



CITY OF VALLEJO CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

CITY OF VALLEJO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

PREPARED BY THE
FINANCE DEPARTMENT

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For the Year Ended June 30, 2007

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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

February 15, 2008

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 2007 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, 2007, 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, 2007, 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.

PROFILE OF GOVERNMENT

Vallejo, California is located in southern Solano County. With a current population of 121,425 Vallejo is the largest City in Solano County and the 47th 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. 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 robust growth the City had experienced during the last several years slowed rapidly in the last half of the fiscal year as the early impact of the decline in housing activity and the escalation of energy costs began to be felt. General Fund revenues increased only slightly as compared to Fiscal Year 2005-06. General Fund revenues, including transfers in, totaled \$82,507,579 in fiscal year 2006-07, an increase of 1.7% over the prior fiscal year.

During the current year, the effects of the economic slowdown that is severely impacting the entire country intensified in Vallejo. The City has experienced a significant decline in the number of new construction permits and in the number of sales of existing single family homes. These declines have caused a reduction or flattening of some of the City's major revenue sources.

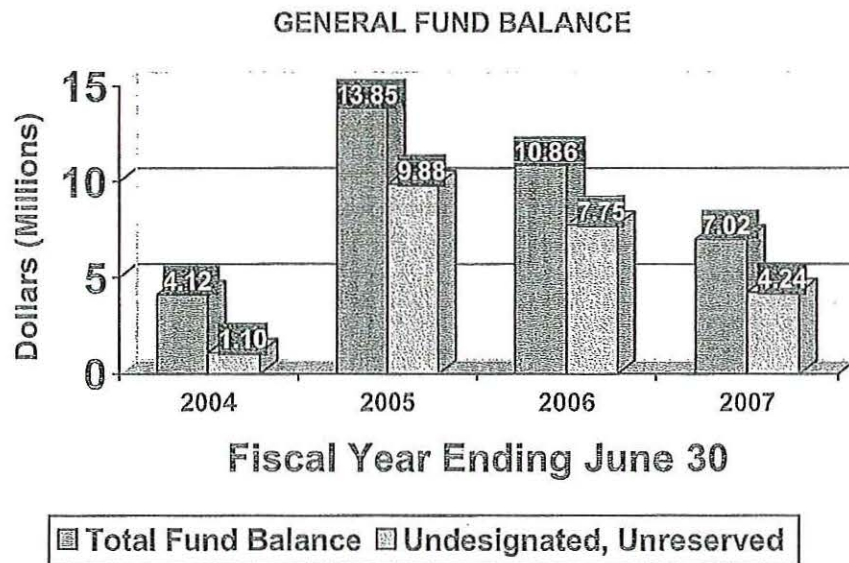
While property tax revenues increased this past year, many other major City revenues, especially sales tax, motor vehicle in-lieu fees, and utility users tax, remained relatively flat during Fiscal Year 2006-07. However, due to the economy, increasing foreclosures and decline in property values, it is projected that these tax revenues will decrease in Fiscal Year 2007-08. Because of uncertainty in the economic markets, it is likely that this slowdown will continue for some period of time.

Three long planned major mixed-use projects all of which were planned to capitalize on the growing recognition of Vallejo as a regional transportation hub, have either been delayed or significantly slowed by the sub-prime mortgage crisis. These projects, which, when complete, will inject thousands of residents into the middle of the downtown/waterfront area, promise a revival of the City's core. Their delay will accentuate the economic difficulties the City is facing for the next several years.

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. Although the City adopted a balanced budget for Fiscal Year 2007 – 2008, it is now clear that two assumptions were incorrect. First,

the City assumed a relatively modest economic downturn in the economy due to the financial difficulties related to the sub-prime mortgage crisis. It has now become apparent that the economic downturn is much more severe than originally projected, and this has led to a greater reduction in revenues than originally anticipated. Second, the budget assumed significant reductions in public safety staffing levels; however, due to labor arbitration rulings, public safety staffing levels may actually increase.

The graph below illustrates the City's lack of recent success in balancing its budget. It presents the changes in fund balance for the General Fund for the fiscal year ending June 30, 2007, as compared with the three 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 four-year trend for this same information:



Current projections for Fiscal Year 2007 – 2008 are that, without significant changes, expenditures will exceed revenues by over \$10 million. As of the date of this report, the City is engaged in a multi-pronged comprehensive process to reduce expenditures and increase revenues. It is negotiating with all of its labor groups, including public safety, to reduce costs and is evaluating alternative means of increasing both one-time and ongoing revenues. The objective is to achieve consensus on a plan to assure financial stability through at least the end of Fiscal Year 2009 – 2010. While the City believes that success is achievable, that outcome cannot be assured at this time. The City intends to move aggressively to reduce costs should a consensus plan not be achieved.

Other Factors Affecting Financial Condition

On July 31, 2007, the City of Vallejo, Marine World Joint Powers Authority, and Redevelopment Agency of the City of Vallejo, collectively, as Sellers, and Park Management Corp. as Buyer, completed the sale of Six Flags Discovery Kingdom. The purchase price for the property was \$53,982,765, which together with the bond reserve funds of \$5,323,455 was sufficient to pay off the outstanding \$55,285,000 principal balance of the 1997 Marine World Project Certificates of Participation. This transaction also ends our revenue-sharing arrangement and results in a net loss in excess of a million dollars to the General Fund.

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. The State has recently notified the City that the State will be withholding 4-months of Gas Tax payments to the City for the remainder of FY 2007-08 in order to help solve its own budget problems. 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:

- o A separate emergency bill must be passed by a 2/3 vote of the legislature;
- o The legislature must pass a law to fully repay the loan with interest within three years;
- o New borrowings are prohibited until prior borrowings have been fully repaid;
- o No more than two loans may occur during a ten year period;
- o 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 planned for Downtown Vallejo, including the Triad Downtown Development project. However, due to the current economic housing environment, it is uncertain when the first phase of the Triad project will begin. The first phase will include 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.

The Touro University Seimens Cancer Treatment facility project is moving forward. The 125,000 square foot facility will be located on a 20 acre parcel on the northern portion of Mare Island. The facility is projected to cost \$330 million to build. The City anticipates entering into an Acquisition and Development Agreement with Touro University in Spring of 2008.

Redevelopment in Downtown and Waterfront Areas

The City of Vallejo's Redevelopment Agency ("Agency") continues to make progress toward Downtown revitalization as the City completed renovation activities on the Empress Theater, which is scheduled to open by Summer of 2008.

In an effort to kick-start the Waterfront district redevelopment activities, planning efforts continue 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 design work on the Vallejo Station Project. This project is also 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, 2006. 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.

I 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.

I 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,

A handwritten signature in cursive script that reads "Robert V. Stout".

Robert V. Stout
Finance Director

CITY OF VALLEJO

Public Officials

City Council

As of June 30, 2007

Term Expires

Anthony J. Intintoli, Jr., Mayor	December 2007
Gary Cloutier, Vice Mayor	December 2007
Anthony Pearsall, Councilmember	December 2007
Gerald Davis, Councilmember	December 2007
Tom Bartee, Councilmember	December 2009
Hermie Sunga, Councilmember	December 2009
Stephanie Gomes, Councilmember	December 2009

City Manager

Joseph M. Tanner

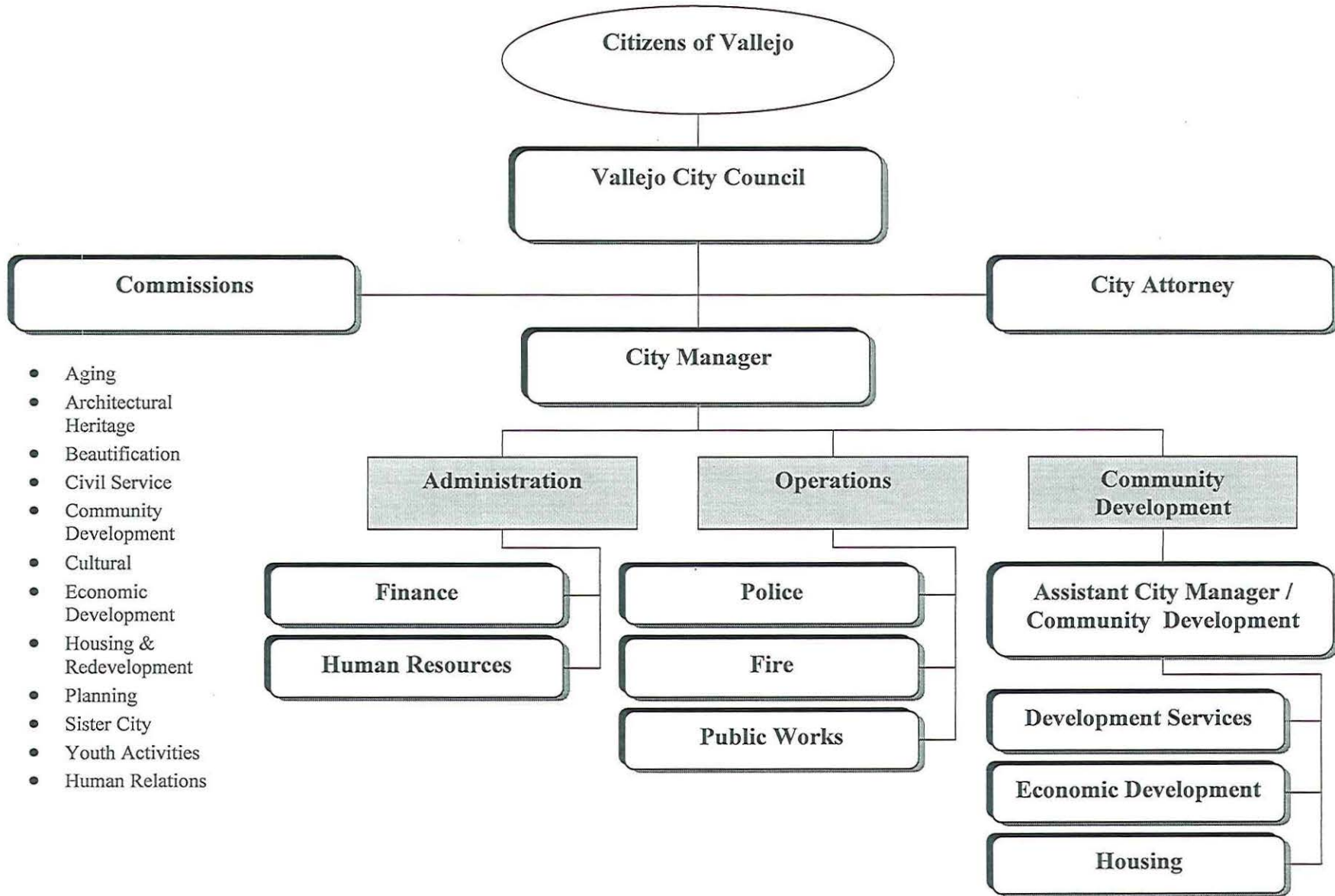
City Attorney

Frederick G. Soley

Executive Management Team

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

City of Vallejo Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Vallejo
California

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

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



Oliver S. Cox

President

Jeffrey R. Enos

Executive Director

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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, 2007, 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 53.8% of assets, 17.8% of revenues, 32.7% of liabilities, and 16.4% 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, 2007, 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.

The accompanying financial statements have been prepared assuming that the City, will continue as a going concern. As discussed in Note 17 to the financial statements, as of June 30, 2007, the General Fund undesignated fund balance had been reduced to \$4,242,256. Management projects that these funds will be depleted before June 30, 2008, unless significant cost reduction or other measures are taken. These conditions raise substantial doubt about the City's ability to continue as a going concern. Management's plans regarding those matters also are described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 25, 2008 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.

A handwritten signature in cursive script that reads "Mays + Associates".

January 25, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2007

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, 2007. 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 City's General Fund experienced a \$3.8 million annual operating deficit in fiscal year 2006-07. The structural imbalance between revenues and expenditures, combined with a diminished fund balance, raises substantial doubt about the City's ability to continue paying its General Fund obligations through the end of the 2007-08 fiscal year and beyond. Anticipated development on the former Mare Island Naval base and in the downtown redevelopment project areas have slowed or been postponed in part due to the soft housing market and the national sub-prime mortgage debacle. Labor contracts with the City's four employee associations extend through June 2010 with annual salary increases and minimum staffing requirements that the City's revenue base cannot support. The City continues to negotiate with its employee associations for cost concessions and is also developing plans for staff reductions and other savings to conserve cash with the goal to maintain fiscal solvency through June 30, 2008 and to achieve longer-term fiscal stability.
- Two Enterprise Funds report fund balance deficits at June 30, 2007. The Golf and Marina Funds have debt-financed capital assets that are depreciating faster than the amortization of the long-term debt used to finance these assets. Both maintain positive operating cash flows and working capital at June 30, 2007, and are expected to have continued positive cash flows and working capital in the subsequent fiscal year. Marina Fund operations are further supported by annual transfers from the State Lands Commission Fund. The source of State Lands Commission Fund are annual lease revenues generated from the City's waterfront properties that are restricted for use in the waterfront area by terms of the lease on these parcels from the State Lands Trust.
- The City's Risk Management/Insurance Internal Service Fund also reports a deficit fund balance of \$2.3 million at June 30, 2007. A new rate structure was implemented to update the internal charges to City programs based upon 5 years of actual loss experience which increased fund revenues from \$4.9 to \$6.0 million from the prior year. However, claims expenditures and outstanding liabilities, at June 30, 2007 also increased, creating a net fund annual operating deficit of \$1.3 million. The fund retains a positive cash and working capital position, and rates will continue to be adjusted in future operating cycles to rebalance this internal fund.

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, 2006 and 2007, as measured on the accrual basis of accounting, along with a discussion of some of the most significant balances (in millions):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$165.3	\$188.6	\$114.7	\$128.3	\$280.0	\$316.9
Capital assets	291.3	283.9	411.7	412.6	703.0	696.5
Total assets	456.6	472.5	526.4	540.9	983.0	1,013.4
Liabilities						
Current and other liabilities	35.1	28.8	31.4	39.3	66.5	68.1
Long-term liabilities	60.3	69.0	231.7	238.4	292.0	307.4
Total liabilities	95.4	97.8	263.1	277.7	358.5	375.5
Net assets						
Invested in capital assets, net of related debt	260.2	254.3	215.4	200.9	475.6	455.2
Restricted	119.8	136.3	47.2	50.0	167.0	186.3
Unrestricted	(18.8)	(15.9)	0.7	12.3	(18.1)	(3.6)
Total net assets	\$361.2	\$374.7	\$263.3	\$263.2	\$624.5	\$637.9

- Total Net Assets have declined during the year by \$13 million from \$638 to \$625 million.
- Current and other assets have declined by \$37 million during the year, primarily due to the draw down of restricted cash. The Mare Island Conversion Governmental Activities program drew \$17 million of restricted Federal cash advances for the ongoing clean-up/remediation of this former Naval Base. The Sanitation and Flood Control Enterprise activity also drew \$17 million of restricted debt proceeds from last year's bond issue for its ongoing capital program. In addition, current assets in the General Fund declined by \$4 million from \$15 to \$11 million.
- Long-term liabilities have decreased by \$17 million due to \$7 million in scheduled bond payments, \$2 million for a bond call for early debt retirement, and for \$8 million for updated estimates of the long-term portion of compensated absences and claims payable.
- 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, 2006 and 2007, as measured on the accrual basis of accounting (in thousands).

(In Thousands)	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	\$28,957	\$27,434	\$121,405	\$119,839	\$150,362	\$147,273
Operating grants and contributions	34,636	36,629	16,154	13,454	50,790	50,083
Capital grants and contributions	2,724	3,188	7,431	10,571	10,155	13,759
General revenues						
Property taxes, sales and other	50,170	47,511			50,170	47,511
Motor vehicle license fees						
User utility	12,747	12,712			12,747	12,712
Other	16,244	11,534	4,290	1,588	20,534	13,122
Total revenues	<u>145,478</u>	<u>139,008</u>	<u>149,280</u>	<u>145,452</u>	<u>294,758</u>	<u>284,460</u>
Expenses						
Governmental activities						
Legislative and advisory	278	328			278	328
Executive	1,444	1,336			1,444	1,336
Finance	2,062	1,953			2,062	1,953
Human resources	1,325	1,274			1,325	1,274
Law	860	722			860	722
Development services	2,839	3,681			2,839	3,681
Community development	44,541	37,306			44,541	37,306
Fire services	29,683	25,373			29,683	25,373
Police services	41,702	37,892			41,702	37,892
Public works	24,422	25,855			24,422	25,855
Nondepartmental	7,284	6,827			7,284	6,827
Interest on long-term debt	2,650	2,704			2,650	2,704
Business-type activities						
Water			32,401	32,419	32,401	32,419
Local transportation			30,667	29,664	30,667	29,664
Waterstone development						
Sanitation and flood control			26,013	24,902	26,013	24,902
Marine World JPA			55,981	58,204	55,981	58,204
Marina			3,170	3,048	3,170	3,048
Golf			854	1,042	854	1,042
Total expenses	<u>159,090</u>	<u>145,251</u>	<u>149,086</u>	<u>149,279</u>	<u>308,176</u>	<u>294,530</u>
Excess before transfers	<u>(13,612)</u>	<u>(6,243)</u>	<u>194</u>	<u>(3,827)</u>	<u>(13,418)</u>	<u>(10,070)</u>
Transfers	<u>73</u>	<u>191</u>	<u>(73)</u>	<u>(191)</u>		
Increase in net assets	<u><u>(\$13,539)</u></u>	<u><u>(\$6,052)</u></u>	<u><u>\$121</u></u>	<u><u>(\$4,018)</u></u>	<u><u>(\$13,418)</u></u>	<u><u>(\$10,070)</u></u>

- The City has invested \$159 million through program expenditures in its governmental programs and another \$149 million in business-type activities, for total annual expenses of \$308 million.

- The largest governmental programs include community development (includes housing and redevelopment) and public safety. Community development expenditures increased to \$45 million from \$37 million in the prior year primarily due to an \$11 million increase in federally-funded hazardous remediation expenditures at the former Mare Island naval base with an offsetting reduction of \$5 million in the federally-funded Section 8 low-income housing voucher program. Combined Police and Fire Public Safety expenses increased by 13% from \$63 million to \$71 million due to wage and benefit increases and for new grant-supported programs.
- The largest business-type programs include water, regional transportation, sanitation/flood control, and the Marine World joint powers authority (amusement park). Business-type expenses in total remained at \$149 million, the same as the prior year.
- The City's annual expenses of \$308 million have been funded with \$295 million of revenues, including \$211 million of program revenues, generated for the used of specific programs, and \$83 million of general revenues, available for general use. City programs in total drew down \$13 million of net asset reserves during the year.

Net Program Revenues

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>
Governmental Activities			
General government	(\$15,903,047)	\$1,762,726	(\$14,140,321)
Fire services	(29,682,741)	3,635,536	(26,047,205)
Police services	(41,702,454)	4,984,606	(36,717,848)
Public works	(24,422,136)	15,471,497	(8,950,639)
Community and development services	(47,379,572)	40,462,845	(6,916,727)
	<u>(\$159,089,950)</u>	<u>\$66,317,210</u>	<u>(\$92,772,740)</u>

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>
Business-type Activities			
Water utility	(\$32,401,050)	\$34,992,268	\$2,591,218
Local transportation	(30,667,114)	26,749,238	(3,917,876)
Sanitation and flood control	(26,012,630)	24,608,506	(1,404,124)
Marine World JPA	(55,980,978)	56,138,928	157,950
Other proprietary funds	(4,023,841)	2,500,488	(1,523,353)
	<u>(\$149,085,613)</u>	<u>\$144,989,428</u>	<u>(\$4,096,185)</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 earned general tax and other revenues of \$81 million during the year which paid for \$83 million in operating expenditures. Including transfers, the net change in Fund Balance was a deficit of \$3.8 million. Transfers included funds to pay debt service obligations, \$600,000 for capital programs including the acquisition of an updated computer-aided public safety dispatch system and improvements to City buildings to facilitate the consolidation of Police operations, and \$425,000 to support the City's Transportation system. No further transfers to other operating programs have been budgeted in the subsequent fiscal year.

In total, revenues were \$2.6 million less than the annual budget updated by City Council in March of 2007. This loss in revenues was offset by expenditure savings in General Fund programs. Ending undesignated Fund Balance was \$372,000 favorable to the balance assumed when adopting the 2007-08 annual budget in June 2007.

The net impact to fund balance was a draw of \$3.8 million of fund balance reserves during the year. Total Fund Balance of \$7.0 million at June 30, 2007 includes \$2.8 million of restricted and other program commitments. Undesignated General Fund balance at June 30, 2007 was \$4.2 million, or 5% of annual expenditures.

The final fiscal year 06-07 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 – The Housing Fund received \$27 million in federal HUD grants during the year to support its Section 8 Housing Assistance Voucher Program. The Authority increased its governmental fund reserves by \$9 million during the year as grant allocations were not fully utilized. The Authority has taken steps to increase the leverage of these federal dollars by adjusting its tenant payment standards and by updating the tenant waiting list to increase lease-up rates.

Mare Island – This fund holds \$27 million of restricted federal funds to pay for the environmental remediation of the former Mare Island Naval base. \$18 million was expended during the year on this effort.

Enterprise Funds

Water Fund – This fund collected \$30 million in user fees to sustain the City's water system. The fund has \$113 million of capital assets, financed with \$71 million of long-term debt. The

fund made \$6 million in debt service payments during the year. Rates continue to adjust annually through a five-year rate package approved by City Council in effect through 2008-009.

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 \$16 million in federal, state, and local grants to support operations. The fund realized a \$3.5 million accrual-basis loss for the year, of which \$4.4 million was depreciation. The General Fund advanced a \$425,000 working capital loan during the year to continue program operations, for a cumulative of \$3.1 million over the past two years. 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.

Sanitation and Flood Control – This utility district operated during the year with \$21 million of user fees. \$14 million was invested in capital assets during the year, primarily funded from bonds issued in the prior year.

Marine World JPA – This joint powers authority operated the Marine World amusement park with \$56 million in user fees. These fees supported operating costs and as well as \$5.6 million of debt service on its \$56 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 \$0.5 million for the year. The City transferred cash from the State Lands Commission fund to fund this operating deficit. The Marina Fund has a net deficit position of \$209 thousand as of June 30, 2007, since the capital assets are depreciating faster than the principal payments on the debt that financed the assets.

Golf – The Golf fund collected pass-through annual revenues of \$0.7 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. The Golf Fund has a net deficit position of \$213 thousand as of June 30, 2007, since the capital assets are depreciating faster than the principal payments on the debt that financed the assets.

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, 2006, and 2007. Total capital assets have increased from \$696 million to \$703 million, primarily due to the City's investment in two major street projects— Wilson and Columbus Avenues.

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$135,204,112	\$135,204,112	\$14,839,847	\$14,714,538	\$150,043,959	\$149,918,650
Building and improvement	44,903,754	46,723,699	301,635,601	282,878,519	346,539,355	329,602,218
Machinery and equipment	7,391,856	8,383,241	34,328,354	37,447,572	41,720,210	45,830,813
Infrastructure	79,054,417	83,339,802	42,030,633	44,047,181	121,085,050	127,386,983
Construction in progress	24,792,942	10,283,654	18,911,792	33,478,475	43,704,734	43,762,129
Total	<u>\$291,347,081</u>	<u>\$283,934,508</u>	<u>\$411,746,227</u>	<u>\$412,566,285</u>	<u>\$703,093,308</u>	<u>\$696,500,793</u>

DEBT ADMINISTRATION

The City has established the following equally important objectives in administering its long-term debt financing program. However, recent declines in the financial stability of the City's General Fund have challenged its ability to achieve these objectives.

- 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, 2006 and 2007. In total, long-term debt decreased during the year by \$9 million due to \$7 million in scheduled bond payments and \$2 million for a bond call for early debt retirement.

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Tax Allocation Bonds	\$11,721,320	\$11,380,000			\$11,721,320	\$11,380,000
Certificate of Participation	26,612,742	29,715,144	\$153,269,877	\$156,721,379	179,882,619	186,436,523
Capital Lease Obligations	1,395,579	1,939,491			1,395,579	1,939,491
Revenue Bonds			65,882,818	67,288,083	65,882,818	67,288,083
Loans & Notes Payable			17,780,129	18,807,307	17,780,129	18,807,307
Total	<u>\$39,729,641</u>	<u>\$43,034,635</u>	<u>\$236,932,824</u>	<u>\$242,816,769</u>	<u>\$276,662,465</u>	<u>\$285,851,404</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 \$2,278 from \$2,360 per capita compared to the prior fiscal year.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Net debt	\$276,662,465	\$285,851,404
Net debt per capita	\$2,278	\$2,360
Net debt per capita as a percentage of per capita personal income	6.45%	6.82%
Net debt as a percentage of net assessed value	2.91%	3.46%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City faces significant economic and operating fiscal challenges in the subsequent 2007-08 fiscal year. The national sub-prime mortgage debacle has severely impacted both new housing development and the foreclosure rate for existing homes which has dramatically slowed the city's General Fund revenue flow. In addition, the City was unable to implement over \$4 million of fire department staffing reductions assumed when the 2007-08 budget was adopted by City Council in June, 2007, due to an arbitration ruling. As a result, the balanced fiscal operating plan included in the original 2007-08 budget has subsequently deteriorated to projected deficit operations of \$10 million.

To mitigate this deficit, the City is in active dialogue with its employee associations and program staff to identify employee cost and program reductions that can bring anticipated expenditures in line with available revenues. The City's long-term goal is to rebuild a "sustainable budget" in which the cost of city services is in line with available revenues and are invested to support a breadth of services to support the quality of life for its citizens.

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, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments (Note 2)	\$80,103,036	\$56,578,471	\$136,681,507
Accounts receivable	3,546,640	13,064,475	16,611,115
Interfund balances (Note 3)	298,422	(298,422)	
Loan to Marine World JPA (Note 3E)	7,313,734		7,313,734
Due from other governments	6,281,884	3,239,607	9,521,491
Material, parts, and supplies	179,307	3,143,421	3,322,728
Prepays	185,471	711,448	896,919
Total Current Assets	97,908,494	76,439,000	174,347,494
Restricted cash and investments (Note 2)	42,160,881	19,520,287	61,681,168
Land held for redevelopment	1,843,279		1,843,279
Notes and loans receivable (Note 4)	23,366,497	2,818,117	26,184,614
Goodwill (Note 14)		12,025,908	12,025,908
Issuance cost		3,108,722	3,108,722
Deferred lease		740,614	740,614
Capital assets (Note 5):			
Nondepreciable	159,997,054	33,751,639	193,748,693
Depreciable, net of accumulated depreciation	131,350,027	377,994,588	509,344,615
Total Noncurrent Assets	358,717,738	449,959,875	808,677,613
Total Assets	456,626,232	526,398,875	983,025,107
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	10,224,282	10,068,758	20,293,040
Accrued interest payable	623,915	3,262,906	3,886,821
Due to other governments	351,099		351,099
Revenue anticipation notes payable (Note 6)	7,000,000		7,000,000
Unearned revenues	538,330	36,256	574,586
Deposits payable	2,514,727	4,051,384	6,566,111
Employee benefits payable (Note 10)	9,279,327	1,212,775	10,492,102
Claims liability, due within one year (Note 13)	3,244,180		3,244,180
Long-term debt, due within one year (Note 7)	1,374,446	5,736,333	7,110,779
Marine World revenue sharing (Note 14)		6,942,781	6,942,781
Total Current Liabilities	35,150,306	31,311,193	66,461,499
Noncurrent liabilities:			
Claims liability (Note 13)	8,520,820		8,520,820
Employee benefits payable (Note 10)	13,423,829	542,607	13,966,436
Long-term debt (Note 7)	38,355,195	231,196,491	269,551,686
Total Noncurrent Liabilities	60,299,844	231,739,098	292,038,942
Total Liabilities	95,450,150	263,050,291	358,500,441
NET ASSETS (Note 12)			
Invested in capital assets, net of related debt	260,245,020	215,396,608	475,641,628
Restricted for:			
Debt service		17,620,099	17,620,099
Capital projects	40,807,898	29,655,123	70,463,021
Special projects and programs	78,934,067		78,934,067
Total Restricted Net Assets	119,741,965	47,275,222	167,017,187
Unrestricted	(18,810,903)	676,754	(18,134,149)
Total Net Assets	\$361,176,082	\$263,348,584	\$624,524,666

See accompanying notes to financial statements

CITY OF VALLEJO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

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	
Governmental Activities:							
Legislative and advisory	\$277,713				(\$277,713)		(\$277,713)
Executive	1,443,648	\$156			(1,443,492)		(1,443,492)
Finance	2,061,912				(2,061,912)		(2,061,912)
Human resources	1,325,483	227,255			(1,098,228)		(1,098,228)
Law	860,128				(860,128)		(860,128)
Development services	2,839,027	2,799,369		\$9,700	(29,958)		(29,958)
Community development	44,540,545	7,896,852	\$29,756,924		(6,886,769)		(6,886,769)
Fire services	29,682,741	3,635,536			(26,047,205)		(26,047,205)
Police services	41,702,454	3,770,559	1,214,047		(36,717,848)		(36,717,848)
Public works	24,422,136	9,123,587	3,633,603	2,714,307	(8,950,639)		(8,950,639)
Nondepartmental	7,284,198	1,503,609	31,706		(5,748,883)		(5,748,883)
Interest on long term debt	2,649,965				(2,649,965)		(2,649,965)
Total Governmental Activities	159,089,950	28,956,923	34,636,280	2,724,007	(92,772,740)		(92,772,740)
Business-type Activities:							
Water	32,401,050	30,184,605		4,807,663		\$2,591,218	2,591,218
Local Transportation	30,667,114	10,971,275	15,128,086	649,877		(3,917,876)	(3,917,876)
Sanitation and Flood Control	26,012,630	21,609,340	1,026,061	1,973,105		(1,404,124)	(1,404,124)
Marine World JPA	55,980,978	56,138,928				157,950	157,950
Marina	3,169,731	1,848,925				(1,320,806)	(1,320,806)
Golf	854,110	651,563				(202,547)	(202,547)
Total Business-type Activities	149,085,613	121,404,636	16,154,147	7,430,645		(4,096,185)	(4,096,185)
Total	\$308,175,563	\$150,361,559	\$50,790,427	\$10,154,652	(92,772,740)	(4,096,185)	(96,868,925)
General revenues:							
Taxes:							
Property taxes/In-lieu property tax					33,349,205		33,349,205
Incremental property taxes					4,302,203		4,302,203
Sales taxes					12,517,648		12,517,648
User Utility					12,746,862		12,746,862
Franchise					3,113,116		3,113,116
Transit occupancy					1,618,954		1,618,954
Other					2,392,839		2,392,839
Investment earnings					6,686,545	4,225,630	10,912,175
Miscellaneous					2,433,895	64,536	2,498,431
Transfers (Note 3)					72,871	(72,871)	
Total general revenues and transfers					79,234,138	4,217,295	83,451,433
Change in Net Assets					(13,538,602)	121,110	(13,417,492)
Net Assets-Beginning					374,714,684	263,227,474	637,942,158
Net Assets-Ending					\$361,176,082	\$263,348,584	\$624,524,666

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Governmental Funds by the City in the year ended June 30, 2007. 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 federal grants which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

CITY OF VALLEJO
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Housing Authority	Mare Island Conversion	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$2,609,264	\$16,627,718	\$2,402,379	\$47,385,169	\$69,024,530
Restricted cash and investments held with fiscal agent (Note 2)			27,539,146	14,621,735	42,160,881
Accounts receivable	3,164,222	139,178		198,056	3,501,456
Notes and loans receivable (Note 4)	781,119	81,900		22,503,478	23,366,497
Due from other governments	4,214,254			2,067,630	6,281,884
Loan to Marine World JPA (Note 3E)				7,313,734	7,313,734
Advance to other funds (Note 3)				5,192,846	5,192,846
Material, parts, and supplies	1,577				1,577
Prepays	156,783			28,688	185,471
Land held for redevelopment	499,684			1,343,595	1,843,279
Total Assets	\$11,426,903	\$16,848,796	\$29,941,525	\$100,654,931	\$158,872,155
LIABILITIES					
Accounts payable and accrued liabilities	\$3,440,050	\$178,611	\$393,423	\$4,128,074	\$8,140,158
Accrued interest payable				313,734	313,734
Due to other funds (Note 3)				3,198,216	3,198,216
Due to other governments	185,567			165,532	351,099
Revenue anticipation notes payable (Note 6)				7,000,000	7,000,000
Deferred revenues	510,798			8,050,127	8,560,925
Advances from other funds (Note 3)				5,363,721	5,363,721
Deposits payable	269,091	495,227		1,589,544	2,353,862
Total Liabilities	4,405,506	673,838	393,423	29,808,948	35,281,715
FUND BALANCES (Note 12)					
Fund balance					
Reserved for:					
Encumbrances	339,682	770		2,005,170	2,345,622
Materials, parts, supplies	1,577				1,577
Prepays	156,783			28,688	185,471
Debt service				1,516,350	1,516,350
Capital projects			27,539,146		27,539,146
Loan program		1,500,000			1,500,000
Notes and loans	777,221	81,900		15,020,807	15,879,928
Advances to other funds				4,796,000	4,796,000
Land held for redevelopment	499,684			1,343,595	1,843,279
Housing programs		14,074,088			14,074,088
Prepayment reserve/Six Flags				380,553	380,553
Unreserved:					
Designated for:					
Program commitments:					
General Fund	244,472				244,472
Special Revenue Funds		500,000		1,244,211	1,744,211
Capital Projects Funds				278,402	278,402
Capital projects:					
Special Revenue Funds				155,390	155,390
Capital Projects Funds				19,831,348	19,831,348
State budget impact/SB1096	759,722				759,722
Undesignated, Reported in:					
General Fund	4,242,256				4,242,256
Special Revenue Funds		18,200		10,081,701	10,099,901
Capital Projects Funds			2,008,956	19,366,422	21,375,378
Debt Service Funds				(5,322,945)	(5,322,945)
Permanent Fund				120,291	120,291
Total Fund Balances	7,021,397	16,174,958	29,548,102	70,845,983	123,590,440
Total Liabilities and Fund Balances	\$11,426,903	\$16,848,796	\$29,941,525	\$100,654,931	\$158,872,155

See accompanying notes to financial statements

CITY OF VALLEJO
 Reconciliation of
 NET CHANGE IN GOVERNMENTAL FUND BALANCE S
 with
 GOVERNMENTAL NET ASSETS
 JUNE 30, 2007

Total fund balances reported on the governmental funds balance sheet		\$123,590,440
<p>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:</p>		
<p>CAPITAL ASSETS</p>		
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.		288,927,866
<p>ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS</p>		
<p>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.</p>		
Cash and investments	\$11,078,506	
Accounts receivable	45,184	
Materials, parts, and supplies	177,730	
Due from other funds	3,496,638	
Advances to other funds	170,875	
Capital assets	2,419,215	
Accounts payable	(2,084,124)	
Claims payable	(11,765,000)	
Employee benefits payable	(169,926)	
Deposits payable	<u>(160,865)</u>	
		3,208,233
<p>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</p>		
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.		8,022,595
<p>LONG-TERM ASSETS AND LIABILITIES</p>		
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p>		
Long-term debt		(39,729,641)
Interest payable		(310,181)
Non-current portion of compensated absences		<u>(22,533,230)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$361,176,082</u></u>

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, 2007

	General	Housing Authority	Mare Island Conversion	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$55,617,416			\$4,302,203	\$59,919,619
Licenses, permits, and fees	2,749,888			1,928,075	4,677,963
Fines and forfeitures	1,483,923			199,988	1,683,911
Intergovernmental	11,553,159	\$27,533,217		9,737,665	48,824,041
Use of money and property	262,559	518,343	\$1,740,819	5,267,895	7,789,616
Charges for services	5,867,269			12,057,773	17,925,042
Other	3,017,544	346,332		1,179,212	4,543,088
Total Revenues	80,551,758	28,397,892	1,740,819	34,672,811	145,363,280
EXPENDITURES					
Current:					
Legislative and advisory	270,743				270,743
Executive	1,312,440			113,401	1,425,841
Finance	1,926,168				1,926,168
Human resources	1,319,304				1,319,304
Law	871,733				871,733
Development services	2,726,448			59,783	2,786,231
Community development	559,173	19,384,245	18,457,325	8,311,305	46,712,048
Fire services	25,238,098			2,834,404	28,072,502
Police services	38,050,873			2,201,236	40,252,109
Public works	4,052,169			9,434,542	13,486,711
Nondepartmental	6,228,746			1,055,452	7,284,198
Capital outlay				18,761,691	18,761,691
Debt Service:					
Principal	543,912			3,422,402	3,966,314
Interest and fiscal agent fees	78,727			2,589,233	2,667,960
Total Expenditures	83,178,534	19,384,245	18,457,325	48,783,449	169,803,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,626,776)	9,013,647	(16,716,506)	(14,110,638)	(24,440,273)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of obligations (Note 7)				661,320	661,320
Transfers in	1,955,821			8,688,253	10,644,074
Transfers out	(3,164,320)			(7,416,174)	(10,580,494)
Total Other Financing Sources (Uses)	(1,208,499)			1,933,399	724,900
NET CHANGE IN FUND BALANCES	(3,835,275)	9,013,647	(16,716,506)	(12,177,239)	(23,715,373)
BEGINNING FUND BALANCES	10,856,672	7,161,311	46,264,608	83,023,222	147,305,813
ENDING FUND BALANCES	\$7,021,397	\$16,174,958	\$29,548,102	\$70,845,983	\$123,590,440

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, 2007

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 (\$23,715,373)

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 15,917,671

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation of \$876,470 which has already been allocated to serviced funds) (8,197,823)

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.

Proceeds from obligation is deducted from fund balance (661,320)
 Repayment of debt principal is added back to fund balance 3,966,314

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 17,995
 Deferred revenue 1,902,191
 Compensated absences (2,086,017)

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 (682,240)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$13,538,602)

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$55,321,304	\$56,740,799	\$55,617,416	(\$1,123,383)
Licenses, permits and fees	3,957,100	3,338,113	2,749,888	(588,225)
Fines and forfeitures	1,555,100	1,566,000	1,483,923	(82,077)
Intergovernmental	11,598,800	12,091,162	11,553,159	(538,003)
Use of money and property	294,000	205,000	262,559	57,559
Charges for services	6,044,628	6,267,291	5,867,269	(400,022)
Other	3,370,034	2,940,835	3,017,544	76,709
Total Revenues	82,140,966	83,149,200	80,551,758	(2,597,442)
EXPENDITURES:				
Current:				
Legislative and advisory	273,045	273,045	270,743	2,302
Executive	1,194,226	1,318,373	1,312,440	5,933
Finance	2,026,769	2,157,987	1,926,168	231,819
Human resources	1,292,083	1,342,121	1,319,304	22,817
Law	927,242	912,242	871,733	40,509
Development services	3,008,643	3,022,853	2,726,448	296,405
Community development	627,000	644,000	559,173	84,827
Fire services	22,808,885	25,644,615	25,238,098	406,517
Police services	38,190,604	39,307,266	38,050,873	1,256,393
Public works	5,276,018	5,179,415	4,052,169	1,127,246
Nondepartmental	6,202,605	6,457,986	6,228,746	229,240
Debt Service:				
Principal	543,912	543,912	543,912	
Interest	97,612	97,612	78,727	18,885
Total Expenditures	82,468,644	86,901,427	83,178,534	3,722,893
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(327,678)	(3,752,227)	(2,626,776)	1,125,451
OTHER FINANCING SOURCES (USES)				
Transfers in	2,615,000	1,716,000	1,955,821	239,821
Transfers (out)	(2,287,322)	(3,260,724)	(3,164,320)	96,404
Total other financing sources (uses)	327,678	(1,544,724)	(1,208,499)	336,225
NET CHANGE IN FUND BALANCES		(\$5,296,951)	(3,835,275)	\$1,461,676
Fund balance, July 1			10,856,672	
Fund balance, June 30			<u>7,021,397</u>	

See accompanying notes to financial statements

CITY OF VALLEJO
HOUSING AUTHORITY FUND
STATEMENT OF REVENUES, AND EXPENDITURES
AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$27,538,500	\$27,547,500	\$27,533,455	(\$14,045)
Use of money and property	76,000	76,000	518,343	442,343
Other	30,923	21,923	346,094	324,171
Total Revenues	<u>27,645,423</u>	<u>27,645,423</u>	<u>28,397,892</u>	<u>752,469</u>
EXPENDITURES:				
Current:				
Community development	29,745,723	29,745,723	19,384,245	10,361,478
Total Expenditures	<u>29,745,723</u>	<u>29,745,723</u>	<u>19,384,245</u>	<u>10,361,478</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,100,300)</u>	<u>(2,100,300)</u>	<u>9,013,647</u>	<u>11,113,947</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,000	6,000		(6,000)
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>6,000</u>		<u>(6,000)</u>
NET CHANGE IN FUND BALANCES	<u>(\$2,094,300)</u>	<u>(\$2,094,300)</u>	<u>9,013,647</u>	<u>\$11,107,947</u>
Fund balance, July 1			<u>7,161,311</u>	
Fund balance, June 30			<u>\$16,174,958</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 2007.

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.

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 AUTHORITY 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, 2007

	Business-type Activities-Enterprise Funds			Marine World JPA as of December 31, 2006
	Water	Local Transportation	Sanitation and Flood Control	
ASSETS				
Current assets:				
Cash and investments (Note 2)	\$8,374,161		\$44,480,126	\$3,335,936
Accounts receivable (net of allowance for uncollectibles)	6,645,874		6,005,149	266,112
Due from other governments		\$3,239,607		
Material, parts and supplies	497,712	1,549,290	234,043	854,191
Prepays	100,915			610,533
Due from other funds (Note 3)				
Total current assets	15,618,662	4,788,897	50,719,318	5,066,772
Noncurrent assets:				
Restricted cash and investments (Note 2)	4,406,853		8,192,884	5,303,718
Goodwill (Note 14)				12,025,908
Issuance costs	1,540,951		982,188	
Notes receivable (Note 4)	2,157,392		310,725	
Deferred lease			740,614	
Advance to other funds (Note 3)				
Capital assets (Note 5):				
Nondepreciable	4,204,165	5,835,737	11,483,667	
Depreciable, net	108,929,004	28,572,631	211,001,691	17,603,903
Total noncurrent assets	121,238,365	34,408,368	232,711,769	34,933,529
Total assets	136,857,027	39,197,265	283,431,087	40,000,301
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,397,219	2,756,490	2,423,875	2,368,828
Accrued interest payable	441,599		1,053,279	1,682,704
Due to other funds (Note 3)		298,422		
Deferred revenue				
Deposits payable	2,053,576	1,125	1,881,540	
Marine World JPA revenues and reimbursement payable (Note 14)				6,942,781
Claims payable, current (Note 13)				
Employee benefits payable, current (Note 10)	1,130,900	46,892		
Long-term debt, due within one year (Note 7)	1,243,910		2,896,026	1,140,000
Total current liabilities	7,267,204	3,102,929	8,254,720	12,134,313
Long-term liabilities:				
Certificates of participation (Note 7)			66,512,863	
Bonds payable, net (Note 7)	65,609,129			55,285,000
Loans payable (Note 7)	5,782,687		11,230,797	
Claims payable, noncurrent (Note 13)				
Employee benefits payable, noncurrent (Note 10)	535,310			
Total noncurrent liabilities	71,927,126		77,743,660	55,285,000
Total Liabilities	79,194,330	3,102,929	85,998,380	67,419,313
NET ASSETS (Note 12)				
Invested in capital assets, net of related debt	40,497,443	34,408,368	143,607,780	
Restricted for capital improvements			28,843,900	
Restricted for debt service	4,406,853		7,103,919	5,303,718
Unrestricted	12,758,401	1,685,968	17,877,108	(32,722,730)
Total Net Assets	\$57,662,697	\$36,094,336	\$197,432,707	(\$27,419,012)

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
Marina	Golf	Totals	
\$342,546	\$45,702	\$56,578,471	\$11,078,506
33,066	114,274	13,064,475	45,184
		3,239,607	
8,185		3,143,421	177,730
		711,448	
			3,496,638
<u>383,797</u>	<u>159,976</u>	<u>76,737,422</u>	<u>14,798,058</u>
194,250	1,422,582	19,520,287	
		12,025,908	
266,509	319,074	3,108,722	
	350,000	2,818,117	
		740,614	170,875
10,736,670	1,491,400	33,751,639	
6,020,977	5,866,382	377,994,588	2,419,215
<u>17,218,406</u>	<u>9,449,438</u>	<u>449,959,875</u>	<u>2,590,090</u>
<u>17,602,203</u>	<u>9,609,414</u>	<u>526,697,297</u>	<u>17,388,148</u>
115,642	6,704	10,068,758	2,084,124
54,523	30,801	3,262,906	
		298,422	
36,256		36,256	
115,143		4,051,384	160,865
		6,942,781	
			3,244,180
34,983		1,212,775	137,142
291,397	165,000	5,736,333	
<u>647,944</u>	<u>202,505</u>	<u>31,609,615</u>	<u>5,626,311</u>
17,156,259	9,619,756	66,512,863	
		147,670,144	
		17,013,484	
			8,520,820
7,297		542,607	32,784
<u>17,163,556</u>	<u>9,619,756</u>	<u>231,739,098</u>	
<u>17,811,500</u>	<u>9,822,261</u>	<u>263,348,713</u>	<u>14,179,915</u>
(690,009)	(2,426,974)	215,396,608	2,419,215
	811,223	29,655,123	
194,250	611,359	17,620,099	
286,462	791,545	676,754	789,018
<u>(\$209,297)</u>	<u>(\$212,847)</u>	<u>\$263,348,584</u>	<u>\$3,208,233</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marine World JPA as of December 31, 2006
OPERATING REVENUES				
Charges for services	\$29,812,795	\$10,971,275	\$21,033,004	\$55,721,478
Other	371,810		576,336	417,450
Total operating revenues	30,184,605	10,971,275	21,609,340	56,138,928
OPERATING EXPENSES				
Operations expenses	16,054,820	25,798,267	12,156,703	43,364,091
Revenue-sharing				5,816,394
General and administrative	6,757,463	505,436	2,905,974	500,000
Insurance and claims				
Depreciation	6,315,987	4,363,411	7,283,459	1,780,096
Total operating expenses	29,128,270	30,667,114	22,346,136	51,460,581
Operating income (loss)	1,056,335	(19,695,839)	(736,796)	4,678,347
NONOPERATING REVENUES (EXPENSES)				
Investment income	791,749		3,111,249	228,420
Intergovernmental revenue		15,789,429	1,026,061	
Gain (Loss) on sale of capital assets		(11,466)		
Interest expense and fiscal charges	(3,188,325)		(3,666,494)	(4,520,397)
Bond issuance cost	(84,455)			
Other revenues (expenses)			64,536	
Total nonoperating revenues (expenses)	(2,481,031)	15,777,963	535,352	(4,291,977)
Contributions	4,807,663		1,973,105	
Transfers in (Note 3)	94,280	425,000		
Transfers (out) (Note 3)				(1,454,098)
Change in net assets	3,477,247	(3,492,876)	1,771,661	(1,067,728)
BEGINNING NET ASSETS	54,185,450	39,587,212	195,661,046	(26,351,284)
ENDING NET ASSETS	\$57,662,697	\$36,094,336	\$197,432,707	(\$27,419,012)

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
Marina	Golf	Totals	
\$1,848,925	\$651,563	\$120,039,040	\$9,686,725
		1,365,596	49,112
<u>1,848,925</u>	<u>651,563</u>	<u>121,404,636</u>	<u>9,735,837</u>
1,379,716		98,753,597	3,527,698
		5,816,394	
113,227	18,256	10,800,356	
<u>1,034,160</u>	<u>376,562</u>	<u>21,153,675</u>	<u>6,686,957</u>
			876,470
<u>2,527,103</u>	<u>394,818</u>	<u>136,524,022</u>	<u>11,091,125</u>
<u>(678,178)</u>	<u>256,745</u>	<u>(15,119,386)</u>	<u>(1,355,288)</u>
9,912	84,300	4,225,630	517,003
		16,815,490	
		(11,466)	146,754
(633,165)	(419,844)	(12,428,225)	
(9,463)	(39,448)	(133,366)	
		64,536	
<u>(632,716)</u>	<u>(374,992)</u>	<u>8,532,599</u>	<u>663,757</u>
		6,780,768	
861,947		1,381,227	431,732
		(1,454,098)	(422,441)
<u>(448,947)</u>	<u>(118,247)</u>	<u>121,110</u>	<u>(682,240)</u>
<u>239,650</u>	<u>(94,600)</u>	<u>263,227,474</u>	<u>3,890,473</u>
<u>(\$209,297)</u>	<u>(\$212,847)</u>	<u>\$263,348,584</u>	<u>\$3,208,233</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marine World JPA as of December 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$26,079,282	\$10,459,873	\$21,418,223	\$56,256,980
Payments to suppliers	(15,366,316)	(25,749,208)	(11,855,168)	(42,799,364)
Payments to employees	(6,715,234)	(504,637)	(8,985,020)	(7,395,901)
Claims paid				
Cash Flows from Operating Activities	3,997,732	(15,793,972)	578,035	6,061,715
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in (out)	94,280	425,000		(2,480,628)
Increase (decrease) in due from other funds				
Increase (decrease) in due to other funds		(1,282,176)		
Increase (decrease) in advance to other funds				
Intergovernmental receipts		16,651,148	1,026,061	
Cash Flows from Noncapital Financing Activities	94,280	15,793,972	1,026,061	(2,480,628)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(4,892,779)	(649,877)	(14,341,387)	
Intergovernmental receipts		649,877		
Sale of capital assets				
Deferred lease			(512,785)	
Proceeds from long term debt	47,662,792			
Payments to escrow	(47,326,410)			
Principal payments on capital debt	(2,204,350)		(2,811,124)	(1,070,000)
Interest paid	(3,915,295)		(3,867,553)	(4,548,931)
Capital contributions	4,807,663		1,444,013	
Cash Flows from Capital and Related Financing Activities	(5,868,379)		(20,088,836)	(5,618,931)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	791,749		3,111,249	228,420
Cash Flows from Investing Activities	791,749		3,111,249	228,420
Net Cash Flows	(984,618)		(15,373,491)	(1,809,424)
Cash and investments at beginning of period	13,765,632		68,046,501	10,449,078
Cash and investments at end of period	<u>\$12,781,014</u>		<u>\$52,673,010</u>	<u>\$8,639,654</u>
Noncash transactions				
Retirement of capital assets				
Issuance costs	<u>(\$650,487)</u>			
Reconciliation of Operating Income (Loss) to Cash Flows				
from Operating Activities:				
Operating income (loss)	\$1,056,335	(\$19,695,839)	(\$736,796)	\$4,678,347
Adjustments to reconcile operating income to cash flows				
from operating activities:				
Depreciation	6,315,987	4,363,411	7,283,459	1,780,096
Change in assets and liabilities:				
Receivables, net	(2,376,194)		(428,689)	118,052
Inventory and prepaids	(43,518)	(66,886)		22,959
Other assets	(2,064,523)		176,024	
Accounts payable and other accrued expenses	732,022	115,945	(5,945,580)	(537,739)
Employee benefits payable	42,229	799		
Due to other governments				
Deposits payable	335,394	(328,749)	229,617	
Deferred revenue		(182,653)		
Claims payable				
Cash Flows from Operating Activities	\$3,997,732	(\$15,793,972)	\$578,035	\$6,061,715

See accompanying notes to financial statements

Marina	Golf	Totals	Governmental Activities- Internal Service Funds
\$1,864,502	\$327,952	\$116,406,812	\$11,045,228
(1,909,457)	(50,458)	(97,729,971)	(1,608,023)
7,913		(23,592,879)	(1,929,919)
			(4,919,957)
(37,042)	277,494	(4,916,038)	2,587,329
861,947		(1,099,401)	9,291
		(1,282,176)	581,498
		17,677,209	(2,833)
861,947		15,295,632	587,956
		(19,884,043)	(437,999)
		649,877	15,558
		(512,785)	
		47,662,792	
		(47,326,410)	
(280,951)	(159,891)	(6,526,316)	
(636,164)	(429,696)	(13,397,639)	
		6,251,676	
(917,115)	(589,587)	(33,082,848)	(422,441)
9,912	84,300	4,225,630	517,003
9,912	84,300	4,225,630	517,003
(82,298)	(227,793)	(18,477,624)	3,269,847
619,094	1,696,077	94,576,382	7,808,659
\$536,796	\$1,468,284	\$76,098,758	\$11,078,506
			(\$61,424)
(\$9,463)	(\$7,000)	(\$666,950)	
(\$678,178)	\$256,745	(\$15,119,386)	(\$1,355,288)
1,034,160	376,562	21,153,675	876,470
(9,424)	26,389	(2,669,866)	16,475
15,297	45,150	(26,998)	
	(350,000)	(2,238,499)	909
(431,811)	(77,352)	(6,144,515)	1,191,358
7,913		50,941	(70,460)
18,947		255,209	160,865
6,054		(176,599)	
			1,767,000
(\$37,042)	\$277,494	(\$4,916,038)	\$2,587,329

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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, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$8,588,425
Restricted cash and investments (Note 2)	<u>4,310,768</u>
Total Assets	<u><u>\$12,899,193</u></u>
LIABILITIES	
Due to bondholders	<u>\$12,899,193</u>
Total Liabilities	<u><u>\$12,899,193</u></u>

See accompanying notes to financial statements

CITY OF VALLEJO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

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 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, 2006.

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, 2007.

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, 2007

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 is comprised of two project areas – Flosden Acres and the Merged Downtown/Waterfront projects. The Merged Project Area was created upon the merger of three redevelopment projects, Marina Vista, Waterfront and Vallejo Central, effective December 28, 2006. The effect of this merger was to: a) increase and merge the tax increment limits for the three project areas to establish one combined tax increment limit applicable to the entire merged project area, b) establish one combined bonded indebtedness limit applicable to the entire merged project area, c) extend the time limit on the effectiveness of the plan and the time limit for the receipt of tax increment and repayment of debt for the Marina Vista Redevelopment Plan, and d) replace the three individual Redevelopment Plans with one Amended and Restated Redevelopment Plan covering the entire merged project area. 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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

CITY OF VALLEJO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Funds: These funds account for equipment maintenance and replacement; 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.

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 Statements*:

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

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.

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

CITY OF VALLEJO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

The City Charter requires the City Manager to submit to the City Council a proposed operating budget by May 15th for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the financing sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.

Level of Budgetary Control - Budgetary control is established at the following levels: a) General Fund – Department level; b) Other Funds – Fund level; and Capital Projects – Project level. The City Manager may authorize line item budget transfers within a General Fund department, or within a fund other than the General Fund.

Budget Amendments - City Council authorization is required to transfer appropriations between General Fund departments, or between funds. City Council authorization is also required to establish or amend capital project budgets. The Budget may be amended at such times as the City Council may deem necessary, in accordance with the requirements and procedures contained in the City Charter and Municipal Code.

Budgets are adopted for the General Fund and Special Revenue Funds except Utility Billing Administration Special Revenue Fund.

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 FEMA Disaster Recovery and Office of Traffic Safety Special Revenue Funds were established as of July 1, 2006.

During the fiscal year, the Redevelopment Agency merged the Marina Vista, Waterfront and Vallejo Central Project Areas effective December 28, 2006. Thus, the Agency split the former combined Redevelopment Agency Capital Projects Fund into separate Redevelopment Agency Flosden and Redevelopment Agency Downtown Capital Projects Fund to provide better accountability for activities in the respective project areas. Beginning fund balance of \$11,464,327 in total remains unchanged.

CITY OF VALLEJO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

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, 2007 for each of these administrative units is as follows:

	City	Marine World JPA	Sanitation and Flood Control District	Total
Cash on hand	\$6,600	\$6,400		\$13,000
Deposits	11,237,028	3,329,536	\$445,971	15,012,535
Investments	138,705,576	5,303,718	52,227,039	196,236,333
	<u>\$149,949,204</u>	<u>\$8,639,654</u>	<u>\$52,673,010</u>	<u>\$211,261,868</u>

B. Classification

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

Statement of Net Assets

Cash and investments available for operations:

City			
General Fund		\$2,609,264	
Redevelopment Agency		9,402,994	
Housing Authority		16,627,718	
Other funds		<u>60,225,469</u>	
Total, City			\$88,865,445
Marine World JPA			3,335,936
Sanitation & Flood Control District			<u>44,480,126</u>
			<u>136,681,507</u>

Restricted cash and investments:

City			
Redevelopment Agency		1,545,186	
Other funds		<u>46,639,380</u>	
Total, City			48,184,566
Marine World JPA			5,303,718
Sanitation & Flood Control District			<u>8,192,884</u>
			<u>61,681,168</u>
			<u>198,362,675</u>

Fiduciary Funds

Cash and investments available for operations		8,588,425
Restricted investments		<u>4,310,768</u>
		<u>12,899,193</u>

Total cash and investments \$211,261,868

CITY OF VALLEJO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

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 OF VALLEJO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

NOTE 2 - CASH AND INVESTMENTS (Continued)

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	No Limit	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, 2007

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 in Beneficial Interest Money Funds, two 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, 2007

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/AA-m	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 – Banks or Savings and Loans or Mutual Savings Banks	No Limit	A-1	No Limit	No Limit
Bankers Acceptance	180 days	Two highest ratings	No Limit	No Limit
Commercial Paper	270 days	A-1+	No Limit	No Limit
Repurchase Agreements	180 days	A	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
Local Government Investment Pools	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

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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.

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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, 2007.

City Interest Rate Risk

Investment Type	Less than 1 year	1 - 5 years	Total
<i>Available for operations:</i>			
U.S. Government Agencies	\$3,017,591	\$22,787,443	\$25,805,034
Corporate Notes	1,211,552	14,989,941	16,201,493
U.S. Treasury Notes	1,690,006	8,609,299	10,299,305
California Local Agency Investment Fund	34,633,673		34,633,673
Money Market Deposit Account	181,597		181,597
Repurchase Agreements	50,000		50,000
<i>Held by Fiscal Agent:</i>			
Money Market Deposit Account	5,768,780		5,768,780
Money Market Mutual Funds	45,765,694		45,765,694
Total Investments	\$92,318,893	\$46,386,683	\$138,705,576

Money market funds are available for withdrawal on demand and at June 30, 2007, have an average maturity which ranged from 1 to 4 days.

Marine World Joint Powers Authority Interest Rate Risk

Marine World Joint Powers Authority investments are in money market funds in the amount of \$5,303,718. Money market funds are available for withdrawal on demand and at December 31, 2006, had an average maturity of 9 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	\$3,979,390	\$30,539,670			\$34,519,060
Corporate Notes and Bonds			\$1,967,860		1,967,860
California Local Agency Investment Fund	4,854,396				4,854,396
Guaranteed Investment Contract				\$2,873,784	2,873,784
Money Market Funds	8,011,939				8,011,939
Total Investments	\$16,845,725	\$30,539,670	\$1,967,860	\$2,873,784	\$52,227,039

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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, 2007, these investments have an average maturity of 176 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, 2007 for each entity by investment type as provided by Moody's investment rating system.

City Credit Rate Risk

Investment Type	Aaa	AA1 to AA3	A1 to A3	Total
<i>Available for Operations:</i>				
U.S. Sponsored Enterprise Agencies				
Non-callable	\$25,805,034			\$25,805,034
Corporate Notes	4,421,623	\$10,952,671	\$827,199	16,201,493
Money Market Mutual Funds	181,597			181,597
Repurchase Agreements	50,000			50,000
<i>Held by Fiscal Agent:</i>				
Money Market Deposit Account		5,768,780		5,768,780
Money Market Mutual Funds		45,765,694		45,765,694
Totals	\$30,458,254	\$62,487,145	\$827,199	93,772,598
<i>Not rated:</i>				
California Local Agency Investment Fund				34,633,673
<i>Exempt from credit rating disclosure:</i>				
U.S. Treasury Notes				10,299,305
Total Investments				\$138,705,576

Marine World Joint Powers Authority Credit Rate Risk

As of December 31, 2006 the Marine World Joint Powers Authority's investments consisted of money market funds which were rated Aaa by Moody's investment rating system.

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NOTE 2 - CASH AND INVESTMENTS (Continued)

Sanitation and Flood Control District's Credit Rate Risk

Investment Type	Aaa	AAA	AA	A1 to A2	Total
<i>Available for Operations:</i>					
U.S. Sponsored Enterprise Agencies					
Non-callable	\$34,519,060				\$34,519,060
Corporate Bond and Notes				\$1,967,860	1,967,860
Guaranteed Investment Contract			\$2,873,784		2,873,784
Money Market Funds		\$8,011,939			8,011,939
Totals	<u>\$34,519,060</u>	<u>\$8,011,939</u>	<u>\$2,873,784</u>	<u>\$1,967,860</u>	<u>47,372,643</u>
<i>Not rated:</i>					
California Local Agency Investment Fund					4,854,396
Total Investments					<u>\$52,227,039</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, 2007, 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
Entity-wide	Federal National Mortgage Association	Federal agency securities	\$10,554,474
	Federal Home Loan Bank	Federal agency securities	9,999,268

Marine World Joint Powers Authority Concentration Risk

At December 31, 2006 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, 2007, 42% of investments were with Federal Home Loan Bank, 16% were with Federal National Mortgage Association, and 11% were with Federal Home Loan Mortgage Corporation.

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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, 2007, the **Sanitation and Flood Control District** had a total bank balance of deposits of \$652,492. \$525,492 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, 2007, 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, 2006, the **Marine World JPA** had a bank balance of deposits of \$3,235,936 with financial institutions in excess of federal depository insurance limits that were not collateralized.

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NOTE 3 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

Transfers between funds during the fiscal year ended June 30, 2007 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
<u>General Fund</u>		
For debt service	Non-Major Governmental COPS Debt Service Fund	\$1,452,387
For operations	Non-Major Governmental Redevelopment Administration	333,531
For operations	Non-Major Governmental Gas Tax	375,000
For operations	Non-Major Governmental Capital Projects	578,402
For operations	Enterprise Local Transportation	425,000
		<u>3,164,320</u>
<u>Non-major Governmental Funds</u>		
<u>Redevelopment Debt Service</u>		
20% affordable housing set-aside	Non-Major Governmental Affordable Housing	692,731
For capital projects	Non-Major Governmental Redevelopment Capital Projects	2,621,110
<u>Redevelopment Capital Projects</u>		
Marine World Revenue Sharing	General Fund	1,454,098
For debt service	Non-Major Governmental Redevelopment Debt Service	586,817
For capital projects	Non-Major Governmental City Downtown Development CIP	33,122
<u>Other Non-major Governmental funds</u>		
<u>For debt service</u>		
COPS Capital Projects	Non-Major Governmental COPS Debt Service	442,161
Mare Island Leasing	Non-Major Governmental COPS Debt Service	53,766
Police Grant Funds	General Fund CAD Debt Service	285,000
<u>For operations</u>		
COPS Capital Projects	Enterprise Marina	409,877
State Lands	Enterprise Marina	452,070
FEMA Flood Recovery	General Fund	62,083
FEMA Flood Recovery	Non-Major Governmental Various	65,128
FEMA Flood Recovery	Enterprise Water	93,256
FEMA Flood Recovery	Internal Service Corporation Yard	6,458
<u>To transfer investment income</u>		
Admin Trust	General Fund	32,957
Outside Funded Services	General Fund	63,540
Solid Waste Disposal	General Fund	29,292
Repair and Demolition	General Fund	9,700
Hazmat Revolving Fund	General Fund	19,151
Utility Trust	Enterprise Water	1,024
		<u>7,413,341</u>
<u>Enterprise</u>		
<u>Marine World</u>		
Marine World Revenue Sharing	Non-Major Governmental Redevelopment Capital Projects	1,454,098
<u>Internal Service</u>		
Equipment Replacement	Internal Service Corporation Yard	422,441
Intra-Governmental Loans	Internal Service Redevelopment Capital Projects	2,833
		<u>425,274</u>
	Total	<u>\$12,457,033</u>

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NOTE 3 – INTERFUND TRANSACTIONS (Continued)

City Council has approved long-term working capital advances from the General Fund to the Local Transportation Fund. Because of the financial status of the Transportation Fund, the ultimate repayment date of the advances is uncertain. Generally Accepted Accounting Principals require that such advances be treated as transfers. Accordingly, advances by the City to the Fund have been accounted for as operating transfers.

The following is a summary of long-term working capital advances extended by the City that have been recorded as transfers:

<u>Year Ended June 30</u>	<u>Amount</u>
2006	\$2,627,000
2007	425,000
	<u>\$3,052,000</u>

B. Current Interfund Balances

As of June 30, 2007, the City’s Insurance Internal Service fund had provided \$3.5 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.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Funds		
Community Development Block Grant		\$185,774
HOME Program		58,159
FEMA Disaster Recovery		42,411
Office of Traffic Safety		109,649
Capital Projects Funds		
COPS Capital Projects		954,652
N.E. Quadrant Improvement District 03-1		1,568,431
Downtown Development Capital Projects		12,503
Capital Grant and Contribution		266,637
Enterprise Fund		
Local Transportation		298,422
Internal Service Fund		
Insurance	\$3,496,638	
Total	<u>\$3,496,638</u>	<u>\$3,496,638</u>

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NOTE 3 – INTERFUND TRANSACTIONS (Continued)

C. Long-Term Advances

The Bridge Construction, Arts and Convention Center, and Hiddenbrook Overpass Capital Projects Funds have loaned the Redevelopment Agency Debt Service Fund \$560,000, \$4,084,988, and \$503,750, 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 Downtown Development Capital Projects Fund and Intragovernmental Internal Service Fund advanced \$44,108 and \$170,875, respectively, to fund the Triad Project as mentioned in Note 15A below.

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

	Advances from Other Funds	Advances to Other Funds
Debt Service Funds		
Redevelopment Agency	\$5,148,738	
Capital Project Funds		
Bridge Construction		\$560,000
Arts & Convention Center		4,084,988
Hiddenbrook Overpass		503,750
Downtown Development		44,108
Redevelopment Agency Downtown	214,983	
Internal Service Fund		
Intra-Governmental Loans		170,875
Total	\$5,363,721	\$5,363,721

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, 2007. The balances of these additional advances as of June 30, 2007, including interest, were as follows.

Project Area	Balance Due June 30, 2007
Marina Vista	\$3,163,718
Waterfront	4,355,017
Vallejo Central	1,650,286
	\$9,169,021

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NOTE 3 – INTERFUND TRANSACTIONS (Continued)

E. Loan to Marine World JPA

Pursuant to a Loan Agreement signed in January 2007, the Financing Authority loaned \$7,313,734 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, 2007 fiscal year end, during July 2007. The audited financial statements of Marine World JPA included in this report are as of December 31, 2006 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.

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NOTE 4 – NOTES & LOANS RECEIVABLE

A. Summary of Notes and Loans Receivable

The following notes and loans receivable were outstanding as of June 30, 2007:

<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		\$3,093,750
Citizens Housing II		2,500,000
Simpson/Bayview		1,700,000
Marina Towers		750,000
Simpson/Solano Vista I		500,000
Single family residential		1,231,437
Accrued interest		1,112,469
		<u>10,887,656</u>
Tax increment programs:	Non-major Governmental	
Meyers Cookware		365,000
Empress Theater		4,041,860
		<u>4,406,860</u>
<u>HUD/Housing Authority Programs</u>		
Home Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Graham Gardens		800,842
Single family residential		2,267,306
Total		<u>4,468,148</u>
CDBG	Non-major Governmental	
Reynaissance Family Center		526,947
Vallejo Outreach		83,932
Single family residential		1,279,662
		<u>1,890,541</u>
Housing Authority	Major Governmental	
Residential Rehabilitation		<u>81,900</u>
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	781,119
Neighborhood Park Funds	Non-major Governmental	140,160
VSFCD	Major Enterprise	191,507
		<u>1,112,786</u>
<u>MIT Academy</u>		
Transportation Mitigation	Non-major Governmental	10,113
Water Fund	Major Enterprise	14,667
VSFCD		119,218
		<u>143,998</u>
<u>Other</u>		
Water Fund - Trailer City	Major Enterprise	59,785
Water Fund - American Canyon	Major Enterprise	2,082,940
Golf Fund - Golf Cart Storage	Major Enterprise	350,000
Transportation Mitigation		
Garthe Ranch	Non-major Governmental	700,000
		<u>3,192,725</u>
	Total	<u>\$26,184,614</u>

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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, 2007 were \$10,887,656.

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, 2007 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 \$4,296,000 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, 2007 the outstanding balance of the loan was \$4,041,860. Subsequent to June 30, 2007, the remaining balance of this loan was drawn to the authorized amount of \$4,296,000.

Also, subsequent to June 30, 2007, the Agency leveraged its loan investment in the Empress Theatre Project through the New Market Tax Credit Program. Through this program, Empress Theatre Associates, LLC repaid its \$4,296,000 loan to the Agency, and the Agency issued a new loan to Empress Investment Fund, LLC, for a seven year tax credit period. The Vallejo Community Arts Foundation retains an operating lease for the theatre during this period. Through a put/call option agreement, the City will acquire site control at the end of seven years, in 2015. The Vallejo Community Arts Foundation has an option to purchase the Theatre at that time.

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NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

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, 2007 were \$4,468,148 \$1,890,542 and \$81,900 in the HOME, CDBG Program, and Housing Authority funds respectively.

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, 2007 the outstanding balance of this loan, including accrued interest, was \$921,279.

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, 2007 was \$191,507.

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, 2007 for the Mitigation and Water Division Fees were \$10,113 and \$14,667. 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, 2007 was \$119,218.

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, 2007 the outstanding balance of this loan was \$59,785. This note is recorded in the City's Water Enterprise Fund.

I. *American Canyon Loan*

During fiscal year 2007, the City entered into a \$2,346,860 loan agreement with the City of American Canyon for a share of capital improvements to the Vallejo Water Facilities and for the purchase of water supply for the American Canyon water service area. The loan bears 6% annual interest and is due in full to the City in eight years. At June 30, 2007 the outstanding balance of this loan was \$2,082,940.

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NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

J. *Golf Cart Storage*

During Fiscal year 2007, the City entered into a \$350,000 loan agreement with Vallejo Golf Club, Inc. for the construction of a golf care storage building. The loan bears zero interest. The monthly payment of \$5,833 will commence in September 2007 and will be due in full no later than August 12, 2012. The loan is secured by the revenue stream of the golf club. At June 30, 2007 the outstanding balance of this loan was \$350,000.

K. *Garthe Ranch*

During fiscal year 2007, 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.

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, 2007:

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.

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NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital Asset Activity

The following is a summary of capital asset activity for the year ended June 30, 2007:

	Balance at June 30, 2006	Additions	Retirements	Transfers	Balance at June 30, 2007
Governmental activities					
Capital assets not being depreciated:					
Land	\$135,204,112				\$135,204,112
Construction in progress	10,283,654	\$15,783,017		(\$1,273,729)	24,792,942
Total capital assets not being depreciated	145,487,766	15,783,017		(1,273,729)	159,997,054
Capital assets being depreciated:					
Building and improvement	61,308,809				61,308,809
Machinery and equipment	23,016,336	765,273	(\$582,810)		23,198,799
Infrastructure	185,034,329			1,273,729	186,308,058
Total capital assets being depreciated	269,359,474	765,273	(582,810)	1,273,729	270,815,666
Less accumulated depreciation for:					
Building and improvement	(14,585,110)	(1,819,945)			(16,405,055)
Machinery and equipment	(14,633,095)	(1,695,234)	521,386		(15,806,943)
Infrastructure	(101,694,527)	(5,559,114)			(107,253,641)
Total accumulated depreciation	(130,912,732)	(9,074,293)	521,386		(139,465,639)
Net capital assets being depreciated	138,446,742	(8,309,020)	(61,424)	1,273,729	131,350,027
Governmental activity capital assets, net	\$283,934,508	\$7,473,997	(\$61,424)		\$291,347,081
Business-type activities					
Capital assets, not being depreciated:					
Land	\$14,714,538			\$125,309	\$14,839,847
Construction in progress	33,478,475	\$18,128,231	(\$124,165)	(32,570,749)	18,911,792
Total capital assets not being depreciated	48,193,013	18,128,231	(124,165)	(32,445,440)	33,751,639
Capital assets, being depreciated:					
Building and improvement	419,947,382	817,525		30,072,677	450,837,584
Machinery and equipment	75,089,267	1,571,059	(2,648,345)	609,572	74,621,553
Marine mammals and land animals	1,516,908				1,516,908
Infrastructure	109,492,160	17,700		1,763,191	111,273,051
Total capital assets being depreciated	606,045,717	2,406,284	(2,648,345)	32,445,440	638,249,096
Less accumulated depreciation for:					
Building and improvement	(137,068,863)	(12,133,120)			(149,201,983)
Machinery and equipment	(37,641,695)	(5,223,116)	2,571,612		(40,293,199)
Marine mammals and land animals	(1,516,908)				(1,516,908)
Infrastructure	(65,444,979)	(3,797,439)			(69,242,418)
Total accumulated depreciation	(241,672,445)	(21,153,675)	2,571,612		(260,254,508)
Net capital assets being depreciated	364,373,272	(18,747,391)	(76,733)	32,445,440	377,994,588
Business-type activity capital assets, net	\$412,566,285	(\$619,160)	(\$200,898)		\$411,746,227

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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	76,644
Human Resources	768
Development Services	14,938
Community Development	5,827
Fire services	176,771
Police services	502,074
Public works	7,418,767
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	876,470
	\$9,074,293

Business-Type Activities

Water	\$6,315,987
Local Transportation	4,363,411
Sanitation and Flood Control	7,283,459
Marine World JPA	1,780,096
Marina	1,034,160
Golf	376,562
	\$21,153,675

NOTE 6 – REVENUE ANTICIPATION NOTES, 2007 SERIES A

In January 2007, the Vallejo Financing Authority Board authorized the issuance of Revenue Anticipation Notes (RANs), 2007 Series A note to exceed \$14,000,000. The Authority issued RANs in the amount of \$7,000,000 at 8.61% interest. The Authority subsequently loaned the funds to the Marine World JPA as discussed in Note 3 above. The RANs were retired during July 2007.

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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, 2006	Additions	Retirements	Balance June 30, 2007	Current Portion
Governmental Activity Debt:						
Tax Allocation Bonds:						
Waterfront Redevelopment Project 7.9%, due 5/1/19	\$2,485,000	\$2,190,000		\$75,000	\$2,115,000	\$85,000
Marina Vista Project 6.0-7.5%, due 9/1/20	3,335,000	2,415,000		95,000	2,320,000	100,000
Vallejo Central Project 6.0-7.5%, due 9/1/20	1,900,000	1,695,000		35,000	1,660,000	45,000
Vallejo Housing Set Aside 7.0%, due 10/1/31	5,410,000	5,080,000		115,000	4,965,000	120,000
Other Obligation:						
Redevelopment Waterfront DDA			\$661,320		661,320	
Total Tax Allocation Bonds and other obligations	<u>13,130,000</u>	<u>11,380,000</u>	<u>661,320</u>	<u>320,000</u>	<u>11,721,320</u>	<u>350,000</u>
Certificates of Participation:						
1999 COPs 3.60-5.25%, due 7/15/29	4,815,000	4,310,000		95,000	4,215,000	100,000
2000 COPs variable rate, due 9/1/40	12,786,942	9,643,072		2,418,037	7,225,035	109,162
2002 COPs variable rate, due 12/1/23	11,497,776	9,448,751		353,353	9,095,398	371,709
2003 COPs variable rate, due 12/1/23	6,743,199	6,313,321		236,012	6,077,309	244,441
Total Certificates of Participation	<u>35,842,917</u>	<u>29,715,144</u>		<u>3,102,402</u>	<u>26,612,742</u>	<u>825,312</u>
Capital Lease Obligations:						
2001 Site & Facility Lease 6%, due 6/1/21	1,150,000	990,194		42,251	947,943	44,821
Police CAD/RMS 4.85%, due 9/1/07	1,881,919	513,998		408,696	105,302	105,302
Police Mobile Computers 3.9%, due 11/11/06	416,163	46,745		46,745		
Police Holding Cell 2.97%, due 1/30/13	675,000	388,554		46,220	342,334	49,011
Total Capital Leases Obligations	<u>4,123,082</u>	<u>1,939,491</u>		<u>543,912</u>	<u>1,395,579</u>	<u>199,134</u>
Total Governmental Activity Debt	<u><u>\$53,095,999</u></u>	<u><u>\$43,034,635</u></u>	<u><u>\$661,320</u></u>	<u><u>\$3,966,314</u></u>	<u><u>\$39,729,641</u></u>	<u><u>\$1,374,446</u></u>

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NOTE 7 - LONG-TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Current Portion
Business-type Activity Debt:						
Revenue Bonds:						
1996 Water Revenue Bonds, 4.8-5.9%, due 5/1/26	\$55,615,000	\$45,755,000		\$45,755,000		
Less: Unamortized bond discount		(346,917)		(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	21,355,000		480,000	\$20,875,000	\$500,000
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	45,790,000		\$45,790,000	705,000	45,085,000	555,000
Plus: Unamortized bond premium			1,872,792	93,640	1,779,152	
Less: Unamortized loss			(1,954,036)	(97,702)	(1,856,334)	
Total Revenue Bonds	<u>132,370,000</u>	<u>67,288,083</u>	<u>45,708,756</u>	<u>47,114,021</u>	<u>65,882,818</u>	<u>1,055,000</u>
Certificates of Participation:						
Marine World JPA 1997 COPs 5.25-7.4%, due 2/1/28	63,465,000	57,495,000		1,070,000	56,425,000	1,140,000
2002 COPs, variable rate, due 12/1/23	917,224	846,249		31,647	814,602	33,291
2003 COPs, variable rate, due 12/1/23	1,256,801	1,176,679		43,988	1,132,691	45,559
2000 COPs, variable rate, due 9/1/40	17,593,058	16,551,928		236,963	16,314,965	245,838
2001 COP Golf Course Facilities, variable rate, due 6/1/40	16,350,000	10,000,000		165,000	9,835,000	165,000
Less: Unamortized bond discount		(55,353)		(5,109)	(50,244)	
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control	38,905,000	27,410,000		1,390,000	26,020,000	1,460,000
2001 Sanitation and Flood Control, variable rate, due 5/1/28	25,645,000	4,000,000		130,000	3,870,000	130,000
2006 Sanitation and Flood Control District rate 4-5%, due 2036		39,665,000		445,000	39,220,000	695,000
Less: Unamortized bond discount		(368,124)		(55,987)	(312,137)	
Total Certificates of Participation	<u>164,132,083</u>	<u>156,721,379</u>		<u>3,451,502</u>	<u>153,269,877</u>	<u>3,914,688</u>
Loans & Notes Payable:						
Vallejo Sanitation and Flood Control State Clean Water 2.5%, due 2023	13,798,201	12,437,945		\$596,122	11,841,823	611,026
US Dept of Commerce, Water Fund 2.5%, due 8/1/23	2,560,923	1,210,300		125,092	1,085,208	
State Safe Drinking Water 0%, due 1/1/25	68,080	62,974		3,404	59,570	1,702
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	5,096,088		302,560	4,793,528	153,917
Total Loans & Notes Payable	<u>23,102,204</u>	<u>18,807,307</u>		<u>1,027,178</u>	<u>17,780,129</u>	<u>766,645</u>
Total Business-type Activity Debt	<u><u>\$319,604,287</u></u>	<u><u>\$242,816,769</u></u>	<u><u>\$45,708,756</u></u>	<u><u>\$51,592,701</u></u>	<u><u>\$236,932,824</u></u>	<u><u>\$5,736,333</u></u>

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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
2008	\$1,374,446	\$1,914,620	\$5,736,333	\$11,737,664
2009	1,344,318	1,851,668	7,329,467	11,462,999
2010	1,434,429	1,782,615	7,664,925	11,114,871
2011	2,174,710	1,709,020	8,017,789	10,766,484
2012	1,608,843	1,630,715	8,380,469	10,400,656
2013-2017	9,223,953	6,813,887	48,076,471	45,524,540
2018-2022	10,605,050	4,140,274	54,445,670	32,978,869
2023-2027	5,662,284	2,046,489	50,497,876	19,611,994
2028-2032	3,441,537	987,818	28,333,463	7,432,879
2033-2037	1,477,537	424,847	14,337,463	2,556,488
2038-2041	1,382,534	129,702	4,552,464	403,239
Total	<u>\$39,729,641</u>	<u>\$23,431,654</u>	237,372,387	<u>\$163,990,683</u>
			1,779,152	
Plus: Unamortized bond premium			(1,856,334)	
Less: Unamortized loss			(362,381)	
Less: Unamortized bond discount			<u> </u>	
Net long-term debt			<u>\$236,932,824</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.

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NOTE 7 - LONG-TERM DEBT (Continued)

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.

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. Waterfront DDA

In accordance with the Amended and Restated Disposition and Development Agreement between the Agency, the City, and Callahan and DeSilva Vallejo, LLC signed on November 28, 2006, the Agency has agreed to repay various costs incurred by the developer in the preparation of the Environmental Impact Review, planning studies, and legal fees associated with the development of the Waterfront Project. As of June 30, 2007, the developer has incurred \$661,320. The obligation will be repaid upon sale of certain Agency property to the developer.

E. 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 6/30/07	Letter of Credit Amount	Expiration Date
2000 COP	\$23,540,000	\$26,982,791	August 18, 2010
2002 COP	9,991,000	12,651,736	December 4, 2007
2003 COP	7,210,000	8,152,548	December 10, 2008
2001 Golf COP	9,835,000	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.

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NOTE 7 - LONG-TERM DEBT (Continued)

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 3.710%. 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. On November 1, 2006, the City exercised its optional prepayment rights and retired \$2,280,000 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 3.630%. 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 secured 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.

2003 COPs – In December 2003, the City issued \$8,000,000 of Certificates of Participation (2003 Capital Improvement Project) to provide funding Springtowne 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 3.630%. 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. On July 31, 2007, the City, Marine World JPA, and Redevelopment Agency, collectively, as Sellers, and Park Management Corp., as Buyer, completed the sale of Six Flags Discovery Kingdom as described in Note 14C below, and the Bonds were retired.

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NOTE 7 - LONG-TERM DEBT (Continued)

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 3.710%. 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, 2007 was 3.66%. Annual principal payments are due May 1. The COPs are secured and serviced by VSFCD operations.

2006 Sanitation and Flood Control - On March 13, 2006, VSFCD 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.

F. 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. On July 11, 2006, the remaining \$45,755,000 of the 1996 Water Revenue Bonds was defeased by the 2006 Water Revenue Refunding Bonds as discussed below.

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. On July 11, 2006, the remaining \$525,000 of the 1999 Water Parity Refunding Revenue Bonds was defeased by the 2006 Water Revenue Refunding Bonds as discussed below.

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NOTE 7 - LONG-TERM DEBT (Continued)

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 3.710%. Principal on the bonds is due annually.

2006 Water Revenue Refunding Bonds - On July 11, 2006, the City issued \$45,790,000 in Water Revenue Refunding Bonds with a true interest cost of 4.6 percent to current refund \$45,755,000 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 \$46,524,725 (including bond premium received of \$1,872,792 and after payment of \$1,138,067 underwriting fees, insurance and other issuance costs) plus an additional \$5,181,322 of 1996 and 1999 reserve funds monies were used to deposit \$3,843,000 to the Reserve Fund and purchase \$47,863,046 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 has been 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 \$2,399,297. 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 \$5,102,917 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,991,960.

G. Notes and Loans Payable

Vallejo Sanitation and Flood Control State Clean Water -In August 2004 the VSFCO 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 2.5%. 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.

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NOTE 7 - LONG-TERM DEBT (Continued)

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 \$6,675,000. The interest rate is 2.32%. Semiannual principal and interest payments are due on July 1 and January 2.

H. 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 \$2,759,860 at June 30, 2007.

I. Debt Defeased in Prior Years

In 2006 the City defeased the 1999 Water Parity Refunding Revenue Bonds by establishing an irrevocable trust to provide for all future debt service payments. As of June 30, 2007 the remaining balance of the defeased debt was \$525,000.

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NOTE 8 – DEBT WITHOUT CITY COMMITMENT

A. *Improvement and Assessment Districts*

Special Assessment and Improvement 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, 2007 is as follows:

<i>Special Assessment Bonds</i>	
Fairgrounds Drive #65	\$2,720,000
Glen Cove 2003-1	6,640,000
 <i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	20,000,000
Northeast Improvement District 2003-1	7,930,000
 <i>Revenue Bonds</i>	
2003 Series B (Northeast Quadrant)	<u>3,325,000</u>
Total	<u><u>\$40,615,000</u></u>

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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, 2007, \$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, 2007, \$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, 2007 \$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, 2007, \$9,700,000 of these bonds remained outstanding.

Certificates of Participation

Touro University – In October 1999, the City issued \$16,830,000 of Certificate of Participation to finance the construction, equipping and installation of a new medical school facility on the real property leased by Touro University from the City. The Bonds bear interest rate from 7.25% to 7.375% and are due in June 2029. On June 30, 2007, \$16,830,000 of these bonds remained outstanding.

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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, 2007 is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance	\$21,324,835	\$1,704,441	\$23,029,276
Additions	10,706,366	1,271,286	11,977,652
Payments	<u>(9,328,045)</u>	<u>(1,220,345)</u>	<u>(10,548,390)</u>
Ending Balance	<u>\$22,703,156</u>	<u>\$1,755,382</u>	<u>\$24,458,538</u>
Current Portion	<u>\$9,279,327</u>	<u>\$1,212,775</u>	<u>\$10,492,102</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 \$4,823,416 for the year ended June 30, 2007. The City employer is required to contribute for fiscal year 2007 at an actuarially determined rate of 27.310% and 16.143% of annual covered payroll for safety and miscellaneous employees respectively.

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NOTE 11 - RETIREMENT BENEFITS (Continued)

C. Annual Pension Cost

The City's annual pension cost of \$9,599,955, \$11,293,291 and \$11,734,043 for PERS was equal to the City's required and actual contributions in fiscal years 2005, 2006, and 2007, respectively. The required contribution was determined as part of the June 30, 2004 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, 2007:

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
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%
2006	223,181,766	274,817,621	51,635,855	81.2%	29,037,822	177.8%

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
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%
2006	124,180,938	156,449,899	32,268,961	79.4%	23,497,878	137.3%

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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, 2007, 407 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 2007 were \$2,678,166.

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, 42 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.

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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, 2007:

Marine World JPA Enterprise Fund (as of December 31, 2006)	\$27,419,012
Marina Enterprise Fund	209,297
Golf Enterprise Fund	212,847
Redevelopment Agency Debt Service Fund	4,167,393
Insurance Internal Service Fund	2,313,582

D. Expenditures in Excess of Budget

The funds below had expenditures in excess of budgets:

Special Revenue Funds:	
Mare Island Leasing	\$274,967
State Lands	65,195

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.

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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, 2007, the City contributed \$543,529 for coverage during the current year and received a refund of \$62,567 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, 2007, the City contributed \$334,871 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, 2007	June 30, 2006
Beginning balance	\$9,998,000	\$11,299,000
Increase (decrease) in current year claims and changes in estimates	5,206,934	1,547,267
Claims paid	(3,439,934)	(2,848,267)
Ending balance	<u>\$11,765,000</u>	<u>\$9,998,000</u>
Current portion	<u>\$3,244,180</u>	<u>\$3,776,000</u>

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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. In February 2007, principal payments in the amount of \$1,140,000 were made. As of July 31, 2007, the outstanding principal balance was \$55,285,000.

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.

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NOTE 14 – MARINE WORLD JOINT POWERS AUTHORITY (Continued)

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, 2006. In addition, the Corporation provides Marine World with general and workers' compensation liability insurance coverage for a fee. The reimbursement payable to Park Management Corporation at December 31, 2006 amounted to \$2,472,290 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. *Marine World Discovery Kingdom Sale*

On July 31, 2007, the City of Vallejo, Marine World Joint Powers Authority, and Redevelopment Agency of the City of Vallejo, collectively, as Sellers, and Park Management Corp., as Buyer, completed the sale of Six Flags Discovery Kingdom.

Buyer purchased the property in accordance with the terms and provisions of that certain Amended and Restated Purchase Option Agreement, dated as of April 21, 2005, between Sellers and Buyer.

The purchase price for the property was \$53,982,765, which together with the bond reserve funds of \$5,323,455 was sufficient to pay off the outstanding \$55,285,000 principal balance of the 1997 Marine World Project Certificate of Participation.

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. During fiscal 2006-07, the JPA remitted \$1,454,098 to the Agency in satisfaction of the 20% revenue allocation. The Agency in lieu remitted this amount plus certain additional funds released pursuant to the Agreement.

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NOTE 14 – MARINE WORLD JOINT POWERS AUTHORITY (Continued)

The following is the revenue-sharing calculation as of October 31, 2006, the measurement date to determine the revenue sharing base:

Operating revenues	\$55,311,952
Cost of goods sold	(4,757,628)
Operations expense	(37,372,285)
Management fee	(500,000)
Interest income	193,816
Interest expense	(4,535,363)
1997 COPs principal payment	<u>(1,070,000)</u>
Net revenue	<u>\$7,270,492</u>
Revenue Sharing - Park Management Corporation, 80%	<u>\$5,816,394</u>
Revenue Sharing - City of Vallejo, 20%	<u>\$1,454,098</u>

Subsequent to October 31, 2006, the JPA made payments to the Corporation and City reducing its liability to \$3,816,393 and \$654,098, respectively, at December 31, 2006.

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.

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NOTE 15 - COMMITMENTS AND CONTINGENCIES

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; January 1, 2007; and April 19, 2007); 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.

According to the terms of the DDA, Triad was scheduled to acquire Agency property and commence construction on the first parcel, Parcel A, by June 12, 2007. The Agency and Triad continue negotiations on an extension to the schedule of performance outlined in the DDA.

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:

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 \$661,320 of legal, investigative and remediation costs through June 30, 2007 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.

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NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

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 2007, the Redevelopment Agency calculated and remitted \$854,131 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, 2007 amounted to approximately \$4,349,000.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent to year end, on October 14, 2007, State of California Senate Bill 976 was approved and will become law on January 1, 2008. This legislation repeals prior legislation that created the San Francisco Bay Area Water Transit Authority (WTA) and establishes a new agency, the Water Emergency Transportation Authority (WETA). The WETA will have specified powers and duties, including but not limited to, taking over the City of Vallejo's Baylink ferry service operation and facilities and coordinating the emergency activities of all water transportation on the bay.

As currently defined, the primary purpose of the authority will be to operate a comprehensive nine-county San Francisco Bay Area regional public water transit system. In this capacity, the new authority plans to acquire, own, lease, construct and operate water transit vessels and equipment, including but not limited to, real and personal property, and equipment, and any facilities of the authority (excepting those under the direction of the national parks system).

As the bill is written, there remain questions regarding implementation, potential compensation for assets, Board governance, operational guidelines, agreements regarding land use and facilities, and other issues. The impact to the City of Vallejo's Transportation Enterprise Fund ferry and bus service may include but is not limited to:

- Transfer of ownership of the city's ferries and ferry assets;
- Transfer of grant funding for current and future transit operation and capital funding;
- Financial impact to transit-oriented development projects currently underway and planned for the future.

The new WETA Board is required to have a transition plan developed within one year of its creation. In addition, it is expected that there will be "clean up" legislation early next year that addresses the uncertainties of the bill.

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NOTE 17 – GOING CONCERN

For each of the last several years, the City's General Fund has struggled to balance its revenues and expenditures. It began Fiscal Year 2005 - 2006 with almost \$10 million in available fund balances. Two years later, it finished Fiscal Year 2006 – 2007 with unreserved, undesignated fund balance of only \$4.2 million.

The budget adopted for Fiscal Year 2007 – 2008, was balanced but was based on, what is now clear, two flawed assumptions. First, the City assumed a relative modest economic downturn due to the financial difficulties related to the sub-prime mortgage debacle, and, second, it assumed significant reductions in public safety staffing levels. The economic downturn has turned out to have a much more dramatic negative impact on revenues than anticipated and, because of the results of the labor arbitration process, public safety staffing levels may actually increase.

Current projections for Fiscal Year 2007 – 2008 are that, without significant changes, expenditures will exceed revenues by over \$10 million. As of the date of this report, the City is engaged in a multi-pronged comprehensive process to reduce expenditures and increase revenues. It is negotiating with all of its labor groups, including public safety, to reduce costs and is evaluating alternative means of increasing both one-time and ongoing revenues. The objective is to achieve consensus on a plan to assure financial stability through at least the end of Fiscal Year 2009 – 2010. While the City believes that success is achievable, that outcome cannot be assured at this time.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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.

Mare Island Leasing Fund accounts for monies received from tenants placed on the former Mare Island Naval Shipyard during the conversion process. It also accounts for operating costs to support ongoing development programs on the island. Funds are restricted for use on the island.

FEMA Disaster Recovery Fund accounts for monies received and expended under the Department of Homeland Security Programs.

Mare Island CFD 2002 Fund accounts for monies received from General taxes and from property owner assessments 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.

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.

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 and related recycling program grants.

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.

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.

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

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

Office of Traffic Safety Grant Fund accounts for the award and expenditure of grants from the California Office of Traffic Safety.

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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

Cadet Program Fund accounts for fee revenues and related staff costs of the Police Cadet Program. The Cadets provide security services to various city programs.

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

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

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

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

Redevelopment Administration Fund accounts for the Agency's administrative activities. Costs are allocated to individual project areas.

Redevelopment Affordable Housing Fund accounts for the State-mandated 20% low-moderate income set-aside of property tax increment revenue. The set-aside finances development and rehabilitation of low and moderate income housing projects, including related loan programs.

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

Utility Billing Administration Fund accounts for utility billing pass-through revenues.

DEBT SERVICE FUNDS

Financing Authority Fund accounts for the issuance of revenue anticipation notes and loans made to Marine World Joint Powers Agency. It also accounts for the accumulation of revenues and payment of the annual debt service requirements of these revenue anticipation notes.

Certificates of Participation Fund accounts for the accumulation of lease revenue and the payments of annual General Fund debt service requirements. Debt issues include the 1999, 2000, 2002, and 2003 certificates of participations.

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.

CAPITAL PROJECTS FUNDS

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.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Bridge Construction Fund accounts for monies received from the Bridge Construction Development Tax Ordinance.

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

Arts and Convention Center Fund accounts for monies set aside for the design and construction of an Arts and Convention Center within the City. These funds have been allocated through advances to the Redevelopment Agency to support rehabilitation of the historic Empress Theater.

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.

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.

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. Debt issues include the 1999, 2000, 2002, 2003 Certificates of Participation.

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.

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.

Neighborhood Parks Fund accounts for park development impact fee revenue and for contributions to the Greater Vallejo recreation District for park improvements.

Redevelopment Agency Flosden Capital Projects Fund - accounts for the capital activities and reserves of the Flosden redevelopment project area. Fund balance includes property tax increment monies received in excess of amounts needed to fulfill the debt service obligations of the areas.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Redevelopment Agency Downtown Capital Projects Fund - accounts for the capital activities and reserves of the Downtown redevelopment project area. Fund balance includes property tax increment monies received in excess of amounts needed to fulfill project obligations of the areas. This project area was formed through the merger of the Marina Vista, Waterfront, and Central project areas. Project area commitments include the Downtown Development and Waterfront Development agreements.

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 SHEETS
JUNE 30, 2007

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund #102	Mare Island Leasing Fund #107	FEMA Disaster Recovery Fund #109	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
ASSETS						
Cash and investments			\$1,301,990		\$2,667,901	\$228,945
Restricted cash and investments						
Accounts receivable	\$2,035	\$29,961	22,226			
Due from other governments	249,799	324,301		\$95,204		
Prepays						
Advance to other funds						
Advance to Marine World JPA						
Notes and loans receivable	1,890,541	4,468,148				
Land held for redevelopment						
Total assets	<u>\$2,142,375</u>	<u>\$4,822,410</u>	<u>\$1,324,216</u>	<u>\$95,204</u>	<u>\$2,667,901</u>	<u>\$228,945</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$66,060	\$160,255	\$163,923	\$45,439	\$38,805	
Accrued interest payable						
Due to other funds	185,774	58,159		42,411		
Due to other governments		120,772				
Revenue anticipation notes payable						
Deferred revenues	1,890,541	4,483,224		7,354		
Deposits payable						
Advance from other funds						
Total liabilities	<u>2,142,375</u>	<u>4,822,410</u>	<u>163,923</u>	<u>95,204</u>	<u>38,805</u>	
FUND EQUITY						
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			1,160,293		2,629,096	\$228,945
Total fund balances			<u>1,160,293</u>		<u>2,629,096</u>	<u>228,945</u>
Total liabilities and fund balances	<u>\$2,142,375</u>	<u>\$4,822,410</u>	<u>\$1,324,216</u>	<u>\$95,204</u>	<u>\$2,667,901</u>	<u>\$228,945</u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161	Assets Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
\$103,843	\$632,838	\$861,344	\$1,551,929 13,567	\$2,655,022	\$554,428	\$641,695	
	33,000 204,687	30,125					\$139,944
<u>\$103,843</u>	<u>\$870,525</u>	<u>\$891,469</u>	<u>\$1,565,496</u>	<u>\$2,655,022</u>	<u>\$554,428</u>	<u>\$641,695</u>	<u>\$139,944</u>
	\$195,275	\$289,490	\$47,589	\$212,922	\$62,665		\$30,295
					44,760		109,649
			9,000		230,182		
	<u>195,275</u>	<u>289,490</u>	<u>56,589</u>	<u>212,922</u>	<u>337,607</u>		<u>139,944</u>
	216,143				2,515		
	325,000 90,390		919,211				
\$103,843	43,717	601,979	589,696	2,442,100	214,306	\$641,695	
103,843	675,250	601,979	1,508,907	2,442,100	216,821	641,695	
<u>\$103,843</u>	<u>\$870,525</u>	<u>\$891,469</u>	<u>\$1,565,496</u>	<u>\$2,655,022</u>	<u>\$554,428</u>	<u>\$641,695</u>	<u>\$139,944</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2007

SPECIAL REVENUE FUNDS

	Local Law Enforcement Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	Outside Services Fund #129	State Lands Fund #134
ASSETS					
Cash and investments	\$335	\$106,049	\$12,900	\$909,518	\$15,267
Restricted cash and investments					
Accounts receivable					70,409
Due from other governments					
Prepays					
Advance to other funds					
Advance to Marine World JPA					
Notes and loans receivable					
Land held for redevelopment					
Total assets	<u>\$335</u>	<u>\$106,049</u>	<u>\$12,900</u>	<u>\$909,518</u>	<u>\$85,676</u>
LIABILITIES					
Accounts payable and accrued liabilities			\$4,149	\$64,252	\$85,676
Accrued interest payable					
Due to other funds					
Due to other governments					
Revenue anticipation notes payable					
Deferred revenues					
Deposits payable				524,509	
Advance from other funds					
Total liabilities			<u>4,149</u>	<u>588,761</u>	<u>85,676</u>
FUND EQUITY					
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>\$335</u>	<u>\$106,049</u>	<u>8,751</u>	<u>320,757</u>	
Total fund balances	<u>335</u>	<u>106,049</u>	<u>8,751</u>	<u>320,757</u>	
Total liabilities and fund balances	<u>\$335</u>	<u>\$106,049</u>	<u>\$12,900</u>	<u>\$909,518</u>	<u>\$85,676</u>

SPECIAL REVENUE FUNDS						DEBT SERVICE FUNDS	
Repair & Demolition Revolving Fund #142	Hazmat Revolving Fund #143	Redevelopment Administration Fund #710	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601	Utility Billing Administration Fund #611	Financing Authority Fund #301	Certificates of Participation Fund #-various
\$177,166	\$328,700	\$75,606	\$1,296,179	\$555,468		\$9,081	\$38,000
	10,000			300			351,717
							28,688
			10,887,656			7,313,734	
<u>\$177,166</u>	<u>\$338,700</u>	<u>\$75,606</u>	<u>\$12,183,835</u>	<u>\$555,768</u>		<u>\$7,322,815</u>	<u>\$418,405</u>
		\$75,606	\$756,906	\$28,495		\$313,734	\$38,000
			1,112,469	527,273		7,000,000	
		<u>75,606</u>	<u>1,869,375</u>	<u>555,768</u>		<u>7,313,734</u>	<u>38,000</u>
			9,775,187				28,688
\$65,000							351,717
112,166	\$338,700		539,273			9,081	
177,166	338,700		10,314,460			9,081	380,405
<u>\$177,166</u>	<u>\$338,700</u>	<u>\$75,606</u>	<u>\$12,183,835</u>	<u>\$555,768</u>		<u>\$7,322,815</u>	<u>\$418,405</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	CAPITAL PROJECTS FUNDS				
	DEBT SERVICE FUND				
	Redevelopment Agency Debt Service Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Fire Station #7 Fund #205
ASSETS					
Cash and investments	\$127,582	\$926,786	\$6,969,444	\$3,542,932	
Restricted cash and investments	1,164,633				
Accounts receivable					
Due from other governments		628,753			
Prepays					
Advance to other funds				560,000	
Advance to Marine World JPA					
Notes and loans receivable			710,113		
Land held for redevelopment					
Total assets	<u>\$1,292,215</u>	<u>\$1,555,539</u>	<u>\$7,679,557</u>	<u>\$4,102,932</u>	
LIABILITIES					
Accounts payable and accrued liabilities	\$127,582	\$100,090	\$670,890	\$59,710	
Accrued interest payable					
Due to other funds					
Due to other governments					
Revenue anticipation notes payable					
Deferred revenues	183,288		10,113	60,000	
Deposits payable					
Advance from other funds	<u>5,148,738</u>				
Total liabilities	<u>5,459,608</u>	<u>100,090</u>	<u>681,003</u>	<u>119,710</u>	
FUND EQUITY					
Fund balances					
Reserved for:					
Encumbrances			165,022	195,711	
Prepaid					
Debt service	1,164,633				
Notes and loans receivable			700,000		
Land held for redevelopment					
Prepayment reserve					
Advance to other funds				500,000	
Unreserved, designated for:					
Program commitments		278,402			
Capital projects		882,538	4,750,131	2,307,540	
Unreserved, undesignated	<u>(5,332,026)</u>	<u>294,509</u>	<u>1,383,401</u>	<u>979,971</u>	
Total fund balances	<u>(4,167,393)</u>	<u>1,455,449</u>	<u>6,998,554</u>	<u>3,983,222</u>	
Total liabilities and fund balances	<u>\$1,292,215</u>	<u>\$1,555,539</u>	<u>\$7,679,557</u>	<u>\$4,102,932</u>	

CAPITAL PROJECTS FUNDS

Art and Convention Center Fund #206	Northgate Fee & Benefit District #93-1 Fund #207	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Certificates of Participation Fund #-various	Mare Island CFD 2005 1A Facilities Fund #213	N.E. Quadrant Improvement District 03-1 Fund #218	Traffic Congestion Relief Fund #219
\$205,380	\$473,213 277,875	\$269,949 360,919	\$6,342,309	\$1,090,024 8,484,333	\$167,616	\$3,579,057	\$1,039,679
4,084,988			503,750				
<u>\$4,290,368</u>	<u>\$751,088</u>	<u>\$630,868</u>	<u>\$6,846,059</u>	<u>\$9,574,357</u>	<u>\$167,616</u>	<u>\$3,579,057</u>	<u>\$1,039,679</u>
	\$12,304	\$3,640	\$2,420	\$65,190 954,652		\$381,001 1,568,431	\$104,875
\$288,988			3,750				
<u>288,988</u>	<u>12,304</u>	<u>3,640</u>	<u>6,170</u>	<u>1,019,842</u>		<u>1,949,432</u>	<u>104,875</u>
		117,538		150,977		\$1,101,881	
3,796,000			500,000				
205,380	407,646 331,138	445,345 64,345	\$772,696 5,567,193	3,956,197 4,447,341	\$167,616	527,744	934,804
<u>4,001,380</u>	<u>738,784</u>	<u>627,228</u>	<u>6,839,889</u>	<u>8,554,515</u>	<u>167,616</u>	<u>1,629,625</u>	<u>934,804</u>
<u>\$4,290,368</u>	<u>\$751,088</u>	<u>\$630,868</u>	<u>\$6,846,059</u>	<u>\$9,574,357</u>	<u>\$167,616</u>	<u>\$3,579,057</u>	<u>\$1,039,679</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

CAPITAL PROJECTS FUNDS

	Downtown Development Capital Projects Fund #220	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137	Redevelopment Agency Flosden Fund #721	Redevelopment Agency Downtown Fund # - various
ASSETS					
Cash and investments			\$3,491,214	\$6,303,181	\$1,600,446
Restricted cash and investments				380,553	
Accounts receivable					
Due from other governments	\$8,305	\$416,637			
Prepays					
Advance to other funds	44,108				
Advance to Marine World JPA					
Notes and loans receivable			140,160		4,406,860
Land held for redevelopment					1,343,595
Total assets	<u>\$52,413</u>	<u>\$416,637</u>	<u>\$3,631,374</u>	<u>\$6,683,734</u>	<u>\$7,350,901</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$7,330	\$150,000			\$77,240
Accrued interest payable					
Due to other funds	12,503	266,637			
Due to other governments					
Revenue anticipation notes payable					
Deferred revenues			\$1,400		
Deposits payable	32,580		37,000		238,000
Advance from other funds					214,983
Total liabilities	<u>52,413</u>	<u>416,637</u>	<u>38,400</u>		<u>530,223</u>
FUND EQUITY					
Fund balances					
Reserved for:					
Encumbrances					55,383
Prepaid					
Debt service					
Notes and loans receivable			138,760		4,406,860
Land held for redevelopment					1,343,595
Prepayment reserve				\$380,553	
Advance to other funds					
Unreserved, designated for:					
Program commitments					
Capital projects			3,454,214	1,755,100	165,137
Unreserved, undesignated				4,548,081	849,703
Total fund balances			<u>3,592,974</u>	<u>6,683,734</u>	<u>6,820,678</u>
Total liabilities and fund balances	<u>\$52,413</u>	<u>\$416,637</u>	<u>\$3,631,374</u>	<u>\$6,683,734</u>	<u>\$7,350,901</u>

PERMANENT
FUND

<u>McCune Collection Fund #603</u>	<u>Total Nonmajor Governmental Funds</u>
\$120,291	\$47,385,169
	14,621,735
	198,056
	2,067,630
	28,688
	5,192,846
	7,313,734
	22,503,478
	1,343,595
<u>\$120,291</u>	<u>\$100,654,931</u>
	\$4,128,074
	313,734
	3,198,216
	165,532
	7,000,000
	8,050,127
	1,589,544
	5,363,721
	<u>29,808,948</u>
	2,005,170
	28,688
	1,516,350
	15,020,807
	1,343,595
	380,553
	4,796,000
	1,522,613
	19,986,738
<u>\$120,291</u>	<u>24,245,469</u>
<u>120,291</u>	<u>70,845,983</u>
<u>\$120,291</u>	<u>\$100,654,931</u>

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS					
	Community Development Block Grant Fund #101	HOME Program Fund #102	Mare Island Leasing Fund #107	FEMA Disaster Recovery Fund #109	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
REVENUES						
Taxes					\$705,702	
Licenses, permits and fees					251,733	
Fines and forfeitures						
Intergovernmental	\$945,023	\$900,566		\$516,624		
Use of money and property	310,966	215,269	\$455,853		66,266	\$4,399
Charges for services			675,976		5,024,002	194,698
Other		75	500,000		92	
Total Revenues	<u>1,255,989</u>	<u>1,115,910</u>	<u>1,631,829</u>	<u>516,624</u>	<u>6,047,795</u>	<u>199,097</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development	1,255,989	1,115,910	1,938,740			
Fire services				191,304	2,603,100	
Police services					1,123,700	
Public works				52,289	1,398,076	12,199
Nondepartmental				46,106		9,894
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>1,255,989</u>	<u>1,115,910</u>	<u>1,938,740</u>	<u>289,699</u>	<u>5,124,876</u>	<u>22,093</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			<u>(306,911)</u>	<u>226,925</u>	<u>922,919</u>	<u>177,004</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of obligations						
Transfers in						
Transfers (out)			(53,766)	(226,925)		
Total Other Financing Sources (Uses)			<u>(53,766)</u>	<u>(226,925)</u>		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			<u>(360,677)</u>		<u>922,919</u>	<u>177,004</u>
BEGINNING FUND BALANCES			<u>1,520,970</u>		<u>1,706,177</u>	<u>51,941</u>
ENDING FUND BALANCES			<u><u>\$1,160,293</u></u>		<u><u>\$2,629,096</u></u>	<u><u>\$228,945</u></u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161	Asset Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
		\$53,364				\$177,235	
		25,838			\$174,150		
	\$2,342,984	225,349					\$528,165
\$1,183	45,502	29,291	\$76,355	\$126,107	19,255	36,986	\$105
104,001	132,000	1,004,775	644,262	2,417,587			
	85,663		117,675	10,055		6,485	
105,184	2,606,149	1,338,617	838,292	2,553,749	193,405	220,706	528,270
					26,960	293,313	528,270
8,987	3,713,337	875,675	787,803	2,502,284			
8,987	3,713,337	875,675	787,803	2,502,284	26,960	293,313	528,270
96,197	(1,107,188)	462,942	50,489	51,465	166,445	(72,607)	
	375,000		33,730	30,881		517	
		(29,292)			(75,000)		
	375,000	(29,292)	33,730	30,881	(75,000)	517	
96,197	(732,188)	433,650	84,219	82,346	91,445	(72,090)	
7,646	1,407,438	168,329	1,424,688	2,359,754	125,376	713,785	
\$103,843	\$675,250	\$601,979	\$1,508,907	\$2,442,100	\$216,821	\$641,695	

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Local Law Enforcement Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	Outside Services Fund #129	State Lands Fund #134
REVENUES					
Taxes					
Licenses, permits and fees					
Fines and forfeitures					
Intergovernmental		\$235,704			
Use of money and property		4,296		\$67,836	\$553,827
Charges for services			\$220,000	1,349,097	82,900
Other			11,555	24,073	
Total Revenues		240,000	231,555	1,441,006	636,727
EXPENDITURES					
Current:					
Executive				113,401	
Finance					
Development services				59,783	
Community development					184,657
Fire services					
Police services			228,993		
Public works				968,554	
Nondepartmental				4,296	
Capital outlay					
Debt Service:					
Principal					
Interest and fiscal agent fees					
Total Expenditures			228,993	1,146,034	184,657
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
		240,000	2,562	294,972	452,070
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of obligations					
Transfers in					
Transfers (out)		(210,000)		(63,540)	(452,070)
Total Other Financing Sources (Uses)		(210,000)		(63,540)	(452,070)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES					
		30,000	2,562	231,432	
BEGINNING FUND BALANCES	\$335	76,049	6,189	89,325	
ENDING FUND BALANCES	\$335	\$106,049	\$8,751	\$320,757	

SPECIAL REVENUE FUNDS						DEBT SERVICE FUNDS	
Repair & Demolition Revolving Fund #142	Hazmat Revolving Fund #143	Redevelopment Administration Fund #710	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601	Utility Billing Administration Fund #611	Financing Authority Fund #301	Certificates of Participation Fund #-various
\$9,700	\$19,151 40,000		\$103,920	\$32,957	\$43 981	\$314,121 57,171	\$5,006
9,700	59,151		103,920	32,957	1,024	371,292	5,006
	40,000	\$333,531	914,306				
						36,706	25,776
						325,505	3,010,786 1,167,020
	40,000	333,531	914,306			362,211	4,203,582
9,700	19,151	(333,531)	(810,386)	32,957	1,024	9,081	(4,198,576)
(9,700)	(19,151)	333,531	692,731 (464,813)	(32,957)	(1,024)		1,933,660
(9,700)	(19,151)	333,531	227,918	(32,957)	(1,024)		1,933,660
			(582,468)			9,081	(2,264,916)
177,166	338,700		10,896,928				2,645,321
\$177,166	\$338,700		\$10,314,460			\$9,081	\$380,405

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			
	Redevelopment Agency Debt Service Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Fire Station #7 Fund #205
REVENUES					
Taxes	\$3,463,653				
Licenses, permits and fees			\$696,813		\$19,394
Fines and forfeitures					
Intergovernmental		\$284,667	1,602		
Use of money and property	63,316	31,089	428,346	\$194,668	582
Charges for services		110,323			
Other		423,539			
Total Revenues	3,526,969	849,618	1,126,761	194,668	19,976
EXPENDITURES					
Current:					
Executive					
Finance					
Development services					
Community development	925,118				
Fire services					
Police services					
Public works					
Nondepartmental		4,296	4,296	4,300	
Capital outlay		1,029,157	3,121,874	380,403	
Debt Service:					
Principal	411,616				
Interest and fiscal agent fees	1,096,708				
Total Expenditures	2,433,442	1,033,453	3,126,170	384,703	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,093,527	(183,835)	(1,999,409)	(190,035)	19,976
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of obligations					
Transfers in	586,817	593,056			
Transfers (out)	(3,313,841)				(19,976)
Total Other Financing Sources (Uses)	(2,727,024)	593,056			(19,976)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,633,497)	409,221	(1,999,409)	(190,035)	
BEGINNING FUND BALANCES	(2,533,896)	1,046,228	8,997,963	4,173,257	
ENDING FUND BALANCES	(\$4,167,393)	\$1,455,449	\$6,998,554	\$3,983,222	

CAPITAL PROJECTS FUNDS

Arts and Convention Center Fund #206	Northgate Fee & Benefit District #93-1 Fund #207	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Certificates of Participation Fund #-various	Mare Island CFD 2005 1A Facilities Fund #213	N.E. Quadrant Improvement District 03-1 Fund #218	Traffic Congestion Relief Fund #219
	\$99,302		\$28,711 525,024		\$104,137		
\$27,468	44,083	\$38,015	332,052	\$486,530	5,018	\$197,002	\$892,907 63,711
<u>27,468</u>	<u>143,385</u>	<u>38,015</u>	<u>885,787</u>	<u>486,530</u>	<u>109,155</u>	<u>197,002</u>	<u>956,618</u>
2,037	4,300 1,082,189	4,300 305,276	4,300 30,556	12,900 4,450,911	1,041	4,300 2,788,032	473,997
<u>2,037</u>	<u>1,086,489</u>	<u>309,576</u>	<u>34,856</u>	<u>4,463,811</u>	<u>1,041</u>	<u>2,792,332</u>	<u>473,997</u>
25,431	(943,104)	(271,561)	850,931	(3,977,281)	108,114	(2,595,330)	482,621
				(832,062)			
				(832,062)			
25,431	(943,104)	(271,561)	850,931	(4,809,343)	108,114	(2,595,330)	482,621
3,975,949	1,681,888	898,789	5,988,958	13,363,858	59,502	4,224,955	452,183
<u>\$4,001,380</u>	<u>\$738,784</u>	<u>\$627,228</u>	<u>\$6,839,889</u>	<u>\$8,554,515</u>	<u>\$167,616</u>	<u>\$1,629,625</u>	<u>\$934,804</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, 2007

	CAPITAL PROJECTS FUNDS				
	Downtown Development Capital Projects Fund #220	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137	Redevelopment Agency Flosden Fund #721	Redevelopment Agency Merged Fund # - various
REVENUES					
Taxes					
Licenses, permits and fees			\$105,210		
Fines and forfeitures					
Intergovernmental	\$8,305	\$2,855,769			
Use of money and property			292,683	\$375,138	\$183,530
Charges for services					
Other					
Total Revenues	<u>8,305</u>	<u>2,855,769</u>	<u>397,893</u>	<u>375,138</u>	<u>183,530</u>
EXPENDITURES					
Current:					
Executive					
Finance					
Development services					
Community development				358,698	1,284,356
Fire services					
Police services					
Public works					
Nondepartmental					
Capital outlay	\$41,427	2,855,769	2,202,100		
Debt Service:					
Principal					
Interest and fiscal agent fees					
Total Expenditures	<u>41,427</u>	<u>2,855,769</u>	<u>2,202,100</u>	<u>358,698</u>	<u>1,284,356</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>(33,122)</u>		<u>(1,804,207)</u>	<u>16,440</u>	<u>(1,100,826)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of obligations					661,320
Transfers in	33,122			2,103,139	1,972,069
Transfers (out)				(1,454,098)	(157,959)
Total Other Financing Sources (Uses)	<u>33,122</u>			<u>649,041</u>	<u>2,475,430</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES					
			(1,804,207)	665,481	1,374,604
BEGINNING FUND BALANCES					
			<u>5,397,181</u>	<u>6,018,253</u>	<u>5,446,074</u>
ENDING FUND BALANCES					
			<u>\$3,592,974</u>	<u>\$6,683,734</u>	<u>\$6,820,678</u>

<u>PERMANENT FUND</u>	
<u>McCune Collection Fund #603</u>	<u>Total Nonmajor Governmental Funds</u>
	\$4,302,203
	1,928,075
	199,988
	9,737,665
\$6,270	5,267,895
	12,057,773
	1,179,212
<u>6,270</u>	<u>34,672,811</u>
	113,401
	59,783
	8,311,305
	2,834,404
	2,201,236
1,942	9,434,542
	1,055,452
	18,761,691
	3,422,402
	2,589,233
<u>1,942</u>	<u>48,783,449</u>
<u>4,328</u>	<u>(14,110,638)</u>
	661,320
	8,688,253
	(7,416,174)
	1,933,399
4,328	(12,177,239)
<u>115,963</u>	<u>83,023,222</u>
<u>\$120,291</u>	<u>\$70,845,983</u>

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, 2007

	COMMUNITY DEVELOPMENT BLOCK GRANT			HOME PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$1,215,884	\$945,023	(\$270,861)	\$638,689	\$900,566	\$261,877
Use of money and property	200,000	310,966	110,966	200,000	215,269	15,269
Charges for services						
Other					75	75
Total Revenues	<u>1,415,884</u>	<u>1,255,989</u>	<u>(159,895)</u>	<u>838,689</u>	<u>1,115,910</u>	<u>277,221</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development	2,394,165	1,255,989	1,138,176	1,567,511	1,115,910	451,601
Fire services						
Police services						
Public works						
Nondepartmental						
Capital Outlay	3,000		3,000			
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>2,397,165</u>	<u>1,255,989</u>	<u>1,141,176</u>	<u>1,567,511</u>	<u>1,115,910</u>	<u>451,601</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(981,281)</u>		<u>981,281</u>	<u>(728,822)</u>		<u>728,822</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>(\$981,281)</u></u>		<u><u>\$981,281</u></u>	<u><u>(\$728,822)</u></u>		<u><u>\$728,822</u></u>
BEGINNING FUND BALANCES						
ENDING FUND BALANCES						

MARE ISLAND LEASING			FEMA DISASTER RECOVERY			MARE ISLAND CFD 2002		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$455,000	\$705,702	\$250,702
						148,500	251,733	103,233
\$326,000	\$455,853	\$129,853	\$641,304	\$516,624	(\$124,680)	126,800		(126,800)
350,000	675,976	325,976				46,000	66,266	20,266
500,000	500,000					4,945,200	5,024,002	78,802
							92	92
<u>1,176,000</u>	<u>1,631,829</u>	<u>455,829</u>	<u>641,304</u>	<u>516,624</u>	<u>(124,680)</u>	<u>5,721,500</u>	<u>6,047,795</u>	<u>326,295</u>
1,663,773	1,938,740	(274,967)	191,304	191,304		2,603,100	2,603,100	
			450,000	52,289	397,711	1,123,700	1,123,700	
				46,106	(46,106)	1,994,700	1,398,076	596,624
<u>1,663,773</u>	<u>1,938,740</u>	<u>(274,967)</u>	<u>641,304</u>	<u>289,699</u>	<u>351,605</u>	<u>5,721,500</u>	<u>5,124,876</u>	<u>596,624</u>
<u>(487,773)</u>	<u>(306,911)</u>	<u>180,862</u>		<u>226,925</u>	<u>226,925</u>		<u>922,919</u>	<u>922,919</u>
<u>(2,319,210)</u>	<u>(53,766)</u>	<u>2,265,444</u>		<u>(226,925)</u>	<u>(226,925)</u>			
<u>(2,319,210)</u>	<u>(53,766)</u>	<u>2,265,444</u>		<u>(226,925)</u>	<u>(226,925)</u>			
<u>(\$2,806,983)</u>	<u>(360,677)</u>	<u>\$2,446,306</u>					<u>922,919</u>	<u>\$922,919</u>
	<u>1,520,970</u>						<u>1,706,177</u>	
	<u>\$1,160,293</u>						<u>\$2,629,096</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, 2007

	MARE ISLAND CFD 2005 1A (State)			STATE GAS TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental				\$2,457,000	\$2,342,984	(\$114,016)
Use of money and property	\$1,100	\$4,399	\$3,299	20,000	45,502	25,502
Charges for services	167,000	194,698	27,698	132,000	132,000	
Other				318,000	85,663	(232,337)
Total Revenues	<u>168,100</u>	<u>199,097</u>	<u>30,997</u>	<u>2,927,000</u>	<u>2,606,149</u>	<u>(320,851)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services						
Public works	151,430	12,199	139,231	4,326,146	3,713,337	612,809
Nondepartmental	16,670	9,894	6,776			
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>168,100</u>	<u>22,093</u>	<u>146,007</u>	<u>4,326,146</u>	<u>3,713,337</u>	<u>612,809</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>177,004</u>	<u>177,004</u>	<u>(1,399,146)</u>	<u>(1,107,188)</u>	<u>291,958</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				375,000	375,000	
Transfers (out)						
Total Other Financing Sources (Uses)				<u>375,000</u>	<u>375,000</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		<u>177,004</u>	<u>\$177,004</u>	<u>(\$1,024,146)</u>	<u>(732,188)</u>	<u>\$291,958</u>
BEGINNING FUND BALANCES		<u>51,941</u>			<u>1,407,438</u>	
ENDING FUND BALANCES		<u>\$228,945</u>			<u>\$675,250</u>	

SOLID WASTE DISPOSAL			HIDDENBROOKE COMMUNITY SERVICES DISTRICT			LANDSCAPE MAINTENANCE DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$57,118	\$53,364	(\$3,754)						
	25,838	25,838						
75,037	225,349	150,312						
	29,291	29,291	\$29,554	\$76,355	\$46,801	\$50,683	\$126,107	\$75,424
1,487,494	1,004,775	(482,719)	623,463	644,262	20,799	2,322,331	2,417,587	95,256
			122,515	117,675	(4,840)		10,055	10,055
<u>1,619,649</u>	<u>1,338,617</u>	<u>(281,032)</u>	<u>775,532</u>	<u>838,292</u>	<u>62,760</u>	<u>2,373,014</u>	<u>2,553,749</u>	<u>180,735</u>
			793,469	787,803	5,666	2,527,663	2,502,284	25,379
1,645,648	875,675	769,973				2,756		2,756
<u>1,645,648</u>	<u>875,675</u>	<u>769,973</u>	<u>793,469</u>	<u>787,803</u>	<u>5,666</u>	<u>2,530,419</u>	<u>2,502,284</u>	<u>28,135</u>
(25,999)	462,942	488,941	(17,937)	50,489	68,426	(157,405)	51,465	208,870
	(29,292)	(29,292)		33,730	33,730		30,881	30,881
	(29,292)	(29,292)		33,730	33,730		30,881	30,881
<u>(\$25,999)</u>	433,650	<u>\$459,649</u>	<u>(\$17,937)</u>	84,219	<u>\$102,156</u>	<u>(\$157,405)</u>	82,346	<u>\$239,751</u>
	168,329			1,424,688			2,359,754	
	<u>\$601,979</u>			<u>\$1,508,907</u>			<u>\$2,442,100</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, 2007

	ASSET SEIZURE			TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees				\$210,000	\$177,235	(\$32,765)
Fines and forfeitures	\$90,000	\$174,150	\$84,150			
Intergovernmental						
Use of money and property	5,000	19,255	14,255		36,986	36,986
Charges for services						
Other				18,000	6,485	(11,515)
Total Revenues	<u>95,000</u>	<u>193,405</u>	<u>98,405</u>	<u>228,000</u>	<u>220,706</u>	<u>(7,294)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services	36,642	26,960	9,682	408,000	293,313	114,687
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>36,642</u>	<u>26,960</u>	<u>9,682</u>	<u>408,000</u>	<u>293,313</u>	<u>114,687</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>58,358</u>	<u>166,445</u>	<u>108,087</u>	<u>(180,000)</u>	<u>(72,607)</u>	<u>107,393</u>
OTHER FINANCING SOURCES (USES)						
Transfers in					517	517
Transfers (out)	<u>(75,000)</u>	<u>(75,000)</u>				
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>(75,000)</u>			<u>517</u>	<u>517</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$16,642)</u>	<u>91,445</u>	<u>\$108,087</u>	<u>(\$180,000)</u>	<u>(72,090)</u>	<u>\$107,910</u>
BEGINNING FUND BALANCES		<u>125,376</u>			<u>713,785</u>	
ENDING FUND BALANCES		<u>\$216,821</u>			<u>\$641,695</u>	

LOCAL LAW ENFORCEMENT GRANT			SUPPLEMENTAL LAW ENFORCEMENT GRANT			CADET PROGRAM		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$35,000		(\$35,000)	\$175,000	\$235,704 4,296	\$60,704 4,296	\$220,000 10,000	\$220,000 11,555	\$1,555
35,000		(35,000)	175,000	240,000	65,000	230,000	231,555	1,555
						230,000	228,993	1,007
						230,000	228,993	1,007
35,000		(35,000)	175,000	240,000	65,000		2,562	2,562
(35,000)		35,000	(175,000)	(210,000)	(35,000)			
(35,000)		35,000	(175,000)	(210,000)	(35,000)			
				30,000	\$30,000		2,562	\$2,562
	\$335			76,049			6,189	
	\$335			\$106,049			\$8,751	

(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, 2007

	OUTSIDE SERVICES			STATE LANDS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property	\$19,300	\$67,836	\$48,536	\$486,000	\$553,827	\$67,827
Charges for services	1,344,811	1,349,097	4,286		82,900	82,900
Other	100,000	24,073	(75,927)			
Total Revenues	<u>1,464,111</u>	<u>1,441,006</u>	<u>(23,105)</u>	<u>486,000</u>	<u>636,727</u>	<u>150,727</u>
EXPENDITURES						
Current:						
Executive	217,950	113,401	104,549			
Finance						
Development services	304,811	59,783	245,028			
Community development				119,462	184,657	(65,195)
Fire services						
Police services						
Public works	1,040,000	968,554	71,446			
Nondepartmental	4,300	4,296	4			
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>1,567,061</u>	<u>1,146,034</u>	<u>421,027</u>	<u>119,462</u>	<u>184,657</u>	<u>(65,195)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(102,950)</u>	<u>294,972</u>	<u>397,922</u>	<u>366,538</u>	<u>452,070</u>	<u>85,532</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(15,000)	(63,540)	(48,540)	(234,800)	(452,070)	(217,270)
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(63,540)</u>	<u>(48,540)</u>	<u>(234,800)</u>	<u>(452,070)</u>	<u>(217,270)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u><u>(\$117,950)</u></u>	<u>231,432</u>	<u><u>\$349,382</u></u>	<u><u>\$131,738</u></u>		<u><u>(\$131,738)</u></u>
BEGINNING FUND BALANCES		89,325				
ENDING FUND BALANCES		<u><u>\$320,757</u></u>				

HAZMAT REVOLVING FUND			REDEVELOPMENT ADMINISTRATION			REDEVELOPMENT AFFORDABLE HOUSING		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$3,700	\$19,151	\$15,451				\$127,000	\$103,920	(\$23,080)
40,000	40,000					400		(400)
43,700	59,151	15,451				127,400	103,920	(23,480)
40,000	40,000		\$366,000	\$333,531	\$32,469	923,894	914,306	9,588
40,000	40,000		366,000	333,531	32,469	923,894	914,306	9,588
3,700	19,151	15,451	(366,000)	(333,531)	32,469	(796,494)	(810,386)	(13,892)
	(19,151)	(19,151)	353,000	333,531	(19,469)	677,422	692,731	15,309
	(19,151)	(19,151)	353,000	333,531	(19,469)	(466,575)	(464,813)	1,762
	(19,151)	(19,151)	353,000	333,531	(19,469)	210,847	227,918	17,071
<u>\$3,700</u>		<u>(\$3,700)</u>	<u>(\$13,000)</u>		<u>\$13,000</u>	<u>(\$585,647)</u>	(582,468)	<u>\$3,179</u>
	338,700						10,896,928	
	<u>\$338,700</u>						<u>\$10,314,460</u>	

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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, 2007

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Payroll Benefits	Total
ASSETS						
Cash and investments	\$244,724	\$2,884,461	\$6,025,587	\$160,865	\$1,762,869	\$11,078,506
Accounts receivable	18,969	4,876			21,339	45,184
Due from other funds			3,496,638			3,496,638
Materials, parts, and supplies	177,730					177,730
Advance to other funds				170,875		170,875
Capital assets, net	2,419,215					2,419,215
Total Assets	2,860,638	2,889,337	9,522,225	331,740	1,784,208	17,388,148
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	153,524	75,585	70,807		1,784,208	2,084,124
Claims payable, current			3,244,180			3,244,180
Deposits payable				160,865		160,865
Employee benefits payable, current	137,142					137,142
Current liabilities	290,666	75,585	3,314,987	160,865	1,784,208	5,626,311
Long-term liabilities:						
Claims payable			8,520,820			8,520,820
Employee benefits payable, long term	32,784					32,784
Total Liabilities	323,450	75,585	11,835,807	160,865	1,784,208	14,179,915
NET ASSETS						
Invested in capital assets, net of related debt	2,419,215					2,419,215
Unrestricted	117,973	2,813,752	(2,313,582)	170,875		789,018
Total Net Assets	\$2,537,188	\$2,813,752	(\$2,313,582)	\$170,875		\$3,208,233

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Payroll Benefits	Total
OPERATING REVENUES						
Charges for services	\$2,549,277	\$1,090,832	\$6,046,616			\$9,686,725
Other	48,790	322				49,112
Total Operating revenues	<u>2,598,067</u>	<u>1,091,154</u>	<u>6,046,616</u>			<u>9,735,837</u>
OPERATING EXPENSES						
Operating expenses	2,490,138		1,037,560			3,527,698
Insurance and claims			6,686,957			6,686,957
Depreciation	876,470					876,470
Total Operating expenses	<u>3,366,608</u>		<u>7,724,517</u>			<u>11,091,125</u>
Operating income (loss)	<u>(768,541)</u>	<u>1,091,154</u>	<u>(1,677,901)</u>			<u>(1,355,288)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income (expense)	3,586	131,141	382,276			517,003
Gain on sale of capital assets	146,754					146,754
Total nonoperating revenues (expenses)	<u>150,340</u>	<u>131,141</u>	<u>382,276</u>			<u>663,757</u>
Income (loss) before transfers	<u>(618,201)</u>	<u>1,222,295</u>	<u>(1,295,625)</u>			<u>(691,531)</u>
Transfers in	428,899			\$2,833		431,732
Transfers (out)		(422,441)				(422,441)
Change in net assets	<u>(189,302)</u>	<u>799,854</u>	<u>(1,295,625)</u>	<u>2,833</u>		<u>(682,240)</u>
BEGINNING NET ASSETS	<u>2,726,490</u>	<u>2,013,898</u>	<u>(1,017,957)</u>	<u>168,042</u>		<u>3,890,473</u>
ENDING NET ASSETS	<u>\$2,537,188</u>	<u>\$2,813,752</u>	<u>(\$2,313,582)</u>	<u>\$170,875</u>		<u>\$3,208,233</u>

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Payroll Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$2,603,342	\$1,086,278	\$6,046,616	\$160,865	\$1,148,127	\$11,045,228
Payments to suppliers	(879,177)	64,905	(793,751)			(1,608,023)
Payments to employees	(1,644,786)		(285,133)			(1,929,919)
Claims paid			(4,919,957)			(4,919,957)
Cash Flows from Operating Activities	79,379	1,151,183	47,775	160,865	1,148,127	2,587,329
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in (out)	428,899	(422,441)		2,833		9,291
Increase (decrease) in due from other funds			581,498			581,498
Increase (decrease) in advances to other funds				(2,833)		(2,833)
Cash Flows from Noncapital Financing Activities	428,899	(422,441)	581,498			587,956
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(437,999)					(437,999)
Proceeds from sale of capital assets	15,558					15,558
Cash Flows from Capital and Related Financing Activities	(422,441)					(422,441)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	3,586	131,141	382,276			517,003
Cash Flows from Investing Activities	3,586	131,141	382,276			517,003
Net Cash Flows	89,423	859,883	1,011,549	160,865	1,148,127	3,269,847
Cash and investments at beginning of period	155,301	2,024,578	5,014,038		614,742	7,808,659
Cash and investments at end of period	<u>\$244,724</u>	<u>\$2,884,461</u>	<u>\$6,025,587</u>	<u>\$160,865</u>	<u>\$1,762,869</u>	<u>\$11,078,506</u>
Noncash transactions						
Retirement of capital assets	<u>(\$61,424)</u>					<u>(\$61,424)</u>
Reconciliation of operating income (loss) to net cash flows						
from operating activities:						
Operating income (loss)	(\$768,541)	\$1,091,154	(\$1,677,901)			(\$1,355,288)
Adjustments to reconcile operating income to net cash flows						
from operating activities:						
Depreciation	876,470					876,470
Change in assets and liabilities:						
Receivables, net	5,275	(4,876)			16,076	16,475
Other assets	909					909
Accounts payable and accrued liabilities	8,636	64,905	(14,234)		1,132,051	1,191,358
Deposit payable				160,865		160,865
Employee benefits payable	(43,370)		(27,090)			(70,460)
Claims payable			1,767,000			1,767,000
Cash Flows from Operating Activities	\$79,379	\$1,151,183	\$47,775	\$160,865	\$1,148,127	\$2,587,329

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
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>Improvement Districts</u>				
<u>Assets</u>				
Cash and investments	\$2,752,258	\$3,461,357	\$2,752,258	\$3,461,357
Restricted cash and investments	2,284,289	2,674,358	2,284,289	2,674,358
Total Assets	\$5,036,547	\$6,135,715	\$5,036,547	\$6,135,715
<u>Liabilities</u>				
Deposits payable	\$1,495		\$1,495	
Due to bondholders	5,035,052	\$6,135,715	5,035,052	\$6,135,715
Total Liabilities	\$5,036,547	\$6,135,715	\$5,036,547	\$6,135,715
<u>Assessment Districts</u>				
<u>Assets</u>				
Cash and investments	\$4,958,613	\$5,127,068	\$4,958,613	\$5,127,068
Restricted cash and investments	1,689,487	1,636,410	1,689,487	1,636,410
Total Assets	\$6,648,100	\$6,763,478	\$6,648,100	\$6,763,478
<u>Liabilities</u>				
Due to bondholders	\$6,648,100	\$6,763,478	\$6,648,100	\$6,763,478
Total Liabilities	\$6,648,100	\$6,763,478	\$6,648,100	\$6,763,478
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$7,710,871	\$8,588,425	\$7,710,871	\$8,588,425
Restricted cash and investments	3,973,776	4,310,768	3,973,776	4,310,768
Total Assets	\$11,684,647	\$12,899,193	\$11,684,647	\$12,899,193
<u>Liabilities</u>				
Deposits payable	\$1,495		\$1,495	
Due to bondholders	11,683,152	\$12,899,193	11,683,152	\$12,899,193
Total Liabilities	\$11,684,647	\$12,899,193	\$11,684,647	\$12,899,193

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 Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 180,968,562	\$266,448,146	\$260,617,039	\$254,306,071	\$260,245,020
Restricted	139,275,023	144,466,722	135,874,545	136,337,716	119,741,965
Unrestricted	12,679,669	(31,040,505)	(15,725,473)	(15,929,104)	(18,810,903)
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>	<u>\$361,176,082</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 177,280,242	\$184,052,727	\$218,315,891	\$200,899,895	\$215,396,608
Restricted	68,290,291	52,058,389	41,716,706	49,930,075	47,275,222
Unrestricted	25,287,824	30,546,597	6,179,510	12,397,504	676,754
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>	<u>\$263,348,584</u>
Primary government:					
Invested in capital assets, net of related debt	\$358,248,804	\$450,500,873	\$478,932,930	\$455,205,966	\$475,641,628
Restricted	207,565,314	196,525,111	177,591,251	186,267,791	167,017,187
Unrestricted	37,967,493	(493,908)	(9,545,963)	(3,531,600)	(18,134,149)
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>	<u>\$624,524,666</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 FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ending June 30				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
Legislative and Advisory	\$ 385,570	\$ 374,331	\$ 322,556	\$ 327,583	\$ 277,713
Executive	1,295,966	1,368,798	1,307,999	1,335,818	1,443,648
Finance	1,655,368	1,824,278	1,479,210	1,952,829	2,061,912
Human Resources	912,034	919,935	1,041,490	1,273,713	1,325,483
Law	778,393	756,854	687,908	722,436	860,128
Development Services	3,455,967	3,273,016	3,188,959	3,681,143	2,839,027
Community Development	46,230,453	58,210,217	51,914,880	37,306,492	44,540,545
Fire services	20,012,832	23,696,187	23,985,109	25,373,064	29,682,741
Police services	31,574,229	34,287,574	34,720,623	37,892,335	41,702,454
Public Works	13,809,365	13,939,915	14,793,797	25,854,625	24,422,136
Nondepartmental	12,832,301	12,151,426	11,710,331	6,826,980	7,284,198
Depreciation (not allocated)	7,254,472	-	-	-	-
Interest on long-term debt	6,821,567	2,835,728	2,455,183	2,703,849	2,649,965
Total governmental activities expenses	147,018,517	153,638,259	147,608,045	145,250,867	159,089,950
Business-type activities:					
Water	24,905,227	31,696,161	29,329,743	32,418,880	32,401,050
Local Transportation	18,183,460	20,882,570	24,165,435	29,663,516	30,667,114
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	26,012,630
Marine World JPA	55,545,895	57,942,325	54,198,128	58,203,991	55,980,978
Other proprietary funds	2,707,183	3,118,887	3,301,665	4,090,063	4,023,841
Total business-type activities expenses	124,028,131	138,627,414	133,733,149	149,278,560	149,085,613
Total primary government expenses	\$ 271,046,648	\$ 292,265,673	\$ 281,341,194	\$ 294,529,427	\$ 308,175,563
Program Revenues					
Governmental activities:					
Charges for services	\$ 27,950,704	\$ 19,337,363	\$ 25,022,210	\$ 27,434,458	\$ 28,956,923
Operating grants and contributions	29,887,552	33,810,077	34,786,028	36,629,191	34,636,280
Capital grants and contributions	41,716,347	20,492,269	13,790,057	3,188,226	2,724,007
Total governmental activities program revenues	99,554,603	73,639,709	73,598,295	67,251,875	66,317,210
Business-type activities:					
Charges for services	107,706,944	109,134,399	110,851,695	119,838,664	121,404,636
Operating grants and contributions	28,924,089	9,542,098	9,980,364	13,454,404	16,154,147
Capital grants and contributions	1,015,699	12,241,899	7,974,031	10,571,163	7,430,645
Total business-type activities program revenues	137,646,732	130,918,396	128,806,090	143,864,231	144,989,428
Total primary government program revenues	\$ 237,201,335	\$ 204,558,105	\$ 202,404,385	\$ 211,116,106	\$ 211,306,638
Net revenue/(expense)					
Governmental activities	\$ (47,463,914)	\$ (79,998,550)	\$ (74,009,750)	\$ (77,998,992)	\$ (92,772,740)
Business-type activities	13,618,601	(7,709,018)	(4,927,059)	(5,414,329)	(4,096,185)
Total primary government net expense	\$ (33,845,313)	\$ (87,707,568)	\$ (78,936,809)	\$ (83,413,321)	\$ (96,868,925)

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

	Fiscal Year Ending June 30				
	2003	2004	2005	2006	2007
(Continued)					
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 13,242,560	\$ 12,612,335	\$ 20,900,386	\$ 20,826,439	\$ 23,812,446
Incremental property taxes	2,489,068	19,428,752	3,581,499	4,466,603	4,302,203
Special assessments	3,548,185	2,877,767	-	-	-
Sales taxes	14,581,035	13,336,714	13,913,459	14,479,613	12,517,648
Utility user taxes	11,697,172	11,707,588	11,882,250	12,711,868	12,746,862
Motor vehicles	6,875,520	5,688,734	12,185,788	8,592,520	9,536,759
Other taxes	10,054,753	14,094,574	5,330,846	5,290,946	7,124,909
Investment earnings	4,822,338	1,927,541	4,008,728	4,985,424	6,686,545
Gain on sale of capital assets	-	250,000	-	-	-
Miscellaneous	6,631,958	2,687,677	1,988,937	403,163	2,433,895
Transfers	(380,487)	(796,567)	1,109,605	190,988	72,871
Total governmental activities	73,562,102	83,815,115	74,901,498	71,947,564	79,234,138
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	4,225,630
Miscellaneous	1,176,453	(674,084)	43,604	37,705	64,536
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)	(72,871)
Total business-type activities	8,661,091	2,439,705	4,481,453	1,396,276	4,217,295
Total primary government	\$ 82,223,193	\$ 86,254,820	\$ 79,382,951	\$ 73,343,840	\$ 83,451,433
Change in Net Assets					
Governmental activities	\$ 26,098,188	\$ 3,816,565	\$ 891,748	\$ (6,051,428)	\$ (13,538,602)
Business-type activities	22,279,692	(5,269,313)	(445,606)	(4,018,053)	121,110
Total primary government	\$ 48,377,880	\$ (1,452,748)	\$ 446,142	\$ (10,069,481)	\$ (13,417,492)

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 263,688	\$ 202,254	\$ 1,036,264	\$ 987,769	\$ 964,936	\$ 3,833,393	\$ 2,692,874	\$ 1,926,691	\$ 2,117,143	\$ 1,774,947
Unreserved	(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	5,246,450
Total General Fund	<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>	<u>\$ 7,021,397</u>
All Other Governmental Funds										
Reserved	\$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	\$ 68,287,067
Unreserved, reported in:										
Special revenue funds	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	11,999,502
Debt service funds	-	-	-	-	(7,536,268)	(3,121,481)	-	(3,531,237)	(3,686,077)	(5,322,945)
Capital projects funds	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	41,485,128
Permanent funds	-	-	-	-	-	-	-	-	115,963	120,291
Total all other governmental funds	<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>	<u>\$116,569,043</u>

CITY OF VALLEJO

Changes in Fund Balances of Governmental Funds

Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30				
	2003	2004	2005	2006	2007
Revenues:					
Taxes	\$ 66,537,857	\$ 69,534,702	\$ 55,161,490	\$ 57,550,479	\$ 59,919,619
Licenses and permits	7,900,520	9,133,758	11,852,968	6,000,434	4,677,963
Fines and forfeitures	1,216,869	1,434,419	1,450,743	3,887,337	1,683,911
Intergovernmental	78,159,185	53,864,845	55,423,739	49,780,261	48,824,041
Investment income	4,663,955	3,902,344	6,419,396	6,702,584	7,789,616
Charges for services	5,159,696	9,485,786	14,692,748	11,326,489	17,925,042
Contributions from property owners	-	6,201,378	-	-	-
Other	9,859,110	5,717,645	2,717,589	4,448,399	4,543,088
Total revenues	173,497,192	159,274,877	147,718,673	139,695,983	145,363,280
Expenditures					
Current:					
Legislative and Advisory	384,957	368,718	311,994	323,174	270,743
Executive	1,292,900	1,316,730	1,413,534	1,374,916	1,425,841
Finance	1,797,388	1,620,253	1,286,935	1,864,644	1,926,168
Human resources	910,174	890,623	973,717	1,282,442	1,319,304
Law	775,735	733,749	628,677	764,614	871,733
Development services	3,463,252	3,224,521	3,078,353	3,650,863	2,786,231
Community Development	21,590,216	21,566,642	52,217,190	39,856,041	46,712,048
Fire services	20,210,256	22,497,654	22,742,661	24,723,674	28,072,502
Police services	30,637,749	32,143,536	32,898,573	36,630,148	40,252,109
Public works	13,466,028	13,001,968	12,204,692	13,793,065	13,486,711
Redevelopment and housing	23,015,880	36,460,200	-	-	-
Nondepartmental	9,803,497	5,531,421	6,120,498	6,826,980	7,284,198
Capital Outlay	13,250,922	11,979,002	5,867,421	5,218,215	18,761,691
Debt service:					
Principal	7,349,406	1,450,153	5,056,682	1,657,337	3,966,314
Interest	6,828,458	4,169,649	2,463,555	2,705,865	2,667,960
Total expenditures	154,776,818	156,954,819	147,264,482	140,671,978	169,803,553
Excess (deficiency) of revenues over (under) expenditures	18,720,374	2,320,058	454,191	(975,995)	(24,440,273)
Other financing sources (uses):					
Gain (loss) on sale of assets	-	1,411,000	-	-	-
Transfers in	5,110,638	27,281,154	17,448,772	11,854,692	10,644,074
Transfers out	(5,451,508)	(28,038,104)	(16,939,167)	(13,467,901)	(10,580,494)
Proceeds from long-term debt issuance	11,497,776	6,743,199	-	-	661,320
Payment to bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	11,156,906	7,397,249	509,605	(1,613,209)	724,900
Net change in fund balances	\$ 29,877,280	\$ 9,717,307	\$ 963,796	\$ (2,589,204)	\$ (23,715,373)
Beginning fund balance	\$ 117,244,058	\$ 147,121,338	\$ 148,931,220	\$ 149,895,016	\$ 147,305,813
Prior period adjustments	-	(7,907,425)	-	-	-
Ending fund balance	\$ 147,121,338	\$ 148,931,220	\$ 149,895,016	\$ 147,305,812	\$ 123,590,440
Debt service as a percentage of noncapital expenditures	11%	4%	6%	3%	5%

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 Four Fiscal Years¹

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%
2007	9,405,082,519	181,006,723	323,460	(416,998,759)	9,169,413,943	319,454,849	76,150,836	151,717	(48,168,099)	347,589,303	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.

¹ The City of Vallejo has elected to show only four years of data for this schedule.

Source: County Assessor's Office

CITY OF VALLEJO
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Six Fiscal Years¹

Fiscal Year Ending June 30	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City Direct Rates:						
City basic rate	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>
Total City Direct Rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Overlapping Rates:						
Acc Capital Outlay	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807
Aviation	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119
BAAQMD	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219
County Free Library	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743
County General	0.31331	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	0.01134
County Support-Board of Education	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334
Development Center	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217
GVRD	0.06490	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	0.01365
Mosquito Abatement	0.00567	0.00567	0.00567	0.00567	0.00567	0.00587
Recreation	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203
SCC Voter Debt	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758
Solano County Water District	0.01527	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	0.24069
VSFCD Operating	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>
Total Prop. 13 Direct Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Sc Fld State Wtr Pj Zone Ben #1	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000
Sec GOB Series 2003-A	0.00000	0.00000	0.01432	0.01532	0.01643	0.01211
Vallejo Usd Bond 97 Measure A	0.02335	0.01603	0.00000	0.00000	0.00000	0.00000
Vallejo Usd Measure A 2002	0.00000	0.06657	0.05221	0.02566	0.02238	0.01852
Vallejo Usd Measure A 2004	0.00000	0.00000	0.00000	0.01620	0.00874	0.01019
Vallejo Usd Measure A 1999	0.03277	0.02313	0.00000	0.00000	0.00000	0.00000
Vallejo Usd Measure A 2000	0.01533	0.01851	0.00000	0.00000	0.00000	0.00000
Vallejo Usd State Repay	0.00022	0.00033	0.00014	0.00007	0.00001	0.00000
Vallejo Usd 2002-A GOB Refunding	0.00000	0.00000	0.05723	0.04535	0.04267	0.03828
Vallejo Usd Measure A - 2006	0.00000	0.00000	0.00000	0.00000	0.00000	0.01643
Sec GOB Series 2006B	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00336</u>
Total Voter Approved Rate	0.09167	0.14457	0.14390	0.12260	0.11023	0.11888
Total Direct Rate	<u>1.09167</u>	<u>1.14457</u>	<u>1.14390</u>	<u>1.12260</u>	<u>1.11023</u>	<u>1.11888</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.

¹ The City of Vallejo has elected to show only six years of data for this schedule.

Source: County Assessor's Office

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

Taxpayer	2007		1998	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Kaiser Foundation Hospitals	\$ 250,558,097	3.03%	\$ -	-
Centro Watt Property Owner II	68,325,981	0.83%	-	-
Sutter Community Hospitals	64,290,971	0.78%	-	-
Park Management Corp.	54,570,033	0.66%	-	-
Vallejo Highlands Associates	30,617,144	0.37%	-	-
Sundance Vallejo	30,374,890	0.37%	-	-
Pan Pacific Retail Properties	27,013,561	0.33%	-	-
Centro Watt Operating Partnership	24,888,000	0.30%	-	-
Ogino LLC	23,154,000	0.28%	-	-
Misawa Homes USA Inc.	18,083,580	0.22%	-	-
Sky Vallejo San Francisco LLP	-	-	60,246,779	1.49%
Northwestern Mutual Life Insurance	-	-	23,144,869	0.57%
Arism/Lacaze Vallejo Plaza Assoc.	-	-	22,991,062	0.57%
Security Capital Pacific Trust	-	-	17,700,000	0.44%
General Mills, Inc.	-	-	16,301,967	0.40%
Meyer Cookware Industries Inc.	-	-	15,426,077	0.38%
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%
Top Ten Totals	\$ 591,876,257	7.16%	\$ 204,491,013	5.05%

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 Six Fiscal Years¹

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.
2007	19,935,587	19,725,185	98.94%	not available	not available	n.a.

NOTE:

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

¹ The City of Vallejo has elected to show only six years of data for this schedule.

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
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
2007	-	11,721,320	26,612,742	1,395,579	39,729,641

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

¹ 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 ¹	Debt Per Capita ¹
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
65,882,818	153,269,877	17,780,129	-	236,932,824	276,662,465	6.61%	2,285

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 ¹	Per Capita ²
	General Obligation Bonds	Tax Allocation Bonds	Total		
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
2007	-	11,721	11,721	0.12%	97

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

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

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

CITY OF VALLEJO
Direct and Overlapping Debt
June 30, 2007

City Assessed Valuation	\$ 9,169,413,943
Redevelopment Agency Incremental Valuation	347,589,303
Total Assessed Valuation	<u>\$ 9,517,003,246</u>

	Percentage Applicable ¹	Total Outstanding Debt 6/30/07	City's Estimated Share of Overlapping Debt 6/30/07
Overlapping Debt Repaid with Property Taxes:			
Solano County Community College District	27.406%	\$ 122,220,090	\$ 33,495,638
Vallejo Unified School District	98.092%	101,125,000	99,195,535
Vallejo Unified School District CFD No. 2	100.000%	25,090,000	25,090,000
City of Vallejo Hiddenbrooke Improvement District No. 1998	100.000%	20,410,000	20,410,000
City of Vallejo 1915 Act Bonds	100.000%	<u>20,615,000</u>	<u>20,615,000</u>
Total overlapping debt repaid with property taxes		<u>289,460,090</u>	<u>198,806,173</u>
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	26.427%	142,410,000	37,634,691
Solano County Pension Obligations	26.427%	132,805,000	35,096,377
Solano County Board of Education Certificates of Participatic	26.427%	3,440,000	909,089
Vallejo Unified School District Certificates of Participation	98.092%	44,295,000	43,449,851
City of Vallejo General Fund Obliations	100.000%	<u>120,915,000</u>	<u>120,915,000</u>
Total Direct and Overlapping General Fund Debt		<u>443,865,000</u>	<u>238,005,008</u>
Total overlapping debt		<u>\$ 443,865,000</u>	238,005,008
City direct debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 436,811,181</u>

Notes:

¹ 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 Four Fiscal Years¹

	Fiscal Year Ending June 30			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed valuation	\$5,662,455,919	\$7,017,115,830	\$7,935,990,160	\$9,169,413,943
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,415,613,980	1,754,278,958	1,983,997,540	2,292,353,486
Debt limit percentage	15%	15%	15%	15%
Debt limit	\$ 212,342,097	\$ 263,141,844	\$ 297,599,631	\$ 343,853,023
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>	<u>\$ 343,853,023</u>
Total debt applicable to the limit as a percentage of debt limit ²	0.0%	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

¹ The City of Vallejo has elected to show only four years of data for this schedule.

² 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
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
2007	35,878,297	22,812,283	13,066,014	295,470	12,770,544	4,869,604	1,123,013	3,746,591	3.41

- 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

Wastewater (a)										
Fiscal Year Ended June 30	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	
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
2007	22,674,374	12,156,158	10,518,216	2,247,115	268,459	2,699,270	904,588	-	6,119,432	1.72

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	
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
2007	56,367,348	49,680,485	6,686,863	1,070,000	4,072,730	5,142,730	1.30

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

Fiscal Year Ended June 30	Tax Increment	Debt Service (a)		Coverage
		Principal	Interest	
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
2007	3,463,653	320,000	827,959	3.02

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)
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%
2007	121,425	4,287,638	35,311	6.5%

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	2007		1998	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente	2,735	4.49%	2,000	3.66%
Six Flags Discovery Kingdom	2,000	3.28%	-	0.00%
Vallejo Unified School District	2,000	3.28%	1,840	3.37%
Kaiser Permanente Call Center	950	1.56%	-	0.00%
Sutter Solano Medical Center	670	1.10%	514	0.94%
City of Vallejo	602	0.99%	-	0.00%
CA Highway Patrol, Regional Off	400	0.66%	-	0.00%
U.S. Forest Service	300	0.49%	-	0.00%
U.S. Postal Service	215	0.35%	260	0.48%
CA Maritime Academy	215	0.35%	-	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
California Employment Development Department

CITY OF VALLEJO
 Full-time and Part-time City Employees
 by Function
 Last Eight Fiscal Years¹

<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>	<u>2007</u>
General government	64	65	59	62	66	62	61	49
Public safety	320	344	350	355	350	320	325	329
Public works	58	60	61	63	67	59	59	63
Mare Island Coop/CFD	-	14	14	4	4	3	2	5
Development Services	20	22	23	26	23	20	21	23
Community Dev	24	23	23	25	26	24	25	22
Solid Waste Disp	-	-	1	1	1	1	1	1
Landscape District	3	4	4	4	3	5	5	6
Risk Management	-	3	3	3	2	3	3	3
Water	91	79	84	82	83	75	77	95
Transportation	4	4	4	4	4	6	6	6
Marina	4	4	4	4	4	4	3	3
Corp Yard	-	23	23	17	17	16	16	11
Total	<u>588</u>	<u>645</u>	<u>653</u>	<u>650</u>	<u>650</u>	<u>598</u>	<u>604</u>	<u>615</u>

¹ The City of Vallejo has elected to show only eight years of data for this schedule.

Source: City of Vallejo Budget

CITY OF VALLEJO
 Operating Indicators
 by Function
 Last Ten Fiscal Years

	Fiscal Year Ending June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Arrests	9,354	5,696	5,250	7,689	7,783	7,618	2,610	5,250	7,658	8,682
Parking citations issued ⁴	-	-	-	-	4,127	16,054	16,971	15,097	14,108	13,200
Fire:										
Number of emergency calls	9,261	9,638	9,553	10,232	10,257	10,313	10,363	10,547	11,030	11,194
Inspections (Fire Prevention)	-	-	-	-	1,344	1,547	2,071	1,079	967	1,371
Inspections (Code Enforcement)	7,228	6,211	5,805	6,791	5,601	6,187	4,148	3,240	4,305	4,247
Public works:										
Street resurfacing (miles)	4.33	4.61	3.82	13.33	1.93	3.69	1.82	2.95	27.70	2.20
Water:										
New connections	243	627	610	464	541	397	436	559	314	139
Average daily consumption (thousands of gallons)	18,243	18,181	22,780	22,130	21,050	21,500	22,350	20,620	21,030	21,208
Development Services:										
Building permits	2,499	2,747	3,274	3,634	3,381	3,772	3,702	3,473	3,357	3,427
Housing Rental units ¹	-	-	-	-	-	2,266	2,266	2,266	2,266	2,266
Housing Vouchers ²	-	-	-	-	-	2,171	2,246	2,210	2,105	2,041
Golf course:										
Golf rounds played ³	154,728	164,918	154,886	152,731	150,904	146,415	130,651	114,353	96,750	112,296

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

² Amounts listed represent actual vouchers issued. Amounts unavailable from 1997 to 2002.

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

⁴ 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Stations	4	4	4	4	4	4	4	4	4	4
Fire:										
Fire stations	6	7	7	8	8	8	8	8	8	8
Public works:										
Streets (miles)	297	306	306	315	315	315	315	315	350	351
Traffic signals	122	122	124	131	131	131	131	134	134	151
Water:										
Water mains (miles)	390	390	605	600	600	600	600	605	622	623
Maximum daily capacity (thousands of gallons) ¹	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

¹ Represents combined capacity for Fleming Hill WTP, Travis WTP and Green Valley WTP.

Source: City of Vallejo

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