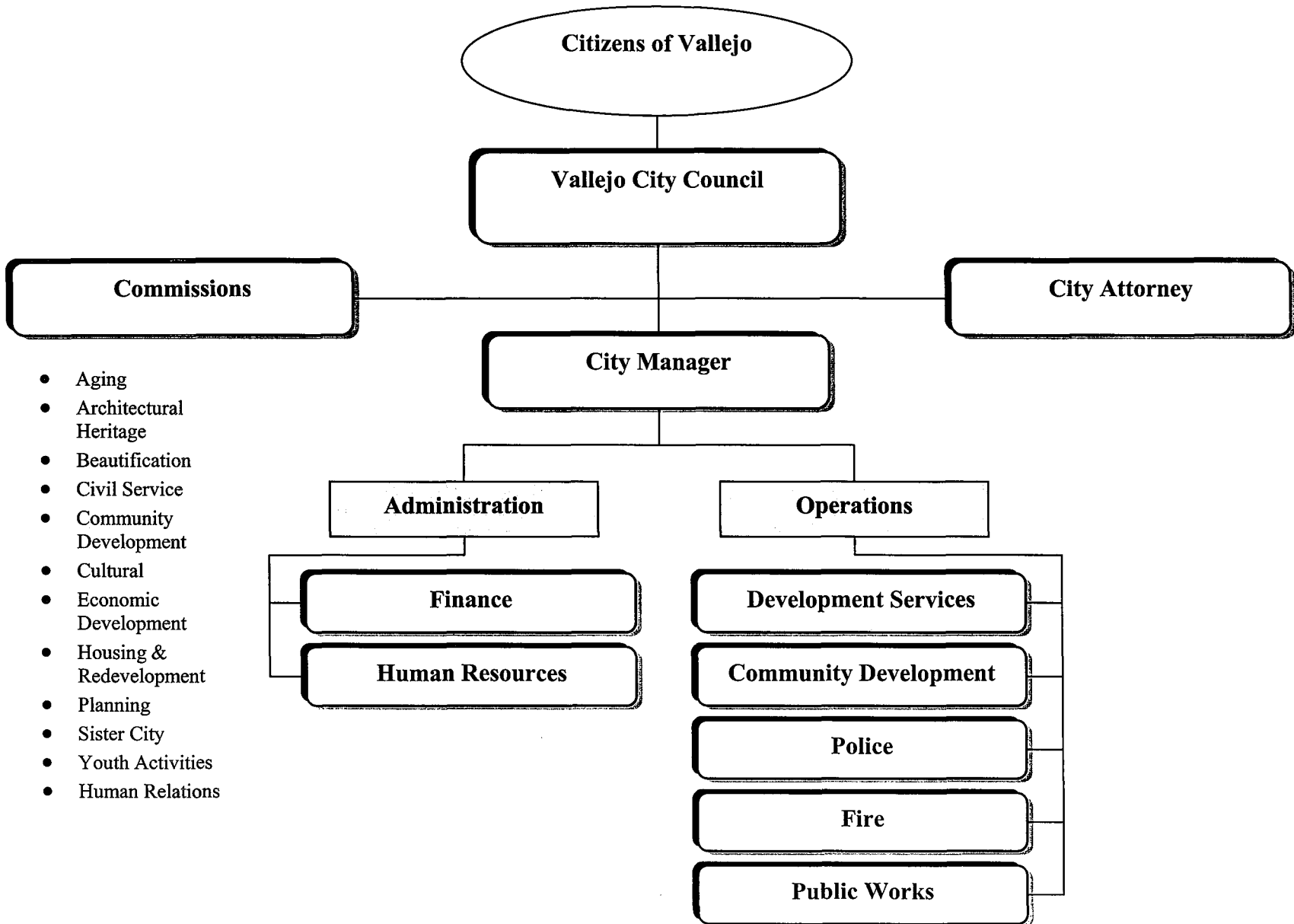
### City Attorney

Frederick G. Soley

### Executive Management Team

Craig Whittom, Acting Assistant City Manager/Community Development Director  
Robert V. Stout, Finance Director  
Dennis Morris, Human Resources Director  
Brian Dolan, Acting Development Services Director  
Robert Nichelini, Police Chief  
Don Parker, Fire Chief  
Gary Leach, Acting Public Works Director

# City of Vallejo Organization Chart



- Aging
- Architectural Heritage
- Beautification
- Civil Service
- Community Development
- Cultural
- Economic Development
- Housing & Redevelopment
- Planning
- Sister City
- Youth Activities
- Human Relations



**The Government Finance Officers Association  
of the United States and Canada**

*presents this*

# **AWARD OF FINANCIAL REPORTING ACHIEVEMENT**

*to*

**Robert V. Stout**  
Finance Director  
City of Vallejo, California

*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

Date September 20, 2006





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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of City Council, and City Auditor  
City of Vallejo, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vallejo, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Vallejo Sanitation and Flood Control District (VSFCD), which represents 53.7% of assets, 17.2% of revenues, 34.3% of liabilities, and 16.1% of expenses of the business-type activities. These component unit financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of the other auditor.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for 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 as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

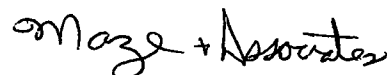
In our opinion, based on our audit and the report of the other auditor, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vallejo, California as of June 30, 2006, and the respective changes in the financial position and cash flows where applicable thereof, and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 18, 2007 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic statements of the City of Vallejo. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the table of contents were not audited by us and we do not express an opinion on this information.



January 18, 2007

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2006

## INTRODUCTION

This narrative is presented to provide readers of these Basic Financial Statements with an overview and analysis of the financial activities of the City of Vallejo for the year ended June 30, 2006. This overview should be read in conjunction with the accompanying Transmittal Letter, the Basic Financial Statements and the accompanying notes to the financial statements.

## FINANCIAL HIGHLIGHTS

- The General Fund realized \$2.2 million in favorable tax and intergovernmental revenue budget results for the year. General Fund program departments also realized \$2.6 million in expenditure budget savings.
- The combined General Fund revenue surplus and program expenditure savings were substantially used to subsidize deficits in the Insurance Internal Service Fund and the Transportation and Marina Enterprise Funds.
- Rates in the Insurance Fund and Transportation Fund have been adjusted in fiscal year 06-07 to mitigate these losses. The Risk Management deficit is projected to be eliminated by the end of the next fiscal year. The City continues to consider options and longer-term financial strategies for Transportation and Marina operations.
- The Housing Authority's total fund balance increased during the year by \$5.1 million due to HUD Section 8 voucher program operations. Voucher program grant allocations received were greater than the rental assistance provided due to adjusting program lease-up rates. During the year, the Authority also fully distributed the net assets of its former Waterstone Development Enterprise Fund to its other program funds.
- The Mare Island Conversion Fund continues to invest federal grant funds in the hazardous remediation of the former Mare Island naval base. \$7 million was invested during the fiscal year.
- The Redevelopment Agency's tax increment revenue increased 15% over the prior year, reflecting growth in property valuation in each of the four redevelopment project areas.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report is presented in the following sections:

- 1) This introductory commentary, *Management's Discussion and Analysis*

- 2) *Basic Financial Statements*, including:
  - a. Government-wide financial statements
  - b. Fund financial statements
  - c. Notes
  
- 3) Supplemental Information:
  - a. Non-major governmental funds
  - b. Internal service funds
  - c. Agency funds

### **The Basic Financial Statements**

The *Basic Financial Statements* are comprised of the *Government-wide Financial Statements* and the *Fund Financial Statements*. These two sets of financial statements provide two different views of the City's financial activities and financial position.

The ***Government-wide Financial Statements*** provide a long-term view of the City's activities as a whole. *The Statement of Net Assets* provides information about financial position, including capital assets and long-term liabilities on the full accrual basis, similar to that used by commercial enterprises. *The Statement of Activities* provides information about the City's revenues and expenses, also on the full accrual basis, with the emphasis on measuring the net revenues or expenses of City programs. Information is presented both in total and separately for governmental activities, which are generally tax and grant supported, and business-type activities, which are generally supported by user fees.

The ***Fund Financial Statements*** report the City's operations in more detail than the government-wide statements. The focus is on the individual funds that are used to report the status of restricted or otherwise segregated resources and to demonstrate compliance with finance-related legal requirements. The governmental funds focus primarily on short-term activities by measuring current revenues and expenditures and excluding capital assets and long-term obligations.

## **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

### **Government-wide Net Assets**

The following is a summary of the City's government-wide net assets as of June 30, 2005 and 2006, as measured on the accrual basis of accounting, along with a discussion of some of the most significant balances (in millions):

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Assets</b>						
Current and other assets	\$188.6	\$192.2	\$128.3	\$113.6	\$316.9	\$305.8
Capital assets	283.9	291.9	412.6	405.3	696.5	697.2
<b>Total assets</b>	<b>472.5</b>	<b>484.1</b>	<b>540.9</b>	<b>518.9</b>	<b>1,013.4</b>	<b>1,003.0</b>
<b>Liabilities</b>						
Current and other liabilities	28.8	34.4	39.3	30.1	68.1	64.5
Long-term liabilities	69.0	69.0	238.4	222.6	307.4	291.6
<b>Total liabilities</b>	<b>97.8</b>	<b>103.4</b>	<b>277.7</b>	<b>252.7</b>	<b>375.5</b>	<b>356.1</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	254.3	260.6	200.9	218.3	455.2	478.9
Restricted	136.3	135.9	50.0	41.7	186.3	177.6
Unrestricted	(15.9)	(15.8)	12.3	6.2	(3.6)	(9.6)
<b>Total net assets</b>	<b>\$374.7</b>	<b>\$380.7</b>	<b>\$263.2</b>	<b>\$266.2</b>	<b>\$637.9</b>	<b>\$646.9</b>

The City's investment in \$1.0 billion of assets as of June 30, 2006 has been financed with \$376 million of debt, for a net asset position of \$638 million. Current and other assets increased by \$11 million during the year, primarily due to the cash proceeds from a bond issue by the Sanitation and Flood Control District. Long-term liabilities have also increased due to this bond issue. With minor exceptions, the City's net assets are either invested in capital assets or restricted by source for specific purposes. Since the statement above reports City assets for all funds on the accrual basis of accounting, it differs from the fund presentation of unrestricted, current resources available for the City's General Fund programs. The City's General Fund financial position is discussed in the fund section later in this report.

### **Government-wide Activities**

The table below is a summary of the City's government-wide activities for the years ended June 30, 2005 and 2006, as measured on the accrual basis of accounting (in thousands).

- The City invested \$145 million in its governmental programs and another \$149 million in business-type activities, for total annual expenses of \$294 million.
- The largest governmental programs include community development (includes housing and redevelopment) and public safety. Community development expenditures dropped to \$37 million from \$52 million in the prior year due to a \$10 million reduction in federally-funded hazardous remediation expenditures at the former Mare Island naval base. The Housing voucher rental program also had a \$2 million reduction in expenditures as leasing rates are adjusting to updated annual HUD federal grant allocations.
- The largest business-type programs include water, regional transportation, sanitation/flood control, and the Marine World joint powers authority (amusement park). Business-type expenses increased in all enterprise programs, for an aggregate annual increase of \$15 million.

- The City's expenses have been funded with \$284 million of revenues, including \$211 million of program revenues, generated for the used of specific programs, and \$73 million of general revenues, available for general use. City programs drew down \$10 million of net asset reserves during the year.

(In Thousands)	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program revenues						
Charges for services	\$27,434	\$25,022	\$119,839	\$110,852	\$147,273	\$135,874
Operating grants and contributions	36,629	34,786	13,454	9,980	50,083	44,766
Capital grants and contributions	3,188	13,790	10,571	7,974	13,759	21,764
General revenues						
Property taxes, sales and other	47,511	38,394		286	47,511	38,680
Motor vehicle license fees		12,186				12,186
User utility	12,712	11,882			12,712	11,882
Other	11,534	11,330	1,588	5,305	13,122	16,635
<b>Total revenues</b>	<b>139,008</b>	<b>147,390</b>	<b>145,452</b>	<b>134,397</b>	<b>284,460</b>	<b>281,787</b>
<b>Expenses</b>						
Governmental activities						
Legislative and advisory	328	322			328	322
Executive	1,336	1,308			1,336	1,308
Finance	1,953	1,479			1,953	1,479
Human resources	1,274	1,042			1,274	1,042
Law	722	688			722	688
Development services	3,681	3,189			3,681	3,189
Community development	37,306	51,915			37,306	51,915
Fire services	25,373	23,985			25,373	23,985
Police services	37,892	34,721			37,892	34,721
Public works	25,855	14,794			25,855	14,794
Nondepartmental	6,827	11,710			6,827	11,710
Interest on long-term debt	2,704	2,455			2,704	2,455
Business-type activities						
Water			32,419	29,330	32,419	29,330
Local transportation			29,664	24,165	29,664	24,165
Waterstone development				65		65
Sanitation and flood control			24,902	22,673	24,902	22,673
Marine World JPA			58,204	54,198	58,204	54,198
Marina			3,048	2,576	3,048	2,576
Golf			1,042	726	1,042	726
<b>Total expenses</b>	<b>145,251</b>	<b>147,608</b>	<b>149,279</b>	<b>133,733</b>	<b>294,530</b>	<b>281,341</b>
Excess before transfers	(6,243)	(218)	(3,827)	664	(10,070)	446
Transfers	191	1,110	(191)	(1,110)		
Increase in net assets	(\$6,052)	\$892	(\$4,018)	(\$446)	(\$10,070)	\$446

The following table presents the net program cost for each governmental activity by subtracting program-specific revenues from program expenses. The balance is the amount funded by general City revenues.

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
<b>Governmental Activities</b>			
General government	(\$15,143,208)	\$1,966,541	(\$13,176,667)
Fire services	(25,373,064)	3,590,607	(21,782,457)
Police services	(37,892,335)	3,640,180	(34,252,155)
Public works	(25,854,625)	11,715,518	(14,139,107)
Community and development services	(40,987,635)	46,339,029	5,351,394
	<u>(\$145,250,867)</u>	<u>\$67,251,875</u>	<u>(\$77,998,992)</u>

The net revenue presented above for Community and Development Services governmental activities includes a \$5 million increase in the Housing Authority. This was partially generated from the distribution of assets from the former Waterstone Enterprise activity, and partially generated from the Housing Voucher rental program.

The following table presents the same net program cost information for business-type activities. In these programs, annual surpluses or deficits are retained in the programs as an increase or decrease in the program's net assets.

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
<b>Business-type Activities</b>			
Water utility	(\$32,418,880)	\$31,127,149	(\$1,291,731)
Local transportation	(29,663,516)	25,895,723	(3,767,793)
Sanitation and flood control	(24,902,110)	24,984,883	82,773
Marine World JPA	(58,203,991)	59,494,988	1,290,997
Other proprietary funds	(4,090,063)	2,361,488	(1,728,575)
	<u>(\$149,278,560)</u>	<u>\$143,864,231</u>	<u>(\$5,414,329)</u>

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

In addition to the accrual-basis government-wide statements described above, the City also maintains financial records at the fund level for budgetary control. Individual funds are generally established to track the resources and operating results for specific, restricted programs. The results for governmental funds below differ from the results reported above in the government-wide statements since here the focus is on current, available resources. The following are financial highlights from the City's most significant funds:

### Governmental Funds *(including budgetary highlights)*

**General Fund** – The General Fund realized general tax and other revenues of \$81 million during the year to pay for \$84 million in operating expenditures, including inter-fund transfers. Transfers included \$5 million to support deficit enterprise and internal service operations. These inter-fund transfers were in part funded from general tax and intergovernmental revenues



that were \$2.2 million favorable to budget, and departmental program expenditures that were \$2.6 million favorable to budget.

The net result was a draw of \$3 million of fund balance reserves during the year. Undesignated General Fund balance at June 30, 2006 was \$7.8 million. This balance is \$400 thousand favorable to the \$7.4 million balance projected at the time of fiscal year 06-07 budget adoption.

The final fiscal year 05-06 budget differs from the original budget in that it contains carry-forward appropriations (encumbrances) of \$0.7 million for various programs and projects, and supplemental appropriations of \$3.7 million approved during the fiscal year for personnel and other operating costs.

**Housing Authority** - This fund received \$28 million in federal HUD grants to support its Section 8 Housing Assistance Voucher Program. During the year, a \$1.2 million liability was disbursed to provide for supplemental housing assistance payments to program participants impacted by a reduction in payment standards. The Authority increased its governmental fund reserves by \$5 million during the year due to distributions from the former Waterstone Enterprise and due to voucher rental program leasing rates adjusting to updated annual HUD federal grant allocations.

**Mare Island** – This fund holds \$47 million of restricted federal funds to pay for the environmental remediation of the former Mare Island Naval base. \$7 million was expended during the year on this effort.

#### **Enterprise Funds**

**Water Fund** – This fund collected \$27 million in user fees to sustain the City's water system. The fund has \$115 million of capital assets, financed with \$74 million of long-term debt. The fund made \$6 million in debt service payments during the year. A rate structure adopted in the prior year continues to provide for user fee increases of 7% per year for three additional years through FY2008-09.

**Local Transportation** – This fund operates bus, ferry, and other mass transit options for the citizens of Vallejo and the surrounding region. \$11 million in user fees were supplemented by \$15 million in federal, state, and local grants to support operations. The fund realized a \$3.7 million loss for the year. The City approved a \$2.6 million working capital advance to continue program operations. For financial reporting in compliance with government accounting standards, this advance has been presented as an operating transfer while the City evaluates options for long-term financial stability.

**Waterstone Development**- This fund had been used to account for the operation of an affordable housing apartment complex which was sold during the year ended June 30, 2005. The funds net assets have now been distributed to other program funds of the Housing Authority.

**Sanitation and Flood Control** – This utility district operated during the year with \$21 million of user fees. New debt was issued to support the District's capital program.

**Marine World JPA** – This joint powers authority operated the Marine World amusement park with \$59 million in user fees. These fees supported operating costs and as well as \$5.4 million of debt service on its \$57 million of outstanding long-term debt.

**Marina** – The Marina collected \$1.8 million in user fees to support its operating and debt service costs. Debt service paid during the year was \$0.9 million. The fund continues to operate at a loss, which was \$1.2 million for the year. The City transferred \$721,000 in total from its General Fund and the State Lands Commission fund to fund a portion of this deficit.

**Golf** – The Golf fund collected pass-through annual revenues of \$0.5 million from the municipal course operator to fund debt service on its \$10 million of outstanding long-term debt. This debt was issued to acquire the capital assets of the fund.

### **CAPITAL ASSETS**

The Capital Assets of the City are those assets that are used in the performance of the City's functions, including infrastructure assets. This investment in capital assets includes land and easements, infrastructure, buildings and improvements, equipment, intangible assets, and construction in progress.

Infrastructure assets are assets that are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These assets are classified by the City in major categories which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. The City's decision to depreciate infrastructure capital assets results in recording a large non-cash depreciation amount each year that offsets additions to capital assets.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair.

The following is a summary of the City's capital assets at June 30, 2005, and 2006. Total capital assets have remained at \$697 million.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$135,204,112	\$135,204,112	\$14,714,538	\$14,701,333	\$149,918,650	\$149,905,445
Building and improvement	46,723,699	48,503,198	282,878,519	284,830,815	329,602,218	333,334,013
Machinery and equipment	8,383,241	9,855,978	37,447,572	39,452,861	45,830,813	49,308,839
Infrastructure	83,339,802	88,909,421	44,047,181	43,954,163	127,386,983	132,863,584
Construction in progress	10,283,654	9,430,174	33,478,475	22,436,568	43,762,129	31,866,742
Total	<u>\$283,934,508</u>	<u>\$291,902,883</u>	<u>\$412,566,285</u>	<u>\$405,375,740</u>	<u>\$696,500,793</u>	<u>\$697,278,623</u>

### **DEBT ADMINISTRATION**

The City follows these equally important objectives in administering its long-term debt financing program:

- Minimize debt service and issuance costs

- Maintain access to cost-effective borrowing
- Achieve the highest practical credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with applicable State and Federal laws

The following is a summary of the City's long-term debt obligations at June 30, 2005 and 2006. In total, long-term debt increased during the year by \$14 million, due to new debt issued by the Sanitation and Flood Control District Enterprise Fund.

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Tax Allocation Bonds	\$11,380,000	\$11,665,000			\$11,380,000	\$11,665,000
Certificate of Participation	29,715,144	30,505,614	\$156,721,379	\$138,299,106	186,436,523	168,804,720
Capital Lease Obligations	1,939,491	2,521,358			1,939,491	2,521,358
Revenue Bonds			67,288,083	68,955,592	67,288,083	68,955,592
Loans & Notes Payable			18,807,307	19,981,202	18,807,307	19,981,202
Total	<u>\$43,034,635</u>	<u>\$44,691,972</u>	<u>\$242,816,769</u>	<u>\$227,235,900</u>	<u>\$285,851,404</u>	<u>\$271,927,872</u>

The percentage of net bonded debt to taxable property valuation, and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. A comparison of these indicators follows. Per capita debt outstanding increased to \$2,360 from \$2,252 per capita compared to the prior fiscal year.

	June 30, 2006	June 30, 2005
Net debt	\$285,851,404	\$271,927,872
Net debt per capita	\$2,360	\$2,252
Net debt per capita as a percentage of per capita personal income	6.82%	6.71%
Net debt as a percentage of net assessed value	3.46%	3.72%

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

The Annual Budget assures the efficient, effective and economic uses of the City's resources, as well as establishing that the highest priority objectives are accomplished. Through the Budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. Positive economic indicators such as low unemployment, housing starts and construction valuation continue to indicate economic potential for the City. However, caution and significant program adjustments have been necessary in developing the City's General Fund budget for the subsequent fiscal year 2005-06.

The "sustainable budget" concept continues to be a key fiscal policy for the City. A sustainable budget uses one-time revenues to fund one-time expenditures and uses on-going revenue sources to support on-going expenditures. This sustainable budget strategy provides stewardship of current activity levels, addresses critical issues, and continues efforts to enhance services and facilities. The City has demonstrated its commitment to a sustainable budget by

identifying new revenue opportunities and reducing staff and other program expenditure commitments to move toward a level of service in line with available revenues. While the original 2005-06 budget included a “placeholder” \$4 million budget reduction line, City Council has subsequently adopted an updated, specific financial plan that includes both new revenue grown paired with expenditure reductions to phase the City into a sustainable financial plan.

### **CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report, separate reports of the City’s component units or need any additional financial information, contact the Office of the Finance Director at 555 Santa Clara Street, Vallejo, California, 94590, phone 707-648-4592.

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**GOVERNMENT WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS  
AND STATEMENT OF ACTIVITIES**

**CITY OF VALLEJO  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and investments (Note 2)	\$76,206,495	\$57,822,671	\$134,029,166
Accounts receivable	4,170,386	10,529,103	14,699,489
Interfund balances (Note 3)	1,580,598	(1,580,598)	
Loan to Marine World JPA (Note 3)	12,336,311		12,336,311
Due from other governments	8,543,091	4,762,669	13,305,760
Material, parts, and supplies	182,100	4,368,485	4,550,585
Prepays	145,547	364,091	509,638
<b>Total Current Assets</b>	<b>103,164,528</b>	<b>76,266,421</b>	<b>179,430,949</b>
Restricted cash and investments (Note 2)	64,700,520	36,753,711	101,454,231
Land held for redevelopment	1,843,279		1,843,279
Notes and loans receivable (Note 4)	18,862,583	447,137	19,309,720
Goodwill (Note 14)		12,025,908	12,025,908
Issuance cost		2,636,799	2,636,799
Deferred lease		227,829	227,829
<b>Capital assets (Note 5):</b>			
Nondepreciable	145,487,766	48,193,013	193,680,779
Depreciable, net of accumulated depreciation	138,446,742	364,373,272	502,820,014
<b>Total Noncurrent Assets</b>	<b>369,340,890</b>	<b>464,657,669</b>	<b>833,998,559</b>
<b>Total Assets</b>	<b>472,505,418</b>	<b>540,924,090</b>	<b>1,013,429,508</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	6,971,517	16,892,785	23,864,302
Accrued interest payable	676,258	3,650,208	4,326,466
Due to other governments	347,213		347,213
Revenue anticipation notes payable (Note 6)	12,000,000		12,000,000
Unearned revenues	468,812	212,855	681,667
Deposits payable	2,969,465	3,796,175	6,765,640
Employee benefits payable (Note 10)	689,236	89,000	778,236
Claims liability, due within one year (Note 13)	2,985,400		2,985,400
Long-term debt, due within one year (Note 7)	1,690,376	6,026,768	7,717,144
Marine World revenue sharing (Note 14)		8,623,383	8,623,383
<b>Total Current Liabilities</b>	<b>28,798,277</b>	<b>39,291,174</b>	<b>68,089,451</b>
<b>Noncurrent liabilities:</b>			
Claims liability (Note 13)	7,012,600		7,012,600
Employee benefits payable (Note 10)	20,635,599	1,615,441	22,251,040
Long-term debt (Note 7)	41,344,259	236,790,001	278,134,260
<b>Total Noncurrent Liabilities</b>	<b>68,992,458</b>	<b>238,405,442</b>	<b>307,397,900</b>
<b>Total Liabilities</b>	<b>97,790,735</b>	<b>277,696,616</b>	<b>375,487,351</b>
<b>NET ASSETS (Note 12)</b>			
Invested in capital assets, net of related debt	254,306,071	200,899,895	455,205,966
<b>Restricted for:</b>			
Debt service		18,866,041	18,866,041
Capital projects	55,947,304	31,064,034	87,011,338
Special projects and programs	80,390,412		80,390,412
<b>Total Restricted Net Assets</b>	<b>136,337,716</b>	<b>49,930,075</b>	<b>186,267,791</b>
Unrestricted	(15,929,104)	12,397,504	(3,531,600)
<b>Total Net Assets</b>	<b>\$374,714,683</b>	<b>\$263,227,474</b>	<b>\$637,942,157</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
Legislative and advisory	\$327,583				(\$327,583)		(\$327,583)
Executive	1,335,818	\$159			(1,335,659)		(1,335,659)
Finance	1,952,829				(1,952,829)		(1,952,829)
Human resources	1,273,713	202,034			(1,071,679)		(1,071,679)
Law	722,436				(722,436)		(722,436)
Development services	3,681,143	3,714,801		\$3,488	37,146		37,146
Community development	37,306,492	10,351,610	\$30,090,130	2,179,000	5,314,248		5,314,248
Fire services	25,373,064	3,590,607			(21,782,457)		(21,782,457)
Police services	37,892,335	2,429,573	1,057,341	153,266	(34,252,155)		(34,252,155)
Public works	25,854,625	5,542,217	5,320,829	852,472	(14,139,107)		(14,139,107)
Nondepartmental	6,826,980	1,603,457	160,891		(5,062,632)		(5,062,632)
Interest on long term debt	2,703,849				(2,703,849)		(2,703,849)
<b>Total Governmental Activities</b>	<b>145,250,867</b>	<b>27,434,458</b>	<b>36,629,191</b>	<b>3,188,226</b>	<b>(77,998,992)</b>		<b>(77,998,992)</b>
<b>Business-type Activities:</b>							
Water	32,418,880	26,637,244		4,489,905		(\$1,291,731)	(1,291,731)
Local Transportation	29,663,516	10,702,787	13,036,976	2,155,960		(3,767,793)	(3,767,793)
Sanitation and Flood Control	24,902,110	20,658,065	401,520	3,925,298		82,773	82,773
Marine World JPA	58,203,991	59,494,988				1,290,997	1,290,997
Marina	3,048,438	1,829,950	15,908			(1,202,580)	(1,202,580)
Golf	1,041,625	515,630				(525,995)	(525,995)
<b>Total Business-type Activities</b>	<b>149,278,560</b>	<b>119,838,664</b>	<b>13,454,404</b>	<b>10,571,163</b>		<b>(5,414,329)</b>	<b>(5,414,329)</b>
<b>Total</b>	<b>\$294,529,427</b>	<b>\$147,273,122</b>	<b>\$50,083,595</b>	<b>\$13,759,389</b>	<b>(77,998,992)</b>	<b>(5,414,329)</b>	<b>(83,413,321)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes/In-lieu property tax					28,564,568		28,564,568
Incremental property taxes					4,466,603		4,466,603
Sales taxes					14,479,613		14,479,613
User Utility					12,711,868		12,711,868
Franchise					2,383,829		2,383,829
Transit occupancy					1,405,410		1,405,410
Other					2,356,098		2,356,098
Investment earnings					4,985,424	1,549,559	6,534,983
Miscellaneous					403,163	37,705	440,868
Transfers (Note 3)					190,988	(190,988)	
<b>Total general revenues and transfers</b>					<b>71,947,564</b>	<b>1,396,276</b>	<b>73,343,840</b>
<b>Change in Net Assets</b>					<b>(6,051,428)</b>	<b>(4,018,053)</b>	<b>(10,069,481)</b>
<b>Net Assets-Beginning, as restated (Note 17)</b>					<b>380,766,111</b>	<b>267,245,527</b>	<b>648,011,638</b>
<b>Net Assets-Ending</b>					<b>\$374,714,683</b>	<b>\$263,227,474</b>	<b>\$637,942,157</b>

See accompanying notes to financial statements



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<b>FUND FINANCIAL STATEMENTS</b>
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**MAJOR GOVERNMENTAL FUNDS**

The funds described below were determined to be Major Governmental Funds by the City in the year ended June 30, 2006. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND** is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures.

**HOUSING AUTHORITY SPECIAL REVENUE FUND** is used to account for monies received and expended in the HUD Section 8 Housing Assistance Program for low and moderate income families.

**MARE ISLAND CONVERSION SPECIAL REVENUE FUND** is used to account for monies received from various sources (federal, state and local) which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

CITY OF VALLEJO  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2006

	General	Housing Authority	Mare Island Conversion	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments (Note 2)	\$5,706,698	\$7,955,776	\$2,360,389	\$52,374,973	\$68,397,836
Restricted cash and investments held with fiscal agent (Note 2)			44,245,641	20,454,879	64,700,520
Accounts receivable	3,371,297	171,032		566,398	4,108,727
Notes and loans receivable (Note 4)	850,213	81,900		17,930,470	18,862,583
Due from other governments	4,484,322			4,058,769	8,543,091
Loan to Marine World JPA (Note 3)				12,336,311	12,336,311
Advance to other funds (Note 3)				5,882,333	5,882,333
Material, parts, and supplies	3,461				3,461
Prepays	102,748			42,799	145,547
Land held for redevelopment	499,684			1,343,595	1,843,279
<b>Total Assets</b>	<b>\$15,018,423</b>	<b>\$8,208,708</b>	<b>\$46,606,030</b>	<b>\$114,990,527</b>	<b>\$184,823,688</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$2,637,219	\$164,751	\$341,422	\$2,935,359	\$6,078,751
Accrued interest payable				348,082	348,082
Due to other funds (Note 3)				2,497,538	2,497,538
Due to other governments	163,474			183,739	347,213
Revenue anticipation notes payable (Note 6)				12,000,000	12,000,000
Deferred revenues	453,076			6,136,140	6,589,216
Advances from other funds (Note 3)				6,050,375	6,050,375
Deposits payable	270,746	882,646		1,816,073	2,969,465
Employee benefits payable (Note 10)	637,236				637,236
<b>Total Liabilities</b>	<b>4,161,751</b>	<b>1,047,397</b>	<b>341,422</b>	<b>31,967,306</b>	<b>37,517,876</b>
<b>FUND BALANCES (Note 12)</b>					
Fund balance					
Reserved for:					
Encumbrances	666,232			1,550,840	2,217,072
Materials, parts, supplies	3,461				3,461
Prepays	102,748			34,169	136,917
Debt service				1,444,772	1,444,772
Capital projects			46,264,608		46,264,608
Notes and loans	845,018	81,900		12,168,142	13,095,060
Advances to other funds				5,646,560	5,646,560
Land held for redevelopment	499,684			1,343,595	1,843,279
Housing programs		6,668,926			6,668,926
Prepayment reserve/Six Flags				380,553	380,553
Unreserved:					
Designated for					
Program commitments	131,165			2,097,676	2,228,841
Capital projects				34,642,792	34,642,792
State budget impact/SB1096	856,541				856,541
Undesignated, Reported in:					
General Fund	7,751,823				7,751,823
Special Revenue Funds		410,485		9,080,599	9,491,084
Capital Projects Funds				18,203,637	18,203,637
Debt Service Funds				(3,686,077)	(3,686,077)
Permanent Fund				115,963	115,963
<b>Total Fund Balances</b>	<b>10,856,672</b>	<b>7,161,311</b>	<b>46,264,608</b>	<b>83,023,221</b>	<b>147,305,812</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$15,018,423</b>	<b>\$8,208,708</b>	<b>\$46,606,030</b>	<b>\$114,990,527</b>	<b>\$184,823,688</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
 Reconciliation of  
 GOVERNMENTAL FUNDS – FUND BALANCE  
 with  
 GOVERNMENTAL NET ASSETS  
 JUNE 30, 2006

Total fund balances reported on the governmental funds balance sheet \$147,305,812

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

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and  
 therefore are not reported in the Governmental Funds. 281,208,018

**ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS**

Internal service funds are not governmental funds. However, they are used by management to  
 charge the costs of certain activities, such as insurance and central services and maintenance  
 to individual governmental funds. The net current assets of the Internal Service Funds are therefore  
 included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	\$7,808,659	
Accounts receivable	61,659	
Materials, parts, and supplies	178,639	
Due from other funds	4,078,136	
Advances to other funds	168,042	
Capital assets	2,726,490	
Accounts payable	(892,766)	
Claims payable	(9,998,000)	
Employee benefits payable	<u>(240,386)</u>	
		3,890,473

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

Revenues which are deferred on the Fund Balance Sheets because they are not available currently  
 are taken into revenue in the Statement of Activities. 6,120,404

**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 Funds:

Long-term debt	(43,034,635)
Interest payable	(328,176)
Non-current portion of compensated absences	<u>(20,447,213)</u>

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$374,714,683

See accompanying notes to financial statements

CITY OF VALLEJO  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2006

	General	Housing Authority	Mare Island Conversion	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$53,083,876			\$4,466,603	\$57,550,479
Licenses, permits, and fees	3,440,959			2,559,475	6,000,434
Fines and forfeitures	1,410,820			2,476,517	3,887,337
Intergovernmental	14,321,658	\$27,761,859	\$2,179,000	5,517,744	49,780,261
Use of money and property	546,224	261,170	1,647,419	4,247,771	6,702,584
Charges for services	2,193,226			9,133,263	11,326,489
Other	2,826,607	96,242		1,525,550	4,448,399
<b>Total Revenues</b>	<b>77,823,370</b>	<b>28,119,271</b>	<b>3,826,419</b>	<b>29,926,923</b>	<b>139,695,983</b>
<b>EXPENDITURES</b>					
Current:					
Legislative and advisory	323,174				323,174
Executive	1,310,691			64,225	1,374,916
Finance	1,864,644				1,864,644
Human resources	1,282,442				1,282,442
Law	764,614				764,614
Development services	2,338,949			1,311,914	3,650,863
Community development	416,290	24,438,514	7,305,549	7,695,688	39,856,041
Fire services	22,533,874			2,189,800	24,723,674
Police services	35,264,688			1,365,460	36,630,148
Public works	5,055,339			8,737,726	13,793,065
Nondepartmental	5,041,656			1,785,324	6,826,980
Capital outlay				5,218,215	5,218,215
Debt Service:					
Principal	581,866			1,075,471	1,657,337
Interest and fiscal agent fees	125,755			2,580,110	2,705,865
<b>Total Expenditures</b>	<b>76,903,982</b>	<b>24,438,514</b>	<b>7,305,549</b>	<b>32,023,933</b>	<b>140,671,978</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>919,388</b>	<b>3,680,757</b>	<b>(3,479,130)</b>	<b>(2,097,010)</b>	<b>(975,995)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	3,286,188	1,474,078		7,094,426	11,854,692
Transfers out	(7,205,248)			(6,262,653)	(13,467,901)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,919,060)</b>	<b>1,474,078</b>		<b>831,773</b>	<b>(1,613,209)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,999,672)</b>	<b>5,154,835</b>	<b>(3,479,130)</b>	<b>(1,265,237)</b>	<b>(2,589,204)</b>
<b>BEGINNING FUND BALANCES</b>	<b>13,856,344</b>	<b>2,006,476</b>	<b>49,743,738</b>	<b>84,288,458</b>	<b>149,895,016</b>
<b>ENDING FUND BALANCES</b>	<b>\$10,856,672</b>	<b>\$7,161,311</b>	<b>\$46,264,608</b>	<b>\$83,023,221</b>	<b>\$147,305,812</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
 Reconciliation of the  
 NET CHANGE IN GOVERNMENTAL FUND BALANCES  
 with the  
 CHANGE IN GOVERNMENT NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2006

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$2,589,204)

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay and other capital expenditures are therefore added back to fund balance 853,481

Depreciation expense is deducted from the fund balance  
 (Depreciation expense is net of internal service fund depreciation of \$1,271,420 which has already been allocated to serviced funds) (8,185,313)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 1,657,337

ACCRUAL OF NON-CURRENT ITEMS

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

Interest payable 2,016  
 Deferred revenue 1,813,369  
 Compensated absences (2,068,864)

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 governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds 2,465,750

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$6,051,428)

See accompanying notes to financial statements

CITY OF VALLEJO  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$54,007,800	\$51,927,798	\$53,083,876	\$1,156,078
Licenses, permits and fees	4,449,600	3,872,900	3,440,959	(431,941)
Fines and forfeitures	1,549,000	1,175,900	1,410,820	234,920
Intergovernmental	13,530,600	13,300,818	14,321,658	1,020,840
Use of money and property	256,700	404,700	546,224	141,524
Charges for services	2,191,600	2,061,374	2,193,226	131,852
Other	1,849,700	2,896,600	2,826,607	(69,993)
<b>Total Revenues</b>	<u>77,835,000</u>	<u>75,640,090</u>	<u>77,823,370</u>	<u>2,183,280</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative and advisory	327,000	327,000	323,174	3,826
Executive	1,316,100	1,584,391	1,310,691	273,700
Finance	1,915,300	2,178,031	1,864,644	313,387
Human resources	1,230,200	1,294,541	1,282,442	12,099
Law	795,500	895,500	764,614	130,886
Development services	2,805,000	2,826,290	2,338,949	487,341
Community development		432,000	416,290	15,710
Fire services	22,059,500	22,818,294	22,533,874	284,420
Police services	35,142,200	35,566,106	35,264,688	301,418
Public works	5,310,100	5,384,204	5,055,339	328,865
Nondepartmental	5,490,200	5,508,134	5,041,656	466,478
Capital outlay				
Debt Service:				
Principal	581,900	581,900	581,866	34
Interest	125,800	125,800	125,755	45
<b>Total Expenditures</b>	<u>77,098,800</u>	<u>79,522,191</u>	<u>76,903,982</u>	<u>2,618,209</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>736,200</u>	<u>(3,882,101)</u>	<u>919,388</u>	<u>4,801,489</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,051,000	2,975,000	3,286,188	311,188
Transfers (out)	(2,575,900)	(4,275,900)	(7,205,248)	(2,929,348)
<b>Total other financing sources (uses)</b>	<u>(524,900)</u>	<u>(1,300,900)</u>	<u>(3,919,060)</u>	<u>(2,618,160)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$211,300</u>	<u>(\$5,183,001)</u>	<u>(2,999,672)</u>	<u>\$2,183,329</u>
Fund balance, July 1			<u>13,856,344</u>	
Fund balance, June 30			<u>\$10,856,672</u>	

See accompanying notes to financial statements

CITY OF VALLEJO  
HOUSING AUTHORITY FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$29,599,800	\$29,599,800	\$27,761,859	(\$1,837,941)
Use of money and property	25,000	25,000	261,170	236,170
Other	38,000	38,000	96,242	58,242
Total Revenues	<u>29,662,800</u>	<u>29,662,800</u>	<u>28,119,271</u>	<u>(1,543,529)</u>
EXPENDITURES:				
Current:				
Community development	29,662,800	29,662,800	24,438,514	5,224,286
Total Expenditures	<u>29,662,800</u>	<u>29,662,800</u>	<u>24,438,514</u>	<u>5,224,286</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			<u>3,680,757</u>	<u>3,680,757</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			1,474,078	1,474,078
Total Other Financing Sources (Uses)			<u>1,474,078</u>	<u>1,474,078</u>
NET CHANGE IN FUND BALANCES			<u>5,154,835</u>	<u>\$5,154,835</u>
Fund balance, July 1			<u>2,006,476</u>	
Fund balance, June 30			<u>\$7,161,311</u>	

See accompanying notes to financial statements



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**CITY OF VALLEJO, CALIFORNIA**

**MAJOR PROPRIETARY FUNDS**

The City reported all enterprise funds as major funds in fiscal 2006.

**WATER FUND** is used to account for the production and distribution of water to residents and businesses located within the City. Water service is also provided to Lakes District and Travis Air Force Base customers outside the City limits.

**LOCAL TRANSPORTATION FUND** is used to account for the operations and management of the City transit operations, which includes bus, ferry, paratransit and taxi subsidy operations.

**WATERSTONE DEVELOPMENT FUND** is used to account for the operation and management of the Waterstone Apartment complex, a 180 unit development. With sale the of this property, this fund has been closed as of June 30, 2006.

**SANITATION AND FLOOD CONTROL FUND** is used to account for the activities of the Vallejo Sanitation and Flood Control District. The District provides for the collection and treatment of wastewater and storm drain run-off.

**MARINE WORLD JOINT POWERS AGREEMENT FUND** is used to account for the activities of the Marine World Joint Powers Authority. The Authority provides for the operations, improvements and management of the Six Flags Marine World Africa USA theme park.

**MARINA FUND** is used to account for the operations, improvement and management of the City marina operations.

**GOLF FUND** is used to account for the capital assets of the City's municipal golf course and the course operator's pass-through revenues that service the City debt used to acquire and improve the assets of the fund.

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

Business-type Activities-Enterprise Funds

	Water	Local Transportation	Waterstone Development	Sanitation and Flood Control	Marine World JPA as of December 31, 2005
<b>ASSETS</b>					
Current assets:					
Cash and investments (Note 2)	\$7,493,010			\$44,631,863	\$5,183,938
Accounts receivable (net of allowance for uncollectibles)	4,269,680			5,710,953	384,164
Due from other governments		\$4,762,669			
Material, parts and supplies	526,603	2,369,811		251,341	1,197,248
Prepays	28,506				290,435
Due from other funds (Note 3)					
<b>Total current assets</b>	<b>12,317,799</b>	<b>7,132,480</b>		<b>50,594,157</b>	<b>7,055,785</b>
Noncurrent assets:					
Restricted cash and investments (Note 2)	6,272,622			23,414,638	5,265,140
Goodwill (Note 14)					12,025,908
Issuance costs	974,919			1,034,386	
Notes receivable (Note 4)	92,869			354,268	
Deferred lease				227,829	
Advance to other funds (Note 3)					
Capital assets (Note 5):					
Nondepreciable	1,873,115	5,185,860		28,905,968	
Depreciable, net	112,683,262	32,048,635		186,959,296	19,383,999
<b>Total noncurrent assets</b>	<b>121,896,787</b>	<b>37,234,495</b>		<b>240,896,385</b>	<b>36,675,047</b>
<b>Total assets</b>	<b>134,214,586</b>	<b>44,366,975</b>		<b>291,490,542</b>	<b>43,730,832</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	1,665,197	2,640,545		9,703,039	2,252,495
Accrued interest payable	518,082			1,329,713	1,711,238
Due to other funds (Note 3)		1,580,598			
Deferred revenue		182,653			
Deposits payable	1,718,182	329,874		1,651,923	
Marine World JPA revenues and reimbursement payable (Note 14)					8,623,383
Claims payable, current (Note 13)					
Employee benefits payable, current (Note 10)	58,000	29,000			
Long-term debt, due within one year (Note 7)	1,953,757			2,561,123	1,070,000
<b>Total current liabilities</b>	<b>5,913,218</b>	<b>4,762,670</b>		<b>15,245,798</b>	<b>13,657,116</b>
Long-term liabilities:					
Certificates of participation (Note 7)					
Bonds payable, net (Note 7)	66,332,685			68,741,876	56,425,000
Loans payable (Note 7)	6,217,252			11,841,822	
Claims payable, noncurrent (Note 13)					
Employee benefits payable, noncurrent (Note 10)	1,565,981	17,093			
<b>Total noncurrent liabilities</b>	<b>74,115,918</b>	<b>17,093</b>		<b>80,583,698</b>	<b>56,425,000</b>
<b>Total Liabilities</b>	<b>80,029,136</b>	<b>4,779,763</b>		<b>95,829,496</b>	<b>70,082,116</b>
<b>NET ASSETS (Note 12)</b>					
Invested in capital assets, net of related debt	40,052,683	37,234,495		148,047,266	(22,287,445)
Restricted for capital improvements				31,064,034	
Restricted for debt service	6,272,622			7,136,370	5,265,140
Unrestricted	7,860,145	2,352,717		9,413,376	(9,328,979)
<b>Total Net Assets</b>	<b>\$54,185,450</b>	<b>\$39,587,212</b>		<b>\$195,661,046</b>	<b>(\$26,351,284)</b>

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Funds
Marina	Golf	Totals	
\$427,185	\$86,675	\$57,822,671	\$7,808,659
23,642	140,664	10,529,103	61,659
		4,762,669	
23,482		4,368,485	178,639
	45,150	364,091	
			4,078,136
<u>474,309</u>	<u>272,489</u>	<u>77,847,019</u>	<u>12,127,093</u>
191,909	1,609,402	36,753,711	
		12,025,908	
275,972	351,522	2,636,799	
		447,137	
		227,829	
			168,042
10,736,670	1,491,400	48,193,013	
7,055,137	6,242,943	364,373,272	2,726,490
<u>18,259,688</u>	<u>9,695,267</u>	<u>464,657,669</u>	<u>2,894,532</u>
<u>18,733,997</u>	<u>9,967,756</u>	<u>542,504,688</u>	<u>15,021,625</u>
547,453	84,056	16,892,785	892,766
57,522	33,653	3,650,208	
		1,580,598	
30,202		212,855	
96,196		3,796,175	
		8,623,383	
			2,985,400
2,000		89,000	52,000
276,888	165,000	6,026,768	
<u>1,010,261</u>	<u>282,709</u>	<u>40,871,772</u>	<u>3,930,166</u>
17,451,719	9,779,647	218,730,927	
		18,059,074	
			7,012,600
32,367		1,615,441	188,386
<u>17,484,086</u>	<u>9,779,647</u>	<u>238,405,442</u>	
<u>18,494,347</u>	<u>10,062,356</u>	<u>279,277,214</u>	<u>11,131,152</u>
63,200	(2,210,304)	200,899,895	2,726,490
		31,064,034	
191,909		18,866,041	
(15,459)	2,115,704	12,397,504	1,163,983
<u>\$239,650</u>	<u>(\$94,600)</u>	<u>\$263,227,474</u>	<u>\$3,890,473</u>

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2006

Business-type Activities-Enterprise Funds

	Water	Local Transportation	Waterstone Development	Sanitation and Flood Control	Marine World JPA as of December 31, 2005
<b>OPERATING REVENUES</b>					
Charges for services	\$26,300,823	\$10,702,790		\$20,162,008	\$59,177,136
Other	336,421			496,057	317,852
<b>Total operating revenues</b>	<b>26,637,244</b>	<b>10,702,790</b>		<b>20,658,065</b>	<b>59,494,988</b>
<b>OPERATING EXPENSES</b>					
Operations expenses	16,115,454	25,069,400		11,771,992	40,808,679
Revenue-sharing					10,722,510
General and administrative	6,531,041	312,178		3,127,003	500,000
Insurance and claims					
Depreciation	5,942,778	4,223,659		7,091,764	1,780,096
<b>Total operating expenses</b>	<b>28,589,273</b>	<b>29,605,237</b>		<b>21,990,759</b>	<b>53,811,285</b>
<b>Operating income (loss)</b>	<b>(1,952,029)</b>	<b>(18,902,447)</b>		<b>(1,332,694)</b>	<b>5,683,703</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	126,955	1,419		1,258,267	131,141
Intergovernmental revenue		15,192,933		401,520	
Gain on sale of capital assets					
Interest expense and fiscal charges	(3,782,246)	(58,279)		(2,911,351)	(4,392,706)
Bond issuance cost	(47,361)				
Other revenues (expenses)				37,705	
<b>Total nonoperating revenues (expenses)</b>	<b>(3,702,652)</b>	<b>15,136,073</b>		<b>(1,213,859)</b>	<b>(4,261,565)</b>
Contributions	4,489,905			3,925,298	
Transfers in (Note 3)	472,968	2,627,000			
Transfers (out) (Note 3)			(\$1,474,078)		(2,680,628)
<b>Change in net assets</b>	<b>(691,808)</b>	<b>(1,139,374)</b>	<b>(1,474,078)</b>	<b>1,378,745</b>	<b>(1,258,490)</b>
<b>BEGINNING NET ASSETS, as restated (Note 17)</b>	<b>54,877,258</b>	<b>40,726,586</b>	<b>1,474,078</b>	<b>194,282,301</b>	<b>(25,092,794)</b>
<b>ENDING NET ASSETS</b>	<b>\$54,185,450</b>	<b>\$39,587,212</b>		<b>\$195,661,046</b>	<b>(\$26,351,284)</b>

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
<u>Marina</u>	<u>Golf</u>	<u>Totals</u>	
\$1,829,950	\$515,630	\$118,688,337	\$8,045,742
		1,150,330	75,615
<u>1,829,950</u>	<u>515,630</u>	<u>119,838,667</u>	<u>8,121,357</u>
1,197,452	168,237	95,131,214	3,575,767
103,350		10,722,510	
		10,573,572	2,744,908
<u>1,036,049</u>	<u>376,561</u>	<u>20,450,907</u>	<u>1,271,420</u>
<u>2,336,851</u>	<u>544,798</u>	<u>136,878,203</u>	<u>7,592,095</u>
<u>(506,901)</u>	<u>(29,168)</u>	<u>(17,039,536)</u>	<u>529,262</u>
2,551	29,226	1,549,559	114,016
15,908		15,610,361	
			18,275
(702,124)	(459,270)	(12,305,976)	
(9,463)	(37,557)	(94,381)	
		37,705	
<u>(693,128)</u>	<u>(467,601)</u>	<u>4,797,268</u>	<u>132,291</u>
		8,415,203	
721,041	142,709	3,963,718	2,521,824
		(4,154,706)	(717,627)
<u>(478,988)</u>	<u>(354,060)</u>	<u>(4,018,053)</u>	<u>2,465,750</u>
<u>718,638</u>	<u>259,460</u>	<u>267,245,527</u>	<u>1,424,723</u>
<u>\$239,650</u>	<u>(\$94,600)</u>	<u>\$263,227,474</u>	<u>\$3,890,473</u>

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2006

Business-type Activities-Enterprise Funds

	Water	Local Transportation	Waterstone Development	Sanitation and Flood Control	Marine World JPA as of December 31, 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$27,175,634	\$11,397,751		\$19,568,420	\$59,553,041
Payments to suppliers	(17,112,682)	(25,380,100)		(1,107,832)	(41,267,156)
Payments to employees	(6,324,754)	(362,980)		(7,849,636)	(7,881,063)
Claims paid					
<b>Cash Flows from Operating Activities</b>	<b>3,738,198</b>	<b>(14,345,329)</b>		<b>10,610,952</b>	<b>10,404,822</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Increase (decrease) in transfers	472,968	2,627,000	(\$1,474,078)		(1,867,892)
Increase (decrease) in due from other funds		(1,496,163)			
Increase (decrease) in due to other funds					
Increase (decrease) in advance to other funds					
Intergovernmental receipts		15,427,312		401,520	
<b>Cash Flows from Noncapital Financing Activities</b>	<b>472,968</b>	<b>16,558,149</b>	<b>(1,474,078)</b>	<b>401,520</b>	<b>(1,867,892)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(2,821,356)	(2,155,960)		(21,580,936)	
Sale of capital assets					
Deferred lease				(227,829)	
Proceeds from long term debt				40,543,233	
Payments to escrow				(19,075,000)	
Issuance costs				(586,286)	
Principal payments on capital debt	(2,229,585)			(1,901,673)	(1,010,000)
Interest paid	(3,855,341)	(58,279)		(2,411,869)	(4,419,639)
Capital contributions	4,489,905			3,963,003	
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(4,416,377)</b>	<b>(2,214,239)</b>		<b>(1,277,357)</b>	<b>(5,429,639)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	126,955	1,419		1,258,267	131,141
<b>Cash Flows from Investing Activities</b>	<b>126,955</b>	<b>1,419</b>		<b>1,258,267</b>	<b>131,141</b>
<b>Net Cash Flows</b>	<b>(78,256)</b>		<b>(1,474,078)</b>	<b>10,993,382</b>	<b>3,238,432</b>
Cash and investments at beginning of period	13,843,888		1,474,078	57,053,119	7,210,646
<b>Cash and investments at end of period</b>	<b>\$13,765,632</b>			<b>\$68,046,501</b>	<b>\$10,449,078</b>
<b>Noncash transactions</b>					
Contributed capital assets					
Retirement of capital assets					
Issuance costs					
<b>Reconciliation of Operating Income (Loss) to Cash Flows</b>					
from Operating Activities:					
Operating income (loss)	(\$1,952,029)	(\$18,902,447)		(\$1,332,694)	\$5,683,703
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	5,942,778	4,223,659		7,091,764	1,780,096
Change in assets and liabilities:					
Receivables, net	210,115			(566,026)	58,053
Inventory and prepaids	(10,174)	36,248			70,216
Other assets	17,792	183,559		122,417	
Accounts payable and other accrued expenses	(987,054)	70,329		5,846,474	2,812,754
Employee benefits payable	206,287	(50,802)			
Due to other governments		(417,277)			
Deposits payable	310,483	328,749		(550,983)	
Deferred revenue		182,653			
Claims payable					
<b>Cash Flows from Operating Activities</b>	<b>\$3,738,198</b>	<b>(14,345,329)</b>		<b>\$10,610,952</b>	<b>\$10,404,822</b>

See accompanying notes to financial statements

Marina	Golf	Totals	Governmental Activities- Internal Service Funds
\$1,830,587	\$420,800	\$119,946,233	\$8,723,875
(1,087,916)	(60,519)	(86,016,205)	(1,656,250)
(428)		(22,418,861)	(1,939,880)
			(4,045,908)
<u>742,243</u>	<u>360,281</u>	<u>11,511,167</u>	<u>1,081,837</u>
721,041	142,709	621,748	1,145,015
(81,048)		(1,577,211)	(521,275)
15,908		15,844,740	(168,042)
<u>655,901</u>	<u>142,709</u>	<u>14,889,277</u>	<u>455,698</u>
		(26,558,252)	42,580
		(227,829)	
		40,543,233	
		(19,075,000)	
		(586,286)	
(269,116)	(149,891)	(5,560,265)	
(644,602)	(451,280)	(11,841,010)	
		8,452,908	
<u>(913,718)</u>	<u>(601,171)</u>	<u>(14,852,501)</u>	<u>42,580</u>
2,551	29,226	1,549,559	114,016
<u>2,551</u>	<u>29,226</u>	<u>1,549,559</u>	<u>114,016</u>
486,977	(68,955)	13,097,502	1,694,131
132,117	1,765,032	81,478,880	6,114,528
<u>\$619,094</u>	<u>\$1,696,077</u>	<u>\$94,576,382</u>	<u>\$7,808,659</u>
			(\$85,808)
(\$9,463)	(\$5,109)	(\$14,572)	
(\$506,901)	(\$29,168)	(\$17,039,536)	\$529,262
1,036,049	376,561	20,450,907	1,271,420
(23,642)	(94,830)	(416,330)	60,800
(9,032)	23,662	110,920	
13,687		337,455	(23,767)
221,918	84,056	8,048,477	541,559
(428)		155,057	3,563
		(417,277)	
10,582		98,831	
10		182,663	
			(1,301,000)
<u>\$742,243</u>	<u>\$360,281</u>	<u>\$11,511,167</u>	<u>\$1,081,837</u>



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**CITY OF VALLEJO, CALIFORNIA**

**FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

The City uses agency fiduciary funds to account for its Improvement District and Assessment District funds. These funds account for the annual collection of assessments and disbursement to district bond holders for debt without City commitment.

CITY OF VALLEJO  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$7,710,871
Restricted cash and investments (Note 2)	<u>3,973,776</u>
Total Assets	<u><u>\$11,684,647</u></u>
LIABILITIES	
Deposits payable	\$1,495
Due to bondholders	<u>11,683,152</u>
Total Liabilities	<u><u>\$11,684,647</u></u>

See accompanying notes to financial statements

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

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

**A. *Financial Reporting Entity***

The City was incorporated in 1868 as a charter City, with a Council-Manager form of Government and provides all municipal services, excluding garbage disposal and electricity.

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

- Housing Authority of the City of Vallejo
- Marine World Joint Powers Authority
- Parking Authority of the City of Vallejo
- Public Financing Authority of the City of Vallejo
- Redevelopment Agency of the City of Vallejo
- Vallejo Sanitation and Flood Control District
- Vallejo Sanitation and Flood Control District Financing Corporation

Additional financial information for each of these entities can be obtained from the Finance Department, City of Vallejo, 555 Santa Clara Street, Vallejo, CA 94590.

**The Housing Authority of the City of Vallejo**--was formed in June 1942 and is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through federal assistance programs and mortgage revenue bond program. The Housing Authority is governed by a Board of Commissioners composed of the City Council members and two tenants of the Housing Authority. The operations of the Housing Authority are reported as a governmental fund and an enterprise fund of the City.

**The Marine World Joint Powers Authority**-- was formed in October 1996, pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California for the purpose of assuming ownership of the Marine World Africa USA theme park from the Marine World Foundation. The City Council is the governing body of the Marine World JPA. The operations of the Marine World JPA are reported as a proprietary fund of the City. The Marine World JPA's financial information is for the year ended December 31, 2005.

**The Parking Authority of the City of Vallejo**--was formed in May 1975, pursuant to the provisions of California statutes. Operations of the Parking Authority began in May 1977, with the execution of a joint powers agreement with the City. The purpose of this agreement was to provide the acquisition, construction, financing and operation of parking facilities in the downtown area of the City. The City Council is the governing board of the Parking Authority. The Authority has had no activity and had no assets during the year ended June 30, 2006.

**The Public Financing Authority**--of the City of Vallejo was formed in July 1990. The primary purpose of the PFA is to provide financing for City projects. The City Council is the governing board of the PFA. The PFA is reported as governmental fund of the City.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**The Redevelopment Agency of the City of Vallejo** --was formed in July 1956 and is organized under the State of California Community Redevelopment Law. The Agency has established the 1) Flosden Acres Project, 2) Waterfront Development Project, 3) Marina Vista Project, 4) Vallejo Central Project, 5) Southeast Vallejo Project, 6) an Administration fund, and 7) an Affordable Housing Fund. The projects within each area are financed with debt, which will be paid with property tax increment revenue and proceeds from the sale and/or lease of real property. The City Council is the governing board of the Agency. The Agency is reported as governmental funds of the City.

**Vallejo Sanitation and Flood Control District (VSFCD)** was created by an act of the California legislature and began operations in May 1952. The purpose of the Act was to give autonomous authority to VSFCD to provide for the collection, treatment and disposal of wastewater and to control and dispose of storm waters. From 1993 to 1999 VSFCD was part of the City's operations. Commencing July 1, 1999 the VSFCD became a separate district from the City. The Board now consists of seven elected City Council members and one member appointed by the Solano County Board of Supervisors. The VSFCD is reported as a proprietary fund of the City.

**Vallejo Sanitation and Flood Control District Financing Corporation** is a non-profit public benefit corporation organized in July 1993, under the laws of the State of California for the purpose of assisting the VSFCD in funding certain projects and other matters relating to the purpose of VSFCD. Members of the Board for VSFCD serve as Directors of the VSFCDFC. The VSFCDFC is reported as part of the VSFCD proprietary fund of the City.

**B. Basis of Presentation**

These *Basic Financial Statements* are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The City's financial position and results of operations are presented from two perspectives in the following two sets of financial statements:

**Government-wide Statements:** The government-wide financial statements, including the *Statement of Net Assets* and the *Statement of Activities*, report the financial activities of the overall City using an economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activities of the City, which are custodial in nature, are not included in these statements and are presented separately. Eliminations have been made to minimize the double counting of internal activities. All internal balances in the *Statement of Net Assets* have been eliminated except those representing balances between the governmental and business-type activities.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the City. Direct expenses are those that are specifically associated with a program or function. Certain indirect costs are included in program expenses reported for individual functions and activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) operating grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) capital fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

The City may pay for its programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

***Fund Financial Statements:*** In addition to the government-wide statements described above, the City also presents *Fund Financial Statements*. The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. The City accounts for its operations in governmental, proprietary and fiduciary funds, which include the following categories:

***Governmental Funds:***

General Fund – To account for resources traditionally associated with general government operations of the City that are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources that are legally restricted to be expended for specified purposes.

Debt Service Funds – To account for the servicing of long-term debt not being financed by business-type funds.

Capital Projects Funds– To account for the acquisition and construction of capital improvements.

***Proprietary Funds:***

Enterprise Funds – To account for operations that are financed substantially through user fees and are operated in a manner similar to private business enterprises.

Internal Service Funds – To account for the financing of goods and services provided by one City department to other departments on a cost reimbursement basis.

***Fiduciary Funds:***

Agency Funds - To account for assets held by the City as an agent for third parties, such as bonded assessment districts. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

**Governmental Funds:** Governmental funds are used to report the majority of the City's programs. These funds are reported in the *Fund Financial Statements* on the modified accrual basis of accounting, with a focus on current financial resources. This basis differs from the accrual basis of accounting used to report the government-wide financial statements and proprietary fund financial statements.

Revenues are recognized when measurable and available. The City considers revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. This period is extended to seven months for the County's final distribution of Senate Bill 1096 "Triple Flip" sales tax and motor vehicle license revenue, and to one year for grant programs. Revenues susceptible to accrual include taxes, intergovernmental revenues, charges for services and interest revenue. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

**Proprietary Funds:** The proprietary funds of the City are reported on the accrual basis of accounting in the *Fund Financial Statements*. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the funds. All other expenses are reported as non-operating expenses.

The City also reports the following fund types:

**Internal Service Funds:** These funds account for equipment maintenance and replacement; retirees' health and employee benefits plans; and for workers' compensation, unemployment self-insurance, general liability self-insurance, and property insurance coverage; all of which are provided to other departments on a cost-reimbursement basis. Revenues are recognized based on cycle billings rendered to customers. Revenues for services provided but not billed at the end of a fiscal period are not material and are not accrued.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fiduciary Funds:* Agency funds are used to account for assets held by the City as an agent for the bondholders of the improvement and assessment land-based debt districts within the City.

**D. Major Funds**

The *Fund Financial Statements* focus on the individual *major* funds of the City, each of which is displayed in a separate column, and the aggregate of remaining funds, which are labeled as *non-major* funds. *Major* funds are defined as funds with assets, liabilities, revenues, expenditures, or expenses equal to ten percent of their fund-type total, and five percent of the grand total, or other funds of reporting significance.

The City reports the following major funds in the accompanying *Fund Financial Statement*:

*General Fund* - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Housing Authority Special Revenue Fund* - is used to account for monies received and expended in housing assistance to low and moderate income families. Funds are provided by receipts from the Federal Section 8 HUD programs.

*Mare Island Conversion Special Revenue Fund* - is used to account for monies received from various sources (federal, state and local) which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

The City reports all its enterprise funds as major funds in the accompanying financial statements:

*Water Fund* - is used to account for the production and distribution of water to residents and businesses located within the City. Water service is also provided to Lakes District and Travis Air Force Base customers outside the City limits.

*Local Transportation Fund* - is used to account for the operations and management of the City transit operations, which includes bus, ferry, para-transit and taxi subsidy operations.

*Waterstone Development Fund* - is used to account for the operation and management of the Waterstone Apartment complex, a 180 unit development. With the sale of this property, this fund has been closed as of June 30, 2006.

*Sanitation and Flood Control Fund* - is used to account for the collections and treatment of wastewater and storm drain run-off.

*Marine World Joint Powers Agreement Fund* - is used to account for the operations, improvement and management of the Marine World operations.

*Marina Fund* - is used to account for the operations, improvement and management of the City marina operations.



**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Golf Fund* – is used to account for the capital assets of the City’s municipal golf course and the course operator’s pass-through revenues that service the City debt used to acquire and improve the assets of the fund.

**E. *Budgeting Procedures***

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a minute order.
4. All budget adjustments are approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the Fund level.
5. Budgets are adopted for the General Fund and Special Revenue Funds except Repair & Demolition Revolving, Mobile Home Park, Admin Trust, Mare Island CFD 1B 2005 (Local), and Utility Billing Administration Special Revenue Funds.
6. Formal budgetary integration is employed as a management control device during the year in all budgeted funds.
7. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principals.

**F. *Encumbrance Accounting***

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year. Encumbrances outstanding at year-end do not lapse and are included as part of the following year budget.

**G. *Property Tax Revenues***

Solano County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. *Materials, Parts, and Supplies***

Materials, parts and supplies are held for consumption and are valued at average cost. Enterprise fund supplies consist of materials and supplies which are held for future use. General fund supplies are recorded as expenditure at the time individual supply items are purchased.

**I. *Use of Estimates***

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

**J. *Closed and New Funds***

The following funds were established as of July 1, 2005:

Special Revenue Funds:

1. Mare Island CFD 1A (State)
2. Mare Island CFD 1B (Local)
3. State Lands

Capital Projects Funds:

1. Mare Island Benefit CFD 2005 1A Facilities
2. N.E. Quadrant Improvement District 03-1
3. Traffic Congestion Relief
4. Downtown Development Capital Projects
5. Capital Grants & Contributions

As of June 30, 2006, the R.W. Johnson Foundation Grant, Mobile Home Park, Utility Billing Administration Special Revenues were closed. Also, the Traffic Signal Interconnection and Citywide Traffic Signal II Capital Projects Funds were closed.

**NOTE 2 - CASH AND INVESTMENTS**

**A. *Administration***

Cash and investments are administered separately by the City and by its two blended component units, Marine World JPA and the Vallejo Sanitation and Flood Control District (VSFCD). The respective cash and investment positions as of June 30, 2006 for each of these administrative units is as follows:

	City	Marine World JPA	Sanitation and Flood Control District	Total
Cash on hand	\$5,550	\$2,300		\$7,850
Deposits	8,609,057	5,181,638	\$916,476	14,707,171
Investments	160,057,858	5,265,140	67,130,025	232,453,023
	<u>\$168,672,465</u>	<u>\$10,449,078</u>	<u>\$68,046,501</u>	<u>\$247,168,044</u>

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**B. Classification**

Cash and investments are classified in the financial statements as shown below. Restrictions are imposed by debt instruments and other agreements.

<u>Statement of Net Assets</u>	
Cash and investments available for operations:	
City	\$84,213,365
Marine World JPA	5,183,938
Sanitation & Flood Control District	44,631,863
	134,029,166
Restricted cash and investments:	
City	72,774,453
Marine World JPA	5,265,140
Sanitation & Flood Control District	23,414,638
	101,454,231
	235,483,397
<u>Fiduciary Funds</u>	
Cash and investments available for operations	7,710,871
Restricted investments	3,973,776
	11,684,647
Total cash and investments	\$247,168,044

**C. Policies**

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents, the Marine World Joint Powers Authority and the Sanitation and Flood Control District so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Cash and cash equivalents, including restricted cash, are considered to be liquid assets for purpose of measuring cash flows.

**D. Investments Authorized by the California Government Code and the City's Investment Policy**

The City's and the Sanitation and Flood Control District's Investment Policies and the California Government Code allow these entities to invest in the following investments, provided the credit ratings of the issuers are acceptable to these entities; and approved percentages and maturities are not exceeded. The tables below also identify certain provisions of the California Government Code, or these entities Investment Policies these entities Investment Policy's are more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of these entities, rather than the general provisions of the California Government Code or these entities investment policies.

City

The City's investment policy and the California Government Code allow the City to invest in the following investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Government Treasury Bills and Notes	5 Years	No Limit	No Limit	No Limit
U.S. Government Treasury Bonds	5 Years	No Limit	30%	No Limit
U.S. Government Agencies	5 Years	No Limit	50%	No Limit
Repurchase Agreements	30 days	No Limit	20%	No Limit
Bankers Acceptances	180 days	No Limit	5%	\$1,000,000
Commercial Paper	270 days	Highest Category	25%	\$1,000,000
Corporate Medium Term Notes:				
Maturing in 2 years or less	5 Years	A	30%	5%
Maturing in 2 to 4 years	5 Years	AA	30%	5%
Maturing in 4 to 5 years	5 Years	AAA	30%	5%
Certificates of Deposits	5 Years	No Limit	10%	No Limit
Negotiable Certificates of Deposits	5 Years	AA	5%	No Limit
Local Agency Investment Fund State Pool	No Limit	No Limit	\$40 million per account	No Limit
State of California or Local Agency Bonds	5 Years	No Limit	10%	No Limit
Mutual Funds	5 Years	No Limit	20%	10%
Asset Backed Securities	5 Years	AAA	20%	No Limit
Mortgage Backed Securities	5 Years	AAA	20%	No Limit
Local Government Investment Pools	On Demand	No Limit	No Limit	No Limit

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Marine World JPA

The Marine World JPA's only investments are governed by bond indentures and therefore do not have a separately adopted investment policy.

VSFCD

The Sanitation and Flood Control District's investment policy and the California Government Code allow the Sanitation and Flood Control District to invest in the following investments:

Authorized Investment Type	Limits
United States Treasury Securities	None
Obligations of United States Government Agencies	None
Repurchase Agreements and Reverse Repurchase Agreements	Various
Negotiable Certificates of Deposits	30%
Bankers' Acceptances of U.S. Commercial Banks	40%
Commercial Paper of "Prime" Quality	15%
Corporate Medium Term Notes, rated A or better	30%
10-Year Maturity Eligible Investments	10%
Shares of Beneficial Interest Money Funds, AAA ratings	20%
State of California Local Agency Investment Fund	\$30 million

***E. Investments Authorized by Debt Agreements***

The City, Marine World JPA and Sanitation and Flood Control District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if these entities fail to meet their obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with resolutions, bond indentures or State statutes. The tables below identify, by entity, the investment types that are authorized for investments held by fiscal agents. The tables also identify certain provisions of these debt agreements.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

City Debt Agreements

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	No Limit	No Limit	No Limit	No Limit
U.S. Government Agency Obligations	No Limit	Two highest ratings	No Limit	10%
Money Market Funds	No Limit	Prime-1	No Limit	No Limit
Government Money Market Funds	360 days	Highest rating	No Limit	No Limit
Insured FDIC deposits	No Limit	No Limit	No Limit	No Limit
Interest-Bearing & Time Deposits	No Limit	A-1	No Limit	No Limit
Bankers Acceptance	180 days	Two highest ratings	No Limit	No Limit
Commercial Paper	270 days	P-1	No Limit	No Limit
Repurchase Agreements	180 days	Two highest ratings	No Limit	No Limit
Tax-Exempt Obligations	No Limit	Two highest ratings	No Limit	No Limit
Rated Investment Agreements and Contracts	No Limit	Three highest ratings	No Limit	No Limit
State (or Municipality) Bonds/Notes	No Limit	Two highest ratings	No Limit	No Limit
Local Agency Investment Fund	No Limit	No Limit	No Limit	No Limit
Taxable Bonds	No Limit	A-1	No Limit	No Limit

Marine Word JPA Debt Agreements

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Bonds, Notes and Bills	No Limit	No Limit
U.S. Government Agency Obligations	No Limit	No Limit
Money Market Funds	No Limit	Highest
Interest Bearing and Time Deposits – Banks or Savings and Loans	No Limit	Highest
Bankers Acceptance	270 days	A
Commercial Paper	180 days	Highest
US Corporate Obligations having assets in excess of \$500,000,000	No Limit	A
Municipal Bonds	No Limit	A

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Sanitation and Flood Control District Debt Agreements

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Bonds, Notes and Bills	No Limit	No Limit
U.S. Government Agency Obligations	No Limit	Highest
Money Market Funds	No Limit	Highest
Repurchase Agreements	180 days	Highest
Bankers Acceptance	180 days	A
Commercial Paper	270 days	P-1
Local Agency Investment Fund	No Limit	No limit
State (or Municipality) Bonds/Notes	No Limit	Highest
Government Money Market Funds	360 days	Highest
Corporate Guarantee	No Limit	No Limit

**F. Interest Rate Risk**

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

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Information about the sensitivity of the fair values of these entities investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following tables that show the distribution of these entities investments by maturity at June 30, 2006.

City Interest Rate Risk

Investment Type	Less than 1 year	1 - 5 years	6 - 10 years	Total
<i>Available for operations:</i>				
U.S. Government Agencies	\$600,000	\$23,580,555		\$24,180,555
Corporate Notes	2,048,764	12,844,818		14,893,582
U.S. Treasury Notes	2,797,598	7,876,867		10,674,465
Certificates of Deposit	8,000			8,000
California Local Agency Investment Fund	35,080,964			35,080,964
Mutual Funds	155,040			155,040
<i>Held by Fiscal Agent:</i>				
U.S. Government Agencies			\$3,390,916	3,390,916
U.S. Government-Sponsored Enterprise Agencies				
U.S. Treasury Notes	188,065	664,943	417,861	1,270,869
Mutual Funds (U.S. Securities)	70,403,467			70,403,467
Total Investments	<u>\$111,281,898</u>	<u>\$44,967,183</u>	<u>\$3,808,777</u>	<u>\$160,057,858</u>

Money market funds are available for withdrawal on demand and at June 30, 2006, have an average maturity which ranged from 1 to 14 days.

Marine World Joint Powers Authority Interest Rate Risk

Marine World Joint Powers Authority investments are in money market funds in the amount of \$5,265,140. Money market funds are available for withdrawal on demand and at December 31, 2005, had an average maturity of 7 days.

Sanitation and Flood Control District's Interest Rate Risk

Investment Type	Less than 1 year	1 - 5 years	6-10 years	More than 10 years	Total
U.S. Government Agencies		\$31,076,090			\$31,076,090
Corporate Notes and Bonds	\$1,999,700		\$1,952,120		3,951,820
California Local Agency Investment Fund	6,705,340				6,705,340
Guaranteed Investment Contract				\$2,873,784	2,873,784
Money Market Funds	22,522,991				22,522,991
Total Investments	<u>\$31,228,031</u>	<u>\$31,076,090</u>	<u>\$1,952,120</u>	<u>\$2,873,784</u>	<u>\$67,130,025</u>



**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Local Agency Investment Fund**

The City, Marine World JPA, and the Sanitation and Flood Control District are participants in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City, Marine World JPA, and the Sanitation and Flood Control District report their investments in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2006, these investments have an average maturity of 152 days.

**G. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the actual rating as of June 30, 2006 for each entity by investment type as provided by Moody's investment rating system.

**City Credit Rate Risk**

Investment Type	AAA/AAAm	AA1 to AA3	A1 to A3	Total
<b><i>Available for Operations:</i></b>				
U.S. Sponsored Enterprise Agencies				
Non-callable	\$24,180,555			\$24,180,555
Callable				
Corporate Notes	3,037,801	\$11,006,266	\$849,515	14,893,582
Mutual Funds	155,040			155,040
<b><i>Held by Fiscal Agent:</i></b>				
U.S. Sponsored Enterprise Agencies	3,390,916			3,390,916
Mutual Funds	51,699,612			51,699,612
Totals	<u>\$82,463,924</u>	<u>\$11,006,266</u>	<u>\$849,515</u>	94,319,705
<b><i>Not rated:</i></b>				
California Local Agency Investment Fund				35,080,964
Certificate of deposit				8,000
Money Market Deposit Account				18,703,855
<b><i>Exempt from credit rating disclosure:</i></b>				
U.S. Treasury Notes				11,945,334
Total Investments				<u>\$160,057,858</u>

**Marine World Joint Powers Authority Credit Rate Risk**

As of December 31, 2005 the Marine World Joint Powers Authority's investments consisted of money market funds which were rated Aaa by Moody's investment rating system.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Sanitation and Flood Control District's Credit Rate Risk

Investment Type	AAA/AAAm	Aa	A1 to A2	Total
<i>Available for Operations:</i>				
U.S. Sponsored Enterprise Agencies				
Non-callable	\$31,076,090			\$31,076,090
Corporate Bonds and Notes			\$3,951,820	3,951,820
Guaranteed Investment Contract		\$2,873,784		2,873,784
Money Market Funds	22,522,991			22,522,991
Totals	<u>\$53,599,081</u>	<u>\$2,873,784</u>	<u>\$3,951,820</u>	60,424,685
<i>Not rated:</i>				
California Local Agency Investment Fund				6,705,340
Total Investments				<u>\$67,130,025</u>

**H. Concentration Risk**

The City, Marine World JPA and the Sanitation and Flood Control District's investment policies regarding the amount that can be invested in any one issuer are stipulated by the California Government Code. However, these entities are required to disclose investments that represent a concentration of 5.0 percent or more of investments in any one issuer, held by individual Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools.

At June 30, 2006, these entities' investments that represent a concentration of investments in the securities of any individual issuers, other than U. S. Treasury securities or mutual funds, are set forth below.

City Concentration Risk

Reporting Unit	Issuer	Investment Type	Reported Amount
<b>Entity-wide</b>	Federal National Mortgage Association	Federal agency securities	\$12,180,004
<b>Major Fund:</b>			
Water Fund	Federal National Mortgage Association	Federal agency securities	1,588,323
	Federal Home Loan Bank	Federal agency securities	1,802,592

Marine World Joint Powers Authority Concentration Risk

At December 31, 2005 the Marine World JPA's investments consisted solely of Mutual Funds and are therefore not considered a concentration risk.

Sanitation and Flood Control District Concentration Risk

Of the Sanitation and Food Control District's controllable portfolio at June 30, 2006, 38% of investments were with Federal Home Loan Bank, 16% were with Federal National Mortgage Association, and 13% were with Federal Home Loan Mortgage Corporation.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**H. Custodial Credit Risk**

The custodial credit risk for cash deposits is the risk that, in the event of the failure of the financial institution holding the deposits, the depositor will not be able to recover the value of its deposits.

At June 30, 2006, the **Sanitation and Flood Control District** had a total bank balance of deposits of \$2,159,930. \$1,859,930 of the deposits were uninsured and collateralized with securities held by the pledging bank's trust department or agent not in the District's name. At June 30, 2006, the District held a Guaranteed Investment Contract for \$352,959, which was uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name.

At December 31, 2005, the **Marine World JPA** had a bank balance of deposits of \$5,072,897 with financial institutions in excess of federal depository insurance limits that were not collateralized.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 3 - INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

Transfers between funds during the fiscal year ended June 30, 2006 were as follows:

Fund Making Transfers	Fund Receiving Transfers		Amount Transferred
<u>General Fund</u>			
For debt service	Non-Major Governmental	COPS	\$1,292,314
For operations	Non-Major Governmental	Redevelopment Administration	484,042
For operations	Enterprise	Local Transportation	2,627,000
For operations	Enterprise	Marina	500,000
For operations	Enterprise	Golf	142,709
For operations	Internal Service	Corporation Yard	42,579
For operations	Internal Service	Insurance	1,694,600
To update interfund allocation	Enterprise	Water	422,004
			<u>7,205,248</u>
<u>Non-major Governmental Funds</u>			
<u>Redevelopment Debt Service</u>			
20% affordable housing set-aside	Non-Major Governmental	Affordable Housing	652,340
For capital projects	Non-Major Governmental	Redevelopment Capital Projects	579,750
<u>Redevelopment Capital Projects</u>			
Marine World Revenue Sharing	General Fund		2,977,418
For debt service	Non-Major Governmental	Redevelopment Debt Service	147,441
Downtown Development DDA	Internal Service	Intergovernmental Loans	168,042
Downtown Development DDA	Non-Major Governmental	Downtown Development	10,985
<u>Other Non-major Governmental funds</u>			
<u>For debt service</u>			
Affordable Housing	Non-Major Governmental	Redevelopment Debt Service	457,266
COPS Capital Projects	Non-Major Governmental	COPS Debt Service	373,514
Mare Island Leasing	Non-Major Governmental	COPS Debt Service	187,467
Fire Station #7	Non-Major Governmental	COPS Debt Service	56,740
Police Grant Funds	General Fund	CAD Debt Service	155,294
<u>For operations</u>			
State Lands	Enterprise	Marina	221,041
<u>To transfer investment income</u>			
Admin Trust	General Fund		10,993
Outside Funded Services	General Fund		28,896
Administration	Enterprise	Water	50,964
<u>To transfer residual balances</u>			
Capital Project Funds	Non-Major Governmental	Capital Project Funds	171,939
Other	General Fund		12,563
			<u>6,262,653</u>
<u>Enterprise</u>			
<u>Waterstone</u>			
To distribute residual assets	Major Governmental	Housing Authority	1,474,078
<u>Marine World</u>			
Marine World Revenue Sharing	Non-Major Governmental	Redevelopment Capital Projects	2,680,628
<u>Internal Service</u>			
<u>Equipment Replacement</u>			
To contribute capital assets	Internal Service	Corporation Yard	616,603
<u>Intergovernmental Loans</u>			
To transfer investment income	General Fund		101,024
			<u>717,627</u>
		Total	<u>\$18,340,234</u>

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 3 – INTERFUND TRANSACTIONS (Continued)**

City Council has approved a long-term working capital advance to the Local Transportation Enterprise Fund. Because of the financial status of this fund, the ultimate repayment date of the advance is uncertain. Generally Accepted Accounting Principals require that such advances be treated as transfers. Accordingly, the \$2,627,000 advance made during the year to the Local Transportation Enterprise Fund has been accounted for as an operating transfer.

**B. Current Interfund Balances**

As of June 30, 2006, the City's Insurance Internal Service fund had provided \$4.1 million in short-term lending to the following funds with deficit cash positions. These balances are expected to be repaid shortly after the end of the fiscal year upon receipt of grant reimbursements or draws from bond trustee capital project accounts.

	Due from Other Funds	Due to Other Funds
Special Revenue Funds		
Community Development Block Grant		\$279,556
HOME Program		804,658
Capital Projects Funds		
Capital Outlay		643,958
COPS Capital Projects		756,638
N.E. Quadrant Improvement District 03-1		1,023
Downtown Development Capital Projects		10,328
Capital Grant and Contribution		1,377
Enterprise Fund		
Local Transportation		1,580,598
Internal Service Fund		
Insurance	\$4,078,136	
Total	\$4,078,136	\$4,078,136

**C. Long-Term Advances**

The Bridge Construction and Arts and Convention Center Capital Projects Funds have loaned the Redevelopment Agency Debt Service Fund \$540,000 and \$3,012,788, respectively, to fund the Meyer Cookware and Empress Theatre Associates development loans discussed below in Note 4. Interest accrues at 3.5%-4% per annum on unpaid principal balance until repaid in full. The advances are expected to be repaid from loan repayments and property tax increments of the project areas when available.

The COPs Debt Service Fund has advanced a portion of its debt proceeds to the Mare Island Leasing Special Revenue Fund in the amount of \$2,318,560. The advance bears interest and is subject to repayment on the same terms and schedule as the underlying COPs debt service schedule. Subsequent to June 30, 2006, this advance was repaid

The Downtown Development Capital Projects Fund and Intragovernmental Internal Service Fund advanced \$10,985 and \$168,042, respectively, to fund the Triad Project as mentioned in Note 15A below.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 3 – INTERFUND TRANSACTIONS (Continued)**

The following is a summary of long-term advances as reported in the fund financial statements:

	Advances from Other Funds	Advances to Other Funds
Special Revenue Fund		
Mare Island Leasing	\$2,318,560	
Debt Service Funds		
Redevelopment Agency	3,552,788	
COPs		\$2,318,560
Capital Project Funds		
Redevelopment Agency	179,027	
Bridge Construction		540,000
Arts & Convention Center		3,012,788
Downtown Development Capital Projects		10,985
Internal Service Fund		
Intergovernmental Loans		168,042
Total	\$6,050,375	\$6,050,375

**D Long-term Advances – Redevelopment Agency**

The City has advanced additional funds to the Redevelopment Agency that are not included in the financial statements because of the Agency’s limited ability to repay these advances at this time. Should additional tax increment become available, these obligations will be recognized and repaid to the City. The advances continue to accrue interest at 4% per year at June 30, 2006. The balances of these additional advances as of June 30, 2006, including interest, were as follows.

Project Area	Balance Due June 30, 2006
Marina Vista	\$3,042,037
Waterfront	4,187,516
Vallejo Central	1,586,813
	\$8,816,366

**E. Loan to Marine World JPA**

Pursuant to a Loan Agreement signed in January 2006, the Financing Authority loaned \$12,336,311 to Marine World JPA to provide for the JPA’s anticipated seasonal operating cash flow shortfall, and debt service payments related to the Marine World JPA 1997 COPS. The loan was repaid subsequent to the City’s June 30, 2006 fiscal year end, during July 2006. The audited financial statements of Marine World JPA included in this report are as of December 31, 2005 and therefore do not reflect this liability due to the difference in fiscal year ends.

**F. Internal Balances**

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 4 – NOTES & LOANS RECEIVABLE**

**A. Summary of Notes and Loans Receivable**

The following notes and loans receivable were outstanding as of June 30, 2006:

<u>Types of Loans</u>	<u>Fund Type</u>	<u>Amounts</u>
<u>Redevelopment Agency</u>		
Affordable housing (20% Set Aside)	Non-major Governmental	
Avian Glen		\$3,893,750
Citizens Housing II		1,900,000
Simpson/Bayview		1,700,000
Marina Towers		750,000
Simpson/Solano Vista I		500,000
Single family residential		1,159,121
Accrued interest		812,780
		<u>10,715,651</u>
Tax increment programs:	Non-major Governmental	
Meyers Cookware		365,000
Empress Theater		1,050,048
		<u>1,415,048</u>
<u>HUD/Housing Authority Programs</u>		
Home Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		250,000
Single family residential		2,436,486
Total		<u>3,586,486</u>
CDBG	Non-major Governmental	
Single family residential		1,269,942
San Pablo Lodge		61,384
Total		<u>1,331,326</u>
Housing Authority	Major Governmental	
Residential Rehab		81,900
		<u>81,900</u>
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	850,213
Neighborhood Park Funds	Non-major Governmental	151,621
VSFCD	Major Enterprise	236,585
		<u>1,238,419</u>
<u>MIT Academy</u>		
Transportation Mitigation	Non-major Governmental	30,338
Water Fund	Major Enterprise	29,334
VSFCD	Major Enterprise	117,683
		<u>177,355</u>
<u>Other</u>		
Water Fund - Trailer City	Major Enterprise	63,535
Transportation Mitigation		
Garthe Ranch	Non-major Governmental	700,000
		<u>700,000</u>
	Total	<u>\$19,309,720</u>

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)**

**B. *Affordable Housing***

Various residential purchase and rehabilitation loan programs are offered to qualifying low- to moderate-income individuals by the Redevelopment Agency through the Affordable Housing Special Revenue Fund. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans were ranged from 3.0% to 8.0% and the principal maturity dates were ranged from 5 years to 30 years. Deferred interest loans are offered as well as below-market-rate 30-year loans. Interest income is recorded in the Affordable Housing Special Revenue Fund as payments are received. In addition, the Redevelopment Agency has entered into agreements with developers to assist in the development of affordable housing. The notes receivable are secured by deeds of trust and bear varying interest rates. The outstanding balances at June 30, 2006 were \$10,715,651.

**C. *Meyer Cookware Industries, Inc***

Pursuant to a Disposition and Development Agreement between the Redevelopment Agency and Meyer Cookware Industries, Inc., the Redevelopment Agency paid certain development fees on behalf of Meyer totaling \$1,500,000. Meyer agreed to repay \$500,000 of these fees to the Redevelopment Agency over a 24-year period commencing in 1998. This loan to Meyer is secured by a corporate guarantee and non-interest bearing. As of June 30, 2006 the outstanding balance of the loan was \$365,000. The terms of the agreement call for Meyer to repay the note in increasing annual installments, as follows:

Fiscal 2004-2008	\$20,000 per year
Fiscal 2009-2013	\$25,000 per year
Fiscal 2014-2018	\$40,000 per year

**D. *Empress Theatre Associates, LLC***

Pursuant to an Owner Participation Agreement between the Redevelopment Agency and Empress Theatre Associates, LLC, the Redevelopment Agency issued a loan not to exceed \$2,828,000 for the rehabilitation and renovation of the Empress Theatre. Interest rate for the note is 3% per annum, which shall accrue commencing upon issuance of a Certificate of Completion by the Redevelopment Agency. Payments of principal and interest are to be made annually for twenty years beginning one year after the Redevelopment Agency issues a Certificate of Completion. The note is secured by a deed of trust on the property. At June 30, 2006 the outstanding balance of the loan was \$1,050,048.

On June 14, 2005, the City and Redevelopment Agency extended the total loan authorization to \$3.8 million. The additional source of funds will be an interfund advance from the City's Arts and Convention Center Fund.

**E. *HOME Program, CDBG Program, and Housing Authority***

Various residential purchase and rehabilitation loan programs are offered to qualifying low- to moderate-income individuals by the City through the CDBG, HOME Program and Housing Authority funds. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans were ranged from 3.0% to 5.0% and the principal maturity dates were ranged from 5 years to 30 years. The outstanding balances at June 30, 2006 were \$3,586,486, \$1,331,326 and \$81,900 in the HOME, CDBG Program, and Housing Authority funds respectively.



**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)**

**F. *Sereno Village Apartments***

In May 2003, the City entered into a \$1,400,000 loan agreement with Sereno Village Associates for the development of a 125 unit very low income rental housing project. The note bears 3% simple interest and will be due in full to the City in 15 years. The loan is secured by a deed of trust. To the extent there is excess cash flow from the project, the developer is required to repay all accrued interest and principal annually.

At June 30, 2006 the outstanding balance of this loan, including accrued interest, was \$1,001,834. During fiscal 2002, the Vallejo Sanitation and Flood Control District loaned \$351,635 to Sereno Village Association. The loan is secured by deed of trust, bearing simple interest at 3% and it is due in 15 years. The outstanding balance at June 30, 2006 was \$236,585.

**G. *Mare Island Technology Academy***

During fiscal 2003, the City provided the Mare Island Technology (MIT) Academy deferment of the City's mitigation and water division fees for the construction of new school facilities. The outstanding balance at June 30, 2006 for the Mitigation and Water Division Fees were \$30,338 and \$29,334. This note is recorded in the City's Traffic Impact Mitigation Capital Projects Fund and Water Enterprise Fund. During fiscal 2003, the Vallejo Sanitation and Flood Control District loaned \$109,105 to MIT Academy for connection fees. The loan is unsecured, bears interest at 2.103%, and is due in five installments of \$23,349 commencing January 1, 2004. The outstanding balance at June 30, 2006 was \$117,683.

**H. *Trailer City Water Loan***

In April 2004, the City entered into a \$68,080 loan agreement with Trailer City Sales Company for the construction of improvements allowing Trailer City Sales Company to be connected to the City's water system. The loan also provides assistance for payments of water connection and facilities fee. The note bears zero interest and will be due in full to the City in 20 years. The loan is secured by a deed of trust. At June 30, 2006 the outstanding balance of this loan was \$63,535. This note is recorded in the City's Water Enterprise Fund.

**I. *Garthe Ranch***

During fiscal year 2006, the City approved a fee deferral agreement in conjunction with the development of Garthe Ranch. \$700,000 in water development fees were paid by the Transportation Mitigation Fund on behalf of the developer. The developer's fee obligation is to be settled through the construction and contribution of future transportation infrastructure improvements to the City.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 5 – CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets.

The following is a summary of capital asset activity for the year ended June 30, 2006:

Buildings and improvements	25 to 50 years
Improvements	5 to 50 years
Machinery and equipment	3 to 10 years
Marine Mammals and land animals	5 years
Traffic signals	20 years
Street lights	50 years
Bridges and culverts	60 years
Sidewalks, curbs and gutters	40 years
Streets and roads	40 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 5 – CAPITAL ASSETS (Continued)**

**A. Capital Asset Activity**

The following is a summary of capital asset activity for the year ended June 30, 2006:

	Balance at June 30, 2005	Additions	Retirements	Transfers	Balance at June 30, 2006
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$135,204,112				\$135,204,112
Construction in progress	9,430,174	\$853,480			10,283,654
Total capital assets not being depreciated	<u>144,634,286</u>	<u>853,480</u>			<u>145,487,766</u>
Capital assets being depreciated:					
Building and improvement	61,308,809				61,308,809
Machinery and equipment	22,854,590	644,111	(\$482,365)		23,016,336
Infrastructure	185,034,329				185,034,329
Total capital assets being depreciated	<u>269,197,728</u>	<u>644,111</u>	<u>(482,365)</u>		<u>269,359,474</u>
Less accumulated depreciation for:					
Building and improvement	(12,805,611)	(1,779,499)			(14,585,110)
Machinery and equipment	(12,998,612)	(2,107,615)	473,132		(14,633,095)
Infrastructure	(96,124,908)	(5,569,619)			(101,694,527)
Total accumulated depreciation	<u>(121,929,131)</u>	<u>(9,456,733)</u>	<u>473,132</u>		<u>(130,912,732)</u>
Net capital assets being depreciated	<u>147,268,597</u>	<u>(8,812,622)</u>	<u>(9,233)</u>		<u>138,446,742</u>
Governmental activity capital assets, net	<u>\$291,902,883</u>	<u>(\$7,959,142)</u>	<u>(\$9,233)</u>		<u>\$283,934,508</u>
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$14,701,333	\$13,205			\$14,714,538
Construction in progress	22,436,568	25,672,940	(\$149,465)	(\$14,481,568)	33,478,475
Total capital assets not being depreciated	<u>37,137,901</u>	<u>25,686,145</u>	<u>(149,465)</u>	<u>(14,481,568)</u>	<u>48,193,013</u>
Capital assets, being depreciated:					
Building and improvement	409,949,429	1,594,024	(49,481)	8,453,410	419,947,382
Machinery and equipment	72,499,753	563,481	(208,399)	2,234,432	75,089,267
Marine mammals and land animals	1,516,908				1,516,908
Infrastructure	105,698,434			3,793,726	109,492,160
Total capital assets being depreciated	<u>589,664,524</u>	<u>2,157,505</u>	<u>(257,880)</u>	<u>14,481,568</u>	<u>606,045,717</u>
Less accumulated depreciation for:					
Building and improvement	(125,118,614)	(11,950,519)	270		(137,068,863)
Machinery and equipment	(33,046,892)	(4,799,680)	204,877		(37,641,695)
Marine mammals and land animals	(1,516,908)				(1,516,908)
Infrastructure	(61,744,271)	(3,700,708)			(65,444,979)
Total accumulated depreciation	<u>(221,426,685)</u>	<u>(20,450,907)</u>	<u>205,147</u>		<u>(241,672,445)</u>
Net capital assets being depreciated	<u>368,237,839</u>	<u>(18,293,402)</u>	<u>(52,733)</u>	<u>14,481,568</u>	<u>364,373,272</u>
Business-type activity capital assets, net	<u>\$405,375,740</u>	<u>\$7,392,743</u>	<u>(\$202,198)</u>		<u>\$412,566,285</u>

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 5 – CAPITAL ASSETS (Continued)**

**B. Depreciation Allocation**

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function were as follows:

*Governmental Activities*

Executive	\$2,034
Finance	80,210
Human Resources	1,536
Development Services	1,286
Community Development	20,315
Fire services	187,578
Police services	500,191
Public works	7,392,163
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,271,420
	<u>\$9,456,733</u>

*Business-Type Activities*

Water	\$5,942,778
Local Transportation	4,223,659
Sanitation and Flood Control	7,091,764
Marine World JPA	1,780,096
Marina	1,036,049
Golf	376,561
	<u>\$20,450,907</u>

**NOTE 6 – REVENUE ANTICIPATION NOTES, 2006 SERIES A**

In January 2006, the Vallejo Financing Authority Board authorized the issuance of Revenue Anticipation Notes (RANs), 2005 Series A note to exceed \$14,000,000. The Authority issued RANs in the amount of \$12,000,000 at 7% interest. The Authority subsequently loaned the funds to the Marine World JPA as discussed in Note 3 above. The RANs were retired during July 2006.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 7 - LONG-TERM DEBT**

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. Bond discounts and issuance costs of long-term debt issues are amortized over the life of the related debt, if material.

**A. Current Year Transactions and Balances**

The City's long-term debt issues and transactions were as follows:

	Original Issue Amount	Balance June 30, 2005	Retirements	Balance June 30, 2006	Current Portion
<b>Governmental Activity Debt:</b>					
<b>Tax Allocation Bonds:</b>					
Waterfront Redevelopment Project 7.9%, due 5/1/19	\$2,485,000	\$2,255,000	\$65,000	\$2,190,000	\$75,000
Marina Vista Project 6.0-7.5%, due 9/1/20	3,335,000	2,500,000	85,000	2,415,000	95,000
Vallejo Central Project 6.0-7.5%, due 9/1/20	1,900,000	1,725,000	30,000	1,695,000	35,000
Vallejo Housing Set Aside 7.0%, due 10/1/31	5,410,000	5,185,000	105,000	5,080,000	115,000
Total Tax Allocation Bonds	<u>13,130,000</u>	<u>11,665,000</u>	<u>285,000</u>	<u>11,380,000</u>	<u>320,000</u>
<b>Certificates of Participation:</b>					
1999 COPs 3.60-5.25%, due 7/15/29	4,815,000	4,405,000	95,000	4,310,000	95,000
2000 COPs variable rate, due 9/1/40	12,786,942	9,775,588	132,516	9,643,072	142,100
2002 COPs variable rate, due 12/1/23	11,497,776	9,788,337	339,586	9,448,751	353,353
2003 COPs variable rate, due 12/1/23	6,743,199	6,536,689	223,368	6,313,321	236,012
Total Certificates of Participation	<u>35,842,917</u>	<u>30,505,614</u>	<u>790,470</u>	<u>29,715,144</u>	<u>826,465</u>
<b>Capital Lease Obligations:</b>					
2001 Site & Facility Lease 6%, due 6/1/21	1,150,000	1,030,019	39,825	990,194	42,251
Police CAD/RMS 4.85%, due 9/1/07	1,881,919	903,384	389,386	513,998	408,695
Police Mobile Computers 3.9%, due 11/11/06	416,163	155,810	109,065	46,745	46,745
Police Holding Cell 2.97%, due 1/30/13	675,000	432,145	43,591	388,554	46,220
Total Capital Leases Obligations	<u>4,123,082</u>	<u>2,521,358</u>	<u>581,867</u>	<u>1,939,491</u>	<u>543,911</u>
<b>Total Governmental Activity Debt</b>	<u><u>\$53,095,999</u></u>	<u><u>\$44,691,972</u></u>	<u><u>\$1,657,337</u></u>	<u><u>\$43,034,635</u></u>	<u><u>\$1,690,376</u></u>

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 7 - LONG-TERM DEBT (Continued)**

	Original Issue Amount	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006	Current Portion
<b>Business-type Activity Debt:</b>						
<b>Revenue Bonds:</b>						
1996 Water Revenue Bonds, 4.8-5.9% due 5/1/26	\$55,615,000	\$46,980,000		\$1,225,000	\$45,755,000	\$1,290,000
Less: Unamortized bond discount		(364,408)		(17,491)	(346,917)	
1999 Water Parity Refunding, 5.25% due 5/1/29	7,890,000	525,000			525,000	
2001 Water Revenue Bonds, variable rate, due 6/1/31	23,075,000	21,815,000		460,000	21,355,000	480,000
<b>Total Revenue Bonds</b>	<b>86,580,000</b>	<b>68,955,592</b>		<b>1,667,509</b>	<b>67,288,083</b>	<b>1,770,000</b>
<b>Certificates of Participation:</b>						
Marine World JPA 1997 COPs 5.25-7.4% due 2/1/28	63,465,000	58,505,000		1,010,000	57,495,000	1,070,000
2002 COPs, variable rate, due 12/1/23	917,224	876,663		30,414	846,249	31,647
2003 COPs, variable rate, due 12/1/23	1,256,801	1,218,311		41,632	1,176,679	43,988
2000 COPs, variable rate, due 9/1/40	17,593,058	16,779,412		227,484	16,551,928	232,900
2001 COP Golf Course Facilities, variable rate, due 6/1/40	16,350,000	10,155,000		155,000	10,000,000	165,000
Less: Unamortized bond discount		(60,462)		(5,109)	(55,353)	
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control	38,905,000	28,735,000		1,325,000	27,410,000	1,390,000
2001 Sanitation and Flood Control, variable rate, due 5/1/28	25,645,000	23,075,000		19,075,000	4,000,000	130,000
2006 Sanitation and Flood Control District rate 4-5% due 2036			\$39,665,000		39,665,000	445,000
Less: Unamortized bond discount		(984,818)	(368,124)	(984,818)	(368,124)	
<b>Total Certificates of Participation</b>	<b>164,132,083</b>	<b>138,299,106</b>	<b>39,296,876</b>	<b>20,874,603</b>	<b>156,721,379</b>	<b>3,508,535</b>
<b>Loans &amp; Notes Payable:</b>						
Tubbs Island disposal site, 5% due 12/05	1,108,896	60,649		60,649		
Vallejo Sanitation and Flood Control State Clean Water 2.5% due 2023	13,798,201	13,019,529		581,584	12,437,945	596,123
US Dept of Commerce, Water Fund 2.5% due 8/1/23	2,560,923	1,442,896		232,596	1,210,300	
State Safe Drinking Water 0% due 1/1/25	68,080	66,378		3,404	62,974	1,702
State Safe Drinking Water 2.32% due 1/2/21	6,675,000	5,391,750		295,662	5,096,088	150,408
<b>Total Loans &amp; Notes Payable</b>	<b>24,211,100</b>	<b>19,981,202</b>		<b>1,173,895</b>	<b>18,807,307</b>	<b>748,233</b>
<b>Total Business-type Activity Debt</b>	<b>\$274,923,183</b>	<b>\$227,235,900</b>	<b>\$39,296,876</b>	<b>\$23,716,007</b>	<b>\$242,816,769</b>	<b>\$6,026,768</b>

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 7 - LONG-TERM DEBT (Continued)**

**B. Debt Service Requirements**

Annual debt service requirements to maturity are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$1,690,376	\$2,033,191	\$6,026,768	\$12,460,207
2008	1,407,066	1,957,964	6,817,461	11,998,585
2009	1,380,177	1,893,387	7,158,680	11,675,409
2010	1,468,524	1,825,199	7,495,760	11,331,354
2011	1,549,752	3,417,376	18,362,325	18,081,115
2012-2016	8,999,079	7,490,122	47,909,287	46,056,558
2017-2021	11,151,879	4,914,390	43,266,290	35,132,689
2022-2026	7,022,451	2,566,627	51,150,948	22,617,693
2027-2031	3,941,141	1,358,852	33,568,859	9,062,040
2032-2036	2,174,683	612,343	16,135,317	3,207,788
2037-2041	2,249,510	244,932	5,695,489	585,375
Total		<u>\$28,314,384</u>	243,587,184	<u>\$182,208,813</u>
Less: Unamortized bond discount			<u>(770,394)</u>	
Net long-term debt		<u>\$43,034,635</u>	<u>\$242,816,769</u>	

**C. Tax Allocation Bonds**

**Waterfront Redevelopment Project** – In January 1989, Tax Allocation Refunding Bonds in the amount of \$2,485,000 were issued to repay certain advances made to the Redevelopment Agency from the City. The bonds mature in May 2019. Semi-annual interest payments are due on May 1 and November 1 and annual principal payments are due May 1. Bonds became eligible to be redeemed, in whole or in part, at the option of the Redevelopment Agency on May 1, 1996, or on any Interest Payment Date thereafter. The bonds are subject to mandatory sinking fund redemption and are secured by amounts in the related Debt Service Fund and by incremental property tax revenues. The debt is serviced through the Redevelopment Agency's Waterfront Debt Service Fund.

**Marina Vista and Vallejo Central Projects** – In August 1990, the Vallejo Public Financing Authority (PFA) issued in the amount of \$5,235,000 to provide funds to the Redevelopment Agency for use in the Marina Vista Project (\$3,335,000) and in the Vallejo Central Project (\$1,900,000). Net proceeds allocated to the Marina Vista Project were used to defease all future debt service payments on certain lease revenue bonds used to finance the construction of City Hall. Net proceeds allocated to the Vallejo Central Project were used to fund infrastructure improvements in the project area.

The bonds are secured by loan agreements between the Redevelopment Agency and the PFA. The semi-annual loan payments by the Agency are expected to meet all debt service requirements of the bonds. Semi-annual interest payments are due on March 1 and September 1 and annual principal payments are due September 1. The loan payments are made solely from the tax increment revenues within the redevelopment project areas, and the bonds are reflected as a liability of the Redevelopment Agency. The debt is serviced through the Redevelopment Agency's Marina Vista Debt Service Fund.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 7 - LONG-TERM DEBT (Continued)**

**Vallejo Housing Set Aside** – In August 2001, the Redevelopment Agency issued Tax Allocation Bonds in the amount of \$5,410,000 to finance housing activities of the Agency and to repay a loan from the PFA. Semi-annual interest payments are due on April 1 and October 1 and annual principal payments are due October 1. The bonds are subject to mandatory sinking fund redemption and payment is made solely from, and secured by, housing set-aside tax increment revenues generated within the redevelopment project areas.

**D. Certificates of Participation (COPs)**

Interest rates on the City's 2000 COPs, 2002 COPs, 2003 COPs, and 2001 COP Golf Course Facilities are reset periodically, using the "put" mechanism described below. The COPs are periodically subject to repurchase at par, referred to as a "put". Once a put occurs, a remarketing agent resells the COPs at par to new investors by setting new interest rates. The City has obtained irrevocable Letters of Credit as listed below to ensure that investors receive timely payments of principal and interest and that the City will not be required to repurchase any COPs that may be tendered for purchase prior to maturity:

Issue	Outstanding Balance at 6/30/06	Letter of Credit Amount	Expiration Date
2000 COP	\$26,195,000	\$26,982,791	August 18, 2010
2002 COP	10,295,000	12,651,736	December 4, 2007
2003 COP	7,490,000	8,152,548	December 10, 2008
2001 Golf COP	10,000,000	16,661,770	May 16, 2011

**1999 COPs** – In July 1999, the City issued \$4,815,000 of Certificates of Participation (1999 Capital Improvements Project) to finance City capital improvements. Principal payments are payable annually on July 15. Interest payments are due semiannually on January 15 and July 15. Since the lease is in essence a financing arrangement with ownership of the financed assets reverting to the City, the debt evidenced by the Certificates of Participation has been included in the City's financial statements.

**2000 COPs** – In September 2000, the City issued \$30,380,000 of Certificates of Participation (2000 Capital Improvement Project) to finance City Capital Improvements, Marina Capital Improvements and repay the Marina Fund loan from the State. The 2000 COPS Capital Projects Fund received \$12,786,942 and the Marina Enterprise Fund \$17,593,058. Principal payments are payable annually on September 1. Interest is payable at the beginning of each month at a variable rate. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 3.540%. The City has the option of converting the COPs to a fixed interest rate, which interest is payable on March 1 and September 1. The Marina Enterprise portion of the debt is secured and serviced through the marina operations. On September 1, 2004, the City exercised its optional prepayment rights and retired \$2,420,000 of the outstanding principal on this debt.

**2002 COPs** – In November 2003, the City issued \$12,415,000 of Certificates of Participation (2002 Capital Improvements Project) to finance the construction, installation and equipping of various capital improvements through out the geographic boundaries of the City. The 2002 COPs Capital Projects Fund received \$11,497,776 and the Water Enterprise Fund \$917,224. Principal payments are payable annually on December 1. Interest is payable at the beginning of each month at a variable rate. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 3.460%. The City has the option of converting the COPs to a fixed interest rate, after which interest is payable on June 1 and December 1. The Water Enterprise portion of the debt is served and serviced by the water system operations. On September 1, 2004, the City exercised its optional prepayment rights and retired \$1,000,000 of the outstanding principal on this debt.



**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 7 - LONG-TERM DEBT (Continued)**

**2003 COPs** – In December 2003, the City issued \$8,000,000 of Certificates of Participation (2003 Capital Improvement Project) to provide funding Springstowne Library improvements, solar energy projects and various public works projects. The COPS Capital Projects Fund received \$4,125,602, the Marina Vista Capital Projects Fund received \$2,617,597, and the Marina Enterprise Fund received \$1,256,801. Principal payments are payable annually on December 1. Interest is payable at the beginning of each month at a variable rate. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 3.460%. The City has the option of converting the COPs to a fixed interest rate, after which interest is payable on June 1 and December 1.

**Marine World JPA 1997 COPs** – In January 1997, the JPA issued \$63,465,000 of COPs to refund the 1990 COPs, issued to refund the 1985 and 1986 COPs, which were issued to finance the construction and acquisition of the Marine World facilities; and the 1991 Community Facilities District Bonds issued to fund new attractions and capital improvements to the facilities.

To the extent the Marine World JPA fails to make timely debt payments, the City is required to make payments necessary to assure timely payment of principal and interest on the 1997 COPs. The Marine World JPA may prepay the 1997 COPs without penalty at which time Marine World is sold, otherwise the 1997 COPs mature February 2028. Principal payments are payable annually on February 1. Interest is payable semiannually on February 1 and August 1. The bonds are subject to mandatory sinking fund redemption through 2007. The 1997 COPs debt service is funded through a series of leases and subleases among the City, the Redevelopment Agency and Marine World JPA.

**2001 COP Golf Course Facilities** – In May 2001 the City issued \$16,350,000 a Certificate of Participation to refund Golf Course Revenue Bonds issued in 1992 and to finance golf course facility improvements. The amount of principal defeased was \$8,235,000. Interest is payable at the beginning of each month at a variable rate. The future interest payment is an estimate based on the interest rate as of the basic financial statements date which is approximately 3.540%. The City has the option of converting the COPs to a fixed interest rate, after which interest is payable on December 1 and June 1. Annual principal payments are due June 1. The COPS are secured by and serviced by golf operations.

**1993 Sanitation and Flood Control District (VSFCD)** – In July 1993, the VSFCD Financing Corporation issued \$38,905,000 of certificates of participation, the net proceeds of which were used to finance the construction of sewage collection and treatment and flood control facilities and, to defease VSFCD's 1988 COP's. Certificates maturing on or before July 2008 are not callable prior to maturity. Certificates maturing on or after July 2009 are callable at VSFCD's option on any interest date. Annual principal payments are due July 1.

**2001 Sanitation and Flood Control** – In fiscal year ended 2001, VSFCD issued \$25,645,000 of COPs through California Water Reuse Finance Authority (CWFA), at a variable rate of interest calculated weekly. In May 2006, the District retired \$19,075,000 principal amount of the 2001 Certificates of Participation leaving an outstanding balance of \$4,000,000. Interest shall not exceed the statutory rate of 12%. The interest rate at June 30, 2006 was 3.93%. Annual principal payments are due May 1. The COPs are secured and serviced by VSFCD operations.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 7 - LONG-TERM DEBT (Continued)**

**2006 Sanitation and Flood Control** - On March 13, 2006, VSFCO issued \$39,665,000 of Certificates of Participation at premium of \$878,234. The Certificates are to be used to refund in part the outstanding Series 2001 Certificates of Participation, to finance construction of the overflow elimination project, to fund in whole or in part, a reserve fund for the Certificates, and to pay certain costs of issuing the Certificates. The Certificates are fully registered with principal due annually on May 1 and interest payable semi-annually on May 1 and November 1. The Certificates are subject to optional prepayment on any date on or after May 1, 2015 together with accrued interest to the prepayment date, without premium.

The transaction advance refunded in part \$19,075,000 of the 2001 Certificates by placing an amount in an irrevocable escrow fund sufficient to retire the debt on May 3, 2006, terminating and legally defeasing the 2001 Certificates. The transaction resulted in a deferred amount on refunding of \$327,099, an increase in total cash flows of \$23,633,811, and an economic gain of \$245,472. The deferred amount on refunding and premium are carried as a net addition to the 2006 Certificates to be amortized on a straight-line basis over the life of the old debt for the deferred amount and the new debt for the premium as components of interest expense.

**E. Revenue Bonds**

**1996 Water Revenue Bonds** – In May 1996 the City issued \$55,615,000 of Refunding Revenue Bonds 1996 Series A to advance refund and defease \$52,590,000 of outstanding 1992 Revenue Bonds which were used to finance improvements to the City's water system. Interest is payable semiannually on May 1 and November 1. Annual principal payments are due May 1. The debt is secured and serviced by water system operations.

**1999 Water Parity Refunding Revenue Bonds** – In June 1999, the City issued \$7,890,000 of Parity Refunding Revenue Bonds, 1999 Series A to refund outstanding 1997 Bond Anticipation Notes (Water Improvement Project) which were used to finance improvements of the City's water system. In June 1999, the City prepaid all but \$525,000 of the principal balance. Interest payments are due semiannually on May 1 and November 1. Principal payments are deferred until May 2021, and are due annually thereafter on May 1. The bonds are secured and serviced by Water System operations.

**2001 Water Revenue Bonds** – In December 2000 the City issued \$23,075,000 of Water Revenue Bonds, 2001 Series A to finance improvements to the City's water system. Interest is payable at the beginning of each month at a variable rate. The City has the option to convert the Bonds to a fixed interest rate, which interest is payable on December 1 and June 1. The debt is secured and serviced from the water system operations. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 3.280%. Principal on the bonds is due annually.

**F. Notes and Loans Payable**

**Vallejo Sanitation and Flood Control** – In January 1994, the VSFCO issued a note payable secured by a deed of trust on land at Tubbs Island, the District's biosolids disposal site. The note is payable from operations of the VSFCO in monthly installments of \$10,256, including interest of 5.0%, until maturity in December 2005. The Note was paid off in the fiscal year.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 7 - LONG-TERM DEBT (Continued)**

**Vallejo Sanitation and Flood Control State Clean Water** -In August 2004 the VSFCD entered into a loan agreement with the Division of Financial Assistance of the State Water Resources Control Board under the Clean Water State Revolving Fund loan program in the amount of \$13,798,201. Payments in the amount of \$907,072 with interest at 2.5% commencing May 1, 2005 and are due annually thereafter until maturity in 2023.

**U.S. Department of Commerce, Water Fund** – The loan is due to the U.S. Department of Commerce/Economic Development Administration and accrues interest at 5%. Principal and interest payments are due annually July 1, through 2017.

**State Safe Drinking Water** – The loan from the State of California, Department of Water Resources was used to finance construction of a project which enables the City to meet safe drinking water standards. The interest rate is 0%. Semiannual principal and interest payments are due on July 1 and January 2.

**State Safe Drinking Water** – The loan from the State of California, Department of Water Resources was used to partially refund the 1999 Water Parity Refunding Revenue Bonds. The amount of outstanding principal defeased was \$7,270,000. The interest rate is 2.32%. Semiannual principal and interest payments are due on July 1 and January 2.

**G. Capital Lease Obligations**

The City entered into a long-term contract for the lease of the John F. Kennedy Library, part of the Vallejo Public Library System, and certain parcels of real property within the City. The City has also entered into contracts for the capital lease/purchase of computer software and various public safety equipment which cost \$4,808,087 and had net book values of \$3,267,628 at June 30, 2006.

**NOTE 8 – DEBT WITHOUT CITY COMMITMENT**

**A. Improvement and Assessment Districts**

Special Assessment and Communities Facilities Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability for the payment of this debt. Therefore, this debt is not reported as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2006 is as follows:

<i>Special Assessment Bonds</i>	
Fairgrounds Drive #65	\$3,180,000
Glen Cove 2003-1	7,955,000
<i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	20,920,000
Northeast Improvement District 2003-1	8,050,000
<i>Revenue Bonds</i>	
2003 Series B (Northeast Quadrant)	<u>3,915,000</u>
Total	<u><u>\$44,020,000</u></u>

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 9 – CONDUIT DEBT**

The following bonds do not constitute or create a debt or pledge of the general credit or taxing power of the City, and, accordingly, are not reported as long-term debt of the City.

***Mortgage Revenue Bonds***

**Sea Breeze-** Mortgage Revenue Refunding Bonds, Series 1993A and 1993B (FHA Insured Mortgage Loan – Sea Breeze Apartment Project) in the amount of \$6,340,000. Interest rates range from 5.0% to 6.0%. Principal payments are due semiannually through May 2027. The bonds are dated September 1993, and were issued to refund a \$6,430,000 prior issuance of multifamily housing revenue bonds. On June 30, 2006, \$5,590,000 of these bonds remained outstanding.

**Fountain Plaza-** Variable Rate Demand Multifamily Mortgage Revenue Refunding Bonds, Series 1992A (Fountain Plaza Hills Apartments) in the amount of \$5,585,000. The bonds bear interest at a variable rate determined weekly by a remarketing agent, and mature in May 2022. The bonds are dated May 1992, and were issued to refund \$8,775,000 prior issuance of multifamily housing revenue bonds. On June 30, 2006, \$5,585,000 of these bonds remained outstanding

**Cross-Western** -Weekly Rate Demand Multifamily Housing Revenue Bonds, Series 1985C (Cross-Western Project Phase II) in the amount of \$14,500,000. The bonds bear interest at a variable rate determined weekly by a remarketing agent, and mature in January 2008. The bonds were issued in December 1985 as fixed rate bonds and were converted to weekly rate bonds in December 1993. On June 30, 2006 \$14,500,000 of these bonds remained outstanding.

***Variable Rate Demand Industrial Development Revenue Bonds***

**Myers Cookware** - In December 1993, the Vallejo Industrial Development Authority issued \$9,700,000 of variable rate demand industrial development revenue bonds to finance the construction of the Meyer Cookware industries, Inc. manufacturing facility. The bonds bear interest at a variable rate determined periodically by a remarketing agent and are due in December 2023. On June 30, 2006, \$9,700,000 of these bonds remained outstanding.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 10 - EMPLOYEE BENEFITS PAYABLE**

Employee benefits payable consist of vested vacation and sick leave. For governmental activities, the current portion of the obligation, which is expected to be paid from current resources, is reported as an expenditure and liability of the fund. The remaining non-current governmental activities portion is reported on the Statement of Net Assets. For proprietary activities, which are reported on the accrual basis at the fund level, all earned but unpaid benefits are recorded as an expense and liability of the fund in which it is earned.

Compensated absences activity for the year ended June 30, 2006 is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance	\$18,615,172	\$1,549,384	\$20,164,556
Additions	3,662,552	274,477	3,937,029
Payments	<u>(952,889)</u>	<u>(119,420)</u>	<u>(1,072,309)</u>
Ending Balance	<u>\$21,324,835</u>	<u>\$1,704,441</u>	<u>\$23,029,276</u>
Current Portion	<u>\$689,236</u>	<u>\$89,000</u>	<u>\$778,236</u>

**NOTE 11 – RETIREMENT BENEFITS**

**California Public Employees' Retirement System**

**A. Plan Description**

The City participates in the California Public Employees retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, annual cost of living adjustments, and death benefits to plan member and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State Statute and City ordinance. Copies of PERS annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

**B. Funding Policy**

Both Safety and Miscellaneous active plan members are required by State statute to contribute 9% of their annual covered salary which amounted to \$4,561,819 for the year ended June 30, 2006. The City employer is required to contribute for fiscal year 2006 at an actuarially determined rate of 27.883% and 16.534% of annual covered payroll for safety and miscellaneous employees respectively.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 11 - RETIREMENT BENEFITS (Continued)**

**C. Annual Pension Cost**

For fiscal year 2006, the City's annual pension cost of \$11,293,291 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with contributions determined as a percentage of pay. Actuarial assumptions included (1) 7.75% investment rate of return (net of administrative expenses), (2) projected salary increases range from 3.25% to 14.45% for miscellaneous employees and 3.25% to 13.15% for safety employees, depending on age, service and type of employment, and (3) 3.0% per year cost-of-living adjustments. Both (1) and (2) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of the short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis over twenty years.

**D. Three Year Trend Information and Funding Progress**

The following schedule of funding progress is presented for the most recent actuarial valuations as of June 30, 2006:

*Safety Plan:*

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	\$179,792,449	\$216,236,452	\$36,444,003	83.1%	\$26,489,048	137.6%
2004	191,485,009	238,020,648	46,535,639	80.4%	27,861,707	167.0%
2005	206,376,622	255,201,742	48,825,120	80.9%	27,340,845	178.6%

*Miscellaneous Plan:*

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	\$100,758,969	\$123,225,689	\$22,466,720	81.8%	\$24,382,386	92.1%
2004	106,547,839	133,789,591	27,241,752	79.6%	23,366,948	116.6%
2005	114,849,667	144,567,677	29,718,010	79.4%	22,452,186	132.4%

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 11 - RETIREMENT BENEFITS (Continued)**

**E. Post Retirement Health Benefits - City**

In addition to providing the retirement benefits described above, the City provides post retirement health care benefits, in accordance with City ordinances, to all employees who retire from the City at or after age 50. As of June 30, 2006, 390 retirees meet those eligibility requirements. The City pays the employer's share of the medical premiums incurred by retirees and their dependents. These costs for fiscal year 2006 were \$2,298,423.

Expenditures for post retirement health care benefits are incurred monthly and are paid as part of the overall health care benefits program. The City does not provide dental or vision benefits to retirees.

**F. Post Retirement Health Benefits - VSFCD**

VSFCD provides post-retirement health and life insurance in accordance with union contracts and Board policy. Employees covered by union agreement, who retire from VSFCD on or after attaining age 55, with at least five years of creditable service, are eligible for post-retirement health insurance. Management employees, covered by Board policy, who retire from VSFCD on or after attaining age 55, with at least five years of creditable service are eligible for post-retirement health insurance. Currently, 40 retirees meet those eligibility requirements. The insurance provides approximately 100% coverage. Certain health coverage options involve deductibles and co-pays.

**NOTE 12 - NET ASSETS AND FUND BALANCES**

**A. Net Assets**

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

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

*Unrestricted* describes the portion of Net Assets which is not restricted to use.

**B. Fund Balance**

Fund balance consists of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance, which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 12 – NET ASSETS AND FUND BALANCES (Continued)**

A portion of unreserved fund balance may be designated to indicate plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans are subject to change and may never be legally authorized or result in expenditures.

**C. Deficits**

The funds below had fund deficits or net asset deficits at June 30, 2006:

Marine World JPA Enterprise Fund (as of December 31, 2005)	\$26,351,284
Golf Enterprise Fund	94,600
Redevelopment Agency Debt Service Fund	2,533,897
Insurance Internal Service Fund	1,017,957

**D. Expenditures in Excess of Budget**

The funds below had expenditures in excess of budgets:

Special Revenue Funds:	
Redevelopment Affordable Housing	\$556,370
Neighborhood Parks	1,980
Outside Services	331,096
State Lands	18,959

Sufficient resources were available within the funds to finance these excesses.

**NOTE 13 – SELF-INSURANCE PROGRAM**

The City of Vallejo manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by members beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.



**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 13 – SELF-INSURANCE PROGRAM (Continued)**

**A. Risk Coverage**

**City**—The City of Vallejo is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims in excess of \$500,000 up to \$40,000,000 per occurrence. The City has a self-insured retention or deductible of \$500,000 per claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2006, the City contributed \$563,801 for coverage during the current year and received a refund of \$145,909 of prior year excess contributions.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to statutory limits. The City has self-insured retention of up to \$500,000 per claim up to \$2,000,000 covered by local agency workers' compensation excess insurance (LAWXC). Losses above \$2,000,000 up to \$150,000,000 are insured with California Public Entity Insurance Authority. During the fiscal year ended June 30, 2006, the City contributed \$387,510 for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

**Vallejo Sanitation and Flood Control District**—VSFCD is a member of the California Sanitation Risk Management Authority which provides coverage up to \$750,000 for the general liability. Excess public entity general liability insurance is obtained for coverage up to \$15,000,000 associated with either sanitary sewer or storm drain operations. Liability coverage for employment practices is subject to a deductible of \$500,000. Auto liability is subject to a deductible of \$1,000 with coverage up to \$250,000.

California Sanitation Risk Management Authority also provides coverage up to \$750,000 for workers' compensation. Excess insurance provides coverage up to \$25,000,000 associated with either sanitary sewer or storm drain operations.

**Marine World Joint Powers Authority**—The Park Management Corporation, a wholly owned subsidiary of Six Flags, Inc., provides Marine World with general and workers' compensation liability insurance coverage.

**B. Liability for Uninsured Claims**

The following is a summary changes in City recorded claim liabilities during the years ended June 30:

	June 30, 2006	June 30, 2005
Beginning balance	\$11,299,000	\$10,265,000
Increase (decrease) in current year claims and changes in estimates	1,547,267	4,376,720
Claims paid	<u>(2,848,267)</u>	<u>(3,342,720)</u>
Ending balance	<u>\$9,998,000</u>	<u>\$11,299,000</u>
Current portion	<u>\$2,985,400</u>	<u>\$3,776,000</u>

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 13 – SELF-INSURANCE PROGRAM (Continued)**

The City has not significantly reduced its insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

**NOTE 14 – MARINE WORLD JOINT POWERS AUTHORITY**

Marine World provides regularly scheduled programs and amusement rides to members of the public, who pay an admission charge for admission to Marine World. Marine World includes various stadiums, exhibits, and arena designed for the presentation of programs related to specific marine mammals (including whales, dolphins and sea lions), exotic land animals (including lions, tigers, chimpanzees and elephants) and birds, in addition to thrill rides. Marine World also includes various incidental commercial establishments (food and gift shops) to service both operating staff and the members of the public.

In 1985, through a series of lease and sublease agreements, the Marine World Theme Park facilities were subleased by the City to the Redevelopment Agency, and by the Redevelopment Agency to the Marine World Foundation, a California non-profit public benefit corporation.

During 1996, the Foundation defaulted on debt owed to the Redevelopment Agency and City. As a result, the City and the Redevelopment Agency formed the Marine World Joint Powers Authority, a component unit of the City. The JPA took over the ownership of Marine World on November 1, 1996. The Foundation conveyed all of its rights, title and interest in its permits, policies and assets to the Marine World JPA, and the Marine World JPA assumed all the obligations and liabilities of the Foundation.

In January 1997, the Marine World JPA issued \$63,465,000 of COPs under similar lease and sublease agreements. The proceeds were used to refund the 1990 COPs, issued to refund the 1985 and 1986 COPs, which were issued to finance the construction and acquisition of the Marine World facilities; and the 1991 Community Facilities District Bonds issued to fund new attractions and capital improvements to the facilities. The 1997 COPs are due through 2028 and may be prepaid without penalty after 2002. During 2006, principal payments in the amount of \$1,010,000 were made.

The various leases and subleases described above expire when the 1997 COPs have been retired, at which time title to the facilities passes from the Marine World JPA to the City. Lease payments are equal to the annual principal and semi-annual interest payments related to the 1997 COPs and continue through February 1, 2028, unless the COPs are paid earlier. To the extent the JPA fails to make timely lease payments, the City is required to make payments necessary to assure timely payment of principal and interest on the 1997 COPs. The Redevelopment Agency is responsible for sublease payments only to the extent it receives lease payments from the Marine World JPA.

**A. *Agreements with the Park Management Corporation***

The Marine World JPA and the Park Management Corporation, a wholly owned subsidiary of Six Flags, Inc., entered into a management agreement commencing April 1, 1997. In 2005, the Marine World JPA and the Corporation amended the Management Agreement. The 2005 amended agreement expires February 1, 2010, although it is subject to certain termination clauses. The management fee is \$250,000, plus 20% of gross revenue in excess of \$35 million up to a maximum of \$250,000, payable annually. Under this agreement, the Marine World JPA management fee due to the Corporation amounted to \$500,000 for the year ended December 31, 2005. In addition, the Corporation provides Marine World with general and workers' compensation liability insurance coverage for a fee. The reimbursement

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 14 – MARINE WORLD JOINT POWERS AUTHORITY (Continued)**

payable to Park Management Corporation at December 31, 2005 amounted to \$220,245 and represents fiscal year 2006 unpaid management and insurance fees.

**B. *Commitments and Contingencies***

The Marine World JPA has an agreement with the City for use of its Parking Facilities by patrons of Marine World. In consideration for the use of the Parking Facilities, the Marine World JPA makes minimum rent payments through the year 2011. The minimum rent payable for the Parking Facilities corresponds to a portion of the debt service due annually on the Fairgrounds Drive Assessment District No. 65 Assessment Bonds. In addition, under the agreement, a percentage of net parking revenues in excess of the minimum rent payments is to be paid quarterly to Solano County.

**C. *Purchase Option Agreements***

On August 29, 1997, the City, Marine World JPA, and Redevelopment Agency entered into a purchase option agreement with the Corporation. In April 2005, the parties entered into an Amended and Restated Purchase Option Agreement. The agreement provides the Corporation an option to purchase the Marine World Theme Park. The option can be exercised through February 1, 2010. The following conditions must be present (i) the Manager must not be in default of the lease at the time, and (ii) the option price is sufficient to immediately retire all outstanding tax-exempt obligations relating to Marine World.

**D. *Revenue-sharing Agreement***

In November 1997, the JPA, the Redevelopment Agency and the Corporation entered into a revenue-sharing agreement. The agreement states that revenues are to be applied to operating expenses of the Marine World JPA, working capital borrowings, and the annual payment of the obligations under the 1997 COPs and any other tax exempt notes or obligations under the Parking Facilities Lease. Any amount of revenue remaining after meeting the above requirements (the net revenue) is shared 80% by the Corporation and 20% by the City of Vallejo.

The following is the revenue-sharing calculation as of October 31, 2005, the measurement date to determine the revenue sharing base:

Operating revenues	\$59,467,656
Cost of goods sold	(4,924,072)
Operations expense	(35,323,508)
Management fee	(500,000)
Interest income	114,041
Interest expense	(4,403,479)
Loss on disposal of assets	(17,500)
1997 COPs principal payment	<u>(1,010,000)</u>
 Net revenue	 <u>\$13,403,138</u>
 Revenue Sharing - Park Management Corporation, 80%	 <u>\$10,722,510</u>
 Revenue Sharing - City of Vallejo, 20%	 <u>\$2,680,628</u>

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 14 – MARINE WORLD JOINT POWERS AUTHORITY (Continued)**

Subsequent to October 31, 2005, the JPA made payments to the Corporation and City reducing its liability to \$6,722,510 and \$1,680,628, respectively, at December 31, 2005.

**E. Contributed Goods and Services**

The JPA receives contributed goods and services that support Marine World's operations. Contributed goods and services are accounted for at their fair market value as revenue and expenses if the services meet the following criteria:

1. the service creates or enhances non-financial assets, or
2. the service requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers have made significant contributions of their time to support the JPA. The value of this contributed time is not reflected in the accompanying financial statements because the services do not meet the above criteria.

**F. Goodwill**

Goodwill arising from the acquisition of Marine World by the JPA had been amortized over a period of 25 years on a straight-line basis until October 31, 2002. At that date the JPA adopted FASB 142 and ceased amortizing goodwill.

**NOTE 15 - COMMITMENT AND CONTINGENCY**

**A. Vallejo Redevelopment Agency**

**Triad Downtown Vallejo Mixed-Use Development**

In accordance with a Disposition and Development Agreement ("DDA") between the Agency, the City, and Triad Downtown Vallejo, LLC ("Triad") dated October 28, 2005 (as amended on January 13, 2006), the Agency is required to provide an estimated \$10.8 million of public improvements and programs related to the proposed development. In addition, as part of a Fee Deferral Agreement between the Agency and City dated October 28, 2005, the City will defer an estimated \$6.6 million in development impact fees for this project, which the Agency will repay to the City on behalf of the developer over an estimated twenty (20) year period. The total estimated Agency financial commitment for this DDA totals \$17.4 million. Both the City and Triad have agreements to provide the Agency with interim cash flow financing until the project generates tax increment and other revenue.

**Waterfront Development Project Area**

In accordance with the amended and restated Disposition and Development Agreement between the Agency, the City, and Callahan and DeSilva Vallejo, LLC signed on October 27, 2005, the Agency is obligated to provide as estimated \$23.7 million of public improvements and programs related to the proposed development. These include the following estimated commitments:

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 15 - COMMITMENT AND CONTINGENCY (Continued)**

Vallejo Station parking garage (Parcel L3)	\$ 5,000,000
City Hall parking garage and improvements	4,900,000
Park and street improvements	9,850,000
Remediation (Southern Waterfront)	<u>4,000,000</u>
	<u>\$23,750,000</u>

The last item listed, remediation, reflects the Agency's contingent liability for remediation costs for contaminants on certain property located within the Waterfront Project Area.

An independent soils' engineering firm has developed four alternatives for remediation of the contaminants, depending upon future land use. The alternatives range from "No Action" with an estimated cost of \$1.2 million for basic containment and highly restricted land use to complete removal of contaminants for unrestricted land use with an estimated cost of \$33 million. Discussions are ongoing with the previous owner and the regional water quality control board having jurisdiction over the property as to the preferred remedial approach based on anticipated future land uses. The Agency believes that the previous owner may be responsible for part or all of such costs and therefore has not recorded a liability for any remediation costs.

The Agency incurred \$655,254 of legal, investigative and remediation costs through June 30, 2006 and believes it may be entitled to recover some of this cost from the previous owner. The Agency paid approximately \$2.4 million for this property in 1988. Given the uncertainty over remediation costs, the property is carried at no value in the accompanying Government-Wide Statement of Net Assets.

**Tax Increment Shift to Educational Revenue Augmentation Fund (ERAF)**

In 2006, the State of California directed that a portion of the incremental property tax received by redevelopment agencies be shifted to local educational agencies. During the fiscal year ended June 30, 2006, \$1,365,680 was shifted as a result of the State directive.

**Pass-through Payments**

The Redevelopment Agency has entered into various tax-sharing agreements with Solano County and other taxing entities in the Vallejo Central, Flosden Acres, and Southeast Vallejo Project Areas. Portions of tax increments from those project areas are received by the Redevelopment Agency and remitted to these entities. In fiscal year 2006, the Redevelopment Agency calculated and remitted \$639,686 in pass-through payments to these entities.

**B. Vallejo Sanitation and Flood Control District**

The Vallejo Sanitation and Flood Control District has numerous ongoing capital projects that involve long-term construction contracts with payments billed and paid on a percentage-of-completion basis. Construction commitments related to these contracts at June 30, 2006 amounted to approximately \$11,970,336.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**NOTE 16 – SUBSEQUENT EVENTS**

*Water Revenue Refunding Bonds, Series 2006*

On July 11, 2006, the City issued \$45.8 million in Water Revenue Refunding Bonds with a true interest cost of 4.6 percent to current refund \$45.8 million of outstanding 1996 Series A Refunding Revenue Bonds and advance refund \$525,000 of outstanding 1999 Series A Parity refunding Revenue Bonds. The net proceeds of \$46.5 million (including bond premium received of \$1.9 million and after payment of \$1.1 in underwriting fees, insurance and other issuance costs) plus an additional \$5.2 million of 1996 and 1999 reserve funds monies were used to deposit \$3.8 million to the Reserve Fund and purchase \$47.9 million of U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on 1996 Series A and 1999 Series A bonds. As a result, the 1996 Series A and 1999 Series A bonds are considered to be defeased and the liability for those bonds will be removed from the government-wide statement of net assets.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.4 million. This difference will be reported in the financial statements as a deduction from bonds payable, and will be charged to operations through the year 2026 using the straight line method. The City completed the refunding to reduce its total debt service payments over the next 20 years by \$5.1 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.0 million.

**NOTE 17 – PRIOR PERIOD ADJUSTMENTS**

During the fiscal year ended June 30, 2006, the Vallejo Sanitation and Flood Control District Enterprise Fund identified and recorded prior year service charges in the amount of \$1,033,420. As a result, the beginning net asset as of July 1, 2005 was increased by \$1,033,420.

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## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**Redevelopment Administration Fund** accounts for the Agency's administrative and development activity supported by contributions from the City.

**Redevelopment Affordable Housing Fund** accounts for tax increment monies received and expended by the Redevelopment Agency for financing development and rehabilitation of low and moderate income housing projects, including related loan programs.

**Solid Waste Disposal Fund** accounts for monies received from garbage collection fines and expended on enforcing major portions of the mandatory garbage subscription ordinance. This fund is also used for the mandatory city-wide recycling program.

**Asset Seizure Fund** accounts for monies received from police confiscated drug money and property. Funds are held until final disposition is received. The funds are then restricted for police related activities only.

**State Gas Tax Fund** accounts for monies received from the state gas tax allocation and expended on construction, improvement and maintenance of public streets and related infrastructure.

**Community Development Block Grant Fund** accounts for monies received and expended by the City as a participant in the Federal Community Development Block Grant program.

**HOME Program Fund** accounts for monies received and expended by the City as a participant in the Federal HOME Grant program.

**Repair & Demolition Revolving Fund** accounts for monies that are expended and received to repair or demolish blighted buildings in the City.

**R. W. Johnson Foundation Grant Fund** accounts for funds provided by a private foundation to the City. The City subcontracts with the Vallejo Community Consortium, a nonprofit organization, to carry out the purpose of this grant, which is to address social needs and concerns of the community. The Fund was closed as of June 30, 2006.

**Hiddenbrooke Community Services District Fund** accounts for monies collected as the result of special taxes which are used to fund a variety of municipal services provided to the residents of the Hiddenbrooke development.

**Mare Island Leasing Fund** accounts for monies received from tenants placed on Mare Island Naval Shipyard during conversion process.

**Mare Island CFD 2002 Fund** accounts for monies received as a result of assessments to property owners for maintenance and repair of infrastructure and facilities on the former Mare Island Naval Shipyard.

**Mare Island CFD 2005 1A (State) Fund** accounts for transactions of this district formed under state statute to provide municipal services within the district.

**Mare Island CFD 2005 1B (Local) Fund** accounts for transactions of this district formed under local statute to provide municipal services within the district.



<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**Neighborhood Parks Fund** accounts for park development impact fee revenue and for contributions to the Greater Vallejo recreation District for park improvements.

**Hazmat Revolving Fund** accounts for monies received and expended for hazardous material removal.

**Local Law Enforcement Grant Fund** accounts for revenues received from the Local Law Enforcement Block Grant.

**Supplemental Law Enforcement Grant Fund** accounts for revenues received from the Supplemental Law Enforcement Services Grant.

**Traffic Offender/Vehicle Impound Program Fund** accounts for monies received and expended from vehicle impound fees.

**Landscape Maintenance Districts Fund** accounts for special assessments on property within district boundaries for the restricted purpose of providing landscape services within the specified districts.

**Mobile Home Park Fund** accounts for the fees and costs supporting the City's mobile home ordinance. The Fund was closed as of June 30, 2006.

**Outside Services Fund** accounts for one-time billings to third parties and the related expenditures of these funds. The primary activity is development review.

**Administration Trust Fund** accounts for funds held for special programs, including performance bonds for construction projects.

**Cadet Program Fund** accounts for staff changes for the City's Police Cadets.

**Utility Billing Administration Fund** accounts for utility billing pass-through revenues. The Fund was closed as of June 30, 2006.

**State Lands Fund** accounts for lease rentals generated from City-owned waterfront property subject to State Lands Commission restrictions.

#### **DEBT SERVICE FUNDS**

**Redevelopment Agency Debt Service Fund** - is to account for the accumulation of resources, most importantly property tax increment receipts, necessary for the payment of long term debt and other obligations incurred by the Redevelopment Project Areas.

**Financing Authority Fund** accounts for the issuance of revenue anticipation notes, borrowing from the Agency and loans made to Marine World Foundation. It also accounts for the accumulation of revenues and payment of the annual debt service requirements of revenue anticipation notes.

**Certificates of Participation Fund** accounts for the accumulation of lease revenue and the payments of annual debt service requirements.

**NON-MAJOR GOVERNMENTAL FUNDS (Continued)**

**CAPITAL PROJECTS FUNDS**

**Redevelopment Agency Capital Projects Fund** - is to account for monies intended for redevelopment projects of the Redevelopment Project Areas. These include property tax increment monies in excess of amounts needed to fulfill the debt service obligations of the areas and bond receipts.

**Capital Outlay Fund** accounts for the expenditure of General Fund and grant funded capital projects, including acquisitions and improvements of public property, public works projects, facilities, equipment and systems.

**Fire Station #7 Fund** accounts for development fees that are to be used for the construction of a fire station to service area #7.

**Transportation Impact Mitigation Fund** accounts for monies received from the Transportation Impact fee imposed on commercial and residential development and expended on transportation improvements necessitated by such development.

**Hiddenbrooke Overpass Fund** accounts for monies received from the Hiddenbrooke Overpass fee imposed on commercial and residential development within the Hiddenbrooke development area. These funds will be used to renovate the existing Hiddenbrooke overpass.

**Bridge Construction Fund** accounts for monies received from the Bridge Construction Development Tax Ordinance and expended to provide new bridges and other traffic improvements within the City.

**Northgate Fee & Benefit District #93-1 Fund** accounts for monies received from the development of the Northgate District #93-1 and expended for public improvements within that development area.

**Northgate Fee & Benefit District #94-1 Fund** accounts for monies received from the development of the Northgate District #94-1 and expended for public improvements within that development area.

**Traffic Signal Interconnection Fund** accounts for monies received from State sources to be expended on the renovation of the traffic signals within the City. The Fund was closed as of June 30, 2006.

**Citywide Traffic Signal II Fund** accounts for monies received for upgrading and interconnecting all signals within the City. The Fund was closed as of June 30, 2006.

**Arts and Convention Center Fund** accounts for monies set aside for the design and construction of an Arts and Convention Center within the City.

**Certificates of Participations Fund** accounts for bond proceeds to be used for the acquisition, construction, installation and equipping of certain capital improvements of the City.

**Mare Island Benefit CFD 2005 1A Facilities Fund** accounts for transactions of this district formed under state statute to provide municipal facilities within the district.

**N.E. Quadrant Improvement District 03-1 Fund** accounts for bond proceeds to be used to improvements financed by the Northeast Quadrant Improvement District.

**Traffic Congestion Relief Fund** accounts for street maintenance and capital expenditures to be paid from State Proposition 42 allocations.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**Downtown Development Capital Project Fund** accounts for capital project expenditures incurred by the City on behalf of the Redevelopment Agency for projects connected to the Downtown Development and Disposition Agreement.

**Capital Grants & Contributions Fund** accounts for capital project expenditures to be reimbursed from by granting agencies, developers, or other third parties.

**PERMANENT FUND**

**McCune Collection Fund** accounts for monies held for the Library which consists of donations and sales of rare books to maintain the McCune book collection.

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CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2006

SPECIAL REVENUE FUNDS

	Redevelopment Administration	Redevelopment Affordable Housing	Solid Waste Disposal	Assets Seizure	State Gas Tax
<b>ASSETS</b>					
Cash and investments	\$75,656	\$998,272	\$327,454	\$531,590	\$1,271,686
Restricted cash and investments					
Accounts receivable		391	192,684		33,000
Due from other governments					205,213
Prepays					
Advance to other funds					
Advance to Marine World JPA					
Notes and loans receivable		10,715,651			
Land held for redevelopment					
<b>Total assets</b>	<b>\$75,656</b>	<b>\$11,714,314</b>	<b>\$520,138</b>	<b>\$531,590</b>	<b>\$1,509,899</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$75,656	\$4,606	\$351,809	\$2,876	\$102,461
Accrued interest payable					
Due to other funds					
Due to other governments				32,704	
Revenue anticipation notes payable					
Deferred revenues		812,780			
Deposits payable				370,634	
Advance from other funds					
<b>Total liabilities</b>	<b>75,656</b>	<b>817,386</b>	<b>351,809</b>	<b>406,214</b>	<b>102,461</b>
<b>FUND EQUITY</b>					
Fund balances					
Reserved for:					
Encumbrances				16,641	491,720
Prepaid					
Debt service					
Notes and loans receivable		9,902,871			
Land held for redevelopment					
Prepayment reserve					
Advance to other funds					
Unreserved, designated for:					
Program commitments					
Capital projects					90,390
Unreserved, undesignated		994,057	168,329	108,735	825,328
<b>Total fund balances</b>		<b>10,896,928</b>	<b>168,329</b>	<b>125,376</b>	<b>1,407,438</b>
<b>Total liabilities and fund balances</b>	<b>\$75,656</b>	<b>\$11,714,314</b>	<b>\$520,138</b>	<b>\$531,590</b>	<b>\$1,509,899</b>

SPECIAL REVENUE FUNDS

<u>Community Development Block Grant</u>	<u>HOME Program</u>	<u>Repair &amp; Demolition Revolving</u>	<u>R. W. Johnson Foundation Grant</u>	<u>Hiddenbrooke Community Services District</u>	<u>Mare Island Leasing</u>
		\$177,166		\$1,419,150	\$3,348,670
\$1,715	\$81,828			12,941	500,000
418,639	965,679			45,730	20,836
1,331,326	3,586,486				
<u>\$1,751,680</u>	<u>\$4,633,993</u>	<u>\$177,166</u>		<u>\$1,477,821</u>	<u>\$3,869,506</u>
\$140,798	\$169,119			\$53,133	\$29,976
279,556	804,658				
	57,993				
1,331,326	3,602,223				
					2,318,560
<u>1,751,680</u>	<u>4,633,993</u>			<u>53,133</u>	<u>2,348,536</u>
				919,211	
		\$65,000			500,000
		112,166		505,477	1,020,970
		177,166		1,424,688	1,520,970
<u>\$1,751,680</u>	<u>\$4,633,993</u>	<u>\$177,166</u>		<u>\$1,477,821</u>	<u>\$3,869,506</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2006

	Mare Island CFD 2002	Mare Island CFD 2005 1A (State)	Mare Island CFD 2005 1B (Local)	Neighborhood Parks	Hazmat Revolving Fund
<b>ASSETS</b>					
Cash and investments	\$1,804,124	\$53,293	\$9,071	\$5,286,190	\$329,305
Restricted cash and investments					
Accounts receivable		4,331	4,258		10,000
Due from other governments					
Prepays					
Advance to other funds					
Advance to Marine World JPA					
Notes and loans receivable				151,621	
Land held for redevelopment					
Total assets	<u>\$1,804,124</u>	<u>\$57,624</u>	<u>\$13,329</u>	<u>\$5,437,811</u>	<u>\$339,305</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$97,947	\$5,683	\$5,683	\$2,233	\$605
Accrued interest payable					
Due to other funds					
Due to other governments					
Revenue anticipation notes payable					
Deferred revenues				1,397	
Deposits payable				37,000	
Advance from other funds					
Total liabilities	<u>97,947</u>	<u>5,683</u>	<u>5,683</u>	<u>40,630</u>	<u>605</u>
<b>FUND EQUITY</b>					
Fund balances					
Reserved for:					
Encumbrances					
Prepaid					
Debt service					
Notes and loans receivable					
Land held for redevelopment					
Prepayment reserve					
Advance to other funds					
Unreserved, designated for:					
Program commitments					
Capital projects					
Unreserved, undesignated					
	<u>1,706,177</u>	<u>51,941</u>	<u>7,646</u>	<u>5,246,958</u>	<u>338,700</u>
Total fund balances	<u>1,706,177</u>	<u>51,941</u>	<u>7,646</u>	<u>5,397,181</u>	<u>338,700</u>
Total liabilities and fund balances	<u>\$1,804,124</u>	<u>\$57,624</u>	<u>\$13,329</u>	<u>\$5,437,811</u>	<u>\$339,305</u>

SPECIAL REVENUE FUNDS

Local Law Enforcement Grant	Supplemental Law Enforcement Grant	Traffic Offender/ Vehicle Impound Program	Landscape Maintenance District	Mobile Home Park	Outside Services	Administrative Trust
\$335	\$110,151	\$704,580	\$2,747,582		\$893,771	\$623,777
		27,757			8,137	
<u>\$335</u>	<u>\$110,151</u>	<u>\$732,337</u>	<u>\$2,747,582</u>		<u>\$901,908</u>	<u>\$623,777</u>
	\$34,102	\$18,552	\$387,828		\$14,016	\$49,233
					798,567	574,544
	<u>34,102</u>	<u>18,552</u>	<u>387,828</u>		<u>812,583</u>	<u>623,777</u>
			4,364			
<u>\$335</u>	<u>76,049</u>	<u>713,785</u>	<u>2,355,390</u>		<u>89,325</u>	
335	76,049	713,785	2,359,754		89,325	
<u>\$335</u>	<u>\$110,151</u>	<u>\$732,337</u>	<u>\$2,747,582</u>		<u>\$901,908</u>	<u>\$623,777</u>

(Continued)



CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2006

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS	
	Cadet Program	Utility Billing Administration	State Lands	Redevelopment Agency Debt Service	Financing Authority
<b>ASSETS</b>					
Cash and investments	\$8,005		\$2,604	\$117,472	
Restricted cash and investments				1,152,180	\$11,771
Accounts receivable					
Due from other governments					
Prepays					
Advance to other funds					
Advance to Marine World JPA					12,336,311
Notes and loans receivable					
Land held for redevelopment					
Total assets	<u>\$8,005</u>		<u>\$2,604</u>	<u>\$1,269,652</u>	<u>\$12,348,082</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$1,816		\$2,604	\$24,431	
Accrued interest payable					\$348,082
Due to other funds					
Due to other governments				93,042	
Revenue anticipation notes payable					12,000,000
Deferred revenues				133,288	
Deposits payable					
Advance from other funds				3,552,788	
Total liabilities	<u>1,816</u>		<u>2,604</u>	<u>3,803,549</u>	<u>12,348,082</u>
<b>FUND EQUITY</b>					
Fund balances					
Reserved for:					
Encumbrances					
Prepaid					
Debt service					
Notes and loans receivable					
Land held for redevelopment					
Prepayment reserve					
Advance to other funds					
Unreserved, designated for:					
Program commitments					
Capital projects					
Unreserved, undesignated					
	6,189			(3,686,077)	
Total fund balances	<u>6,189</u>			<u>(2,533,897)</u>	
Total liabilities and fund balances	<u>\$8,005</u>		<u>\$2,604</u>	<u>\$1,269,652</u>	<u>\$12,348,082</u>

DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS						
	Certificates of Participation	Redevelopment Agency Capital Projects	Capital Outlay	Fire Station #7	Transportation Impact Mitigation	Hiddenbrooke Overpass	Bridge Construction
		\$8,874,092			\$8,321,418	\$5,988,958	\$3,715,692
\$292,592	380,553	\$3,963					
	10,328						
		2,441,481					
34,169	8,630						
2,318,560							540,000
	1,415,048				730,338		
	1,343,595						
<u>\$2,645,321</u>	<u>\$12,032,246</u>	<u>\$2,445,444</u>		<u>\$9,051,756</u>	<u>\$5,988,958</u>	<u>\$4,255,692</u>	
	\$353,564	\$755,258		\$23,455		\$42,435	
		643,958					
				30,338		40,000	
	35,328						
	179,027						
	567,919	1,399,216		53,793		82,435	
	4,438	98,198		46,773		602,177	
\$34,169							
292,592							
	1,415,048			700,000			
	1,343,595						
	380,553						
2,318,560						500,000	
		210,465					
	3,506,722	636,997		7,322,572	\$803,253	2,283,658	
	4,813,971	100,568		928,618	5,185,705	787,422	
<u>2,645,321</u>	<u>11,464,327</u>	<u>1,046,228</u>		<u>8,997,963</u>	<u>5,988,958</u>	<u>4,173,257</u>	
<u>\$2,645,321</u>	<u>\$12,032,246</u>	<u>\$2,445,444</u>		<u>\$9,051,756</u>	<u>\$5,988,958</u>	<u>\$4,255,692</u>	

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2006

CAPITAL PROJECTS FUNDS

	<u>Northgate Fee &amp; Benefit District #93-1</u>	<u>Northgate Fee &amp; Benefit District #94-1</u>	<u>Traffic Signal Interconnection</u>	<u>Citywide Traffic Signal II</u>	<u>Art and Convention Center</u>
<b>ASSETS</b>					
Cash and investments	\$1,416,843	\$554,594			\$1,147,949
Restricted cash and investments	265,045	344,254			
Accounts receivable					
Due from other governments					
Prepays					
Advance to other funds					3,012,788
Advance to Marine World JPA					
Notes and loans receivable					
Land held for redevelopment					
Total assets	<u>\$1,681,888</u>	<u>\$898,848</u>			<u>\$4,160,737</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities		\$59			
Accrued interest payable					
Due to other funds					
Due to other governments					
Revenue anticipation notes payable					
Deferred revenues					\$184,788
Deposits payable					
Advance from other funds					
Total liabilities		<u>59</u>			<u>184,788</u>
<b>FUND EQUITY</b>					
Fund balances					
Reserved for:					
Encumbrances	\$11,420	178,534			
Prepaid					
Debt service					
Notes and loans receivable					
Land held for redevelopment					
Prepayment reserve					
Advance to other funds					2,828,000
Unreserved, designated for:					
Program commitments					968,000
Capital projects	1,478,414	689,626			22,738
Unreserved, undesignated	192,054	30,629			157,211
Total fund balances	<u>1,681,888</u>	<u>898,789</u>			<u>3,975,949</u>
Total liabilities and fund balances	<u>\$1,681,888</u>	<u>\$898,848</u>			<u>\$4,160,737</u>

CAPITAL PROJECTS FUNDS						PERMANENT FUND	
Certificates of Participation	Mare Island CFD 2005 1A Facilities	N.E. Quadrant Improvement District 03-1	Traffic Congestion Relief	Downtown Development Capital Projects	Capital Grants & Contributions	McCune Collection	Total Nonmajor Governmental Funds
\$1,039,658	\$59,502		\$300,400			\$115,963	\$52,374,973
13,265,602		\$4,225,978	151,783		\$1,377		20,454,879
				\$10,985			566,398
							4,058,769
							42,799
							5,882,333
							12,336,311
							17,930,470
							1,343,595
<u>\$14,305,260</u>	<u>\$59,502</u>	<u>\$4,225,978</u>	<u>\$452,183</u>	<u>\$10,985</u>	<u>\$1,377</u>	<u>\$115,963</u>	<u>\$114,990,527</u>
\$184,764				\$657			\$2,935,359
756,638		\$1,023		10,328	\$1,377		348,082
							2,497,538
							183,739
							12,000,000
							6,136,140
							1,816,073
							6,050,375
<u>941,402</u>		<u>1,023</u>		<u>10,985</u>	<u>1,377</u>		<u>\$31,967,306</u>
96,575							1,550,840
							34,169
							1,444,772
							12,168,142
							1,343,595
							380,553
							5,646,560
							2,097,676
8,102,764		3,778,700	\$115,000				34,642,792
5,164,519	\$59,502	446,255	337,183			\$115,963	23,714,122
13,363,858	59,502	4,224,955	452,183			115,963	83,023,221
<u>\$14,305,260</u>	<u>\$59,502</u>	<u>\$4,225,978</u>	<u>\$452,183</u>	<u>\$10,985</u>	<u>\$1,377</u>	<u>\$115,963</u>	<u>\$114,990,527</u>

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

SPECIAL REVENUE FUNDS

	Redevelopment Administration	Redevelopment Affordable Housing	Solid Waste Disposal	Asset Seizure	State Gas Tax
<b>REVENUES</b>					
Taxes					
Licenses, permits and fees			\$932,674		
Fines and forfeitures			3,750	\$212,480	
Intergovernmental			287,690		\$2,228,617
Use of money and property	\$2,596	\$113,489	16,132	12,519	37,130
Charges for services			678,387		
Other		25,596	193,319		204,267
<b>Total Revenues</b>	<b>2,596</b>	<b>139,085</b>	<b>2,111,952</b>	<b>224,999</b>	<b>2,470,014</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Executive					
Finance					
Development services			719,951		
Community development	486,638	730,070	4,036		
Fire services					
Police services				90,071	
Public works			1,610,385		2,240,547
Nondepartmental					
Capital outlay					
<b>Debt Service:</b>					
Principal					
Interest and fiscal agent fees					
<b>Total Expenditures</b>	<b>486,638</b>	<b>730,070</b>	<b>2,334,372</b>	<b>90,071</b>	<b>2,240,547</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(484,042)	(590,985)	(222,420)	134,928	229,467
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	484,042	652,340			
Transfers (out)		(457,266)		(48,788)	
<b>Total Other Financing Sources (Uses)</b>	<b>484,042</b>	<b>195,074</b>		<b>(48,788)</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>					
		(395,911)	(222,420)	86,140	229,467
<b>BEGINNING FUND BALANCES</b>					
		11,292,839	390,749	39,236	1,177,971
<b>ENDING FUND BALANCES</b>					
		<b>\$10,896,928</b>	<b>\$168,329</b>	<b>\$125,376</b>	<b>\$1,407,438</b>

SPECIAL REVENUE FUNDS

<u>Community Development Block Grant</u>	<u>HOME Program</u>	<u>Repair &amp; Demolition Revolving</u>	<u>R.W. Johnson Foundation Grant</u>	<u>Hiddenbrooke Community Services District</u>	<u>Mare Island Leasing</u>
				\$160	
\$985,724	\$1,195,787				
374,614	588,221	\$3,488		\$42,990	\$465,921
			\$1,420	604,395	31,930
	2,552			143,189	500,000
<u>1,360,338</u>	<u>1,786,560</u>	<u>3,488</u>	<u>1,420</u>	<u>790,734</u>	<u>997,851</u>
1,387,382	1,786,560				791,323
				598,321	
<u>1,387,382</u>	<u>1,786,560</u>			<u>598,321</u>	<u>791,323</u>
(27,044)		3,488	1,420	192,413	206,528
			(655)		(187,468)
			(655)		(187,468)
(27,044)		3,488	765	192,413	19,060
<u>27,044</u>		<u>173,678</u>	<u>(765)</u>	<u>1,232,275</u>	<u>1,501,910</u>
		<u>\$177,166</u>		<u>\$1,424,688</u>	<u>\$1,520,970</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

SPECIAL REVENUE FUNDS

	Mare Island CFD 2002	Mare Island CFD 2005 1A (State)	Mare Island CFD 2005 1B (Local)	Neighborhood Parks	Hazmat Revolving
<b>REVENUES</b>					
Taxes	\$886,635	\$100,312	\$44,407		
Licenses, permits and fees	224,423			\$328,664	\$40,000
Fines and forfeitures					
Intergovernmental					
Use of money and property	10,400	53	161	146,542	10,636
Charges for services	3,612,141	14,436	10,104		
Other			4,258		
<b>Total Revenues</b>	<b>4,733,599</b>	<b>114,801</b>	<b>58,930</b>	<b>475,206</b>	<b>50,636</b>
<b>EXPENDITURES</b>					
Current:					
Executive					
Finance					
Development services					
Community development					
Fire services	2,149,800				40,000
Police services	811,504				
Public works	1,533,588	10,944			
Nondepartmental		51,916	51,284	1,644,745	
Capital outlay					
Debt Service:					
Principal					
Interest and fiscal agent fees					
<b>Total Expenditures</b>	<b>4,494,892</b>	<b>62,860</b>	<b>51,284</b>	<b>1,644,745</b>	<b>40,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>238,707</b>	<b>51,941</b>	<b>7,646</b>	<b>(1,169,539)</b>	<b>10,636</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers (out)					
<b>Total Other Financing Sources (Uses)</b>					
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>238,707</b>	<b>51,941</b>	<b>7,646</b>	<b>(1,169,539)</b>	<b>10,636</b>
<b>BEGINNING FUND BALANCES</b>	<b>1,467,470</b>			<b>6,566,720</b>	<b>328,064</b>
<b>ENDING FUND BALANCES</b>	<b>\$1,706,177</b>	<b>\$51,941</b>	<b>\$7,646</b>	<b>\$5,397,181</b>	<b>\$338,700</b>

SPECIAL REVENUE FUNDS

Local Law Enforcement Grant	Supplemental Law Enforcement Grant	Traffic Offender/ Vehicle Impound Program	Landscape Maintenance Districts	Mobile Home Park	Outside Services	Administrative Trust
		\$218,255				
\$41,335	\$209,010 2,025	27,757 13,524	\$72,281 2,296,784 96,875		\$15,671 1,136,871 48,825	\$10,993
41,335	211,035	279,475	2,465,940		1,201,367	10,993
					64,225	
					591,963	
	69,494	190,385	2,199,033		544,908	
	69,494	190,385	2,199,033		1,201,096	
41,335	141,541	89,090	266,907		271	10,993
(41,000)	(65,506)			(\$11,908)	(28,896)	(10,993)
(41,000)	(65,506)			(11,908)	(28,896)	(10,993)
335	76,035	89,090	266,907	(11,908)	(28,625)	
	14	624,695	2,092,847	11,908	117,950	
\$335	\$76,049	\$713,785	\$2,359,754		\$89,325	

(Continued)



CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

	DEBT SERVICE FUNDS				
	Cadet Program	Utility Billing Administration	State Lands	Redevelopment Agency Debt Service	Financing Authority
REVENUES					
Taxes				\$3,261,700	
Licenses, permits and fees					
Fines and forfeitures					
Intergovernmental					
Use of money and property			\$250,000	93,705	\$351,939
Charges for services	\$194,301				
Other	10,270	\$50,964			26,534
Total Revenues	<u>204,571</u>	<u>50,964</u>	<u>250,000</u>	<u>3,355,405</u>	<u>378,473</u>
EXPENDITURES					
Current:					
Executive					
Finance					
Development services					
Community development			28,959	1,384,640	
Fire services					
Police services	204,006				
Public works					
Nondepartmental					32,085
Capital outlay					
Debt Service:					
Principal				371,708	
Interest and fiscal agent fees				1,109,601	348,082
Total Expenditures	<u>204,006</u>		<u>28,959</u>	<u>2,865,949</u>	<u>380,167</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>565</u>	<u>50,964</u>	<u>221,041</u>	<u>489,456</u>	<u>(1,694)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in				604,707	
Transfers (out)		(50,964)	(221,041)	(1,232,090)	
Total Other Financing Sources (Uses)		<u>(50,964)</u>	<u>(221,041)</u>	<u>(627,383)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	565			(137,927)	(1,694)
BEGINNING FUND BALANCES	<u>5,624</u>			<u>(2,395,970)</u>	<u>1,694</u>
ENDING FUND BALANCES	<u>\$6,189</u>			<u>(\$2,533,897)</u>	

DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS						
	Certificates of Participation	Redevelopment Agency Capital Projects	Capital Outlay	Fire Station #7	Transportation Impact Mitigation	Hiddenbrooke Overpass	Bridge Construction
				\$648	\$600,447	\$112,686 104,929	
		\$2,260,287					
\$3,073	\$410,567	33,814 552,494 80,682	1,749	211,539	140,896	\$84,422	
<u>3,073</u>	<u>410,567</u>	<u>2,927,277</u>	<u>2,397</u>	<u>811,986</u>	<u>358,511</u>	<u>84,422</u>	
	1,096,080						
	54,700	3,664,877		150,214	10,738	155,496	
703,763 1,122,427							
<u>1,826,190</u>	<u>1,150,780</u>	<u>3,664,877</u>		<u>150,214</u>	<u>10,738</u>	<u>155,496</u>	
(1,823,117)	(740,213)	(737,600)	2,397	661,772	347,773	(71,074)	
1,910,035	3,260,378 (3,303,885)	156,013 (15,926)	(56,740)				
<u>1,910,035</u>	<u>(43,507)</u>	<u>140,087</u>	<u>(56,740)</u>				
86,918	(783,720)	(597,513)	(54,343)	661,772	347,773	(71,074)	
<u>2,558,403</u>	<u>12,248,047</u>	<u>1,643,741</u>	<u>54,343</u>	<u>8,336,191</u>	<u>5,641,185</u>	<u>4,244,331</u>	
<u>\$2,645,321</u>	<u>\$11,464,327</u>	<u>\$1,046,228</u>		<u>\$8,997,963</u>	<u>\$5,988,958</u>	<u>\$4,173,257</u>	

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

CAPITAL PROJECTS FUNDS					
	Northgate Fee & Benefit District #93-1	Northgate Fee & Benefit District #94-1	Traffic Signal Interconnection	Citywide Traffic Signal II	Arts and Convention Center
<b>REVENUES</b>					
Taxes					
Licenses, permits and fees	\$109,435				
Fines and forfeitures					
Intergovernmental					
Use of money and property	52,964	\$30,620	\$1,701		\$35,615
Charges for services					
Other					
<b>Total Revenues</b>	<b>162,399</b>	<b>30,620</b>	<b>1,701</b>		<b>35,615</b>
<b>EXPENDITURES</b>					
Current:					
Executive					
Finance					
Development services					
Community development					
Fire services					
Police services					
Public works					
Nondepartmental					
Capital outlay	5,116	62,879			
Debt Service:					
Principal					
Interest and fiscal agent fees					
<b>Total Expenditures</b>	<b>5,116</b>	<b>62,879</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	157,283	(32,259)	1,701		35,615
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers (out)			(143,217)	(\$12,796)	
<b>Total Other Financing Sources</b>			<b>(143,217)</b>	<b>(12,796)</b>	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>					
	157,283	(32,259)	(141,516)	(12,796)	35,615
<b>BEGINNING FUND BALANCES</b>	<b>1,524,605</b>	<b>931,048</b>	<b>141,516</b>	<b>\$12,796</b>	<b>3,940,334</b>
<b>ENDING FUND BALANCES</b>	<b>\$1,681,888</b>	<b>\$898,789</b>			<b>\$3,975,949</b>

CAPITAL PROJECTS FUNDS						PERMANENT FUND	Total Nonmajor Governmental Funds
Certificates of Participation	Mare Island CFD 2005 1A Facilities	N.E. Quadrant Improvement District 03-1	Traffic Congestion Relief	Downtown Development Capital Projects	Capital Grants & Contributions	McCune Collection	
	\$60,703						\$4,466,603
			\$540,447		\$1,377		2,559,475
\$459,593	393	\$141,727	2,126			\$1,942	2,476,517
							5,517,744
559						117,721	4,247,771
460,152	61,096	141,727	542,573		1,377	119,663	9,133,263
							1,525,550
							64,225
							1,311,914
							7,695,688
							2,189,800
							1,365,460
	1,594					3,700	8,737,726
1,010,420		1,023	90,390	\$10,985	1,377		1,785,324
							5,218,215
							1,075,471
							2,580,110
1,010,420	1,594	1,023	90,390	10,985	1,377	3,700	32,023,933
(550,268)	59,502	140,704	452,183	(10,985)		115,963	(2,097,010)
15,926				10,985			7,094,426
(373,514)							(6,262,653)
(357,588)				10,985			831,773
(907,856)	59,502	140,704	452,183			115,963	(1,265,237)
14,271,714		4,084,251					84,288,458
\$13,363,858	\$59,502	\$4,224,955	\$452,183			\$115,963	\$83,023,221

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	REDEVELOPMENT ADMINISTRATION			REDEVELOPMENT AFFORDABLE HOUSING		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property		\$2,596	\$2,596	\$215,800	\$113,489	(\$102,311)
Charges for services						
Other				400	25,596	25,196
<b>Total Revenues</b>		<u>2,596</u>	<u>2,596</u>	<u>216,200</u>	<u>139,085</u>	<u>(77,115)</u>
<b>EXPENDITURES</b>						
Current:						
Executive						
Finance						
Development services						
Community development	\$683,000	486,638	196,362	173,700	730,070	(556,370)
Fire services						
Police services						
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
<b>Total Expenditures</b>	<u>683,000</u>	<u>486,638</u>	<u>196,362</u>	<u>173,700</u>	<u>730,070</u>	<u>(556,370)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(683,000)</u>	<u>(484,042)</u>	<u>198,958</u>	<u>42,500</u>	<u>(590,985)</u>	<u>(633,485)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	683,000	484,042	(198,958)	597,600	652,340	54,740
Transfers (out)				(464,300)	(457,266)	7,034
<b>Total Other Financing Sources (Uses)</b>	<u>683,000</u>	<u>484,042</u>	<u>(198,958)</u>	<u>133,300</u>	<u>195,074</u>	<u>61,774</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				<u>\$175,800</u>	<u>(395,911)</u>	<u>(\$571,711)</u>
<b>BEGINNING FUND BALANCES</b>					<u>11,292,839</u>	
<b>ENDING FUND BALANCES</b>					<u>\$10,896,928</u>	

SOLID WASTE DISPOSAL			ASSET SEIZURE			STATE GAS TAX		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$771,000	\$932,674	\$161,674						
	3,750	3,750	\$160,000	\$212,480	\$52,480			
597,600	287,690	(309,910)				\$2,323,800	\$2,228,617	(\$95,183)
10,000	16,132	6,132	900	12,519	11,619	10,000	37,130	27,130
581,500	678,387	96,887						
273,000	193,319	(79,681)				272,000	204,267	(67,733)
2,233,100	2,111,952	(121,148)	160,900	224,999	64,099	2,605,800	2,470,014	(135,786)
886,520	719,951	166,569						
	4,036	(4,036)						
			155,500	90,071	65,429			
1,656,400	1,610,385	46,015				3,051,352	2,240,547	810,805
2,542,920	2,334,372	208,548	155,500	90,071	65,429	3,051,352	2,240,547	810,805
(309,820)	(222,420)	87,400	5,400	134,928	129,528	(445,552)	229,467	675,019
				(48,788)	(48,788)			
				(48,788)	(48,788)			
(\$309,820)	(222,420)	\$87,400	\$5,400	86,140	\$80,740	(\$445,552)	229,467	\$675,019
	390,749			39,236			1,177,971	
	\$168,329			\$125,376			\$1,407,438	

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	COMMUNITY DEVELOPMENT BLOCK GRANT			HOME PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$1,358,953	\$985,724	(\$373,229)	\$679,036	\$1,195,787	\$516,751
Use of money and property	150,000	374,614	224,614	225,000	588,221	363,221
Charges for services						
Other					2,552	2,552
<b>Total Revenues</b>	<u>1,508,953</u>	<u>1,360,338</u>	<u>(148,615)</u>	<u>904,036</u>	<u>1,786,560</u>	<u>882,524</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Executive						
Finance						
Development services						
Community development	1,919,600	1,387,382	532,218	2,295,382	1,786,560	508,822
Fire services						
Police services						
Public works						
Nondepartmental						
Capital Outlay	3,000		3,000			
Debt service:						
Principal						
Interest and fiscal agent fees						
<b>Total Expenditures</b>	<u>1,922,600</u>	<u>1,387,382</u>	<u>535,218</u>	<u>2,295,382</u>	<u>1,786,560</u>	<u>508,822</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(413,647)</u>	<u>(27,044)</u>	<u>386,603</u>	<u>(1,391,346)</u>		<u>1,391,346</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u><u>(\$413,647)</u></u>	<u><u>(27,044)</u></u>	<u><u>\$386,603</u></u>	<u><u>(\$1,391,346)</u></u>		<u><u>\$1,391,346</u></u>
<b>BEGINNING FUND BALANCES</b>		<u>27,044</u>				
<b>ENDING FUND BALANCES</b>						

HIDDENBROOKE COMMUNITY SERVICES DISTRICT			MARE ISLAND LEASING			MARE ISLAND CFD 2002		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$160	\$160				\$391,900	\$886,635	\$494,735
						74,500	224,423	149,923
	\$42,990	\$42,990	\$351,000	\$465,921	\$114,921	45,300	10,400	(34,900)
\$576,025	604,395	28,370		31,930	31,930	4,358,800	3,612,115	(746,685)
	143,189	143,189		500,000	500,000		26	26
<u>576,025</u>	<u>790,734</u>	<u>214,709</u>	<u>351,000</u>	<u>997,851</u>	<u>646,851</u>	<u>4,870,500</u>	<u>4,733,599</u>	<u>(136,901)</u>
			1,132,500	791,323	341,177			
						2,149,800	2,149,800	
						811,500	811,504	(4)
666,995	598,321	68,674				2,164,591	1,533,588	631,003
<u>666,995</u>	<u>598,321</u>	<u>68,674</u>	<u>1,132,500</u>	<u>791,323</u>	<u>341,177</u>	<u>5,125,891</u>	<u>4,494,892</u>	<u>630,999</u>
(90,970)	192,413	283,383	(781,500)	206,528	988,028	(255,391)	238,707	494,098
			(145,000)	(187,468)	(42,468)			
			(145,000)	(187,468)	(42,468)			
<u>(\$90,970)</u>	192,413	<u>\$283,383</u>	<u>(\$926,500)</u>	19,060	<u>\$945,560</u>	<u>(\$255,391)</u>	238,707	<u>\$494,098</u>
	<u>1,232,275</u>			<u>1,501,910</u>			<u>1,467,470</u>	
	<u>\$1,424,688</u>			<u>\$1,520,970</u>			<u>\$1,706,177</u>	

(Continued)



CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	MARE ISLAND CFD 2005 1A (State)			NEIGHBORHOOD PARKS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes		\$100,312	\$100,312			
Licenses, permits and fees					\$328,664	\$328,664
Fines and forfeitures						
Intergovernmental						
Use of money and property		\$53	\$53		146,542	146,542
Charges for services		10,105	10,105			
Other		4,331	4,331			
Total Revenues		<u>114,801</u>	<u>114,801</u>		<u>475,206</u>	<u>475,206</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services						
Public works	\$165,539	10,944	154,595			
Nondepartmental		51,916	(51,916)	\$1,642,765	1,644,745	(1,980)
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>165,539</u>	<u>62,860</u>	<u>102,679</u>	<u>1,642,765</u>	<u>1,644,745</u>	<u>(1,980)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(165,539)</u>	<u>51,941</u>	<u>217,480</u>	<u>(1,642,765)</u>	<u>(1,169,539)</u>	<u>473,226</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u><u>(\$165,539)</u></u>	<u>51,941</u>	<u><u>\$217,480</u></u>	<u><u>(\$1,642,765)</u></u>	<u><u>(1,169,539)</u></u>	<u><u>\$473,226</u></u>
BEGINNING FUND BALANCES					<u>6,566,720</u>	
ENDING FUND BALANCES		<u><u>\$51,941</u></u>			<u><u>\$5,397,181</u></u>	

HAZMAT REVOLVING FUND			LOCAL LAW ENFORCEMENT GRANT			SUPPLEMENTAL LAW ENFORCEMENT GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$40,000	\$40,000							
	10,636	\$10,636	\$41,000	\$41,335	\$335	\$130,000	\$209,010	\$79,010
						200	2,025	1,825
<u>40,000</u>	<u>50,636</u>	<u>10,636</u>	<u>41,000</u>	<u>41,335</u>	<u>335</u>	<u>130,200</u>	<u>211,035</u>	<u>80,835</u>
40,000	40,000					69,494	69,494	
<u>40,000</u>	<u>40,000</u>					<u>69,494</u>	<u>69,494</u>	
	10,636	10,636	41,000	41,335	335	60,706	141,541	80,835
			(41,000)	-41000		(65,506)	(65,506)	
			(41,000)	(41,000)		(65,506)	(65,506)	
	10,636	\$10,636		335	\$335	(\$4,800)	76,035	\$80,835
	328,064						14	
	<u>\$338,700</u>			<u>\$335</u>			<u>\$76,049</u>	

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM			LANDSCAPE MAINTENANCE DISTRICTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees	\$175,000	\$218,255	\$43,255			
Fines and forfeitures						
Intergovernmental		27,757	27,757			
Use of money and property		13,524	13,524	\$188,395	\$72,281	(\$116,114)
Charges for services				2,019,248	2,296,784	277,536
Other	10,200	19,939	9,739		96,875	96,875
<b>Total Revenues</b>	<b>185,200</b>	<b>279,475</b>	<b>94,275</b>	<b>2,207,643</b>	<b>2,465,940</b>	<b>258,297</b>
<b>EXPENDITURES</b>						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services	265,000	190,385	74,615			
Public works				2,542,072	2,199,033	343,039
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
<b>Total Expenditures</b>	<b>265,000</b>	<b>190,385</b>	<b>74,615</b>	<b>2,542,072</b>	<b>2,199,033</b>	<b>343,039</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(79,800)</b>	<b>89,090</b>	<b>168,890</b>	<b>(334,429)</b>	<b>266,907</b>	<b>601,336</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(\$79,800)</b>	<b>89,090</b>	<b>\$168,890</b>	<b>(\$334,429)</b>	<b>266,907</b>	<b>\$601,336</b>
<b>BEGINNING FUND BALANCES</b>		<b>624,695</b>			<b>2,092,847</b>	
<b>ENDING FUND BALANCES</b>		<b>\$713,785</b>			<b>\$2,359,754</b>	

OUTSIDE SERVICES			CADET PROGRAM			STATE LANDS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$15,671	\$15,671				\$250,000	\$250,000	
\$700,000	1,136,871	436,871	\$181,000	\$194,301	\$13,301			
	48,825	48,825	45,000	10,270	(34,730)			
700,000	1,201,367	501,367	226,000	204,571	(21,429)	250,000	250,000	
170,000	64,225	105,775						
400,000	591,963	(191,963)				10,000	28,959	(\$18,959)
			226,000	204,006	21,994			
300,000	544,908	(244,908)						
870,000	1,201,096	(331,096)	226,000	204,006	21,994	10,000	28,959	(18,959)
(170,000)	271	170,271		565	565	240,000	221,041	(18,959)
	(28,896)	(28,896)				(240,000)	(221,041)	18,959
	(28,896)	(28,896)				(240,000)	(221,041)	18,959
(\$170,000)	(28,625)	\$141,375		565	\$565			
	117,950			5,624				
	\$89,325			\$6,189				

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## **INTERNAL SERVICE FUNDS**

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

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Payroll Benefits	Total
<b>ASSETS</b>						
Cash and investments	\$155,301	\$2,024,578	\$5,014,038		\$614,742	\$7,808,659
Accounts receivable	24,244				37,415	61,659
Due from other funds			4,078,136			4,078,136
Materials, parts, and supplies	178,639					178,639
Advance to other funds				\$168,042		168,042
Capital assets, net	<u>2,726,490</u>					<u>2,726,490</u>
<b>Total Assets</b>	<u>3,084,674</u>	<u>2,024,578</u>	<u>9,092,174</u>	<u>168,042</u>	<u>652,157</u>	<u>15,021,625</u>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued liabilities	144,888	10,680	85,041		652,157	892,766
Claims payable, current			2,985,400			2,985,400
Employee benefits payable, noncurrent	<u>52,000</u>					<u>52,000</u>
<b>Current liabilities</b>	<u>196,888</u>	<u>10,680</u>	<u>3,070,441</u>		<u>652,157</u>	<u>3,930,166</u>
<b>Long-term liabilities:</b>						
Claims payable			7,012,600			7,012,600
Employee benefits payable, long term	<u>161,296</u>		<u>27,090</u>			<u>188,386</u>
<b>Total Liabilities</b>	<u>358,184</u>	<u>10,680</u>	<u>10,110,131</u>		<u>652,157</u>	<u>11,131,152</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	2,726,490					2,726,490
Unrestricted		<u>2,013,898</u>	<u>(1,017,957)</u>	<u>168,042</u>		<u>1,163,983</u>
<b>Total Net Assets</b>	<u>\$2,726,490</u>	<u>\$2,013,898</u>	<u>(\$1,017,957)</u>	<u>\$168,042</u>		<u>\$3,890,473</u>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Payroll Benefits	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$2,148,108	\$1,014,708	\$4,882,926			\$8,045,742
Other	32,403	43,212				75,615
<b>Total Operating revenues</b>	<b>2,180,511</b>	<b>1,057,920</b>	<b>4,882,926</b>			<b>8,121,357</b>
<b>OPERATING EXPENSES</b>						
Operating expenses	2,523,426	9,154	1,043,187			3,575,767
Insurance and claims			2,744,908			2,744,908
Depreciation	1,271,420					1,271,420
<b>Total Operating expenses</b>	<b>3,794,846</b>	<b>9,154</b>	<b>3,788,095</b>			<b>7,592,095</b>
<b>Operating income (loss)</b>	<b>(1,614,335)</b>	<b>1,048,766</b>	<b>1,094,831</b>			<b>529,262</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income (expense)	8,979	33,826	69,222	\$1,989		114,016
Gain on sale of capital assets	18,275					18,275
<b>Total nonoperating revenues (expenses)</b>	<b>27,254</b>	<b>33,826</b>	<b>69,222</b>	<b>1,989</b>		<b>132,291</b>
<b>Income (loss) before transfers</b>	<b>(1,587,081)</b>	<b>1,082,592</b>	<b>1,164,053</b>	<b>1,989</b>		<b>661,553</b>
Transfers in	659,182		1,694,600	168,042		2,521,824
Transfers (out)		(616,603)		(101,024)		(717,627)
<b>Change in net assets</b>	<b>(927,899)</b>	<b>465,989</b>	<b>2,858,653</b>	<b>69,007</b>		<b>2,465,750</b>
<b>BEGINNING NET ASSETS</b>	<b>3,654,389</b>	<b>1,547,909</b>	<b>(3,876,610)</b>	<b>99,035</b>		<b>1,424,723</b>
<b>ENDING NET ASSETS</b>	<b>\$2,726,490</b>	<b>\$2,013,898</b>	<b>(\$1,017,957)</b>	<b>\$168,042</b>		<b>\$3,890,473</b>



CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2006

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Payroll Benefits	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$2,161,431	\$1,057,920	\$4,961,067		\$543,457	\$8,723,875
Payments to suppliers	(886,323)	(25,729)	(744,198)			(1,656,250)
Payments to employees	(1,632,442)		(307,438)			(1,939,880)
Claims paid			(4,045,908)			(4,045,908)
<b>Cash Flows from Operating Activities</b>	<b>(357,334)</b>	<b>1,032,191</b>	<b>(136,477)</b>		<b>543,457</b>	<b>1,081,837</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Increase (decrease) in transfers		(616,603)	1,694,600	\$67,018		1,145,015
Increase (decrease) in due from other funds			(521,275)			(521,275)
Increase (decrease) in advances to other funds				(168,042)		(168,042)
<b>Cash Flows from Noncapital Financing Activities</b>		<b>(616,603)</b>	<b>1,173,325</b>	<b>(101,024)</b>		<b>455,698</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Sales of capital assets	42,580					42,580
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>42,580</b>					<b>42,580</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest	8,979	33,826	69,222	1,989		114,016
<b>Cash Flows from Investing Activities</b>	<b>8,979</b>	<b>33,826</b>	<b>69,222</b>	<b>1,989</b>		<b>114,016</b>
<b>Net Cash Flows</b>	<b>(305,775)</b>	<b>449,414</b>	<b>1,106,070</b>	<b>(99,035)</b>	<b>543,457</b>	<b>1,694,131</b>
Cash and investments at beginning of period	461,076	1,575,164	3,907,968	\$99,035	71,285	6,114,528
Cash and investments at end of period	<u>\$155,301</u>	<u>\$2,024,578</u>	<u>\$5,014,038</u>		<u>\$614,742</u>	<u>\$7,808,659</u>
Retirement of capital assets	<u>(\$85,808)</u>					<u>(\$85,808)</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>						
Operating income (loss)	(\$1,614,335)	\$1,048,766	\$1,094,831			\$529,262
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>						
Depreciation	1,271,420					1,271,420
<b>Change in assets and liabilities:</b>						
Receivables, net	(19,080)		78,141		\$1,739	60,800
Other assets	(23,767)					(23,767)
Accounts payable and accrued liabilities	26,166	(16,575)	(9,750)		541,718	541,559
Employee benefits payable	2,262		1,301			3,563
Claims payable			(1,301,000)			(1,301,000)
<b>Cash Flows from Operating Activities</b>	<b>(357,334)</b>	<b>\$1,032,191</b>	<b>(136,477)</b>		<b>\$543,457</b>	<b>\$1,081,837</b>

## AGENCY FUNDS

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations.

The City's Agency funds include the Improvement Districts and Assessment Districts Agency Funds. These funds account for the collection of assessment and the disbursement to district bond holders for debt without City Commitment.

CITY OF VALLEJO  
 AGENCY FUNDS  
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>Improvement Districts</u>				
<u>Assets</u>				
Cash and investments	\$2,932,753	\$2,752,258	\$2,932,753	\$2,752,258
Restricted cash and investments	1,721,068	2,284,289	1,721,068	2,284,289
Total Assets	<u>\$4,653,821</u>	<u>\$5,036,547</u>	<u>\$4,653,821</u>	<u>\$5,036,547</u>
<u>Liabilities</u>				
Deposits payable	\$64,125	\$1,495	\$64,125	\$1,495
Due to bondholders	4,589,696	5,035,052	4,589,696	5,035,052
Total Liabilities	<u>\$4,653,821</u>	<u>\$5,036,547</u>	<u>\$4,653,821</u>	<u>\$5,036,547</u>
<u>Assessment Districts</u>				
<u>Assets</u>				
Cash and investments	\$4,545,731	\$4,958,613	\$4,545,731	\$4,958,613
Restricted cash and investments	1,710,276	1,689,487	1,710,276	1,689,487
Total Assets	<u>\$6,256,007</u>	<u>\$6,648,100</u>	<u>\$6,256,007</u>	<u>\$6,648,100</u>
<u>Liabilities</u>				
Due to bondholders	6,256,007	\$6,648,100	\$6,256,007	\$6,648,100
Total Liabilities	<u>\$6,256,007</u>	<u>\$6,648,100</u>	<u>\$6,256,007</u>	<u>\$6,648,100</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$7,478,484	\$7,710,871	\$7,478,484	\$7,710,871
Restricted cash and investments	3,431,344	3,973,776	3,431,344	3,973,776
Total Assets	<u>\$10,909,828</u>	<u>\$11,684,647</u>	<u>\$10,909,828</u>	<u>\$11,684,647</u>
<u>Liabilities</u>				
Deposits payable	\$64,125	\$1,495	\$64,125	\$1,495
Due to bondholders	10,845,703	11,683,152	10,845,703	11,683,152
Total Liabilities	<u>\$10,909,828</u>	<u>\$11,684,647</u>	<u>\$10,909,828</u>	<u>\$11,684,647</u>

## STATISTICAL SECTION

This part of the City'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 says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### ***Financial Trends***

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

- Net Assets by Components
- Changes in Net Assets
- Fund Balances of Governmental Funds
- Changes in Fund Balance of Governmental Funds

### ***Revenue Capacity***

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

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Taxes Rates
- Principal Property Tax Payers
- Property Tax Levies and Collections

### ***Debt Capacity***

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

- Ratios of Outstanding Debt by Type
- Ratio of General Bonded Debt Outstanding
- Direct and Overlapping Debt
- Legal Debt Margin Information
- Pledged Revenue Coverage

### ***Demographic and Economic Information***

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

- Demographic and Economic Information
- Principal Employers
- Full-time and Part-time City Employees by Function

### ***Operating Information***

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

- Operating Indicators
- Capital Asset Statistics

### ***Sources***

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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CITY OF VALLEJO  
Net Assets by Component  
Last Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year Ending June 30			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 180,968,562	\$ 266,448,146	\$ 260,617,039	\$ 254,306,071
Restricted	139,275,023	144,466,722	135,874,545	136,337,716
Unrestricted	12,679,669	(31,040,505)	(15,725,473)	(15,929,104)
Total governmental activities net assets	<u>\$ 332,923,254</u>	<u>\$ 379,874,363</u>	<u>\$ 380,766,111</u>	<u>\$ 374,714,683</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 177,280,242	\$ 184,052,727	\$ 218,315,891	\$ 200,899,895
Restricted	68,290,291	52,058,389	41,716,706	49,930,075
Unrestricted	25,287,824	30,546,597	6,179,510	12,397,504
Total business-type activities net assets	<u>\$ 270,858,357</u>	<u>\$ 266,657,713</u>	<u>\$ 266,212,107</u>	<u>\$ 263,227,474</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 358,248,804	\$ 450,500,873	\$ 478,932,930	\$ 455,205,966
Restricted	207,565,314	196,525,111	177,591,251	186,267,791
Unrestricted	37,967,493	(493,908)	(9,545,963)	(3,531,600)
Total primary government net assets	<u>\$ 603,781,611</u>	<u>\$ 646,532,076</u>	<u>\$ 646,978,218</u>	<u>\$ 637,942,157</u>

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

**CITY OF VALLEJO  
CHANGES IN NET ASSETS  
LAST FOUR FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ending June 30			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
Legislative and Advisory	\$ 385,570	\$ 374,331	\$ 322,556	\$ 327,583
Executive	1,295,966	1,368,798	1,307,999	1,335,818
Finance	1,655,368	1,824,278	1,479,210	1,952,829
Human Resources	912,034	919,935	1,041,490	1,273,713
Law	778,393	756,854	687,908	722,436
Development Services	3,455,967	3,273,016	3,188,959	3,681,143
Community Development	46,230,453	58,210,217	51,914,880	37,306,492
Fire services	20,012,832	23,696,187	23,985,109	25,373,064
Police services	31,574,229	34,287,574	34,720,623	37,892,335
Public Works	13,809,365	13,939,915	14,793,797	25,854,625
Nondepartmental	12,832,301	12,151,426	11,710,331	6,826,980
Depreciation (not allocated)	7,254,472	-	-	-
Interest on long-term debt	6,821,567	2,835,728	2,455,183	2,703,849
Total governmental activities expenses	<u>147,018,517</u>	<u>153,638,259</u>	<u>147,608,045</u>	<u>145,250,867</u>
Business-type activities:				
Water	24,905,227	31,696,161	29,329,743	32,418,880
Local Transportation	18,183,460	20,882,570	24,165,435	29,663,516
Waterstone Development	2,766,951	2,747,357	65,305	-
Sanitation & Flood Control	19,919,415	22,240,114	22,672,873	24,902,110
Marine World JPA	55,545,895	57,942,325	54,198,128	58,203,991
Other proprietary funds	2,707,183	3,118,887	3,301,665	4,090,063
Total business-type activities expenses	<u>124,028,131</u>	<u>138,627,414</u>	<u>133,733,149</u>	<u>149,278,560</u>
Total primary government expenses	<u>\$ 271,046,648</u>	<u>\$ 292,265,673</u>	<u>\$ 281,341,194</u>	<u>\$ 294,529,427</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services	\$ 27,950,704	\$ 19,337,363	\$ 25,022,210	\$ 27,434,458
Operating grants and contributions	29,887,552	33,810,077	34,786,028	36,629,191
Capital grants and contributions	41,716,347	20,492,269	13,790,057	3,188,226
Total governmental activities program revenues	<u>99,554,603</u>	<u>73,639,709</u>	<u>73,598,295</u>	<u>67,251,875</u>
Business-type activities:				
Charges for services	107,706,944	109,134,399	110,851,695	119,838,664
Operating grants and contributions	28,924,089	9,542,098	9,980,364	13,454,404
Capital grants and contributions	1,015,699	12,241,899	7,974,031	10,571,163
Total business-type activities program revenues	<u>137,646,732</u>	<u>130,918,396</u>	<u>128,806,090</u>	<u>143,864,231</u>
Total primary government program revenues	<u>\$ 237,201,335</u>	<u>\$ 204,558,105</u>	<u>\$ 202,404,385</u>	<u>\$ 211,116,106</u>
Net revenue/(expense)				
Governmental activities	\$ (47,463,914)	\$ (79,998,550)	\$ (74,009,750)	\$ (77,998,992)
Business-type activities	13,618,601	(7,709,018)	(4,927,059)	(5,414,329)
Total primary government net expense	<u>\$ (33,845,313)</u>	<u>\$ (87,707,568)</u>	<u>\$ (78,936,809)</u>	<u>\$ (83,413,321)</u>

**CITY OF VALLEJO  
CHANGES IN NET ASSETS  
LAST FOUR FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ending June 30			
	2003	2004	2005	2006
<b>(Continued)</b>				
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 13,242,560	\$ 12,612,335	\$ 20,900,386	\$ 20,826,439
Incremental property taxes	2,489,068	19,428,752	3,581,499	4,466,603
Special assessments	3,548,185	2,877,767	-	-
Sales taxes	14,581,035	13,336,714	13,913,459	14,479,613
Utility user taxes	11,697,172	11,707,588	11,882,250	12,711,868
Motor vehicles	6,875,520	5,688,734	12,185,788	8,592,520
Other taxes	10,054,753	14,094,574	5,330,846	5,290,946
Investment earnings	4,822,338	1,927,541	4,008,728	4,985,424
Gain on sale of capital assets	-	250,000	-	-
Miscellaneous	6,631,958	2,687,677	1,988,937	403,163
Transfers	(380,487)	(796,567)	1,109,605	190,988
<b>Total governmental activities</b>	<b>73,562,102</b>	<b>83,815,115</b>	<b>74,901,498</b>	<b>71,947,564</b>
Business-type activities:				
Property taxes	566,511	716,352	286,096	-
Investment earnings	4,957,815	1,600,870	3,067,039	1,549,559
Miscellaneous	1,176,453	(674,084)	43,604	37,705
Gain on sales of assets	(3,812,225)	-	2,194,319	-
Contributions	5,392,050	-	-	-
Transfers	380,487	796,567	(1,109,605)	(190,988)
<b>Total business-type activities</b>	<b>8,661,091</b>	<b>2,439,705</b>	<b>4,481,453</b>	<b>1,396,276</b>
<b>Total primary government</b>	<b>\$ 82,223,193</b>	<b>\$ 86,254,820</b>	<b>\$ 79,382,951</b>	<b>\$ 73,343,840</b>
<b>Change in Net Assets</b>				
Governmental activities	\$ 26,098,188	\$ 3,816,565	\$ 891,748	\$ (6,051,428)
Business-type activities	22,279,692	(5,269,313)	(445,606)	(4,018,053)
<b>Total primary government</b>	<b>\$ 48,377,880</b>	<b>\$ (1,452,748)</b>	<b>\$ 446,142</b>	<b>\$ (10,069,481)</b>

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



**CITY OF VALLEJO  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ending June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 187,227	\$ 263,688	\$ 202,254	\$ 1,036,264	\$ 987,769	\$ 964,936	\$ 3,833,393	\$ 2,692,874	\$ 1,926,691	\$ 2,117,143
Unreserved	237,010	(1,347,601)	3,057,717	6,051,445	7,303,879	5,465,289	4,012,922	1,433,060	11,929,653	8,739,529
Total General Fund	<u>\$ 424,237</u>	<u>\$ (1,083,913)</u>	<u>\$ 3,259,971</u>	<u>\$ 7,087,709</u>	<u>\$ 8,291,648</u>	<u>\$ 6,430,225</u>	<u>\$ 7,846,315</u>	<u>4,125,934</u>	<u>\$ 13,856,344</u>	<u>\$ 10,856,672</u>
All Other Governmental Funds										
Reserved	\$25,168,139	\$27,785,307	\$22,128,447	\$21,799,901	\$27,505,743	\$ 69,315,928	\$ 35,172,419	\$ 29,522,909	\$ 76,608,552	\$ 75,584,065
Unreserved, reported in:										
Special revenue funds	4,852,176	4,051,726	6,889,126	11,033,632	32,249,288	50,843,678	73,640,662	72,737,570	16,415,761	10,410,295
Debt service funds	281,218	-	-	-	-	(7,536,268)	(3,121,481)	-	(3,531,237)	(3,686,077)
Capital projects funds	(894,514)	2,227,053	9,163,749	15,864,175	33,058,157	(1,809,505)	33,583,423	42,544,807	46,545,596	54,024,894
Permanent funds	-	-	-	-	-	-	-	-	-	115,963
Total all other governmental funds	<u>\$29,407,019</u>	<u>\$34,064,086</u>	<u>\$38,181,322</u>	<u>\$48,697,708</u>	<u>\$92,813,188</u>	<u>\$110,813,833</u>	<u>\$139,275,023</u>	<u>\$144,805,286</u>	<u>\$136,038,672</u>	<u>\$136,449,140</u>

CITY OF VALLEJO  
Changes in Fund Balances of Governmental Funds  
Last Four Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year Ending June 30			
	2003	2004	2005	2006
<b>Revenues:</b>				
Taxes	\$ 66,537,857	\$ 69,534,702	\$ 55,161,490	\$ 57,550,479
Licenses and permits	7,900,520	9,133,758	11,852,968	6,000,434
Fines and forfeitures	1,216,869	1,434,419	1,450,743	3,887,337
Intergovernmental	78,159,185	53,864,845	55,423,739	49,780,261
Investment income	4,663,955	3,902,344	6,419,396	6,702,584
Charges for services	5,159,696	9,485,786	14,692,748	11,326,489
Contributions from property owners	-	6,201,378	-	-
Other	9,859,110	5,717,645	2,717,589	4,448,399
<b>Total revenues</b>	<u>173,497,192</u>	<u>159,274,877</u>	<u>147,718,673</u>	<u>139,695,983</u>
<b>Expenditures</b>				
<b>Current:</b>				
Legislative and Advisory	384,957	368,718	311,994	323,174
Executive	1,292,900	1,316,730	1,413,534	1,374,916
Finance	1,797,388	1,620,253	1,286,935	1,864,644
Human resources	910,174	890,623	973,717	1,282,442
Law	775,735	733,749	628,677	764,614
Development services	3,463,252	3,224,521	3,078,353	3,650,863
Community Development	21,590,216	21,566,642	52,217,190	39,856,041
Fire services	20,210,256	22,497,654	22,742,661	24,723,674
Police services	30,637,749	32,143,536	32,898,573	36,630,148
Public works	13,466,028	13,001,968	12,204,692	13,793,065
Redevelopment and housing	23,015,880	36,460,200	-	-
Nondepartmental	9,803,497	5,531,421	6,120,498	6,826,980
Capital Outlay	13,250,922	11,979,002	5,867,421	5,218,215
<b>Debt service:</b>				
Principal	7,349,406	1,450,153	5,056,682	1,657,337
Interest	6,828,458	4,169,649	2,463,555	2,705,865
<b>Total expenditures</b>	<u>154,776,818</u>	<u>156,954,819</u>	<u>147,264,482</u>	<u>140,671,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,720,374</u>	<u>2,320,058</u>	<u>454,191</u>	<u>(975,995)</u>
<b>Other financing sources (uses):</b>				
Gain (loss) on sale of assets	-	1,411,000	-	-
Transfers in	5,110,638	27,281,154	17,448,772	11,854,692
Transfers out	(5,451,508)	(28,038,104)	(16,939,167)	(13,467,901)
Proceeds from long-term debt issuance	11,497,776	6,743,199	-	-
Payment to bond escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>11,156,906</u>	<u>7,397,249</u>	<u>509,605</u>	<u>(1,613,209)</u>
<b>Net change in fund balances</b>	<u>\$ 29,877,280</u>	<u>\$ 9,717,307</u>	<u>\$ 963,796</u>	<u>\$ (2,589,204)</u>
Beginning fund balance	<u>\$ 117,244,058</u>	<u>\$ 147,121,338</u>	<u>\$ 148,931,220</u>	<u>\$ 149,895,016</u>
Prior period adjustments	-	(7,907,425)	-	-
Ending fund balance	<u>\$ 147,121,338</u>	<u>\$ 148,931,220</u>	<u>\$ 149,895,016</u>	<u>\$ 147,305,812</u>
Debt service as a percentage of noncapital expenditures	11%	4%	6%	3%

*The City of Vallejo has elected to show only four years of data for this schedule.*

CITY OF VALLEJO  
 Assessed Value and Estimated Actual Value of Taxable Property  
 Last Three Fiscal Years

Fiscal Year Ended June 30	City					Redevelopment Agency					Total Direct Tax Rate
	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	
2004	\$ 5,792,272,565	\$ 157,477,590	\$ 2,347,749	\$(289,641,985)	\$ 5,662,455,919	\$ 1,074,848,243	\$ 62,214,784	\$ 424,402	\$ (29,917,394)	\$ 1,107,570,035	0.24622%
2005	7,232,989,239	175,329,560	984,376	(392,187,345)	7,017,115,830	274,917,737	52,823,788	165,846	(28,424,461)	299,482,910	0.24622%
2006	8,166,353,064	171,754,178	1,690,797	(403,807,879)	7,935,990,160	299,392,380	59,923,297	161,333	(29,371,477)	330,105,533	0.24622%

NOTE:  
 In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: County Assessor's Office

CITY OF VALLEJO  
 Direct and Overlapping Property Tax Rates  
 (Rate per \$100 of assessed value)  
 Last Five Fiscal Years

Fiscal Year Ending June 30	2002	2003	2004	2005	2006
<b>City Direct Rates:</b>					
City basic rate	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>
<b>Total City Direct Rate</b>	<b>0.24622</b>	<b>0.24622</b>	<b>0.24622</b>	<b>0.24622</b>	<b>0.24622</b>
<b>Overlapping Rates:</b>					
Acc Capital Outlay	0.00807	0.00807	0.00807	0.00807	0.00807
Aviation	0.00119	0.00119	0.00119	0.00119	0.00119
BAAQMD	0.00219	0.00219	0.00219	0.00219	0.00219
County Free Library	0.02743	0.02743	0.02743	0.02743	0.02743
County General	0.31331	0.31331	0.31331	0.31331	0.31331
County School Service Fund Support	0.01134	0.01134	0.01134	0.01134	0.01134
County Support-Board of Education	0.00334	0.00334	0.00334	0.00334	0.00334
Development Center	0.00217	0.00217	0.00217	0.00217	0.00217
GVRD	0.06490	0.06490	0.06490	0.06490	0.06490
Library Special Tax Zone 7	0.01385	0.01385	0.01385	0.01385	0.01385
Mosquito Abatement	0.00567	0.00567	0.00567	0.00567	0.00567
Recreation	0.00203	0.00203	0.00203	0.00203	0.00203
SCC Voter Debt	0.02758	0.02758	0.02758	0.02758	0.02758
Solano County Water District	0.01527	0.01527	0.01527	0.01527	0.01527
Vallejo Unified School District M&O	0.24069	0.24069	0.24069	0.24069	0.24069
VSFCD Operating	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>
<b>Total Prop. 13 Direct Rate</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>
Sc Fld State Wtr Pj Zone Ben #1	0.02000	0.02000	0.02000	0.02000	0.02000
Scs GOB Series 2003-A	0.00000	0.00000	0.01432	0.01532	0.01643
Vallejo Usd Bond 97 Measure A	0.02335	0.01603	0.00000	0.00000	0.00000
Vallejo Usd Measure A 2002	0.00000	0.06657	0.05221	0.02566	0.02238
Vallejo Usd Measure A 2004	0.00000	0.00000	0.00000	0.01620	0.00874
Vallejo Usd Measure A 1999	0.03277	0.02313	0.00000	0.00000	0.00000
Vallejo Usd Measure A 2000	0.01533	0.01851	0.00000	0.00000	0.00000
Vallejo Usd State Repay	0.00022	0.00033	0.00014	0.00007	0.00001
Vallejo Usd 2002-A GOB Refunding	<u>0.00000</u>	<u>0.00000</u>	<u>0.05723</u>	<u>0.04535</u>	<u>0.04267</u>
<b>Total Voter Approved Rate</b>	<b>0.09167</b>	<b>0.14457</b>	<b>0.14390</b>	<b>0.12260</b>	<b>0.11023</b>
<b>Total Direct Rate</b>	<u><b>1.09167</b></u>	<u><b>1.14457</b></u>	<u><b>1.14390</b></u>	<u><b>1.12260</b></u>	<u><b>1.11023</b></u>

NOTE:  
 In 1978, California voters passed Proposition 13 which sets 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 values for the payment of any voter approved bonds.

Source: County Assessor's Office

CITY OF VALLEJO  
Principal Property Tax Payers  
Current Year and Nine Years Ago

Taxpayer	2006		1997	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Kaiser Foundation Hospitals	\$ 225,652,908	2.73%	\$ -	-
Centro Watt Property Owner II	66,986,256	0.81%	-	-
Park Management Corporation	58,843,888	0.71%	-	-
Sutter Solano Medical Center	39,483,120	0.48%	-	-
Sundance Vallejo	29,781,603	0.36%	-	-
Pan Pacific Retail Properties, Inc.	26,483,884	0.32%	-	-
George Ogino LLC	22,700,000	0.27%	-	-
Misawa Homes USA Inc.	19,308,551	0.23%	-	-
Meyer Cookware Industries, Inc.	17,371,871	0.21%	15,426,077	0.38%
Solano Vista II Housing Investment LP	16,922,252	0.20%	-	-
Sky Vallejo San Francisco LLP	-	-	60,246,779	1.47%
Northwestern Mutual Life Insurance	-	-	23,144,869	0.56%
Arism/Lacaze Vallejo Plaza Assoc.	-	-	22,991,062	0.56%
Security Capital Pacific Trust	-	-	17,700,000	0.43%
General Mills, Inc.	-	-	16,301,967	0.40%
Vallejo Highlands Associates	-	-	12,616,000	0.31%
Vallejo Somerset Limited Partners	-	-	12,616,000	0.31%
Western Investment Real Estate Trust	-	-	11,732,400	0.29%
Wal-Mart Stores, Inc.	-	-	11,715,859	0.29%
<b>Top Ten Totals</b>	<b>\$ 523,534,333</b>	<b>6.33%</b>	<b>\$ 204,491,013</b>	<b>4.99%</b>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: County Assessor's Office

CITY OF VALLEJO  
Property Tax Levies and Collections  
Last Five Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	\$10,470,818	\$10,340,488	98.76%	not available	not available	n.a.
2003	11,253,848	11,099,274	98.63%	not available	not available	n.a.
2004	13,508,164	13,350,246	98.83%	not available	not available	n.a.
2005	15,792,705	15,628,710	98.96%	not available	not available	n.a.
2006	18,159,046	17,995,707	99.10%	not available	not available	n.a.

NOTE:

The amounts presented include only City property taxes (excluding Redevelopment Agency tax increment).

Source: County Auditor Controller's Office

CITY OF VALLEJO  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Capital Lease Obligations	Total Governmental Activities
1997	\$ -	\$ 7,575,000	\$ -	\$ 401,515	\$ 7,976,515
1998	-	7,545,000	-	271,554	7,816,554
1999	-	7,505,000	-	1,794,046	9,299,046
2000	-	7,450,000	4,815,000	1,397,841	13,662,841
2001	-	7,380,000	17,792,411	1,082,351	26,254,762
2002	-	12,305,000	17,577,787	1,980,513	31,863,300
2003	-	12,150,000	28,582,725	3,722,883	44,455,608
2004	-	11,925,000	34,735,683	3,087,971	49,748,654
2005	-	11,665,000	30,505,614	2,521,358	44,691,972
2006	-	11,380,000	29,715,144	1,939,491	43,034,635

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities

Water Revenue Bonds	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations	Total Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Debt Per Capita <sup>1</sup>
\$62,455,000	\$98,940,000	\$14,673,816	\$ 223,601	\$176,292,417	\$184,268,932	7.50%	\$ 1,634
61,340,000	97,940,000	19,542,391	554,255	179,376,646	187,193,200	7.29%	1,677
68,055,000	96,175,000	12,340,831	317,476	176,888,307	186,187,353	6.86%	1,661
67,205,498	95,883,460	12,340,829	1,852,567	177,282,354	190,945,195	6.61%	1,675
74,194,868	153,471,393	8,852,447	217,821	236,736,529	262,991,291	8.17%	2,252
73,523,119	150,856,361	28,991,182	-	253,370,662	285,233,962	8.38%	2,409
72,020,610	149,071,766	28,257,039	-	249,349,415	293,805,023	8.34%	2,452
70,543,101	147,143,583	27,834,693	-	245,521,377	295,270,031	8.12%	2,450
68,955,592	138,299,106	19,981,202	-	227,235,900	271,927,872	7.02%	2,243
67,288,083	156,721,379	18,807,307	-	242,816,769	285,851,404	7.05%	2,368



CITY OF VALLEJO

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years  
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value <sup>1</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds	Tax Allocation Bonds	Total		
1997	\$ -	\$ 7,575	\$ 7,575	N/A	\$ 67
1998	-	7,545	7,545	N/A	68
1999	-	7,505	7,505	N/A	67
2000	-	7,450	7,450	N/A	65
2001	-	7,380	7,380	N/A	63
2002	-	12,305	12,305	N/A	104
2003	-	12,150	12,150	N/A	101
2004	-	11,925	11,925	0.18%	99
2005	-	11,665	11,665	0.16%	96
2006	-	11,380	11,380	0.14%	94

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

<sup>1</sup> Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

<sup>2</sup> These ratios are calculated using personal income and population for the prior calendar year.

CITY OF VALLEJO  
Direct and Overlapping Debt  
June 30, 2006

City Assessed Valuation		\$ 7,935,990,160	
Redevelopment Agency Incremental Valuation		330,105,533	
Total Assessed Valuation		<u>\$ 8,266,095,693</u>	
			City's Estimated Share of Overlapping Debt
	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/06	Share of Overlapping Debt
<b>Overlapping Debt Repaid with Property Taxes:</b>			
Solano County Community College District	27.573%	\$ 80,309,812	\$ 22,134,824
Vallejo Unified School District	98.067%	95,490,000	93,644,178
Vallejo Unified School District CFD No. 2	100.000%	18,095,000	18,095,000
City of Vallejo Hiddenbrooke Improvement District No. 1998	100.000%	21,955,000	21,955,000
City of Vallejo 1915 Act Bonds	100.000%	<u>23,110,000</u>	<u>23,110,000</u>
Total overlapping debt repaid with property taxes		<u>238,959,812</u>	<u>178,939,002</u>
<b>Direct and Overlapping General Fund Debt:</b>			
Solano County Certificates of Participation	26.785%	142,905,000	38,277,104
Solano County Pension Obligations	26.785%	133,195,000	35,676,281
Solano County Board of Education Certificates of Participation	26.785%	3,650,000	977,653
Vallejo Unified School District Certificates of Participation	98.067%	45,350,000	44,473,385
City of Vallejo General Fund Obligations	100.000%	<u>123,505,000</u>	<u>123,505,000</u>
Total Direct and Overlapping General Fund Debt		<u>448,605,000</u>	<u>242,909,423</u>
Total overlapping debt		<u>\$ 448,605,000</u>	242,909,423
City direct debt			<u>43,034,635</u>
Total direct and overlapping debt			<u>\$ 285,944,058</u>

Notes:

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

CITY OF VALLEJO  
 Legal Debt Margin Information  
 Last Three Fiscal Years

	Fiscal Year Ending June 30		
	2004	2005	2006
Assessed valuation	\$5,662,455,919	\$7,017,115,830	\$7,935,990,160
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	1,415,613,980	1,754,278,958	1,983,997,540
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	212,342,097	263,141,844	297,599,631
Total net debt applicable to limit: General obligation bonds	-	-	-
Legal debt margin	<u>\$ 212,342,097</u>	<u>\$ 263,141,844</u>	<u>\$ 297,599,631</u>
Total debt applicable to the limit as a percentage of debt limit <sup>1</sup>	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department  
 County Tax Assessor's Office

<sup>1</sup> Section 43605 of the California Government Code for General Obligation bonds.

CITY OF VALLEJO  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Water Revenue Bonds (a)									
Fiscal Year Ended June 30	Gross Water Revenues (b)	Less Expenses (c)	Net Available Revenues	Less Non-city system Available Revenues	City system Net Available Revenues	Total Debt Service (d)	Less Non-city system Debt Service	City system Net Debt Service	City system Coverage
1997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1998	-	-	-	-	-	-	-	-	
1999	-	-	-	-	-	-	-	-	
2000	-	-	-	-	-	-	-	-	
2001	-	-	-	-	-	-	-	-	
2002	-	-	-	-	-	-	-	-	
2003	-	-	-	-	-	-	-	-	
2004	-	-	-	-	-	-	-	-	
2005	30,566,714	19,762,044	10,804,670	512,209	10,292,461	5,466,341	544,186	4,922,155	2.09
2006	31,727,072	22,646,495	9,080,577	547,320	8,533,257	6,050,834	585,468	5,465,366	1.56

- a) Data is not readily available prior to fiscal year 2005.
- b) Includes operating revenues, investment earnings, contributions and transfers.
- c) Excludes depreciation and debt service payments.
- d) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Data source - City of Vallejo Comprehensive Annual Financial Report  
Debt Service Schedules

CITY OF VALLEJO  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Wastewater (a)									
	Utility Service Charges	Less Operating Expenses	Net Available Revenues	Debt Service (Principal and Interest)						Coverage Ratio
				2006 COP	2001 COP	1993 COP	State Revenue Fund Loan	Notes Payable	Total	
1997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1998	-	-	-	-	-	-	-	-	-	
1999	-	-	-	-	-	-	-	-	-	
2000	13,851,512	8,252,719	5,598,793	-	-	2,660,782	-	112,817	2,773,599	2.02
2001	15,579,884	8,862,038	6,717,846	-	49,920	2,795,611	-	123,073	2,968,604	2.26
2002	16,994,606	9,795,195	7,199,411	-	995,929	2,648,148	-	123,073	3,767,150	1.91
2003	18,133,377	9,889,928	8,243,449	-	924,219	2,647,330	-	123,073	3,694,622	2.23
2004	19,746,266	10,101,814	9,644,452	-	891,393	2,783,017	-	123,073	3,797,483	2.54
2005	21,170,567	11,182,735	9,987,832	-	1,108,710	2,708,413	961,320	123,073	4,901,516	2.04
2006	21,896,473	11,974,517	9,921,956	576,089	1,260,243	2,705,508	904,648	61,537	5,508,025	1.80

a) Data not available prior to 2000

Data source - Vallejo Sanitation and Flood Control District Comprehensive Annual Financial Report

City of Vallejo  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Marine World JPA's 1997 Certificate of Participation
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Fiscal Year Ended June 30	Charges for Services and Others (a)	Less Operating Expenses (b)	Net Available Revenues	Debt Service (c)			Coverage Ratio
				Principal	Interest	Total	
1997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1998	28,616,504	25,324,691	3,291,813	-	2,427,792	2,427,792	1.36
1999	45,021,348	37,829,645	7,191,703	-	4,459,210	4,459,210	1.61
2000	58,258,338	48,740,429	9,517,909	720,000	4,440,310	5,160,310	1.84
2001	57,945,474	49,750,963	8,194,511	760,000	4,400,890	5,160,890	1.59
2002	58,692,807	50,330,479	8,362,328	800,000	4,358,370	5,158,370	1.62
2003	54,009,867	46,795,823	7,214,044	845,000	4,312,710	5,157,710	1.40
2004	51,470,860	47,029,658	4,441,202	890,000	4,260,570	5,150,570	0.86
2005	53,970,790	47,561,242	6,409,548	945,000	4,201,850	5,146,850	1.25
2006	59,626,129	52,031,189	7,594,940	1,010,000	4,139,290	5,149,290	1.47

a) Includes investment earnings.

b) Excludes depreciation and debt service payments.

c) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Data source - City of Vallejo Comprehensive Annual Financial Report.  
Debt Service Schedules

City of Vallejo  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Tax Allocation Bonds
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Fiscal Year Ended June 30	Tax Increment	Debt Service ( a )		Coverage
		Principal	Interest	
1997	\$ 1,459,282	\$ 15,000	\$ 575,196	2.47
1998	1,862,048	30,000	573,828	3.08
1999	2,507,896	40,000	571,520	4.10
2000	1,276,053	55,000	568,455	2.05
2001	1,651,524	70,000	564,075	2.60
2002	2,092,182	485,000	788,651	1.64
2003	1,981,895	155,000	900,980	1.88
2004	1,942,673	225,000	887,270	1.75
2005	2,841,319	260,000	869,753	2.51
2006	3,261,701	285,000	849,983	2.87

a) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Data source - City of Vallejo Comprehensive Annual Financial Report  
Debt Service Schedules

CITY OF VALLEJO  
Demographic and Economic Statistics  
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
1997	111,600	\$ 2,567,246	\$ 23,004	6.6%
1998	112,100	2,712,596	24,198	5.6%
1999	114,000	2,888,988	25,342	4.6%
2000	116,760	3,220,007	27,578	5.7%
2001	118,405	3,403,433	28,744	5.8%
2002	119,836	3,521,860	29,389	7.3%
2003	120,516	3,636,811	30,177	7.9%
2004	121,256	3,876,191	31,967	7.4%
2005	120,724	4,054,033	33,581	6.8%
2006	121,099	4,188,572	34,588	5.7%

Sources: (1) State Department of Finance (revised)  
(2) U.S. Bureau of Economic Analysis  
(3) State of California Employment Development Department (data shown is for the City)



CITY OF VALLEJO  
Principal Employers  
Current Year and Nine Years Ago

Employer	2006		1997	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente	2,735	4.90%	2,000	3.66%
Six Flags Marine World	2,000	3.58%	-	0.00%
Vallejo Unified School District	2,000	3.58%	1,840	3.37%
Kaiser Permanente Call Center	950	1.70%	-	0.00%
Sutter Solano Medical Center	670	1.20%	514	0.94%
City of Vallejo	602	1.08%	-	0.00%
CA Highway Patrol, Regional Off	400	0.72%	-	0.00%
U.S. Forest Service	300	0.54%	-	0.00%
U.S. Postal Service	216	0.39%	260	0.48%
CA Maritime Academy	215	0.39%	-	0.00%
Marine World Africa USA (seasonal)	-	0.00%	1,200	2.20%
City of Vallejo/Sanitation & Flood Control	-	0.00%	628	1.15%
TIMEC Co	-	0.00%	500	0.91%
U.S. Navy (Mare Island Detachment)	-	0.00%	252	0.46%
Stoneridge Healthcare Center	-	0.00%	185	0.34%
Crestwood Hospitals Inc.	-	0.00%	181	0.33%

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: Vallejo Chamber of Commerce  
City of Vallejo  
US Census Bureau

CITY OF VALLEJO  
 Full-time and Part-time City Employees  
 by Function  
 Last Seven Fiscal Years

<u>Function</u>	<u>Full-Time and Part-time Employees as of June 30</u>						
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	64	65	59	62	66	62	61
Public safety	320	344	350	355	350	320	325
Public works	58	60	61	63	67	59	59
Mare Island Coop/CFD	-	14	14	4	4	3	2
Development Services	20	22	23	26	23	20	21
Community Dev	24	23	23	25	26	24	25
Solid Waste Disp	-	-	1	1	1	1	1
Landscape District	3	4	4	4	3	5	5
Risk Management	-	3	3	3	2	3	3
Water	91	79	84	82	83	75	77
Transportation	4	4	4	4	4	6	6
Marina	4	4	4	4	4	4	3
Corp Yard	-	23	23	17	17	16	16
Total	<u>588</u>	<u>645</u>	<u>653</u>	<u>650</u>	<u>650</u>	<u>598</u>	<u>604</u>

Source: City Budget Office

CITY OF VALLEJO  
 Operating Indicators  
 by Function  
 Last Ten Fiscal Years

	Fiscal Year Ending June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Police:</b>										
Arrests	9,105	9,354	5,696	5,250	7,689	7,783	7,618	2,610	5,250	7,658
Parking citations issued <sup>4</sup>	-	-	-	-	-	4,127	16,054	16,971	15,097	14,108
<b>Fire:</b>										
Number of emergency calls	8,911	9,261	9,638	9,553	10,232	10,257	10,313	10,363	10,547	11,030
Inspections (Fire Prevention)	-	-	-	-	-	1,344	1,547	2,071	1,079	967
Inspections (Code Enforcement)	6,457	7,228	6,211	5,805	6,791	5,601	6,187	4,148	3,240	4,305
<b>Public works:</b>										
Street resurfacing (miles)	3.01	4.33	4.61	3.82	13.33	1.93	3.69	1.82	2.95	27.70
<b>Water:</b>										
New connections	92	243	627	610	464	541	397	436	559	314
Average daily consumption (thousands of gallons)	18,243	18,243	18,181	22,780	22,130	21,050	21,500	22,350	20,620	21,030
<b>Development Services:</b>										
Building permits	2,272	2,499	2,747	3,274	3,634	3,381	3,772	3,702	3,473	3,357
Housing Rental units <sup>1</sup>	-	-	-	-	-	-	2,266	2,266	2,266	2,266
Housing Vouchers <sup>2</sup>	-	-	-	-	-	-	2,171	2,246	2,210	2,105
<b>Golf course:</b>										
Golf rounds played <sup>3</sup>	171,071	154,728	164,918	154,886	152,731	150,904	146,415	130,651	114,353	96,750

<sup>1</sup> Amounts listed represent the number of rental units contracted. Amounts unavailable from 1997 to 2002.

<sup>2</sup> Amounts listed represent actual vouchers issued. Amounts unavailable from 1997 to 2002.

<sup>3</sup> Amounts listed represent the combined total for the following three golf courses: Joe Mortara and Blue Rocks Springs East and West Golf Courses

<sup>4</sup> Amounts unavailable from 1997 to 2001.

Source: City of Vallejo  
 Enforcement Technology

CITY OF VALLEJO  
 Capital Asset Statistics  
 by Function  
 Last Ten Fiscal Years

Fiscal Year Ending June 30

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police:										
Stations	4	4	4	4	4	4	4	4	4	4
Fire:										
Fire stations	6	6	7	7	8	8	8	8	8	8
Public works:										
Streets (miles)	297	297	306	306	315	315	315	315	315	350
Traffic signals	122	122	122	124	131	131	131	131	134	134
Water:										
Water mains (miles)	390	390	390	605	600	600	600	600	605	622
Maximum daily capacity (thousands of gallons) <sup>1</sup>	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Golf Course:										
Municipal golf courses	3	3	3	3	3	3	3	3	3	3

<sup>1</sup> Represents combined capacity for Fleming Hill WTP, Travis WTP and Green Valley WTP.

Source: City of Vallejo

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