



Vallejo Municipal Marina

CITY OF VALLEJO CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CITY OF VALLEJO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

PREPARED BY THE
FINANCE DEPARTMENT

This Page Left Intentionally Blank

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

Table of Contents

INTRODUCTORY SECTION

Table of Contents i
Transmittal Letter v
Public Officials xii
Organization Chart xiii

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, 2012

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

Statement of Changes in Fiduciary Net Assets 37

Notes to Financial Statements 39

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets 102

Combining Statements of Revenues, Expenditures and Changes
in Fund Balances 110

Combining Schedule of Revenues, Expenditures and Change
in Fund Balance-Budget and Actual 118

Internal Service Funds:

Combining Statement of Net Assets 130

Combining Statements of Revenues, Expenses and
Changes in Fund Net Assets 131

Combining Statements of Cash Flows 132

Fiduciary Funds:

Statement of Changes in Assets and Liabilities 134

CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

Table of Contents

STATISTICAL SECTION

Net Assets by Component 139

Changes in Net Assets 140

Fund Balances of Governmental Funds..... 142

Changes in Fund Balances of Governmental Funds 143

Assessed Value and Estimated Actual Value of Taxable Property 144

Direct and Overlapping Property Taxes Rates 145

Principal Property Tax Payers..... 146

Property Tax Levies and Collections..... 147

Ratios of Outstanding Debt by Type 148

Ratio of General Bonded Debt Outstanding..... 150

Direct and Overlapping Debt 151

Legal Debt Margin Information 152

Pledged Revenue Coverage..... 153

Demographic and Economic Statistics 156

Principal Employers 157

Full-time and Part-time City Employees by Function..... 158

Operating Indicators by Function 159

Capital Asset Statistics by Function 160

This Page Left Intentionally Blank



June 14, 2013

**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 2012 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, 2012, 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, 2012, 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 115,928 Vallejo is the largest City in Solano County and the 50th largest City in population among California's 481 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, 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) provides for Parks and Recreation programs and services, Water Emergency Transport Agency (WETA) provides for ferry services and Solano County Transit (SolTrans) provides bus services.

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)
- Successor Agency to the Redevelopment Agency of the City of Vallejo (the Agency)
- Marine World Joint Powers Authority (the Marine World JPA)
- 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.

Effective November 1, 2011, the City of Vallejo officially exited from bankruptcy, the City having satisfied the conditions in its confirmed plan of adjustment necessary to emerge from its Chapter 9 case. The plan was confirmed by an order of United States Bankruptcy Judge Michael S. McManus entered on August 5, 2011.

The chapter 9 filing enabled the City to continue to operate and provide services to its residents by freezing certain pre-filing debts until a plan of adjustment was negotiated and approved. Now that the City has exited bankruptcy, the City remains focused on meeting its objective of long-term fiscal stability 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

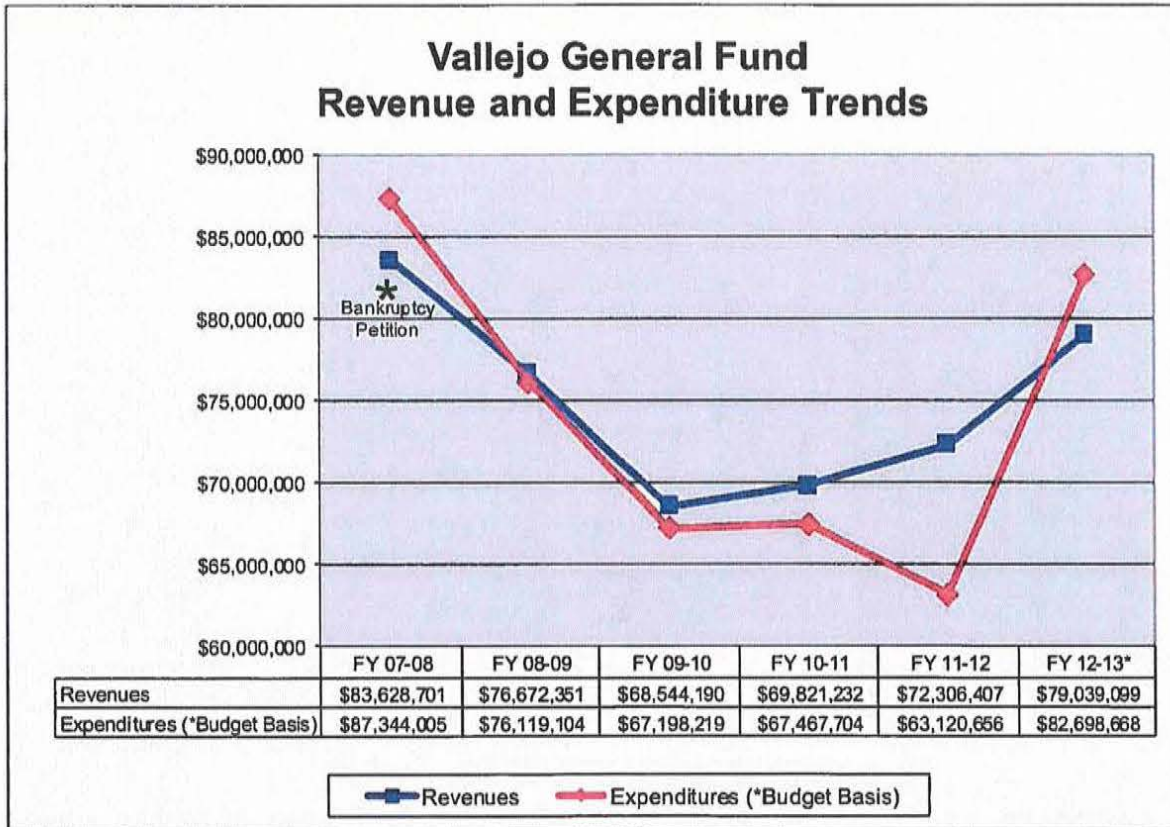
Recent economic news indicates that an economic recovery appears to be taking hold. Unemployment data is slowly improving, sales tax revenue is increasing and the economy is growing modestly. However, the Vallejo housing market continues to show little signs of recovery.

Revenue – Fiscal year 2011-2012 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 and disagreement as to the rate and degree of recovery. The City continues to face 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 housing-related 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 decline in the City's property tax revenue. 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 \$72.3 million in fiscal year 2011-12, for a cumulative decline of approximately \$11.7 million or 14% in four years. However, the fiscal year 2011-12 revenues are slightly higher than the fiscal year 2010-11 increasing by \$2.5 million or 4.0%.

On a more positive note, the City is projecting a slight increase in revenues for FY 2012-13 and for modest overall growth in its General Fund revenues starting in FY 2013-14.

The following chart tracks this revenue and expenditure trend:



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 2012 compared to 2011. 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. However, on a positive note, the June 2012 unemployment rate dropped to 12.5% as compared to the June 2011 unemployment rate of 14.0%.

The continued high level of unemployment, declining real estate values, reduced property 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 2011-12. 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 2011-12 through fiscal year 2013-14) rather than incorporating the entire impact in fiscal year 2011-12. 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 2013-14 compared to FY 2012-13, the total City-paid contribution rate for police and fire safety employees will increase by approximately 6% and the rate for all other employees will increase by 3%. This will result in projected City-paid contribution rates for safety employees and other employees of 48.1% and 28.6% 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. The City continues to develop plans to provide for annual pay-downs of the unfunded liability.

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 Governor's May revision of the fiscal year 2013-14 budget reflected California's most stable fiscal footing in over a decade. With tough spending cuts enacted over the past two years and new temporary revenues provided by the passage of Proposition 30, the state's budget is projected to remain balanced for the foreseeable future. The multi-year plan is balanced, maintains a \$1.1 billion reserve and pays down budgetary debt.

The State's fiscal year 2013-14 budget may be balanced, but there are still risks associated with this budget. The forecast for revenues attributable to capital gains is subject to volatility. The state is under court order to reduce prison population and could be subject to hundreds of millions of dollars in increased costs if they are not successful negotiating with the federal court. As the state implements federal health care reform, budgetary spending will become even more dependent on the rate of health care inflation. The federal government and the courts have hampered past efforts at spending reform and could again interfere with the successful implementation of approved budget actions. Federal government actions taken to reduce their own deficit will impact the state by either shifting program responsibility to the state or reducing support of state programs. Historically, the State has relied on local revenues to help balance its budget.

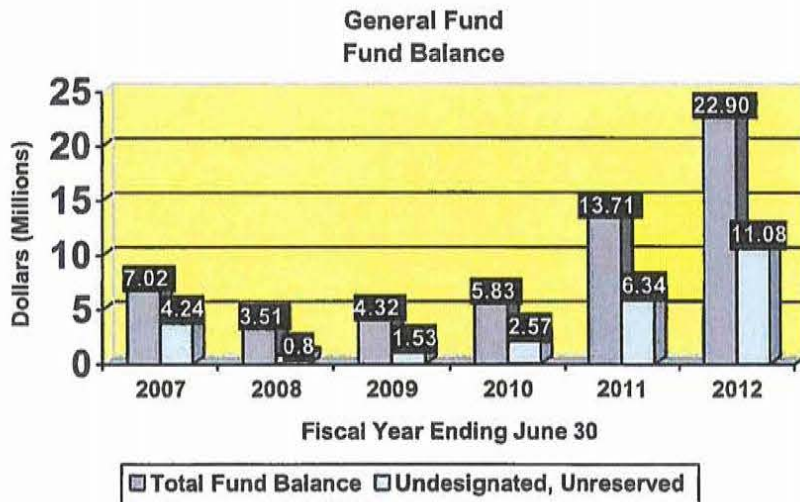
Future State budgets will likely continue to be affected by national and state economic conditions, as well as other factors over which the City will have no control. To the extent that the State's annual budget process results in reduced revenues or increased expenses to cities, Vallejo will be required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

Local Sales Tax Increase - In November 2011, Vallejo voters passed Measure B, establishing a one percent transaction and use tax. This tax is assessed similarly to a sales tax, became effective on April 1, 2012, and has a 10-year sunset. It is estimated that the tax will generate nearly \$11 million annually in additional sales tax revenues. The new 1% sales tax measure restores about 78% of the recent four-year \$14 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, 2012, as compared with the five prior years. Note that June 30, 2012 balances were only achieved through unilateral imposition during bankruptcy of salary, benefit, and debt service payment reductions to the City's employees and bankers. These reductions created bankruptcy claims, which were negotiated and confirmed through the 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.



Uncertainty of Former Redevelopment Agency Loans - In regards to the former Redevelopment Agency (RDA), the California legislature approved and the Governor signed AB 1X 26, which provided for the dissolution of California's redevelopment agencies effective October 1, 2011. As a result of the December 2011, State Supreme Court ruling that upheld Assembly Bill 1X 26 which dissolves Redevelopment Agencies, the funds owed between the City and the former RDA are in question as to

being viable receivables to the City as a result of the ruling. While it is considered premature to completely write off the debt of \$14.2 million owed by the RDA to the City of Vallejo, a \$14.2 million allowance for doubtful accounts has been recorded for this debt. It is however the City's position that the debt shown on the City's books owed by the Redevelopment Agency is currently due and owing. While the individual funds reflect this allowance/write down, the Government-wide financial statements are not impacted due to the elimination of related party transactions within those statements.

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.

Officially Exited from Bankruptcy – Effective November 1, 2011, the City of Vallejo officially exited from bankruptcy, the City having satisfied the conditions in its confirmed plan of adjustment necessary to emerge from its Chapter 9 case. The plan was confirmed by an order of United States Bankruptcy Judge Michael S. McManus entered on August 5, 2011.

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.

Redevelopment in Downtown and Waterfront Areas – Although the Redevelopment Agency no longer exists, City staff 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 benefits 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 provides 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 was completed in October 2012 and is expected to begin collecting fees in July 2013.

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 City staff on pre-development activities that will result in significant new development, generating new revenue and jobs for Vallejo.

Neighborhood Law and Code Enforcement Programs – The City Attorney's office in conjunction with Code Enforcement and other departments have instituted a "Neighborhood Law" and pro-active code enforcement program to address and improve the appearance of blighted properties throughout the City.

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 Florita Cruz, Accounting Manager; Winnie Daba, Senior Accountant; 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,



Deborah Lauchner
Finance Director

CITY OF VALLEJO

Public Officials

City Council

As of June 30, 2012

Term Expires

Osby Davis, Mayor	December 2015
Erin Hannigan, Vice Mayor	December 2015
Hermie Sunga, Councilmember	December 2013
Marti Brown, Councilmember	December 2013
Stephanie Gomes, Councilmember	December 2013
Bob Sampayan, Councilmember	December 2015
Robert McConnell, Councilmember	December 2015

City Manager

Daniel E. Keen

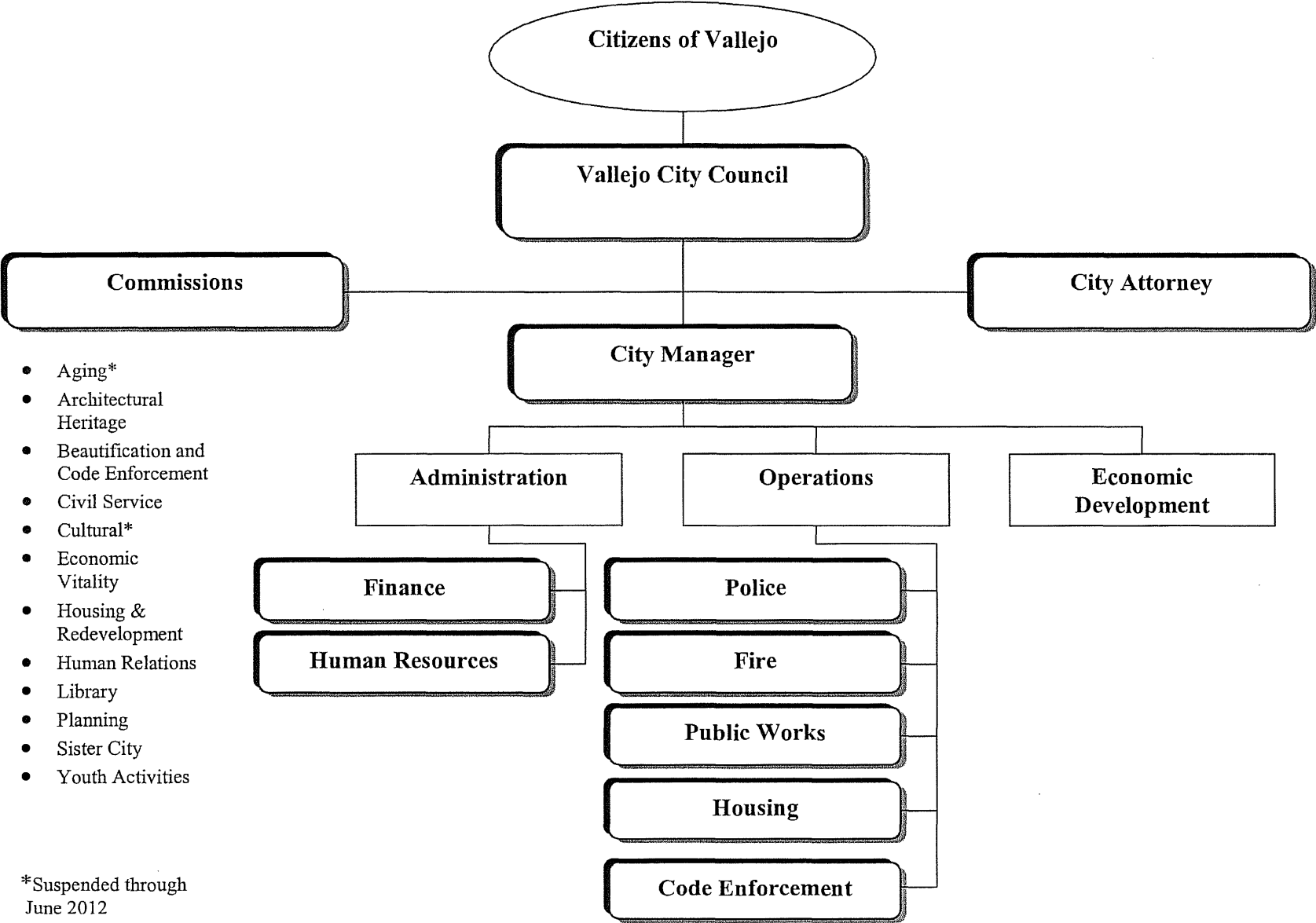
City Attorney

Frederick G. Soley

Executive Management Team

Craig Whittom, Assistant City Manager
Deborah Lauchner, Finance Director
Debora Boutté, Human Resources Director
Robert Nichelini, Police Chief
Paige Meyer, Fire Chief
David Kleinschmidt, Public Works Director
Ursula Luna-Reynosa, Economic Development Director

City of Vallejo Organization Chart



- Aging*
- Architectural Heritage
- Beautification and Code Enforcement
- Civil Service
- Cultural*
- Economic Vitality
- Housing & Redevelopment
- Human Relations
- Library
- Planning
- Sister City
- Youth Activities

*Suspended through June 2012

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vallejo, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of the Vallejo Sanitation and Flood Control District (VSFCD), which is both a major fund and 57%, 65%, and 31% of the assets, net assets and revenues 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 auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in 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.

As discussed in Note 16, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Vallejo Redevelopment Agency has been dissolved and its assets turned over to and liabilities assumed by a Housing Successor and a Successor Agency effective January 31, 2012. Certain transactions undertaken by the Vallejo Redevelopment Agency prior to the date of dissolution are subject to an asset transfer review by the State and Due Diligence Reviews to be performed on behalf of the State. These reviews have not been completed and the effects of these reviews cannot be determined at this time.

Prior to the Redevelopment Agency dissolution, the Agency Board approved various agreements which obligated it to repay certain advances to the City. Repayment of these agreements is subject to certain administrative procedures and review and approval by the California Department of Finance and/or the Oversight Board, and as a result the amount disallowed is not determinable at this time. As discussed in Note 4, the City has offset the full balance of the advances to the former Agency with an allowance for collectability.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination maybe made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2013 on our consideration of the City 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.

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

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

April 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2012

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, 2012. 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. Effective November 1, 2011, the City formally exited bankruptcy. 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, 2012 and 2011, as measured on the accrual basis of accounting, along with a discussion of some of the most significant balances (in millions):

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and other assets	\$129.0	\$135.9	\$104.1	\$105.2	\$233.1	\$241.1
Capital assets	337.7	329.1	359.6	375.2	697.3	704.3
Total assets	<u>466.7</u>	<u>465.0</u>	<u>463.7</u>	<u>480.4</u>	<u>930.4</u>	<u>945.4</u>
Liabilities						
Current and other liabilities	22.1	28.6	24.2	23.6	46.3	52.2
Long-term liabilities	52.4	68.7	146.9	154.8	199.3	223.5
Total liabilities	<u>74.5</u>	<u>97.3</u>	<u>171.1</u>	<u>178.4</u>	<u>245.6</u>	<u>275.7</u>
Net assets						
Invested in capital assets, net of related debt	315.2	300.2	209.8	218.6	525.0	518.8
Restricted	99.8	84.1	39.7	42.4	139.5	126.5
Unrestricted	<u>(22.8)</u>	<u>(16.6)</u>	<u>43.1</u>	<u>41.0</u>	<u>20.3</u>	<u>24.4</u>
Total net assets	<u>\$392.2</u>	<u>\$367.7</u>	<u>\$292.6</u>	<u>\$302.0</u>	<u>\$684.8</u>	<u>\$669.7</u>

Total City current assets of \$233.1 million are offset by \$46.3 million of current liabilities and the investment in capital assets consists of assets totaling \$697.3 million reduced by related liabilities of \$171.1 million for a net asset position of \$684.8 million at June 30, 2012.

- Government-wide capital assets decreased by \$7.0 million during the year. Business-type assets decreased by \$15.6 million. Decreases in the capital assets were primarily attributable to the City's transfer of transportation program assets with its investment of \$19.0 million net of depreciation in buses, paratransit vans, ferry engines retrofit and construction of ferry maintenance facility and bus transit center.

- Construction in progress for Governmental Activities included \$42 million for Vallejo Station, a major grant funded transportation infrastructure project, 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. During the year, the City accepted over \$2.1 million in developer constructed infrastructure projects consisting of streets, sidewalks and traffic lights. These projects are the primary elements of the \$8.6 million increase in Governmental-type capital assets. Depreciation amounted to \$8.9 million in other Governmental Activities.
- Total liabilities have decreased by \$30.1 million. The reduction is mainly due to 2002 COPs unspent proceeds of \$5 million being returned to the trustee for redemption as part of the debt restructure accomplished through bankruptcy.
- Unrestricted net assets decreased by \$4.1 million to \$20.3 million (3.0% of total assets). Total net assets increased by \$14.9 million, which primarily resulted from significant investments in capital assets described above.
- Governmental unrestricted net assets show negative balances primarily because of unfunded accrued actuarially recommended contributions (ARC) for retiree medical benefits.

Government-wide Activities

The table below is a summary of the City's government-wide activities for the years ended June 30, 2012 and 2011, as measured on the accrual basis of accounting (in thousands).

(THE TABLE IS ON THE FOLLOWING PAGE)

**Government-wide activities
for the year ended June 30, 2012**
(In thousands)

(In Thousands)	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$16,987	\$18,834	\$68,645	\$70,644	\$85,632	\$89,478
Operating grants and contributions	34,426	32,391	7,736	17,808	42,162	50,199
Capital grants and contributions	14,626	32,916	15,056	29,598	29,682	62,514
General revenues						
Property, sales and other taxes	47,446	45,204	729		48,175	45,204
User utility	12,793	12,890			12,793	12,890
Other	14,013	7,680	2,645	2,384	16,658	10,064
Total revenues	<u>140,291</u>	<u>149,915</u>	<u>94,811</u>	<u>120,434</u>	<u>235,102</u>	<u>270,349</u>
Expenses						
Governmental activities						
Legislative and advisory	220	182			220	182
Executive	2,442	513			2,442	513
Finance	799	1,654			799	1,654
Human resources	961	557			961	557
Law	504	719			504	719
Development services	2,347	2,617			2,347	2,617
Community development	27,385	36,122			27,385	36,122
Fire services	19,055	17,484			19,055	17,484
Police services	32,241	29,812			32,241	29,812
Public works	20,936	19,004			20,936	19,004
Nondepartmental	5,134	5,000			5,134	5,000
Interest on long-term debt	767	2,224			767	2,224
Business-type activities						
Water			32,496	32,056	32,496	32,056
Local transportation			18,138	29,226	18,138	29,226
Sanitation and flood control			32,764	29,284	32,764	29,284
Marina			1,649	2,420	1,649	2,420
Golf			456	1,074	456	1,074
Total expenses	<u>112,791</u>	<u>115,888</u>	<u>85,503</u>	<u>94,060</u>	<u>198,294</u>	<u>209,948</u>
Excess before transfers and extraordinary items	<u>27,500</u>	<u>34,027</u>	<u>9,308</u>	<u>26,374</u>	<u>36,808</u>	<u>60,401</u>
Transfers	438	(372)	(438)	372		
Extraordinary items	<u>(3,409)</u>		<u>(18,410)</u>		<u>(21,819)</u>	
Change in net assets	<u>\$24,529</u>	<u>\$33,655</u>	<u>(\$9,540)</u>	<u>\$26,746</u>	<u>\$14,989</u>	<u>\$60,401</u>

- Fiscal 2011-2012 Business-type activity financial results were generally consistent with those of the prior year with an exception of capital grants and contributions revenue and the extraordinary item that relates to the transfer of transportation assets to other agencies. Transportation program received grants that paid for investment in program's capital assets. Operating 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 financial results were, too, generally consistent with prior year except for capital grants and contributions revenue. Capital grants show decrease due to completion of a large capital project, which accounted for \$18.3 million decrease.
- Decrease in Community Development spending is mainly attributed to the Mare Island Conversion Fund reduced activity. Other Community Development spending mostly reflects the activities of the Vallejo Housing Authority and the dissolution of the Vallejo Redevelopment Agency.
- Fire and Police services spending increased due to added staffing, which is funded by operating grants and Measure B. Other fire and police services were consistent with prior year.
- Decreases in Business-type Activities net assets in Fiscal 2011-2012 result primarily from the transfer of transportation assets and services to other agencies.

Net Program Revenues

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

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
Governmental Activities			
General government	(\$10,827,108)		(\$10,827,108)
Fire services	(19,054,650)	\$3,167,551	(15,887,099)
Police services	(32,241,212)	5,700,524	(26,540,688)
Public works	(20,936,214)	23,477,904	2,541,690
Community and development services	(29,731,744)	33,692,987	3,961,243
	<u>(\$112,790,928)</u>	<u>\$66,038,966</u>	<u>(\$46,751,962)</u>

Net of program revenues, Police and Fire remain the largest municipal programs within both the General Fund and City-wide Governmental Activities. Grant revenue totaling \$49.1 million makes up 74% 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.

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
Business-type Activities			
Water utility	(\$32,495,692)	\$35,078,778	\$2,583,086
Local transportation	(18,138,000)	23,788,636	5,650,636
Sanitation and flood control	(32,763,816)	31,168,041	(1,595,775)
Marina	(1,649,419)	1,401,411	(248,008)
Golf	(456,494)		(456,494)
	<u>(\$85,503,421)</u>	<u>\$91,436,866</u>	<u>\$5,933,445</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 116,496 residents, other funds, businesses and visitors. The 2011-2012 fiscal year \$64.7 million expenditure budget provided for the services of 321 full time employees. This represents a 35% drop in General Fund employees from the high point in Fiscal 2003-2004. Labor costs comprise approximately 82% 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 2010, 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 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 progressed, the City continued active negotiations with the bond insurer and letter of credit bank with respect to its variable rate demand lease certificates of participation. The City's plan of adjustment was approved by the bankruptcy court in August 2011. The City and Union Bank of California executed an Amended and Restated Master Lease Agreement along with a Reimbursement Agreement Payment Agreement which was accepted by the court allowing the City to exit bankruptcy protection. The City officially exited from bankruptcy effective November 1, 2011. In November 2011, the City began making payments to its creditors as outlined in the confirmed plan of adjustment. The five-year financial forecast that accompanied the plan of adjustment continues to be a fundamental guiding document for the fiscal year 2012-13 budget.

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 local housing values from early 2006 to 2012. This reduced assessed valuation and the property tax available to local agencies. The Solano County Assessor considered the declines in property values to be in a “freefall” during the 2007-2008 fiscal year and has continued to reassess parcels at lower levels in the 2008-2009, 2009-2010 and 2010-11 fiscal years. In the 2011-12 fiscal year, the pace of the decline in assessed valuations has slowed from -6% in 2010-11 to -3% in 2011-12.

Decline in General Fund Revenues – The net impact to the City's General Fund revenues, including transfers, was a decline of \$11.9 million from \$83.6 million in collections in Fiscal 2007-2008 to \$71.7 million in Fiscal 2011-2012. As noted above, this required major reductions in ongoing costs.

Fiscal year 2011-2012 Budget

The Fiscal 2011-2012 revenue collections exceeded original estimates by \$6.4 million. Tight cost controls and reduced staffing kept expenditures within budget resulting in a \$4.7 million increase in unassigned 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 long-term leases, which secured variable rate certificates of participation (COPS). The 2000, 2001, 2002, and 2003 COPS were also secured by letters of credit, and the 1999 COPS were insured. In September 2011, the City and Union Bank of California entered into an Amended and Restated Master Lease Agreement and a Reimbursement Agreement

Payment Agreement which changed these obligations from Certificates of Participation debt into a direct bank loan debt.

\$24.6 million in General Fund COPS were invested in Business Type Activities (Marina, Golf, and Water) and in Former Redevelopment Agency capital programs, and the debt service for those programs is paid from those sources as determined as part of the City's bankruptcy filing and court determinations. However, the General Fund remains obligated for the debt if those sources are not sufficient to pay the debt service.

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 maintain a long-term financial plan that builds and maintains adequate funding for contingent risks.

Without long-term planning 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 unassigned fund balance of \$11.1 million at June 30, 2012 represents 18% of operational contingency or nine weeks of General Fund operations.

Other Major Governmental Funds

- ***Housing Authority*** – The Housing Authority received \$24.4 million in federal HUD grants during the year to support its \$25.9 million Section 8 Housing Assistance Voucher Program expenditures. The Authority continues to target its program expenditures to balance with evolving monthly federal allocations. Current HUD monthly advances have stabilized with program expenditures.

Enterprise Funds

- ***Water Fund*** – This fund collected \$34.2 million in operating revenues during the year to support \$24.5 million in operating costs and \$5.8 million in depreciation. Cash from operations, capital contributions and investment income supported \$2.4 million in debt service payments and \$2.7 million in capital improvements. Fund liquidity improved with \$26.3 million in current assets available to cover \$7.9 million in current liabilities. The fund has \$98 million of capital assets, financed with \$56.6 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 operated bus, ferry, and other mass transit options for the citizens of Vallejo and the surrounding region. \$6.2 million in user fees were supplemented by \$7.7 million in federal, state, and local grants to support \$14.2 million in operating costs, excluding depreciation. Ferry transit operations were transferred to the Water Emergency Transport Agency (WETA) effective July 1, 2012 and bus transit operations are expected to be transferred to Solano County Transit (SolTrans) effective July 1, 2013.
- ***Sanitation and Flood Control*** – This utility district operated during the year with \$25.9 million of user fees. \$139.2 million was invested in capital assets.
- ***Marina*** – The Marina collected \$1.4 million in user fees during the year to support its operating and debt service costs. Operating costs, excluding depreciation, were \$1.4 million and debt service payments were \$0.7 million. The fund continues to operate at a deficit, which was

financed with contributions from the State Lands Commission Fund of \$0.4 million. On an accrual basis, the fund has a deficit net assets position of \$2.4 million at June 30, 2012, because its capital assets are depreciating faster than the principal payments on the debt that financed the assets. The fund remains obligated for \$15.6 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 did not collect any pass-through annual revenues from the municipal course operator to fund debt service on its \$8.5 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 \$2.8 million at June 30, 2012, 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, 2012 and 2011. Total capital assets have decreased by \$7.0 million during the year to \$697.3 million. Total depreciation of \$27 million was offset by new capital additions of \$42.2 million and assets transferred to other agencies of \$19.0 million. Governmental construction in progress includes construction of Vallejo Station and various streets overlay improvements. Business-type construction in progress includes \$21.2 million in Transportation projects, \$5.4 million in Sanitation and Flood Control projects, and \$6.3 million for Water projects. Further information can be found in Note 6 to the financial statements.

(THE TABLE IS ON THE FOLLOWING PAGE)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$137,982,182	\$136,728,029	\$15,484,069	\$15,484,069	\$153,466,251	\$152,212,098
Building and improvement	36,556,107	38,431,179	259,238,691	262,082,561	295,794,798	300,513,740
Machinery and equipment	8,082,563	7,758,161	22,592,195	38,792,499	30,674,758	46,550,660
Infrastructure	101,027,897	103,054,734	29,401,307	34,862,654	130,429,204	137,917,388
Construction in progress	53,989,551	43,199,884	32,946,875	24,034,999	86,936,426	67,234,883
Total	<u>\$337,638,300</u>	<u>\$329,171,987</u>	<u>\$359,663,137</u>	<u>\$375,256,782</u>	<u>\$697,301,437</u>	<u>\$704,428,769</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 sought to restore overall City fiscal stability that would 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, 2012 and 2011.

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Tax Allocation Bonds		\$10,091,320				\$10,091,320
Certificates of Participation	3,911,143	24,014,165	\$53,334,101	\$81,366,690	57,245,244	105,380,855
Capital Lease Obligations	855,379	1,059,063			855,379	1,059,063
Revenue Bonds			58,923,128	61,514,066	58,923,128	61,514,066
Loans & Notes Payable	13,770,344		40,340,363	17,117,707	54,110,707	17,117,707
Total	<u>\$18,536,866</u>	<u>\$35,164,548</u>	<u>\$152,597,592</u>	<u>\$159,998,463</u>	<u>\$171,134,458</u>	<u>\$195,163,011</u>

In total, long-term debt decreased by \$24 million during the year ended June 30, 2012. Normal principal amortization from annual debt service payments were \$13.6 million. During the fiscal 2011, Vallejo Sanitation and Flood Control issued 2011 Revenue Bonds. The proceeds from these bonds redeemed \$3.5 million of 2001 Certificates of Participation in fiscal 2012. Based on the restructured agreement, the City short paid its 1999 Certificates of Participation, which was covered by the bond insurance. The bond insurance payment was recorded as an addition to long-term debt and will be amortized over the life of the Certificates. 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 \$1,469 from \$1,675 in the prior fiscal year.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Net debt	\$171,134,458	\$195,163,011
Net debt per capita	\$1,469	\$1,675
Net debt per capita as a percentage of per capita personal income	3.86%	4.30%
Net debt as a percentage of net assessed value	2.33%	2.57%

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The City’s economic base remains weakened by the long recession; however, it is starting to show some improvement. Solano County sales tax revenue has increased and Vallejo’s tax performance is slightly above the growth in the nine county San Francisco Bay Area. Unemployment in Vallejo stands at 12.9%, one of the highest levels in the nation.

Many businesses that failed during the last four 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 three and four years ago and those losses are now showing 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’s plan of adjustment was approved by the bankruptcy court in August 2011. The City officially exited from bankruptcy effective November 1, 2011. In November 2011, the City began making payments to its creditors as outlined in the confirmed plan of adjustment. The five-year financial forecast that accompanied the plan of adjustment was a fundamental guiding document for the fiscal year 2012-13 budget.

Additionally, in November 2011, the voters of the City of Vallejo via majority vote approved a one percent transaction tax increase measure that has provided additional resources to the City and will continue for a 10 year period. The new tax rate went into effect on April 1, 2012.

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, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and investments (Note 3)	\$66,842,122	\$62,679,813	\$129,521,935
Accounts receivable	3,268,036	15,014,554	18,282,590
Internal balances (Note 4)	5,868,005	(5,868,005)	
Due from other governments	17,380,512	10,748,431	28,128,943
Materials, parts, and supplies	213,525	1,956,764	2,170,289
Prepays	196,434	87,101	283,535
Total Current Assets	93,768,634	84,618,658	178,387,292
Restricted cash and investments			
held with fiscal agent (Note 3)	11,100,834	13,518,977	24,619,811
Land held for redevelopment	499,684		499,684
Notes and loans receivable (Note 5)	23,631,941	2,084,676	25,716,617
Issuance costs		1,953,744	1,953,744
Deferred lease and project costs		1,892,904	1,892,904
Capital assets (Note 6):			
Nondepreciable	191,971,733	48,430,944	240,402,677
Depreciable, net of accumulated depreciation	145,666,567	311,232,193	456,898,760
Total Noncurrent Assets	372,870,759	379,113,438	751,984,197
Total Assets	466,639,393	463,732,096	930,371,489
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	8,193,733	7,916,048	16,109,781
Accrued interest payable	102,486	1,129,752	1,232,238
Due to other governments	37,549		37,549
Unearned revenues	1,761,714	2,927,347	4,689,061
Deposits payable	2,211,418	3,049,385	5,260,803
Employee benefits payable (Note 10 and 12)	6,280,579	1,710,928	7,991,507
Claims payable, due within one year	3,260,267		3,260,267
Long-term debt, due within one year (Note 7)	220,666	7,503,649	7,724,315
Total Current Liabilities	22,068,412	24,237,109	46,305,521
Noncurrent liabilities:			
Claims payable (Note 14)	10,174,733		10,174,733
Employee benefits payable (Notes 10 and 12)	23,917,981	1,846,060	25,764,041
Long-term debt (Note 7)	18,316,200	145,093,943	163,410,143
Total Noncurrent Liabilities	52,408,914	146,940,003	199,348,917
Total Liabilities	74,477,326	171,177,112	245,654,438
NET ASSETS (Note 13)			
Invested in capital assets, net of related debt	315,214,369	209,754,483	524,968,852
Restricted for:			
Debt service	836,183	12,706,211	13,542,394
Capital projects	21,746,141	27,038,852	48,784,993
Special projects and programs	77,170,777		77,170,777
Total Restricted Net Assets	99,753,101	39,745,063	139,498,164
Unrestricted	(22,805,403)	43,055,438	20,250,035
Total Net Assets	\$392,162,067	\$292,554,984	\$684,717,051

See accompanying notes to financial statements

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

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	\$220,581				(\$220,581)		(\$220,581)
Executive	2,442,285				(2,442,285)		(2,442,285)
Finance	798,688				(798,688)		(798,688)
Human resources	962,813				(962,813)		(962,813)
Law	503,754				(503,754)		(503,754)
Development services	2,346,911	\$2,139,909			(207,002)		(207,002)
Community development	27,382,802	2,208,176	\$29,344,902		4,170,276		4,170,276
Fire services	19,054,650	3,167,551			(15,887,099)		(15,887,099)
Police services	32,241,212	2,515,818	3,184,706		(26,540,688)		(26,540,688)
Public works	20,936,214	6,955,655	1,896,145	\$14,626,104	2,541,690		2,541,690
Nondepartmental	5,134,037				(5,134,037)		(5,134,037)
Interest on long term debt	766,981				(766,981)		(766,981)
Total Governmental Activities	112,790,928	16,987,109	34,425,753	14,626,104	(46,751,962)		(46,751,962)
Business-type Activities:							
Water	32,495,692	34,420,242		658,536		\$2,583,086	2,583,086
Local Transportation	18,138,000	6,162,115	7,735,861	9,890,660		5,650,636	5,650,636
Sanitation and Flood Control	32,763,816	26,660,957		4,507,084		(1,595,775)	(1,595,775)
Marina	1,649,419	1,401,411				(248,008)	(248,008)
Golf	456,494					(456,494)	(456,494)
Total Business-type Activities	85,503,421	68,644,725	7,735,861	15,056,280		5,933,445	5,933,445
Total	\$198,294,349	\$85,631,834	\$42,161,614	\$29,682,384	(46,751,962)	5,933,445	(40,818,517)
General revenues:							
Taxes:							
Property taxes/In-lieu property tax					21,622,470	729,637	22,352,107
Incremental property taxes					1,790,418		1,790,418
Sales taxes					14,360,808		14,360,808
User Utility					12,792,738		12,792,738
Franchise					4,508,357		4,508,357
Transit occupancy					1,157,634		1,157,634
Other					4,005,671		4,005,671
Mare Island CFD Assessments					2,351,533		2,351,533
Investment earnings					8,226,261	2,008,565	10,234,826
Miscellaneous					3,435,245	636,068	4,071,313
Transfers (Note 4A)					438,038	(438,038)	
Extraordinary items							
Transfer of capital assets to Solano County Transit (Note 15C)						(19,034,732)	(19,034,732)
Debt restructuring adjustment (Note 7D)					1,075,176	625,498	1,700,674
Assets transferred to/liabilities assumed by Successor Agency (Note 16)					(4,483,759)		(4,483,759)
Total general revenues, transfers and extraordinary items					71,280,590	(15,473,002)	55,807,588
Change in Net Assets					24,528,628	(9,539,557)	14,989,071
Net Assets-Beginning					367,633,439	302,094,541	669,727,980
Net Assets-Ending					\$392,162,067	\$292,554,984	\$684,717,051

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 for the year ended June 30, 2012. 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 and the assets and liabilities assumed from the Housing Fund of the former Redevelopment Agency upon its dissolution as of February 1, 2012.

CITY OF VALLEJO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General	Housing Authority	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 3)	\$17,232,754	\$5,480,283	\$37,681,755	\$60,394,792
Restricted cash and investments held with fiscal agent (Note 3)			11,100,834	11,100,834
Accounts receivable	2,766,118	43,529	389,924	3,199,571
Notes and loans receivable (Note 5)	897,828	12,805,286	9,928,827	23,631,941
Due from other funds (Note 4)			3,121,823	3,121,823
Due from other governments	6,328,716		11,051,796	17,380,512
Materials, parts, and supplies	9,083			9,083
Prepays	29,593			29,593
Land held for redevelopment	499,684			499,684
Total Assets	\$27,763,776	\$18,329,098	\$73,274,959	\$119,367,833
LIABILITIES				
Accounts payable and accrued liabilities	\$3,566,913	\$158,373	\$4,164,736	\$7,890,022
Due to other funds (Note 4)			7,611,543	7,611,543
Due to other governments			37,549	37,549
Deferred revenues	1,003,539	2,424,535	17,635,898	21,063,972
Deposits payable	294,307	79,062	1,838,049	2,211,418
Total Liabilities	4,864,759	2,661,970	31,287,775	38,814,504
FUND BALANCES (Note 13)				
Fund Balance				
Nonspendable	1,315,581		102,072	1,417,653
Restricted	242,919	15,667,128	38,795,994	54,706,041
Committed	381,709		3,087,235	3,468,944
Assigned	9,874,285		1,883	9,876,168
Unassigned	11,084,523			11,084,523
Total Fund Balances	22,899,017	15,667,128	41,987,184	80,553,329
Total Liabilities and Fund Balances	\$27,763,776	\$18,329,098	\$73,274,959	\$119,367,833

See accompanying notes to financial statements

CITY OF VALLEJO
Reconciliation of
GOVERNMENTAL FUND BALANCES
with
GOVERNMENTAL NET ASSETS
JUNE 30, 2012

Total fund balances reported on the governmental funds balance sheet		\$80,553,329
<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.		333,751,235
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS		
<p>Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.</p>		
Cash and investments	\$6,447,330	
Accounts receivable	68,465	
Materials, parts, and supplies	204,442	
Prepays	166,841	
Due from other funds	10,473,578	
Capital assets	3,887,065	
Accounts payable	(303,711)	
Due to other funds	(115,853)	
Claims payable	(13,435,000)	
Employee benefits payable	<u>(19,148,583)</u>	
		(11,755,426)
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.		19,302,258
LONG-TERM ASSETS AND LIABILITIES		
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p>		
Long-term debt		(18,536,866)
Interest payable		(102,486)
Compensated absences		<u>(11,049,977)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$392,162,067</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, 2012

	General	Housing Authority	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$48,262,009		\$3,674,531	\$51,936,540
Licenses, permits, and fees	1,784,495		571,569	2,356,064
Fines and forfeitures	2,526,489		200,335	2,726,824
Intergovernmental	11,237,265	\$24,382,565	17,679,702	53,299,532
Use of money and property	818,658	207,848	2,301,645	3,328,151
Charges for services	6,479,756		8,262,646	14,742,402
Other	631,092	293,398	2,324,991	3,249,481
Total Revenues	71,739,764	24,883,811	35,015,419	131,638,994
EXPENDITURES				
Current:				
Legislative and advisory	219,289			219,289
Executive	2,221,478			2,221,478
Finance	934,626			934,626
Human resources	986,692			986,692
Law	592,192			592,192
Development services	2,327,740		99,043	2,426,783
Community development	667,214	25,892,641	5,812,772	32,372,627
Fire services	16,699,756		1,410,406	18,110,162
Police services	29,648,152		1,126,209	30,774,361
Public works	2,560,776		9,731,781	12,292,557
Non departmental	4,926,533		207,504	5,134,037
Capital outlay			13,321,436	13,321,436
Debt Service:				
Principal	61,931		5,972,039	6,033,970
Interest and fiscal agent fees	6,722		760,259	766,981
Total Expenditures	61,853,101	25,892,641	38,441,449	126,187,191
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,886,663	(1,008,830)	(3,426,030)	5,451,803
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)	566,643		9,933,793	10,500,436
Transfers out (Note 4)	(1,267,555)	(126,000)	(9,718,843)	(11,112,398)
Issuance of long-term debt (Note 7)			78,766	78,766
Total Other Financing Sources (Uses)	(700,912)	(126,000)	293,716	(533,196)
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS	9,185,751	(1,134,830)	(3,132,314)	4,918,607
EXTRAORDINARY ITEM (Note 16)				
Assets transferred to/liabilities assumed by Successor Agency / Housing Successor		10,167,993	(22,842,280)	(12,674,287)
NET CHANGE IN FUND BALANCES	9,185,751	9,033,163	(25,974,594)	(7,755,680)
BEGINNING FUND BALANCES	13,713,266	6,633,965	67,961,778	88,309,009
ENDING FUND BALANCES	\$22,899,017	\$15,667,128	\$41,987,184	\$80,553,329

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, 2012

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 (\$7,755,680)

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	18,378,994
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,012,105 which has already been allocated to serviced funds)	(7,892,212)
Capital assets transferred to the Successor Agency	(2,660,061)

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	6,033,970
Proceeds from the issuance of debt are deducted from fund balance	(78,766)
Debt restructuring adjustment	(833,017)
Long-term debt assumed by the Successor agency	11,505,495

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 assumed by the Successor agency	1,908,193
Deferred revenue	8,461,374
Deferred revenue transferred to Successor Agency	(654,906)
Compensated absences	1,195,453

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	<u>(3,080,209)</u>
---	--------------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$24,528,628</u></u>
---	----------------------------

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$43,614,748	\$46,891,248	\$48,262,009	\$1,370,761
Licenses, permits and fees	1,878,891	1,656,891	1,784,495	127,604
Fines and forfeitures	1,625,000	1,984,000	2,526,489	542,489
Intergovernmental	10,728,734	11,178,939	11,237,265	58,326
Use of money and property	735,000	735,000	818,658	83,658
Charges for services	6,624,955	7,176,955	6,479,756	(697,199)
Other	120,000	365,322	631,092	265,770
Total Revenues	65,327,328	69,988,355	71,739,764	1,751,409
EXPENDITURES:				
Current:				
Legislative and advisory	175,905	175,905	219,289	(43,384)
Executive	2,735,467	2,402,156	2,221,478	180,678
Finance	1,105,561	1,187,220	934,626	252,594
Human resources	723,827	975,842	986,692	(10,850)
Law	788,544	738,462	592,192	146,270
Development services	2,365,382	2,382,882	2,327,740	55,142
Community development	716,300	738,800	667,214	71,586
Fire services	17,829,040	18,613,547	16,699,756	1,913,791
Police services	30,298,554	31,018,023	29,648,152	1,369,871
Public works	3,616,759	3,611,172	2,560,776	1,050,396
Nondepartmental	4,264,766	4,956,539	4,926,533	30,006
Debt Service:				
Principal	61,966	61,966	61,931	35
Interest	6,688	6,688	6,722	(34)
Total Expenditures	64,688,759	66,869,202	61,853,101	5,016,101
EXCESS REVENUES OVER EXPENDITURES	638,569	3,119,153	9,886,663	6,767,510
OTHER FINANCING SOURCES (USES)				
Transfers in	390,000	450,947	566,643	115,696
Transfers (out)	(1,549,947)	(1,559,947)	(1,267,555)	292,392
Total other financing sources (uses)	(1,159,947)	(1,109,000)	(700,912)	408,088
NET CHANGE IN FUND BALANCE	(\$521,378)	\$2,010,153	9,185,751	\$7,175,598
Fund balance, July 1			13,713,266	
Fund balance, June 30			\$22,899,017	

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$25,195,795	\$25,221,795	\$24,382,565	(\$839,230)
Use of money and property	63,371	63,371	207,848	144,477
Other	124,173	98,173	293,398	195,225
Total Revenues	25,383,339	25,383,339	24,883,811	(499,528)
EXPENDITURES:				
Current:				
Community development	25,932,964	25,825,156	25,892,641	(67,485)
Total Expenditures	25,932,964	25,825,156	25,892,641	(67,485)
EXCESS REVENUES OVER EXPENDITURES	(549,625)	(441,817)	(1,008,830)	(567,013)
OTHER FINANCING SOURCES (USES)				
Transfers in	608,062	608,062		(608,062)
Transfers out	(520,950)	(631,950)	(126,000)	505,950
Total Other Financing Sources (Uses)	87,112	(23,888)	(126,000)	(102,112)
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEMS	(462,513)	(465,705)	(1,134,830)	(669,125)
EXTRAORDINARY ITEM				
Assets transferred to/liabilities assumed by Housing Successor			10,167,993	10,167,993
NET CHANGE IN FUND BALANCE	(\$462,513)	(\$465,705)	9,033,163	\$9,498,868
Fund balance, July 1			6,633,965	
Fund balance, June 30			\$15,667,128	

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 2012.

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, 2012

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marina
ASSETS				
Current assets:				
Cash and investments (Note 3)	\$18,070,603	\$2,822,142	\$40,700,327	\$1,081,625
Accounts receivable	7,361,581		7,611,444	41,529
Due from other governments		10,748,431		
Materials, parts and supplies	740,123	900,389	296,792	19,460
Prepays	87,101			
Due from other funds (Note 4)				
Total current assets	26,259,408	14,470,962	48,608,563	1,142,614
Noncurrent assets:				
Restricted cash and investments held with fiscal agent (Note 3)	4,307,933		8,977,699	
Issuance costs	1,135,616		818,128	
Notes receivable (Note 5)	1,804,510		280,166	
Deferred lease and project costs			1,892,904	
Capital assets (Note 6):				
Nondepreciable	6,394,822	21,592,468	8,215,584	10,736,670
Depreciable, net	91,639,986	16,582,358	196,910,652	2,126,341
Total noncurrent assets	105,282,867	38,174,826	217,095,133	12,863,011
Total assets	131,542,275	52,645,788	265,703,696	14,005,625
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,964,637	4,646,211	1,232,573	72,427
Accrued interest payable	316,986		812,766	
Due to other funds (Note 4)		5,868,005		
Deferred revenue		2,907,030		20,317
Deposits payable	2,053,610		893,370	102,405
Claims payable, current (Note 14)				
Employee benefits payable, current (Note 10)	889,395		801,190	20,343
Long-term debt, due within one year (Note 7)	2,709,438		3,839,545	600,000
Total current liabilities	7,934,066	13,421,246	7,579,444	815,492
Long-term liabilities:				
Long-term debt, due in more than one year (Note 7)	56,622,154		64,798,979	15,546,164
Claims payable, noncurrent (Note 14)				
Employee benefits payable, noncurrent (Notes 10 and 12)	72,490		1,753,447	20,123
Total noncurrent liabilities	56,694,644		66,552,426	15,566,287
Total Liabilities	64,628,710	13,421,246	74,131,870	16,381,779
NET ASSETS (DEFICIT) (Note 13)				
Invested in capital assets, net of related debt	38,703,216	38,174,826	139,176,650	(3,283,153)
Restricted for capital improvements			27,038,852	
Restricted for debt service	4,307,933		8,164,933	
Unrestricted	23,902,416	1,049,716	17,191,391	906,999
Total Net Assets (Deficit)	\$66,913,565	\$39,224,542	\$191,571,826	(\$2,376,154)

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>	
\$5,116	\$62,679,813	\$6,447,330
	15,014,554	68,465
	10,748,431	
	1,956,764	204,442
	87,101	166,841
		<u>10,473,578</u>
<u>5,116</u>	<u>90,486,663</u>	<u>17,360,656</u>
233,345	13,518,977	
	1,953,744	
	2,084,676	
	1,892,904	
1,491,400	48,430,944	
<u>3,972,856</u>	<u>311,232,193</u>	<u>3,887,065</u>
<u>5,697,601</u>	<u>379,113,438</u>	<u>3,887,065</u>
<u>5,702,717</u>	<u>469,600,101</u>	<u>21,247,721</u>
200	7,916,048	303,711
	1,129,752	
	5,868,005	115,853
	2,927,347	
	3,049,385	
		3,260,267
	1,710,928	545,620
<u>354,666</u>	<u>7,503,649</u>	
<u>354,866</u>	<u>30,105,114</u>	<u>4,225,451</u>
8,126,646	145,093,943	
		10,174,733
	1,846,060	<u>18,602,963</u>
<u>8,126,646</u>	<u>146,940,003</u>	<u>28,777,696</u>
<u>8,481,512</u>	<u>177,045,117</u>	<u>33,003,147</u>
(3,017,056)	209,754,483	3,887,065
	27,038,852	
233,345	12,706,211	
<u>4,916</u>	<u>43,055,438</u>	<u>(15,642,491)</u>
<u>(\$2,778,795)</u>	<u>\$292,554,984</u>	<u>(\$11,755,426)</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marina
OPERATING REVENUES				
Charges for services	\$34,169,962	\$6,162,115	\$25,917,040	\$1,401,411
Other	250,280		743,917	
Total operating revenues	<u>34,420,242</u>	<u>6,162,115</u>	<u>26,660,957</u>	<u>1,401,411</u>
OPERATING EXPENSES				
Operations expenses	16,716,608	14,058,779	17,934,495	1,320,752
General and administrative	7,352,939	129,724	3,354,291	52,567
Insurance and claims				
Depreciation	5,820,392	3,670,920	7,956,933	276,100
Total operating expenses	<u>29,889,939</u>	<u>17,859,423</u>	<u>29,245,719</u>	<u>1,649,419</u>
Operating income (loss)	<u>4,530,303</u>	<u>(11,697,308)</u>	<u>(2,584,762)</u>	<u>(248,008)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	364,267	20,725	1,606,780	11,655
Property taxes			729,637	
Intergovernmental revenue		7,735,860		
Gain (loss) on sale of capital assets		(167,503)		
Interest expense and fiscal charges	(2,530,842)		(3,518,097)	
Bond issuance cost	(74,911)			
Other revenues (expenses)		(111,074)	636,068	
Total nonoperating revenues (expenses)	<u>(2,241,486)</u>	<u>7,478,008</u>	<u>(545,612)</u>	<u>11,655</u>
Income (loss) before contributions, transfers and extraordinary items				
Capital grants and contributions	658,536	9,890,661	4,507,084	
Transfers in (Note 4)				401,962
Transfers (out) (Note 4)	(819,000)			(21,000)
EXTRAORDINARY ITEMS				
Debt Restructuring Adjustment (Note 7D)				473,854
Transfer of capital assets to Solano County Transit (Note 15C)		(19,034,732)		
Change in net assets	2,128,353	(13,363,371)	1,376,710	618,463
BEGINNING NET ASSETS (DEFICIT)	<u>64,785,212</u>	<u>52,587,913</u>	<u>190,195,116</u>	<u>(2,994,617)</u>
ENDING NET ASSETS (DEFICIT)	<u>\$66,913,565</u>	<u>\$39,224,542</u>	<u>\$191,571,826</u>	<u>(\$2,376,154)</u>

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>	
	\$67,650,528	\$12,707,940
	994,197	54,974
	<u>68,644,725</u>	<u>12,762,914</u>
	50,030,634	12,803,851
\$39,440	10,928,961	
		3,314,512
374,178	18,098,523	1,012,105
<u>413,618</u>	<u>79,058,118</u>	<u>17,130,468</u>
<u>(413,618)</u>	<u>(10,413,393)</u>	<u>(4,367,554)</u>
5,138	2,008,565	198,879
	729,637	
	7,735,860	
	(167,503)	38,466
(42,876)	(6,091,815)	
	(74,911)	
	524,994	
<u>(37,738)</u>	<u>4,664,827</u>	<u>237,345</u>
	15,056,281	
	401,962	1,134,000
	(840,000)	(84,000)
151,644	625,498	
	<u>(19,034,732)</u>	
<u>(299,712)</u>	<u>(9,539,557)</u>	<u>(3,080,209)</u>
<u>(2,479,083)</u>	<u>302,094,541</u>	<u>(8,675,217)</u>
<u>(\$2,778,795)</u>	<u>\$292,554,984</u>	<u>(\$11,755,426)</u>

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

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Sanitation and Flood Control	Marina
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$34,020,194	\$6,162,115	\$26,894,994	\$1,679,467
Payments to suppliers	(16,462,499)	(12,791,050)	(5,810,243)	(1,336,173)
Payments to employees	(7,449,760)	(160,952)	(15,279,206)	
Claims paid				
Cash Flows from Operating Activities	<u>10,107,935</u>	<u>(6,789,887)</u>	<u>5,805,545</u>	<u>343,294</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in				401,962
Transfers out	(819,000)			(21,000)
Property taxes			729,637	
Decrease in due from other funds				
Increase due to other funds		(771,306)		
Intergovernmental receipts		7,215,530		
Cash Flows from Noncapital Financing Activities	<u>(819,000)</u>	<u>6,444,224</u>	<u>729,637</u>	<u>380,962</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(4,700,834)	(9,779,588)	(3,222,363)	(11,099)
Connection fees received			295,318	
Funding payment on long-term lease			(250,000)	
Intergovernmental receipts		11,366,555		
Proceeds from sale of capital assets			10,211	
Notes receivable cash collections			10,389	
Principal payments on capital debt	(2,913,538)		(3,677,217)	(73,291)
Interest paid	(2,545,938)		(3,211,946)	(825,365)
Capital contributions	658,536			
Cash Flows from Capital and Related Financing Activities	<u>(9,501,774)</u>	<u>1,586,967</u>	<u>(10,045,608)</u>	<u>(909,755)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	364,267	20,725	1,606,780	11,655
Cash Flows from Investing Activities	<u>364,267</u>	<u>20,725</u>	<u>1,606,780</u>	<u>11,655</u>
Net Cash Flows	151,428	1,262,029	(1,903,646)	(173,844)
Cash and investments at beginning of period	22,227,108	1,560,113	51,581,672	1,255,469
Cash and investments at end of period	<u>\$22,378,536</u>	<u>\$2,822,142</u>	<u>49,678,026</u>	<u>\$1,081,625</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:				
Operating income (loss)	\$4,530,303	(\$11,697,308)	(\$2,584,762)	(\$248,008)
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation and other	5,820,392	3,559,846	7,956,933	276,100
Change in assets and liabilities:				
Receivables, net	(1,174,580)		(170,120)	38,618
Inventory and prepaids	47,765	349,231		(1,631)
Other assets	1,023,976		579,166	228,657
Accounts payable and other accrued expenses	206,344	1,106,340	24,328	38,777
Employee benefits payable	(96,821)	(31,228)		24,225
Deposits payable	140,611	(76,768)		(6,020)
Deferred revenue	(390,055)			(7,424)
Claims payable				
Cash Flows from Operating Activities	<u>\$10,107,935</u>	<u>(\$6,789,887)</u>	<u>\$5,805,545</u>	<u>\$343,294</u>
Non cash transactions:				
Retirement of capital assets, net		(\$167,503)	(\$396,740)	

See accompanying notes to financial statements

Business-type Activities-Enterprise Funds

<u>Golf</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
\$189,282	\$68,946,052	\$12,731,359
(44,500)	(36,444,465)	(2,438,356)
	(22,889,918)	(10,165,018)
		(2,832,512)
<u>144,782</u>	<u>9,611,669</u>	<u>(2,704,527)</u>
	401,962	1,134,000
	(840,000)	(84,000)
	729,637	(554,248)
	(771,306)	
	<u>7,215,530</u>	
	<u>6,735,823</u>	<u>495,752</u>
	(17,713,884)	(1,613,231)
	295,318	
	(250,000)	
	11,366,555	
	10,211	
	10,389	
(793,880)	(7,457,926)	
(631,856)	(7,215,105)	
	658,536	
<u>(1,425,736)</u>	<u>(20,295,906)</u>	<u>(1,613,231)</u>
<u>5,138</u>	<u>2,008,565</u>	<u>198,879</u>
<u>5,138</u>	<u>2,008,565</u>	<u>198,879</u>
(1,275,816)	(1,939,849)	(3,623,127)
<u>1,514,277</u>	<u>78,138,639</u>	<u>10,070,457</u>
<u>\$238,461</u>	<u>\$76,198,790</u>	<u>\$6,447,330</u>
(\$413,618)	(\$10,413,393)	(\$4,367,554)
374,178	17,987,449	1,012,105
	(1,306,082)	(31,555)
2,650	398,015	
189,282	2,021,081	(167,681)
(7,710)	1,368,079	136,252
	(103,824)	231,906
	57,823	
	(397,479)	
		482,000
<u>\$144,782</u>	<u>\$9,611,669</u>	<u>(\$2,704,527)</u>
	(564,243)	

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.

Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used to make payments that are on the Enforceable Obligations Schedule and to dispose of assets and property of the former Redevelopment Agency for the benefit of the taxing agencies.

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

CITY OF VALLEJO
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2012

	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments (Note 3)	\$3,644,344	\$5,549,397
Restricted cash and investments held with fiscal agent (Note 3)	3,733,430	1,311,699
Notes and loans receivables (Note 5)		4,521,000
Land held for redevelopment		1,343,595
Capital assets (Note 16):		
Nondepreciable		2,561,847
Depreciable, net of accumulated depreciation		98,214
	<u>\$7,377,774</u>	<u>\$15,385,752</u>
Total Assets		
LIABILITIES		
Account payable and accrued liabilities		\$235,253
Accrued interest payable		172,612
Deposits payable		70,008
Long-term debt, due within one year (Note 16)		720,938
Long-term debt, due in more than one year (Note 16)		10,644,557
Due to bondholders	<u>\$7,377,774</u>	<u>11,843,368</u>
Total Liabilities		
	<u>\$7,377,774</u>	<u>11,843,368</u>
NET ASSETS		
Held in trust for other purposes		<u>\$3,542,384</u>

See accompanying notes to financial statements

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

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund <u> </u>
ADDITIONS	
Use of money and property	<u>\$29,930</u>
Total Additions	<u>29,930</u>
DEDUCTIONS	
Community development	<u>971,305</u>
Total Deductions	<u>971,305</u>
Change in net assets before extraordinary item	<u>(941,375)</u>
EXTRAORDINARY ITEM (Note 16)	
Assets transferred to/liabilities assumed by Successor Agency	<u>4,483,759</u>
NET CHANGE IN NET ASSETS	3,542,384
Net assets, beginning of year	<u> </u>
Net assets, end or year	<u><u>\$3,542,384</u></u>

See accompanying notes to financial statements

This Page Left Intentionally Blank

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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
- Marine World Joint Powers Authority
- Parking Authority of the City of Vallejo
- Public Financing Authority of the City of Vallejo
- Former 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 Marine World Joint Powers Authority-- was formed in October 1996, pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California for the purpose of assuming ownership of the Marine World Africa USA theme park from the Marine World Foundation. The City Council is the governing body of the Marine World JPA. The Authority had no activity and had no assets or liabilities during the year ended June 30, 2012.

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's parcels of land had a value of \$72,800 as of June 30, 2012.

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, 2012

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. The Agency was dissolved as of February 1, 2012, as discussed in Note 16.

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, 2012

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, 2012

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.

Trust Funds – Trust funds account for assets held by the City as an agent for various functions. The Successor Agency to the Vallejo Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. As discussed in Note 16, all California redevelopment agencies were dissolved as of January 31, 2012 and replaced with Successor Agencies responsible for winding down the affairs of the redevelopment agencies including disposing of their assets. This fund continues payments on the Enforceable Obligation Schedule and disposes of assets and property of the former Redevelopment Agency for the benefit of taxing agencies.

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*

The government-wide, proprietary, and fiduciary fund financial statements are reported using the 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 and fiduciary 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, compensated absences and claims payable, 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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City also reports the following fund types:

Internal Service Funds: These funds account for equipment maintenance and replacement; 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: Trust funds account for assets held by the City as an agent for various functions. 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 on housing assistance to low and moderate income families and the assets and liabilities assumed from the Housing Fund of the Former Redevelopment Agency upon the dissolution as of February 1, 2012. 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 *Fund 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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 17th 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 on a basis consistent with Generally Accepted Accounting Principles for the General Fund and Special Revenue Funds.

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 a component of restricted, committed or assigned fund balance since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year. Encumbrances outstanding at year-end do not lapse and are included as part of the following year budget.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Property Tax Revenues*

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

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on January 1. 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 an expenditure at the time individual supply items are consumed.

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. *Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. *New Fund*

The Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund was established as of February 1, 2012.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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 City's plan of adjustment was confirmed by the bankruptcy court in August 2011, and the plan became effective on November 1, 2011.

The chapter 9 filing enabled the City to continue to operate and provide services to its residents by freezing certain pre-filing debts until a plan of adjustment could 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 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.

Component Units and Restricted Funds - The bankruptcy case sought the adjustment of the obligations of the City, but did 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 did 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, 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 in chapter 9, and are not affected so long as those special revenues are sufficient to meet debt service.

Pendency Plan and Service Delivery –Commencing on the date of the bankruptcy filing, and through the effective date of the plan of adjustment, the City operated under a series of "Pendency Plans" that identified and implemented 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 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 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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 2 – BANKRUPTCY (Continued)

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.

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 are evidenced and represented by certificates of participation. At the time the chapter 9 case was filed, the majority of these certificates of participation 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 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 components of the lease payments evidenced and represented by 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 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 5-year business plan includes deferring principal payments for three years from July 2010 until June 2013.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 2 – BANKRUPTCY (Continued)

In January 2011, the City entered into a settlement agreement with National Public Finance Guarantee for one of its impaired lease obligations. Pursuant to the agreement, the City resumed making principal and interest payments based on a modified repayment schedule. The settlement agreement was contingent upon the effective date of the plan of adjustment and, thus, became effective on November 1, 2011.

Also on November 1, 2011, the effective date, certificates of participation secured by letters of credit issued by Union Bank were surrendered and all the Union Bank COP documents were terminated to the extent that any of those documents were amended and restated. The City executed new Lease Agreements, an Assignment Agreement and a Reimbursement Agreement with Union Bank establishing two new obligations with new repayment schedules. See Note 7D in the City's Basic Financial Statements for details of remaining debt as of June 30, 2012.

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 - Over one thousand creditor claims were filed prior to the bankruptcy 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 did not give rise to claims.

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 identified 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.

In January 2011, the City filed its plan of adjustment with the bankruptcy court. The plan provided for the designation and treatment of filed claims, outlined measurement and distribution of claim payments. The plan of adjustment was amended in July and then again in August 2011. In July 2011, all classes of claim holders impaired by the plan of adjustment voted to accept the plan. The Court confirmed the Second Amended Plan of Adjustment, and as noted above, the plan became effective on November 1, 2011. In December 2011, the Court heard the City's objections to various creditor claims as well as the City's joint motion with two of its unions to settle the claims of members of the two labor organizations. Throughout 2012, the court continued to hear claims objections.

The plan of adjustment provides for the payment of approximately \$5.9 million to the holders of allowed General Unsecured Claims (as such term is defined in the plan). Of that amount, the plan contemplates that approximately \$4.9 million will be funded by the General Fund, and that the Restricted Funds Claims Pool of approximately \$1 million will be funded by various restricted funds. As of June 30, 2011, the General Fund had fully funded its share of the General Fund Claims Pool. During November and December 2011, the City began making payments on the unimpaired claims and partial payments to the impaired creditors as outlined in the confirmed plan of adjustment.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 2 – BANKRUPTCY (Continued)

Uncertain Outlook – At the time of City’s bankruptcy filing, no other large California city or county had 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). Thus, at the time of the filing of the City’s case in May 2008, there was very little case law guiding the potential outcome of the City’s filing. During the pendency of the case, the City remained focused on negotiating settlements to meet its objective of long-term fiscal stability, and its emergence from the case in November 2011 permitted it to provide municipal services to 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 Former 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, 2012 for each of these legal entities is as follows:

	<u>City</u>	<u>Housing</u>	<u>Subtotal</u>	<u>Sanitation and Flood Control District</u>	<u>Total</u>
Cash on hand	\$6,000	\$200	\$6,200		\$6,200
Deposits	5,933,356	2,252,086	8,185,442	\$880,700	9,066,142
Investments	107,282,951	3,227,997	110,510,948	48,797,326	159,308,274
	<u>\$113,222,307</u>	<u>\$5,480,283</u>	<u>\$118,702,590</u>	<u>\$49,678,026</u>	<u>\$168,380,616</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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	\$17,232,754	
	Other funds	<u>66,108,571</u>	
	Total, City		\$83,341,325
	Housing Authority		5,480,283
	Sanitation & Flood Control District		<u>40,700,327</u>
			<u>129,521,935</u>

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		
			15,642,112
	Sanitation & Flood Control District		<u>8,977,699</u>
			<u>24,619,811</u>
			<u>154,141,746</u>

Reported on the Statement of Fiduciary Net Assets

	Agency Funds		
	Cash and investments	3,644,344	
	Restricted investments (held by fiscal agents)	<u>3,733,430</u>	
	Total, Agency Fund		7,377,774
	Successor Agency to the Redevelopment Agency		
	Private-Purpose Trust Fund		
	Cash and investments	5,549,397	
	Restricted investments (held by fiscal agents)	<u>1,311,699</u>	
	Total, Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund		<u>6,861,096</u>
			<u>14,238,870</u>
	Total cash and investments		<u>\$168,380,616</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Policies

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools idle cash from all sources and all funds, except Cash with Fiscal Agents, the former 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 former 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, 2012, the City held balances of cash for each of the above entities representing their equity in the City's checking account.

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, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

City and Housing Authority

The City's investment policy and the California Government Code allow the City 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	\$50 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, 2012

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 Market Funds, two AAA ratings	20%
State of California Local Agency Investment Fund	\$30 million

E. Investments Authorized by Debt Agreements

The City 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 table below identifies, by entity, the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

City Debt Agreements

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	No Limit	No Limit	No Limit	No Limit
U.S. Government Agency Obligations	No Limit	Two highest ratings	No Limit	10%
Money Market Funds	No Limit	Prime-1/AA-m	No Limit	No Limit
Government Money Market Funds	360 days	Highest rating	No Limit	No Limit
Insured FDIC deposits	No Limit	No Limit	No Limit	No Limit
Interest-Bearing & Time Deposits – Banks or Savings and Loans or Mutual Savings Banks	No Limit	A-1	No Limit	No Limit
Bankers 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 investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following tables that show the distribution of these investments by maturity at June 30, 2012.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

City 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	\$1,624,884	\$21,763,820	\$23,388,704
Commercial Paper	592,888		592,888
Corporate Notes	1,269,212	8,393,418	9,662,630
U.S. Treasury Notes	786,119	16,561,421	17,347,540
California Local Agency Investment Fund:			
City	33,861,483		33,861,483
Housing Authority	3,227,997		3,227,997
Money Market Mutual Funds	1,281,644		1,281,644
Certificates of Deposit	25,000		25,000
Local Agency Bond	301,029	1,004,284	1,305,313
<i>Held by Fiscal Agent:</i>			
Money Market Mutual Funds	19,817,749		19,817,749
Total Investments	<u>\$62,788,005</u>	<u>\$47,722,943</u>	<u>\$110,510,948</u>

Money market funds are available for withdrawal on demand and at June 30, 2012, have an average maturity which ranged from 1 to 34 days.

Sanitation and Flood Control District

Investment Type	Less than 1 year	1 - 5 years	6-10 years	More than 10 years	Total
U.S. Government Agencies		\$21,947,398	\$4,018,670	\$3,719,313	\$29,685,381
Corporate Notes and Bonds	\$1,016,794	652,126			1,668,920
Corporate Certificate of Deposit	735,019	6,675,906			7,410,925
California Local Agency Investment Fund	4,282,776				4,282,776
Money Market Funds	5,749,324				5,749,324
Total Investments	<u>\$11,783,913</u>	<u>\$29,275,430</u>	<u>\$4,018,670</u>	<u>3,719,313</u>	<u>\$48,797,326</u>

Local Agency Investment Fund

The City, 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, 2012, these investments have an average maturity of 268 days.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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, 2012 for each entity by investment type as provided by Moody's investment rating system.

City 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. Government Agencies				
Non-callable	\$23,388,704			\$23,388,704
Corporate Notes	2,709,172	\$4,418,235	\$2,535,223	9,662,630
Money Market Mutual Funds	1,281,644			1,281,644
Municipal Bond		1,305,313		1,305,313
<i>Held by Fiscal Agent:</i>				
Money Market Mutual Funds	19,817,749			19,817,749
Total rated investments	<u>\$47,197,269</u>	<u>\$5,723,548</u>	<u>\$2,535,223</u>	<u>\$55,456,040</u>
Exempt:				
U.S. Treasury Notes	17,347,540			17,347,540
<i>Not rated:</i>				
California Local Agency Investment Fund:				
City				33,861,483
Housing Authority				3,227,997
Certificates of Deposit				25,000
Commercial Paper				592,888
Total Investments				<u>\$110,510,948</u>

Sanitation and Flood Control District

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 AAAM and 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, 2012

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, 2012, these entities' investments that represent a concentration of investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds or external investment parts, are set forth below.

City Concentration Risk

Unit	Issuer	Investment Type	Reported Amount
Entity-wide	Federal National Mortgage Association	Federal agency securities	\$8,393,718
Entity-wide	Federal Home Loan Mortgage Corporation	Federal agency securities	5,790,650

Sanitation and Flood Control District Concentration Risk

Of the Sanitation and Flood Control District's controllable portfolio at June 30, 2012, 22% was with Federal National Mortgage Association, 8% was with Federal Home Loan Mortgage Corporation, and 8% was 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, 2012, 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	\$1,433,788
--	-------------

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 4 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

Transfers between funds during the fiscal year ended June 30, 2012 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred	
General Fund	Certificates of Participation Debt Service Fund	\$367,771	(A)
	Capital Outlay Capital Projects Fund	899,784	(B), (C)
Housing Authority Special Revenue Funds	Bankruptcy Claims Internal Service Fund	126,000	(D)
Special Revenue Funds:			
Mare Island CFD 2002	Bankruptcy Claims Internal Service Fund	21,000	(D)
State Gas Tax	Traffic Congestion Relief Capital Projects Fund	1,675,083	(C)
Solid Waste Disposal	General Fund	113,403	(E)
Landscape Maintenance Districts	Bankruptcy Claims Internal Service Fund	63,000	(D)
State Lands	Marina Enterprise Fund	401,962	(F)
Repair & Demolition Revolving Funds	General Fund	24,968	(E)
Redevelopment Affordable Housing Fund	Redevelopment Agency Debt Service Fund	319,712	(A)
Administrative Trust	General Fund	28,272	(G)
Debt Service Funds:			
Redevelopment Agency Debt Service	General Fund	400,000	(H)
Redevelopment Agency Debt Service	Redevelopment Agency Flosden Acres Capital Projects Fund	482,166	(C)
Redevelopment Agency Debt Service	Redevelopment Agency Merged Capital Projects Fund	187,109	(C)
Capital Projects Funds:			
Certificates of Participation	Certificates of Participation Debt Service Fund	5,719,702	(A)
Redevelopment Agency Merged	Redevelopment Agency Debt Service Fund	282,466	(A)
Enterprise Funds:			
Water	Bankruptcy Claims Internal Service Fund	819,000	(D)
Marina	Bankruptcy Claims Internal Service Fund	21,000	(D)
Internal Service Fund:			
Fleet/Maintenance/Replacement	Bankruptcy Claims Internal Service Fund	84,000	(D)
	Total	<u>\$12,036,398</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 return excess funds to the General Fund.
- (F) To transfer amounts to reduce or eliminate fund deficits.
- (G) To transfer investment income from unrestricted funds to General Fund.
- (H) To continue repayment of long-term advances from the Redevelopment Agency.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

As of June 30, 2012, the City’s Bridge Construction Special Revenue Fund and 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.

	Due from Other Funds	Due to Other Funds
Special Revenue Funds:		
Community Development Block Grant		\$417,407
HOME Program		484,561
Neighborhood Stabilization Program		667,995
State Gas Tax		108,976
Office of Traffic Safety		48,120
Justice Assistance Grant		4,722
State Lands		8,009
Capital Projects Funds:		
Bridge Construction	\$3,121,823	
Vallejo Station		5,871,753
Enterprise Fund:		
Local Transportation		5,868,005
Internal Service Funds:		
Insurance	10,473,578	
Payroll Benefits		115,853
Total	\$13,595,401	\$13,595,401

C. Current Interfund Balances – Local Transportation Fund

As of June 30, 2012, the City provided short-term working capital loans to the Local Transportation Fund (Fund).

A short-term inter-fund borrowing of \$5,868,005 has been recorded as “Due to the City of Vallejo” in the accompanying Fund’s financial statements. This borrowing will be repaid from subsequent reimbursements from granting agencies for expenses incurred prior to June 30, 2012.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

D. Long-Term Advances – Former Redevelopment Agency

With the dissolution of the Redevelopment Agency as discussed in Note 16, the following advances are offset by an Allowance for Collectability as follows:

Pre-1990 Advances

During the early years of the Agency (pre-1990), the City advanced start-up funds to the Agency. As 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 January 31, 2012, \$400,000 was repaid to the City. The balances of these advances as of January 31, 2012 were as follows:

Project Area	Balance Due January 31, 2012
Marina Vista	\$3,701,103
Waterfront	4,096,461
Vallejo Central	1,244,468
Total	\$9,042,032

Vallejo Central Project Area - Empress Theater

From 2003 to 2006, the City had advanced \$4,296,000 to the Vallejo Central Debt Service Fund which the Agency, in turn, loaned to Empress Investment Fund, LLC, for the purpose of theater improvements as discussed in Note 5D. Interest accrues at 3% per annum on unpaid principal balance until repaid in full. The Advance is expected to be repaid from Empress loan repayments when available. As of January 31, 2012, the balance of this advance was \$4,717,618.

Marina Vista Project Area - Meyer Cookware

The City advanced \$500,000 to the Marina Vista Debt Service Fund at 0%. As of January 31, 2012, the balance of the advance was \$440,000.

Allowance for Collectability

Due to the Agency's dissolution, Management has offset the total amount owed (\$14,199,650 as of January 31, 2012) with an allowance for collectability.

E. Internal Balances

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

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 5 – NOTES & LOANS RECEIVABLE

A. Summary of Notes and Loans Receivable

The following notes and loans receivable were outstanding as of June 30, 2012:

Types of Loans	Fund Type	Amounts
Housing Authority Programs	Major Governmental	
Avian Glen		\$3,093,750
Citizens Housing		2,500,000
Simpson/Bayview		1,700,000
Marina Towers		750,000
Simpson/Solano Vista I		500,000
Single family residential		840,409
Temple Arts Lofts		750,000
Accrued interest		2,424,535
Residential Rehab		246,592
		<u>12,805,286</u>
HOME Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Temple Arts Lofts		495,734
Single family residential		3,710,090
		<u>5,605,824</u>
Community Development Block Grant	Non-major Governmental	
Renaissance Family Center		920,362
Youth & Family Services		240,000
Temple Arts Lofts		400,000
Single family residential		1,211,095
		<u>2,771,457</u>
Neighborhood Stabilization Program	Non-major Governmental	
Habitat for Humanity		167,076
Heart & Hands of Compassion		388,438
Temple Arts Lofts		420,947
Vallejo Neighborhood Housing		218,612
Single family residential		195,485
		<u>1,390,558</u>
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	897,828
Neighborhood Parks Fund	Non-major Governmental	160,988
VSFCD	Major Enterprise	253,369
		<u>1,312,185</u>
<u>Other</u>		
Water Fund - Trailer City	Major Enterprise	41,035
Water Fund - American Canyon	Major Enterprise	1,763,475
VSFCD	Major Enterprise	26,797
		<u>1,831,307</u>
Subtotal, Statement of Net Assets		<u>25,716,617</u>
<u>Private-Purpose Trust / Successor Agency</u>		
Tax increment programs:		
Meyers Cookware		225,000
Empress Theater		4,296,000
		<u>4,521,000</u>
	Total	<u>\$30,237,617</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

B. Affordable Housing

Various residential purchase and rehabilitation loan programs were offered to qualifying low- to moderate-income individuals by the former 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 as payments are received. In addition, the former 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.

Under the provisions of AB 1484, the City's Housing Authority elected to become the Housing Successor and retain the housing assets of the former Redevelopment Agency. On February 1, 2012 certain former Redevelopment Agency housing assets were transferred to the Housing Authority which is reported in the Housing Authority Special Revenue Fund as the City has control of those assets, which are to be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

Loans transferred from the former Redevelopment Agency totaled \$12,634,234 as of February 1, 2012 had the following balance as of June 30, 2012:

Types of Loans	Balance June 30, 2012
Affordable housing (20% Set Aside):	
Avian Glen	\$3,093,750
Citizens Housing	2,500,000
Simpson/Bayview	1,700,000
Marina Towers	750,000
Simpson/Solano Vista I	500,000
Single family residential	840,409
Temple Arts Lofts	750,000
Accrued interest	2,424,535
Total Loans Receivable transferred from the former Redevelopment Agency	\$12,558,694

C. Residential Rehabilitation

Various residential purchase and rehabilitation loan programs are offered to qualifying low to moderate income individuals by the Authority. 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 5.0% and the principal maturity dates range from 5 to 30 years. The outstanding balances at June 30, 2012 were \$246,592.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

D. Meyer Cookware Industries, Inc.

Pursuant to a Disposition and Development Agreement between the former Redevelopment Agency and Meyer Cookware Industries, Inc., the former 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 former 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, 2012 the outstanding balance of the loan was \$225,000. The terms of the agreement call for Meyer to repay the note in increasing annual installments, as follows:

Fiscal Year 2010-2013	\$25,000 per year
Fiscal Year 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%.

The Loan was transferred to the Successor Agency with the dissolution of the Redevelopment Agency effective February 1, 2012.

E. Empress Theatre Associates, LLC

Pursuant to an Owner Participation Agreement between the former Redevelopment Agency and Empress Theatre Associates, LLC, the former 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 former Redevelopment Agency issues a Certificate of Completion. The note was secured by a deed of trust on the property.

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 former Redevelopment Agency, and the former Redevelopment 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, 2012 the outstanding balance of the loan was \$4,296,000.

The Loan was transferred to the Successor Agency with the dissolution of the former Redevelopment Agency effective February 1, 2012.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 5 – NOTES & LOANS RECEIVABLE (Continued)

F. 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, 2012 were \$5,605,824, \$2,771,457, and \$1,390,558 in the HOME, CDBG Program, and NSP, respectively.

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, 2012, the City recorded an allowance for doubtful account for \$831,111.

G. 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, 2012 the outstanding balance of this loan, including accrued interest, was \$1,058,816.

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, 2012 was \$253,369.

H. Trailer City Water Loan

In April 2004, the City entered into a \$68,080 loan agreement with Trailer City Sales Company for the construction of improvements allowing Trailer City Sales Company to be connected to the City's water system. The loan also provides assistance for payments of water connection and facilities 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, 2012 the outstanding balance of this loan was \$41,035. This note is recorded in the City's Water Enterprise Fund.

I. American Canyon Loan

In fiscal year 2011, the City of American Canyon exercised an option to purchase additional water rights capacity from the City of Vallejo. The option price was \$2,783,701 for an additional 1.15 MGD of water. The City of American Canyon has agreed to pay for this additional water capacity over four fiscal years. The arrangement provides for semi-annual payments of \$385,000 with interest at 6 percent per year. The outstanding balance at June 30, 2012 was \$1,763,475.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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, 2012

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, 2012:

	Balance at June 30, 2011	Additions	Retirements	Transfers	Transfer to Successor Agency / SolTrans	Balance at June 30, 2012
Governmental activities						
Capital assets not being depreciated:						
Land	\$136,728,029	\$3,816,000			(\$2,561,847)	\$137,982,182
Construction in progress	43,199,884	12,891,098		(\$2,101,431)		53,989,551
Total capital assets not being depreciated	179,927,913	16,707,098		(2,101,431)	(2,561,847)	191,971,733
Capital assets being depreciated:						
Buildings and improvements	62,431,411	11,222			(269,300)	62,173,333
Machinery and equipment	27,131,651	1,791,032	(\$515,416)	219,696		28,626,963
Infrastructure	232,192,851	1,575,314		1,881,735		235,649,900
Total capital assets being depreciated	321,755,913	3,377,568	(515,416)	2,101,431	(269,300)	326,450,196
Less accumulated depreciation for:						
Buildings and improvements	(24,000,232)	(1,788,080)			171,086	(25,617,226)
Machinery and equipment	(19,373,490)	(1,632,351)	461,441			(20,544,400)
Infrastructure	(129,138,117)	(5,483,886)				(134,622,003)
Total accumulated depreciation	(172,511,839)	(8,904,317)	461,441		171,086	(180,783,629)
Net capital assets being depreciated	149,244,074	(5,526,749)	(53,975)	2,101,431	(98,214)	145,666,567
Governmental activity capital assets, net	\$329,171,987	\$11,180,349	(\$53,975)		(\$2,660,061)	\$337,638,300
Business-type activities						
Capital assets, not being depreciated:						
Land	\$15,484,069					\$15,484,069
Construction in progress	24,034,999	\$15,095,894	(\$101,189)	(\$6,082,829)		32,946,875
Total capital assets not being depreciated	39,519,068	15,095,894	(101,189)	(6,082,829)		48,430,944
Capital assets, being depreciated:						
Buildings and improvements	434,670,978	5,124,518	(2,121)	4,485,393	(\$2,020,998)	442,259,891
Machinery and equipment	96,383,722	1,660,340	(4,161,979)	9,523	(34,178,034)	63,873,430
Infrastructure	119,194,105	223,101		1,587,913		116,843,140
Total capital assets being depreciated	650,248,805	7,007,959	(4,164,100)	6,082,829	(36,199,032)	622,976,461
Less accumulated depreciation for:						
Buildings and improvements	(172,588,417)	(10,769,826)	169,246		167,797	(183,021,200)
Machinery and equipment	(57,591,223)	(4,218,315)	3,531,800		16,996,503	(41,281,235)
Infrastructure	(84,331,451)	(3,110,382)				(87,441,833)
Total accumulated depreciation	(314,511,091)	(18,098,523)	3,701,046		17,164,300	(311,744,268)
Net capital assets being depreciated	335,737,714	(11,090,564)	(463,054)	6,082,829	(19,034,732)	311,232,193
Business-type activity capital assets, net	\$375,256,782	\$4,005,330	(\$564,243)		(\$19,034,732)	\$359,663,137

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 6 – CAPITAL ASSETS (Continued)

With the dissolution of the former Redevelopment Agency as discussed in Note 16, a Successor Agency assumed the capital assets of the Agency as of February 1, 2012, which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities.

The local Transportation Enterprise Fund transferred Capital assets with a net book value of \$19,034,732 to SolTrans as discussed in Note 15C, which has been reported as a transfer above and as an Extraordinary item in the Statement of Activities.

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	\$35,542
Human resources	2,031
Community development	104,248
Fire services	242,630
Police services	63,496
Public works	7,444,265
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,012,105
	\$8,904,317

Business-Type Activities

Water	\$5,820,392
Local Transportation	3,670,920
Sanitation and Flood Control	7,956,933
Marina	276,100
Golf	374,178
	\$18,098,523

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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, 2011	Additions	Retirements	Debt Restructuring Adjustments	Transfer to Successor Agency (See Note 16)	Balance June 30, 2012	Current Portion
Governmental Activity Debt:								
Tax Allocation Bonds:								
Waterfront Redevelopment Project 7.9%, due 5/1/19	\$2,485,000	\$1,695,000				\$1,695,000		
Marina Vista Project 6.0-7.5%, due 9/1/20	3,335,000	1,875,000		\$130,000		1,745,000		
Vallejo Central Project 6.0-7.5%, due 9/1/20	1,900,000	1,435,000		80,000		1,355,000		
Vallejo Housing Set Aside 7.0%, due 10/1/31	5,410,000	4,425,000		160,000		4,265,000		
Other Obligation: Redevelopment Waterfront DDA		661,320				661,320		
Total Tax Allocation Bonds and other obligations	13,130,000	10,091,320		370,000		9,721,320		
Certificates of Participation:								
1999 COPs (Restructured, see Note 7C)	4,815,000	3,785,000		120,000	\$91,517		\$3,756,517	\$130,000
2000 COPs (Restructured, see Note 7D)	12,786,942	6,766,860		222,443	(6,544,417)			
2002 COPs (Restructured, see Note 7D)	11,497,776	8,190,000		5,070,907	(3,119,093)			
2003 COPs (Restructured, see Note 7D)	6,743,199	5,196,445		165,936	(3,246,334)	1,784,175		
Other Obligation: 1999 COPs Shortfall Indebtedness (Restructured, see Note 7C)	75,860	75,860	\$78,766				154,626	
Total Certificates of Participation	35,918,777	24,014,165	78,766	5,579,286	(12,818,327)	1,784,175	3,911,143	130,000
UBOC Reimbursement Obligations:								
UBOC tranche A - General Fund	5,863,667				5,863,667		5,863,667	
UBOC tranche B - General Fund	7,906,677				7,906,677		7,906,677	
Total Loans & Notes Payable	13,770,344				13,770,344		13,770,344	
Capital Lease Obligations:								
2001 Site & Facility Lease 6%, due 6/1/21	1,150,000	829,248			(829,248)			
2001 Site & Facility Lease (Restructured, see Note 7G)	710,248				710,248		710,248	
Fire SCBA 6.816%, due 9/1/14	313,122	102,010		22,753			79,257	24,792
Police Holding Cell 5.95%, due 1/30/13	675,000	127,805		61,931			65,874	65,874
Total Capital Leases Obligations	2,848,370	1,059,063		84,684	(119,000)		855,379	90,666
Total Governmental Activity Debt	\$65,667,491	\$35,164,548	\$78,766	\$6,033,970	\$833,017	\$11,505,495	\$18,536,866	\$220,666

With the dissolution of the former Redevelopment Agency as discussed in Note 16, Successor Agency assumed the long-term debt of the Agency as of February 1, 2012 which has been reported as a transfer above and as an Extraordinary Item in the Statement of Activities. For a detailed discussion of the Tax Allocation Bonds and Redevelopment Waterfront DDA obligation, see Note 16B.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2011	Retirements	Due to Debt Restructuring	Retirements Balance June 30, 2012	Current Portion
Business-type Activity Debt:						
Revenue Bonds:						
2001 Water Revenue Bonds, variable rate, due 6/1/31	\$23,075,000	\$18,735,000	\$595,000		\$18,140,000	\$625,000
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	45,790,000	39,495,000	1,820,000		37,675,000	1,910,000
Plus: Unamortized bond premium		1,404,592	93,640		1,310,952	
Less: Unamortized loss		(1,465,526)	(97,702)		(1,367,824)	
Vallejo Sanitation and Flood Control District 2011 Revenue Bonds 2-5%, due 5/1/22	3,345,000	3,345,000	180,000		3,165,000	195,000
Total Revenue Bonds	72,210,000	61,514,066	2,590,938		58,923,128	2,730,000
Certificates of Participation:						
2003 COPs, (Restructured, see Note 7D)	1,256,801	936,315		(\$936,315)		
2000 COPs, (Restructured, see Note 7D)	17,593,058	15,283,140		(15,283,140)		
2001 COP Golf Course Facilities, (Restructured, see Note 7D)	16,350,000	9,305,000		(9,305,000)		
Less: Unamortized bond discount		(29,808)		29,808		
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control	38,905,000	19,700,000	1,785,000		17,915,000	1,875,000
2001 Sanitation and Flood Control, variable rate, due 5/1/28	25,645,000					
2006 Sanitation and Flood Control District rate 4-5%, due 2036	39,665,000	36,275,000	810,000		35,465,000	845,000
Less: Unamortized bond discount premium		(102,957)	(57,058)		(45,899)	
Total Certificates of Participation	139,414,859	81,366,690	2,537,942	(25,494,647)	53,334,101	2,720,000
UBOC Reimbursement Obligations						
UBOC tranche A- Golf Course	4,269,641		350,000	4,269,642	3,919,642	354,666
UBOC tranche A- Marina	7,916,579		670,000	7,916,578	7,246,578	600,000
UBOC tranche B - Golf Course	5,359,564			4,561,670	4,561,670	
UBOC tranche B- Marina	10,368,842			8,899,586	8,899,586	
Other Loans & Notes Payable:						
Vallejo Sanitation and Flood Control State Clean Water (2004) 2.5%, due 2023	13,798,201	9,304,528	674,459		8,630,069	691,320
State Clean Water (2008) rate 2.4%, due 2025	4,406,072	3,737,115	227,759		3,509,356	233,225
US Dept of Commerce, Water Fund 2.5%, due 8/1/15	2,560,923	519,089	159,652		359,437	
State Safe Drinking Water 0%, due 1/1/25	68,080	45,954	3,404		42,550	1,702
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	3,511,021	339,546		3,171,475	172,736
Total Loans & Notes Payable	55,422,902	17,117,707	2,424,820	25,647,476	40,340,363	2,053,649
Total Business-type Activity Debt	\$267,047,761	\$159,998,463	\$7,553,700	\$152,829	\$152,597,592	\$7,503,649

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

B. Debt Service Requirements

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

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$220,666	\$197,272	\$7,503,649	\$4,959,770
2014	499,436	185,806	8,134,632	4,684,786
2015	723,868	316,840	6,024,495	4,032,391
2016	637,458	294,647	6,093,709	3,842,485
2017	653,249	273,728	6,093,622	3,521,387
2018-2022	3,469,075	1,170,196	46,630,138	16,457,590
2023-2027	3,734,995	873,634	35,591,817	8,347,299
2028-2032	4,391,485	600,509	18,550,435	4,531,689
2033-2037	4,206,634	187,917	13,653,067	1,690,817
2038-2041			4,424,799	197,197
Total	18,536,866	<u>\$4,100,549</u>	152,700,363	<u>\$52,265,411</u>
Plus: Unamortized bond premium (discount)			1,265,053	
Less: Unamortized loss			(1,367,824)	
Net long-term debt	<u>\$18,536,866</u>		<u>\$152,597,592</u>	

C. 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 (MVLFF) revenues ends upon repayment of the remaining debt service which is scheduled to occur in 2030. For fiscal year 2012, the motor vehicle license fee (MVLFF) revenues amounted to \$62,250. 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, 2010 and 2011, 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, July 15, 2010, and January 15, 2011, the Trustee again drew the sinking fund payment shortfall from bond insurance in the amount of \$62,916, \$62,916, and \$99,032, respectively, to fund bond holder payments for an accumulative advance of \$303,440.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

Due to the failure of the City to pay the scheduled amounts due under the original agreement, on January 25th 2011, the City, National Public Finance Guarantee Corporation (“National”) and the Controller for the State of California (the “Controller”) enter in a Settlement Agreement (the “Settlement Agreement”) as follows: On or before January 31, 2011, the City was required to pay National \$248,462 by wire transfer of immediately available funds, which is equal to 75% of the principal amount of National’s current outstanding claim of \$303,440 plus accrued interest.

On July 15, 2011 and January 17, 2012, the City had a shortfall of \$54,755 and \$24,011, respectively, for a total amount of \$78,766.

For fiscal years 2011-12 and 2012-13 the City is to pay the Trustee (Wells Fargo Bank) an amount equal to 75% of the scheduled amount due under the Lease Agreement. The balance accrues and bears interest at a rate equal to the weighted average coupon payable on the 1999 COPs of 5.25% per year.

Commencing July 1, 2013 (the first day of the City’s 2013-2014 fiscal year), the City is to pay the Trustee the full scheduled amount when due and commencing on January 15, 2014 pay National, on January 15 and July 15 of each year, an amount equal to 100% of all MVLFF to which the City would be entitled under the California Revenue and Taxation Code during the previous six months minus the amount paid to the Trustee for the same period, provided that the MVLFF exceed the total amounts due for such period. The City’s obligation to pay amounts is not dependent on its receipt of MVLFF in any amount.

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 COP Capital Projects Fund received \$12,786,942 and the Marina Enterprise Fund received \$17,593,058. Principal payments were payable annually on September 1. Interest was payable at the beginning of each month at a variable rate. The City had 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 2012, the motor vehicle license fee revenues amounted to \$62,250. 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. This debt was restructured during fiscal year 2012; see restructuring disclosure in more detail in Note 7D below.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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 throughout the geographic boundaries of the City. The 2002 COPs Capital Projects Fund received \$11,497,776 and the Water Enterprise Fund received \$917,224. Principal payments were payable annually on December 1. Interest was payable at the beginning of each month at a variable rate. The City had 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 was serviced by the water system operations through June 30, 2011, at which time the remaining Water Fund principal of \$710,619 was purchased by and reallocated to the City's General Fund. This debt was restructured during fiscal year 2012; see restructuring disclosure in more detail in Note 7D below.

2003 COPs – In December 2003, the City issued \$8,000,000 of Certificates of Participation (2003 Capital Improvement Project) to provide funding for Springstowne Library improvements, solar energy projects and various public works projects. The COPS Capital Projects Fund received \$4,125,602, the former 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 had 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 former Redevelopment Agency and Marina Enterprise portion of the debt is serviced by those respective programs. This debt was restructured during fiscal year 2012; see restructuring disclosure in more detail in Note 7D below.

2001 COP Golf Course Facilities – In May 2001 the City issued \$16,350,000 of Certificates 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 was 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 December 1 and June 1. Annual principal payments were 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 was included as a current portion of debt in the Golf Enterprise Fund. This debt was restructured during fiscal year 2012; see restructuring disclosure in more detail in Note 7D below.

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

2006 Sanitation and Flood Control - On March 13, 2006, VSFCO issued \$39,665,000 of Certificates of Participation at a premium of \$878,234. The Certificates were 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 a premium.

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

D. UBOC Reimbursement Obligations

On August 2, 2011, Union Bank and the City reached a restructuring agreement regarding series 2000, 2001, 2002, and 2003 Certificates of Participation (COPs) which amends and replaces the COPs as follows:

There are two tranches: the "A" obligation and the "B" obligation. The starting principal balance of the "A" obligation will be \$18,049,887 and the "B" obligation has a starting principal of \$21,367,933. No interest will accrue on either the "A" or the "B" obligation from the effective date of November 1, 2011, through December 31, 2014, and interest will commence to accrue on both obligations on January 1, 2015. The "A" obligation has a fixed annual interest rate of 2.5% and the "B" obligation has a fixed annual interest rate of 1.625%. Interest will be payable annually on the first business day of each calendar year, in a single annual payment, in advance. Interest payments on the obligations commence in the calendar years 2015 and 2018 for obligations "A" and "B", respectively, and continuing, in each case, until the principal balance of that obligation has been paid in full.

Principal will be payable annually on the first business day of each calendar year, in a single annual payment, commencing with the 2012 calendar year for the "A" obligation and 2025 for the "B" obligation. The outstanding principal balance, all accrued but unpaid interest, and all other amounts due under the New Union Bank Reimbursement Agreement Payment Agreement with respect to the "A" obligation will be due and payable on January 1, 2026; and the "B" obligation will be due and payable on January 1, 2042.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

The calculation of the net gain from the restructuring is shown below:

	Governmental Activities	Business-type Activities	Total
Loss due to Restructured debt	(\$833,017)	(\$152,829)	(\$985,846)
Write off of issuance costs from restructured debt		(417,950)	(417,950)
Restructuring of Interest Payable	1,908,193	1,196,277	3,104,470
Gain on Restructuring	<u>\$1,075,176</u>	<u>\$625,498</u>	<u>\$1,700,674</u>

E. 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 payments are 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 June 1.

The pledge of future net revenues ends upon repayment of the \$19,138,851 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 December 2012, the Bank approved a one-year extension of the Irrevocable Letter of Credit. The new expiration date is December 7, 2013. The outstanding par balance at June 30, 2012 is \$18,140,000.

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 \$53,308,998 in remaining debt service on the bonds which is scheduled to occur in 2026. Under the terms of the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

For fiscal year 2012, revenues amount to \$35,443,045 and operating costs include operating expenses, but not interest, depreciation or amortization amounted to \$24,069,547. Net Revenues available for debt service amounted to \$11,373,498 which represented coverage of 2.55 over the \$4,458,474 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, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

2011 Revenue Bonds - the VSFC and the Water Reuse Finance Authority issued 2011 Revenue Bonds in a current refunding (1) to prepay the outstanding principal of 2001 Certificates of Participation, (2) to fund a reserve fund for the Bonds, and (3) to pay certain costs of issuing the Bonds. The Bonds are fully registered with principal due annually on May 1, and interest payable semi-annually on May 1 and November 1. The Bonds maturing on or after May 1, 2022 are subject to optional redemption on any date on or after May 1, 2021, together with accrued interest to the redemption date, without a premium.

The transaction paid scheduled principal due on the 2001 Certificates in the amount of \$145,000 and redeemed the remaining principal amounting to \$3,315,000 pursuant to notice and exercise of optional prepayment of the Certificates for a total of \$3,460,000. The transaction resulted in a deferred amount on refunding of \$53,447, a decrease in total cash flows of \$262,952, and an economic loss of \$64,708. The deferred amount on refunding and the premium are carried as a net reduction to the 2011 Revenue Bonds to be amortized on a straight-line basis over the life of the Bonds as components of interest expense.

F. Other Notes and Loans Payable

Vallejo Sanitation and Flood Control State Clean Water (2004) -In August 2004 the VSFC 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 2015.

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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued)

G. Capital Lease Obligations

2001 Site & Facility Lease – 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 which cost \$1,385,248 and had net book values of \$779,033 at June 30, 2012.

As part of its Plan for the Adjustment of Debts, on December 28, 2011, a Notice of Subordination replaced the original payment schedule of the lease. Under the new schedule, commencing on December 1, 2014, payments of \$50,732 will be payable bi-annually on December 1 and June 1, with an outstanding principal balance of \$710,248 as of June 30, 2012.

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. Principal payments between the amount of \$21,456 and \$28,157 with interest at 6.816% commencing September 1, 2010 and are due annually thereafter until maturity in 2014.

Police Department Holding Cells – In 1997, the City of Vallejo entered into a lease-purchase agreement with Municipal Leasing Associates Inc. in the amount of \$675,000 to pay for the construction of a police department detention facility. Payments in the amount of \$34,327 with interest at 5.95% commencing July 30, 1998 and are due semi-annually thereafter until maturity in January 30, 2013.

NOTE 8 – DEBT WITHOUT CITY COMMITMENT

Assessment and Improvement 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, 2012 is as follows:

<i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	\$15,650,000
Northeast Improvement District 2003-1	7,245,000
 <i>Revenue Bonds</i>	
2003 Series B (Northeast Quadrant)	<u>170,000</u>
 Total	 <u><u>\$23,065,000</u></u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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 an \$8,775,000 prior issuance of multifamily housing revenue bonds. As of June 30, 2012, \$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, 2012, \$9,450,000 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. As of June 30, 2012, \$10,445,000 of these bonds remained outstanding.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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, 2012.

Compensated absences activity for the City for the year ended June 30, 2012 is as follows:

	Governmental Activities	Business-Type Activities	Total
Compensated Absences Activity:			
Beginning Balance	\$15,187,645	\$2,836,884	\$18,024,529
Additions	2,432,066	817,042	3,249,108
Deletions	(6,020,990)	(923,556)	(6,944,546)
Ending Balance	<u>\$11,598,721</u>	<u>\$2,730,370</u>	<u>\$14,329,091</u>
Compensated Absences Classification Presentation:			
Current Portion:			
Internal Service Funds	\$545,620		\$545,620
Entity-wide	5,734,959	\$1,710,928	7,445,887
Current Portion	<u>6,280,579</u>	<u>1,710,928</u>	<u>7,991,507</u>
Noncurrent Portion:			
Internal Service Fund	3,124		3,124
Entity-wide	5,315,018	1,019,442	6,334,460
Noncurrent Portion	<u>5,318,142</u>	<u>1,019,442</u>	<u>6,337,584</u>
Total	<u>\$11,598,721</u>	<u>\$2,730,370</u>	<u>\$14,329,091</u>
Noncurrent Employee Benefits Payable:			
Compensated Absences	\$5,318,142	\$1,019,442	\$6,337,584
Net OPEB Obligation (Note 12)	18,599,839	826,618	19,426,457
Non-current Portion	<u>\$23,917,981</u>	<u>\$1,846,060</u>	<u>\$25,764,041</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

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. CalPERS provides retirement, disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS 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 \$4,060,804 for the year ended June 30, 2012. The City as employer was required to contribute for fiscal year 2012 at an actuarially determined rate of 37.558% and 22.90% of annual covered payroll for safety and miscellaneous employees, respectively.

3. Annual Pension Cost

The City’s annual pension costs of \$12,332,457, \$9,573,562 and \$12,088,716 were equal to the City’s required and actual contributions in fiscal years 2010, 2011, and 2012, respectively. The required contribution for 2012 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) 7.50% investment rate of return (net of administrative expenses), (2) projected salary increases range from 3.30% to 14.20% for miscellaneous and 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 2.75%. The actuarial value of CalPERS 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. CalPERS 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 approximated \$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, 2012

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, 2012:

Safety Plan:

Valuation Date	Actuarial			Funded Ratios		Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	AVA	Market		
				Value	Value		
2009	\$267,211,585	\$345,622,295	\$78,410,710	77.3%	56.1%	\$23,022,111	340.6%
2010	273,800,849	355,214,192	81,413,343	77.1%	59.7%	19,500,226	417.5%
2011	282,269,729	373,951,471	91,681,742	75.5%	66.4%	18,974,925	483.2%

Miscellaneous Plan:

Valuation Date	Actuarial			Funded Ratios		Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	AVA	Market		
				Value	Value		
2009	\$149,261,498	\$198,378,136	\$49,116,638	75.2%	54.8%	\$21,478,214	228.7%
2010	153,941,061	203,909,760	49,968,699	75.5%	58.9%	19,507,658	256.1%
2011	158,637,833	213,530,941	54,893,108	74.3%	65.7%	18,420,081	298.0%

B. Vallejo Sanitation and Flood Control District

1. Plan Description

The District contributes to the California Public Employee’s Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. Substantially all full-time employees, with exception of seasonal and temporary employees, participate in the CalPERS 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 CalPERS directly.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 11 – RETIREMENT PENSION BENEFITS (Continued)

2. Funding Policy

CalPERS participating employees contribute 8% of their salary as required by CalPERS 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 CalPERS actuaries and actuarial consultants, and adopted by the CalPERS Board of Administration. The employer required contribution rate for the fiscal year 2011-2012 was 14.762% of covered payroll. CalPERS establishes and may amend employee and employer contribution requirements. CalPERS 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 2011-2012 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 of Contributions Paid	Pension Assets (Liabilities)
2012	\$1,080,049	100%	\$0
2011	1,278,284	100%	0
2010	1,194,964	100%	0

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 CalPERS membership, and utilizes Social Security for these positions.

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 established 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 the CalPERS post-retirement health benefits if they retire directly from the City retaining the Public Employees Medical and Hospital Care Act (PEMHCA) health benefits. The City pays the retiree and eligible dependent premiums up to benefit level established in the collective bargaining agreement for each employee organization.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

The following is a summary of benefits by employee group as of June 30, 2012:

<u>Employee Group</u>	<u>Contractual Benefit at June 30, 2012</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
International Brotherhood of Electrical Workers (IBEW)	Up to \$300 per month
Confidential, Administrative, Management, and Professional Employees Association (CAMP)	Up to 80% of Kaiser Bay Area Premium

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, 2010 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) 4.5% to 8.5% 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 \$82.1 million and is being amortized as a level percentage of projected payroll using a 30 year amortization period.

At June 30, 2012, 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 and unrepresented bargaining groups.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

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, 2012, 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)	\$6,183,000
Amortization on the Net OPEB Liability	(1,129,458)
Interest on the Net OPEB Liability	718,851
Adjustment to annual required contribution	(410,607)
Annual OPEB Cost	5,772,393
Contributions made:	
City portion of current year premiums paid	3,147,016
Contributions less than the ARC	2,625,377
Net OPEB Obligation at June 30, 2011	15,974,462
Net OPEB Obligation at June 30, 2012	\$18,599,839

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

Fiscal Year	Annual OPEB Cost	Actual Contribution	% of OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$5,170,653	\$3,701,569	72%	\$14,033,237
6/30/2011	5,593,399	3,652,174	65%	15,974,462
6/30/2012	5,772,393	3,147,016	55%	18,599,839

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 most recent actuarial studies is presented below (in 000's):

Actuarial Valuation Date	Actuarial Valuation of Assets	Entry Age Actuarial Accrued Liability	Overfunded (Underfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2009	\$0	\$81,224	(\$81,224)	0.00%	\$43,480	(186.8%)
4/12/2011	0	82,052	(\$2,052)	0.00%	40,982	(200.2%)

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

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 less frequent than every three years.

3. Annual OPEB Cost

The District's annual OPEB expense (the ARC) and the amount paid for the fiscal year 2011-2012 amounted \$1,074,642 and \$1,024,594, respectively. The District's annual OPEB cost, the percent paid, and the net OPEB obligation for the last three fiscal years was as follows:

Fiscal Year Ended June 30	PARS Public Agency Post-Retirement Health Care Plan					
	Actuarial Valuation Date	Annual OPEB Cost	Percent of Contributions Paid	Inc (Dec) in Net OPEB Obligation	Net OPEB Obligation Beg of Year	Net OPEB Obligation End of Year
2012	1/1/2010	\$1,074,642	95.3%	\$50,048	\$776,570	\$826,618
2011	1/1/2010	1,065,536	88.6%	121,405	655,165	776,570
2010	1/1/2010	1,052,966	84.1%	167,606	487,559	655,165

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

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 5.7% 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.

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 most recent actuarial valuations as follows:

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
2012	1/1/2010	\$11,297,650	\$2,874,685	\$8,422,965	25.4%	\$7,316,414	154.4%
2011	1/1/2010	11,297,650	2,344,318	8,953,332	20.8%	7,191,470	124.5%
2010	1/1/2010	11,297,650	1,102,420	10,195,230	9.8%	6,842,832	149.0%

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 13 – NET ASSETS AND FUND BALANCES

A. Net Assets – Statement of Net Assets

Net Assets is the excess of all assets over all liabilities. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level and proprietary fund 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.

B. Fund Balance – Governmental Funds Balance Sheet

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City's Fund Balances, as of June 30, 2012, are below:

Fund Balance Classifications	General Fund	Housing Authority Fund	Non Major Governmental Funds	Total
Nonspendable:				
Items not in spendable form:				
Prepaid Expenses	\$29,593			\$29,593
Notes Receivable	777,221			777,221
Land Held for Redevelopment	499,684			499,684
Materials, Parts and Supplies	9,083			9,083
Subtotal	<u>1,315,581</u>			<u>1,315,581</u>
Amounts required to be maintained intact:				
Permanent funds			\$102,072	102,072
Total Nonspendable Fund Balances	<u>1,315,581</u>		<u>102,072</u>	<u>1,417,653</u>
Restricted for:				
Debt Service			938,669	938,669
Capital Projects			12,916,889	12,916,889
Program Restrictions	242,919	\$13,839,160	24,940,436	39,022,515
Housing Development		1,827,968		1,827,968
Total Restricted Fund Balances	<u>242,919</u>	<u>15,667,128</u>	<u>38,795,994</u>	<u>54,706,041</u>
Committed to:				
Capital Projects			1,593,649	1,593,649
Program Commitments	381,709		1,493,586	1,875,295
Total Committed Fund Balances	<u>381,709</u>		<u>3,087,235</u>	<u>3,468,944</u>
Assigned to:				
Capital Projects				
Designations	9,660,223		1,883	9,662,106
Other contracts	214,062			214,062
Total Assigned Fund Balances	<u>9,874,285</u>		<u>1,883</u>	<u>9,876,168</u>
Unassigned:				
General Fund	11,084,523			11,084,523
Total Unassigned Fund Balances	<u>11,084,523</u>			<u>11,084,523</u>
Total Fund Balances	<u>\$22,899,017</u>	<u>\$15,667,128</u>	<u>\$41,987,184</u>	<u>\$80,553,329</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 13 – NET ASSETS AND FUND BALANCES (Continued)

C. Minimum Fund Balances

The City’s Budget and Fiscal Policy requires the City to strive to maintain 1) 15% of annual appropriations in the General Fund’s Unassigned Fund Balance. As of June 30, 2012, the City’s unassigned General Fund balance is at 16.20% of annual appropriations.

D. Deficits

The funds below had fund deficits or net asset deficits at June 30, 2012:

Proprietary Funds:	
Marina	\$2,376,154
Golf	2,778,795
 Internal Service Funds:	
Insurance	\$2,171,526
Retiree Health Benefits	17,689,279

E. Expenditures in Excess of Budget

The General Fund had departmental expenditures in excess of budget and Special Revenue Funds below had expenditures in excess of budgets as follows:

General Funds:	
Legislative and advisory	\$43,384
Human Resources	10,850
Housing Authority Special Revenue Fund	319,164
Non-Major Funds:	
Special Revenue Funds	
Mare Island CFD 2005 1B (local)	824
State Gas Tax	194,984
Cadet Program	3,584

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, 2012

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, 2012, the City contributed \$228,038 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 \$5,000,000 covered by LAWCX. Losses in excess of \$5,000,000 are insured with California Public Entity Insurance Authority. During the fiscal year ended June 30, 2012, the City contributed \$262,604 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 claims. 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:

	2012	2011
Beginning balance	\$12,953,000	\$12,516,000
Increase (decrease) in current year claims and changes in estimates	2,704,478	2,296,356
Claims paid	<u>(2,222,478)</u>	<u>(1,859,356)</u>
Ending balance	<u>\$13,435,000</u>	<u>\$12,953,000</u>
Current portion	<u>\$3,260,267</u>	<u>\$2,782,340</u>

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, 2012

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. Vallejo Redevelopment Agency

Waterfront Development Project Area

With the dissolution of the former Redevelopment Agency as discussed in Note 16, the Waterfront Disposition and Development Agreement obligations are part of the amended and restated former Redevelopment Plan for the Merged Downtown/Waterfront Redevelopment Projects which were assumed by the Successor Agency.

In accordance with the amended and restated Disposition and Development Agreement between the former Agency, the City, and Callahan and DeSilva Vallejo, LLC signed on October 27, 2005, the former 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 former 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 former 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 former Agency incurred \$661,320 of legal, investigative and remediation costs through June 30, 2012 and believes it may be entitled to recover some of this cost from the previous owner. The former 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 Statement of Fiduciary 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 the County's (RPTTF) tax increments from those project areas are received by the Agency and remitted to the applicable taxing entities.

In fiscal year 2012, the Agency calculated and paid \$380,346 in pass-through payments to the affected jurisdictions. With the dissolution of the former Redevelopment Agency as discussed in Note 16, pass-through obligations are paid by the County beginning February 1, 2012.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

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, 2012 amounted to approximately \$5,603,134.

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 Local Transportation Enterprise 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 occurred in fiscal 2012-2013.

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 consolidated the Vallejo Transit Bus and Para-transit services with the Benicia Breeze Bus and Para-transit services. The JPA executed the Transition Plan, dated October 15, 2010 defining key issues related to governance, finance, organization responsibilities and service planning. Actual transfer of service was effective July 1, 2011. Transfer of capital assets was effective April 26, 2012 and the net book value of assets transferred amounted to \$19,034,732; see Note 6.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review the former Agency's asset transfers, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. As of June 30, 2012, the State Controller's Office has not yet completed its asset transfer review of the Vallejo Redevelopment Agency.

The DOF reviewed the housing assets inventory list and approved the non-cash assets as Housing Assets. The assets that were approved included all the housing loans that were committed to third parties. On October 31, 2012, the DOF completed the Due Diligence Review (DDR) of the Low and Moderate Housing Fund's cash balance available for allocation to affected taxing entities. The Vallejo Housing Authority complied with the DOF's determination by transmitting a payment of \$148,378 to the County Auditor-Controller on January 3, 2013.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the former Redevelopment Agency Housing Reserve Fund were distributed to the Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City's Housing Authority elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the Housing Authority.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 required the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on May 1, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Housing Successor are reported in the Housing Authority Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

The activities of the Successor Agency are reported in the Successor Agency to the Former Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

A summary of the Redevelopment Agency’s assets distributed to and liabilities assumed by the Successor Agency and Housing Successor, reported as an Extraordinary Item, is presented below:

	Assets and Liabilities (Prior to transfer)	Adjustments	Transfer to Successor Agency	Transfer to Housing Successor	Ending Balance January 31, 2012
ASSETS					
Cash and investments	\$6,427,324		\$6,427,324		
Restricted cash with fiscal agent	1,163,354		1,163,354		
Accounts receivable	11,430		11,430		
Notes receivable	17,155,234		4,521,000	\$12,634,234	
Land held for redevelopment	1,343,595		1,343,595		
Capital assets:					
Nondepreciable	2,561,847		2,561,847		
Depreciable, net of accumulated depreciation	98,214		98,214		
Total Assets	<u>28,760,998</u>		<u>16,126,764</u>	<u>12,634,234</u>	
LIABILITIES					
Accounts payable and accrued liabilities	67,521		67,502	19	
Deposits payable	70,008		70,008		
Advances from City of Vallejo (Note 4D)	14,199,650	(\$14,199,650)			
Long-term debt:					
Due in one year	720,938		720,938		
Due in more than one year	10,784,557		10,784,557		
Total Liabilities	<u>25,842,674</u>	<u>(14,199,650)</u>	<u>11,643,005</u>	<u>19</u>	
NET ASSETS (DEFICIT)	<u>\$2,918,324</u>	<u>\$14,199,650</u>	<u>\$4,483,759</u>	<u>\$12,634,215</u>	

Note: Deferred revenue of \$2,466,222 transferred to Housing Successor is not shown on the table which is presented on the full accrual basis.

As discussed in Note 4, the General Fund established an allowance for doubtful accounts related to the City’s Advances to the Successor Agency, which has been reported as an extraordinary item in the General Fund.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

A. Capital Assets

The Successor Agency assumed the capital assets of the former Redevelopment Agency as of February 2012. 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 Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

Capital assets at June 30, 2012 were comprised of land of \$2,561,847 and Building and Improvements, net of accumulated depreciation, of \$98,214.

B. Long-Term Obligations

The Successor Agency assumed the long-term obligations of the former Redevelopment Agency as of February 2012.

1. Current Year Transactions and Balances

	Original Issue Amount	Transfer from Redevelopment Agency February 1, 2012	Retirements	Balance June 30, 2012	Current Portion
Tax Allocation Bonds:					
Waterfront Redevelopment Project					
7.9%, due 5/1/19	\$2,485,000	\$1,695,000	\$140,000	\$1,555,000	\$150,000
Marina Vista Project					
6.0-7.5%, due 9/1/20	3,335,000	1,745,000		1,745,000	145,000
Vallejo Central Project					
6.0-7.5%, due 9/1/20	1,900,000	1,355,000		1,355,000	90,000
Vallejo Housing Set Aside					
7.0%, due 10/1/31	5,410,000	4,265,000		4,265,000	170,000
Total Tax Allocation Bonds	<u>13,130,000</u>	<u>9,060,000</u>	<u>140,000</u>	<u>8,920,000</u>	<u>555,000</u>
Certificates of Participation:					
UBOC tranche A - General Fund (Restructured, see Note 7C)	6,743,199	1,784,175		1,784,175	165,938
Total Certificates of Participation	<u>6,743,199</u>	<u>1,784,175</u>		<u>1,784,175</u>	<u>165,938</u>
Other Obligations					
Redevelopment Waterfront DDA		661,320		661,320	
Total Redevelopment Agency Debt	<u>\$19,873,199</u>	<u>\$11,505,495</u>	<u>\$140,000</u>	<u>\$11,365,495</u>	<u>\$720,938</u>

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

2. 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 pledge of future tax increment property tax revenues ends upon repayment of the \$2,099,310 in remaining debt service on the Agency's long term debt which is scheduled to occur in 2019. For fiscal year 2012 tax increment revenues amounted to \$458,009 which represented coverage of 1.67 over the \$273,905 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 former 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 former 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 pledge of future tax increment property tax revenues ends upon repayment of the \$4,283,507 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 2012 tax increment revenues amounted to \$582,831 which represented coverage of 1.29 over the \$450,375 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.

The pledge of future housing tax revenues ends upon repayment of the \$7,536,975 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.

CITY OF VALLEJO
Comprehensive Annual Financial Report
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

With the dissolution of the former Redevelopment Agency discussed above, Tax Increment is no longer distributed and housing set-aside amounts are no longer required, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. Therefore, the former Redevelopment Agency and Successor Agency used cash on hand to fund the \$464,150 of debt service.

3. 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, 2012, the developer has incurred costs of \$661,320. The obligation will be repaid upon sale of certain Agency property to the developer.

C. *Commitments and Contingencies*

1. State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The State Department of Finance has denied a Six Flags obligation in the amount of \$7 million. Other amounts, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to examination by the State of California. Certain transactions undertaken by the former Redevelopment Agency prior to the date of dissolution are subject to an asset transfer review by the State and Due Diligence Reviews to be performed on behalf of the State. These reviews have not been completed and the effects of these reviews cannot be determined at this time.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

Neighborhood Stabilization Program 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.

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.

Assets 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 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.

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.

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. The fund was closed as of January 31, 2012.

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.

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 former 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 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 Projects Fund accounts for capital project expenditures incurred by the City on behalf of the former 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 (Continued)

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. The fund was closed as of January 31, 2012.

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. The fund was closed as of January 31, 2012.

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, 2012

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund #102	Neighborhood Stabilization Program Fund #103	Mare Island Leasing Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
ASSETS						
Cash and investments				\$862,811	\$4,288,483	\$486,425
Restricted cash and investments held with fiscal agent						
Accounts receivable	\$2,914	\$32,279	\$21,442	21,858		
Due from other funds						
Due from other governments	530,065	476,057	726,968			
Notes and loans receivable	2,771,457	5,605,824	1,390,558			
Total assets	\$3,304,436	\$6,114,160	\$2,138,968	\$884,669	\$4,288,483	\$486,425
LIABILITIES						
Accounts payable and accrued liabilities	\$115,572	\$25	\$80,414	\$207,164	\$257,941	\$32,357
Due to other funds	417,407	484,561	667,995			
Due to other governments					30,196	
Deferred revenues	2,771,457	5,629,574	1,390,559			
Deposits payable				7,785		
Total liabilities	3,304,436	6,114,160	2,138,968	214,949	288,137	32,357
FUND BALANCES						
Fund balances						
Nonspendable						
Restricted				669,720	4,000,346	454,068
Committed						
Assigned						
Total fund balances				669,720	4,000,346	454,068
Total liabilities and fund balances	\$3,304,436	\$6,114,160	\$2,138,968	\$884,669	\$4,288,483	\$486,425

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161-188	Assets Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
\$661,643		\$159,619	\$1,971,954	\$5,304,215	\$1,066,909	\$10,812	
	\$235,605	42,500		275			
	338,686						\$81,867
<u>\$661,643</u>	<u>\$574,291</u>	<u>\$202,119</u>	<u>\$1,971,954</u>	<u>\$5,304,490</u>	<u>\$1,066,909</u>	<u>\$10,812</u>	<u>\$81,867</u>
\$731	\$134,951 108,976	\$8,721	\$64,019	\$338,882	\$6,096	\$4,718	\$33,747 48,120
		193,398			7,353		
					217,049		
<u>731</u>	<u>243,927</u>	<u>202,119</u>	<u>64,019</u>	<u>338,882</u>	<u>230,498</u>	<u>4,718</u>	<u>81,867</u>
660,912	330,364		1,907,935	4,965,608	836,411	6,094	
<u>660,912</u>	<u>330,364</u>		<u>1,907,935</u>	<u>4,965,608</u>	<u>836,411</u>	<u>6,094</u>	
<u>\$661,643</u>	<u>\$574,291</u>	<u>\$202,119</u>	<u>\$1,971,954</u>	<u>\$5,304,490</u>	<u>\$1,066,909</u>	<u>\$10,812</u>	<u>\$81,867</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

SPECIAL REVENUE FUNDS

	Justice Assistance Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	Outside Services Fund #129	State Lands Fund #134	Repair & Demolition Revolving Fund #142
ASSETS						
Cash and investments		\$188,906	\$65,983	\$467,337		\$1,132
Restricted cash and investments held with fiscal agent					\$484,390	
Accounts receivable					21,551	
Due from other funds						
Due from other governments	\$86,810	3,665				
Notes and loans receivable						
Total assets	\$86,810	\$192,571	\$65,983	\$467,337	\$505,941	\$1,132
LIABILITIES						
Accounts payable and accrued liabilities	\$82,088			\$17,605	\$867	\$1,132
Due to other funds	4,722				8,009	
Due to other governments						
Deferred revenues						
Deposits payable				449,732	484,390	
Total liabilities	86,810			467,337	493,266	1,132
FUND BALANCES						
Fund balances						
Nonspendable						
Restricted		\$192,571	\$64,100		12,675	
Committed						
Assigned			1,883			
Total fund balances		192,571	65,983		12,675	
Total liabilities and fund balances	\$86,810	\$192,571	\$65,983	\$467,337	\$505,941	\$1,132

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS	
Hazmat Revolving Fund Fund #143	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601	Certificates of Participation Fund #-various	Redevelopment Agency Debt Service Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203
\$152,527		\$644,739	\$769,870		\$5,599,117	\$2,209,922
10,000			169,539			
					93,688	
<u>\$162,527</u>		<u>\$644,739</u>	<u>\$939,409</u>		<u>\$5,692,805</u>	<u>\$2,209,922</u>
		\$2,646	\$740		\$153,603	
		642,093				
		<u>644,739</u>	<u>740</u>		<u>153,603</u>	
\$162,527			938,669		2,451,967 3,087,235	\$2,209,922
<u>162,527</u>			<u>938,669</u>		<u>5,539,202</u>	<u>2,209,922</u>
<u>\$162,527</u>		<u>\$644,739</u>	<u>\$939,409</u>		<u>\$5,692,805</u>	<u>\$2,209,922</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

CAPITAL PROJECTS FUNDS

	Bridge Construction Fund #204	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
ASSETS						
Cash and investments			\$154,491	\$7,349,134		\$688,581
Restricted cash and investments held with fiscal agent						
Accounts receivable						
Due from other funds	\$3,121,823					
Due from other governments						
Notes and loans receivable						
Total assets	<u>\$3,121,823</u>		<u>\$154,491</u>	<u>\$7,349,134</u>		<u>\$688,581</u>
LIABILITIES						
Accounts payable and accrued liabilities						\$965
Due to other funds						
Due to other governments						
Deferred revenues						
Deposits payable						
Total liabilities						<u>965</u>
FUND BALANCES						
Fund balances						
Nonspendable						
Restricted	\$3,121,823		\$154,491	\$7,349,134		687,616
Committed						
Assigned						
Total fund balances	<u>3,121,823</u>		<u>154,491</u>	<u>7,349,134</u>		<u>687,616</u>
Total liabilities and fund balances	<u>\$3,121,823</u>		<u>\$154,491</u>	<u>\$7,349,134</u>		<u>\$688,581</u>

CAPITAL PROJECTS FUNDS

Mare Island Conversion Fund #106	Traffic Congestion Relief Fund #219	Downtown Development Capital Projects Fund #220	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
\$1,556,520	\$1,159,028		\$34,826	\$1,647,688			\$61,102
10,446,905				1,500			
			1,324,224				7,389,766
				160,988			
<u>\$12,003,425</u>	<u>\$1,159,028</u>		<u>\$1,359,050</u>	<u>\$1,810,176</u>			<u>\$7,450,868</u>
\$22,965	\$383,237		\$695,537				\$1,518,013
							5,871,753
6,943,300			624,280	\$22,228			61,102
				37,000			
<u>6,966,265</u>	<u>383,237</u>		<u>1,319,817</u>	<u>59,228</u>			<u>7,450,868</u>
5,037,160	775,791		39,233	1,750,948			
<u>5,037,160</u>	<u>775,791</u>		<u>39,233</u>	<u>1,750,948</u>			
<u>\$12,003,425</u>	<u>\$1,159,028</u>		<u>\$1,359,050</u>	<u>\$1,810,176</u>			<u>\$7,450,868</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	<u>PERMANENT FUND</u>	
	<u>McCune Collection Fund #603</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and investments	\$117,981	\$37,681,755
Restricted cash and investments held with fiscal agent		11,100,834
Accounts receivable		389,924
Due from other funds		3,121,823
Due from other governments		11,051,796
Notes and loans receivable		9,928,827
	<u> </u>	<u> </u>
Total assets	<u>\$117,981</u>	<u>\$73,274,959</u>
LIABILITIES		
Accounts payable and accrued liabilities		\$4,164,736
Due to other funds		7,611,543
Due to other governments		37,549
Deferred revenues		17,635,898
Deposits payable		1,838,049
	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u>31,287,775</u>
FUND BALANCES		
Fund balances		
Nonspendable	\$102,072	102,072
Restricted	15,909	38,795,994
Committed		3,087,235
Assigned		1,883
	<u> </u>	<u> </u>
Total fund balances	<u>117,981</u>	<u>41,987,184</u>
Total liabilities and fund balances	<u>\$117,981</u>	<u>\$73,274,959</u>

This Page Left Intentionally Blank

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

SPECIAL REVENUE FUNDS						
	Community Development Block Grant Fund #101	HOME Program Fund #102	Neighborhood Stabilization Program Fund #103	Mare Island Leasing Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
REVENUES						
Taxes					\$1,884,113	
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$1,217,316	\$476,057	\$726,968			
Use of money and property	55,624	420,018	333,719	\$279,558	36,182	\$5,374
Charges for services				31,409	2,054,292	188,803
Other			20,765		15,645	
Total Revenues	1,272,940	896,075	1,081,452	310,967	3,990,232	194,177
EXPENDITURES						
Current:						
Development services						
Community development	1,272,940	896,075	1,081,452	271,229		
Fire services					1,323,000	
Police services					542,396	
Public works					1,655,287	257,186
Nondepartmental					135,479	
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	1,272,940	896,075	1,081,452	271,229	3,656,162	257,186
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				39,738	334,070	(63,009)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)					(21,000)	
Issuance of long term debt						
Total Other Financing Sources (Uses)					(21,000)	
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS				39,738	313,070	(63,009)
EXTRAORDINARY ITEMS						
Assets transferred to/liabilities assumed by Successor Agency						
NET CHANGE IN FUND BALANCES				39,738	313,070	(63,009)
BEGINNING FUND BALANCES				629,982	3,687,276	517,077
ENDING FUND BALANCES				\$669,720	\$4,000,346	\$454,068

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161-188	Asset Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
		\$10,084				\$104,163	
	\$3,527,548	1,200			\$199,135		\$221,543
\$6,572	11,247	132,056	\$19,932	\$54,544	10,938	272	
112,238	332,564	1,747,694	722,888	2,658,897			
	21,125			694			
118,810	3,892,484	1,895,612	742,820	2,714,135	210,073	104,435	221,543
					148,539	98,341	221,543
6,465	2,838,053	1,788,153	563,882	2,627,720			
6,465	2,838,053	1,788,153	563,882	2,627,720	148,539	98,341	221,543
112,345	1,054,431	107,459	178,938	86,415	61,534	6,094	
	(1,675,083)	(113,403)		(63,000)			
	(1,675,083)	(113,403)		(63,000)			
112,345	(620,652)	(5,944)	178,938	23,415	61,534	6,094	
112,345	(620,652)	(5,944)	178,938	23,415	61,534	6,094	
548,567	951,016	5,944	1,728,997	4,942,193	774,877		
\$660,912	\$330,364		\$1,907,935	\$4,965,608	\$836,411	\$6,094	

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS					
	Justice Assistance Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	Outside Services Fund #129	State Lands Fund #134	Repair & Demolition Revolving Fund #142
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$86,806	\$191,737				
Use of money and property		834	\$731	\$3,559	\$527,536	\$153
Charges for services			23,223	100,543		
Other			6,089			
Total Revenues	86,806	192,571	30,043	104,102	527,536	153
EXPENDITURES						
Current:						
Development services				99,043		
Community development					112,899	
Fire services						
Police services	86,806		28,584			
Public works				1,500		
Nondepartmental				3,559		
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	86,806		28,584	104,102	112,899	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
		192,571	1,459		414,637	153
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)					(401,962)	(24,968)
Issuance of long term debt						
Total Other Financing					(401,962)	(24,968)
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS						
		192,571	1,459		12,675	(24,815)
EXTRAORDINARY ITEMS						
Assets transferred to/liabilities assumed by Successor Agency						
NET CHANGE IN FUND BALANCES		192,571	1,459		12,675	(24,815)
BEGINNING FUND BALANCES						
			64,524			24,815
ENDING FUND BALANCES						
		\$192,571	\$65,983		\$12,675	

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS	
Hazmat Revolving Fund #143	Redevelopment Affordable Housing Fund #711	Administrative Trust Fund #601	Certificates of Participation Fund #-various	Redevelopment Agency Debt Service Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203
				\$1,790,418	\$214,517	\$195,606
\$2,465	\$9,107	\$28,272	\$3,925	50,015	390,613	22,846
40,000					87,527	
					137,768	
					2,221,992	
<u>42,465</u>	<u>9,107</u>	<u>28,272</u>	<u>3,925</u>	<u>1,840,433</u>	<u>3,052,417</u>	<u>218,452</u>
87,406	89,383			402,883		
			18,000		4,500	4,500
					2,044,911	
			5,413,350	535,936	22,753	
			323,770	429,381	7,108	
<u>87,406</u>	<u>89,383</u>		<u>5,755,120</u>	<u>1,368,200</u>	<u>2,079,272</u>	<u>4,500</u>
(44,941)	(80,276)	28,272	(5,751,195)	472,233	973,145	213,952
	(319,712)	(28,272)	6,087,473	602,178	899,784	
			78,766	(1,069,275)		
	(319,712)	(28,272)	6,166,239	(467,097)	899,784	
(44,941)	(399,988)		415,044	5,136	1,872,929	213,952
	(10,316,347)			4,227,550		
(44,941)	(10,716,335)		415,044	4,232,686	1,872,929	213,952
207,468	10,716,335		523,625	(4,232,686)	3,666,273	1,995,970
<u>\$162,527</u>			<u>\$938,669</u>		<u>\$5,539,202</u>	<u>\$2,209,922</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, 2012

	CAPITAL PROJECTS FUNDS					
	Bridge Construction Fund #204	Arts and Convention Center Fund #206	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Certificates of Participation Fund #-various	Marc Island CFD 2005 1A Facilities Fund #213
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property	\$35,760		\$1,805	\$82,016	\$4,947	\$7,148
Charges for services						100,002
Other						
Total Revenues	<u>35,760</u>		<u>1,805</u>	<u>82,016</u>	<u>4,947</u>	<u>107,150</u>
EXPENDITURES						
Current:						
Development services						
Community development						
Fire services						
Police services						
Public works						
Nondepartmental	4,500		4,500	4,500	9,000	7,501
Capital outlay	86,057		5,154	21,654		21,068
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>90,557</u>		<u>9,654</u>	<u>26,154</u>	<u>9,000</u>	<u>28,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(54,797)</u>		<u>(7,849)</u>	<u>55,862</u>	<u>(4,053)</u>	<u>78,581</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)					(5,719,702)	
Issuance of long term debt						
Total Other Financing Sources (Uses)					<u>(5,719,702)</u>	
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS	<u>(54,797)</u>		<u>(7,849)</u>	<u>55,862</u>	<u>(5,723,755)</u>	<u>78,581</u>
EXTRAORDINARY ITEMS						
Assets transferred to/liabilities assumed by Successor Agency	<u>(440,000)</u>	<u>(\$3,796,000)</u>		<u>(500,000)</u>		
NET CHANGE IN FUND BALANCES	<u>(494,797)</u>	<u>(3,796,000)</u>	<u>(7,849)</u>	<u>(444,138)</u>	<u>(5,723,755)</u>	<u>78,581</u>
BEGINNING FUND BALANCES	<u>3,616,620</u>	<u>3,796,000</u>	<u>162,340</u>	<u>7,793,272</u>	<u>5,723,755</u>	<u>609,035</u>
ENDING FUND BALANCES	<u>\$3,121,823</u>	<u>\$3,796,000</u>	<u>\$154,491</u>	<u>\$7,349,134</u>	<u>\$687,616</u>	

CAPITAL PROJECTS FUNDS

Mare Island Conversion Fund #106	Traffic Congestion Relief Fund #219	Downtown Development Capital Projects Fund #220	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137	Redevelopment Agency Florsden Acres Fund #721	Redevelopment Agency Merged Fund # - various	Vallejo Station Fund 222
				\$47,199			
\$1,056,700			\$2,650,225	14,372	\$1,193	\$155,756	\$7,002,133
21,792			12,325				
38,667						14	
<u>1,117,159</u>			<u>2,662,550</u>	<u>61,571</u>	<u>1,193</u>	<u>155,770</u>	<u>7,002,133</u>
1,325,875					106,662	253,374	
	\$1,069,020		2,692,885	378,554			7,002,133
<u>1,325,875</u>	<u>1,069,020</u>		<u>2,692,885</u>	<u>378,554</u>	<u>106,662</u>	<u>253,374</u>	<u>7,002,133</u>
(208,716)	(1,069,020)		(30,335)	(316,983)	(105,469)	(97,604)	
	1,675,083				482,166	187,109 (282,466)	
	<u>1,675,083</u>				<u>482,166</u>	<u>(95,357)</u>	
(208,716)	606,063		(30,335)	(316,983)	376,697	(192,961)	
					(5,264,360)	(6,753,123)	
(208,716)	606,063		(30,335)	(316,983)	(4,887,663)	(6,946,084)	
5,245,876	169,728		69,568	2,067,931	4,887,663	6,946,084	
<u>\$5,037,160</u>	<u>\$775,791</u>		<u>\$39,233</u>	<u>\$1,750,948</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, 2012

	PERMANENT FUND	
	McCune Collection Fund #603	Total Nonmajor Governmental Funds
REVENUES		
Taxes		\$3,674,531
Licenses, permits and fees		571,569
Fines and forfeitures		200,335
Intergovernmental		17,679,702
Use of money and property	\$1,328	2,301,645
Charges for services		8,262,646
Other		2,324,991
	1,328	35,015,419
EXPENDITURES		
Current:		
Development services		99,043
Community development		5,812,772
Fire services		1,410,406
Police services		1,126,209
Public works		9,731,781
Nondepartmental	5,000	207,504
Capital outlay		13,321,436
Debt Service:		
Principal		5,972,039
Interest and fiscal agent fees		760,259
	5,000	38,441,449
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		
	(3,672)	(3,426,030)
OTHER FINANCING SOURCES (USES)		
Transfers in		9,933,793
Transfers (out)		(9,718,843)
Issuance of long term debt		78,766
		293,716
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS		
	(3,672)	(3,132,314)
EXTRAORDINARY ITEMS		
Assets transferred to/liabilities assumed by Successor Agency		(22,842,280)
NET CHANGE IN FUND BALANCES		
	(3,672)	(25,974,594)
BEGINNING FUND BALANCES	121,653	67,961,778
ENDING FUND BALANCES	\$117,981	\$41,987,184

This Page Left Intentionally Blank

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, 2012

	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	\$2,151,944	\$1,217,316	(\$934,628)	\$2,551,353	\$476,057	(\$2,075,296)
Use of money and property	50,000	55,624	5,624	395,000	420,018	25,018
Charges for services						
Other						
Total Revenues	<u>2,201,944</u>	<u>1,272,940</u>	<u>(929,004)</u>	<u>2,946,353</u>	<u>896,075</u>	<u>(2,050,278)</u>
EXPENDITURES						
Current:						
Finance						
Development services						
Community development	2,201,944	1,272,940	929,004	2,946,353	896,075	2,050,278
Fire services						
Police services						
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>2,201,944</u>	<u>1,272,940</u>	<u>929,004</u>	<u>2,946,353</u>	<u>896,075</u>	<u>2,050,278</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS						
EXTRAORDINARY ITEM						
Assets transferred to/liabilities assumed by Successor Agency						
NET CHANGE IN FUND BALANCES	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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)
						\$1,558,721	\$1,884,113	\$325,392
\$2,470,173	\$726,968	(\$1,743,205)	\$170,100	\$279,558	\$109,458	50,000	36,182	(13,818)
1,475,151	333,719	(1,141,432)	45,807	31,409	(14,398)	1,368,958	2,054,292	685,334
	20,765	20,765				15,600	15,645	45
<u>3,945,324</u>	<u>1,081,452</u>	<u>(2,863,872)</u>	<u>215,907</u>	<u>310,967</u>	<u>95,060</u>	<u>2,993,279</u>	<u>3,990,232</u>	<u>996,953</u>
3,945,324	1,081,452	2,863,872	653,053	271,229	381,824	1,596,000	1,323,000	273,000
						681,000	542,396	138,604
						1,767,546	1,655,287	112,259
						50,478	135,479	(85,001)
<u>3,945,324</u>	<u>1,081,452</u>	<u>2,863,872</u>	<u>653,053</u>	<u>271,229</u>	<u>381,824</u>	<u>4,095,024</u>	<u>3,656,162</u>	<u>438,862</u>
			(437,146)	39,738	476,884	(1,101,745)	334,070	1,435,815
						(18,500)	(21,000)	(2,500)
						(18,500)	(21,000)	(2,500)
			(437,146)	39,738	476,884	(1,120,245)	313,070	1,433,315
			<u>(\$437,146)</u>	39,738	<u>\$476,884</u>	<u>(\$1,120,245)</u>	\$313,070	<u>\$1,433,315</u>
				629,982			3,687,276	
				<u>\$669,720</u>			<u>\$4,313,416</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, 2012

	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	\$10,000	\$5,374	(\$4,626)	\$10,000	\$6,572	(\$3,428)
Charges for services	185,002	185,003	1	112,236	112,238	2
Other		3,800	3,800			
Total Revenues	<u>195,002</u>	<u>194,177</u>	<u>(825)</u>	<u>122,236</u>	<u>118,810</u>	<u>(3,426)</u>
EXPENDITURES						
Current:						
Finance						
Development services						
Community development						
Fire services						
Police services						
Public works	282,628	257,186	25,442			
Nondepartmental				5,641	6,465	(824)
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>282,628</u>	<u>257,186</u>	<u>25,442</u>	<u>5,641</u>	<u>6,465</u>	<u>(824)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(87,626)</u>	<u>(63,009)</u>	<u>24,617</u>	<u>116,595</u>	<u>112,345</u>	<u>(4,250)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS	<u>(87,626)</u>	<u>(63,009)</u>	<u>24,617</u>	<u>116,595</u>	<u>112,345</u>	<u>(4,250)</u>
EXTRAORDINARY ITEM						
Assets transferred to/liabilities assumed by Successor Agency						
NET CHANGE IN FUND BALANCES	<u><u>(\$87,626)</u></u>	<u><u>(\$63,009)</u></u>	<u><u>\$24,617</u></u>	<u><u>\$116,595</u></u>	<u><u>112,345</u></u>	<u><u>(\$4,250)</u></u>
BEGINNING FUND BALANCES		<u>517,077</u>			<u>548,567</u>	
ENDING FUND BALANCES		<u><u>\$454,068</u></u>			<u><u>\$660,912</u></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)
			\$9,600	\$10,084	\$484			
				1,200	1,200			
\$3,410,577	\$3,527,548	\$116,971	132,056	132,056				
	11,247	11,247		4,578	4,578	\$7,023	\$19,932	\$12,909
332,564	332,564		1,657,100	1,747,694	90,594	718,643	722,888	4,245
66,600	21,125	(45,475)						
<u>3,809,741</u>	<u>3,892,484</u>	<u>82,743</u>	<u>1,798,756</u>	<u>1,895,612</u>	<u>96,856</u>	<u>725,666</u>	<u>742,820</u>	<u>17,154</u>
2,643,069	2,838,053	(194,984)	1,798,756	1,788,153	10,603	632,747	563,882	68,865
<u>2,643,069</u>	<u>2,838,053</u>	<u>(194,984)</u>	<u>1,798,756</u>	<u>1,788,153</u>	<u>10,603</u>	<u>632,747</u>	<u>563,882</u>	<u>68,865</u>
<u>1,166,672</u>	<u>1,054,431</u>	<u>(112,241)</u>		<u>107,459</u>	<u>107,459</u>	<u>92,919</u>	<u>178,938</u>	<u>86,019</u>
<u>(1,875,083)</u>	<u>(1,675,083)</u>	<u>200,000</u>		<u>(113,403)</u>	<u>(113,403)</u>			
<u>(1,875,083)</u>	<u>(1,675,083)</u>	<u>200,000</u>		<u>(113,403)</u>	<u>(113,403)</u>			
(708,411)	(620,652)	87,759		(5,944)	(5,944)	92,919	178,938	86,019
<u>(\$708,411)</u>	<u>(620,652)</u>	<u>\$87,759</u>		<u>(5,944)</u>	<u>(\$5,944)</u>	<u>\$92,919</u>	<u>178,938</u>	<u>\$86,019</u>
	<u>951,016</u>			<u>5,944</u>			<u>1,728,997</u>	
	<u>\$330,364</u>						<u>\$1,907,935</u>	

(Continued)

BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	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	\$199,135	\$99,135
Intergovernmental						
Use of money and property	\$88,897	\$54,544	(\$34,353)	18,000	10,938	(7,062)
Charges for services	2,592,749	2,658,897	66,148			
Other		694	694			
Total Revenues	2,681,646	2,714,135	32,489	118,000	210,073	92,073
EXPENDITURES						
Current:						
Finance						
Development services						
Community development						
Fire services						
Police services				200,000	148,539	51,461
Public works	3,473,856	2,627,720	846,136			
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	3,473,856	2,627,720	846,136	200,000	148,539	51,461
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(792,210)	86,415	878,625	(82,000)	61,534	143,534
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(56,000)	(63,000)	(7,000)			
Total Other Financing Sources (Uses)	(56,000)	(63,000)	(7,000)			
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS	(848,210)	23,415	871,625	(82,000)	61,534	143,534
EXTRAORDINARY ITEM						
Assets transferred to/liabilities assumed by Successor Agency						
NET CHANGE IN FUND BALANCES	(\$848,210)	23,415	\$871,625	(\$82,000)	61,534	\$143,534
BEGINNING FUND BALANCES		4,942,193			774,877	
ENDING FUND BALANCES		\$4,965,608			\$836,411	

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)
\$100,000	\$104,163	\$4,163						
	272	272	\$374,200	\$221,543	(\$152,657)	\$112,000	\$86,806	(\$25,194)
<u>100,000</u>	<u>104,435</u>	<u>4,435</u>	<u>374,200</u>	<u>221,543</u>	<u>(152,657)</u>	<u>112,000</u>	<u>86,806</u>	<u>(25,194)</u>
100,000	98,341	1,659	374,200	221,543	152,657	112,000	86,806	25,194
<u>100,000</u>	<u>98,341</u>	<u>1,659</u>	<u>374,200</u>	<u>221,543</u>	<u>152,657</u>	<u>112,000</u>	<u>86,806</u>	<u>25,194</u>
	6,094	6,094						
	6,094	6,094						
	6,094	\$6,094						
	<u>\$6,094</u>							

(Continued)

BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	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	\$89,000	\$191,737	\$102,737			
Use of money and property		834	834		\$731	\$731
Charges for services				\$20,000	23,223	3,223
Other				5,000	6,089	1,089
Total Revenues	<u>89,000</u>	<u>192,571</u>	<u>103,571</u>	<u>25,000</u>	<u>30,043</u>	<u>5,043</u>
EXPENDITURES						
Current:						
Finance						
Development services						
Community development						
Fire services						
Police services	128,095		128,095	25,000	28,584	(3,584)
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>128,095</u>		<u>128,095</u>	<u>25,000</u>	<u>28,584</u>	<u>(3,584)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(39,095)</u>	<u>192,571</u>	<u>231,666</u>		<u>1,459</u>	<u>1,459</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS	<u>(39,095)</u>	<u>192,571</u>	<u>231,666</u>		<u>1,459</u>	<u>1,459</u>
EXTRAORDINARY ITEM						
Assets transferred to/liabilities assumed by Successor Agency						
NET CHANGE IN FUND BALANCES	<u><u>(\$39,095)</u></u>	<u>192,571</u>	<u><u>\$231,666</u></u>		<u>1,459</u>	<u><u>\$1,459</u></u>
BEGINNING FUND BALANCES					<u>64,524</u>	
ENDING FUND BALANCES		<u><u>\$192,571</u></u>			<u><u>\$65,983</u></u>	

OUTSIDE SERVICES			STATE LANDS			REPAIR & DEMOLITION REVOLVING FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$8,000	\$3,559	(\$4,441)	\$461,700	\$527,536	\$65,836		\$153	\$153
500,000	100,543	(399,457)						
<u>508,000</u>	<u>104,102</u>	<u>(403,898)</u>	<u>461,700</u>	<u>527,536</u>	<u>65,836</u>		<u>153</u>	<u>153</u>
200,000	99,043	100,957	203,900	112,899	91,001			
300,000	1,500	298,500						
4,500	3,559	941						
<u>504,500</u>	<u>104,102</u>	<u>400,398</u>	<u>203,900</u>	<u>112,899</u>	<u>91,001</u>			
3,500		(3,500)	257,800	414,637	156,837		153	153
(3,500)		3,500	(257,800)	(401,962)	(144,162)		(24,968)	(24,968)
(3,500)	-	3,500	(257,800)	(401,962)	(144,162)		(24,968)	(24,968)
				12,675	12,675		(24,815)	(24,815)
				12,675	\$12,675		(24,815)	(\$24,815)
							24,815	
				<u>\$12,675</u>				

(Continued)

BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	HAZMAT REVOLVING FUND			REDEVELOPMENT AFFORDABLE HOUSING		
	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	\$6,000	\$2,465	(\$3,535)	\$28,371	\$9,107	(\$19,264)
Charges for services	40,000	40,000				
Other						
Total Revenues	46,000	42,465	(3,535)	28,371	9,107	(19,264)
EXPENDITURES						
Current:						
Finance						
Development services						
Community development				151,679	89,383	62,296
Fire services	88,700	87,406	1,294			
Police services						
Public works						
Nondepartmental						
Capital Outlay						
Debt service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	88,700	87,406	1,294	151,679	89,383	62,296
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(42,700)	(44,941)	(2,241)	(123,308)	(80,276)	43,032
OTHER FINANCING SOURCES (USES)						
Transfers in				608,062		(608,062)
Transfers (out)				(520,950)	(319,712)	201,238
Total Other Financing Sources (Uses)				87,112	(319,712)	(406,824)
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEMS	(42,700)	(44,941)	(2,241)	(36,196)	(399,988)	(363,792)
EXTRAORDINARY ITEM						
Assets transferred to/liabilities assumed by Successor Agency					(10,316,347)	
NET CHANGE IN FUND BALANCES	<u>(\$42,700)</u>	<u>(44,941)</u>	<u>(\$2,241)</u>	<u>(\$36,196)</u>	<u>(10,716,335)</u>	<u>(\$363,792)</u>
BEGINNING FUND BALANCES		207,468			10,716,335	
ENDING FUND BALANCES		<u>\$162,527</u>				

This Page Left Intentionally Blank

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, 2012

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
ASSETS						
Cash and investments	\$4,253,456	\$835,247		\$910,560	\$448,067	\$6,447,330
Accounts receivable	58,344		\$10,121			68,465
Due from other funds		10,473,578				10,473,578
Prepays			166,841			166,841
Materials, parts, and supplies	204,442					204,442
Capital assets, net	3,887,065					3,887,065
Total Assets	8,403,307	11,308,825	176,962	910,560	448,067	21,247,721
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	263,982	33,384	6,345			303,711
Due to other funds			115,853			115,853
Claims payable, current		3,260,267				3,260,267
Employee benefits payable, current	64,347	11,967	54,764		414,542	545,620
Current liabilities	328,329	3,305,618	176,962		414,542	4,225,451
Long-term liabilities:						
Claims payable		10,174,733				10,174,733
Employee benefits payable, long term	3,124			18,599,839		18,602,963
Total Liabilities	331,453	13,480,351	176,962	18,599,839	414,542	33,003,147
NET ASSETS (DEFICITS)						
Invested in capital assets, net of related debt	3,887,065					3,887,065
Unrestricted	4,184,789	(2,171,526)		(17,689,279)	33,525	(15,642,491)
Total Net Assets (Deficits)	\$8,071,854	(\$2,171,526)		(\$17,689,279)	\$33,525	(\$11,755,426)

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

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
OPERATING REVENUES						
Charges for services	\$3,903,936	\$4,801,090		\$4,002,914		\$12,707,940
Other	54,974					54,974
Total operating revenues	3,958,910	4,801,090		4,002,914		12,762,914
OPERATING EXPENSES						
Operating expenses	2,558,455	990,581		5,786,991	\$3,467,824	12,803,851
Insurance and claims		3,314,512				3,314,512
Depreciation	1,012,105					1,012,105
Total operating expenses	3,570,560	4,305,093		5,786,991	3,467,824	17,130,468
Operating income (loss)	388,350	495,997		(1,784,077)	(3,467,824)	(4,367,554)
NONOPERATING REVENUES (EXPENSES)						
Investment income (expense)	54,858	104,702		\$5,509	33,810	198,879
Total nonoperating revenues (expenses)	54,858	104,702		5,509	33,810	198,879
Income (loss) before transfers	443,208	600,699		(1,778,568)	(3,434,014)	(4,168,675)
OTHER FINANCING SOURCES (USES)						
Gain on sale of assets	38,466					38,466
Transfers in					1,134,000	1,134,000
Transfers out	(84,000)					(84,000)
Total other financing sources (uses)	(45,534)				1,134,000	1,088,466
Change in net assets	397,674	600,699		(1,778,568)	(2,300,014)	(3,080,209)
BEGINNING NET ASSETS (DEFICIT)	7,674,180	(2,772,225)		(15,910,711)	2,333,539	(8,675,217)
ENDING NET ASSETS (DEFICIT)	\$8,071,854	(\$2,171,526)		(\$17,689,279)	\$33,525	(\$11,755,426)

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$3,923,455	\$4,801,090	\$3,900	\$4,002,914		\$12,731,359
Payments to suppliers	(1,617,755)	(658,257)	(162,344)			(2,438,356)
Payments to or on behalf of employees	(880,347)	(324,314)	(79,000)	(3,161,614)	(\$5,719,743)	(10,165,018)
Claims paid		(2,832,512)				(2,832,512)
Cash Flows from Operating Activities	<u>1,425,353</u>	<u>986,007</u>	<u>(237,444)</u>	<u>841,300</u>	<u>(5,719,743)</u>	<u>(2,704,527)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in					1,134,000	1,134,000
Transfers out	(84,000)					(84,000)
(Payment of) increase to amounts due from other funds		(670,101)	115,853			(554,248)
Cash Flows from Noncapital Financing Activities	<u>(84,000)</u>	<u>(670,101)</u>	<u>115,853</u>		<u>1,134,000</u>	<u>495,752</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(1,613,231)					(1,613,231)
Cash Flows from Capital and Related Financing Activities	<u>(1,613,231)</u>					<u>(1,613,231)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	54,858	104,702		5,509	33,810	198,879
Cash Flows from Investing Activities	<u>54,858</u>	<u>104,702</u>		<u>5,509</u>	<u>33,810</u>	<u>198,879</u>
Net Cash Flows	<u>(217,020)</u>	<u>420,608</u>	<u>(121,591)</u>	<u>846,809</u>	<u>(4,551,933)</u>	<u>(3,623,127)</u>
Cash and investments at beginning of period	4,470,476	414,639	121,591	63,751	5,000,000	10,070,457
Cash and investments at end of period	<u>\$4,253,456</u>	<u>\$835,247</u>		<u>\$910,560</u>	<u>\$448,067</u>	<u>\$6,447,330</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$388,350	\$495,997		(\$1,784,077)	(\$3,467,824)	(\$4,367,554)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	1,012,105					1,012,105
Change in assets and liabilities:						
Receivables, net	(35,455)		\$3,900			(31,555)
Other assets	(840)		(166,841)			(167,681)
Accounts payable and accrued liabilities	118,125	13,630	4,497			136,252
Employee benefits payable	(56,932)	(5,620)	(79,000)	2,625,377	(2,251,919)	231,906
Claims payable		482,000				482,000
Cash Flows from Operating Activities	<u>\$1,425,353</u>	<u>\$986,007</u>	<u>(\$237,444)</u>	<u>\$841,300</u>	<u>(\$5,719,743)</u>	<u>(\$2,704,527)</u>

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, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>Fairgrounds Drive Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$1,555,479		\$1,555,479	
Total Assets	<u>\$1,555,479</u>		<u>\$1,555,479</u>	
<u>Liabilities</u>				
Due to bondholders	\$1,555,479		\$1,555,479	
Total Liabilities	<u>\$1,555,479</u>		<u>\$1,555,479</u>	
<u>Glen Cove Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$1,638,102	\$160	\$1,638,102	\$160
Restricted cash and investments	1,121,603		1,121,603	
Total Assets	<u>\$2,759,705</u>	<u>\$160</u>	<u>\$2,759,705</u>	<u>\$160</u>
<u>Liabilities</u>				
Due to bondholders	\$2,759,705	\$160	\$2,759,705	\$160
Total Liabilities	<u>\$2,759,705</u>	<u>\$160</u>	<u>\$2,759,705</u>	<u>\$160</u>
<u>NE Quadrant Assessment District 2003-B</u>				
<u>Assets</u>				
Cash and investments	\$665,868		\$665,868	
Restricted cash and investments	272,268	\$258,274	272,268	\$258,274
Total Assets	<u>\$938,136</u>	<u>\$258,274</u>	<u>\$938,136</u>	<u>\$258,274</u>
<u>Liabilities</u>				
Due to bondholders	\$938,136	\$258,274	\$938,136	\$258,274
Total Liabilities	<u>\$938,136</u>	<u>\$258,274</u>	<u>\$938,136</u>	<u>\$258,274</u>

CITY OF VALLEJO
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>Hiddenbrooke Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$3,121,648	\$3,123,160	\$3,121,648	\$3,123,160
Restricted cash and investments	2,779,706	2,880,281	2,779,706	2,880,281
Total Assets	<u>\$5,901,354</u>	<u>\$6,003,441</u>	<u>\$5,901,354</u>	<u>\$6,003,441</u>
<u>Liabilities</u>				
Due to bondholders	\$5,901,354	\$6,003,441	\$5,901,354	\$6,003,441
Total Liabilities	<u>\$5,901,354</u>	<u>\$6,003,441</u>	<u>\$5,901,354</u>	<u>\$6,003,441</u>
<u>NE Quadrant Improvement District 2003-01</u>				
<u>Assets</u>				
Cash and investments	\$528,861	\$521,024	\$528,861	\$521,024
Restricted cash and investments	594,875	594,875	594,875	594,875
Total Assets	<u>\$1,123,736</u>	<u>\$1,115,899</u>	<u>\$1,123,736</u>	<u>\$1,115,899</u>
<u>Liabilities</u>				
Due to bondholders	\$1,123,736	\$1,115,899	\$1,123,736	\$1,115,899
Total Liabilities	<u>\$1,123,736</u>	<u>\$1,115,899</u>	<u>\$1,123,736</u>	<u>\$1,115,899</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$7,509,958	\$3,644,344	\$7,509,958	\$3,644,344
Restricted cash and investments held with fiscal agent	4,768,452	3,733,430	4,768,452	3,733,430
Total Assets	<u>\$12,278,410</u>	<u>\$7,377,774</u>	<u>\$12,278,410</u>	<u>\$7,377,774</u>
<u>Liabilities</u>				
Due to bondholders	\$12,278,410	\$7,377,774	\$12,278,410	\$7,377,774
Total Liabilities	<u>\$12,278,410</u>	<u>\$7,377,774</u>	<u>\$12,278,410</u>	<u>\$7,377,774</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 Component
- 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.

This Page Left Intentionally Blank

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 300,254,819	\$ 315,214,369
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	84,076,839	99,753,101
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)	(16,698,219)	(22,805,403)
Total governmental activities net assets	<u>\$ 332,923,254</u>	<u>\$ 379,874,363</u>	<u>\$ 380,766,111</u>	<u>\$ 374,714,683</u>	<u>\$ 361,176,082</u>	<u>\$ 345,252,869</u>	<u>\$ 324,619,671</u>	<u>\$ 336,730,053</u>	<u>\$ 367,633,439</u>	<u>\$ 392,162,067</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 177,280,242	\$ 184,052,727	\$ 218,315,891	\$ 200,899,895	\$ 215,396,608	\$ 209,721,546	\$ 203,332,924	\$ 197,992,367	\$ 218,549,566	\$ 209,754,483
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	42,434,217	39,745,063
Unrestricted	25,287,824	30,546,597	6,179,510	12,397,504	676,754	35,217,209	38,002,659	33,507,221	41,110,758	43,055,438
Total business-type activities net assets	<u>\$ 270,858,357</u>	<u>\$ 266,657,713</u>	<u>\$ 266,212,107</u>	<u>\$ 263,227,474</u>	<u>\$ 263,348,584</u>	<u>\$ 291,304,141</u>	<u>\$ 282,846,724</u>	<u>\$ 275,348,541</u>	<u>\$ 302,094,541</u>	<u>\$ 292,554,984</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 358,248,804	\$ 450,500,873	\$ 478,932,930	\$ 455,205,966	\$ 475,641,628	\$ 474,269,757	\$ 469,556,399	\$ 471,400,408	\$ 518,804,385	\$ 524,968,852
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	126,511,056	139,498,164
Unrestricted	37,967,493	(493,908)	(9,545,963)	(3,531,600)	(18,134,149)	13,047,564	11,135,166	15,534,058	24,412,539	20,250,035
Total primary government net assets	<u>\$ 603,781,611</u>	<u>\$ 646,532,076</u>	<u>\$ 646,978,218</u>	<u>\$ 637,942,157</u>	<u>\$ 624,524,666</u>	<u>\$ 636,557,010</u>	<u>\$ 607,466,395</u>	<u>\$ 612,078,594</u>	<u>\$ 669,727,980</u>	<u>\$ 684,717,051</u>

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS**
(accrual basis of accounting)

	Fiscal Year Ending June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
Legislative and Advisory	\$ 385,570	\$ 374,331	\$ 322,556	\$ 327,583	\$ 277,713	\$ 285,594	\$ 230,008	\$ 125,753	\$ 181,654	\$ 220,581
Executive	1,295,966	1,368,798	1,307,999	1,335,818	1,443,648	686,783	515,508	922,039	513,771	2,442,285
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	1,654,657	798,688
Human Resources	912,034	919,935	1,041,490	1,273,713	1,325,483	668,458	500,773	499,447	556,953	962,813
Law	778,393	756,854	687,908	722,436	860,128	867,418	907,159	760,735	719,025	503,754
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	2,616,595	2,346,911
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	36,122,330	27,382,802
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	17,484,072	19,054,650
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	29,812,069	32,241,212
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	19,003,755	20,936,214
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	5,000,249	5,134,037
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	2,223,807	766,981
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	115,888,937	112,790,928
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	32,056,326	32,495,692
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	29,226,639	18,138,000
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	29,284,313	32,763,816
Marine World JPA	55,545,895	57,942,325	54,198,128	58,203,991	55,980,978	40,016,158	0	0	-	-
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	3,493,484	2,105,913
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	94,060,762	85,503,421
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	\$ 209,949,699	\$ 198,294,349
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	\$ 18,833,908	\$ 16,987,109
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	32,390,912	34,425,753
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	25,998,119	14,626,104
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	77,222,939	66,038,966
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	70,644,225	68,644,725
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	17,808,014	7,735,861
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	29,597,531	15,056,280
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	118,049,770	91,436,866
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	\$ 195,272,709	\$ 157,475,832
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)	\$ (38,665,998)	\$ (46,751,962)
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)	23,989,008	5,933,445
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)	\$ (14,676,990)	\$ (40,818,517)

CHANGES IN NET ASSETS LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year Ending June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
(Continued)										
General Revenues and Other Changes in Net Assets										
Governmental activities:										
General Revenues										
Taxes										
Property taxes	\$ 13,242,560	\$ 12,612,335	\$ 20,900,386	\$ 20,826,439	\$ 23,812,446	\$ 18,241,341	\$ 17,612,113	\$ 14,455,331	\$ 13,392,935	\$ 14,143,780
Incremental property taxes	2,489,068	19,428,752	3,581,499	4,466,603	4,302,203	4,908,635	3,591,154	3,280,994	3,061,230	1,790,418
Special assessments	3,548,185	2,877,767	-	-	-	-	-	-	-	-
Sales taxes	14,581,035	13,336,714	13,913,459	14,479,613	12,517,648	12,907,978	11,480,014	10,715,183	11,067,013	14,360,808
Utility user taxes	11,697,172	11,707,588	11,882,250	12,711,868	12,746,862	13,501,146	13,057,518	12,916,339	12,890,539	12,792,738
Motor vehicles	6,875,520	5,688,734	12,185,788	8,592,520	9,536,759	10,388,740	9,905,427	8,313,033	8,259,104	7,478,690
Other taxes	10,054,753	14,094,574	5,330,846	5,290,946	7,124,909	9,339,334	10,406,286	9,434,521	9,424,070	9,671,662
Mare Island CFD Assessments	-	-	-	-	-	5,311,886	5,022,136	3,499,675	2,099,096	2,351,533
Investment earnings	4,822,338	1,927,541	4,008,728	4,985,424	6,686,545	6,043,677	2,826,200	968,998	1,579,810	8,226,261
Gain on sale of capital assets	-	250,000	-	-	-	-	-	-	-	-
Miscellaneous	6,631,958	2,687,677	1,988,937	403,163	2,433,895	3,244,188	4,038,522	3,824,312	4,002,078	3,435,245
Capital contributions from developers	-	-	-	-	-	-	-	-	6,917,609	-
Extraordinary items:										
Debt Restructuring Adjustment	-	-	-	-	-	-	-	-	-	1,075,176
Assets transferred to/liabilities assumed by Successor Agency	-	-	-	-	-	-	-	-	-	(4,483,759)
Transfers	(380,487)	(796,567)	1,109,605	190,988	72,871	1,352,629	(621,487)	2,270,320	(372,100)	438,038
Total governmental activities	<u>73,562,102</u>	<u>83,815,115</u>	<u>74,901,498</u>	<u>71,947,564</u>	<u>79,234,138</u>	<u>85,239,554</u>	<u>77,317,883</u>	<u>69,678,706</u>	<u>72,321,384</u>	<u>71,280,590</u>
Business-type activities:										
General Revenues										
Property taxes	566,511	716,352	286,096	-	-	-	-	-	-	729,637
Investment earnings	4,957,815	1,600,870	3,067,039	1,549,559	4,225,630	2,716,137	(2,857,059)	2,930,362	1,358,973	2,008,565
Miscellaneous	1,176,453	(674,084)	43,604	37,705	64,536	247,080	171,513	115,081	1,025,919	636,068
Gain or (Loss) on sales or transfer of assets	(3,812,225)	-	2,194,319	-	-	28,442,907	-	-	-	(19,034,732)
Contributions	5,392,050	-	-	-	-	-	-	-	-	-
Extraordinary items:										
Debt Restructuring Adjustment	-	-	-	-	-	-	-	-	-	625,498
Transfers	380,487	796,567	(1,109,605)	(190,988)	(72,871)	(1,352,629)	621,487	(2,270,320)	372,100	(438,038)
Total business-type activities	<u>8,661,091</u>	<u>2,439,705</u>	<u>4,481,453</u>	<u>1,396,276</u>	<u>4,217,295</u>	<u>30,053,495</u>	<u>(2,064,059)</u>	<u>775,123</u>	<u>2,756,992</u>	<u>(15,473,002)</u>
Total primary government	<u>\$ 82,223,193</u>	<u>\$ 86,254,820</u>	<u>\$ 79,382,951</u>	<u>\$ 73,343,840</u>	<u>\$ 83,451,433</u>	<u>\$ 115,293,049</u>	<u>\$ 75,253,824</u>	<u>\$ 70,453,829</u>	<u>\$ 75,078,376</u>	<u>\$ 55,807,588</u>
Change in Net Assets										
Governmental activities	\$ 26,098,188	\$ 3,816,565	\$ 891,748	\$ (6,051,428)	\$ (13,538,602)	\$ (15,923,213)	\$ (20,633,198)	\$ 12,110,382	\$ 33,655,386	\$ 24,528,628
Business-type activities	<u>22,279,692</u>	<u>(5,269,313)</u>	<u>(445,606)</u>	<u>(4,018,053)</u>	<u>121,110</u>	<u>27,955,557</u>	<u>(8,457,417)</u>	<u>(7,498,183)</u>	<u>26,746,000</u>	<u>(9,539,557)</u>
Total primary government	<u>\$ 48,377,880</u>	<u>\$ (1,452,748)</u>	<u>\$ 446,142</u>	<u>\$ (10,069,481)</u>	<u>\$ (13,417,492)</u>	<u>\$ 12,032,344</u>	<u>\$ (29,090,615)</u>	<u>\$ 4,612,199</u>	<u>\$ 60,401,386</u>	<u>\$ 14,989,071</u>

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year Ending June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 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	4,012,922	1,433,060	11,929,653	8,739,529	5,246,450	1,453,476	2,397,227	3,834,873	-	-
Nonspendable	-	-	-	-	-	-	-	-	6,509,043	1,315,581
Restricted	-	-	-	-	-	-	-	-	208,435	242,919
Committed	-	-	-	-	-	-	-	-	350,685	381,709
Assigned	-	-	-	-	-	-	-	-	304,729	9,874,285
Unassigned	-	-	-	-	-	-	-	-	6,340,374	11,084,523
Total General Fund	\$ 7,846,315	\$ 4,125,934	\$ 13,856,344	\$ 10,856,672	\$ 7,021,397	\$ 3,513,040	\$ 4,325,868	\$ 5,839,440	\$ 13,713,266	\$ 22,899,017
All Other Governmental Funds										
Reserved	\$ 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	73,640,662	72,737,570	16,415,761	10,410,295	11,999,502	146,399	98,115	4,249	-	-
Debt service funds	(3,121,481)	-	(3,531,237)	(3,686,077)	(5,322,945)	(5,529,994)	(5,530,905)	(5,530,904)	-	-
Capital projects funds	33,583,423	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	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	3,898,072	102,072
Restricted	-	-	-	-	-	-	-	-	75,195,891	54,463,122
Committed	-	-	-	-	-	-	-	-	1,890,263	3,087,235
Assigned	-	-	-	-	-	-	-	-	2,423	1,883
Unassigned	-	-	-	-	-	-	-	-	(6,390,906)	-
Total all other governmental funds	\$ 139,275,023	\$ 144,805,286	\$ 136,038,672	\$ 136,449,140	\$ 116,569,043	\$ 101,874,139	\$ 83,954,714	\$ 79,162,215	\$ 74,595,743	\$ 57,654,312

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year Ending June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 49,449,077	\$ 51,936,540
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	2,758,651	2,356,064
Fines and forfeitures	1,216,869	1,434,419	1,450,743	3,887,337	1,683,911	1,827,945	1,560,809	1,619,074	1,718,092	2,726,824
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	66,450,139	53,299,532
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	3,391,067	3,328,151
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	14,276,523	14,742,402
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	1,329,468	3,249,481
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	139,373,017	131,638,994
Expenditures										
Current:										
Legislative and Advisory	384,957	368,718	311,994	323,174	270,743	292,370	215,485	152,693	180,050	219,289
Executive	1,292,900	1,316,730	1,413,534	1,374,916	1,425,841	736,846	621,003	958,688	530,814	2,221,478
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	1,658,660	934,626
Human resources	910,174	890,623	973,717	1,282,442	1,319,304	723,493	553,254	542,961	542,742	986,692
Law	775,735	733,749	628,677	764,614	871,733	892,284	863,429	812,432	702,882	592,192
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	2,640,564	2,426,783
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	35,884,630	32,372,627
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	17,367,449	18,110,162
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	29,247,704	30,774,361
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	11,566,388	12,292,557
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	5,000,249	5,134,037
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	26,647,150	13,321,436
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	1,324,504	6,033,970
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	1,306,025	766,981
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	134,599,811	126,187,191
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)	4,773,206	5,451,803
Other financing sources (uses):										
Gain (loss) on sale of assets	-	1,411,000	-	-	-	-	-	381,327	119,428	-
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	7,905,371	10,500,436
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)	(9,566,511)	(11,112,398)
Proceeds from long-term debt issuance	11,497,776	6,743,199	-	-	661,320	411,052	-	1,023,741	75,860	78,766
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)	(1,465,852)	(533,196)
Extraordinary Item:										
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor	-	-	-	-	-	-	-	-	-	(12,674,287)
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)	\$ 3,307,354	\$ (7,755,680)
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	\$ 85,001,655	\$ 88,309,009
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	\$ 88,309,009	\$ 80,553,329
Debt service as a percentage of noncapital expenditures	11%	4%	6%	3%	5%	3%	3%	3%	2%	6%

Assessed Value and Estimated Actual Value of Taxable Property

Last Eight Fiscal Years

Fiscal Year Ended June 30	City					Former Agency / Successor Agency to Redevelopment Agency 1					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%
2011	7,988,586,847	218,037,092	130,670	(956,462,720)	7,250,291,889	320,815,890	63,140,016	168,820	(48,616,563)	335,508,163	0.24622%
2012	7,740,206,643	200,451,644	130,670	(939,219,031)	7,001,569,926	334,138,674	61,058,136	168,820	(52,623,635)	342,741,995	0.24622%

144

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

¹ The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012. The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

² The City of Vallejo has elected to show only eight years of data for this schedule.

Source: County Assessor's Office
 HDL Property Report

**Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)**

Last Ten Fiscal Years

Fiscal Year Ending June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Direct Rates:										
City basic rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.246223	0.246223	0.246223
Total City Direct Rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.246223	0.246223	0.246223
Overlapping Rates:										
Acc Capital Outlay	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.008070	0.008070	0.008070
Aviation	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.001190	0.001190	0.001190
BAAQMD	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.002194	0.002194	0.002194
County Free Library	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.027432	0.027432	0.027432
County General	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.313305	0.313305	0.313305
County School Service Fund Support	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.011342	0.011342	0.011342
County Support-Board of Education	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.003341	0.003341	0.003341
Development Center	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.002169	0.002169	0.002169
GVRD	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.064899	0.064899	0.064899
Library Special Tax Zone 7	0.01385	0.01385	0.01385	0.01385	0.01365	0.01365	0.01365	0.013649	0.013649	0.013649
Mosquito Abatement	0.00567	0.00567	0.00567	0.00567	0.00587	0.00587	0.00587	0.005871	0.005871	0.005871
Recreation	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.002025	0.002025	0.002025
SCC Voter Debt	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.027583	0.027583	0.027583
Solano County Water District	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.015274	0.015274	0.015274
Vallejo Unified School District M&O	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.240691	0.240691	0.240691
VSFCD Operating	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.014742	0.014742	0.014742
Total Prop. 13 Direct Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.000000	1.000000	1.000000
Sc Fld State Wtr Pj Zone Ben #1	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.020000	0.020000	0.020000
Sec GOB Series 2003-A	0.00000	0.01432	0.01532	0.01643	0.01211	0.01189	0.00000	0.015375	0.016357	0.017113
Vallejo Usd Bond 97 Measure A	0.01603	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	-	-	-
Vallejo Usd Measure A 2002	0.06657	0.05221	0.02566	0.02238	0.01852	0.01556	0.01571	0.018850	0.017413	0.016091
Vallejo Usd Measure A 2004	0.00000	0.00000	0.01620	0.00874	0.01019	0.00914	0.00962	0.012186	0.012578	0.012583
Vallejo Usd Measure A 1999	0.02313	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	-	-	-
Vallejo Usd Measure A 2000	0.01851	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	-	-	-
Vallejo Usd State Repay	0.00033	0.00014	0.00007	0.00001	0.00000	0.00000	0.00000	-	-	-
Vallejo Usd 2002-A GOB Refunding	0.00000	0.05723	0.04535	0.04267	0.03828	0.03597	0.03958	0.053689	0.075437	0.065545
Vallejo Usd Measure A - 2006	0.00000	0.00000	0.00000	0.00000	0.01643	0.01153	0.00993	0.004937	0.008040	0.006485
Sec GOB Series 2006B	0.00000	0.00000	0.00000	0.00000	0.00336	0.00269	0.00258	0.003086	0.003092	0.003043
Sec GOB Series 2005 Refunding	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01240	-	-	-
Total Voter Approved Rate	0.14457	0.14390	0.12260	0.11023	0.11888	0.10677	0.10981	0.128123	0.152917	0.140860
Total Direct Rate	<u>1.14457</u>	<u>1.14390</u>	<u>1.12260</u>	<u>1.11023</u>	<u>1.11888</u>	<u>1.10677</u>	<u>1.10981</u>	<u>1.128123</u>	<u>1.152917</u>	<u>1.140860</u>

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: County Assessor's Office

Principal Property Tax Payers

Current Year and Nine Years Ago

Taxpayer	2012		2003	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Park Management Corp.	\$ 78,366,925	1.07%	\$ 68,196,998	1.25%
Centro Watt Property Owner II	72,880,924	0.99%	-	-
Prime Ascot LP	54,870,866	0.75%	-	-
Sundance Vallejo	32,391,757	0.44%	-	-
Lennar Mare Island	27,317,063	0.37%	-	-
KW WDC Vallejo LLC	24,890,726	0.34%	-	-
Ogino LLC	24,702,892	0.34%	-	-
Touro University	23,214,664	0.32%	-	-
Hart Sterling Village Apartment LLC	21,689,365	0.30%	-	-
Centro Watt Owner II LLC	21,200,000	0.29%	-	-
M&H Realty Partners	-	-	46,215,263	0.85%
Pacific Bell	-	-	34,616,318	0.64%
Sutter Solano Medical Center	-	-	32,726,441	0.60%
Sundance - Vallejo	-	-	28,655,915	0.53%
Misawa Homes Inc	-	-	19,073,803	0.35%
Vallejo Venture 99 LLC	-	-	18,516,636	0.34%
Pan Pacific Retail Partners	-	-	17,478,720	0.32%
General Mills Inc	-	-	16,270,568	0.30%
Oakmont Properties II	-	-	15,013,644	0.28%
Total	\$ 381,525,182	5.19%	\$ 296,764,306	5.45%

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

Source: County Assessor's Office
HDL Report

Property Tax Levies and Collections**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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.
2011	14,988,824	14,721,738	98.22%	not available	not available	n.a.
2012	14,464,482	14,216,317	98.28%	not available	not available	n.a.

NOTE:

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

Source: Solano County Auditor Controller's Office

Ratios of Outstanding Debt by Type**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities					
	General Obligation Bonds	RDA Tax Allocation Bonds ¹	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations	Total Governmental Activities
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
2011	-	10,091,320	24,014,165	-	1,059,063	35,164,548
2012	-	-	3,911,143	13,770,344	855,379	18,536,866

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

¹ No longer reported under governmental activities as the result of the dissolution of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency was once a blended component unit of the City.

The Redevelopment Successor Agency financial transactions are now reported in a separate trust fund.

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

Ratios of Outstanding Debt by Type**Last Ten Fiscal Years**

Revenue Bonds	Business-type Activities			Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
	Certificates of Participation	Loans & Notes Payable	Total Business-type Activities			
\$ 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
58,169,066	87,265,475	17,998,136	163,432,677	198,597,225	4.37%	1,705
58,923,128	53,334,101	40,340,363	152,597,592	171,134,458	3.88%	1,476

Ratio of General Bonded Debt Outstanding Last Ten Fiscal Years

(In Thousands, except Per Capita)

Fiscal Year Ended June 30	RDA Tax Allocation Bonds ¹		Total	Percent of Assessed Value ²	Per Capita ³
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
2011		10,091	10,091	0.13%	87
2012		-	-	0.00%	-

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 No longer reported under governmental activities as the result of the dissolution of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency was once a blended component unit of the City.

² Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

³ These ratios are calculated using personal income and population for the current calendar year.

Direct and Overlapping Debt**June 30, 2012**

FY 2011-12 Assessed Valuation		\$7,344,311,921	
Redevelopment Agency Incremental Valuation		(315,541,119)	
Adjusted Assessed Valuation		<u>\$7,028,770,802</u>	
			City's Estimated
	Percentage	Total	Share of
	Applicable ¹	Outstanding	Overlapping
		Debt 6/30/12	Debt 6/30/12
Overlapping Debt Repaid with Property Taxes:			
Solano County Community College District	24.144%	\$ 104,445,090	\$ 25,217,223
Vallejo Unified School District	97.963%	83,390,000	81,691,346
Vallejo Unified School District CFD No. 2	100.000%	22,070,000	22,070,000
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	15,650,000	15,650,000
City of Vallejo 1915 Act Bonds	100.000%	7,415,000	7,415,000
Total overlapping debt repaid with property taxes		<u>232,970,090</u>	<u>152,043,569</u>
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	23.008%	117,170,000	26,958,474
Solano County Pension Obligations	23.008%	78,880,000	18,148,710
Solano County Board of Education Certificates of Participation	23.008%	2,230,000	513,078
Vallejo Unified School District Certificates of Participation	97.963%	34,655,000	33,949,078
City of Vallejo General Fund Obligations	100.000%	47,362,738	47,362,738
Total Direct and Overlapping General Fund Debt		<u>280,297,738</u>	<u>126,932,078</u>
City direct debt			<u>\$47,362,738</u>
Total overlapping debt ²			<u>\$ 231,612,909</u>
Combined Total Debt			<u><u>\$ 278,975,647</u></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.

Legal Debt Margin Information**Last Nine Fiscal Years**

	Fiscal Year Ending June 30								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 7,250,291,889	\$ 7,001,569,926
Conversion percentage	25%	25%	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	1,812,572,972	1,750,392,482
Debt limit percentage	15%	15%	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	\$ 271,885,946	\$ 262,558,872
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 212,342,097</u>	<u>\$ 263,141,844</u>	<u>\$ 297,599,631</u>	<u>\$ 343,853,023</u>	<u>\$ 377,017,363</u>	<u>\$ 357,508,886</u>	<u>\$ 289,844,644</u>	<u>\$ 271,885,946</u>	<u>\$ 262,558,872</u>
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%	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 nine years of data for this schedule.

² Section 43605 of the California Government Code for General Obligation bonds.

Pledged Revenue Coverage**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Water Revenue Bonds (a)				
	Gross Water Revenues (b)	Less Expenses (c)	Net Available Revenues	Total Debt Service (d)	City system Coverage
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
2011	36,836,222	23,243,250	13,592,972	5,029,601	2.70
2012	35,443,045	24,069,547	11,373,498	5,027,461	2.26

a) Data is not readily available prior to fiscal year 2005.

b) Includes operating revenues, investment earnings, contributions.

c) Excludes depreciation, debt service payments and transfers.

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

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

Pledged Revenue Coverage

Last Ten Fiscal Years

Wastewater

Fiscal Year Ended June 30	Utility Service Charges	Less Operating Expenses	Net Available Revenues	Debt Service (Principal and Interest)							Coverage Ratio
				2011 Rev Bonds	2006 COP	2001 COP	1993 COP	State Revenue Fund Loans	Notes Payable	Total	
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
2011	25,853,201	16,209,375	9,643,826	33,160	2,499,531	236,769	2,755,344	1,219,556	-	6,744,360	1.43
2012	26,639,300	15,838,616	10,800,684	313,742	2,490,967	664	2,767,704	1,219,433	-	6,792,510	1.59

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	Former Agency / Successor Agency (a)			
	Tax Increment / ROPS	Debt Service (b)		Coverage
		Principal	Interest	
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
2011	3,061,230	465,000	714,155	2.60
2012	1,833,660	510,000	678,430	1.54

a) The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012. The Redevelopment Successor Agency financial transactions are now reported in a separate trust fund.

b) 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

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)
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%
2011	116,508	4,543,695	38,999	14.0%
2012	115,928	4,414,306	38,078	12.5%

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

Principal Employers**Current Year and Nine Years Ago**

Employer	2012		2003	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,906	6.73%	2,685	4.71%
Six Flags Discovery Kingdom	1,600	2.76%	1,660	2.91%
Vallejo Unified School District	1,600	2.76%	2,160	3.79%
Kaiser Permanente Call Center	950	1.64%	830	1.46%
Sutter Solano Medical Center	690	1.19%	601	1.05%
City of Vallejo	485	0.84%	625	1.10%
CA Highway Patrol, Regional Off	400	0.69%	344	0.60%
Touro University California	385	0.66%	-	0.00%
U.S. Forest Service	300	0.52%	400	0.70%
Petrochem Corporate Headquarters	225	0.39%	-	0.00%
U.S. Postal Service	-	0.00%	215	0.38%
TIMEC Co	-	0.00%	-	0.00%
California Maritime Academy	-	0.00%	200	0.35%

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

Source: Vallejo Chamber of Commerce (May 2006 and December 2007)
City of Vallejo Economic Development Department
California Employment Development Department

**Full-time and Part-time City Employees
by Function
Last Ten Fiscal Years**

<u>Function</u>	<u>Full-Time and Part-Time Employees as of June 30</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>	<u>2011</u>	<u>2012</u>
General government	62	66	62	61	49	46	45	41	40	49
Public safety	355	350	320	325	329	291	250	214	195	192
Public works	63	67	59	59	63	62	58	54	59	60
Mare Island Coop/CFD	4	4	3	2	5	2	2	2	2	2
Economic Development	26	23	20	21	23	29	26	21	22	20
Housing	25	26	24	25	22	18	17	17	17	17
Solid Waste Disp	1	1	1	1	1	-	-	-	-	-
Landscape District	4	3	5	5	6	8	8	7	4	4
Risk Management	3	2	3	3	3	2	2	2	2	2
Water	82	83	75	77	95	98	101	101	103	103
Transportation	4	4	6	6	6	5	5	5	5	5
Marina	4	4	4	3	3	3	3	3	4	4
Corp Yard	<u>17</u>	<u>17</u>	<u>16</u>	<u>16</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>	<u>8</u>	<u>8</u>
Total	<u>650</u>	<u>650</u>	<u>598</u>	<u>604</u>	<u>615</u>	<u>574</u>	<u>528</u>	<u>477</u>	<u>461</u>	<u>466</u>

Source: City of Vallejo Adopted Budget

**Operating Indicators
by Function
Last Ten Fiscal Years**

	Fiscal Year Ending June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Arrests	7,618	2,610	5,250	7,658	8,682	7,589	7,300	4,273	3,133	3,643
Parking citations issued	16,054	16,971	15,097	14,108	13,200	12,864	5,178	3,676	4,532	4,385
Fire:										
Number of emergency calls	10,313	10,363	10,547	11,030	11,194	11,739	12,098	12,149	12,119	12,546
Inspections (Fire Prevention)	1,547	2,071	1,079	967	1,371	947	842	1,200	675	2,122
Inspections (Code Enforcement) ¹	6,187	4,148	3,240	4,305	4,247	157	2,776	8,000	5,567	2,623
Public works:										
Street resurfacing (miles)	3.69	1.82	2.95	27.70	2.20	16.47	18.47	46.50	55	5.6
Water:										
New connections	397	436	559	314	139	71	31	67	51	42
Average daily consumption (thousands of gallons)	21,500	22,350	20,620	21,030	21,271	20,658	19,402	17,975	17,698	16,976
Development Services:										
Building permits	3,772	3,702	3,473	3,357	3,427	2,000	1,837	2,175	1,791	1,797
Housing Rental units ²	2,266	2,266	2,266	2,266	2,266	2,266	2,267	2,267	2,292	2,194
Housing Vouchers ³	2,171	2,246	2,210	2,105	2,041	2,036	2,156	2,147	2,149	2,292
Golf course:										
Golf rounds played ⁴	146,415	130,651	114,353	96,750	112,296	87,416	82,373	65,470	64,407	66,133

¹ Function transferred to Development Services

² Amounts listed represent the number of rental units contracted.

³ Amounts listed represent actual vouchers issued.

⁴ From 2003 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

**Capital Asset Statistics
by Function
Last Ten Fiscal Years**

	Fiscal Year Ending June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Stations	4	4	4	4	4	3	3	3	3	3
Fire:										
Fire stations	8	8	8	8	8	6	6	6	6	6
Public works:										
Streets (miles)	315	315	315	350	351	351	351	351	351	351
Traffic signals	131	131	134	134	151	151	148	148	148	123
Water:										
Water mains (miles)	600	600	605	622	623	623	624	624	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	2	2	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.