



CITY OF VALLEJO CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

CITY OF VALLEJO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

PREPARED BY THE
FINANCE DEPARTMENT

This Page Left Intentionally Blank

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2010

Table of Contents

INTRODUCTORY SECTION

Table of Contents i
Transmittal Letterv
Public Officials..... xi
Organization Chart xii

FINANCIAL SECTION

Independent Auditor's Report 1
Management's Discussion and Analysis 3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets..... 16
Statement of Activities..... 17

Governmental Fund Financial Statements:

Fund Financial Statements:

Balance Sheet 20
Reconciliation of Governmental Fund Balances with Governmental Net Assets..... 21
Statement of Revenues, Expenditures, and Changes in Fund Balances 22
Reconciliation of the Net Change in Governmental Fund Balances with the
Change in Government Net Assets..... 23

Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual:

General Fund 24

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2010

Table of Contents

FINANCIAL SECTION (Continued)

Housing Authority Fund	25
Proprietary Funds:	
Statement of Net Assets	28
Statement of Revenue, Expenses and Changes in Fund Net Assets.....	30
Statement of Cash Flows	32
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	36
Notes to Financial Statements.....	37
Required Supplementary Information.....	90
Supplemental Information:	
<i>Non-major Governmental Funds:</i>	
Combining Balance Sheets	96
Combining Statements of Revenues, Expenditures and Changes in Fund Balances	104
Combining Schedule of Revenues, Expenditures and Change in Fund Balance-Budget and Actual	112
Internal Service Funds	
Combining Statement of Net Assets.....	124
Combining Statements of Revenues, Expenses and Changes in Fund Net Assets	125
Combining Statements of Cash Flows	126
Fiduciary Funds	
Statement of Changes in Assets and Liabilities	128

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2010

Table of Contents

STATISTICAL SECTION

Net Assets by Component.....	133
Changes in Net Assets	134
Fund Balances of Governmental Funds.....	136
Changes in Fund Balances of Governmental Funds	137
Assessed Value and Estimated Actual Value of Taxable Property	138
Direct and Overlapping Property Taxes Rates	139
Principal Property Tax Payers.....	140
Property Tax Levies and Collections.....	141
Ratios of Outstanding Debt by Type	142
Ratio of General Bonded Debt Outstanding.....	144
Direct and Overlapping Debt	145
Legal Debt Margin Information.....	146
Pledged Revenue Coverage.....	147
Demographic and Economic Statistics	150
Principal Employers	151
Full-time and Part-time City Employees by Function.....	152
Operating Indicators by Function	153
Capital Asset Statistics by Function	154

This Page Left Intentionally Blank



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

April 8, 2011

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 2010 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, 2010, 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 funds 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, 2010, 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 121,435 Vallejo is the largest City in Solano County and the 48th largest City in population among California's 480 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 June 2010. 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 Council members 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 ferryboat system, street maintenance and other public works infrastructure functions, housing assistance, golf courses, planning, building inspection, public marina, and general administration. The separate 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:

- Housing Authority of the City of Vallejo (the Housing Authority)
- Parking Authority of the City of Vallejo (the Parking Authority)
- Public Financing Authority of the City of Vallejo (the Financing Authority)
- Redevelopment Agency of the City of Vallejo (the Agency)
- Vallejo Sanitation and Flood Control District (VSFCD)
- Vallejo Sanitation and Flood Control District Financing Corporation

BANKRUPTCY

Chapter 9 Filing - Without reserves, facing a worsening economy, burdened by labor contracts locked in through 2010, and with limited opportunities to raise taxes due to State constitutional restrictions, in early May of 2008, the City determined that it was no longer able to meet its contractual obligations. Absent appropriations from a balanced budget required by both City charter and State constitution, the General Fund would have lacked the legal authority to continue paying for services after July 1, 2008. On May 23, 2008, the City filed a case under chapter 9 of the United States Bankruptcy Code in Sacramento seeking to adjust its debts.

The City of Vallejo filed its Plan for the Adjustment of Debts of the City of Vallejo, California, dated January 18, 2011 ("Plan") and its Disclosure Statement with Respect to the Plan for the Adjustment of Debts of the City of Vallejo, California, dated January 18, 2011 with the court. As it nears the final phase of the bankruptcy process, the City's proposed Plan is subject to challenge by creditors or to modification made as the result of issues that may be raised by the Bankruptcy Court.

The chapter 9 filing has enabled the City to continue to operate and provide services to its residents by freezing certain pre-filing debts until a plan of adjustment can be negotiated and approved. During the pendency of the case, the City has remained focused on negotiating settlements to meet its objective of long-term fiscal stability and continues to anticipate emergence from the case as an ongoing provider of municipal services. Additional information about the City's bankruptcy is provided in Note 2 of the accompanying financial statements.

ECONOMIC CONDITION AND OUTLOOK

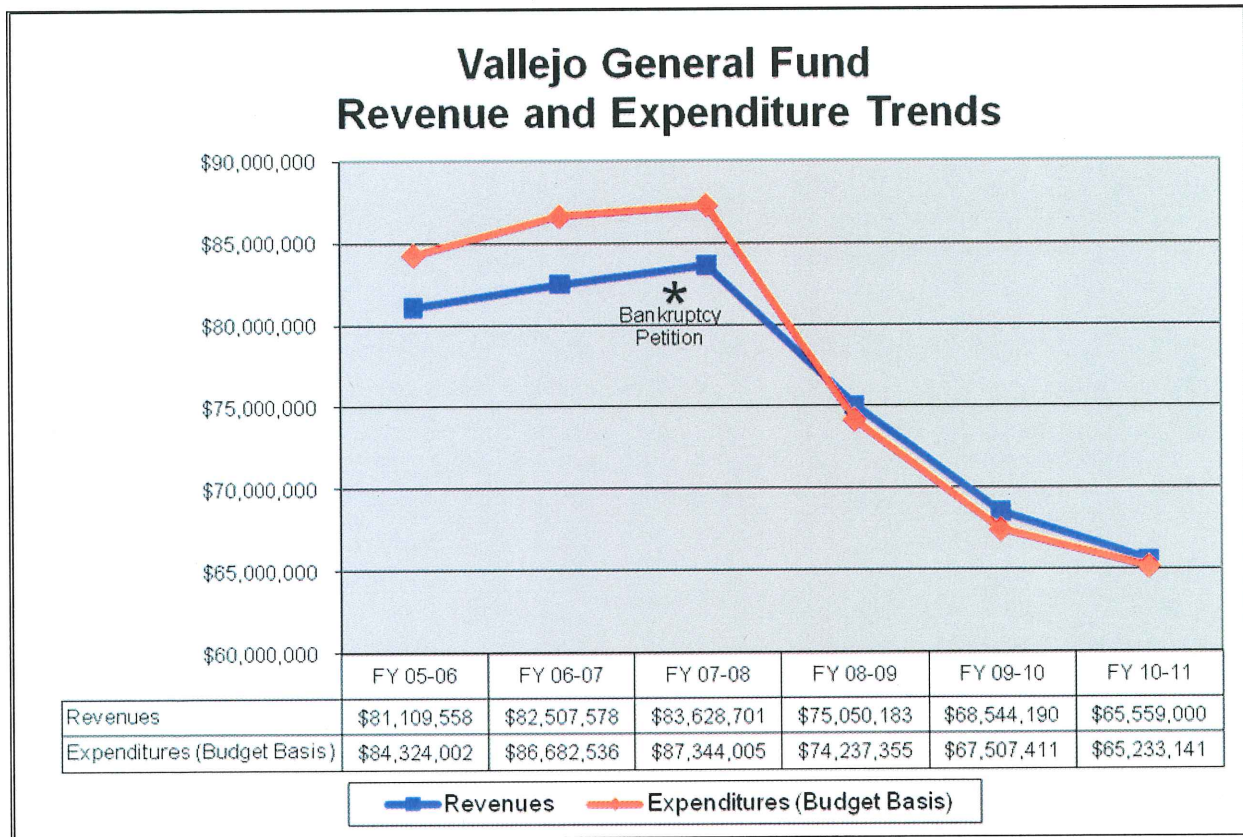
Revenue Declines – Fiscal year 2009-2010 continued to be a period of addressing local economic challenges due to the severity of the national economic recession. Although the national recession has technically ended, there is still considerable uncertainty as to the rate and degree of recovery. The City continues to face unprecedented financial challenges due to the loss of revenues resulting from declining real estate values, record foreclosure rates, and low new housing construction starts. The City continues

to have problems with mortgage defaults, foreclosures, and underwater mortgages, which will continue to destabilize the local housing market into the foreseeable future.

These declines, combined with significant challenges faced by consumers, have put a strain on nearly all of the City's revenue sources. This has resulted in the continued and painful downward spiral in the City's property and sales tax base and corresponding General Fund unrestricted revenues. The City's insolvency at June 30, 2008 followed a record high year of \$84 million in General Fund revenues when spending still outpaced revenues by over \$3 million. Since then, General Fund revenues have eroded from \$84 million to \$68.5 million in fiscal year 2009-10, for a cumulative decline of approximately \$15.5 million or 18% in two years.

On a more positive note, the City is projecting flat revenues for FY 2011-12 and for modest overall growth in its General Fund revenues starting in FY 2012-13.

The following chart tracks this revenue spiral:



Recent economic news indicates that the economic recovery underway in the San Francisco Bay Area has not reached Solano County. Median home prices in the City have dropped in 2010 compared to 2009. While most economists believe that values have reached bottom and will begin to increase, the rate of growth is expected to be more measured than in recent years. Various data sources estimate the drop in median prices from high to low has been as large as 71%. As the City continues to work through the effects of the national recession, low prices will result in slower growth rates in both property tax and property transfer tax revenues.

Much like the rest of the nation, Vallejo has been hit hard by the economic recession and resulting decline in consumer confidence. By June 2010, the unemployment rate in Vallejo rose to 14.9%.

The rise in unemployment, declining real estate values, reduced property, sales and utility users' tax revenues, and restricted availability of credit has placed fiscal constraints on the City that are expected to last several years.

PERS Pension Rates - One significant development identified through our long-term planning process is the substantial increase in the City's contribution rates for employee pensions through the California Public Employees' Retirement System (PERS). Because of changes to actuarial demographics assumptions and large investment losses taken by PERS during fiscal year 2009, employer contribution rates are projected to rise dramatically beginning in fiscal year 2012. To mitigate the impact on contracting agencies, PERS has proposed to modify its smoothing methodology so that the significant losses from 2009 are added to employer retirement contribution rates over three years (fiscal year 2012 through fiscal year 2014) rather than incorporating the entire impact in fiscal year 2012. In the short term, this will have a positive cash flow impact for the City. However, over the long term there will be a negative fiscal impact since delaying increases in contribution rates only means that more money will have to be collected in the future. Furthermore, the City believes that PERS' latest proposal may result in negative amortization of its unfunded liability.

For FY 2011-12 compared to FY 2010-11, the total City-paid contribution rate for police and fire safety employees will increase by approximately 21% and the rate for all other employees will increase by 24%. This will result in projected City-paid contribution rates for safety employees and other employees of 37.6% and 22.9% respectively. As a result, the City is working on alternatives to ensure that enough is paid annually to meet our obligations and to amortize the City's unfunded liability over an appropriate timeframe. This required the City to work with PERS and our consulting actuary to develop alternate rates to those initially provided by PERS and to incorporate these rates into the City's balanced 5-Year Business Plan as adopted by the City Council in November 2010.

City Infrastructure - Another challenge the City faces is the maintenance of the City's infrastructure. By far the largest of the unfunded projects are those that involve aging City buildings, streets and roads. The City's estimated annual cost of maintenance and repair is \$8 million, but the City only has resources to fund 10% to 30% of this requirement annually. A strategic decision to determine the annual funding level has been made in the Bankruptcy Plan of Adjustment.

State Budget - The State of California's budget deficit also presents challenges for the City. The fiscal year 2009-10 State budget included two especially significant revenue provisions affecting the City, a \$1.9 billion borrowing of property tax funds from local governments under the provisions of Proposition 1A and a \$1.7 billion seizure of local redevelopment funds. The City's share of the property tax borrowing, which would have resulted in reduced fiscal year 2009-10 General Fund revenues, was \$2.4 million. However, through participation in the State-sponsored securitization of the City's Proposition 1A receivable, the City sold its receivable from the State and will receive an equivalent amount of borrowed property taxes with no net loss or cost to the City. The California Department of Finance estimates the share of the diversion assessed against the City's Redevelopment Agency to be \$1.2 million for FY 2009-10.

The State's FY 2011-12 budget is also one of the major uncertainties and looming issues facing local governments. The State's current financial crisis has contributed to a projected \$24.5 billion State budget deficit. Historically, the State has relied on local revenues to help balance its budget.

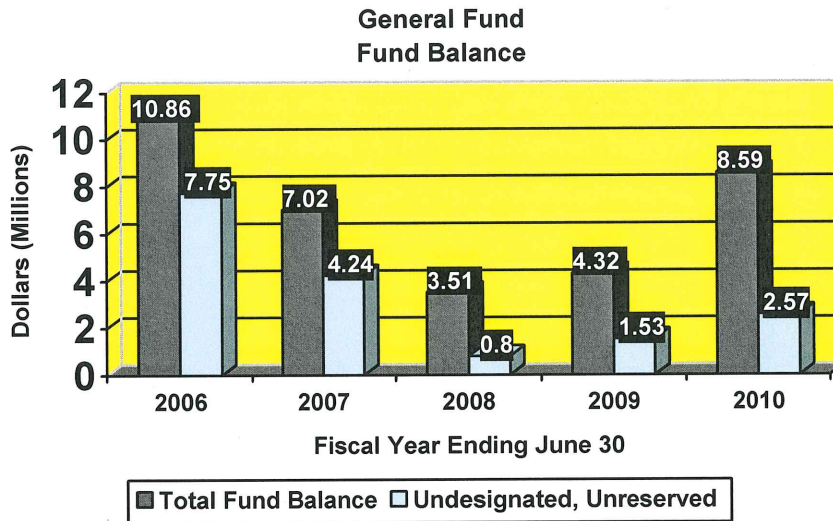
Future State budgets will likely continue to be affected by national and state economic conditions, as well as other factors over which the City will have no control. To the extent that the State's annual budget process results in reduced revenues or increased expenses to cities, Vallejo will be required to make additional adjustments to its budget.

In November 2010, voters approved Proposition 22, the Local Taxpayer, Public Safety and Transportation Protection Act of 2010. The measure prevents the state from borrowing, raiding or otherwise redirecting local government (local taxes, property taxes, redevelopment), transportation (Highway User Tax Allocation and Proposition 42 funds) and public transit funds. Proposition 26 was also approved by the voters and places restrictions on the State and local governments by expanding the definition of tax and raising the approval requirements, in some cases, to two-thirds of local voters. Another important measure approved by voters in November 2010 was Proposition 25, which allows lawmakers in Sacramento to pass a yearly budget with a simple majority vote instead of the two-thirds vote requirement.

The national, state and local economies all continue to be fragile despite months of recovery. This further compounds the difficulties arising from the City's insolvency. The housing market's severe downturn and resulting "credit crunch" have resulted in unprecedented foreclosure activity and is severely hampering

economic growth. Accordingly, the City must adapt its services and cost of services to fit into a new and smaller budget model. Even the prospect of a new voter-approved tax measure, such as a 1% sales tax, would restore less than 60% of the recent two-year \$15.5 million revenue loss.

Current Financial Condition - The graph below illustrates the City's current financial condition and its recent financial challenges. It presents the changes in fund balance for the General Fund for the fiscal year ending June 30, 2010, as compared with the four prior years. Note that June 30, 2010 balances were only achieved through unilateral imposition of salary, benefit, and debt service payment reductions to the City's employees and bankers. These reductions have created bankruptcy claims to be negotiated and confirmed through a Plan of Adjustment. The City is also committed to the implementation of new fiscal policies that will stabilize its fiscal situation and restore financial vitality.



MAJOR INITIATIVES

Each year provides the City a new opportunity to identify, address and resolve issues facing the community and its citizens. The City's major challenge is to finance the services needed to maintain the quality of life that has attracted considerable growth to the Vallejo community.

Bankruptcy Workout Plan – The City filed its Plan for the Adjustment of Debts of the City of Vallejo, California, dated January 18, 2011 (“Plan”) and its Disclosure Statement with Respect to the Plan for the Adjustment of Debts of the City of Vallejo, California, dated January 18, 2011 with the court. This is the City's next step in the City's “path forward” to emerge from bankruptcy. The Plan of Adjustment proposes the adjustment of specific debt and creditor claims. Creditor negotiations continue within the context of the resources in the 5-Year Business Plan adopted by the City Council on November 30, 2010.

The City continues to work on a long-term financial plan to finance City services and to adjust the cost and level of those services to fit with available resources. Efforts have included exploration of possible tax measures for voter consideration to preserve or expand the greatly diminished services now provided through a workforce that has been reduced by one third over the past five years. By demonstrating a path to fiscal sustainability, the City looks forward to concluding negotiation with its creditors and confirmation of a Plan of Adjustment to emerge from bankruptcy.

Development Initiatives - The City is positioning itself so that despite all the immediate economic challenges, new investments and development have an opportunity to take place. Several 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 terminated. These projects, when eventually complete, will inject thousands of residents into the middle of the downtown/waterfront area and promise a revival of the City's core. Their delay will accentuate the economic difficulties the City is facing for the next several years.

Mare Island - Since its closure in 1996, Mare Island has been a primary catalyst for the City's economic and fiscal health. Working in partnership with the master developer, Lennar Mare Island, the City continues to work to attract new jobs and new revenue to sustain Mare Island and ultimately, enhance the City's economic well-being.

The City continues to seek new development opportunities for north Mare Island. These well-situated 190 acres should generate significant new employment and property tax revenue once developed to its full potential. In December 2010, the City entered into an Exclusive Right to Negotiate Agreement with Mare Island Studios. Under the agreement, Mare Island Studios will prepare a development plan for a motion picture and media production campus on 157 acres of north Mare Island. While the proposed density and types of uses will be finalized by Mare Island Studios, it is possible that the development plan will require an amendment to the Mare Island Specific Plan.

Redevelopment in Downtown and Waterfront Areas - The Redevelopment Agency continues to work closely with downtown property and business owners to take advantage of new opportunities. Efforts include making use of new funding sources, such as the federal stimulus dollars, to improve the downtown streetscape.

The planned Vallejo Station project, which will benefit downtown and the waterfront, was launched in the summer of 2009 with the groundbreaking for a Bus Transit Center, followed by the demolition of a former café site for construction of Phase A of a parking structure. This is a significant transit-related parking project that will provide over 740 parking spaces for ferry riders and visitors to the downtown. This project will free-up 8 acres of waterfront land currently used for vehicle surface parking for further development. Construction of Phase A of the parking structure has begun and is scheduled to be completed in June 2012.

Work on the southern waterfront has been accelerated to facilitate planned development of light industrial uses. The Waterfront master developer, Callahan/DeSilva, continues a close collaboration with the Agency on pre-development activities that will result in significant new development, generating new revenue and jobs for Vallejo.

ACKNOWLEDGEMENTS

The preparation and publication of this Comprehensive Annual Financial Report 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 Elena Adair, Acting Assistant Finance Director; Florita Cruz, Acting Accounting Manager; Jon R. Oiler, Auditor Controller, and the Finance Department staff 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 continued support in leading the City towards the goal of regaining long-term fiscal stability.

Respectively submitted,



David N. Millican
Interim Finance Director

CITY OF VALLEJO

Public Officials

City Council

As of June 30, 2010

Term Expires

Osby Davis, Mayor	December 2011
Stephanie Gomes, Vice Mayor	December 2013
Marti Brown, Councilmember	December 2013
Hermie Sunga, Councilmember	December 2013
Erin Hannigan, Councilmember	December 2011
Joanne Schivley, Councilmember	December 2011
Michael Wilson, Councilmember	December 2011

Interim City Manager

Robert F.D. Adams

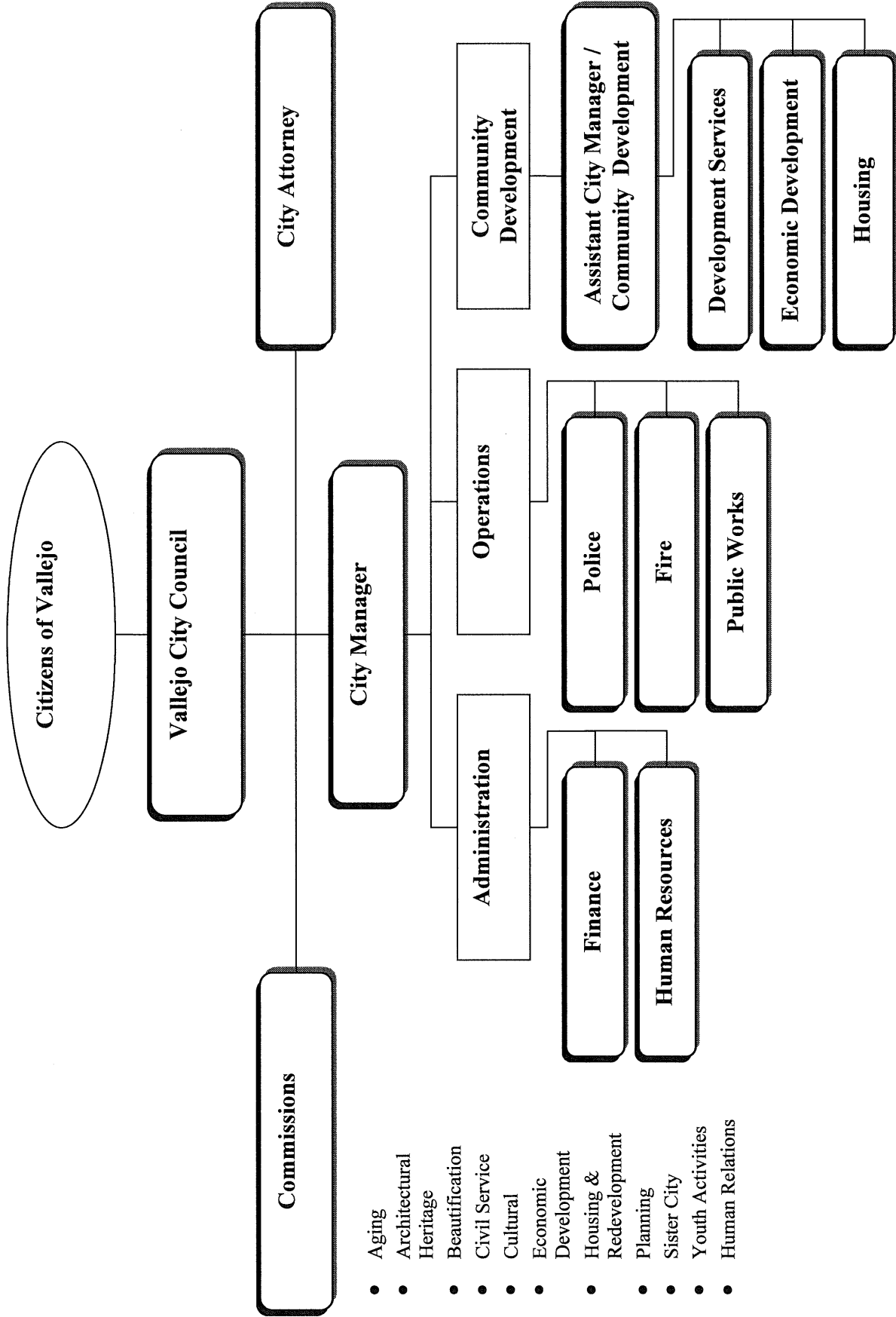
City Attorney

Frederick G. Soley

Executive Management Team

Craig Whittom, Assistant City Manager/Community Development Director
Robert V. Stout, Finance Director
Debra Boutte, Human Resources Director
Robert Nichelini, Police Chief
Douglas T. Robertson, Interim Fire Chief
Gary Leach, Public Works Director

City of Vallejo Organization Chart



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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 58% of assets, 33% of revenues, 42% of liabilities, and 31% 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.

As discussed in Note 2, management has recorded compensation and benefit costs based on compensation rates paid to employees which include departures from contract rates that were unilaterally imposed by the City for one of the City's bargaining groups. In addition, interest on long term debt has been paid at less than the default rate as required by the underlying indentures. Generally accepted accounting principles require that such amounts be recorded based on contractually required rates during the pendency plan stage of Bankruptcy without regard to considerations of eventual outcomes as may be determined by the final Plan of Adjustment.

In our opinion, except for the effects of such adjustments, if any, needed to record compensation and benefit costs and interest on long term debt at contractually required amounts, 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 as of June 30, 2010, 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 2 to the financial statements, on May 23, 2008, the City filed a case seeking bankruptcy protection and the adjustment of its liabilities under chapter 9 of the United States Bankruptcy Code. This condition raises substantial doubt about the City's ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. 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 report dated December 22, 2010 on our consideration of the City of Vallejo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 the information and 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. 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.



December 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2010

INTRODUCTION

This narrative is presented to provide readers of the City of Vallejo's Basic Financial Statements with an overview and analysis of the financial activities of the City for the year ended June 30, 2010. 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

Chapter 9 Filing - Without reserves, facing a worsening economy, burdened by labor contracts locked in through 2010, and with limited opportunities to raise taxes due to State constitutional restrictions, in early May of 2008, the City determined that it was no longer able to meet its contractual obligations. Absent appropriations from a balanced budget required by both the City charter and the State constitution, the General Fund would have lacked the legal authority to continue paying for services after July 1, 2008. On May 23, 2008, the City filed a case under chapter 9 of the United States Bankruptcy Code in Sacramento seeking to adjust its debts. Additional information about the City's bankruptcy is provided in Note 2 of the accompanying financial statements and in the General Fund analysis provided in the discussion of Major Funds below.

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 and expenses of City programs. Information is presented both in total and separately for governmental activities, which are generally supported by taxes and grants, 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, rather than expenses, 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, 2010 and 2009, 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	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$126.9	\$131.8	\$100.7	\$101.1	\$227.6	\$232.9
Capital assets	302.3	295.0	361.7	374.4	664.0	669.4
Total assets	429.2	426.8	462.4	475.5	891.6	902.3
Liabilities						
Current and other liabilities	25.0	32.0	24.9	23.3	49.9	55.3
Long-term liabilities	67.5	70.2	162.1	169.4	229.6	239.6
Total liabilities	92.5	102.2	187.0	192.7	279.5	294.9
Net assets						
Invested in capital assets, net of related debt	273.4	266.2	198.0	203.3	471.4	469.5
Restricted	81.3	85.2	43.8	41.5	125.1	126.7
Unrestricted	(18.0)	(26.8)	33.6	38.0	15.6	11.2
Total net assets	\$336.7	\$324.6	\$275.4	\$282.8	\$612.1	\$607.4

Total City current assets of \$227.6 million are offset by \$49.9 million of current liabilities and the investment in capital assets consists of assets totaling \$664.0 million reduced by related liabilities of \$203.2 million net of unspent bond proceeds of \$10.6 million for a net asset position of \$612.1 million at June 30, 2010.

- Government-wide capital assets declined by \$5.4 million during the year primarily due to \$20.5 million in business-type assets depreciation exceeding the \$8.2 million reinvestment in capital infrastructure. The completion of a new water treatment plant in fiscal year 2009-2010 significantly reduced investments in business type capital assets compared to prior years.

- Construction in progress for Governmental Activities included \$15.5 million for major grant funded transportation infrastructure projects including passenger terminals, parking structures and maintenance facilities this year. Assets other than the parking structure will be transferred to other agencies in Fiscal 2011-2012 as the City's bus transit program joins a new joint powers authority and City's ferry operations are taken over by the Water Emergency Transportation Authority pursuant to state legislation. These projects are the primary elements of the \$7.3 million increase in Governmental-type capital assets. Depreciation exceeded new capital investment in other Governmental Activities
- Total liabilities have decreased by \$15.4 million. The reduction is mainly due to one-time current liability catch up accrual in FY 08-09 of \$6 million in the Mare Island Conversion Fund that was liquidated during fiscal 2009-2010. Long-term liabilities have also decreased by \$10 million primarily through scheduled bond principal payments.
- Unrestricted net assets increased by \$4.4 million to \$15.6 million (1.7% of total assets). Total net assets increased by \$4.7 million.
- Governmental unrestricted net assets show negative balances primarily because of unfunded accrued actuarially recommended contributions (ARC) for retiree medical benefits and compensated absences for current city employees.

Government-wide Activities

The table below is a summary of the City's government-wide activities for the years ended June 30, 2010 and 2009, as measured on the accrual basis of accounting (in thousands).

(THE TABLE IS ON THE FOLLOWING PAGE)

(In Thousands)	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$16,038	\$18,552	\$67,663	\$68,631	\$83,701	\$87,183
Operating grants and contributions	33,499	20,365	13,953	13,279	47,452	33,644
Capital grants and contributions	14,605	6,359	4,750	6,467	19,355	12,826
General revenues						
Property, sales and other taxes	46,198	52,992			46,198	52,992
User utility	12,916	13,057			12,916	13,057
Other	8,294	11,887	3,045	(2,686)	11,339	9,201
Total revenues	<u>131,550</u>	<u>123,212</u>	<u>89,411</u>	<u>85,691</u>	<u>220,961</u>	<u>208,903</u>
Expenses						
Governmental activities						
Legislative and advisory	126	230			126	230
Executive	922	515			922	515
Finance	1,631	1,843			1,631	1,843
Human resources	499	501			499	501
Law	761	907			761	907
Development services	1,987	2,612			1,987	2,612
Community development	39,370	38,289			39,370	38,289
Fire services	15,797	24,629			15,797	24,629
Police services	29,587	37,381			29,587	37,381
Public works	19,014	22,384			19,014	22,384
Nondepartmental	9,252	11,427			9,252	11,427
Interest on long-term debt	2,764	2,506			2,764	2,506
Business-type activities						
Water			34,493	33,749	34,493	33,749
Local transportation			27,092	28,008	27,092	28,008
Waterstone development						
Sanitation and flood control			29,261	28,865	29,261	28,865
Marine World JPA						
Marina			2,868	3,144	2,868	3,144
Golf			925	1,003	925	1,003
Total expenses	<u>121,710</u>	<u>143,224</u>	<u>94,639</u>	<u>94,769</u>	<u>216,349</u>	<u>237,993</u>
Excess before transfers	<u>9,840</u>	<u>(20,012)</u>	<u>(5,228)</u>	<u>(9,078)</u>	<u>4,612</u>	<u>(29,090)</u>
Transfers	<u>2,270</u>	<u>(621)</u>	<u>(2,270)</u>	<u>621</u>		
Change in net assets	<u>\$12,110</u>	<u>(\$20,633)</u>	<u>(\$7,498)</u>	<u>(\$8,457)</u>	<u>\$4,612</u>	<u>(\$29,090)</u>

- Fiscal 2009-2010 Business-type activity financial results were generally consistent with those of the prior year because revenue sources and operations are stable. Costs for transportation activities are paid to private contractors and sanitation and flood control activities are performed by a separate district presented as a component unit. The golf courses and marina have periodically required support from the General Fund when revenues are weak.
- Governmental activities showed dramatic changes in Fiscal 2009-2010 as the weak economy resulted in reduced charges for services and lower tax revenues. Operating grants show growth only because revenues in Fiscal 2008-2009 were reduced when federal housing funds were reduced to bring cash balances in line with cash flow requirements. Those reductions ended in Fiscal 2009-2010.

- In response to falling revenues and as a result of Bankruptcy Court decisions allowing the City to reject its collective bargaining agreements, major changes in operations were implemented. The City further reduced its police and fire department staffing levels and implemented decreases in pay and benefits on a broad basis. Spending on public safety dropped by \$16.6 million, equal to 26.8% of the prior year's spending.
- Decreases in Business-type Activities net assets in Fiscal 2008-2009 and Fiscal 2009-2010 result primarily from depreciation charges that are not funded through grant revenues or rates.
- Because Community Development spending mostly reflects the activities of the Vallejo Housing Authority and the Vallejo Redevelopment Agency, it was not affected as much as the activities supported by general taxes.

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.

Governmental Activities	Expenses	Program Revenues	Net Revenue (Expense) of Activities
General government	(\$15,955,238)		(\$15,955,238)
Fire services	(15,796,657)	\$2,240,052	(13,556,605)
Police services	(29,586,690)	4,457,112	(25,129,578)
Public works	(19,014,211)	23,871,671	4,857,460
Community and development services	(41,356,863)	33,572,500	(7,784,363)
	<u>(\$121,709,659)</u>	<u>\$64,141,335</u>	<u>(\$57,568,324)</u>

Net of program revenues, Police and Fire remain the largest municipal programs within both the General Fund and City-wide Governmental Activities despite the large spending reductions in each program during the year. Grant revenue totaling \$48.1 million makes up 75% of Program Revenues.

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.

(THE TABLE IS ON THE FOLLOWING PAGE)

Business-type Activities	Expenses	Program Revenues	Net Revenue (Expense) of Activities
Water utility	(\$34,493,370)	\$32,111,604	(\$2,381,766)
Local transportation	(27,091,545)	25,759,477	(1,332,068)
Sanitation and flood control	(29,261,276)	26,591,276	(2,670,000)
Marina	(2,867,840)	1,618,878	(1,248,962)
Golf	(925,339)	284,829	(640,510)
	<u>(\$94,639,370)</u>	<u>\$86,366,064</u>	<u>(\$8,273,306)</u>

In total, the fee and grant sources of cash for these business-type operations are generally covering the cash used for operations, after allowing for year-to-year fluctuations in the timing of capital contributions and related improvement projects. Exceptions are the Marina and Golf Enterprise Funds that rely on annual cash transfers from the State Lands Commission revenues, General Fund net assets or Golf Enterprise net assets to sustain its operations and debt service.

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.

General Fund

Services and Operating Deficits

The City's General Fund provides police, fire, development, public works, and administrative services to the City's 121,435 residents, other funds, businesses and visitors. The 2009-2010 fiscal year \$65.1 million expenditure budget provided for the services of 341 full time employees. This represents a 31% drop in General Fund employees from the high point in Fiscal 2003-2004. Labor costs comprise approximately 79% of General Fund expenditures prior to inter-fund cost allocations. The General Fund is distinct from other funds because it is the only source of unrestricted funds that can be allocated, at the discretion of the City Council, for any municipal purpose.

Bankruptcy

The General Fund operated at annual deficits during the three years leading to its declaration of Bankruptcy in May 2008. Unreserved, undesignated fund balances dropped from \$9.9 million at June 30, 2005 to \$0.8 million at June 30, 2008.

Facing depleted reserves, no viable General Fund budget was identified for the fiscal year beginning July 1, 2008 within the bounds of the City's existing labor contracts, and no contract modifications were negotiated despite efforts by all parties, which included mediation. Absent labor concessions, and without appropriations from a charter-required balanced budget, the General Fund did not have the legal

authority to continue and pay for services after July 1, 2008. For these reasons, the City filed a petition for bankruptcy in May 2008.

Labor Contracts

The City workforce is organized through four employee associations and unrepresented employees. As of July 1, 2008, labor agreements were in place through June 30, 2010. The City's bankruptcy filing was necessitated, in part, because of the impact of the cost of living increases included in its negotiated labor agreements.

The bankruptcy allowed the City to reorganize its contractual obligations and compensation programs for contracts with terms extending to end of Fiscal 2009-2010. Labor agreements with some of the City's four bargaining units included formula driven wage increases even if agreements were not reached through the collective bargaining process. The contracts also defined minimum staffing levels for public safety employees. These minimum staffing provisions reduced the City's flexibility to balance its budget by reducing expenditures to match revenues.

Labor agreements provided for medical benefits for active employees and retirees, including, after a five year vesting period with CalPERS, a choice of plans covering family benefits available to an employee who retired from the City from their hire date until the death of the employee or their spouse. Labor contract provisions were also subject to binding interest arbitration processes that had been added to the City Charter by voter initiative. In 2007, months before bankruptcy was declared, the City lost an arbitration case where it had challenged the legality of minimum staffing requirements because those provisions prevented the City Council from adopting the balanced budget required by the City's Charter and the State Constitution.

The City was successful in defending a number of challenges in its bankruptcy filing. The Bankruptcy Court overruled an objection by the creditors agreeing that the City's situation qualified it to file a bankruptcy petition. The Court also agreed that the City could reject its labor contracts in bankruptcy and approved a pendency plan that allowed the City to reduce payments under its labor contracts and debt obligations. In addition, in November 2009, the voters of the City of Vallejo amended the City Charter to remove the requirement that binding arbitration would be used to decide disputes related to collective bargaining agreements.

As these events unfolded, two labor units agreed in 2009 to revise their contracts and settle their claims in bankruptcy through the collective bargaining process. Two other labor units renegotiated contracts in the spring and fall of 2010. The provisions of the new agreements significantly reduced the City's compensation and benefit costs for current employees. The 2010 agreements also reduced costs for future employees' pensions and other post-employment benefits (OPEB) provided to employees.

As investment losses mounted in the California Public Employees Retirement System's (CalPERS) portfolio, City management recognized that the City would face rising rates for its pension obligations. The national and local economic conditions leading to those losses also led to dramatic drops in the City's revenues. Between Fiscal 2007-2008 and Fiscal 2009-2010, General Fund revenues dropped 18%. As a result, and because its reserves were depleted, the City Council had to act immediately to reduce costs. Police staffing was reduced by 47% and 42% reductions in Fire staffing resulted in closure of three fire stations.

Debt Obligations

When the City filed its bankruptcy petition it had \$53.5 million outstanding in variable rate debt guaranteed by the General Fund. News of the City's financial difficulties caused investors to return debt to the City's remarketing agent and letter of credit bank, Union Bank. Once those bonds were returned they became bank bonds with higher interest rates and short maturities. This was another factor that necessitated the City's bankruptcy filing. The City's 1999 bonds were insured and the bondholders of those bonds continued to receive scheduled payments. However the bond insurer has filed claims in bankruptcy for amounts owed under the bond insurance agreements.

The General Fund continued monthly debt service payments after filing its bankruptcy petition, although at reduced interest rates, through April 2009. During the period from May to July 2009, facing further revenue shortfalls, the City suspended all General Fund principal and interest payments to conserve cash. Principal and interest payments resumed on August 1, 2009, at a 2% interest rate and continued until June 30, 2010. Effective July 1, 2010, the City suspended principal payments and interest payments on General Fund's share of the debt. The City continued to make interest and principal payments on the proportional share of lease certificate of participation debt issued for improvements on behalf of other funds from the resources of those funds.

As the bankruptcy process has progressed, the City has been in active negotiations with the bond insurer and letter of credit bank with respect to its variable rate demand lease certificates of participation. No agreements were completed before June 30, 2010. During the year, the City made no payments on the General Fund portion of these obligations as noted above.

California Revenue Environment

State Control - The California Constitution limits local control over tax and fee revenue sources. Article 13 of the California state constitution sets property tax rates and caps on the annual growth of property valuations and the California State Code controls the distribution of property tax among local jurisdictions. Sales and use tax rates are controlled by the state Bradley-Burns act, with the exception that the local voters can vote to increase rates for specific purposes or general programs.

Fees, assessments, and any new or increased taxes are subject to the constraints of amendments to Article 13 contained in Proposition 218. Fees can only be assessed and used to recover the actual cost of service and assessments and taxes require property owner and/or voter approval.

The state has taken or borrowed local revenues to solve its own budget problems. It has reduced the level of property taxes allocated, has swapped those revenues for sales tax revenues needed to secure financing for its own deficits and, despite limits placed on its actions by recent constitutional amendments, has the power to borrow local revenue when it declares a fiscal emergency. The overall environment creates uncertainty and limits options to use tax or fee increases to protect services during economic declines.

Declining Economy – The housing crisis contributed to a dramatic decline in the median sales prices of about 70% from early 2006 to 2010 according to CNNMoney.com. This reduces assessed valuation and the property tax available to local agencies. Recent declines impact both property and transfer tax revenues. The Solano County Assessor considered the declines in property values to be in a "freefall" during the 2007-08 fiscal year and has continued to reassess parcels at lower levels for the 2008-09 fiscal year and, subsequently, in the 2009-10 fiscal year.

Decline in General Fund Revenues – The net impact to the City's General Fund revenues, including transfers, was a decline of \$15.1 million from \$83.6 million in collections in Fiscal 2007-2008 to \$68.5 million in Fiscal 2009-2010. As noted above, this required major reductions in ongoing costs.

Fiscal year 2009-2010 Budget

Unlike the prior fiscal year when revenue collections were substantially below target, the Fiscal 2009-2010 revenue collections exceeded original estimates by \$3.0 million. Tight cost controls kept expenditures within budget resulting in a \$1.0 million increase in undesignated fund balance. Other additions to fund balance were restricted to expenditures on services related to user fees.

General Fund Debt Service Expenditures

The City's General Fund debt obligations consist of \$52 million in long-term leases, which secure variable rate certificates of participation (COPS). The 2000, 2001, 2002, and 2003 COPS are also secured by letters of credit, and the 1999 COPS are insured. \$26 million in General Fund COPS were invested in Business Type Activities (Marina, Golf, and Water) and in Redevelopment capital programs, and the debt service for those programs is paid from those sources in the context of the City's bankruptcy filing. However, the General Fund remains obligated for the debt if those sources are not sufficient to pay the debt service. During the year ended June 30, 2009, the General Fund transferred \$0.2 million to the Marina Enterprise Fund to support Marina debt service payments.

Reserves

The volatility of revenues and expenditures related to employee and retiree benefits coupled with the continuing interest of the State of California to use local revenues to solve its budget problems make it critical that the City develop a long-term financial plan that builds and maintains adequate funding for contingent risks.

Without a long-term plan that ensures expenditures will be less than revenues, and without an adequate reserve, Vallejo continues to be at risk for ongoing erosion of its infrastructure and service levels. The unreserved, undesignated fund balance of \$2.6 million at June 30, 2010 represents 3.8% of operational contingency or two weeks of General Fund operations.

Other Major Governmental Funds

- ***Housing Authority*** – The Housing Authority received \$24.6 million in federal HUD grants during the year to support its \$25.2 million Section 8 Housing Assistance Voucher Program expenditures. As noted above, in Fiscal 2008-2009 HUD reduced grants to the Authority allowing the Authority to draw down accumulated cash balances so that cash receipts and expenditures and cash on hand are matched to the working capital requirements of the program.

Enterprise Funds

- ***Water Fund*** – This fund collected \$31.5 million in operating revenues during the year to support \$25.4 million in operating costs and \$6.5 million in depreciation. Cash from operations, capital contributions and investment income supported \$5.9 million in debt service payments and \$2.7 million in capital improvements. Fund liquidity improved with \$22.6 million in current assets available to cover \$7.7 million in current liabilities. The fund has \$102.6 million of capital assets, financed with \$62.6 million of long-term debt. Water rates have adjusted annually through a five-year rate package approved by City Council in June 2009 for fiscal years through 2014.
- ***Local Transportation*** – This fund operates bus, ferry, and other mass transit options for the citizens of Vallejo and the surrounding region. \$9.4 million in user fees were supplemented by \$13.2 million in federal, state, and local grants to support \$22.7 million in operating costs,

excluding depreciation. An additional \$3.2 million of capital grants were invested in \$3.3 million of capital assets. In prior years, the General Fund has cumulatively advanced \$2.8 million for working capital to the fund.

- **Sanitation and Flood Control** – This utility district operated during the year with \$24.8 million of user fees. \$2.3 million was invested in capital assets.
- **Marina** – The Marina collected \$1.6 million in user fees during the year to support its operating and debt service costs. Operating costs, excluding depreciation, were \$1.1 million and debt service payments were \$0.6 million. The fund continues to operate at a deficit, which was financed with contributions from the State Lands Commission Fund of \$0.3 million and General Fund of \$0.2 million. After all available resources in the State Lands Commission Fund are transferred to the Marina Fund, the General Fund is obligated for the balance needed to fund debt service on the Marina's share of the Certificates of Participation debt service, which is secured by leases of General Fund assets. On an accrual basis, the fund has a deficit net assets position of \$2.4 million at June 30, 2010, because its capital assets are depreciating faster than the principal payments on the debt that financed the assets. The fund remains obligated for \$16.2 million in long-term debt. Ongoing contributions from available State Lands Commission lease revenues will decrease in Fiscal 2012-2013. After that, the General Fund will make contributions to support the debt service payments associated with debt financed assets in the Marina Fund.
- **Golf** – The Golf fund collected pass-through annual revenues of \$0.3 million from the municipal course operator to fund debt service on its \$9.1 million of outstanding long-term debt. This debt was issued to acquire the capital assets of the fund. The Golf Fund has a deficit net assets position of \$1.5 million at June 30, 2010, because its 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. Although the City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair, unfortunately, the amount being spent annually is, according to the City Engineer, millions less than the amount needed to maintain the City's streets, much less restore them to acceptable pavement condition standards.

The following is a summary of the City's capital assets at June 30, 2010 and 2009. Total capital assets have decreased by \$5.4 million during the year to \$664.0 million. Total depreciation of \$29.2 million was

offset by new capital additions of \$24.2 million. Governmental construction in progress includes construction of Vallejo Station and various streets overlay improvements. Business-type construction in progress includes \$6.8 million for Sanitation and Flood Control projects, \$4.9 million in Transportation projects, and \$3.2 million for Water projects. Further information can be found in Note 6 to the financial statements.

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$136,037,625	\$136,037,625	\$14,918,107	\$14,847,372	\$150,955,732	\$150,884,997
Building and improvement	40,179,953	41,967,423	267,439,965	278,599,095	307,619,918	320,566,518
Machinery and equipment	6,535,335	7,011,193	27,969,897	30,816,272	34,505,232	37,827,465
Infrastructure	101,324,550	88,983,401	36,453,974	40,001,861	137,778,524	128,985,262
Construction in progress	18,235,264	21,080,563	14,874,030	10,055,791	33,109,294	31,136,354
Total	<u>\$302,312,727</u>	<u>\$295,080,205</u>	<u>\$361,655,973</u>	<u>\$374,320,391</u>	<u>\$663,968,700</u>	<u>\$669,400,596</u>

DEBT ADMINISTRATION

Objectives - The City has established the following equally important objectives in administering its long-term debt financing program. These objectives remain achievable for the City's debt programs secured by restricted revenues such as Water, Redevelopment, and Improvement Districts. Through its bankruptcy filing, the City seeks to restore overall City fiscal stability that will allow its General Fund debt program to also resume progress in achieving 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

Obligations - The following is a summary of the City's long-term debt obligations at June 30, 2010 and 2009.

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Tax Allocation Bonds	\$10,556,320	\$10,986,320			\$10,556,320	\$10,986,320
Certificates of Participation	24,739,378	24,927,632	\$87,771,532	\$91,457,179	112,510,910	116,384,811
Capital Lease Obligations	1,138,950	1,264,790			1,138,950	1,264,790
Revenue Bonds			60,485,004	62,705,942	60,485,004	62,705,942
Loans & Notes Payable			18,485,394	19,817,014	18,485,394	19,817,014
Total	<u>\$36,434,648</u>	<u>\$37,178,742</u>	<u>\$166,741,930</u>	<u>\$173,980,135</u>	<u>\$203,176,578</u>	<u>\$211,158,877</u>

In total, long-term debt decreased by \$8.0 million during the year ended June 30, 2010. Normal principal amortization from annual debt service payments were \$9.0 million. During the year, the Water Fund has repaid the General Fund \$0.7 million to retire its share of 2002 Certificates of Participation, which was recorded as an issuance of long-term debt under Governmental activities. Additionally, the city entered into a capital lease agreement of \$0.3 million to finance fire medical equipment. See additional discussion of the status of the City's General Fund Certificates of Participation, including shortages in the City's debt payments on these obligations, in the Bankruptcy discussion and General Fund sections above. Further information can also be found in Note 7 to the Financial Statements.

Net Debt - 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 decreased to \$1,673 from \$1,744 in the prior fiscal year. Though population based debt ratios dropped as debt was repaid, valuation based ratios increased due to continuing steep drops in assessed values.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Net debt	203,176,578	\$211,158,877
Net debt per capita	\$1,673	\$1,744
Net debt per capita as a percentage of per capita personal income	4.22%	4.59%
Net debt as a percentage of net assessed value	2.51%	2.13%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's economic base was weakened by the long recession. Solano County sales tax is still falling and Vallejo's tax performance is about 10% behind growth in the nine county San Francisco Bay Area. Unemployment in Vallejo stands at 14.8%, one of the highest levels in the nation. Employment in California is not expected to return to 2008 levels until 2014.

Many businesses that failed during the last three years will not return soon, if at all. The downturn also caused the California Public Employees Retirement System (CalPERS) to miss its target portfolio performance two and three years ago and those losses are just starting to show up in pension costs. The City's shrinking payroll results in higher than normal rate increases, thus, amplifying pressure on the budget. The City continues to expect nearly flat revenues as it absorbs cost increases related to pension benefits and cumulative impacts tied to slow economic growth. The City has developed a five-year business plan to assure that it manages resources and avoids further service reductions while investing more in capital assets. That balance is difficult and management expects the City's financial condition to be fragile in the foreseeable future.

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.

GOVERNMENT WIDE FINANCIAL STATEMENTS

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

CITY OF VALLEJO
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments (Note 3)	\$65,906,458	\$65,176,934	\$131,083,392
Accounts receivable	3,429,711	13,503,723	16,933,434
Internal balances (Note 4)	3,879,553	(3,879,553)	
Due from other governments	9,550,630	4,321,384	13,872,014
Materials, parts, and supplies	207,283	2,284,591	2,491,874
Prepays	24,813	87,060	111,873
Total Current Assets	82,998,448	81,494,139	164,492,587
Restricted cash and investments held with fiscal agent (Note 3)	16,959,320	14,680,585	31,639,905
Land held for redevelopment	1,843,279		1,843,279
Notes and loans receivable (Note 5)	25,099,287	531,281	25,630,568
Issuance cost		2,570,884	2,570,884
Deferred lease and project costs		1,453,977	1,453,977
Capital assets (Note 6):			
Nondepreciable	154,272,889	29,792,137	184,065,026
Depreciable, net of accumulated depreciation	148,039,838	331,863,836	479,903,674
Total Noncurrent Assets	346,214,613	380,892,700	727,107,313
Total Assets	429,213,061	462,386,839	891,599,900
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	9,070,208	4,579,900	13,650,108
Accrued interest payable	1,092,897	2,196,304	3,289,201
Due to other governments	270,444		270,444
Unearned revenues	1,476,839	6,206,000	7,682,839
Deposits payable	1,690,811	3,678,894	5,369,705
Employee benefits payable (Note 10 and 12)	7,421,411	1,581,205	9,002,616
Claims liability, due within one year (Note 14)	2,439,889		2,439,889
Long-term debt, due within one year (Note 7)	1,572,240	6,678,243	8,250,483
Total Current Liabilities	25,034,739	24,920,546	49,955,285
Noncurrent liabilities:			
Claims liability (Note 14)	10,076,111		10,076,111
Employee benefits payable (Notes 10 and 12)	22,509,750	2,054,065	24,563,815
Long-term debt (Note 7)	34,862,408	160,063,687	194,926,095
Total Noncurrent Liabilities	67,448,269	162,117,752	229,566,021
Total Liabilities	92,483,008	187,038,298	279,521,306
NET ASSETS (Note 13)			
Invested in capital assets, net of related debt	273,408,041	197,992,367	471,400,408
Restricted for:			
Debt service		12,851,624	12,851,624
Capital projects	30,963,586	30,997,329	61,960,915
Special projects and programs	50,331,589		50,331,589
Total Restricted Net Assets	81,295,175	43,848,953	125,144,128
Unrestricted	(17,973,163)	33,507,221	15,534,058
Total Net Assets	\$336,730,053	\$275,348,541	\$612,078,594

See accompanying notes to financial statements

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

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	\$125,753				(\$125,753)		(\$125,753)
Executive	922,039				(922,039)		(922,039)
Finance	1,631,483				(1,631,483)		(1,631,483)
Human resources	499,447				(499,447)		(499,447)
Law	760,735				(760,735)		(760,735)
Development services	1,986,757	\$2,807,284			820,527		820,527
Community development	39,370,106	1,759,719	\$29,005,497		(8,604,890)		(8,604,890)
Fire services	15,796,657	2,240,052			(13,556,605)		(13,556,605)
Police services	29,586,690	2,055,502	2,401,610		(25,129,578)		(25,129,578)
Public works	19,014,211	7,175,318	2,091,445	\$14,604,908	4,857,460		4,857,460
Nondepartmental	9,251,587				(9,251,587)		(9,251,587)
Interest on long term debt	2,764,194				(2,764,194)		(2,764,194)
Total Governmental Activities	121,709,659	16,037,875	33,498,552	14,604,908	(57,568,324)		(57,568,324)
Business-type Activities:							
Water	34,493,370	31,506,338		605,266		(\$2,381,766)	(2,381,766)
Local Transportation	27,091,545	9,421,296	13,100,028	3,238,153		(1,332,068)	(1,332,068)
Sanitation and Flood Control	29,261,276	24,831,438	853,499	906,339		(2,670,000)	(2,670,000)
Marina	2,867,840	1,618,878				(1,248,962)	(1,248,962)
Golf	925,339	284,829				(640,510)	(640,510)
Total Business-type Activities	94,639,370	67,662,779	13,953,527	4,749,758		(8,273,306)	(8,273,306)
Total	\$216,349,029	\$83,700,654	\$47,452,079	\$19,354,666	(57,568,324)	(8,273,306)	(65,841,630)
General revenues:							
Taxes:							
Property taxes/In-lieu property tax					22,768,365		22,768,365
Incremental property taxes					3,280,994		3,280,994
Sales taxes					10,715,183		10,715,183
User Utility					12,916,339		12,916,339
Franchise					4,101,909		4,101,909
Transit occupancy					1,019,206		1,019,206
Other					4,313,406		4,313,406
Mare Island CFD Assessments					3,499,675		3,499,675
Investment earnings					968,997	2,930,362	3,899,359
Miscellaneous					3,824,312	115,081	3,939,393
Transfers (Note 4)					2,270,320	(2,270,320)	
Total general revenues and transfers					69,678,706	775,123	70,453,829
Change in Net Assets					12,110,382	(7,498,183)	4,612,199
Net Assets-Beginning					324,619,671	282,846,724	607,466,395
Net Assets-Ending					\$336,730,053	\$275,348,541	\$612,078,594

See accompanying notes to financial statements

This Page Left Intentionally Blank

CITY OF VALLEJO, CALIFORNIA
Notes to Basic Financial Statements

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, 2010. 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.

CITY OF VALLEJO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General	Housing Authority	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 3)	\$2,955,388	\$5,052,070	\$46,989,785	\$54,997,243
Restricted cash and investments held with fiscal agent (Note 3)			16,959,320	16,959,320
Accounts receivable	2,838,829	40,156	522,607	3,401,592
Notes and loans receivable (Note 5)	851,132		24,248,155	25,099,287
Due from other governments	2,906,869		6,643,761	9,550,630
Advance to other funds (Note 4)			5,297,618	5,297,618
Materials, parts, and supplies	10,043			10,043
Prepays	23,688	1,125		24,813
Land held for redevelopment	499,684		1,343,595	1,843,279
Total Assets	<u>\$10,085,633</u>	<u>\$5,093,351</u>	<u>\$102,004,841</u>	<u>\$117,183,825</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$3,203,142	\$138,799	\$5,599,691	\$8,941,632
Due to other funds (Note 4)			3,594,001	3,594,001
Due to other governments	1,236		269,208	270,444
Deferred revenues	775,491		11,612,173	12,387,664
Advances from other funds (Note 4)			5,297,618	5,297,618
Deposits payable	266,324	56,252	1,368,235	1,690,811
Total Liabilities	<u>4,246,193</u>	<u>195,051</u>	<u>27,740,926</u>	<u>32,182,170</u>
FUND BALANCES (Note 13)				
Fund balance				
Reserved for:				
Encumbrances	167,601		275,435	443,036
Materials, parts, supplies and prepaids	33,731	1,125		34,856
Debt service			1,312,327	1,312,327
Notes and loans	777,221		14,163,016	14,940,237
Advances to other funds			4,796,000	4,796,000
Land held for redevelopment	499,684		1,343,595	1,843,279
Program restrictions - Appropriated		1,924,560	23,596,432	25,520,992
Program restrictions - Unappropriated	526,330	2,972,615	32,976,235	36,475,180
Unreserved:				
Designated for				
Program commitments:				
General Fund	652,000			652,000
Capital Projects Funds			1,212,315	1,212,315
State budget impact/SB1096	612,617			612,617
Undesignated, Reported in:				
General Fund	2,570,256			2,570,256
Special Revenue Funds			4,249	4,249
Capital Projects Funds			115,215	115,215
Debt Service Funds			(5,530,904)	(5,530,904)
Total Fund Balances	<u>5,839,440</u>	<u>4,898,300</u>	<u>74,263,915</u>	<u>85,001,655</u>
Total Liabilities and Fund Balances	<u>\$10,085,633</u>	<u>\$5,093,351</u>	<u>\$102,004,841</u>	<u>\$117,183,825</u>

See accompanying notes to financial statements

CITY OF VALLEJO
 Reconciliation of
 GOVERNMENTAL FUND BALANCES
 with
 GOVERNMENTAL NET ASSETS
 JUNE 30, 2010

Total fund balances reported on the governmental funds balance sheet	\$85,001,655
<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>	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	300,558,318
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.	
Cash and investments	\$10,909,215
Accounts receivable	28,119
Materials, parts, and supplies	197,240
Due from other funds	4,721,554
Capital assets	1,754,409
Accounts payable	(128,576)
Claims payable	(12,516,000)
Employee benefits payable	<u>(17,024,083)</u>
	(12,058,122)
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	10,910,825
INTERFUND ELIMINATION ADJUSTMENT	2,752,000
LONG-TERM ASSETS AND LIABILITIES	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Long-term debt	(36,434,648)
Interest payable	(1,092,897)
Compensated absences	<u>(12,907,078)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$336,730,053</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, 2010

	General	Housing Authority	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$45,790,684		\$4,747,940	\$50,538,624
Licenses, permits, and fees	2,317,401		1,162,067	3,479,468
Fines and forfeitures	1,458,980		160,094	1,619,074
Intergovernmental	10,462,229	\$24,636,146	19,107,448	54,205,823
Use of money and property	705,578	24,975	2,384,074	3,114,627
Charges for services	7,022,612		9,010,324	16,032,936
Other	21,800	89,946	1,252,323	1,364,069
Total Revenues	67,779,284	24,751,067	37,824,270	130,354,621
EXPENDITURES				
Current:				
Legislative and advisory	152,693			152,693
Executive	958,688			958,688
Finance	1,696,193			1,696,193
Human resources	542,961			542,961
Law	812,432			812,432
Development services	2,087,503		3,477	2,090,980
Community development	665,575	25,225,167	14,661,757	40,552,499
Fire services	17,279,238		1,571,200	18,850,438
Police services	27,333,571		1,691,103	29,024,674
Public works	3,214,518		7,891,705	11,106,223
Non departmental	8,734,158		517,429	9,251,587
Capital outlay			14,492,613	14,492,613
Debt Service:				
Principal	438,962		1,328,873	1,767,835
Interest and fiscal agent fees	35,046		2,222,074	2,257,120
Total Expenditures	63,951,538	25,225,167	44,380,231	133,556,936
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,827,746	(474,100)	(6,555,961)	(3,202,315)
OTHER FINANCING SOURCES (USES)				
Gain on sale of assets	381,327			381,327
Provision for collectability (Note 4)	(2,752,000)			(2,752,000)
Transfers in (Note 4)	3,135,579		5,226,361	8,361,940
Transfers out (Note 4)	(3,079,080)		(4,012,540)	(7,091,620)
Issuance of long-term debt (Note 7)			1,023,741	1,023,741
Total Other Financing Sources (Uses)	(2,314,174)		2,237,562	(76,612)
NET CHANGE IN FUND BALANCES	1,513,572	(474,100)	(4,318,399)	(3,278,927)
BEGINNING FUND BALANCES	4,325,868	5,372,400	78,582,314	88,280,582
ENDING FUND BALANCES	\$5,839,440	\$4,898,300	\$74,263,915	\$85,001,655

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, 2010

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 (\$3,278,927)

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 15,641,840

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation
 of \$617,368 which has already been allocated to serviced funds) (8,135,148)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance 1,767,835
 Proceeds from the issuance of debt is deducted from fund balance (1,023,741)

INTERFUND ELIMINATION ADJUSTMENT 2,752,000

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 (507,074)
 Deferred revenue 551,018
 Compensated absences 5,049,560

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 (706,981)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$12,110,382

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, 2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Taxes	\$43,683,975	\$45,034,451	\$45,790,684	\$756,233
Licenses, permits and fees	1,924,900	1,964,900	2,317,401	352,501
Fines and forfeitures	1,583,625	1,511,000	1,458,980	(52,020)
Intergovernmental	10,314,030	10,598,288	10,462,229	(136,059)
Use of money and property	543,406	708,197	705,578	(2,619)
Charges for services	6,642,844	6,885,944	7,022,612	136,668
Other	119,000	140,000	21,800	(118,200)
	<u>64,811,780</u>	<u>66,842,780</u>	<u>67,779,284</u>	<u>936,504</u>
EXPENDITURES:				
Current:				
Legislative and advisory	203,113	170,377	152,693	17,684
Executive	1,273,129	1,199,202	958,688	240,514
Finance	1,710,527	1,791,920	1,696,193	95,727
Human resources	499,606	553,366	542,961	10,405
Law	723,941	853,336	812,432	40,904
Development services	2,610,599	2,229,878	2,087,503	142,375
Community development	764,660	678,660	665,575	13,085
Fire services	18,241,120	17,390,332	17,279,238	111,094
Police services	26,655,089	27,343,089	27,333,571	9,518
Public works	3,311,033	3,252,842	3,214,518	38,324
Nondepartmental	8,022,113	9,162,765	8,734,158	428,607
Debt Service:				
Principal	249,298	438,962	438,962	
Interest	38,552	38,552	35,046	3,506
	<u>64,302,780</u>	<u>65,103,281</u>	<u>63,951,538</u>	<u>1,151,743</u>
EXCESS REVENUES OVER EXPENDITURES	<u>509,000</u>	<u>1,739,499</u>	<u>3,827,746</u>	<u>2,088,247</u>
OTHER FINANCING SOURCES (USES)				
Gain on sale of assets		380,000	381,327	1,327
Provisions for collectability			(2,752,000)	(2,752,000)
Transfers in	375,000	465,000	3,135,579	2,670,579
Transfers (out)	(884,000)	(3,079,080)	(3,079,080)	
	<u>(509,000)</u>	<u>(2,234,080)</u>	<u>(2,314,174)</u>	<u>(80,094)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$494,581)</u></u>	<u><u>1,513,572</u></u>	<u><u>\$2,008,153</u></u>	
Fund balance, July 1			<u>4,325,868</u>	
Fund balance, June 30			<u><u>\$5,839,440</u></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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$22,104,065	\$24,417,817	\$24,636,146	\$218,329
Use of money and property	72,526	72,526	24,975	(47,551)
Other	93,250	86,345	89,946	3,601
Total Revenues	<u>22,269,841</u>	<u>24,576,688</u>	<u>24,751,067</u>	<u>174,379</u>
EXPENDITURES:				
Current:				
Community development	<u>21,963,199</u>	<u>25,663,850</u>	<u>25,225,167</u>	<u>438,683</u>
Total Expenditures	<u>21,963,199</u>	<u>25,663,850</u>	<u>25,225,167</u>	<u>438,683</u>
NET CHANGE IN FUND BALANCE	<u>\$306,642</u>	<u>(\$1,087,162)</u>	<u>(474,100)</u>	<u>\$613,062</u>
Fund balance, July 1			<u>5,372,400</u>	
Fund balance, June 30			<u>\$4,898,300</u>	

See accompanying notes to financial statements

This Page Left Intentionally Blank

CITY OF VALLEJO, CALIFORNIA

MAJOR PROPRIETARY FUNDS

The City reported all enterprise funds as major funds in fiscal 2010.

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.

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, 2010

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marina
ASSETS				
Current assets:				
Cash and investments (Note 3)	\$15,392,915	\$4,854,340	\$43,974,733	\$927,218
Accounts receivable	6,338,513		7,086,146	49,981
Due from other governments		4,321,384		
Material, parts and supplies	779,190	1,190,918	295,890	18,593
Prepays	87,060			
Due from other funds (Note 4)				
Total current assets	22,597,678	10,366,642	51,356,769	995,792
Noncurrent assets:				
Restricted cash and investments held with fiscal agent (Note 3)	4,308,786		8,708,875	
Issuance costs	1,285,438		825,596	238,120
Notes receivable (Note 5)	48,535		301,903	
Deferred lease and project costs			1,453,977	
Capital assets (Note 6):				
Nondepreciable	3,221,628	5,300,834	9,041,605	10,736,670
Depreciable, net	99,344,547	24,702,945	200,113,894	2,981,238
Total noncurrent assets	108,208,934	30,003,779	220,445,850	13,956,028
Total assets	130,806,612	40,370,421	271,802,619	14,951,820
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,263,505	1,634,953	1,635,978	36,500
Accrued interest payable	345,080		914,593	594,409
Due to other funds (Note 4)		1,127,553		
Deferred revenue		6,172,482		33,518
Deposits payable	2,496,885	120,584	943,913	117,512
Claims payable, current (Note 14)				
Employee benefits payable, current (Notes 10 and 12)	1,101,394	23,047	424,207	32,557
Long-term debt, due within one year (Note 7)	2,486,648		3,505,429	326,166
Total current liabilities	7,693,512	9,078,619	7,424,120	1,140,662
Long-term liabilities:				
Long-term debt, due in more than one year (Note 7)	62,561,678		72,187,469	16,219,457
Advance from other funds (Note 4)		2,752,000		
Claims payable, noncurrent (Note 14)				
Employee benefits payable, noncurrent (Notes 10 and 12)	546,106		1,485,220	22,739
Total noncurrent liabilities	63,107,784	2,752,000	73,672,689	16,242,196
Total Liabilities	70,801,296	11,830,619	81,096,809	17,382,858
NET ASSETS (Note 13)				
Invested in capital assets, net of related debt	37,517,849	30,003,779	135,697,158	(2,827,715)
Restricted for capital improvements			30,153,562	
Restricted for debt service	4,308,786		7,723,681	
Unrestricted	18,178,681	(1,463,977)	17,131,409	396,677
Total Net Assets	\$60,005,316	\$28,539,802	\$190,705,810	(\$2,431,038)

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Golf</u>	<u>Totals</u>	
\$27,728	\$65,176,934	\$10,909,215
29,083	13,503,723	28,119
	4,321,384	
	2,284,591	197,240
	87,060	
		<u>4,721,554</u>
<u>56,811</u>	<u>85,373,692</u>	<u>15,856,128</u>
1,662,924	14,680,585	
221,730	2,570,884	
180,843	531,281	
	1,453,977	
1,491,400	29,792,137	
<u>4,721,212</u>	<u>331,863,836</u>	<u>1,754,409</u>
<u>8,278,109</u>	<u>380,892,700</u>	<u>1,754,409</u>
<u>8,334,920</u>	<u>466,266,392</u>	<u>17,610,537</u>
8,964	4,579,900	128,576
342,222	2,196,304	
	1,127,553	
	6,206,000	
	3,678,894	
		2,439,889
	1,581,205	253,094
<u>360,000</u>	<u>6,678,243</u>	
<u>711,186</u>	<u>26,048,099</u>	<u>2,821,559</u>
9,095,083	160,063,687	
	2,752,000	
		10,076,111
	2,054,065	16,770,989
<u>9,095,083</u>	<u>164,869,752</u>	<u>26,847,100</u>
<u>9,806,269</u>	<u>190,917,851</u>	<u>29,668,659</u>
(2,398,704)	197,992,367	1,754,409
843,767	30,997,329	
819,157	12,851,624	
<u>(735,569)</u>	<u>33,507,221</u>	<u>(13,812,531)</u>
<u>(\$1,471,349)</u>	<u>\$275,348,541</u>	<u>(\$12,058,122)</u>

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

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marina
OPERATING REVENUES				
Charges for services	\$30,883,521	\$9,421,296	\$24,122,220	\$1,618,878
Other	622,817		709,218	
Total operating revenues	<u>31,506,338</u>	<u>9,421,296</u>	<u>24,831,438</u>	<u>1,618,878</u>
OPERATING EXPENSES				
Operations expenses	16,138,423	22,178,600	13,940,079	1,076,904
General and administrative	9,255,224	527,465	3,733,582	39,167
Insurance and claims				
Depreciation	6,520,748	4,385,480	8,207,116	1,036,387
Total operating expenses	<u>31,914,395</u>	<u>27,091,545</u>	<u>25,880,777</u>	<u>2,152,458</u>
Operating income (loss)	<u>(408,057)</u>	<u>(17,670,249)</u>	<u>(1,049,339)</u>	<u>(533,580)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	444,029	123,704	2,328,809	10,441
Intergovernmental revenue		13,100,028	853,499	
Gain (loss) on sale of capital assets				
Interest expense and fiscal charges	(2,477,132)		(3,380,499)	(705,919)
Bond issuance cost	(101,843)			(9,463)
Other revenues (expenses)		(72,054)	189,135	(2,000)
Total nonoperating revenues (expenses)	<u>(2,134,946)</u>	<u>13,151,678</u>	<u>(9,056)</u>	<u>(706,941)</u>
Contributions	605,266	3,238,153	906,339	
Transfers in (Note 4)				481,680
Transfers (out) (Note 4)		(2,752,000)		
Change in net assets	(1,937,737)	(4,032,418)	(152,056)	(758,841)
BEGINNING NET ASSETS (DEFICIT)	<u>61,943,053</u>	<u>32,572,220</u>	<u>190,857,866</u>	<u>(1,672,197)</u>
ENDING NET ASSETS (DEFICIT)	<u>\$60,005,316</u>	<u>\$28,539,802</u>	<u>\$190,705,810</u>	<u>(\$2,431,038)</u>

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		Governmental Activities- Internal Service Funds
<u>Golf</u>	<u>Totals</u>	
\$284,829	\$66,330,744	\$12,204,130
	1,332,035	100,731
<u>284,829</u>	<u>67,662,779</u>	<u>12,304,861</u>
	53,334,006	9,286,872
61,817	13,617,255	
		4,437,411
<u>385,944</u>	<u>20,535,675</u>	<u>617,368</u>
<u>447,761</u>	<u>87,486,936</u>	<u>14,341,651</u>
<u>(162,932)</u>	<u>(19,824,157)</u>	<u>(2,036,790)</u>
	2,930,362	283,019
23,379	13,953,527	
		46,790
(445,130)	(7,008,680)	
(32,448)	(143,754)	
	115,081	
<u>(454,199)</u>	<u>9,846,536</u>	<u>329,809</u>
	4,749,758	
	481,680	1,000,000
	(2,752,000)	
(617,131)	(7,498,183)	(706,981)
<u>(854,218)</u>	<u>282,846,724</u>	<u>(11,351,141)</u>
<u>(\$1,471,349)</u>	<u>\$275,348,541</u>	<u>(\$12,058,122)</u>

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

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marina
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$34,153,309	\$9,421,296	\$25,027,402	\$1,645,587
Payments to suppliers	(16,277,457)	(23,012,343)	(5,669,115)	(1,130,966)
Payments to employees	(9,343,816)	(540,130)	(11,011,334)	16,705
Claims paid				
Cash Flows from Operating Activities	8,532,036	(14,131,177)	8,346,953	531,326
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in				481,680
Decrease in due from other funds				
Increase due to other funds		978,738		
Intergovernmental receipts		14,446,270	853,499	
Cash Flows from Noncapital Financing Activities		15,425,008	853,499	481,680
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(2,694,379)	(3,257,824)	(2,307,349)	(37,287)
Intergovernmental receipts		3,238,153		
Proceeds from sale of capital assets			32,420	
Notes receivable cash collections			2,775	
Principal payments on capital debt	(3,440,176)		(3,369,168)	(309,959)
Interest paid	(2,494,539)		(3,607,164)	(332,479)
Capital contributions	605,266		922,749	
Cash Flows from Capital and Related Financing Activities	(8,023,828)	(19,671)	(8,325,737)	(679,725)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	444,029	123,704	2,328,809	10,441
Cash Flows from Investing Activities	444,029	123,704	2,328,809	10,441
Net Cash Flows	952,237	1,397,864	3,203,524	343,722
Cash and investments at beginning of period	18,749,464	3,456,476	49,480,084	583,496
Cash and investments at end of period	<u>\$19,701,701</u>	<u>\$4,854,340</u>	<u>52,683,608</u>	<u>\$927,218</u>
Noncash transactions				
Retirement of capital assets				
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating income (loss)	(\$408,057)	(\$17,670,249)	(\$1,049,339)	(\$533,580)
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation and other	6,520,748	4,313,426	8,207,116	1,034,387
Change in assets and liabilities:				
Receivables, net	1,802,084		(155,869)	28,433
Inventory and prepaids	(106,231)	159,076		(4,849)
Other assets	624,838		884,853	
Accounts payable and other accrued expenses	(32,803)	(1,040,224)	460,192	(8,046)
Employee benefits payable	(88,592)	(12,665)		16,705
Deposits payable	220,049	119,459		(3,659)
Deferred revenue				1,935
Claims payable				
Cash Flows from Operating Activities	\$8,532,036	(\$14,131,177)	\$8,346,953	\$531,326

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		
<u>Golf</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
\$355,910	\$70,603,504	\$12,326,221
(56,183)	(46,146,064)	(2,458,768)
	(20,878,575)	(5,137,541)
		(3,442,411)
<u>299,727</u>	<u>3,578,865</u>	<u>1,287,501</u>
	481,680	1,000,000
	978,738	(3,125,148)
	<u>15,299,769</u>	
	<u>16,760,187</u>	<u>(2,125,148)</u>
	(8,296,839)	(296,408)
	3,238,153	
	32,420	
	2,775	
(180,000)	(7,299,303)	
(223,410)	(6,657,592)	
	<u>1,528,015</u>	
<u>(403,410)</u>	<u>(17,452,371)</u>	<u>(296,408)</u>
<u>23,379</u>	<u>2,930,362</u>	<u>283,019</u>
<u>23,379</u>	<u>2,930,362</u>	<u>283,019</u>
(80,304)	5,817,043	(851,036)
<u>1,770,956</u>	<u>74,040,476</u>	<u>11,760,251</u>
<u>\$1,690,652</u>	<u>\$79,857,519</u>	<u>\$10,909,215</u>
(\$162,932)	(\$19,824,157)	(\$2,036,790)
385,944	20,461,621	617,368
30,250	1,704,898	21,360
	47,996	
40,831	1,550,522	(13,570)
5,634	(615,247)	(12,119)
	(84,552)	1,716,252
	335,849	
	1,935	
		<u>995,000</u>
<u>\$299,727</u>	<u>\$3,578,865</u>	<u>\$1,287,501</u>

This Page Left Intentionally Blank

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, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	\$10,552,677
Restricted cash and investments held with fiscal agent (Note 3)	<u>4,922,794</u>
Total Assets	<u><u>\$15,475,471</u></u>
LIABILITIES	
Due to bondholders	<u>\$15,475,471</u>
Total Liabilities	<u><u>\$15,475,471</u></u>

See accompanying notes to financial statements

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

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 term City, as used in this report, refers to the City and its component units as a consolidated entity. The City's component units, which are described below, are all blended.

- Housing Authority of the City of Vallejo
- 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 programs. 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 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, 2010.

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 a governmental fund of the City.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

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
Notes to Financial Statements
For the Year Ended June 30, 2010

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
Notes to Financial Statements
For the Year Ended June 30, 2010

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City also reports the following fund types:

Internal Service Funds: These funds account for equipment maintenance and replacement; employee benefits plans; and for workers' compensation, unemployment self-insurance, general liability self-insurance, and property insurance coverage; and bankruptcy claims; 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.

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
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 c) 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 Funds.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles.

F. *Encumbrance Accounting*

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

G. *Property Tax Revenues*

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

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. *Land Held for Redevelopment*

Land held for redevelopment is stated at the lower of historical cost or net realizable value, if estimable. Net realizable value equals the agreed-upon sales price when a disposition agreement has been reached with a developer.

J. *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.

K. *New Fund and Recategorized Fund*

The Neighborhood Stabilization Program Special Revenue Fund was established as of July 1, 2009.

The Mare Island Conversion Special Revenue Fund was recategorized to the Mare Island Conversion Capital Projects Fund as of July 1, 2009.

NOTE 2 – BANKRUPTCY

Chapter 9 Filing - Without reserves, facing a worsening economy, burdened by labor contracts locked in through 2010, and with limited opportunities to raise taxes due to State constitutional restrictions, in early May of 2008, the City determined that it was no longer able to meet its contractual obligations. Absent appropriations from a balanced budget required by both City charter and State constitution, the General Fund would have lacked the legal authority to continue paying for services after July 1, 2008. On May 23, 2008, the City filed a case under chapter 9 of the United States Bankruptcy Code in Sacramento seeking to adjust its debts.

The chapter 9 filing has enabled the City to continue to operate and provide services to its residents by freezing certain pre-filing debts until a plan of adjustment can be negotiated and approved. By operation of law, the filing enjoined creditor enforcement actions against the City during the case, unless otherwise ordered by the court. The case has provided the City and its creditor constituencies, including employees and bond holders, with time to negotiate settlements with an objective of long-term fiscal stability.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 2 – BANKRUPTCY (Continued)

Component Units and Restricted Funds - The bankruptcy case seeks the adjustment of the obligations of the City, and does not extend to the City's component units that are separate legal entities, including the Vallejo Sanitation and Flood Control District, the Redevelopment Agency, and the Housing Authority. Nor does the bankruptcy case impact the City funds with Federal, State, or other restrictions. Such funds, including Transportation, Water, Gas Tax, development impact fees, landscape districts, and improvement districts, have continued to operate and to use their restricted resources for only those restricted purposes. Debt obligations secured by restricted "special revenues" are treated as secured obligations and will not be affected so long as those special revenues are sufficient to meet debt service.

Pendency Plan and Service Delivery – Since the bankruptcy filing, the City has operated under a series of "Pendency Plans" that identify and implement modifications to existing agreements, including reduced staffing, frozen wages, diminished payments to retiring employees and reduced principal and interest payments on General Fund debt. These modifications have allowed the City to continue to provide essential services to residents during the pendency of the chapter 9 case, although at greatly diminished service levels.

Court Rulings on Eligibility - In early September 2008, the Bankruptcy Court ruled that the City was eligible for chapter 9 relief. The Court found that the City met the eligibility requirements of the Bankruptcy Code, including that on the date of the filing, the City was "insolvent" within the meaning of the Code. The Bankruptcy Court also ruled that the City sought bankruptcy relief in good faith. Three of the City's four labor unions appealed that decision to the Bankruptcy Appellate Panel of the Ninth Circuit Court of Appeals (the "BAP"), arguing, among other things, that the City was not insolvent because it could access the funds on hand that the City contends (and the Bankruptcy Court agreed) are legally restricted and unavailable for General Fund use. In an opinion filed in June 2009, the BAP affirmed the Bankruptcy Court's eligibility ruling. The unions did not seek review at the Ninth Circuit.

Court Rulings on Contract Rejection - In June 2008, the City moved to reject the collective bargaining agreements (the "CBAs") with all four of the City's labor unions. In February 2009, the City reached new agreements with the Vallejo Peace Officer's Association and the Confidential, Administrative, Managerial and Professional Association.

Also in February 2009, the Bankruptcy Court conducted an evidentiary hearing on the City's motion to reject the remaining CBAs, namely those with the International Association of Fire Fighters ("IAFF") and the International Brotherhood of Electrical Workers ("IBEW"), which represents most miscellaneous non-public safety employees. In March 2009, the Bankruptcy Court issued a decision that established the standard for the rejection of the two remaining CBAs, choosing to apply the bankruptcy standard announced by the United States Supreme Court in an earlier chapter 11 case rather than to apply state law, as suggested by IBEW and IAFF.

Following mediation ordered by the bankruptcy court, IAFF stipulated to the rejection of its CBA in August 2009, but the City and IBEW could not reach agreement. In August 2009, the Bankruptcy Court entered its order rejecting the IBEW CBA. That order was appealed to the United States District Court for the Eastern District of California, which affirmed the lower court ruling in June 2010. The District court ruling was then appealed to the Ninth Circuit in July 2010. IBEW withdrew its notice of appeal following the agreement it reached with the City in November 2010 (described below), and the appeal was dismissed by the Ninth Circuit in early December 2010.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 2 – BANKRUPTCY (Continued)

Following the rejection of the IAFF and IBEW contracts, both IAFF and IBEW entered into additional mediation and arbitration proceedings with the City, as mandated by the City Charter, to establish new contracts. Prior to an arbitration ruling, the City and IAFF settled and approved a new agreement in March 2010. In June 2010, voters approved a ballot measure that removed binding arbitration from the City charter, after which the City withdrew from IBEW arbitration proceedings. In November 2010, the City and IBEW reached agreement on a new CBA, thus completing the City's fourth and final post-petition labor agreement. The appeal to the Ninth Circuit was withdrawn by IBEW as part of the new agreement.

General Fund Debt - General fund debt obligations primarily consist of long-term leases which secure certificates of participation. At the time the chapter 9 case was filed, the majority of these certificates of participation also were secured by letters of credit issued by Union Bank. Those letters of credit were drawn upon in July of 2008 pursuant to a mandatory tender of the certificates triggered by Union Bank. As such, Union Bank now owns 100% of the certificates that had been covered by its letters of credit. Pursuant to the letter of credit documents, filing of the bankruptcy petition is an event of default; however, a provision triggering a default upon filing a bankruptcy is not enforceable in bankruptcy (it is a so-called "ipso facto clause"). Nevertheless, by reducing the stated interest payments to Union Bank pursuant to the Pendency Plan discussed above, the City has triggered a default under the Union Bank agreements.

Although the terms of the letter of credit documents require repayment in full of the draw on the letter of credit to purchase the certificates upon occurrence of an event of default, the documents also acknowledge that, as a lease obligation (consistent with the legal authority for long-term municipal leases in California), the payments may not be accelerated. Thus, the City is not obligated to immediately pay the principal of the certificates in full. Rather, it remains obligated to continue to make lease payments each year pursuant to the terms of the respective leases.

During the pendency of the case, the City has reduced or suspended its General Fund principal and interest payments at various intervals to conserve cash. During the period from July 2008 until April 2009, most General Fund interest was paid at reduced rates. For the period from May to July, 2009, facing further revenue shortfalls, the City suspended all General Fund principal and interest payments. Payments resumed on August 1, 2009, at a 2% interest rate. As of July 2010, as part of an updated 5-year business plan, General Fund interest payments were again suspended. The new 5-year business plan includes deferring principal payments for three years from July 2010 until June 2013.

Debt service obligations paid from restricted resources outside the General Fund, such as water and improvement bonds secured by restricted "special revenues," remain unimpaired and have been paid in full.

Plan of Adjustment - Unpaid pre-petition contractual obligations are subject to negotiation through a plan of adjustment as the City seeks resolution of the bankruptcy case and of its financial problems. Over one thousand creditor claims were filed prior to the court's established bar dates in September and November 2010. Principal categories of claims include those for reduced employee compensation, leave balances payable to retirees and other former employees upon their separation from service, retiree health payments, and debt obligations to the letter of credit and debt insurance providers. Retiree pension obligations and vendor obligations have been paid in full during the pendency of the case, and are not expected to give rise to claims.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 2 – BANKRUPTCY (Continued)

In December 2009, to facilitate negotiation of a plan of adjustment, the City adopted a Bankruptcy Workout Plan as a framework for negotiating with its creditors. The Bankruptcy Workout Plan identifies available resources, policies and program allocations that can collectively lead to fiscal sustainability. The Workout Plan was updated and reapproved by City Council as a 5-year Business Plan in November 2010.

With the settlement of its last labor contract and approval of its 5-Year Business Plan, the City is positioned to file its plan of adjustment by the Court-ordered deadline in January 2011. However, the ultimate disposition of creditor claims remains uncertain as the City responds to creditor objections and balloting over the coming months. If claim settlements cannot be resolved, the City will seek to confirm a plan of adjustment over the objection of some creditors. Accordingly, no aggregate gain expected to occur from re-measuring liabilities can reasonably be estimated at this time, and no adjustment in the valuation of assets or debt obligations has been made in the accompanying financial statements.

Uncertain Outlook - No other large California city or county has filed a chapter 9 bankruptcy case except on account of a one-time event (such as an extraordinary judgment against the municipality or imprudent investment of the municipality's funds). There is very little case law guiding the potential outcome of the City's filing. During the pendency of the case, the City has remained focused on negotiating settlements to meet its objective of long-term fiscal stability and continues to anticipate emergence from the case as an ongoing provider of municipal services for its residents.

NOTE 3 – CASH AND INVESTMENTS

A. Administration

Investments are administered separately by the City and by its blended component units, the Housing Authority of the City of Vallejo, the Redevelopment Agency of the City of Vallejo, and the Vallejo Sanitation and Flood Control District (VSFCD). The respective cash and investment positions as of June 30, 2010 for each of these legal entities is as follows:

	City	Redevelopment Agency	Housing	Subtotal	Sanitation and Flood Control District	Total
Cash on hand	\$6,000		\$200	\$6,200		\$6,200
Deposits	3,723,158		2,694,700	6,417,858	\$778,852	7,196,710
Investments	108,188,626	\$8,545,306	2,357,170	119,091,102	51,904,756	170,995,858
	<u>\$111,917,784</u>	<u>\$8,545,306</u>	<u>\$5,052,070</u>	<u>\$125,515,160</u>	<u>\$52,683,608</u>	<u>\$178,198,768</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below:

Reported on the Statement of Net Assets

Cash and investments:

These balances are available for operations of the City's various programs and funds subject to their respective grant, fee, assessment, contract, or other restrictions.

City			
	General Fund	\$2,955,388	
	Other funds	71,713,200	
	Total, City		\$74,668,588
	Redevelopment Agency		7,388,001
	Housing Authority		5,052,070
	Sanitation & Flood Control District		43,974,733
			131,083,392

Restricted cash and investments (held by fiscal agents):

These balances are held by third party fiscal agents pursuant to debt covenants or other agreements.

City			
	Mare Island Conversion	9,503,622	
	Other funds	12,270,103	
	Total, City		21,773,725
	Redevelopment Agency		1,157,305
	Sanitation & Flood Control District		8,708,875
			31,639,905
			162,723,297

Reported on the Statement of Fiduciary Net Assets

	Cash and investments		10,552,677
	Restricted investments (held by fiscal agents)		4,922,794
			15,475,471

	Total cash and investments		\$178,198,768

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 surplus cash from all sources and all funds, except Cash with Fiscal Agents, the Redevelopment Agency, the Housing Authority, and the Sanitation and Flood Control District, so that it can be invested at the maximum yield, consistent with safety and liquidity.

Cash receipts and disbursements, including payroll, are processed by City staff which administers activities for the following separate legal entities: the City, the Redevelopment Agency, and the Housing Authority. These cash transactions are recorded in the City's main checking account with transactions allocated to each applicable general ledger fund of the City and its component units pending periodic reimbursement and settlement of inter-agency balances. As of June 30, 2010, the City held balances of cash for each of the above entities representing their equity in the City's checking account.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 Investment Policies and the California Government Code permit the following investments, provided the credit ratings of the issuers are acceptable and approved percentages and maturities are not exceeded. The tables below also identify certain provisions of the California Government Code, or Investment Policies if 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, rather than the general provisions of the California Government Code or investment policies.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

City, Redevelopment Agency, and Housing Authority

The City's investment policy and the California Government Code allow the City, the Redevelopment Agency, and the Housing Authority 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
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 AA or better	5% / 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, the Redevelopment Agency, 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
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

City and Redevelopment Agency 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 Acceptances	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

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 manages its 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.

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, 2010.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

City, Redevelopment Agency, and Housing Authority

Investment Type	Less than 1 year	1 - 5 years	Total
<i>Held by the City and its Component Units:</i>			
U.S. Government Agencies	\$4,717,254	\$20,461,234	\$25,178,488
Corporate Notes	1,253,614	10,757,239	12,010,853
U.S. Treasury Notes	1,331,029	12,112,410	13,443,439
California Local Agency Investment Fund			
City	30,512,856		30,512,856
Housing Authority	2,357,171		2,357,171
Redevelopment Agency	7,416,151		7,416,151
Money Market Deposit Account	1,000,041		1,000,041
Certificates of Deposit	25,000		25,000
Municipal Bond		115,844	115,844
<i>Held by Fiscal Agent:</i>			
Money Market Deposit Account	1,583,638		1,583,638
Money Market Mutual Funds	25,447,621		25,447,621
Total Investments	<u>\$75,644,375</u>	<u>\$43,446,727</u>	<u>\$119,091,102</u>

Money market funds are available for withdrawal on demand and at June 30, 2010, have an average maturity which ranged from 1 to 5 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		\$28,100,278	\$2,043,760	\$3,483,910	\$33,627,948
Corporate Notes and Bonds	\$549,800	2,283,733			2,833,533
California Local Agency Investment Fund	5,332,992				5,332,992
Guaranteed Investment Contract				352,959	352,959
Money Market Funds	9,757,324				9,757,324
Total Investments	<u>\$15,640,116</u>	<u>\$30,384,011</u>	<u>\$2,043,760</u>	<u>\$3,836,869</u>	<u>\$51,904,756</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund

The City, the Redevelopment Agency, the Housing Authority, 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. Investments are reported 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, 2010, these investments have an average maturity of 203 days.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2010 for each entity by investment type as provided by Moody's investment rating system.

City, Redevelopment Agency and Housing Authority

Investment Type	Aaa	AA1 to AA3	A1 to A3	Total
<i>Held by the City and its Component Units:</i>				
U.S. Sponsored Enterprise Agencies				
Non-callable	\$25,178,488			\$25,178,488
Corporate Notes	8,680,348	\$2,115,063	\$1,215,442	12,010,853
Money Market Mutual Funds	1,000,041			1,000,041
Municipal Bond			115,844	115,844
<i>Held by Fiscal Agent:</i>				
Money Market Deposit Account	1,583,638			1,583,638
Money Market Mutual Funds	25,447,621			25,447,621
Totals	<u>\$61,890,136</u>	<u>\$2,115,063</u>	<u>\$1,331,286</u>	65,336,485
<i>Not rated:</i>				
California Local Agency Investment Fund				
City				30,512,856
Housing Authority				2,357,171
Redevelopment Agency				7,416,151
Certificates of Deposit				25,000
<i>Exempt from credit rating disclosure:</i>				
U.S. Treasury Notes				13,443,439
Total Investments				<u>\$119,091,102</u>

Sanitation and Flood Control District's Credit Rate Risk

Credit risk: The California Government Code limits credit quality ratings to high investment grade. The District has no investment policy that would further limit investment choices based upon credit ratings. All the District's investments in obligations of United States Government Agencies were rated Aaa by Moody's. Ratings for the District's corporate bonds ranged from Aa3 to Aa2 by Moody's and to C for investments in Lehman Brothers in default. Investments in certificates of deposit (CD's) are FDIC insured. The Westdeutsche GIC is rated AA by S&P and Moody's, the LAIF investment pool is not rated, and the money market pools consisting of Federated, Dreyfus, Goldman Sachs and Highmark are rated AAA by S&P and Moody's, respectively.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

H. Concentration Risk

The City 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, 2010, 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

Unit	Issuer	Investment Type	Reported Amount
Entity-wide	Federal National Mortgage Association	Federal agency securities	\$7,891,218
Entity-wide	Federal Home Loan Mortgage Corporation	Federal agency securities	6,208,795

Sanitation and Flood Control District Concentration Risk

Of the Sanitation and Food Control District's controllable portfolio at June 30, 2010, 28% were with Federal National Mortgage Association, 17% were with Federal Home Loan Mortgage Corporation, and 8% were with Federal Home Loan Bank.

I. 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, 2010, the Sanitation and Flood Control District deposit and investment balances were exposed to custodial risk as follow:

Deposits - uninsured and collateralized with securities held by the pledging bank's trust department or agent not in the District's name	\$ 866,779
Investments - uninsured and unregistered, held by the counterparty's trust department or agent not in the District name - Westdeutsche GIC	352,959

The Westdeutsche GIC is an investment of a pooled bond reserve fund structure administered by the WaterRefuse Finance Authority in connection with the District's variable debt program.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

Transfers between funds during the fiscal year ended June 30, 2010 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
General Fund	Certificates of Participation Debt Service Fund	\$1,174,175 (A)
	Capital Outlay Capital Projects Fund	753,249 (B), (C)
	Marina Enterprise Fund	151,656 (A)
	Bankruptcy Claims Internal Service Fund	1,000,000 (D)
Special Revenue Funds:		
Outside Services Fund	General Fund	3,977 (E)
State Lands	Marina Enterprise Fund	330,024 (A)
Repair and Demolition Revolving	General Fund	589 (E)
Redevelopment Affordable Housing	Redevelopment Agency Debt Service Fund	508,702 (A)
Administrative Trust	General Fund	14,013 (E)
Debt Service Funds:		
Redevelopment Agency Debt Service	General Fund	250,000 (F)
Redevelopment Agency Debt Service	Redevelopment Agency Merged Projects Areas Capital Project Fund	335,364 (C)
Redevelopment Agency Debt Service	Redevelopment Affordable Housing Special Revenue Fund	656,199 (G)
Capital Projects Funds		
Arts and Convention Center	General Fund	115,000 (E)
Fire Station #7	Certificates of Participation Debt Service Fund	20,521 (A)
Certificates of Participation	Certificates of Participation Debt Service Fund	815,775 (A)
Redevelopment Agency Merged Project Areas	Redevelopment Agency Debt Service Fund	83,947 (A)
Redevelopment Agency Flosden Acres	Redevelopment Agency Debt Service Fund	878,429 (A)
Enterprise Funds:		
Local Transportation	General Fund	<u>2,752,000 (H)</u>
	Total	<u><u>\$9,843,620</u></u>

- (A) To fund debt service payments.
- (B) To transfer technology surcharge fees to capital projects fund.
- (C) To fund redevelopment and other capital program projects
- (D) To establish cash pool for payment of bankruptcy claims.
- (E) To transfer investment income from unrestricted funds to General Fund.
- (F) To continue repayment of long-term advances that the City extended in the early years of the Redevelopment Agency (pre-1990)
(See Note 4E)
- (G) To transfer 20% of redevelopment tax increment revenue for housing programs (state mandated 20% set aside)
- (H) To restore General Fund advance to Transportation Enterprise Fund. Advance had previously been reported as transfer due to uncertainty of repayment.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

As of June 30, 2010, the City's Insurance Internal Service fund had provided 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 or other reimbursements.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Funds		
Community Development Block Grant		\$331,495
HOME Program		649,375
Office of Traffic Safety		61,855
Local Law Enforcement Grant		45,699
State Lands		14,175
Cold Case Grant		51,669
Neighborhood Stabilization Program		849,665
Capital Projects Funds		
Downtown Development Capital Projects		344,615
Capital Grants & Contribution		262,815
Vallejo Station		982,638
Enterprise Fund		
Local Transportation		1,127,553
Internal Service Fund		
Insurance	<u>\$4,721,554</u>	
Total	<u><u>\$4,721,554</u></u>	<u><u>\$4,721,554</u></u>

C. Long-Term Advances – Local Transportation Fund

The City Council has approved long-term working capital advances to the Local Transportation Fund. Because of the financial status of this fund, the ultimate repayment date of the advance is uncertain. Generally Accepted Accounting Principles 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's General Fund 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>
Less Repayment in 2008	<u>(300,000)</u>
	<u><u>\$2,752,000</u></u>

During the year ended June 30, 2010, the Fund has accumulated resources sufficient to repay the remaining City advance. Generally accepted accounting principles permits the restoration of the advance when repayment is expected within a reasonable period. Accordingly, the advance has been restored as a liability on the Statement of Net Assets. Because repayment is subject to City Council authorization, the advance is reported as a non-current liability.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

However, the Metropolitan Transportation Commission (MTC) has stated that for the City to receive reimbursement of the advance from Transportation Development Act funds, the City must file an amended claim including the General Fund repayment amount and that MTC staff must request an allocation from its Board. In FY 2010-2011, the City plans to submit a request for an allocation to reimburse the City's advance from the General Fund to MTC. Generally accepted accounting principles permits the recognition of revenue only after all eligibility requirements have been met. In this case, since the City has not yet filed a claim for reimbursement of the General Fund advance and since MTC has not approved an allocation instruction for this repayment, revenue cannot be recognize as of June 30, 2010. Accordingly, the City has recorded a provision for collectability against the General Fund interfund receivable to reflect the fact that the earnings process has not yet been completed.

D. Long-Term Advances – Redevelopment Agency

The Bridge Construction, Arts and Convention Center, and Hiddenbrook Overpass Capital Projects Funds have loaned the Redevelopment Agency Debt Service Fund money to fund the Meyer Cookware and Empress Theatre Associates development loans discussed below in Note 5. Interest accrues at 3.5%-4% per annum on unpaid principal balances 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 following is a summary of long-term advances as reported in the fund financial statements:

	<u>Advances from Other Funds</u>	<u>Advances to Other Funds</u>
Debt Service Fund		
Redevelopment Agency	\$5,297,618	
Capital Project Funds		
Bridge Construction		\$580,000
Arts & Convention Center		4,198,868
Hiddenbrooke Overpass		518,750
Total	<u>\$5,297,618</u>	<u>\$5,297,618</u>

E. Additional 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. As additional tax increment becomes available, these obligations will be recognized and repaid to the City. The advances continue to accrue interest at 4% per year. During the year ended June 30, 2010, interest of \$368,048 was accrued and \$250,000 was repaid to the City's General Fund. The balances of these additional advances as of June 30, 2010, including interest, were as follows:

<u>Project Area</u>	<u>Balance Due June 30, 2010</u>
Marina Vista	\$3,558,753
Waterfront	4,299,482
Vallejo Central	1,461,027
	<u>\$9,319,262</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

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.

NOTE 5 – NOTES & LOANS RECEIVABLE

A. Summary of Notes and Loans Receivable

The following notes and loans receivable were outstanding as of June 30, 2010:

<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		909,506
Accrued interest		1,985,374
		<u>11,438,630</u>
Tax increment programs:	Non-major Governmental	
Meyers Cookware		275,000
Empress Theatre		4,296,000
		<u>4,571,000</u>
<u>HUD/Housing Authority Programs</u>		
Home Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Single family residential		3,384,355
Total		<u>4,784,355</u>
CDBG	Non-major Governmental	
Reynaissance Family Center		920,362
Youth & Family Services		240,000
Single family residential		1,308,974
		<u>2,469,336</u>
NSP	Non-major Governmental	
Habitat for Humanity		373,160
Vallejo Neighborhood Housing		396,184
Single Family Residential		62,835
		<u>832,179</u>
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	851,132
Neighborhood Park Funds	Non-major Governmental	152,655
VSFCD	Major Enterprise	253,369
		<u>1,257,156</u>
<u>Other</u>		
Water Fund - Trailer City	Major Enterprise	48,535
Golf Fund - Golf Cart Storage	Major Enterprise	180,843
VSFCD	Major Enterprise	48,534
		<u>277,912</u>
	Total	<u><u>\$25,630,568</u></u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 5 – 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 range from 3.0% to 8.0% and the principal maturity dates range 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, 2010 were \$11,438,630.

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 is non-interest bearing. As of June 30, 2010 the outstanding balance of the loan was \$275,000. The terms of the agreement call for Meyer to repay the note in increasing annual installments, as follows:

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

The obligation of Meyer to repay the remaining \$1,000,000 is contingent upon either on the sale of the property or the refinancing of the existing debt. As a result, the \$1,000,000 is not included as a receivable in the accompanying basic financial statements. Meyer has agreed to pay the Agency either 9% of the net sale proceeds upon any sale of the property as satisfaction in full of the development contribution, or net refinancing proceeds if such a refinancing should occur. Ten years following the issuance of the Certificate of Occupancy (1995), the participation in proceeds from the sale of property or refinancing has been reduced from 9% to 5%.

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. The note carried a 3% interest rate and called for principal and interest to be made annually for twenty years beginning one year after the Redevelopment Agency issues a Certificate of Completion. The note was secured by a deed of trust on the property.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

During the year ending June 30, 2008, 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 and is scheduled to make lease payments of up to \$50,000 per year which in turn provide interest payments on the City's loan. Lease payments are secured by a pledge from Triad Communities, LP. 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. At June 30, 2010 the outstanding balance of the loan was \$4,296,000.

E. HOME Program, CDBG Program, and NSP Program

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 NSP Program. 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, 2010 were \$4,784,355, \$2,469,336 and \$832,179 in the HOME, CDBG Program, and NSP, respectively.

As listed on the preceding Summary of Notes and Loans Receivable, the City has loaned \$831,111 to Vallejo Neighborhood Housing Services (VNHS) for its 22 unit Graham Gardens affordable housing development project. The City financed the loan from a Federal Home Investment Partnership Program grant. VNHS has not proceeded with the construction of the project and is in default under the loan agreement. As of June 30, 2010, the City recorded an allowance for doubtful account for \$831,111.

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, 2010 the outstanding balance of this loan, including accrued interest, was \$1,003,787.

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, 2010 was \$253,369.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

G. *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 fees. 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, 2010 the outstanding balance of this loan was \$48,535. This note is recorded in the City's Water Enterprise Fund.

H. *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. The loan was repaid as of June 30, 2010.

I. *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 cart storage building. The loan bears zero interest. The monthly payment of \$5,833 commenced 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, 2010 the outstanding balance of this loan was \$180,843.

NOTE 6 – 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.

Buildings and improvements	5 to 50 years
Improvements	5 to 50 years
Machinery and equipment	5 to 25 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
Wastewater treatment plant and facilities	5 to 40 years
Wastewater and storm water pump stations	5 to 25 years
Wastewater collection and storm water transmissions systems	5 to 50 years

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 6 – CAPITAL ASSETS (Continued)

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.

A. Capital Asset Activity

The following is a summary of capital asset activity for the year ended June 30, 2010:

	Balance at June 30, 2009	Additions	Retirements	Transfers	Balance at June 30, 2010
Governmental activities					
Capital assets not being depreciated:					
Land	\$136,037,625				\$136,037,625
Construction in progress	21,080,563	\$15,528,817		(\$18,374,116)	18,235,264
Total capital assets not being depreciated	<u>157,118,188</u>	<u>15,528,817</u>		<u>(18,374,116)</u>	<u>154,272,889</u>
Capital assets being depreciated:					
Buildings and improvements	62,209,283			111,755	62,321,038
Machinery and equipment	25,013,938	483,568	(\$419,851)	439,239	25,516,894
Infrastructure	207,127,444			17,823,122	224,950,566
Total capital assets being depreciated	<u>294,350,665</u>	<u>483,568</u>	<u>(419,851)</u>	<u>18,374,116</u>	<u>312,788,498</u>
Less accumulated depreciation for:					
Buildings and improvements	(20,241,860)	(1,899,225)			(22,141,085)
Machinery and equipment	(18,002,745)	(1,371,318)	392,504		(18,981,559)
Infrastructure	(118,144,043)	(5,481,973)			(123,626,016)
Total accumulated depreciation	<u>(156,388,648)</u>	<u>(8,752,516)</u>	<u>392,504</u>		<u>(164,748,660)</u>
Net capital assets being depreciated	<u>137,962,017</u>	<u>(8,268,948)</u>	<u>(27,347)</u>	<u>18,374,116</u>	<u>148,039,838</u>
Governmental activity capital assets, net	<u>\$295,080,205</u>	<u>\$7,259,869</u>	<u>(\$27,347)</u>		<u>\$302,312,727</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$14,847,372	\$70,735			\$14,918,107
Construction in progress	10,055,791	7,144,646	(\$360,364)	(\$1,966,043)	14,874,030
Total capital assets not being depreciated	<u>24,903,163</u>	<u>7,215,381</u>	<u>(360,364)</u>	<u>(1,966,043)</u>	<u>29,792,137</u>
Capital assets, being depreciated:					
Buildings and improvements	427,779,364	192,769		372,868	428,345,001
Machinery and equipment	79,362,454	805,431	(441,380)	1,259,989	80,986,494
Infrastructure	116,960,552			333,186	117,293,738
Total capital assets being depreciated	<u>624,102,370</u>	<u>998,200</u>	<u>(441,380)</u>	<u>1,966,043</u>	<u>626,625,233</u>
Less accumulated depreciation for:					
Buildings and improvements	(149,180,269)	(12,131,989)	407,222		(160,905,036)
Machinery and equipment	(48,546,182)	(4,470,415)			(53,016,597)
Infrastructure	(76,958,691)	(3,881,073)			(80,839,764)
Total accumulated depreciation	<u>(274,685,142)</u>	<u>(20,483,477)</u>	<u>407,222</u>		<u>(294,761,397)</u>
Net capital assets being depreciated	<u>349,417,228</u>	<u>(19,485,277)</u>	<u>(34,158)</u>	<u>1,966,043</u>	<u>331,863,836</u>
Business-type activity capital assets, net	<u>\$374,320,391</u>	<u>(\$12,269,896)</u>	<u>(\$394,522)</u>		<u>\$361,655,973</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 6 – 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

Finance	\$49,958
Community Development	28,002
Fire services	233,670
Police services	288,260
Public works	7,535,258
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	617,368
	<u>\$8,752,516</u>

Business-Type Activities

Water	\$6,520,748
Local Transportation	4,385,480
Sanitation and Flood Control	8,154,918
Marina	1,036,387
Golf	385,944
	<u>\$20,483,477</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT

A. Current Year Transactions and Balances

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

	Original Issue Amount	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Current Portion
Governmental Activity Debt:						
Tax Allocation Bonds:						
Waterfront Redevelopment Project 7.9%, due 5/1/19	\$2,485,000	\$1,935,000		\$115,000	\$1,820,000	\$125,000
Marina Vista Project 6.0-7.5%, due 9/1/20	3,335,000	2,110,000		115,000	1,995,000	120,000
Vallejo Central Project 6.0-7.5%, due 9/1/20	1,900,000	1,565,000		60,000	1,505,000	70,000
Vallejo Housing Set Aside 7.0%, due 10/1/31	5,410,000	4,715,000		140,000	4,575,000	150,000
Other Obligation:						
Redevelopment Waterfront DDA		661,320			661,320	
Total Tax Allocation Bonds and other obligations	<u>13,130,000</u>	<u>10,986,320</u>		<u>430,000</u>	<u>10,556,320</u>	<u>465,000</u>
Certificates of Participation:						
1999 COPs 3.60-5.25%, due 7/15/29	4,815,000	4,010,000		110,000	3,900,000	115,000
2000 COPs variable rate, due 9/1/40	12,786,942	7,003,635		115,313	6,888,322	121,462
2002 COPs variable rate, due 12/1/23	11,497,776	8,338,213	\$710,619	403,832	8,645,000	455,000
2003 COPs variable rate, due 12/1/23	6,743,199	5,575,784		269,728	5,306,056	282,371
Total Certificates of Participation	<u>35,842,917</u>	<u>24,927,632</u>	<u>710,619</u>	<u>898,873</u>	<u>24,739,378</u>	<u>973,833</u>
Capital Lease Obligations:						
2001 Site & Facility Lease 6%, due 6/1/21	1,150,000	879,697		50,449	829,248	53,522
Fire SCBA 6.816, due 9/1/14	313,122		313,122	189,656	123,466	21,456
Police CAD/RMS 4.9%, repaid 6/29/10	411,052	143,740		143,740		
Police Holding Cell 2.97%, due 1/30/13	675,000	241,353		55,117	186,236	58,429
Total Capital Leases Obligations	<u>2,549,174</u>	<u>1,264,790</u>	<u>313,122</u>	<u>438,962</u>	<u>1,138,950</u>	<u>133,407</u>
Total Governmental Activity Debt	<u><u>\$51,522,091</u></u>	<u><u>\$37,178,742</u></u>	<u><u>\$1,023,741</u></u>	<u><u>\$1,767,835</u></u>	<u><u>\$36,434,648</u></u>	<u><u>\$1,572,240</u></u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2009	Retirements	Balance June 30, 2010	Current Portion
Business-type Activity Debt:					
Revenue Bonds:					
2001 Water Revenue Bonds, variable rate, due 6/1/31	\$23,075,000	\$19,850,000	\$545,000	\$19,305,000	\$570,000
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	45,790,000	42,925,000	1,680,000	41,245,000	1,750,000
Plus: Unamortized bond premium		1,591,872	93,640	1,498,232	
Less: Unamortized loss		(1,660,930)	(97,702)	(1,563,228)	
	<u>68,865,000</u>	<u>62,705,942</u>	<u>2,220,938</u>	<u>60,485,004</u>	<u>2,320,000</u>
Total Revenue Bonds					
Certificates of Participation:					
2002 COPs, variable rate, due 12/1/23	917,224	746,787	746,787		
2003 COPs, variable rate, due 12/1/23	1,256,801	1,039,217	50,272	988,945	52,628
2000 COPs, variable rate, due 9/1/40	17,593,058	15,816,365	259,687	15,556,678	273,538
2001 COP Golf Course Facilities, variable rate, due 6/1/40	16,350,000	9,670,000	180,000	9,490,000	360,000
Less: Unamortized bond discount		(40,026)	(5,109)	(34,917)	
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control	38,905,000	23,020,000	1,620,000	21,400,000	1,700,000
2001 Sanitation and Flood Control, variable rate, due 5/1/28	25,645,000	3,600,000	140,000	3,460,000	145,000
2006 Sanitation and Flood Control District rate 4-5%, due 2036		37,805,000	750,000	37,055,000	780,000
Less: Unamortized bond discount		(200,162)	(55,988)	(144,174)	
	<u>100,667,083</u>	<u>91,457,181</u>	<u>3,685,649</u>	<u>87,771,532</u>	<u>3,311,166</u>
Total Certificates of Participation					
Loans & Notes Payable:					
Vallejo Sanitation and Flood Control State Clean Water (2004) 2.5%, due 2023	13,798,201	10,604,495	641,959	9,962,536	658,008
State Clean Water (2008) rate 2.4%, due 2025	4,406,072	4,176,744	217,208	3,959,536	222,421
US Dept of Commerce, Water Fund 2.5%, due 8/1/23	2,560,923	815,948	144,809	671,139	
State Safe Drinking Water 0%, due 1/1/25	68,080	52,762	3,404	49,358	1,702
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	4,167,063	324,238	3,842,825	164,946
	<u>27,508,276</u>	<u>19,817,012</u>	<u>1,331,618</u>	<u>18,485,394</u>	<u>1,047,077</u>
Total Loans & Notes Payable					
Total Business-type Activity Debt	<u><u>\$197,040,359</u></u>	<u><u>\$173,980,135</u></u>	<u><u>\$7,238,205</u></u>	<u><u>\$166,741,930</u></u>	<u><u>\$6,678,243</u></u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

During fiscal year 2010, the Water Fund has repaid the General Fund \$710,619 to retire its proportional share of the outstanding 2002 Certificates of Participation bond obligations in pursuant to the Five-Year Business Workout Plan. The transaction has been recorded as issuance of long term debt in the General Fund as of June 30, 2010 and retirement of long-term debt in the Water Enterprise Fund.

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
2011	\$1,572,240	\$2,944,317	\$6,678,243	\$7,753,486
2012	1,608,843	2,131,154	7,078,772	6,819,856
2013	1,706,789	2,024,585	7,389,278	6,523,171
2014	2,401,549	1,912,722	7,705,902	6,210,850
2015	1,810,861	1,798,034	3,916,265	3,437,658
2016-2020	10,662,971	7,008,341	43,717,800	25,219,571
2021-2025	9,009,287	3,662,628	39,666,860	16,403,572
2026-2030	3,692,362	1,886,905	22,982,646	47,568,649
2031-2035	1,964,525	932,697	16,330,475	5,740,902
2036-2040	1,651,274	427,910	10,678,725	1,740,615
2041	353,947	22,122	841,051	52,566
Total	<u>\$36,434,648</u>	<u>\$24,751,414</u>	166,986,017	<u>\$127,470,896</u>
			1,498,232	
Plus: Unamortized bond premium			(1,563,228)	
Less: Unamortized loss			(179,091)	
Less: Unamortized bond discount			<u> </u>	
Net long-term debt			<u>\$166,741,930</u>	

On July 1, 2008, the City's COPs were tendered to the bank pursuant to an underlying letter of credit agreement. This agreement calls for charging interest at a default rate when the City is in technical default. As the City's filing for bankruptcy protection constitutes an event of default, the above interest amounts have been calculated using the default interest rate (6.25% as of July 1, 2009). The ultimate amount of interest to be paid may be adjusted pursuant to the City's plan of adjustment to be approved by the bankruptcy court. During fiscal 2009-10, the amount of interest paid was less than the default rate due to the pendency plan measures.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

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 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 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 Waterfront Debt Service Fund.

The pledge of future tax increment property tax revenues ends upon repayment of the \$2,641,995 in remaining debt service on the Agency's long term debt which is scheduled to occur in 2019. For fiscal year 2010 tax increment revenues amounted to \$645,947 which represented coverage of 2.41 over the \$267,865 in debt service.

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

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

The pledge of future tax increment property tax revenues ends upon repayment of the \$5,179,257 in remaining debt service on the Agency's long term debt which is scheduled to occur in 2021. As disclosed in the originating offering documents, pledged future property tax increment revenues are expected to provide coverage over debt service of 1.35 over the life of the long term debt. For fiscal year 2010 tax increment revenues amounted to \$1,175,427 which represented coverage of 2.65 over the \$444,063 in debt service.

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

The pledge of future housing tax revenues ends upon repayment of the \$8,466,125 in remaining debt service on the Agency's long term debt which is scheduled to occur in 2032. As disclosed in the originating offering documents, pledged future property tax increment revenues are expected to provide coverage over debt service of 1.43 over the life of the long term debt. For fiscal year 2010, housing set aside tax increment revenues amounted to \$656,199 which represented coverage of 1.41 over the \$465,150 in debt service.

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, 2010, the developer has incurred costs of \$661,320. The obligation will be repaid upon sale of certain Agency property to the developer.

E. Certificates of Participation (COPs)

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.

The pledge of future motor vehicle license fee revenues ends upon repayment of the remaining debt service which is scheduled to occur in 2030. For fiscal year 2010, the motor vehicle license fee revenues amounted to \$356,145. However, debt service on the COPs is secured by an underlying lease agreement between the City and a financial intermediary. Lease payments are used to pay debt service on the COPs.

For the years ended June 30, 2009 and 2010, principal due on the bonds was paid, but interest due was paid at a reduced rate under the pendency plan as discussed in Note 2 above. Under the terms of the indenture, the City is obligated to make monthly sinking fund payments to the Trustee. The City did not make scheduled payments for the three payments due in May, June, and July 2009. As a result, the trustee drew the shortfall of \$78,576 from bond insurance to make the scheduled July 15, 2009 bondholder payments. The City resumed monthly sinking fund payments to the trust in August 2009 at a reduced 2% interest rate. In January 2010, the Trustee again drew the sinking fund payment shortfall from bond insurance in the amount of \$78,576 to fund bond holder payments. Subsequent to year end, on July 15, 2010, the trustee drew an additional advance of \$62,916, for accumulative advance of \$220,068.

2000, 2001, 2002, and 2003 COPs – On July 1, 2009, the Letter of Credit provider issued a mandatory call of all outstanding 2000, 2001, 2002, and 2003 Certificates in the amount of \$49,280,000. Tendered Certificates became subject to interest at a draw rate of reference plus one percent, or a default rate of reference plus three percent.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

As such time as these Certificates are remarketed, the indenture provides for interest to 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 Par Balance at June 30, 2010	Letter of Credit Amount	Expiration Date
2000 COPs	\$22,445,000	\$26,982,791	August 18, 2010
2002 COPs	8,645,000	12,651,736	December 4, 2012
2003 COPs	6,295,001	8,152,548	(expired)
2001 Golf COPs	9,490,000	16,661,770	May 16, 2011
	\$46,875,001		

Letter of credit for 2000 COPs has also expired subsequent to year end.

For the year ended June 30, 2010, principal due on the bonds was paid, but interest due was paid at a reduced rate under the pendency plan as discussed in Note 2 above.

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 City has the option of converting the COPs to a fixed interest rate, which interest is payable on March 1 and September 1. The Certificates are General Fund obligations secured by lease payments on various real assets. The Marina Enterprise portion of the debt is 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.

The City has pledged future motor vehicle license fee revenues for the repayment of the COPs, which ends upon repayment of the remaining debt service which is scheduled to occur in 2030. For fiscal year 2010, the motor vehicle license fee revenues amounted to \$356,145. However, debt service on the COPs is repayable from multiple Funds and is secured by an underlying lease agreement between the City and a financial intermediary. Lease payments are used to pay debt service on the COPs.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

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 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 Certificates are General Fund obligations secured by lease payments on various real assets. On September 1, 2004, the City exercised its optional prepayment rights and retired \$1,000,000 of the outstanding principal on this debt. The Water Enterprise portion of the debt has been serviced by the water system operations through June 30, 2010, at which time the remaining Water Fund principal of \$710,619 was purchased by and reallocated to the City's General Fund.

2003 COPs – In December 2003, the City issued \$8,000,000 of Certificates of Participation (2003 Capital Improvement Project) to provide funding Springstowne Library improvements, solar energy projects and various public works projects. The COPS Capital Projects Fund received \$4,125,602, the Redevelopment Agency's 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 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 Certificates are General Fund obligations secured by lease payments on various real assets. The Redevelopment Agency and Marina Enterprise portion of the debt is serviced by those respective programs.

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 6.25%. 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 Certificates are General Fund obligations secured by lease payments on various real assets. The COPS are serviced by golf operations. The City did not make the scheduled \$175,000 principal payment due June 1, 2009, which has been included as current portion of debt in the Golf Enterprise Fund.

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, 2010 was 4.5%. Annual principal payments are due May 1. The COPs are secured and serviced by VSFCD operations.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

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

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, at which time interest is payable on December 1 and June 1. The debt is secured and serviced from the water system operations, subordinate to the 2006 Water Revenue Refunding Bonds. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 1.4%. Principal on the bonds is due annually.

The pledge of future net revenues ends upon repayment of the \$20,196,776 in remaining debt service on the above bonds which is scheduled to occur in 2031. Under the terms of the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

As such time as the revenue bond is remarketed, the indenture provides for interest to reset periodically, using the “put” mechanism described below. The revenue bond is periodically subject to repurchase at par, referred to as a “put”. Once a put occurs, a remarketing agent resells the revenue bond 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 the revenue bond that may be tendered for purchase prior to maturity. In November 2010, the Bank has approved a two-year extension of the Irrevocable Letter of Credit. The new expiration date is December 7, 2012. The outstanding par balance at June 30, 2010 is \$19,305,000.

2006 Water Revenue Refunding Bonds – In July 2006 the City issued \$45,790,000 in Water Revenue Refunding Bonds 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. Interest is payable on May 1 and November 1. Annual principal payments are due on May 1. The debt is secured and serviced by water system operations.

The pledge of future net revenues ends upon repayment of the \$60,898,500 in remaining debt service on the bonds which is scheduled to occur in 2026. Under the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

For fiscal year 2010, net revenues amounts to \$32,555,632 and operating costs include operating expenses, but not interest, depreciation or amortizations and amounted to \$25,461,501. Net Revenues available for debt service amounted to \$7,094,131 which represented coverage of 1.22 over the \$5,819,158 in combined system debt service for both 2001 and 2006 Water Revenue Bonds debt service.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 7 - LONG-TERM DEBT (Continued)

G. Notes and Loans Payable

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

Vallejo Sanitation and Flood Control State Clean Water (2008) – During the fiscal year ended June 30, 2008, the District completed a second loan agreement with the State Water Resources Control Board’s Division of Financial Assistance. The loan is dated January 24, 2008, and is in the principal amount of \$4,406,072. Payments in the amount of \$317,450 with interest at 2.4% commence January 24, 2009, and are due annually thereafter until maturity in 2025.

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.

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.

Self Contained Breathing Apparatus and Spare Air Cylinders Lease – In August 2009, the Vallejo Fire Department entered into a lease-purchase agreement (the “Lease”) with Mine Safety Appliances Company in the amount of \$313,122. Payments in the amount of \$21,456 with interest at 6.816% commencing September 1, 2010 and are due annually thereafter until maturity in 2014.

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 \$4,665,222 and had net book values of \$1,421,765 at June 30, 2010.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

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, 2010 is as follows:

<i>Special Assessment Bonds</i>	
Fairgrounds Drive #65	\$1,180,000
Glen Cove 2003-1	2,585,000
 <i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	17,985,000
Northeast Improvement District 2003-1	7,540,000
 <i>Revenue Bonds</i>	
2003 Series B (Northeast Quadrant)	1,470,000
Total	\$30,760,000

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

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. As of June 30, 2010, \$5,585,000 of these bonds remained outstanding.

Solano Vista II – Multifamily Housing Revenue Bonds, Series 2001A (Solano Vista II Senior Apartments) in the amount of \$10,600,000. The bonds bear interest at the rate of 5.45%. Interest payments are due semiannually through November 1, 2034. The bonds are dated August 1, 2001, and were issued to provide funding for a mortgage loan for the acquisition and construction of a multifamily housing project. On June 30, 2010, \$9,810,000 of these bonds remained outstanding.

Marina Vista I and II, Marina Heights – Multifamily Housing Revenue Bonds, Series 1998A and 1998B (GNMA Mortgage Backed Securities Program) in the amount of \$11,520,000. The bonds bear interest at rates ranging from 3.6% to 8.25%. The bonds are dated October 1, 1998, and were issued to provide financing for the acquisition and rehabilitation of three multifamily housing projects known as Marina Vista I, Marina Vista II, and Marina Heights. On June 30, 2010, \$10,655,000 of these bonds remained outstanding.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 10 – EMPLOYEE BENEFITS PAYABLE

Employee Benefits Payable reported in the Statement of Net Assets includes compensated absences, discussed below, and Post Employment Retiree Medical Benefits discussed in Note 12.

Compensated absences consist of vested vacation and sick leave. For governmental activities, the portion reported as a liability in the Payroll Benefits Internal Service Fund primarily represents balances due within 60 days of year end. Matured compensated absences balances, unpaid to separated employees during the pendency of the bankruptcy case, are reported in the Bankruptcy Claims Internal Service Fund. The remaining 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 have been recorded at the contractual salary rates due to employees at June 30, 2010.

Compensated absences activity for the City for the year ended June 30, 2010 is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Compensated Absences Activity:			
Beginning Balance	\$20,700,316	\$3,247,189	\$23,947,505
Additions	2,986,650	1,855,793	4,842,443
Deletions	<u>(7,789,042)</u>	<u>(2,103,940)</u>	<u>(9,892,982)</u>
Ending Balance	<u>\$15,897,924</u>	<u>\$2,999,042</u>	<u>\$18,896,966</u>
Compensated Absences Classification Presentation:			
Current Portion:			
Internal Service Fund	\$253,094		\$253,094
Entity-wide	<u>7,168,317</u>	<u>\$1,581,205</u>	<u>8,749,522</u>
Current Portion	<u>7,421,411</u>	<u>1,581,205</u>	<u>9,002,616</u>
Noncurrent Portion:			
Internal Service Fund	2,737,752		2,737,752
Entity-wide	<u>5,738,761</u>	<u>1,417,837</u>	<u>7,156,598</u>
Noncurrent Portion	<u>8,476,513</u>	<u>1,417,837</u>	<u>9,894,350</u>
Total	<u>\$15,897,924</u>	<u>\$2,999,042</u>	<u>\$18,896,966</u>
Noncurrent Employee Benefits Payable			
Compensated Absences	\$8,476,513	\$1,417,837	\$9,894,350
Net OPEB Obligation (Note 12)	<u>14,033,237</u>	<u>636,228</u>	<u>14,669,465</u>
Non-current Portion	<u>\$22,509,750</u>	<u>\$2,054,065</u>	<u>\$24,563,815</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 11 – RETIREMENT PENSION BENEFITS

A. *City of Vallejo*

1. Plan Description

The City participates in the California Public Employees Retirement System (CalPERS), 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.

2. 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 \$3,987,851 for the year ended June 30, 2010. The City employer was required to contribute for fiscal year 2010 at an actuarially determined rate of 28.310% and 17.285 % of annual covered payroll for safety and miscellaneous employees respectively.

3. Annual Pension Cost

The City’s annual pension costs of \$11,734,043, \$12,332,457, and \$9,921,147 were equal to the City’s required and actual contributions in fiscal years 2008, 2009, and 2010 respectively. The required contribution for 2010 was determined as part of the June 30, 2009 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 3.55 % to 14.45% for miscellaneous employees and 3.55% to 13.15% for safety employees, depending on age, service and type of employment, and (3) 3% per year cost-of-living adjustments. Both (1) and (2) included an inflation component of 3%. 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.

CalPers has realized a 24 percent loss on its investments during the year ended June 30, 2009. The impact of this loss on the City’s \$403 million of assets held by CalPers at June 30, 2008 approximates \$97 million. CalPers has adopted an employer contribution rate smoothing policy that will phase in the impact of these losses over three years beginning July 1, 2011.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 11 – RETIREMENT PENSION BENEFITS (Continued)

4. Three Year Trend Information and Funding Progress

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liability for benefits.

The following schedule of funding progress is presented for the most recent actuarial valuations as of June 30, 2010:

Safety Plan:

Valuation Date	Actuarial						Unfunded (Overfunded) Liability as % of Payroll
	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratios		Annual Covered Payroll	
				AVA Value	Market Value		
2007	\$242,845,279	\$296,961,256	\$54,115,977	81.8%	94.9%	\$28,858,275	187.5%
2008	259,677,066	323,988,421	64,311,355	80.2%	81.9%	24,914,141	258.1%
2009	267,211,585	345,622,295	78,410,710	77.3%	56.1%	23,022,111	340.6%

Miscellaneous Plan:

Valuation Date	Actuarial						Unfunded (Overfunded) Liability as % of Payroll
	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratios		Annual Covered Payroll	
				AVA Value	Market Value		
2007	\$135,085,600	\$169,654,472	\$34,568,872	79.6%	92.6%	\$23,616,703	146.4%
2008	144,075,867	180,864,881	36,789,014	79.7%	81.5%	21,970,627	167.4%
2009	149,261,498	198,378,136	49,116,638	75.2%	54.8%	21,478,214	228.7%

5. Plan Changes

Effective March 27, 2010, International Association of Fire Fighters employees have new contract terms that provide a lower 2% at Age 50 pension benefit formula for new employees and a higher 13.4% employee contribution rate for those existing employees with a 3% at Age 50 pension benefit formula.

B. Vallejo Sanitation and Flood Control District

1. Plan Description

The District contributes to the California Public Employee’s Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. Substantially all full-time employees, with exception of seasonal and temporary employees, participate in the PERS plan. Eligible employees who retire at or after age 50, with a minimum of 5 years credited service, are entitled to a monthly retirement benefit based upon compensation, years of credited service and retirement age. The plan also provides disability, death and survivor benefits to eligible retirees and their beneficiaries. The Board of Trustees of the District authorizes plan benefit provisions established by contract and California Public Employee’s Retirement Law. Stand-alone financial information for the plan is not available. However, system-wide reports that contain the cost-sharing plan may be obtained through contacting PERS directly.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 11 – RETIREMENT PENSION BENEFITS (Continued)

2. Funding Policy

PERS participating employees contribute 8% of their salary as required by PERS for local miscellaneous plan members. The District contributes the remaining amounts necessary to fund contracted benefits at rates set forth using the actuarial methods and assumptions recommended by PERS actuaries and actuarial consultants, and adopted by the PERS Board of Administration. The employer required contribution rate for the fiscal year 2009-2010 was 17.463% of covered payroll. PERS establishes and may amend employee and employer contribution requirements. PERS prepares actuarial valuation reports annually for each member participant in the cost-sharing plan. The employer rate by member consists of the normal cost for the cost-sharing plan plus an amount for amortization of the side fund that accounts for the difference between the funded status of the cost-sharing plan and the funded status of the member plan at time of entry into the cost-sharing plan.

3. Required Contributions

For the fiscal year 2009-2010 and each of the two preceding fiscal years, contribution requirements and contributions made were as follows:

Fiscal Year Ended June 30	PERS Local Miscellaneous 2.7% @ 55 Cost-Sharing Plan		
	Contribution Requirement Dollars	Percent Contributions Paid	Pension Assets (Liabilities)
	2010	\$1,194,964	100%

4. Temporary and Seasonal Employees

Federal law requires that employees not covered by an employer retirement system be covered by Social Security or an alternative plan. The District hires temporary employees whose positions are exempt from PERS membership, and utilizes Social Security for these positions.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 12 – POST-EMPLOYMENT BENEFITS

A. Post Retirement Health Benefits - City

The City has implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits (OPEB). The provisions of the statement are applied on a prospective basis.

Employees and their dependents are eligible for post-retirement health benefits if they retire directly from the City under CalPers after attaining the age of 50 with five years of service or disability. The City pays the retiree and eligible dependent premiums up to benefit level established for each employee organization. Significant benefit changes have been negotiated during the year ended June 30, 2010 and further changes have been subsequently negotiated or imposed.

The following is a summary of benefits by employee group as of June 30, 2010, along with subsequent changes:

<u>Employee Group</u>	<u>Contractual Benefit at June 30, 2010</u>	<u>Imposed Benefit at June 30, 2010</u>	<u>Not Implemented at June 30, 2010</u>
Vallejo Police Officers Association (VPOA)	Up to 100% of Kaiser Bay Area Premium		
International Association of Fire Fighters (IAFF)	Up to 75% of Kaiser Bay Area Premium, if retired prior to 7/1/2000		
	Up to \$300 per month, if retired after 7/1/2000		Reduction from 75% of Kaiser Bay Area Premium to \$300 per month is pending CalPERS implementation
International Brotherhood of Electrical Workers (IBEW)	None	Up to 75% of Kaiser Bay Area Premium (a)	
Confidential, Administrative, Management, and Professional Employees Association (CAMP)	Up to 80% of Kaiser Bay Area Premium		
Unrepresented Employees	Up to \$300 per month		

(a) On November 30, 2010, the City entered into a new IBEW labor agreement that provides for City contribution of up to \$300 per month per retiree. This contract provision was implemented by CalPERS on February 1, 2011.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy and Actuarial Assumptions

The City's policy is to fund these benefits on a pay-as-you-go basis. The annual required contribution (ARC) was determined as part of a June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.5% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 4.50% to 9.30% health inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability amounted to \$81.2 million and is being amortized as a level percentage of projected payroll using a 30 year amortization period.

At June 30, 2010, the ARC and OPEB unfunded actuarial accrued liability have been computed based on the contractual benefit obligation for VPOA, CAMP and unrepresented retirees, and based on \$300 per month per retiree for the IAFF and IBEW bargaining groups.

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2010, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

	Retiree Health Benefits Internal Service Fund - Governmental Activities
Annual required contribution (ARC)	\$5,459,000
Amortization on the Net OPEB Liability	(853,734)
Interest on the Net OPEB Liability	565,387
Adjustment to annual required contribution	(288,347)
Annual OPEB Cost	5,170,653
Contributions made:	
City portion of current year premiums paid	3,701,569
Contributions less than the ARC	1,469,084
Net OPEB Obligation at June 30, 2009	12,564,153
Net OPEB Obligation at June 30, 2010	\$14,033,237

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

The City’s annual required contributions and actual contributions for the last two fiscal years are set forth below (in thousands):

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>% of OPEB</u>	
			<u>Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$9,796,000	\$3,168,048	32%	\$6,627,952
6/30/2009	9,604,982	3,668,781	38%	12,564,153
6/30/2010	5,170,653	3,701,569	72%	14,033,237

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the June 30, 2009 actuarial study is presented below (in 000’s):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Overfunded (Underfunded) Actuarial Liability</u>		<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll</u>
			<u>Overfunded (Underfunded) Actuarial Liability</u>	<u>Overfunded (Underfunded) Actuarial Liability</u>			
6/30/2008	\$0	\$135,400	(135,400)	0.00%	\$44,287	(305.7%)	
6/30/2009	0	81,224	(81,224)	0.00%	43,480	(186.8%)	

B. Post Retirement Health Benefits - VSFCD

1. Plan Description

The District’s defined benefit postemployment healthcare plan, Public Agency Post-Retirement Health Care Plan (the Plan), provides medical benefits to eligible retired employees and their beneficiaries. The Public Agency Retirement System (PARS) administers the Plan, an agent multiple-employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies that hold assets used to fund OPEB obligations. Plan benefits were established in accordance with Board policy and Memorandums of Understanding for respective employee groups, and may be amended by the Board of Trustees. PARS provides an annual financial report for the aggregate Plan that may be obtained by contacting PARS directly.

2. Funding Policy

The Plan is fully funded by employer contributions with no requirement for matching or otherwise pro-rata employee contributions. The District is required to contribute the *annual required contribution* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45 (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, projects to cover the normal cost each year and amortize unfunded actuarial liabilities, if any, over a period not to exceed thirty years. The ARC is subject to change with each actuarial valuation date performed no later than every three years.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

3. Annual OPEB Cost

The District's annual OPEB expense (the ARC) and the amount paid for the fiscal year 2009-2010 amounted \$1,016,399 and \$885,360, respectively. The District's annual OPEB cost, the percent paid, and the net OPEB obligation for the fiscal year 2009-2010 was as follows:

Fiscal Year Ended June 30	PARS Public Agency Post-Retirement Health Care Plan					
	Actuarial Valuation Date	Annual OPEB Cost	Percent Contributions Paid	Inc (Dec) in Net OPEB Obligation	Net OPEB Obligation Beg of Year	Net OPEB Obligation End of Year
2010	1/1/2010	\$1,052,965	84.1%	\$167,605	\$468,623	\$636,228
2009	1/1/2007	1,053,489	79.5%	216,133	252,490	468,623
2008	1/1/2007	1,053,489	76.0%	252,490	0	252,490

4. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and eligible Plan members, and includes the actuarial present value of all Plan benefits allocated between the periods before and after the valuation date. The present value of Plan benefits earned prior to the valuation date is called the *actuarial liability*. The present value of Plan benefits to be earned after the valuation date is called the *present value of future normal costs*. Actuarial assumptions include a 7.5% investment return, a medical trend rate beginning at 8.6% declining to 5.8% after 10 years, and a 3.25% inflation rate. Actuarial methods may also include techniques that are designed to reduce short-term volatility in actuarially accrued liabilities and actuarial assets, consistent with the long-term perspective of the calculations.

The cost method for valuation of liabilities used for valuation of the District's Plan dated January 1, 2007 is the *entry age normal* method. Under the entry age normal actuarial cost method, an individual entry age normal cost ratio is determined for each participant by taking the value of the participant's projected future benefits and dividing it by the value of his expected future salary. This ratio for each participant is then multiplied by the present value of the participant's future salary. The sum of the values of all active participants is the Plan's present value of future normal costs. The excess of the present value of Plan benefits over the present value of future normal costs is the actuarial liability. The difference between the actuarial liability and the value of the Plan assets is the unfunded actuarial liability.

The unfunded actuarial liability is amortized over a period of 30 years from the valuation date (closed basis) with payments increasing by a payroll growth assumption of 3.25% per annum. Payments are assumed to be made throughout the year. Subsequent gains and losses and benefit improvements will be amortized over the same remaining period.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

5. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about investment return, future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and annual required contributions are subject to change when actual results are compared with past expectations together with new estimates about the future. Plan assets are stated at current market prices. The table below present funded status information of the Plan for the current year, and is as follows:

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
1/1/2010	\$11,297,650	\$1,102,420	\$10,195,230	9.8%	\$6,842,832	149.0%

Note: Three-year funding progress data is shown as required supplementary information after the notes to financial statements.

NOTE 13 – NET ASSETS AND FUND BALANCES

A. Net Assets – Statement of 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.

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

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

B. Fund Balance – Governmental Funds Balance Sheet

1. Reservations

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds, or non-current balances that do not represent available, spendable resources. At June 30, 2010, reserves included:

Reserved for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserved for **materials, parts, supplies, prepaids, notes and loans and advances** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserved for **land held for redevelopment** is the carrying value of property held by the Redevelopment Agency, which is reserved since it is not an available spendable resource.

Reserved for **debt service** represents assets that are restricted pursuant to long-term debt agreements.

The balance sheet also reports **program restrictions** which represent the balance of restricted funds that have been formally appropriated for future projects and the unappropriated portion that is available for future spending.

2. Designations

Designations reflect future spending plans or concerns about the availability of future resources.

C. Deficits

The funds below had fund deficits or net asset deficits at June 30, 2010:

Proprietary Funds:	
Marina	\$2,431,038
Golf	1,471,349
Total	<u>\$3,902,387</u>
Non-Major Governmental Funds:	
Redevelopment Agency Debt Service Fund	<u>\$4,373,599</u>
Total	<u>\$4,373,599</u>
Internal Service Funds:	
Insurance	\$2,951,248
Retiree Health Benefits	14,033,237
Bankruptcy Claims	735,002
Total	<u>\$17,719,487</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

D. Expenditures in Excess of Budget

The funds below had expenditures in excess of budgets:

Non-Major Funds:	
Special Revenue Funds	
Mare Island Leasing	\$42,429
Solid Waste Disposal	1,958
Office of Traffic Safety	53,307
Urban Forest Grant	45,065
Cold Case Grant	37,098

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

NOTE 14 – SELF-INSURANCE PROGRAM

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

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

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 14 – 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, 2010, the City contributed \$406,102 for coverage during the current year.

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 \$4,500,000 covered by local agency workers’ compensation excess insurance (LAWCX). Losses up to \$5,000,000 are insured with California Public Entity Insurance Authority. During the fiscal year ended June 30, 2010, the City contributed \$374,084 for coverage during the current year.

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 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 \$2,470,969.

California Sanitation Risk Management Authority also provides coverage up to \$750,000 for workers’ compensation. Excess workers compensation insurance provides coverage up to \$1,000,000. Pollution insurance provides coverage up to \$1,000,000 with a deductible of \$10,000 and \$5,000,000 in the aggregate. Property insurance provides coverage up to \$98,720,802 with a deductible of \$10,000.

B. Liability for Uninsured Claims

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

	June 30, 2010	June 30, 2009
Beginning balance	\$11,521,000	\$11,124,000
Increase (decrease) in current year claims and changes in estimates	3,194,090	3,194,684
Claims paid	(2,199,090)	(2,797,684)
Ending balance	\$12,516,000	\$11,521,000
Current portion	\$2,439,889	\$2,114,469

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. *Vallejo Redevelopment Agency*

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, 2010 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.

Pass-through Payments

The Agency is subject to statutory tax pass-through requirements and has also entered into various tax-sharing agreements with the Solano County and other taxing entities. Portions of tax increments from those project areas are received by the Agency and remitted to the applicable taxing entities.

In fiscal year 2010, the Agency calculated \$700,325 in pass-through payments to the affected jurisdictions. Of this balance, \$623,153 was paid during the fiscal year and \$77,172 was paid subsequent to June 30, 2010.

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, 2010 amounted to approximately \$3,078,557.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

C. *Transfer of Baylink Ferry and Vallejo Transit Bus Services*

Baylink Ferry Service

On January 1, 2008, the State of California's Senate Bill 976 became law repealing prior legislation that created the San Francisco Bay Area Water Transportation Authority and established a new agency, the Water Emergency Transportation Authority (WETA). The WETA has 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 water transportation on the bay.

The impact of the law to the Fund's ferry service may include, but is not limited to the transfer of ownership of the City's ferries and ferry assets; transfer of grant funding for current and future transit operation and capital funding and financial impact to transit-oriented development projects currently underway and planned for the future.

"Clean up" legislation to this law, Senate Bill 1093 (Wiggins), was approved and enacted into law on September 27, 2008 clarifying the planning, management, and operations responsibilities of the water transportation services vested in the WETA.

The City of Vallejo and the WETA are working collaboratively as required by this legislation and the Transition Plan adopted by the WETA Board on June 8, 2009. Physical transfer of the assets and ferry service is scheduled for July 2011.

Vallejo Transit Bus Services

Pursuant to Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6500) on November 30, 2010 the City of Vallejo entered into a Joint Powers Agreement (JPA) with the City of Benicia and the Solano Transportation Authority creating Solano County Transit, hereinafter referred to as "SolTrans", a joint powers agency. This JPA will consolidate the Vallejo Transit Bus and Para-transit services with the Benicia Breeze Bus and Para-transit services. This JPA committed the Members to endeavor to enter into use agreements with regards to the assets designated in the Transition Plan dated October 15, 2010 during the transition period between the date of the JPA execution and July 1, 2011, the scheduled date for the transfer of assets and bus services.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 16 – TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION (SERAF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its first SERAF payment of \$1,211,386 in fiscal year 2009-10.

Based on the calculations in AB26 4X, the Agency's SERAF payment is estimated to be \$249,165 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The obligation to make the SERAF payment is subordinate to obligations to repay bonds. However, if the Agency fails to make the full SERAF payment, the Agency may not encumber or expend funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAF is paid in full. The Agency's 2010-11 adopted budget includes an appropriation to pay the anticipated SERAF charge in full.

NOTE 17 – PROPOSITION 1A

Under the provisions of Proposition 1A and as part of the fiscal year 2009-10 budget package passed by the California State legislature on July 28, 2009, the State of California borrowed 8% of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes, apportioned to the City. The State is required to repay the \$2,434,638 it borrowed from the City, plus interest, by June 30, 2013.

Authorized with the 2009-10 State budget package was the Proposition 1A Securitization Program (Program), administered by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. Under the Program, the participating cities receive cash equal to their share of State borrowings and forgo interest they otherwise would have received from the State on the unpaid borrowings. The City is a participant in the Program.

California Communities simultaneously purchased the Proposition 1A receivables from the City and other participants, and issued bonds to provide participants with proceeds to be remitted in two equal installments due on January 15, 2010 and May 3, 2010. All costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. As of June 30, 2010, the City received both installments due under the Program and recorded them as property taxes in the same manner as if the State had not exercised its rights under Proposition 1A. Since sales proceeds to the City equal the book value of State borrowings no gain or loss was incurred.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Required Supplementary Information
For the Year Ended June 30, 2010

VSFCD Post Employment Benefits

Three-Year Table of Funding Progress

The three-year table of funding progress below for the District's postemployment healthcare plan presents information that shows whether the value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for Plan benefits. The fiscal year 2007-2008 was the first year of implementation of the postemployment healthcare plan. Accordingly, there are no factors that significantly affect the identification of trends in the amounts reported.

Fiscal Year Ended June 30	Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
2010	1/1/2010	\$11,297,650	\$1,102,420	\$10,195,230	9.8%	\$6,842,832	149.0%
2009	1/1/2007	10,418,127	972,186	9,445,941	9.3%	6,764,563	139.6%
2008	1/1/2007	10,418,127	489,318	9,928,809	4.7%	6,548,393	151.6%

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.

Neighborhood Stabilization Fund accounts for monies received and expended by the City as a participant in the Federal NSP Grant.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Justice Assistance Grant Fund accounts for revenues received from the Justice Assistance Grant.

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.

California Department of Corrections Grant Fund accounts for revenues received from the California Department of Corrections.

Urban Forest Grant Fund accounts for revenues received from the State Urban Forest Grant.

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.

Cold Case Grant Fund accounts for revenues received from the Federal Cold Case grant.

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.

DEBT SERVICE FUNDS

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 participation.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

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 #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 Participation 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.

Mare Island Conversion 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.

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.

NON-MAJOR GOVERNMENTAL FUNDS

Neighborhood Parks (GVRD) Fund accounts for park development impact fee revenue and for contributions to the Greater Vallejo Recreation District for park improvements.

Redevelopment Agency Flosden Acres Capital Projects Fund - accounts for the capital activities and reserves of the Flosden Acres 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.

Redevelopment Agency Merged 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.

Vallejo Station Capital Projects Fund accounts for grants received to support construction of a new Transit Center and related parking structure in downtown Vallejo.

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.

This Page Left Intentionally Blank

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund #102	Neighborhood Stabilization Program Fund #103	Mare Island Leasing Fund #107	FEMA Disaster Recovery Fund #109	Mare Island CFD 2002 Fund #112
ASSETS						
Cash and investments				\$1,063,923	\$3,606	\$3,952,649
Restricted cash and investments held with fiscal agent						
Accounts receivable	\$3,564	\$33,240	\$270	27,681		
Due from other governments	402,065	645,437	910,285			
Advance to other funds						
Notes and loans receivable	2,469,336	4,784,355	832,179			
Land held for redevelopment						
Total assets	<u>\$2,874,965</u>	<u>\$5,463,032</u>	<u>\$1,742,734</u>	<u>\$1,091,604</u>	<u>\$3,606</u>	<u>\$3,952,649</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$74,134	\$5,552	\$60,890	\$401,250		\$68,266
Due to other funds	331,495	649,375	849,665			
Due to other governments		6,880				254,975
Deferred revenues	2,469,336	4,801,225	832,179			
Deposits payable						
Advance from other funds						
Total liabilities	<u>2,874,965</u>	<u>5,463,032</u>	<u>1,742,734</u>	<u>401,250</u>		<u>323,241</u>
FUND BALANCES						
Fund balances						
Reserved for:						
Encumbrances						
Debt service						
Notes and loans receivable						
Land held for redevelopment						
Advance to other funds						
Program restrictions - Appropriated						
Program restrictions - Unappropriated						
Unreserved, designated for:						
Capital projects						
Unreserved, undesignated						
Total fund balances				690,354	3,606	3,629,408
Total liabilities and fund balances	<u>\$2,874,965</u>	<u>\$5,463,032</u>	<u>\$1,742,734</u>	<u>\$1,091,604</u>	<u>\$3,606</u>	<u>\$3,952,649</u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1A (State) Fund #113	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
\$515,607	\$435,393	\$434,362	\$130,400	\$1,795,685	\$4,667,465	\$1,018,736	\$2,157
		33,000 182,675	43,005 41,639				
<u>\$515,607</u>	<u>\$435,393</u>	<u>\$650,037</u>	<u>\$215,044</u>	<u>\$1,795,685</u>	<u>\$4,667,465</u>	<u>\$1,018,736</u>	<u>\$2,157</u>
\$16,166		\$128,569	\$13,602	\$45,239	\$241,171	\$4,027	\$2,117
			199,979			7,353 105,366	
<u>16,166</u>		<u>128,569</u>	<u>213,581</u>	<u>45,239</u>	<u>241,171</u>	<u>116,746</u>	<u>2,117</u>
				43,455			40
499,441	\$435,393	521,468	1,463	1,706,991	4,426,294	901,990	
<u>499,441</u>	<u>435,393</u>	<u>521,468</u>	<u>1,463</u>	<u>1,750,446</u>	<u>4,426,294</u>	<u>901,990</u>	<u>40</u>
<u>\$515,607</u>	<u>\$435,393</u>	<u>\$650,037</u>	<u>\$215,044</u>	<u>\$1,795,685</u>	<u>\$4,667,465</u>	<u>\$1,018,736</u>	<u>\$2,157</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Office of Traffic Safety Fund #146	Justice Assistance Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	California Department of Corrections Grant Fund #156	Urban Forest Grant Fund #128
ASSETS						
Cash and investments			\$128,957	\$50,197		
Restricted cash and investments held with fiscal agent						
Accounts receivable						
Due from other governments	\$78,176	\$50,555	11,821			
Advance to other funds						
Notes and loans receivable						
Land held for redevelopment						
Total assets	<u>\$78,176</u>	<u>\$50,555</u>	<u>\$140,778</u>	<u>\$50,197</u>		
LIABILITIES						
Accounts payable and accrued liabilities	\$16,321			\$848		
Due to other funds	61,855	\$45,699				
Due to other governments						
Deferred revenues		4,856				
Deposits payable						
Advance from other funds						
Total liabilities	<u>78,176</u>	<u>50,555</u>		<u>848</u>		
FUND BALANCES						
Fund balances						
Reserved for:						
Encumbrances						
Debt service						
Notes and loans receivable						
Land held for redevelopment						
Advance to other funds						
Program restrictions - Appropriated						
Program restrictions - Unappropriated						
Unreserved, designated for:						
Capital projects						
Unreserved, undesignated						
Total fund balances			<u>140,778</u>	<u>49,349</u>		
Total liabilities and fund balances	<u>\$78,176</u>	<u>\$50,555</u>	<u>\$140,778</u>	<u>\$50,197</u>		

SPECIAL REVENUE FUNDS

Outside Services Fund #129	State Lands Fund #134	Repair & Demolition Revolving Fund #142	Hazmat Revolving Fund #143	Cold Case Grant Fund #141	Redevelopment Administration Fund #710	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601
\$316,464		\$25,947	\$240,301		\$1,319	\$951,789	\$842,497
	\$18,549		10,000	\$75,677			
						11,438,630	
<u>\$316,464</u>	<u>\$18,549</u>	<u>\$25,947</u>	<u>\$250,301</u>	<u>\$75,677</u>	<u>\$1,319</u>	<u>\$12,390,419</u>	<u>\$842,497</u>
\$3,000		\$1,132	\$1,909	\$24,008 51,669	\$1,319	\$2,543	\$100
	\$14,175						
	4,374					1,985,374	
313,464							842,397
<u>316,464</u>	<u>18,549</u>	<u>1,132</u>	<u>1,909</u>	<u>75,677</u>	<u>1,319</u>	<u>1,987,917</u>	<u>842,497</u>
						9,453,256	
						750,000 199,246	
		24,815	248,392				
		<u>24,815</u>	<u>248,392</u>			<u>10,402,502</u>	
<u>\$316,464</u>	<u>\$18,549</u>	<u>\$25,947</u>	<u>\$250,301</u>	<u>\$75,677</u>	<u>\$1,319</u>	<u>\$12,390,419</u>	<u>\$842,497</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS			
	Certificates of Participation Fund #-various	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	\$1,418,708	\$132,595	\$2,717,998	\$1,755,844	\$3,823,077	
Restricted cash and investments held with fiscal agent	155,022	1,157,305				
Accounts receivable						
Due from other governments		4,711	27,683			
Advance to other funds					580,000	
Notes and loans receivable						
Land held for redevelopment						
Total assets	\$1,573,730	\$1,294,611	\$2,745,681	\$1,755,844	\$4,403,077	
LIABILITIES						
Accounts payable and accrued liabilities	\$591,871	\$137,304	\$89,811	\$9,842		
Due to other funds						
Due to other governments						
Deferred revenues		233,288	161,578		\$80,000	
Deposits payable						
Advance from other funds		5,297,618				
Total liabilities	591,871	5,668,210	251,389	9,842	80,000	
FUND BALANCES						
Fund balances						
Reserved for:						
Encumbrances			38,194			
Debt service	155,022	1,157,305				
Notes and loans receivable						
Land held for redevelopment						
Advance to other funds					500,000	
Program restrictions - Appropriated			1,153,383	502,016	3,453,661	
Program restrictions - Unappropriated	826,837			1,243,986	369,416	
Unreserved, designated for:						
Capital projects			1,187,500			
Unreserved, undesignated		(5,530,904)	115,215			
Total fund balances	981,859	(4,373,599)	2,494,292	1,746,002	4,323,077	
Total liabilities and fund balances	\$1,573,730	\$1,294,611	\$2,745,681	\$1,755,844	\$4,403,077	

CAPITAL PROJECTS FUNDS

Arts and Convention Center Fund #206	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	Mare Island Conversion Fund #106	Traffic Congestion Relief Fund #219	Downtown Development Capital Projects Fund #220
	\$145,164	\$7,214,056	\$1,386,591	\$508,649	\$1,913,498	\$919,577	
			6,143,371		9,503,622	304,111	\$349,499
\$4,198,868		518,750					
<u>\$4,198,868</u>	<u>\$145,164</u>	<u>\$7,732,806</u>	<u>\$7,529,962</u>	<u>\$508,649</u>	<u>\$11,417,120</u>	<u>\$1,223,688</u>	<u>\$349,499</u>
		\$3,125			\$1,237,680	\$108,419	\$4,884 344,615
\$402,868		18,750					
<u>402,868</u>		<u>21,875</u>			<u>1,237,680</u>	<u>108,419</u>	<u>349,499</u>
		86,724				\$107,022	
3,796,000	\$40,020	500,000	\$1,300,000	\$400,000	8,273,926	1,008,247	
	105,144	550,866	6,229,962	108,649	1,905,514		
<u>3,796,000</u>	<u>145,164</u>	<u>7,710,931</u>	<u>7,529,962</u>	<u>508,649</u>	<u>10,179,440</u>	<u>1,115,269</u>	
<u>\$4,198,868</u>	<u>\$145,164</u>	<u>\$7,732,806</u>	<u>\$7,529,962</u>	<u>\$508,649</u>	<u>\$11,417,120</u>	<u>\$1,223,688</u>	<u>\$349,499</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

	CAPITAL PROJECTS FUNDS				PERMANENT FUND	
	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137	Redevelopment Agency Flosden Acres Fund #721	Redevelopment Agency Merged Fund # - various	Vallejo Station Fund 222	McCune Collection Fund #603
ASSETS						
Cash and investments	\$128,083	\$1,926,174	\$5,181,580	\$1,120,718		\$120,019
Restricted cash and investments held with fiscal agent						
Accounts receivable		33,000	12,387	3,800		
Due from other governments	912,664				\$2,950,874	
Advance to other funds						
Notes and loans receivable		152,655		4,571,000		
Land held for redevelopment				1,343,595		
Total assets	<u>\$1,040,747</u>	<u>\$2,111,829</u>	<u>\$5,193,967</u>	<u>\$7,039,113</u>	<u>\$2,950,874</u>	<u>\$120,019</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$261,849		\$60,123	\$14,384	\$1,968,236	
Due to other funds	262,815				982,638	
Due to other governments						
Deferred revenues	404,472	\$13,894				
Deposits payable		37,000		70,008		
Advance from other funds						
Total liabilities	<u>929,136</u>	<u>50,894</u>	<u>60,123</u>	<u>84,392</u>	<u>2,950,874</u>	
FUND BALANCES						
Fund balances						
Reserved for:						
Encumbrances						
Debt service						
Notes and loans receivable		138,760		4,571,000		
Land held for redevelopment				1,343,595		
Advance to other funds						
Program restrictions - Appropriated	87,038	1,922,175	3,255,100			
Program restrictions - Unappropriated	24,573		1,878,744	1,040,126		\$120,019
Unreserved, designated for:						
Capital projects						
Unreserved, undesignated						
Total fund balances	<u>111,611</u>	<u>2,060,935</u>	<u>5,133,844</u>	<u>6,954,721</u>		<u>120,019</u>
Total liabilities and fund balances	<u>\$1,040,747</u>	<u>\$2,111,829</u>	<u>\$5,193,967</u>	<u>\$7,039,113</u>	<u>\$2,950,874</u>	<u>\$120,019</u>

Total
Nonmajor
Governmental
Funds

\$46,989,785

16,959,320
522,607
6,643,761
5,297,618
24,248,155
1,343,595

\$102,004,841

\$5,599,691
3,594,001
269,208
11,612,173
1,368,235
5,297,618

27,740,926

275,435
1,312,327
14,163,016
1,343,595
4,796,000
23,596,432
32,976,235

1,212,315
(5,411,440)

74,263,915

\$102,004,841

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund #102	Neighborhood Stabilization Program Fund #103	Mare Island Leasing Fund #107	FEMA Disaster Recovery Fund #109	Mare Island CFD 2002 Fund #112
REVENUES						
Taxes						\$1,433,608
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$1,968,487	\$645,437	\$910,285		\$3,552	
Use of money and property	71,405	144,548	563	\$393,283	54	55,001
Charges for services				24,877		3,202,439
Other						
Total Revenues	<u>2,039,892</u>	<u>789,985</u>	<u>910,848</u>	<u>418,160</u>	<u>3,606</u>	<u>4,691,048</u>
EXPENDITURES						
Current:						
Executive						
Development services						
Community development	2,039,892	789,985	910,848	621,389		
Fire services						1,485,000
Police services						524,407
Public works						886,194
Nondepartmental						453,929
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>2,039,892</u>	<u>789,985</u>	<u>910,848</u>	<u>621,389</u>		<u>3,349,530</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
				(203,229)	3,606	1,341,518
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Issuance of long term debt						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES						
				(203,229)	3,606	1,341,518
BEGINNING FUND BALANCES						
				893,583		2,287,890
ENDING FUND BALANCES						
				<u>\$690,354</u>	<u>\$3,606</u>	<u>\$3,629,408</u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1A (State) Fund #113	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
			\$13,210			\$160,094	\$116,298
\$11,701	\$8,056	\$2,134,886	84,750	\$37,405	\$87,064	14,317	1,029
185,002	112,234	132,000	1,434,968	704,696	2,890,668		
		55,910			92,057		
<u>196,703</u>	<u>120,290</u>	<u>2,322,796</u>	<u>1,539,471</u>	<u>742,101</u>	<u>3,069,789</u>	<u>174,411</u>	<u>117,327</u>
						57,843	117,287
217,278	6,724	2,130,481	1,538,008	674,942	2,315,629		
<u>217,278</u>	<u>6,724</u>	<u>2,130,481</u>	<u>1,538,008</u>	<u>674,942</u>	<u>2,315,629</u>	<u>57,843</u>	<u>117,287</u>
(20,575)	113,566	192,315	1,463	67,159	754,160	116,568	40
(20,575)	113,566	192,315	1,463	67,159	754,160	116,568	40
520,016	321,827	329,153		1,683,287	3,672,134	785,422	
<u>\$499,441</u>	<u>\$435,393</u>	<u>\$521,468</u>	<u>\$1,463</u>	<u>\$1,750,446</u>	<u>\$4,426,294</u>	<u>\$901,990</u>	<u>\$40</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Office of Traffic Safety Fund #146	Justice Assistance Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	California Department of Corrections Grant Fund #156	Urban Forest Grant Fund #128
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$272,307	\$282,353	\$111,821		\$15,000	
Use of money and property			4,967	\$633		\$1,031
Charges for services				24,145		
Other				3,453		
Total Revenues	<u>272,307</u>	<u>282,353</u>	<u>116,788</u>	<u>28,231</u>	<u>15,000</u>	<u>1,031</u>
EXPENDITURES						
Current:						
Executive						
Development services						
Community development						
Fire services						
Police services	272,307	282,353	148,169	30,064	15,000	
Public works						93,064
Nondepartmental						
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>272,307</u>	<u>282,353</u>	<u>148,169</u>	<u>30,064</u>	<u>15,000</u>	<u>93,064</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			<u>(31,381)</u>	<u>(1,833)</u>		<u>(92,033)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Issuance of long term debt						
Total Other Financing						
NET CHANGE IN FUND BALANCES			<u>(31,381)</u>	<u>(1,833)</u>		<u>(92,033)</u>
BEGINNING FUND BALANCES			<u>172,159</u>	<u>51,182</u>		<u>92,033</u>
ENDING FUND BALANCES			<u><u>\$140,778</u></u>	<u><u>\$49,349</u></u>		

SPECIAL REVENUE FUNDS

Outside Services Fund #129	State Lands Fund #134	Repair & Demolition Revolving Fund #142	Hazmat Revolving Fund #143	Cold Case Grant Fund #141	Redevelopment Administration Fund #710	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601
				\$242,098			
\$8,477	\$472,505	\$589	\$6,832			\$35,009	\$14,013
28,531	403		40,000				3,597
							2,309
<u>37,008</u>	<u>472,908</u>	<u>589</u>	<u>46,832</u>	<u>242,098</u>		<u>35,009</u>	<u>19,919</u>
2,743							734
	142,884						
			86,200			156,635	
				242,098			1,575
25,788							3,597
4,500							
<u>33,031</u>	<u>142,884</u>		<u>86,200</u>	<u>242,098</u>		<u>156,635</u>	<u>5,906</u>
3,977	330,024	589	(39,368)			(121,626)	14,013
(3,977)	(330,024)	(589)				656,199	(14,013)
						(508,702)	
<u>(3,977)</u>	<u>(330,024)</u>	<u>(589)</u>				<u>147,497</u>	<u>(14,013)</u>
			(39,368)			25,871	
		24,815	287,760			10,376,631	
		<u>\$24,815</u>	<u>\$248,392</u>			<u>\$10,402,502</u>	

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS			
	Certificates of Participation Fund #-various	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		\$3,280,994				
Licenses, permits and fees				\$565,580		\$20,440
Fines and forfeitures						
Intergovernmental			\$27,683			
Use of money and property	\$19,322	51,884	29,488	32,015	\$104,642	81
Charges for services			126,761			
Other	141,492		905,561			
Total Revenues	160,814	3,332,878	1,089,493	597,595	104,642	20,521
EXPENDITURES						
Current:						
Executive						
Development services						
Community development		2,029,739				
Fire services						
Police services						
Public works						
Nondepartmental	18,000		4,500	4,500	4,500	
Capital outlay			1,117,564	13,499	8,625	
Debt Service:						
Principal	794,169	534,704				
Interest and fiscal agent fees	1,224,124	997,950				
Total Expenditures	2,036,293	3,562,393	1,122,064	17,999	13,125	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(1,875,479)	(229,515)	(32,571)	579,596	91,517	20,521
OTHER FINANCING SOURCES (USES)						
Transfers in	2,010,471	1,471,078	753,249			
Transfers (out)		(1,241,563)				(20,521)
Issuance of long term debt	710,619		313,122			
Total Other Financing Sources (Uses)	2,721,090	229,515	1,066,371			(20,521)
NET CHANGE IN FUND BALANCES						
	845,611		1,033,800	579,596	91,517	
BEGINNING FUND BALANCES						
	136,248	(4,373,599)	1,460,492	1,166,406	4,231,560	
ENDING FUND BALANCES						
	\$981,859	(\$4,373,599)	\$2,494,292	\$1,746,002	\$4,323,077	

CAPITAL PROJECTS FUNDS

Arts and Convention Center Fund #206	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	Mare Island Conversion Fund #106	Traffic Congestion Relief Fund #219	Downtown Development Capital Projects Fund #220
		\$33,338 44,384					
\$115,000	\$3,277	174,033	\$32,725	\$9,887 100,003	\$67,970	\$1,095,664 19,606	\$82,227
					26,667		
<u>115,000</u>	<u>3,277</u>	<u>251,755</u>	<u>32,725</u>	<u>109,890</u>	<u>94,637</u>	<u>1,115,270</u>	<u>82,227</u>
					6,634,214		
	4,500	4,500 33,947	9,000	4,500 2,431		1,030,465	82,227
	<u>4,500</u>	<u>38,447</u>	<u>9,000</u>	<u>6,931</u>	<u>6,634,214</u>	<u>1,030,465</u>	<u>82,227</u>
115,000	(1,223)	213,308	23,725	102,959	(6,539,577)	84,805	
(115,000)			(815,775)				
(115,000)			(815,775)				
	(1,223)	213,308	(792,050)	102,959	(6,539,577)	84,805	
3,796,000	146,387	7,497,623	8,322,012	405,690	16,719,017	1,030,464	
<u>\$3,796,000</u>	<u>\$145,164</u>	<u>\$7,710,931</u>	<u>\$7,529,962</u>	<u>\$508,649</u>	<u>\$10,179,440</u>	<u>\$1,115,269</u>	

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	CAPITAL PROJECTS FUNDS				PERMANENT FUND	
	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137	Redevelopment Agency Flosden Acres Fund #721	Redevelopment Agency Merged Fund # - various	Vallejo Station Fund 222	McCune Collection Fund #603
REVENUES						
Taxes						
Licenses, permits and fees		\$402,155				
Fines and forfeitures						
Intergovernmental	\$5,199,914				\$6,030,984	
Use of money and property	35,254	57,019	\$39,467	\$214,640		\$2,739
Charges for services						
Other				24,874		
Total Revenues	5,235,168	459,174	39,467	239,514	6,030,984	2,739
EXPENDITURES						
Current:						
Executive						
Development services						
Community development			826,018	510,153		
Fire services						
Police services						
Public works						
Nondepartmental						5,000
Capital outlay	5,296,570	876,301			6,030,984	
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	5,296,570	876,301	826,018	510,153	6,030,984	5,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,402)	(417,127)	(786,551)	(270,639)		(2,261)
OTHER FINANCING SOURCES (USES)						
Transfers in				335,364		
Transfers (out)			(878,429)	(83,947)		
Issuance of long term debt						
Total Other Financing Sources (Uses)			(878,429)	251,417		
NET CHANGE IN FUND BALANCES	(61,402)	(417,127)	(1,664,980)	(19,222)		(2,261)
BEGINNING FUND BALANCES	173,013	2,478,062	6,798,824	6,973,943		122,280
ENDING FUND BALANCES	\$111,611	\$2,060,935	\$5,133,844	\$6,954,721		\$120,019

Total
Nonmajor
Governmental
Funds

\$4,747,940
1,162,067
160,094
19,107,448
2,384,074
9,010,324
1,252,323
37,824,270

3,477
14,661,757
1,571,200
1,691,103
7,891,705
517,429
14,492,613
1,328,873
2,222,074
44,380,231

(6,555,961)

5,226,361
(4,012,540)
1,023,741

2,237,562

(4,318,399)

78,582,314

\$74,263,915

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

	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	\$1,485,966	\$1,968,487	\$482,521	\$687,185	\$645,437	(\$41,748)
Use of money and property	75,000	71,405	(3,595)	200,000	144,548	(55,452)
Charges for services						
Other						
Total Revenues	<u>1,560,966</u>	<u>2,039,892</u>	<u>478,926</u>	<u>887,185</u>	<u>789,985</u>	<u>(97,200)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development	3,370,148	2,039,892	1,330,256	2,660,951	789,985	1,870,966
Fire services						
Police services						
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>3,370,148</u>	<u>2,039,892</u>	<u>1,330,256</u>	<u>2,660,951</u>	<u>789,985</u>	<u>1,870,966</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,809,182)</u>		<u>1,809,182</u>	<u>(1,773,766)</u>		<u>1,773,766</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$1,809,182)</u>		<u>\$1,809,182</u>	<u>(\$1,773,766)</u>		<u>\$1,773,766</u>
BEGINNING FUND BALANCES						
ENDING FUND BALANCES						

NEIGHBORHOOD STABILIZATION PROGRAM			MARE ISLAND LEASING			MARE ISLAND CFD 2002		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$1,206,000	\$1,433,608	\$227,608
\$2,657,861	\$910,285 563	(\$1,747,576) 563	\$340,000 10,000	\$393,283 24,877	\$53,283 14,877	20,000 2,695,000	55,001 3,202,439	35,001 507,439
<u>2,657,861</u>	<u>910,848</u>	<u>(1,747,013)</u>	<u>350,000</u>	<u>418,160</u>	<u>68,160</u>	<u>3,921,000</u>	<u>4,691,048</u>	<u>770,048</u>
2,657,861	910,848	1,747,013	578,960	621,389	(42,429)	1,500,000 835,000 1,089,615 846,385	1,485,000 524,407 886,194 453,929	15,000 310,593 203,421 392,456
<u>2,657,861</u>	<u>910,848</u>	<u>1,747,013</u>	<u>578,960</u>	<u>621,389</u>	<u>(42,429)</u>	<u>4,271,000</u>	<u>3,349,530</u>	<u>921,470</u>
			<u>(228,960)</u>	<u>(203,229)</u>	<u>25,731</u>	<u>(350,000)</u>	<u>1,341,518</u>	<u>1,691,518</u>
			<u>(\$228,960)</u>	<u>(203,229)</u>	<u>\$25,731</u>	<u>(\$350,000)</u>	<u>1,341,518</u>	<u>\$1,691,518</u>
				<u>893,583</u>			<u>2,287,890</u>	
				<u>\$690,354</u>			<u>\$3,629,408</u>	

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

	MARE ISLAND CFD 2005 1A (State)			MARE ISLAND CFD 2005 1B (Local)		
	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	\$8,000	\$11,701	\$3,701	\$4,000	\$8,056	\$4,056
Charges for services	185,000	185,002	2	112,232	112,234	2
Other						
Total Revenues	<u>193,000</u>	<u>196,703</u>	<u>3,703</u>	<u>116,232</u>	<u>120,290</u>	<u>4,058</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services						
Public works	245,765	217,278	28,487	10,955	6,724	4,231
Nondepartmental				45,000		45,000
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>245,765</u>	<u>217,278</u>	<u>28,487</u>	<u>55,955</u>	<u>6,724</u>	<u>49,231</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(52,765)</u>	<u>(20,575)</u>	<u>32,190</u>	<u>60,277</u>	<u>113,566</u>	<u>53,289</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$52,765)</u>	<u>(20,575)</u>	<u>\$32,190</u>	<u>\$60,277</u>	<u>113,566</u>	<u>\$53,289</u>
BEGINNING FUND BALANCES		<u>520,016</u>			<u>321,827</u>	
ENDING FUND BALANCES		<u>\$499,441</u>			<u>\$435,393</u>	

STATE GAS TAX			SOLID WASTE DISPOSAL			HIDDENBROOKE COMMUNITY SERVICES DISTRICT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$9,710	\$13,210	\$3,500			
\$2,106,000	\$2,134,886	\$28,886	84,750	84,750				
8,000		(8,000)		6,543	6,543	\$29,983	\$37,405	\$7,422
132,000	132,000		1,516,590	1,434,968	(81,622)	701,590	704,696	3,106
15,000	55,910	40,910						
<u>2,261,000</u>	<u>2,322,796</u>	<u>61,796</u>	<u>1,611,050</u>	<u>1,539,471</u>	<u>(71,579)</u>	<u>731,573</u>	<u>742,101</u>	<u>10,528</u>
2,332,299	2,130,481	201,818	1,536,050	1,538,008	(1,958)	818,278	674,942	143,336
<u>2,332,299</u>	<u>2,130,481</u>	<u>201,818</u>	<u>1,536,050</u>	<u>1,538,008</u>	<u>(1,958)</u>	<u>818,278</u>	<u>674,942</u>	<u>143,336</u>
<u>(71,299)</u>	<u>192,315</u>	<u>263,614</u>	<u>75,000</u>	<u>1,463</u>	<u>(73,537)</u>	<u>(86,705)</u>	<u>67,159</u>	<u>153,864</u>
			<u>(75,000)</u>		<u>75,000</u>			
			<u>(75,000)</u>		<u>75,000</u>			
<u>(\$71,299)</u>	<u>192,315</u>	<u>\$263,614</u>		<u>1,463</u>	<u>\$1,463</u>	<u>(\$86,705)</u>	<u>67,159</u>	<u>\$153,864</u>
	<u>329,153</u>						<u>1,683,287</u>	
	<u>\$521,468</u>			<u>\$1,463</u>			<u>\$1,750,446</u>	

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

	LANDSCAPE MAINTENANCE DISTRICTS			ASSET SEIZURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures				\$100,000	\$160,094	\$60,094
Intergovernmental						
Use of money and property	\$68,364	\$87,064	\$18,700	12,800	14,317	1,517
Charges for services	2,779,652	2,890,668	111,016			
Other	92,000	92,057	57			
Total Revenues	<u>2,940,016</u>	<u>3,069,789</u>	<u>129,773</u>	<u>112,800</u>	<u>174,411</u>	<u>61,611</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services				100,000	57,843	42,157
Public works	2,741,834	2,315,629	426,205			
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>2,741,834</u>	<u>2,315,629</u>	<u>426,205</u>	<u>100,000</u>	<u>57,843</u>	<u>42,157</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>198,182</u>	<u>754,160</u>	<u>555,978</u>	<u>12,800</u>	<u>116,568</u>	<u>103,768</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$198,182</u>	<u>754,160</u>	<u>\$555,978</u>	<u>\$12,800</u>	<u>116,568</u>	<u>\$103,768</u>
BEGINNING FUND BALANCES		<u>3,672,134</u>			<u>785,422</u>	
ENDING FUND BALANCES		<u>\$4,426,294</u>			<u>\$901,990</u>	

TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM			OFFICE OF TRAFFIC SAFETY			JUSTICE ASSISTANCE GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$150,000	\$116,298	(\$33,702)						
	1,029	1,029	\$219,000	\$272,307	\$53,307	\$433,000	\$282,353	(\$150,647)
<u>150,000</u>	<u>117,327</u>	<u>(32,673)</u>	<u>219,000</u>	<u>272,307</u>	<u>53,307</u>	<u>433,000</u>	<u>282,353</u>	<u>(150,647)</u>
150,000	117,287	32,713	219,000	272,307	(53,307)	433,000	282,353	150,647
<u>150,000</u>	<u>117,287</u>	<u>32,713</u>	<u>219,000</u>	<u>272,307</u>	<u>(53,307)</u>	<u>433,000</u>	<u>282,353</u>	<u>150,647</u>
	40	40						
	40	\$40						
	<u>\$40</u>							

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

	SUPPLEMENTAL LAW ENFORCEMENT GRANT			CADET PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$100,000	\$111,821	\$11,821			
Use of money and property		4,967	4,967		\$633	\$633
Charges for services				\$20,000	24,145	4,145
Other				23,000	3,453	(19,547)
Total Revenues	<u>100,000</u>	<u>116,788</u>	<u>16,788</u>	<u>43,000</u>	<u>28,231</u>	<u>(14,769)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development						
Fire services						
Police services	148,169	148,169		43,000	30,064	12,936
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>148,169</u>	<u>148,169</u>		<u>43,000</u>	<u>30,064</u>	<u>12,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(48,169)</u>	<u>(31,381)</u>	<u>16,788</u>		<u>(1,833)</u>	<u>(1,833)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$48,169)</u>	<u>(31,381)</u>	<u>\$16,788</u>		<u>(1,833)</u>	<u>(\$1,833)</u>
BEGINNING FUND BALANCES		<u>172,159</u>			<u>51,182</u>	
ENDING FUND BALANCES		<u>\$140,778</u>			<u>\$49,349</u>	

CALIFORNIA DEPARTMENT OF CORRECTIONS GRANT			URBAN FOREST GRANT			OUTSIDE SERVICES		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$15,000	\$15,000			\$1,031	\$1,031	\$15,000	\$8,477	(\$6,523)
						870,000	28,531	(841,469)
15,000	15,000			1,031	1,031	885,000	37,008	(847,992)
						450,000	2,743	447,257
15,000	15,000		\$47,999	93,064	(45,065)	420,000	25,788	394,212
						4,500	4,500	
15,000	15,000		47,999	93,064	(45,065)	874,500	33,031	841,469
			(47,999)	(92,033)	(44,034)	10,500	3,977	(6,523)
						(10,500)	(3,977)	6,523
						(10,500)	(3,977)	6,523
			(\$47,999)	(92,033)	(\$44,034)			
				92,033				

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

	STATE LANDS			REPAIR & DEMOLITION REVOLVING FUND		
	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	\$469,713	\$472,505	\$2,792		\$589	\$589
Charges for services	60,000	403	(59,597)			
Other						
Total Revenues	<u>529,713</u>	<u>472,908</u>	<u>(56,805)</u>		<u>589</u>	<u>589</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Development services						
Community development	279,713	142,884	136,829			
Fire services						
Police services						
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>279,713</u>	<u>142,884</u>	<u>136,829</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>250,000</u>	<u>330,024</u>	<u>80,024</u>		<u>589</u>	<u>589</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(250,000)</u>	<u>(330,024)</u>	<u>(80,024)</u>		<u>(589)</u>	<u>(589)</u>
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>(330,024)</u>	<u>(80,024)</u>		<u>(589)</u>	<u>(589)</u>
NET CHANGE IN FUND BALANCES	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BEGINNING FUND BALANCES					<u>24,815</u>	
ENDING FUND BALANCES					<u>\$24,815</u>	

COLD CASE GRANT FUND			HAZMAT REVOLVING FUND			REDEVELOPMENT AFFORDABLE HOUSING		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$205,000	\$242,098	\$37,098						
			\$6,000	\$6,832	\$832	\$41,000	\$35,009	(\$5,991)
			40,000	40,000				
<u>205,000</u>	<u>242,098</u>	<u>37,098</u>	<u>46,000</u>	<u>46,832</u>	<u>832</u>	<u>41,000</u>	<u>35,009</u>	<u>(5,991)</u>
						214,991	156,635	58,356
205,000	242,098	(37,098)	86,200	86,200				
<u>205,000</u>	<u>242,098</u>	<u>(37,098)</u>	<u>86,200</u>	<u>86,200</u>		<u>214,991</u>	<u>156,635</u>	<u>58,356</u>
			(40,200)	(39,368)	832	(173,991)	(121,626)	52,365
						654,281	656,199	1,918
						(531,201)	(508,702)	22,499
						123,080	147,497	24,417
			<u>(\$40,200)</u>	<u>(39,368)</u>	<u>\$832</u>	<u>(\$50,911)</u>	25,871	<u>\$76,782</u>
				287,760			10,376,631	
				<u>\$248,392</u>			<u>\$10,402,502</u>	

(Continued)

CITY OF VALLEJO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

ADMINISTRATIVE TRUST FUND		
Budget	Actual	Variance Positive (Negative)
\$14,500	\$14,013	(\$487)
7,000	3,597	(3,403)
43,000	2,309	(40,691)
<u>64,500</u>	<u>19,919</u>	<u>(44,581)</u>
13,000	734	12,266
30,000	1,575	28,425
7,000	3,597	3,403
<u>50,000</u>	<u>5,906</u>	<u>44,094</u>
<u>14,500</u>	<u>14,013</u>	<u>(487)</u>
<u>(14,500)</u>	<u>(14,013)</u>	<u>487</u>
<u>(14,500)</u>	<u>(14,013)</u>	<u>487</u>

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, 2010

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
ASSETS						
Cash and investments	\$3,900,027	\$4,921,563	\$156,166		\$1,931,459	\$10,909,215
Accounts receivable	14,330	104	13,685			28,119
Due from other funds		4,721,554				4,721,554
Materials, parts, and supplies	197,240					197,240
Capital assets, net	1,754,409					1,754,409
Total Assets	5,866,006	9,643,221	169,851		1,931,459	17,610,537
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	46,493	69,462	12,621			128,576
Claims payable, current		2,439,889				2,439,889
Employee benefits payable, current	86,857	9,007	157,230			253,094
Current liabilities	133,350	2,518,358	169,851			2,821,559
Long-term liabilities:						
Claims payable		10,076,111				10,076,111
Employee benefits payable, long term	71,291			\$14,033,237	2,666,461	16,770,989
Total Liabilities	204,641	12,594,469	169,851	14,033,237	2,666,461	29,668,659
NET ASSETS						
Invested in capital assets, net of related debt	1,754,409					1,754,409
Unrestricted	3,906,956	(2,951,248)		(14,033,237)	(735,002)	(13,812,531)
Total Net Assets	\$5,661,365	(\$2,951,248)		(\$14,033,237)	(\$735,002)	(\$12,058,122)

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
OPERATING REVENUES						
Charges for services	\$3,170,887	\$5,331,674		\$3,701,569		\$12,204,130
Other	81,577	377			\$18,777	100,731
Total Operating revenues	<u>3,252,464</u>	<u>5,332,051</u>		<u>3,701,569</u>	<u>18,777</u>	<u>12,304,861</u>
OPERATING EXPENSES						
Operating expenses	2,656,665	1,069,528		5,170,653	390,026	9,286,872
Insurance and claims		4,437,411				4,437,411
Depreciation	617,368					617,368
Total Operating expenses	<u>3,274,033</u>	<u>5,506,939</u>		<u>5,170,653</u>	<u>390,026</u>	<u>14,341,651</u>
Operating income (loss)	<u>(21,569)</u>	<u>(174,888)</u>		<u>(1,469,084)</u>	<u>(371,249)</u>	<u>(2,036,790)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income (expense)	87,868	174,887			20,264	283,019
Gain on sale of capital assets	46,790					46,790
Total nonoperating revenues (expenses)	<u>134,658</u>	<u>174,887</u>			<u>20,264</u>	<u>329,809</u>
Income (loss) before transfers	<u>113,089</u>	<u>(1)</u>		<u>(1,469,084)</u>	<u>(350,985)</u>	<u>(1,706,981)</u>
Transfers in					1,000,000	1,000,000
Change in net assets	113,089	(1)		(1,469,084)	649,015	(706,981)
BEGINNING NET ASSETS (DEFICIT)	<u>5,548,276</u>	<u>(2,951,247)</u>		<u>(12,564,153)</u>	<u>(1,384,017)</u>	<u>(11,351,141)</u>
ENDING NET ASSETS (DEFICIT)	<u>\$5,661,365</u>	<u>(\$2,951,248)</u>		<u>(\$14,033,237)</u>	<u>(\$735,002)</u>	<u>(\$12,058,122)</u>

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$3,249,814	\$5,333,222	\$22,839	\$3,701,569	\$18,777	\$12,326,221
Payments to suppliers	(1,698,445)	(750,896)	(9,427)			(2,458,768)
Payments to or on behalf of employees	(1,005,893)	(295,376)	(134,703)	(3,701,569)		(5,137,541)
Claims paid		(3,442,411)				(3,442,411)
Cash Flows from Operating Activities	545,476	844,539	(121,291)		18,777	1,287,501
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in					1,000,000	1,000,000
Payment of amounts due from other funds		(3,125,148)				(3,125,148)
Cash Flows from Noncapital Financing Activities		(3,125,148)			1,000,000	(2,125,148)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(296,408)					(296,408)
Cash Flows from Capital and Related Financing Activities	(296,408)					(296,408)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	87,868	174,887			20,264	283,019
Cash Flows from Investing Activities	87,868	174,887			20,264	283,019
Net Cash Flows	336,936	(2,105,722)	(121,291)		1,039,041	(851,036)
Cash and investments at beginning of period	3,563,091	7,027,285	277,457		892,418	11,760,251
Cash and investments at end of period	<u>\$3,900,027</u>	<u>\$4,921,563</u>	<u>\$156,166</u>		<u>\$1,931,459</u>	<u>\$10,909,215</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	(\$21,569)	(\$174,888)		(\$1,469,084)	(\$371,249)	(\$2,036,790)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	617,368					617,368
Change in assets and liabilities:						
Receivables, net	(2,650)	1,171	\$22,839			21,360
Other assets	(13,570)					(13,570)
Accounts payable and accrued liabilities	(40,569)	37,877	(9,427)			(12,119)
Employee benefits payable	6,466	(14,621)	(134,703)	1,469,084	390,026	1,716,252
Claims payable		995,000				995,000
Cash Flows from Operating Activities	\$545,476	\$844,539	(121,291)		\$18,777	\$1,287,501

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 YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>Fairgrounds Drive Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$2,266,986	\$1,870,418	\$2,266,986	\$1,870,418
Total Assets	<u>\$2,266,986</u>	<u>\$1,870,418</u>	<u>\$2,266,986</u>	<u>\$1,870,418</u>
<u>Liabilities</u>				
Due to bondholders	\$2,266,986	\$1,870,418	\$2,266,986	\$1,870,418
Total Liabilities	<u>\$2,266,986</u>	<u>\$1,870,418</u>	<u>\$2,266,986</u>	<u>\$1,870,418</u>
<u>Glen Cove Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$2,354,312	\$2,571,616	\$2,354,312	\$2,571,616
Restricted cash and investments	1,187,183	1,151,825	1,187,183	1,151,825
Total Assets	<u>\$3,541,495</u>	<u>\$3,723,441</u>	<u>\$3,541,495</u>	<u>\$3,723,441</u>
<u>Liabilities</u>				
Due to bondholders	\$3,541,495	\$3,723,441	\$3,541,495	\$3,723,441
Total Liabilities	<u>\$3,541,495</u>	<u>\$3,723,441</u>	<u>\$3,541,495</u>	<u>\$3,723,441</u>
<u>NE Quadrant Assessment District 2003-B</u>				
<u>Assets</u>				
Cash and investments	\$1,218,086	\$1,280,212	\$1,218,086	\$1,280,212
Restricted cash and investments	301,024	286,842	301,024	286,842
Total Assets	<u>\$1,519,110</u>	<u>\$1,567,054</u>	<u>\$1,519,110</u>	<u>\$1,567,054</u>
<u>Liabilities</u>				
Due to bondholders	\$1,519,110	\$1,567,054	\$1,519,110	\$1,567,054
Total Liabilities	<u>\$1,519,110</u>	<u>\$1,567,054</u>	<u>\$1,519,110</u>	<u>\$1,567,054</u>

CITY OF VALLEJO
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>Hiddenbrooke Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$3,966,370	\$4,306,791	\$3,966,370	\$4,306,791
Restricted cash and investments	2,332,346	2,889,252	2,332,346	2,889,252
Total Assets	<u>\$6,298,716</u>	<u>\$7,196,043</u>	<u>\$6,298,716</u>	<u>\$7,196,043</u>
<u>Liabilities</u>				
Due to bondholders	\$6,298,716	\$7,196,043	\$6,298,716	\$7,196,043
Total Liabilities	<u>\$6,298,716</u>	<u>\$7,196,043</u>	<u>\$6,298,716</u>	<u>\$7,196,043</u>
<u>NE Quadrant Improvement District 2003-01</u>				
<u>Assets</u>				
Cash and investments	\$492,258	\$523,640	\$492,258	\$523,640
Restricted cash and investments	595,392	594,875	595,392	594,875
Total Assets	<u>\$1,087,650</u>	<u>\$1,118,515</u>	<u>\$1,087,650</u>	<u>\$1,118,515</u>
<u>Liabilities</u>				
Due to bondholders	\$1,087,650	\$1,118,515	\$1,087,650	\$1,118,515
Total Liabilities	<u>\$1,087,650</u>	<u>\$1,118,515</u>	<u>\$1,087,650</u>	<u>\$1,118,515</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$10,298,012	\$10,552,677	\$10,298,012	\$10,552,677
Restricted cash and investments held with fiscal agent	4,415,945	4,922,794	4,415,945	4,922,794
Total Assets	<u>\$14,713,957</u>	<u>\$15,475,471</u>	<u>\$14,713,957</u>	<u>\$15,475,471</u>
<u>Liabilities</u>				
Due to bondholders	\$14,713,957	\$15,475,471	\$14,713,957	\$15,475,471
Total Liabilities	<u>\$14,713,957</u>	<u>\$15,475,471</u>	<u>\$14,713,957</u>	<u>\$15,475,471</u>

This Page Left Intentionally Blank

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.

This Page Left Intentionally Blank

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

	Fiscal Year Ending June 30							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$264,548,211	\$266,223,475	\$273,408,041
Restricted	139,275,023	144,466,722	135,874,545	136,337,716	119,741,965	102,874,303	85,263,689	81,295,175
Unrestricted	12,679,669	(31,040,505)	(15,725,473)	(15,929,104)	(18,810,903)	(22,169,645)	(26,867,493)	(17,973,163)
Total governmental activities net assets	\$ 332,923,254	\$ 379,874,363	\$ 380,766,111	\$ 374,714,683	\$361,176,082	\$345,252,869	\$324,619,671	\$ 336,730,053
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	\$209,721,546	\$203,332,924	\$197,992,367
Restricted	68,290,291	52,058,389	41,716,706	49,930,075	47,275,222	46,365,386	41,511,141	43,848,953
Unrestricted	25,287,824	30,546,597	6,179,510	12,397,504	676,754	35,217,209	38,002,659	33,507,221
Total business-type activities net assets	\$ 270,858,357	\$ 266,657,713	\$ 266,212,107	\$ 263,227,474	\$263,348,584	\$291,304,141	\$282,846,724	\$ 275,348,541
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	\$474,269,757	\$469,556,399	\$ 471,400,408
Restricted	207,565,314	196,525,111	177,591,251	186,267,791	167,017,187	149,239,689	126,774,830	125,144,128
Unrestricted	37,967,493	(493,908)	(9,545,963)	(3,531,600)	(18,134,149)	13,047,564	11,135,166	15,534,058
Total primary government net assets	\$ 603,781,611	\$ 646,532,076	\$ 646,978,218	\$ 637,942,157	\$624,524,666	\$636,557,010	\$607,466,395	\$ 612,078,594

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 EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year Ending June 30

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
Legislative and Advisory	\$ 385,570	\$ 374,331	\$ 322,556	\$ 327,583	\$ 277,713	\$ 285,594	\$ 230,008	\$ 125,753
Executive	1,295,966	1,368,798	1,307,999	1,335,818	1,443,648	686,783	515,508	922,039
Finance	1,655,368	1,824,278	1,479,210	1,952,829	2,061,912	1,216,526	1,843,470	1,631,483
Human Resources	912,034	919,935	1,041,490	1,273,713	1,325,483	668,458	500,773	499,447
Law	778,393	756,854	687,908	722,436	860,128	867,418	907,159	760,735
Development Services	3,455,967	3,273,016	3,188,959	3,681,143	2,839,027	3,252,585	2,612,545	1,986,757
Community Development	46,230,453	58,210,217	51,914,880	37,306,492	44,540,545	33,498,889	38,289,355	39,370,106
Fire services	20,012,832	23,696,187	23,985,109	25,373,064	29,682,741	27,464,830	24,629,574	15,796,657
Police services	31,574,229	34,287,574	34,720,623	37,892,335	41,702,454	43,073,607	37,381,874	29,586,690
Public Works	13,809,365	13,939,915	14,793,797	25,854,625	24,422,136	25,984,476	22,384,992	19,014,211
Nondepartmental	12,832,301	12,151,426	11,710,331	6,826,980	7,284,198	11,045,020	11,426,993	9,251,587
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	2,694,646	2,506,891	2,764,194
Total governmental activities expenses	14,701,818,517	153,638,259	147,608,045	145,250,867	159,089,950	150,738,832	143,229,142	121,709,659
Business-type activities:								
Water	24,905,227	31,696,161	29,329,743	32,418,880	32,401,050	32,479,434	33,749,246	34,493,370
Local Transportation	18,183,460	20,882,570	24,165,435	29,663,516	30,667,114	28,873,584	28,008,014	27,091,545
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	27,478,992	28,865,210	29,261,276
Marine World JPA	55,545,895	57,942,325	54,198,128	58,203,991	55,980,978	40,016,158	-	-
Other proprietary funds	2,707,183	3,118,887	3,301,665	4,090,063	4,023,841	3,969,348	4,148,159	3,793,179
Total business-type activities expenses	124,028,131	138,627,414	133,733,149	149,278,560	149,085,613	132,817,516	94,770,629	94,639,370
Total primary government expenses	\$ 271,046,648	\$ 292,265,673	\$ 281,341,194	\$ 294,529,427	\$ 308,175,563	\$ 283,556,348	\$ 237,999,771	\$ 216,349,029
Program Revenues								
Governmental activities:								
Charges for services	\$ 27,950,704	\$ 19,337,363	\$ 25,022,210	\$ 27,434,458	\$ 28,956,923	\$ 21,575,263	\$ 18,552,714	\$ 16,037,875
Operating grants and contributions	29,887,552	33,810,077	34,786,028	36,629,191	34,636,280	24,514,830	20,365,355	33,498,552
Capital grants and contributions	41,716,347	20,492,269	13,790,057	3,188,226	2,724,007	3,485,972	6,359,992	14,604,908
Total governmental activities program revenues	99,554,603	73,639,709	73,598,295	67,251,875	66,317,210	49,576,065	45,278,061	64,141,335
Business-type activities:								
Charges for services	107,706,944	109,134,399	110,851,695	119,838,664	121,404,636	109,978,623	68,630,750	67,662,779
Operating grants and contributions	28,924,089	9,542,098	9,980,364	13,454,404	16,154,147	16,349,279	13,279,238	13,953,527
Capital grants and contributions	1,015,699	12,241,899	7,974,031	10,571,163	7,430,645	4,391,676	6,467,283	4,749,758
Total business-type activities program revenues	137,646,732	130,918,396	128,806,090	143,864,231	144,989,428	130,719,578	88,377,271	86,366,064
Total primary government program revenues	\$ 237,201,335	\$ 204,558,105	\$ 202,404,385	\$ 211,116,106	\$ 211,306,638	\$ 180,295,643	\$ 133,655,332	\$ 150,507,399
Net revenue/(expense)	\$ (47,463,914)	\$ (79,998,550)	\$ (74,009,750)	\$ (77,998,992)	\$ (92,772,740)	\$ (101,162,767)	\$ (97,951,081)	\$ (57,568,324)
Business-type activities	13,618,601	(7,709,018)	(4,927,059)	(5,414,329)	(4,096,185)	(2,097,938)	(6,393,358)	(8,273,306)
Total primary government net expense	\$ (33,845,313)	\$ (87,707,568)	\$ (78,936,809)	\$ (83,413,321)	\$ (96,868,925)	\$ (103,260,705)	\$ (104,344,439)	\$ (65,841,630)

(Continued)

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

	Fiscal Year Ending June 30							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
Legislative and Advisory	\$ 385,570	\$ 374,331	\$ 322,556	\$ 327,583	\$ 277,713	\$ 285,594	\$ 230,008	\$ 125,753
Executive	1,295,966	1,368,798	1,307,999	1,335,818	1,443,648	686,783	515,508	922,039
Finance	1,655,368	1,824,278	1,479,210	1,952,829	2,061,912	1,216,526	1,843,470	1,631,483
Human Resources	912,034	919,935	1,041,490	1,273,713	1,325,483	668,458	500,773	499,447
Law	778,393	756,854	687,908	722,436	860,128	867,418	907,159	760,735
Development Services	3,455,967	3,273,016	3,188,959	3,681,143	2,839,027	3,252,585	2,612,545	1,986,757
Community Development	46,230,453	58,210,217	51,914,880	37,306,492	44,540,545	33,498,889	38,289,355	39,370,106
Fire services	20,012,832	23,696,187	23,983,109	25,373,064	29,682,741	27,464,830	24,629,574	15,796,657
Police services	31,574,229	34,287,574	34,720,623	37,892,335	41,702,454	43,073,607	37,381,874	29,586,690
Public Works	13,809,365	13,939,915	14,793,797	25,854,625	24,422,136	25,984,476	22,384,992	19,014,211
Nondepartmental	12,832,301	12,151,426	11,710,331	6,826,980	7,284,198	11,045,020	11,426,993	9,251,587
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	2,694,646	2,506,891	2,764,194
Total governmental activities expenses	147,018,517	153,638,259	147,608,045	145,250,867	159,089,950	150,738,832	143,229,142	121,709,659
Business-type activities:								
Water	24,905,227	31,696,161	29,329,743	32,418,880	32,401,050	32,479,434	33,749,246	34,493,370
Local Transportation	18,183,460	20,882,570	24,165,435	29,663,516	30,667,114	28,873,584	28,008,014	27,091,545
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	27,478,992	28,865,210	29,261,276
Marine World JPA	55,545,895	57,942,325	54,198,128	58,203,991	55,980,978	40,016,158	-	-
Other proprietary funds	2,707,183	3,118,887	3,301,665	4,090,063	4,023,841	3,969,348	4,148,159	3,793,179
Total business-type activities expenses	124,028,131	138,627,414	133,733,149	149,278,560	149,085,613	132,817,516	94,770,629	94,639,370
Total primary government expenses	\$ 271,046,648	\$ 292,265,673	\$ 281,341,194	\$ 294,529,427	\$ 308,175,563	\$ 283,556,348	\$ 237,999,771	\$ 216,349,029
Program Revenues								
Governmental activities:								
Charges for services	\$ 27,950,704	\$ 19,337,363	\$ 25,022,210	\$ 27,434,458	\$ 28,956,923	\$ 21,575,263	\$ 18,552,714	\$ 16,037,875
Operating grants and contributions	29,887,552	33,810,077	34,786,028	36,629,191	34,636,280	24,514,830	20,365,355	33,498,552
Capital grants and contributions	41,716,347	20,492,269	13,790,057	3,188,226	2,794,007	3,485,972	6,359,992	14,604,908
Total governmental activities program revenues	99,554,603	73,639,709	73,598,295	67,251,875	66,317,210	49,576,065	45,278,061	64,141,335
Business-type activities:								
Charges for services	107,706,944	109,134,399	110,851,695	119,838,664	121,404,636	109,978,623	68,630,750	67,662,779
Operating grants and contributions	28,924,089	9,542,098	9,980,364	13,454,404	16,154,147	16,349,279	13,279,238	13,953,527
Capital grants and contributions	1,015,699	12,241,899	7,974,031	10,571,163	7,430,645	4,391,676	6,467,283	4,749,758
Total business-type activities program revenues	137,646,732	130,918,396	128,806,090	143,864,231	144,989,428	130,719,578	88,377,271	86,366,064
Total primary government program revenues	\$ 237,201,335	\$ 204,558,105	\$ 202,404,385	\$ 211,116,106	\$ 211,306,638	\$ 180,295,643	\$ 133,655,332	\$ 150,507,399
Net revenue/(expense)								
Governmental activities	\$ (47,463,914)	\$ (79,998,550)	\$ (74,009,750)	\$ (77,998,992)	\$ (92,772,740)	\$ (101,162,767)	\$ (97,951,081)	\$ (57,568,324)
Business-type activities	13,618,601	(7,709,018)	(4,927,059)	(5,414,329)	(4,096,185)	(2,097,938)	(6,393,358)	(8,273,306)
Total primary government net expense	\$ (33,845,313)	\$ (87,707,568)	\$ (78,936,809)	\$ (83,413,321)	\$ (96,868,925)	\$ (103,260,705)	\$ (104,344,439)	\$ (65,841,630)

(Continued)

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

Fiscal Year Ending June 30

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 987,769	\$ 964,936	\$ 3,833,393	\$ 2,692,874	\$ 1,926,691	\$ 2,117,143	\$ 1,774,947	\$ 2,059,564	\$ 1,928,641	\$ 2,004,567
Unreserved	7,303,879	5,465,289	4,012,922	1,433,060	11,929,653	8,739,529	5,246,450	1,453,476	2,397,227	3,834,873
Total General Fund	\$ 8,291,648	\$ 6,430,225	\$ 7,846,315	\$ 4,125,934	\$ 13,856,344	\$ 10,856,672	\$ 7,021,397	\$ 3,513,040	\$ 4,325,868	\$ 5,839,440
All Other Governmental Funds										
Reserved	\$27,505,743	\$ 69,315,928	\$ 35,172,419	\$ 29,522,909	\$ 76,608,552	\$ 75,584,065	\$ 68,287,067	\$ 106,524,043	\$ 88,606,846	\$ 83,361,340
Unreserved, reported in:										
Special revenue funds	32,249,288	50,843,678	73,640,662	72,737,570	16,415,761	10,410,295	11,999,502	146,399	98,115	4,249
Debt service funds	-	(7,536,268)	(3,121,481)	-	(3,531,237)	(3,686,077)	(5,322,945)	(5,529,994)	(5,530,905)	(5,530,904)
Capital projects funds	33,058,157	(1,809,505)	33,583,423	42,544,807	46,545,596	54,024,894	41,485,128	733,691	780,658	1,327,530
Permanent funds	-	-	-	-	-	115,963	120,291	-	-	-
Total all other governmental funds	\$92,813,188	\$ 110,813,833	\$ 139,275,023	\$ 144,805,286	\$ 136,038,672	\$ 136,449,140	\$ 116,569,043	\$ 101,874,139	\$ 83,954,714	\$ 79,162,215

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

	Fiscal Year Ending June 30							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:								
Taxes	\$ 66,537,857	\$ 69,534,702	\$ 55,161,490	\$ 57,550,479	\$ 59,919,619	\$ 58,729,898	\$ 55,815,958	\$ 50,538,624
Licenses and permits	7,900,520	9,133,758	11,852,968	6,000,434	4,677,963	3,327,060	2,440,614	3,479,468
Fines and forfeitures	1,216,869	1,434,419	3,887,337	1,450,743	1,683,911	1,827,945	1,560,809	1,619,074
Intergovernmental	78,159,185	53,864,845	55,423,739	49,780,261	48,824,041	38,546,090	36,743,052	54,205,823
Investment income	4,663,955	3,902,344	6,419,396	6,702,584	7,789,616	6,891,090	4,520,458	3,114,627
Charges for services	5,159,696	9,485,786	14,692,748	11,326,489	17,925,042	20,234,105	20,026,448	16,032,936
Contributions from property owners	-	6,201,378	-	-	-	-	-	-
Other	9,859,110	5,717,645	2,717,589	4,448,399	4,543,088	1,833,312	841,040	1,364,069
Total revenues	\$ 173,497,192	\$ 159,274,877	\$ 147,718,673	\$ 139,695,983	\$ 145,363,280	\$ 131,389,500	\$ 121,948,379	\$ 130,354,621
Expenditures								
Current:								
Legislative and Advisory	384,957	368,718	311,994	323,174	270,743	292,370	215,485	152,693
Executive	1,292,900	1,316,730	1,413,534	1,374,916	1,425,841	756,846	621,003	958,688
Finance	1,797,388	1,620,253	1,286,935	1,864,644	1,926,168	1,159,374	1,696,164	1,696,193
Human resources	910,174	890,623	973,717	1,282,442	1,319,304	723,493	553,254	542,961
Law	775,735	733,749	628,677	764,614	871,733	892,284	863,429	812,432
Development services	3,463,252	3,224,521	3,078,353	3,650,863	2,786,231	3,248,627	2,633,028	2,090,980
Community Development	21,590,216	21,566,642	52,217,190	39,856,041	46,712,048	33,707,475	38,999,888	40,552,499
Fire services	20,210,256	22,497,654	22,742,661	24,723,674	28,072,502	28,063,568	23,107,207	18,850,438
Police services	30,637,749	32,143,536	32,898,573	36,630,148	40,252,109	41,185,818	34,354,261	29,024,674
Public works	13,466,028	13,001,968	12,204,692	13,793,065	13,486,711	14,077,984	12,713,924	11,106,223
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	11,045,020	11,426,993	9,251,587
Capital Outlay	13,250,922	11,979,002	5,867,421	5,218,215	18,761,691	14,039,215	7,499,257	14,492,613
Debt service:								
Principal	7,349,406	1,450,153	5,056,682	1,657,337	3,966,314	1,497,254	1,464,697	1,767,835
Interest	6,828,458	4,169,649	2,463,555	2,705,865	2,667,960	2,589,723	2,392,481	2,257,120
Total expenditures	\$ 154,776,818	\$ 156,954,819	\$ 147,264,482	\$ 140,671,978	\$ 169,803,553	\$ 153,259,051	\$ 138,541,071	\$ 133,556,936
Excess (deficiency) of revenues over (under) expenditures	\$ 18,720,374	\$ 2,320,058	\$ 454,191	\$ (975,995)	\$ (24,440,273)	\$ (21,869,551)	\$ (16,592,692)	\$ (3,202,315)
Other financing sources (uses):								
Gain (loss) on sale of assets	-	1,411,000	-	-	-	-	-	381,327
Transfers in	5,110,638	27,281,154	17,448,772	11,854,692	10,644,074	11,762,083	5,783,696	8,361,940
Transfers out	(5,451,508)	(28,038,104)	(16,939,167)	(13,467,901)	(10,580,494)	(8,506,845)	(6,297,601)	(7,091,620)
Proceeds from long-term debt issuance	11,497,776	6,743,199	-	-	661,320	411,052	-	1,023,741
Provision for collectibility	-	-	-	-	-	-	-	(2,752,000)
Total other financing sources (uses)	\$ 11,156,906	\$ 7,397,249	\$ 509,605	\$ (1,613,209)	\$ 724,900	\$ 3,666,290	\$ (513,905)	\$ (76,612)
Net change in fund balances	\$ 29,877,280	\$ 9,717,307	\$ 963,796	\$ (2,589,204)	\$ (23,715,373)	\$ (18,203,261)	\$ (17,106,597)	\$ (3,278,927)
Beginning fund balance	\$ 117,244,058	\$ 147,121,338	\$ 148,931,220	\$ 149,895,016	\$ 147,305,813	\$ 123,590,440	\$ 105,387,179	\$ 88,280,582
Prior period adjustments	-	(7,907,425)	-	-	-	-	-	-
Ending fund balance	\$ 147,121,338	\$ 148,931,220	\$ 149,895,016	\$ 147,305,812	\$ 123,590,440	\$ 105,387,179	\$ 88,280,582	\$ 85,001,655
Debt service as a percentage of noncapital expenditures	11%	4%	6%	3%	5%	3%	3%	3%

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

CITY OF VALLEJO

Assessed Value and Estimated Actual Value of Taxable Property
Last Six Fiscal Years

Fiscal Year Ended June 30	City					Redevelopment Agency					Total Direct Tax Rate
	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	
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%
2008	10,362,506,115	263,084,155	66,760	(571,860,687)	10,053,796,343	370,158,332	75,986,022	102,524	(48,422,877)	397,824,001	0.24622%
2009	10,017,721,922	218,039,859	130,670	(702,322,165)	9,533,570,286	363,508,768	70,359,276	168,820	(44,383,622)	389,653,242	0.24622%
2010	8,334,230,762	205,436,106	130,670	(810,607,027)	7,729,190,511	336,214,268	67,421,432	168,820	(48,687,967)	355,116,553	0.24622%

NOTE:

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

Source: County Assessor's Office
HDL Property Report

CITY OF VALLEJO
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Nine 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>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City Direct Rates:									
City basic rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Total City Direct Rate	0.24622	0.24622	0.24622	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	0.00807	0.00807	0.00807
Aviation	0.00119	0.00119	0.00119	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	0.00219	0.00219	0.00219
County Free Library	0.02743	0.02743	0.02743	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	0.31331	0.31331	0.31331
County School Service Fund Support	0.01134	0.01134	0.01134	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	0.00334	0.00334	0.00334
Development Center	0.00217	0.00217	0.00217	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	0.06490	0.06490	0.06490
Library Special Tax Zone 7	0.01385	0.01385	0.01385	0.01385	0.01385	0.01365	0.01365	0.01365	0.01365
Mosquito Abatement	0.00567	0.00567	0.00567	0.00567	0.00567	0.00587	0.00587	0.00587	0.00587
Recreation	0.00203	0.00203	0.00203	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	0.02758	0.02758	0.02758
Solano County Water District	0.01527	0.01527	0.01527	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	0.24069	0.24069	0.24069
VSFCD Operating	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474
Total Prop. 13 Direct Rate	1.00000	1.00000	1.00000	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	0.02000	0.02000	0.02000
Sc GOB Series 2003-A	0.00000	0.00000	0.01432	0.01532	0.01643	0.01211	0.01189	0.00000	0.01538
Vallejo Usd Bond 97 Measure A	0.02335	0.01603	0.00000	0.00000	0.00000	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	0.01556	0.01571	0.01885
Vallejo Usd Measure A 2004	0.00000	0.00000	0.00000	0.01620	0.00874	0.01019	0.00914	0.00962	0.01219
Vallejo Usd Measure A 1999	0.03277	0.02313	0.00000	0.00000	0.00000	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	0.00000	0.00000	0.00000
Vallejo Usd State Repay	0.00022	0.00033	0.00014	0.00007	0.00001	0.00000	0.00000	0.00000	0.00000
Vallejo Usd 2002-A GOB Refunding	0.00000	0.00000	0.05723	0.04535	0.04267	0.03828	0.03597	0.03958	0.05369
Vallejo Usd Measure A - 2006	0.00000	0.00000	0.00000	0.00000	0.00000	0.01643	0.01153	0.00993	0.00494
Sc GOB Series 2006B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00336	0.00269	0.00258	0.00309
Sc GOB Series 2005 Refunding	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01240	0.00000
Total Voter Approved Rate	0.09167	0.14457	0.14390	0.12260	0.11023	0.11888	0.10677	0.10981	0.12812
Total Direct Rate	1.09167	1.14457	1.14390	1.12260	1.11023	1.11888	1.10677	1.10981	1.12812

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 Nine 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	2010		2001	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Centro Watt Property Owner II	\$ 72,508,076	0.90%	\$ -	-
Park Management Corp.	62,190,768	0.77%	124,218,999	2.43%
Prime Ascot LP	49,245,470	0.61%	-	-
KW WDC Vallejo	34,059,432	0.42%	-	-
Sundance Vallejo	32,226,459	0.40%	27,011,261	0.53%
Lennar Mare Island	27,179,404	0.34%	-	-
Sutter Community Hospitals	25,807,902	0.32%	-	-
Centro Watt Owner II LLC	25,749,900	0.32%	-	-
Hart Sterling Village Apartment LLC	24,815,000	0.31%	-	-
Ogino LLC	24,576,516	0.30%	-	-
M&H Realty Partners	-	-	25,613,710	0.50%
Vallejo Venture 99 LLC	-	-	24,930,475	0.49%
General Mills, Inc.	-	-	21,512,332	0.42%
Meyer Cookware Industries, Inc.	-	-	20,896,672	0.41%
MISAWA Homes	-	-	18,599,172	0.36%
Vallejo Somerset LP	-	-	14,247,319	0.28%
Safeway Inc	-	-	16,412,627	0.32%
Thomas and Angelita Tomanek	-	-	13,981,963	0.27%
Top Ten Totals	\$ 378,358,927	4.68%	\$ 307,424,530	6.02%

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

Source: County Assessor's Office
HDL Report

CITY OF VALLEJO
Property Tax Levies and Collections
Last Nine 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.
2008	21,379,627	21,159,268	98.97%	not available	not available	n.a.
2009	18,650,665	18,392,684	98.62%	not available	not available	n.a.
2010	13,724,398	13,463,254	98.10%	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 nine years of data for this schedule.

Source: Solano County Auditor Controller's Office

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

Fiscal Year Ended June 30	Governmental Activities				
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Capital Lease Obligations	Total Governmental Activities
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
2008	-	11,371,320	25,787,430	1,484,689	38,643,439
2009	-	10,986,320	24,927,632	1,264,790	37,178,742
2010	-	10,556,320	24,739,378	1,138,950	36,434,648

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 current calendar year.

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

Water Revenue Bonds	Business-type Activities				Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations					
\$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	
64,831,880	94,131,286	21,130,805	-	180,093,971	218,737,410	4.86%	1,806	
62,705,942	91,457,179	19,817,014	-	173,980,135	211,158,877	4.59%	1,744	
60,485,004	87,771,532	18,485,394	-	166,741,930	203,176,578	4.22%	1,673	

CITY OF VALLEJO

Ratio of General Bonded Debt Outstanding

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

Fiscal Year Ended June 30	<u>Outstanding General Bonded Debt</u>			Percent of Assessed Value ¹	Per Capita ²
	General Obligation Bonds	Tax Allocation Bonds	Total		
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
2008	-	11,371	11,371	0.11%	94
2009	-	10,986	10,986	0.11%	91
2010	-	10,556	10,556	0.13%	87

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 current calendar year.

CITY OF VALLEJO

Direct and Overlapping Debt

June 30, 2010

FY 2009-10 Assessed Valuation		\$ 8,084,307,064	
Redevelopment Agency Incremental Valuation		(66,357,170)	
Adjusted Assessed Valuation		<u>\$ 8,017,949,894</u>	
			City's Estimated
	Percentage	Total	Share of
	Applicable ¹	Outstanding	Overlapping
		Debt 6/30/10	Debt 6/30/10
Overlapping Debt Repaid with Property Taxes:			
Solano County Community College District	24.050%	\$ 112,430,090	\$ 27,039,437
Vallejo Unified School District	97.804%	90,355,000	88,370,804
Vallejo Unified School District CFD No. 2	100.000%	23,390,000	23,390,000
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	16,935,000	16,935,000
City of Vallejo 1915 Act Bonds	100.000%	12,775,000	12,775,000
Total overlapping debt repaid with property taxes		<u>255,885,090</u>	<u>168,510,241</u>
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	22.881%	127,355,000	29,140,098
Solano County Pension Obligations	22.881%	86,105,000	19,701,685
Solano County Board of Education Certificates of Participation	22.881%	2,750,000	629,228
Vallejo Unified School District Certificates of Participation	97.804%	38,390,000	37,546,956
City of Vallejo General Fund Obligations	100.000%	50,600,000	50,600,000
Total Direct and Overlapping General Fund Debt		<u>305,200,000</u>	<u>137,617,967</u>
City direct debt			-
Total direct and overlapping debt ²			<u>\$ 306,128,208</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.

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

Source: California Municipal Statistics, Inc.

CITY OF VALLEJO
 Legal Debt Margin Information
 Last Seven Fiscal Years

	Fiscal Year Ending June 30						
	2004	2005	2006	2007	2008	2009	2010
Assessed valuation	\$ 5,662,455,919	\$ 7,017,115,830	\$ 7,935,990,160	\$ 9,169,413,943	\$ 10,053,796,343	\$ 9,533,570,286	\$ 7,729,190,511
Conversion percentage	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,415,613,980	1,754,278,958	1,983,997,540	2,292,353,486	2,513,449,086	2,383,392,572	1,932,297,628
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%
Debt limit	\$ 212,342,097	\$ 263,141,844	\$ 297,599,631	\$ 343,853,023	\$ 377,017,363	\$ 357,508,886	\$ 289,844,644
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-
Legal debt margin	\$ 212,342,097	\$ 263,141,844	\$ 297,599,631	\$ 343,853,023	\$ 377,017,363	\$ 357,508,886	\$ 289,844,644
Total debt applicable to the limit as a percentage of debt limit ²	0.0%	0.0%	0.0%	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 seven 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

Fiscal Year Ended June 30	Water Revenue Bonds (a)					City system Coverage
	Gross Water Revenues (b)	Less Expenses (c)	Net Available Revenues	Total Debt Service (d)		
2001	\$ -	\$ -	\$ -	\$ -	-	
2002	-	-	-	-	-	
2003	-	-	-	-	-	
2004	-	-	-	-	-	
2005	29,753,541	19,762,044	9,991,497	4,381,695	2.28	
2006	31,254,104	22,646,495	8,607,609	6,047,430	1.42	
2007	35,784,017	22,812,283	12,971,734	4,866,200	2.67	
2008	37,066,802	22,961,893	14,104,909	4,574,731	3.08	
2009	33,442,234	24,473,086	8,969,148	5,285,910	1.70	
2010	32,555,633	25,393,647	7,161,986	5,819,158	1.23	

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

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

CITY OF VALLEJO

Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended June 30	Wastewater (a)											Coverage Ratio
	Utility Service Charges	Less Operating Expenses	Net Available Revenues	Debt Service (Principal and Interest)			State Revenue Fund Loan	Notes Payable	Total			
				2006 COP	2001 COP	1993 COP						
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
2008	24,379,225	13,136,914	11,242,311	2,501,698	240,565	2,762,964	926,556	-	6,431,783			1.75
2009	24,660,197	13,893,269	10,766,928	2,501,698	240,565	2,762,964	926,556	-	6,431,783			1.67
2010	25,384,971	15,812,036	9,572,935	2,521,221	248,426	2,760,344	1,219,675	-	6,749,666			1.42

a) Data not available prior to 2000

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

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	
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
2008	3,756,553	350,000	803,498	3.26
2009	3,591,153	385,000	776,595	3.09
2010	3,280,996	430,000	747,078	2.79

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)
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%
2008	121,097	4,502,386	37,180	8.7%
2009	121,055	4,602,511	38,020	13.8%
2010	121,435	4,816,841	39,666	14.7%

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

CITY OF VALLEJO
Principal Employers
Current Year and Nine Years Ago

Employer	2010		2001	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,906	6.95%	2,240	4.00%
Six Flags Discovery Kingdom	1,600	2.85%	1,688	3.01%
Vallejo Unified School District	1,600	2.85%	2,000	3.57%
Kaiser Permanente Call Center	950	1.69%	800	1.43%
Sutter Solano Medical Center	690	1.23%	581	1.04%
City of Vallejo	574	1.02%	690	1.23%
CA Highway Patrol, Regional Off	400	0.71%	-	0.00%
Touro University California	385	0.69%	-	0.00%
U.S. Forest Service	300	0.53%	240	0.43%
Petrochem Corporate Headquarters	225	0.40%	-	0.00%
U.S. Postal Service	-	0.00%	240	0.43%
TIMEC Co	-	0.00%	500	0.89%
California Maritime Academy	-	0.00%	200	0.36%

"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 Ten Fiscal Years

Function	Full-Time and Part-Time Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	65	59	62	66	62	61	49	46	45	41
Public safety	344	350	355	350	320	325	329	291	250	214
Public works	60	61	63	67	59	59	63	62	58	54
Mare Island Coop/CFD	14	14	4	4	3	2	5	2	2	2
Development Services	22	23	26	23	20	21	23	29	26	21
Community Dev	23	23	25	26	24	25	22	18	17	17
Solid Waste Disp	-	1	1	1	1	1	1	0	-	-
Landscape District	4	4	4	3	5	5	6	8	8	7
Risk Management	3	3	3	2	3	3	3	2	2	2
Water	79	84	82	83	75	77	95	98	101	101
Transportation	4	4	4	4	6	6	6	5	5	5
Marina	4	4	4	4	4	3	3	3	3	3
Corp Yard	<u>23</u>	<u>23</u>	<u>17</u>	<u>17</u>	<u>16</u>	<u>16</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>
Total	<u>645</u>	<u>653</u>	<u>650</u>	<u>650</u>	<u>598</u>	<u>604</u>	<u>615</u>	<u>574</u>	<u>528</u>	<u>477</u>

Source: City of Vallejo Adopted Budget

CITY OF VALLEJO
 Operating Indicators
 by Function
 Last Ten Fiscal Years

	Fiscal Year Ending June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Arrests	7,689	7,783	7,618	2,610	5,250	7,658	8,682	7,589	7,300	4,273
Parking citations issued ¹	-	4,127	16,054	16,971	15,097	14,108	13,200	12,864	5,178	3,676
Fire:										
Number of emergency calls	10,232	10,257	10,313	10,363	10,547	11,030	11,194	11,739	12,098	12,149
Inspections (Fire Prevention)	-	1,344	1,547	2,071	1,079	967	1,371	947	842	1,200
Inspections (Code Enforcement) ²	6,791	5,601	6,187	4,148	3,240	4,305	4,247	157	2,776	8,000
Public works:										
Street resurfacing (miles)	13.33	1.93	3.69	1.82	2.95	27.70	2.20	16.47	18.47	46.50
Water:										
New connections	464	541	397	436	559	314	139	71	31	67
Average daily consumption (thousands of gallons)	22,130	21,050	21,500	22,350	20,620	21,030	21,271	20,658	19,402	17,975
Development Services:										
Building permits	3,634	3,381	3,772	3,702	3,473	3,357	3,427	2,000	1,837	2,175
Housing Rental units ³	-	-	2,266	2,266	2,266	2,266	2,266	2,266	2,267	2,267
Housing Vouchers ⁴	-	-	2,171	2,246	2,210	2,105	2,041	2,036	2,156	2,147
Golf course:										
Golf rounds played ⁵	152,731	150,904	146,415	130,651	114,353	96,750	112,296	87,416	82,373	65,470

¹ Amounts unavailable from 1999 to 2001.

² Function transferred to Development Services

³ Amounts listed represent the number of rental units contracted. Amounts unavailable from 1999 to 2002.

⁴ Amounts listed represent actual vouchers issued. Amounts unavailable from 1999 to 2002.

⁵ From 1999 to 2007 amounts listed represent the combined total for the following three golf courses: Joe Mortara and Blue Rocks Springs East and West Golf Courses. For 2008 and forward, amounts listed represent the combined total for the following two golf courses: Blue Rock Springs East and West Golf Courses. Beginning in 2008 the City no longer operates the Joe Mortara Golf Course.

Source: City of Vallejo
 Enforcement Technology

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

	Fiscal Year Ending June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Stations	4	4	4	4	4	4	4	3	3	3
Fire:										
Fire stations	8	8	8	8	8	8	8	6	6	6
Public works:										
Streets (miles)	315	315	315	315	315	350	351	351	351	351
Traffic signals	131	131	131	131	134	134	151	151	148	148
Water:										
Water mains (miles)	600	600	600	600	605	622	623	623	624	624
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	2	2	2

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

Source: City of Vallejo
 Vallejo Golf Club, Inc.