

# CITY OF VALLEJO CALIFORNIA



**Vallejo Ferry Terminal**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CITY OF VALLEJO, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

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CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2013

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February 28, 2014

**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 2013 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, 2013, 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, 2013, 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 117,796 Vallejo is the largest City in Solano County and the 50<sup>th</sup> largest City in population among California's 482 cities. Vallejo is located approximately 30 miles northeast of San Francisco and 50 miles southwest of Sacramento on Interstate 80. The Sacramento, Napa and San Joaquin Rivers all flow into the San Francisco Bay at Vallejo. Rolling hills surround the City, protecting it from fogs and wind typical of many coastal towns. The climate is mild Mediterranean. It is connected to the Greater Bay Area, the Pacific Rim, and the rest of the world by ship, rail, car and air.

The City of Vallejo, a municipal corporation incorporated in March 1868, under the laws of the State of California is a Charter City located within Solano County in Northern California. The City operates under a City Charter originally adopted in 1911 and last amended in November 2013. 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)
- Marine World Joint Powers Authority (the Marine World JPA)
- Vallejo Sanitation and Flood Control District (VSFCD)
- Vallejo Sanitation and Flood Control District Financing Corporation

## ECONOMIC CONDITION AND OUTLOOK

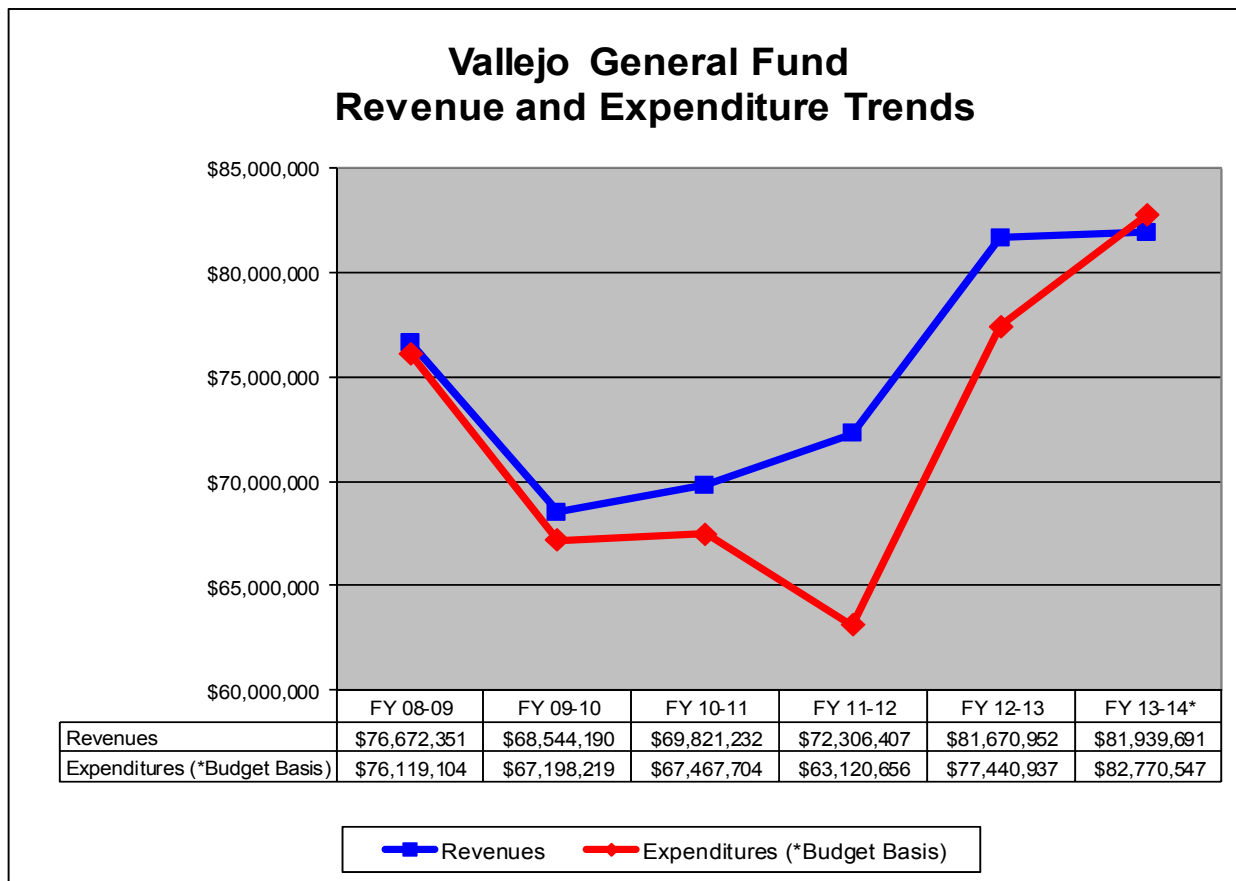
Recent economic news indicates that a slow economic recovery is continuing. Unemployment data is slowly improving, sales tax revenue is increasing, the economy is growing modestly and the Vallejo housing market is beginning to show signs of recovery.

**Revenue** – Fiscal year 2012-2013 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 economic recession reduced the City's General Fund revenues from a record high at June 30, 2008 of \$84 million to \$81.7 million including the Measure B transactions tax of \$11.7 million. Without the Measure B revenues, the General fund revenues declined 17% from the peak. Measure B revenues are a result of a voter approved 1% transaction tax for a 10 year period. With the passage of Measure B, revenues began flowing to the City in April 2011. The fiscal year 2012-13 revenues are higher than the fiscal year 2011-12 increasing by \$10 million or 13.8%.

The City is projecting a slight increase in revenues for FY 2013-14 and for modest overall growth in its General Fund revenues going forward.

The following chart tracks this revenue and expenditure trend:



Recent economic news indicates that the economic recovery underway in the San Francisco Bay Area is just beginning to reach Solano County. Median home prices in the City have continued to decline 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 the coming years. Various data sources estimate the drop in median prices from high to low has been as large as 68%. 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 continues to suffer the effects of the economic recession and resulting decline in consumer confidence. The June 2013 unemployment rate decreased to 10.9% as compared to the June 2012 unemployment rate of 12.9%.

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 has had 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' "smoothing" policy may result in negative amortization of its unfunded liability. PERS is proposing additional changes to their actuarial assumptions regarding mortality rates. This change will impact rates beginning in FY 16/17

For FY 2014-15 compared to FY 2013-14, the total City-paid contribution rate for police and fire safety employees will increase by approximately 3% and the rate for all other employees will increase by 1.7%. This will result in projected City-paid contribution rates for safety employees and other employees of 50.8% and 30.2% 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.

**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 determination of the annual funding level was made in the Bankruptcy Plan of Adjustment and is being supported with Measure B revenues.

**State Budget** – The Governor's fiscal year 2014-15 budget proposal reflected California's most stable fiscal footing in over a decade. With tough spending cuts enacted over the past 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 showing progress in paying down the "wall of debt" and rebuilding reserve levels.

The State's fiscal year 2014-15 budget may be balanced, but there are still risks associated with this budget. The forecast for revenues attributable to personal income tax and capital gains is subject to volatility. The state continues 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.

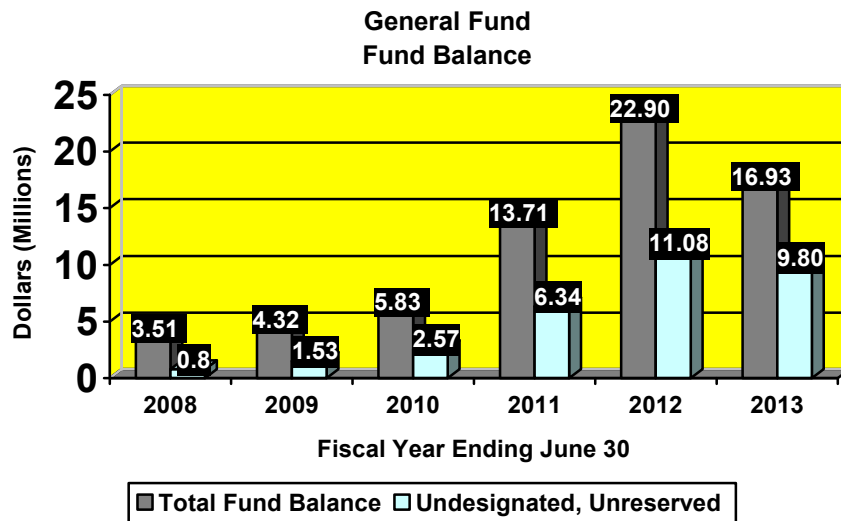
Future State budgets will likely continue to be affected by national and state economic conditions, as well as other factors over which the City will have no control. To the extent that the State's annual budget process results in reduced revenues or increased expenses to cities, Vallejo will be required 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 placed 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 continues to hamper 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 \$12 million annually in additional sales tax revenues.

**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, 2013, as compared with the five prior years. Note that June 30, 2013 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.

**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. Although their delay will accentuate the economic difficulties the City is facing over the short term, the City's strategic location for a regional transportation hub bodes well for the long term.

**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 businesses, new jobs and new revenue to sustain Mare Island and

ultimately, enhance the City's economic well-being. The recent relocation of the Corporate headquarters of Blu Homes Inc., to Mare Island being but the latest example of these efforts.

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 funding sources, such as the Measure B revenues to improve the downtown streetscape.

The Vallejo Station project, which benefits downtown and the waterfront, opened for public use in October 2012 and began collecting fees in August 2013. This is a significant transit-related parking project that provides 750 parking spaces for commuter, business, special events and visitors to the downtown.

Work on the southern waterfront will 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 continued the "Neighborhood Law" and pro-active code enforcement program to address and improve the appearance of blighted properties throughout the City.

**Participatory Budgeting** – In 2012, the Vallejo City Council established the first city-wide Participatory Budgeting process in the United States, where ordinary residents directly decided how to spend a portion of the city budget. Through the Participatory Budgeting process, Vallejo residents and stakeholders share ideas, develop project proposals, residents vote on projects, and the approved list of projects that receive the most votes are submitted to City Council for consideration. In the 2012-2013 Participatory Budgeting process, 33 projects were proposed, 12 were approved by 3,917 Vallejo voters representing \$3,282,150 in funding or approximately 30% of anticipated Measure B related tax revenues in the 2012-13 fiscal year. The Participatory Budgeting program has been continued in FY 2013-14 using additional Measure B revenues.

## 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, Ron Millard, Assistant Finance Director 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, 2013

Osby Davis, Mayor  
Stephanie Gomes, Vice Mayor  
Hermie Sunga, Councilmember  
Marti Brown, Councilmember  
Jesus Malgapo, Councilmember  
Bob Sampayan, Councilmember  
Robert McConnell, Councilmember

#### Term Expires

December 2015  
December 2013  
December 2013  
December 2013  
December 2013  
December 2015  
December 2015

### City Manager

Daniel E. Keen

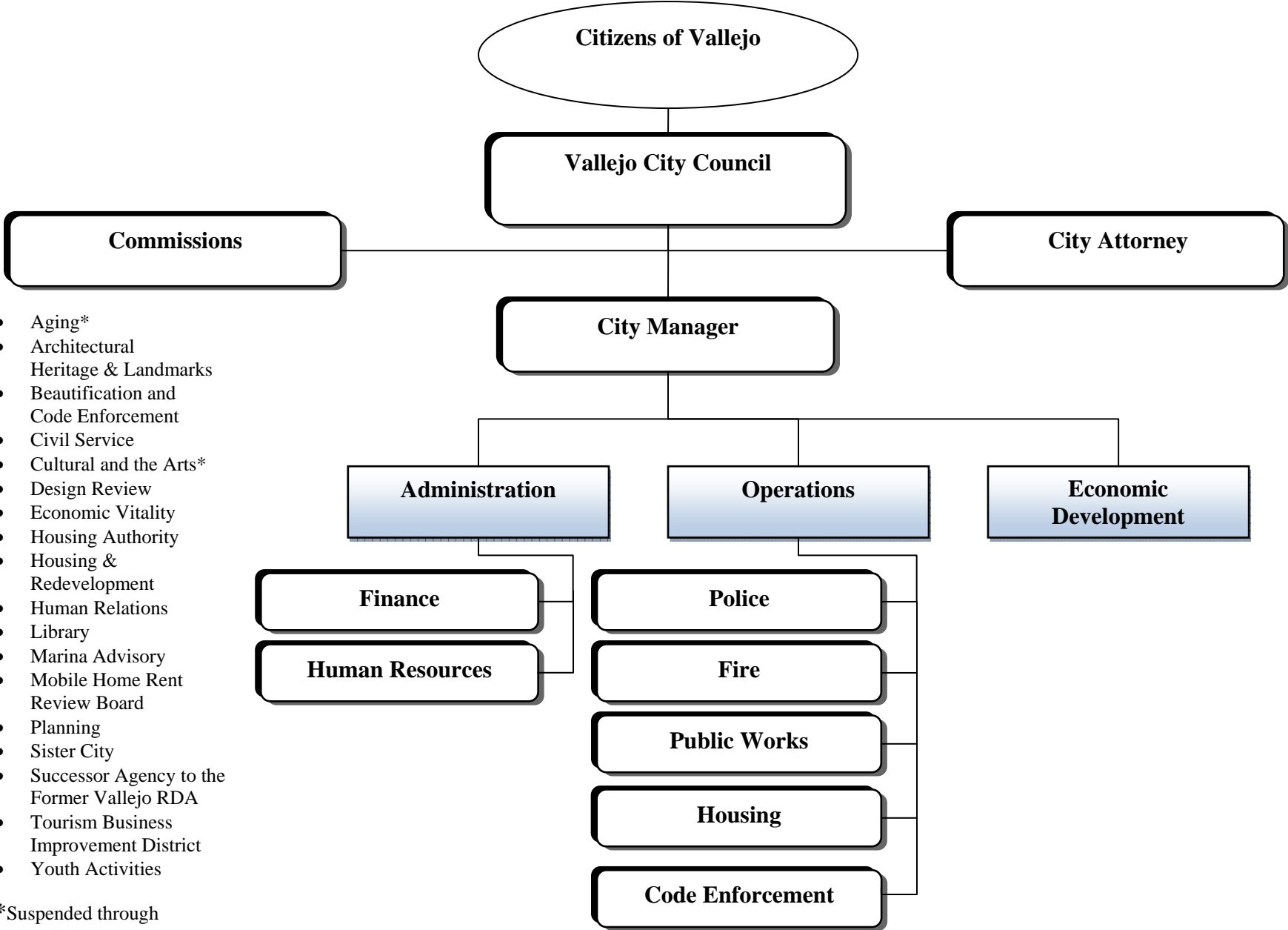
### City Attorney

Claudia Quintana

### Executive Management Team

Craig Whitton, Assistant City Manager  
Deborah Lauchner, Finance Director  
Maria Olvera, Human Resources Director  
Joseph Kreins, Police Chief  
Ron Prince, Interim Fire Chief  
David Kleinschmidt, Public Works Director  
Dan Marks, Interim Economic Development Director

# City of Vallejo Organization Chart



- Aging\*
- Architectural Heritage & Landmarks
- Beautification and Code Enforcement
- Civil Service
- Cultural and the Arts\*
- Design Review
- Economic Vitality
- Housing Authority
- Housing & Redevelopment
- Human Relations
- Library
- Marina Advisory
- Mobile Home Rent Review Board
- Planning
- Sister City
- Successor Agency to the Former Vallejo RDA
- Tourism Business Improvement District
- Youth Activities

\*Suspended through June 2013

## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vallejo, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements of the Vallejo Sanitation Flood and Control District (VSFCD), which represents 42.04%, 42.58%, and 16.72% of the assets, net position, and revenues, respectively, of the primary government. Those component unit financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the VSFCD, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows 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.

## ***Emphasis of Matters***

As discussed in Note 15, 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 was dissolved and its assets turned over to and liabilities assumed by a Housing Successor and a Successor Agency effective January 31, 2012. 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.

Also as discussed in Note 15, certain transactions undertaken by the former Redevelopment Agency prior to the date of dissolution are subject to an asset transfer review by the State Controller's Office. The review has been completed and the State has issued the report in draft form which indicates that assets of the former Redevelopment Agency totaling \$34,797,791 held by the City and Housing Successor are to be returned to the Successor Agency. The assets held by the City are comprised of capital assets of \$22,015,203, and the City disputes the State's conclusion since management contends that a Disposition and Development Agreement (DDA) requires ownership of the parcels transfer to the City. The City filed a formal response to the State's draft findings that includes documentation that the assets transferred were related to a DDA that the Department of Finance has approved as an enforceable obligation. Under the terms of the DDA, the former Redevelopment Agency was required to transfer the capital assets to the City for the construction of the Vallejo Station Parking Garage. The assets held by the Housing Successor are comprised of the housing assets of the former Redevelopment Agency totaling \$12,782,588 that were transferred under the provisions of Health and Safety Code Section 34176 approved by the State Department of Finance, but not approved by the Oversight Board. Management anticipates that the Oversight Board will approve the transfer of the housing assets in February 2014 and therefore it is anticipated that those assets can be retained by the Housing Successor.

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 may be 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.

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 that either had material effects (Statement 61) or affected June 30, 2013 the format and nomenclature of the financial statements (Statement 63):

Statement 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. See Note 1A to the financial statements for relevant disclosures.

Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. See Notes 1B and 1D to the financial statements for relevant disclosures.

Management early-implemented the provisions of the following Governmental Accounting Standards Board Statement during the year ended June 30, 2013 that also affected the format and nomenclature of the financial statements and required a restatement of net position:

Statement 65 – *Items Previously Report as Assets and Liabilities*. See Notes 1D and 6 to the financial statements for relevant disclosures.

As discussed in Note 12E, the City restated the balance of unearned revenue in the Statement of Net Position.

The emphasis of these matters does not constitute a modification to our opinions.

### ***Other Matters***

#### *Required Supplementary Information*

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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Mane & Associates*

Pleasant Hill, California  
January 21, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2013**

**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, 2013. 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**

**Government-wide**

- The assets of the City exceeded its liabilities and deferred outflows at June 30, 2013 by \$448,068,835. Of this amount, \$352,759,826 is invested in capital assets, net of related debt; \$73,360,991 is restricted for debt service, capital projects, special projects and programs; and \$21,948,018 is unrestricted.
- The City's net position decreased by \$36,997,474 primarily due to the transfer of transportation assets to the Water Emergency Transport Agency (WETA) and Solano County Transit (SolTrans). Governmental activities net position decreased by \$1,475,089 and business-type activities net position decreased by \$35,522,385.
- Government-wide revenues, excluding special and extraordinary items, decreased by \$21,098,593 or 10.9% to \$172,918,818 from 2012's total of \$194,017,411 primarily due to the transfer of ferry and bus operations as mentioned above.
- Government-wide expenses increased by \$3,171,615 or 2% from 2012's total of \$165,455,622.

**Fund Level**

- Governmental fund balances decreased to \$78,987,704 from the prior year's \$80,553,329.
- Governmental fund revenues decreased by \$467,911 or 0.4% from the prior year's \$131,638,994.
- Governmental fund expenditures increased by \$5,613,300 or 4.3% to \$131,800,491 from prior year's \$126,187,191.
- The City's General Fund experienced a \$6 million operating deficit in fiscal year 2012-13 due to a supplemental pension contribution of \$6.6 million, ending with an unassigned fund balance of \$10 million or 13% of expenditures.

## 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 Position* 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 City's activities include the activities of multiple legal entities, and the Vallejo Sanitation and Flood Control District (VSFCD), a discretely presented component unit, because the City is either financially accountable for these entities or has control of the governing board of these entities.
- 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 Position

The following is a summary of the City's government-wide net position as of June 30, 2013 and 2012, as measured on the accrual basis of accounting, along with a discussion of some of the most significant balances (in millions):

**Statement of Net Position  
as of June 30, 2013**  
(In millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012 (A)</u>	<u>2013</u>	<u>2012 (A)</u>	<u>2013</u>	<u>2012 (A)</u>
<b>Assets</b>						
Current and other assets	\$133.7	\$129.0	\$36.2	\$42.4	\$169.9	\$171.4
Capital assets	<u>336.3</u>	<u>337.7</u>	<u>114.7</u>	<u>154.5</u>	<u>451.0</u>	<u>492.2</u>
Total assets	<u>470.0</u>	<u>466.7</u>	<u>150.9</u>	<u>196.9</u>	<u>620.9</u>	<u>663.6</u>
<b>Deferred Outflows of Resources</b>						
Unamortized loss on refunding of debt			<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>
<b>Liabilities</b>						
Current and other liabilities	30.5	29.0	10.3	16.7	40.8	45.7
Long-term liabilities	<u>55.8</u>	<u>52.4</u>	<u>77.6</u>	<u>81.7</u>	<u>133.4</u>	<u>134.1</u>
Total liabilities	<u>86.3</u>	<u>81.4</u>	<u>87.9</u>	<u>98.4</u>	<u>174.2</u>	<u>179.8</u>
<b>Net position</b>						
Net investment in capital assets	317.9	319.1	34.8	70.6	352.7	389.7
Restricted	69.1	67.1	4.3	4.5	73.4	71.6
Unrestricted	<u>(3.3)</u>	<u>(0.9)</u>	<u>25.2</u>	<u>24.7</u>	<u>21.9</u>	<u>23.8</u>
Total net position	<u>\$383.7</u>	<u>\$385.3</u>	<u>\$64.3</u>	<u>\$99.8</u>	<u>\$448.0</u>	<u>\$485.1</u>

(A) 2012 Net Position has been restated as discussed in Notes 1A, 6 and 12E to the Financial Statements

Total City current and other assets of \$169.9 million are offset by \$40.8 million of current and other liabilities and the investment in capital assets consists of assets totaling \$451 million reduced by related liabilities of \$93.8 million for a net position of \$448 million at June 30, 2013.

- Government-wide capital assets decreased by \$41.2 million during the year. Business-type assets decreased by \$40 million. Decreases in the capital assets were primarily attributable to the City's transfer of transportation program assets with its investment of \$41.7 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 \$31.4 million for Vallejo Station, a major grant funded transportation infrastructure project, including passenger terminals, parking structures and maintenance facilities this year. During the year, the City accepted over \$2.8 million in developer constructed infrastructure projects consisting of streets, sidewalks and traffic lights. Depreciation amounted to \$8.8 million for Governmental Activities.
- Total liabilities have decreased by \$5.6 million. The reduction is mainly due to the transfer of ferry and bus operations
- Unrestricted net position decreased by \$1.9 million to \$21.9 million (3.5% of total assets). Total net position decreased by \$37.0 million, which primarily due to the transfer of ferry and bus operations as explained above.
- Governmental unrestricted net position 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, 2013 and 2012, 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, 2013**

(In thousands)

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>						
Program revenues						
Charges for services	\$15,463	\$16,987	\$39,543	\$41,984	\$55,006	\$58,971
Operating grants and contributions	35,971	36,777	351	7,736	36,322	44,513
Capital grants and contributions	6,926	14,626	2,117	10,549	9,043	25,175
General revenues						
Property, sales and other taxes	55,539	47,446		402	55,539	47,848
User utility	12,522	12,793			12,522	12,793
Other	4,294	4,718	193		4,487	4,718
<b>Total revenues</b>	<b>130,715</b>	<b>133,347</b>	<b>42,204</b>	<b>60,671</b>	<b>172,919</b>	<b>194,018</b>
<b>Expenses</b>						
Governmental activities						
Legislative and advisory	277	220			277	220
Executive	2,743	2,442			2,743	2,442
Finance	1,258	799			1,258	799
Human resources	934	963			934	963
Law	1,055	504			1,055	504
Development services	1,984	2,347			1,984	2,347
Community development	30,572	27,383			30,572	27,383
Fire services	21,373	19,055			21,373	19,055
Police services	34,546	32,241			34,546	32,241
Public works	20,643	20,936			20,643	20,936
Nondepartmental	12,194	5,134			12,194	5,134
Interest on long-term debt	209	767			209	767
Business-type activities						
Water			33,770	32,421	33,770	32,421
Local transportation			2,613	18,138	2,613	18,138
Marina			2,602	1,649	2,602	1,649
Golf			2,514	456	2,514	456
Vallejo Station Parking			236		236	
<b>Total expenses</b>	<b>127,788</b>	<b>112,791</b>	<b>41,735</b>	<b>52,664</b>	<b>169,523</b>	<b>165,455</b>
Excess before transfers, special and extraordinary items	2,927	20,556	469	8,007	3,396	28,563
Transfers	(4,402)	438	4,402	(438)		
Special items			(40,394)		(40,394)	
Extraordinary items		(3,409)		(18,410)		(21,819)
Change in net position	(1,475)	17,585	(35,523)	(10,841)	(36,998)	6,744
Net position - beginning, restated	385,219	367,634	99,848	110,689	485,067	478,323
Net position - ending	<u>\$383,744</u>	<u>\$385,219</u>	<u>\$64,325</u>	<u>\$99,848</u>	<u>\$448,069</u>	<u>\$485,067</u>



- Fiscal 2012-13 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 special item that relates to the transfer of transportation assets to other agencies. Operating costs for sanitation and flood control activities are performed by a separate district presented as a discrete component unit. The golf courses and marina required support from the General Fund.
- Governmental activities financial results were, also, generally consistent with prior year except for capital grants and contributions revenue. Capital grants show decrease due to transfer of assets and capital projects to SolTrans, which accounted for \$7.8 million.
- Increase in Non-departmental spending is mainly attributed to Capital Project funding for infrastructure maintenance and the Participatory Budgeting Program supported by Measure B revenues, and a supplemental pension contribution also funded by Measure B.
- 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 position in Fiscal 2012-2013 result primarily from the transfer of transportation assets and services to SolTrans.

### **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.

	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net Revenue (Expense) of Activities</b>
<b>Governmental Activities</b>			
General government	(\$18,669,681)		(\$18,669,681)
Fire services	(21,372,644)	\$2,860,843	(18,511,801)
Police services	(34,546,059)	6,148,776	(28,397,283)
Community and development services	(32,556,293)	30,314,128	(2,242,165)
Public works	(20,643,593)	19,036,087	(1,607,506)
	(\$127,788,270)	\$58,359,834	(\$69,428,436)

Net program revenues of Police, Fire and General government are the largest municipal programs within both the General Fund and Citywide Governmental Activities. General government programs have increased considerable due to Measure B revenues, which supported capital projects and the Participatory Budgeting Program.

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

<b>Business-type Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net Revenue (Expense) of Activities</b>
Water utility	(\$33,770,385)	\$36,017,082	\$2,246,697
Local transportation	(2,612,944)	2,338,282	(274,662)
Marina	(2,601,406)	1,597,661	(1,003,745)
Golf	(2,513,511)	2,057,608	(455,903)
Vallejo Station Parking	(236,361)		(236,361)
	<u>(\$41,734,607)</u>	<u>\$42,010,633</u>	<u>\$276,026</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 position or Golf Enterprise net position 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 117,112 residents, other funds, businesses and visitors. The 2012-2013 fiscal year \$74.5 million expenditure budget provided for the services of 366 full time employees. Labor costs comprise approximately 76% 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.

##### ***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.

***Changing 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 2012-13 fiscal year, the previous declines in assessed valuations has reversed from -6% in 2010-11 to -3% in 2011-12 to an increase of 4% in 2012-13.

***Increase in General Fund Revenues*** – The net impact to the City’s General Fund revenues, including transfers, was an increase of \$9.9 million from \$71.7 million in collections in Fiscal 2011-2012. This increase was primarily due to Measure B sales tax revenues as approved by the City’s voters.

### ***Fiscal year 2012-2013 Budget***

The Fiscal 2012-2013 revenue collections exceeded original estimates by \$4 million. Despite tight cost controls and staff vacancies, expenditures exceeded the original budget by \$3.3 million resulting in a \$0.7 million decrease in unassigned fund balance. Other additions to fund balance came from receipt of one-time funds related to a settlement with the County of Solano on property tax administration fees and a one-time redistribution of the former Redevelopment Agency’s fund balances to the taxing entities, of which the City is one. In total, the unassigned fund balance decreased by \$1.3 million.

### ***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. 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.

The City’s five-year financial forecast allows for long-term planning that ensures expenditures will be less than revenues. Vallejo continues to be at risk for ongoing erosion of its infrastructure and service levels due to reduced revenues from the great recession. The unassigned fund balance of \$9.8 million at June 30, 2013 represents 11% of operational contingency or six weeks of General Fund operations.

## **Other Major Governmental Funds**

- ***Housing Authority*** – The Housing Authority received \$24.7 million in federal HUD grants during the year to support its \$26.1 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 \$35.9 million in operating revenues during the year to support \$25.4 million in operating costs and \$5.9 million in depreciation. Cash from operations, capital contributions and investment income supported \$5.6 million in debt service payments and \$2.9 million in capital improvements. Fund liquidity improved with \$29.5 million in current assets available to cover \$8.6 million in current liabilities. The fund has \$95.1 million of capital assets, financed with \$56.3 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. Ferry transit operations were transferred to the Water Emergency Transport Agency (WETA) effective July 1, 2012 and bus transit operations were transferred to Solano County Transit (SolTrans) effective July 1, 2011.
- ***Marina*** – The Marina collected \$1.5 million in user fees during the year to support its operating and debt service costs. Operating costs, excluding depreciation, were \$2.3 million and debt service payments were \$0.6 million. The fund continues to operate at a deficit. For FY 2012-13, the deficit was financed with contributions from the State Lands Commission Fund of \$0.1 million and the General Fund of \$0.4 million. On an accrual basis, the fund has a deficit net position of \$2.9 million at June 30, 2013, because its capital assets are depreciating faster than the principal payments on the debt that financed the assets. The fund remains obligated for \$14.9 million in long-term debt. Ongoing contributions from available State Lands Commission lease revenues will decrease in Fiscal 2013-2014. 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 \$8.1 million of outstanding long-term debt. This debt was issued to acquire the capital assets of the fund. The Golf Fund has a deficit net position of \$0.9 million at June 30, 2013, because its capital assets are depreciating faster than the principal payments on the debt that financed the assets.
- ***Vallejo Station Parking*** – The Vallejo Station Parking fund was established to account for the operations, maintenance and management of the Vallejo Station Parking Structure. Activities in fiscal year 2013 were minimal as the full operations will begin in fiscal year 2014.

## 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, 2013 and 2012. Total capital assets have decreased by \$41.1 million during the year to \$451.1 million. Total depreciation of \$16.4 million was offset by new capital additions of \$16.5 million and assets transferred to other agencies of \$41.2 million. Governmental construction in progress includes construction of Vallejo Station and various streets overlay improvements. Business-type construction in progress includes \$7.2 million for Water projects. Further information can be found in Note 5 to the financial statements.

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012 (A)</b>	<b>2013</b>	<b>2012 (A)</b>
Land	\$138,500,782	\$137,982,182	\$12,298,805	\$12,673,353	\$150,799,587	\$150,655,535
Building and improvement	40,442,168	36,556,107	57,466,841	66,654,185	97,909,009	103,210,292
Machinery and equipment	7,092,331	8,082,563	10,015,498	18,266,049	17,107,829	26,348,612
Infrastructure	100,035,612	101,027,897	27,713,919	29,401,307	127,749,531	130,429,204
Construction in progress	50,255,257	53,989,551	7,235,031	27,542,007	57,490,288	81,531,558
<b>Total</b>	<b>\$336,326,150</b>	<b>\$337,638,300</b>	<b>\$114,730,094</b>	<b>\$154,536,901</b>	<b>\$451,056,244</b>	<b>\$492,175,201</b>

(A) 2012 Business-type activities have been restated as discussed in Note 1A to the Financial Statements

## 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, Successor Agency to the Former Redevelopment Agency, and Improvement Districts.

- 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, 2013 and 2012.

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012 (A)</b>	<b>2013</b>	<b>2012 (A)</b>
Certificates of Participation	\$3,860,835	\$3,911,143			\$3,860,835	\$3,911,143
Capital Lease Obligations	710,248	855,379			710,248	855,379
Revenue Bonds			\$54,497,312	\$57,125,952	54,497,312	57,125,952
Loans & Notes Payable	13,770,344	13,770,344	26,727,801	28,200,938	40,498,145	41,971,282
Total	<u>\$18,341,427</u>	<u>\$18,536,866</u>	<u>\$81,225,113</u>	<u>\$85,326,890</u>	<u>\$99,566,540</u>	<u>\$103,863,756</u>

(A) 2012 Business-type activities have been restated as discussed in Note 1A to the Financial Statements

In total, long-term debt decreased by \$4.3 million during the year ended June 30, 2013. Normal principal amortization from annual debt service payments were \$4.3 million. Further information can be found in Note 6 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 \$850 from \$896 in the prior fiscal year.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Net debt	\$99,566,540	\$103,863,756
Net debt per capita	\$850	\$896
Net debt per capita as a percentage of per capita personal income	3.22%	2.35%
Net debt as a percentage of net assessed value	1.30%	1.41%

## **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. As of June 30, 2013, unemployment in Vallejo stands at 10.2%.

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 four and five years ago and those losses are continuing to show up in pension costs. The City's unstable work force and large number of vacant positions result 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, retiree medical expenses and additional impacts tied to slow economic growth.

## **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.

**CITY OF VALLEJO, CALIFORNIA**

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION  
AND STATEMENT OF ACTIVITIES**

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources.

The Statement of Net Position summarizes the financial position of the City's Governmental Activities in a single column, and the financial position of all the City's Business-type Activities in a single column; these columns are followed by a Total column that presents the financial position of the primary government. This column is followed by a column that displays the discretely presented component unit.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred inflows/outflows of resources, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by the program, and follows these with the expenses of its Business-type Activities. Program revenues - that is, revenues which are generated directly by these programs - are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities, Business-type Activities or discretely presented component unit column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both of these Statements include the financial activities of the City and the blended component units: the Housing Authority of the City of Vallejo (Housing Authority), the Marine World Joint Powers Authority (Authority), the Parking Authority of the City of Vallejo (Parking Authority) and the Public Financing Authority of the City of Vallejo (Financing Authority). The Housing Authority, Authority, Parking Authority and Financing Authority are legally separate component units of the City, because they are controlled by the City and the City is financially accountable for their activities. The balances and the activities of the discretely presented component unit of Vallejo Sanitation and Flood Control District are included in these statements as separate columns.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.



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CITY OF VALLEJO  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Vallejo Sanitation and Flood Control District
<b>ASSETS</b>				
Current Assets:				
Cash and investments (Note 2)	\$85,286,265	\$21,275,711	\$106,561,976	\$38,611,889
Accounts receivable	3,417,318	8,123,008	11,540,326	7,531,129
Due from other governments	10,978,399		10,978,399	
Materials, parts, and supplies (Note 11)	228,299	918,437	1,146,736	310,609
Prepays	9,171	125,241	134,412	
<b>Total Current Assets</b>	<b>99,919,452</b>	<b>30,442,397</b>	<b>130,361,849</b>	<b>46,453,627</b>
Noncurrent Assets:				
Restricted cash and investments held with fiscal agent (Note 2)	8,863,211	4,306,908	13,170,119	8,793,060
Other assets				782,509
Land held for redevelopment	499,684		499,684	
Notes and loans receivable (Note 4)	24,426,551	1,468,852	25,895,403	270,422
Prepaid lease and project costs				1,866,399
Capital assets (Note 5):				
Nondepreciable	188,756,039	19,533,836	208,289,875	12,337,293
Depreciable, net of accumulated depreciation	147,570,111	95,196,258	242,766,369	190,587,127
<b>Total Noncurrent Assets</b>	<b>370,115,596</b>	<b>120,505,854</b>	<b>490,621,450</b>	<b>214,636,810</b>
<b>Total Assets</b>	<b>470,035,048</b>	<b>150,948,251</b>	<b>620,983,299</b>	<b>261,090,437</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding of debt (Note 6)		1,270,122	1,270,122	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	7,199,308	2,383,934	9,583,242	1,455,369
Accrued interest payable	106,641	300,000	406,641	761,206
Due to other governments	241,121		241,121	
Unearned revenues	10,165,798	492,824	10,658,622	
Deposits payable	1,955,568	2,381,114	4,336,682	887,364
Employee benefits payable (Note 9 and 11)	7,023,800	962,556	7,986,356	433,462
Claims payable, due within one year (Note 13)	3,450,449		3,450,449	
Long-term debt, due within one year (Note 6)	397,268	3,793,132	4,190,400	3,997,426
<b>Total Current Liabilities</b>	<b>30,539,953</b>	<b>10,313,560</b>	<b>40,853,513</b>	<b>7,534,827</b>
Noncurrent Liabilities:				
Claims payable (Note 13)	11,582,551		11,582,551	
Employee benefits payable (Notes 9 and 11)	26,224,707	147,675	26,372,382	1,899,639
Long-term debt (Note 6)	17,944,159	77,431,981	95,376,140	60,858,607
<b>Total Noncurrent Liabilities</b>	<b>55,751,417</b>	<b>77,579,656</b>	<b>133,331,073</b>	<b>62,758,246</b>
<b>Total Liabilities</b>	<b>86,291,370</b>	<b>87,893,216</b>	<b>174,184,586</b>	<b>70,293,073</b>
<b>NET POSITION (Note 12)</b>				
Net investment in capital assets	317,984,723	34,775,103	352,759,826	140,221,220
Restricted for:				
Debt service	964,340	4,306,908	5,271,248	8,031,854
Capital projects	18,132,668		18,132,668	24,664,739
Special projects and programs	49,957,075		49,957,075	
<b>Total Restricted Net Position</b>	<b>69,054,083</b>	<b>4,306,908</b>	<b>73,360,991</b>	<b>32,696,593</b>
Unrestricted	(3,295,128)	25,243,146	21,948,018	17,879,551
<b>Total Net Position</b>	<b>\$383,743,678</b>	<b>\$64,325,157</b>	<b>\$448,068,835</b>	<b>\$190,797,364</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Legislative and advisory	\$277,018			
Executive	2,742,548			
Finance	1,258,218			
Human resources	934,290			
Law	1,054,606			
Development services	1,984,387	\$1,456,503	\$972,667	
Community development	30,571,906	1,504,789	26,380,169	
Fire services	21,372,644	2,860,843		
Police services	34,546,059	3,015,475	3,133,301	
Public works	20,643,593	6,625,268	5,484,970	\$6,925,849
Nondepartmental	12,193,947			
Interest on long term debt	209,054			
<b>Total Governmental Activities</b>	<b>127,788,270</b>	<b>15,462,878</b>	<b>35,971,107</b>	<b>6,925,849</b>
Business-type Activities:				
Water	33,770,385	35,947,940		69,142
Local Transportation	2,612,944		290,876	2,047,406
Marina	2,601,406	1,537,661	60,000	
Golf	2,513,511	2,057,608		
Vallejo Station Parking	236,361			
<b>Total Business-type Activities</b>	<b>41,734,607</b>	<b>39,543,209</b>	<b>350,876</b>	<b>2,116,548</b>
<b>Total Primary Government</b>	<b>\$169,522,877</b>	<b>\$55,006,087</b>	<b>\$36,321,983</b>	<b>\$9,042,397</b>
<b>Component Unit:</b>				
Vallejo Sanitation and Flood Control District	\$29,684,271	\$27,440,865		\$57,990
General revenues:				
Taxes:				
Property taxes/In-lieu property tax				
Sales taxes				
User Utility				
Franchise				
Transit occupancy				
Other				
Investment earnings				
Miscellaneous				
Transfers (Note 3A)				
Special Items:				
Transfer of capital assets and inventory to Water Emergency				
Transit Authority and Solano County Transit (Note 5D)				
Transfer of accounts receivable, inventory and capital assets from Blue Rock Golf Course (Note 5E)				
<b>Total general revenues, transfers and special items</b>				
Change in Net Position				
Net Position-Beginning, as Restated (Notes 1A, 6 and 12E)				
Net Position-Ending				

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position Primary Government			Net (Expense) Revenue and Changes in Net Position Component Unit
Governmental Activities	Business-type Activities	Total	Vallejo Sanitation and Food Control District
(\$277,018)		(\$277,018)	
(2,742,548)		(2,742,548)	
(1,258,218)		(1,258,218)	
(934,290)		(934,290)	
(1,054,606)		(1,054,606)	
444,783		444,783	
(2,686,948)		(2,686,948)	
(18,511,801)		(18,511,801)	
(28,397,283)		(28,397,283)	
(1,607,506)		(1,607,506)	
(12,193,947)		(12,193,947)	
(209,054)		(209,054)	
<u>(69,428,436)</u>		<u>(69,428,436)</u>	
	\$2,246,697	2,246,697	
	(274,662)	(274,662)	
	(1,003,745)	(1,003,745)	
	(455,903)	(455,903)	
	(236,361)	(236,361)	
	<u>276,026</u>	<u>276,026</u>	
<u>(69,428,436)</u>	<u>276,026</u>	<u>(69,152,410)</u>	
			<u>(\$2,185,416)</u>
21,641,625		21,641,625	811,231
24,685,817		24,685,817	
12,521,558		12,521,558	
4,552,931		4,552,931	
1,233,512		1,233,512	
3,425,677		3,425,677	323,932
419,817	106,369	526,186	275,791
3,874,022	87,023	3,961,045	
(4,401,612)	4,401,612		
	(42,576,651)	(42,576,651)	
	2,183,236	2,183,236	
<u>67,953,347</u>	<u>(35,798,411)</u>	<u>32,154,936</u>	<u>1,410,954</u>
(1,475,089)	(35,522,385)	(36,997,474)	(774,462)
<u>385,218,767</u>	<u>99,847,542</u>	<u>485,066,309</u>	<u>191,571,826</u>
<u>\$383,743,678</u>	<u>\$64,325,157</u>	<u>\$448,068,835</u>	<u>\$190,797,364</u>

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**CITY OF VALLEJO, CALIFORNIA**

**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, 2013. 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, 2013

	General	Housing Authority	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments (Note 2)	\$12,289,188	\$4,448,181	\$50,419,422	\$67,156,791
Restricted cash and investments held with fiscal agent (Note 2)			8,863,211	8,863,211
Accounts receivable	3,009,347	17,939	215,781	3,243,067
Notes and loans receivable (Note 4)	933,647	12,951,031	10,541,873	24,426,551
Due from other governments	6,492,952		4,485,447	10,978,399
Materials, parts, and supplies	5,042			5,042
Prepays	9,171			9,171
Land held for redevelopment	499,684			499,684
<b>Total Assets</b>	<b>\$23,239,031</b>	<b>\$17,417,151</b>	<b>\$74,525,734</b>	<b>\$115,181,916</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$4,571,500	\$108,852	\$2,342,965	\$7,023,317
Due to other funds (Note 3)			3,622,216	3,622,216
Due to other governments	163,309		77,812	241,121
Unearned revenues	861,933		9,303,865	10,165,798
Deposits payable	566,792	133,012	1,255,764	1,955,568
<b>Total Liabilities</b>	<b>6,163,534</b>	<b>241,864</b>	<b>16,602,622</b>	<b>23,008,020</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - accounts receivable			23,750	23,750
Unavailable revenue - notes and loans receivable	143,923	2,615,406	10,403,113	13,162,442
<b>Total Deferred Inflows of Resources</b>	<b>143,923</b>	<b>2,615,406</b>	<b>10,426,863</b>	<b>13,186,192</b>
<b>FUND BALANCES (Note 12)</b>				
Fund Balance				
Nonspendable	1,303,621		102,072	1,405,693
Restricted	241,179	14,559,881	37,591,228	52,392,288
Committed	356,245		9,799,861	10,156,106
Assigned	5,233,259		3,088	5,236,347
Unassigned	9,797,270			9,797,270
<b>Total Fund Balances</b>	<b>16,931,574</b>	<b>14,559,881</b>	<b>47,496,249</b>	<b>78,987,704</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$23,239,031</b>	<b>\$17,417,151</b>	<b>\$74,525,734</b>	<b>\$115,181,916</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
 Reconciliation of  
 GOVERNMENTAL FUND BALANCES  
 with  
 GOVERNMENTAL NET POSITION  
 JUNE 30, 2013

Total fund balances reported on the governmental funds balance sheet \$78,987,704

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 333,297,040

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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 Position.

Cash and investments	\$18,129,474	
Accounts receivable	174,251	
Materials, parts, and supplies	223,257	
Due from other funds	3,622,216	
Capital assets	3,029,110	
Accounts payable	(175,991)	
Claims payable	(15,033,000)	
Employee benefits payable	<u>(23,672,591)</u>	(13,703,274)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 13,186,192

LONG-TERM LIABILITIES

The liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt		(18,341,427)
Interest payable		(106,641)
Compensated absences		<u>(9,575,916)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$383,743,678

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, 2013

	General	Housing Authority	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$59,896,544		\$1,235,644	\$61,132,188
Licenses, permits, and fees	1,369,136		445,228	1,814,364
Fines and forfeitures	1,161,056		88,631	1,249,687
Intergovernmental	11,055,748	\$24,672,634	11,404,356	47,132,738
Use of money and property	774,986	171,792	1,416,693	2,363,471
Charges for services	7,151,718		9,031,091	16,182,809
Other	261,764	125,575	908,487	1,295,826
<b>Total Revenues</b>	<b>81,670,952</b>	<b>24,970,001</b>	<b>24,530,130</b>	<b>131,171,083</b>
<b>EXPENDITURES</b>				
Current:				
Legislative and advisory	275,664			275,664
Executive	2,747,243			2,747,243
Finance	1,183,251			1,183,251
Human resources	993,835			993,835
Law	1,027,329			1,027,329
Development services	1,786,499		91,738	1,878,237
Community development	863,668	26,077,248	5,575,914	32,516,830
Fire services	19,338,425		1,579,266	20,917,691
Police services	33,271,453		1,410,261	34,681,714
Public works	3,876,178		9,334,411	13,210,589
Non departmental	12,009,510		162,137	12,171,647
Capital outlay			9,716,431	9,716,431
Debt Service:				
Principal	65,874		209,257	275,131
Interest and fiscal agent fees	2,008		202,891	204,899
<b>Total Expenditures</b>	<b>77,440,937</b>	<b>26,077,248</b>	<b>28,282,306</b>	<b>131,800,491</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,230,015</b>	<b>(1,107,247)</b>	<b>(3,752,176)</b>	<b>(629,408)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 3)	601		10,276,725	10,277,326
Transfers out (Note 3)	(10,198,059)		(1,095,176)	(11,293,235)
Issuance of long term debt (Note 6)			79,692	79,692
<b>Total Other Financing Sources (Uses)</b>	<b>(10,197,458)</b>		<b>9,261,241</b>	<b>(936,217)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,967,443)</b>	<b>(1,107,247)</b>	<b>5,509,065</b>	<b>(1,565,625)</b>
<b>BEGINNING FUND BALANCES</b>	<b>22,899,017</b>	<b>15,667,128</b>	<b>41,987,184</b>	<b>80,553,329</b>
<b>ENDING FUND BALANCES</b>	<b>\$16,931,574</b>	<b>\$14,559,881</b>	<b>\$47,496,249</b>	<b>\$78,987,704</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
 Reconciliation of the  
 NET CHANGE IN GOVERNMENTAL FUND BALANCES  
 with the  
 CHANGE IN GOVERNMENT NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013

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 Position 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 (\$1,565,625)

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 12,881,529

Depreciation expense is deducted from the fund balance  
 (Depreciation expense is net of internal service fund depreciation  
 of \$1,063,026 which has already been allocated to serviced funds) (7,759,823)

Capital asset retirements are deducted from fund balance (1,889,198)

Capital assets transferred from business-type activities are added to fund balance 5,108,284

Capital assets transferred to business-type activities are deducted from fund balance (8,794,987)

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 Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 275,131

Proceeds from the issuance of debt are deducted from fund balance (79,692)

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 (4,155)

Unavailable revenue 827,234

Compensated absences 1,474,061

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 Position - All Internal Service Funds (1,947,848)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$1,475,089)

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$54,896,370	\$56,991,970	\$59,896,544	\$2,904,574
Licenses, permits and fees	1,740,000	1,594,000	1,369,136	(224,864)
Fines and forfeitures	1,635,500	1,190,000	1,161,056	(28,944)
Intergovernmental	11,643,535	11,418,994	11,055,748	(363,246)
Use of money and property	765,871	745,871	774,986	29,115
Charges for services	6,660,402	6,670,402	7,151,718	481,316
Other	365,322	365,322	261,764	(103,558)
<b>Total Revenues</b>	<b>77,707,000</b>	<b>78,976,559</b>	<b>81,670,952</b>	<b>2,694,393</b>
<b>EXPENDITURES:</b>				
Current:				
Legislative and advisory	232,873	273,723	275,664	(1,941)
Executive	2,899,437	2,943,590	2,747,243	196,347
Finance	1,365,199	1,606,163	1,183,251	422,912
Human resources	1,138,818	1,289,322	993,835	295,487
Law	1,325,136	1,695,136	1,027,329	667,807
Development services	2,286,352	1,879,227	1,786,499	92,728
Community development	1,034,332	1,074,054	863,668	210,386
Fire services	21,172,573	19,900,151	19,338,425	561,726
Police services	34,775,490	34,131,067	33,271,453	859,614
Public works	4,325,944	4,428,082	3,876,178	551,904
Nondepartmental	3,556,149	5,218,856	12,009,510	(6,790,654)
Debt Service:				
Principal	65,839	65,839	65,874	(35)
Interest	2,946	2,946	2,008	938
<b>Total Expenditures</b>	<b>74,181,088</b>	<b>74,508,156</b>	<b>77,440,937</b>	<b>(2,932,781)</b>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<b>3,525,912</b>	<b>4,468,403</b>	<b>4,230,015</b>	<b>(238,388)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	21,500	21,500	601	(20,899)
Transfers (out)	(5,327,266)	(9,612,983)	(10,198,059)	(585,076)
<b>Total other financing sources (uses)</b>	<b>(5,305,766)</b>	<b>(9,591,483)</b>	<b>(10,197,458)</b>	<b>(605,975)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$1,779,854)</b>	<b>(\$5,123,080)</b>	<b>(5,967,443)</b>	<b>(\$844,363)</b>
Fund balance, July 1			22,899,017	
Fund balance, June 30			<u>16,931,574</u>	

See accompanying notes to financial statements

CITY OF VALLEJO  
HOUSING AUTHORITY FUND  
STATEMENT OF REVENUES, AND EXPENDITURES  
AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$24,280,634	\$24,280,634	\$24,672,634	\$392,000
Use of money and property	37,698	37,698	171,792	134,094
Other	96,612	96,612	125,575	28,963
Total Revenues	<u>24,414,944</u>	<u>24,414,944</u>	<u>24,970,001</u>	<u>555,057</u>
EXPENDITURES:				
Current:				
Community development	25,361,513	27,099,705	26,077,248	1,022,457
Total Expenditures	<u>25,361,513</u>	<u>27,099,705</u>	<u>26,077,248</u>	<u>1,022,457</u>
NET CHANGE IN FUND BALANCE	<u>(\$946,569)</u>	<u>(\$2,684,761)</u>	(1,107,247)	<u>\$1,577,514</u>
Fund balance, July 1			<u>15,667,128</u>	
Fund balance, June 30			<u>\$14,559,881</u>	

See accompanying notes to financial statements

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<b>CITY OF VALLEJO, CALIFORNIA</b>
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<b>MAJOR PROPRIETARY FUNDS</b>
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The City reported all enterprise funds as major funds in fiscal 2013.

**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** was used to account for the operations and management of the City transit operations, which includes bus, ferry, paratransit and taxi subsidy operations. The fund was closed as of June 30, 2013.

**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.

**VALLEJO STATION PARKING FUND** is used to account for the operations, maintenance and management of the Vallejo Station Parking Structure.

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2013

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Marina	Golf
<b>ASSETS</b>				
Current assets:				
Cash and investments (Note 2)	\$20,576,069		\$293,618	\$378,139
Accounts receivable	8,012,927		100,277	9,804
Due from other governments				
Materials, parts and supplies	814,834		16,560	87,043
Prepays	87,321			37,920
Due from other funds (Note 3)				
<b>Total current assets</b>	<b>29,491,151</b>		<b>410,455</b>	<b>512,906</b>
Noncurrent assets:				
Restricted cash and investments held with fiscal agent (Note 2)	4,306,908			
Notes receivable (Note 4)	1,468,852			
Capital assets (Note 5):				
Nondepreciable	7,305,766		10,736,670	1,491,400
Depreciable, net	87,758,453		1,849,131	5,588,674
<b>Total noncurrent assets</b>	<b>100,839,979</b>		<b>12,585,801</b>	<b>7,080,074</b>
<b>Total assets</b>	<b>130,331,130</b>		<b>12,996,256</b>	<b>7,592,980</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding of debt (Note 6)	1,270,122			
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	1,770,980		169,581	415,488
Accrued interest payable	300,000			
Due to other governments				
Unearned revenue	480,901		11,923	
Deposits payable	2,278,489		102,625	
Claims payable, current (Note 13)				
Employee benefits payable, current (Note 9)	941,820		20,736	
Long-term debt, due within one year (Note 6)	2,838,466		600,000	354,666
<b>Total current liabilities</b>	<b>8,610,656</b>		<b>904,865</b>	<b>770,154</b>
Long-term liabilities:				
Long-term debt, due in more than one year (Note 6)	54,713,837		14,946,164	7,771,980
Claims payable, noncurrent (Note 13)				
Employee benefits payable, noncurrent (Notes 9 and 11)	147,675			
<b>Total noncurrent liabilities</b>	<b>54,861,512</b>		<b>14,946,164</b>	<b>7,771,980</b>
<b>Total Liabilities</b>	<b>63,472,168</b>		<b>15,851,029</b>	<b>8,542,134</b>
<b>NET POSITION (DEFICIT) (Note 12)</b>				
Net investment in capital assets	38,782,038		(2,960,363)	(1,046,572)
Restricted for capital improvements				
Restricted for debt service	4,306,908			
Unrestricted	25,040,138		105,590	97,418
<b>Total Net Position (Deficit)</b>	<b>\$68,129,084</b>		<b>(\$2,854,773)</b>	<b>(\$949,154)</b>

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		<u>Governmental Activities-Internal Service Funds</u>
<u>Vallejo Station Parking</u>	<u>Totals</u>	<u>Funds</u>
\$27,885	\$21,275,711	\$18,129,474
	8,123,008	174,251
	918,437	223,257
	125,241	
		<u>3,622,216</u>
<u>27,885</u>	<u>30,442,397</u>	<u>22,149,198</u>
	4,306,908	
	1,468,852	
	19,533,836	
	<u>95,196,258</u>	<u>3,029,110</u>
	120,505,854	<u>3,029,110</u>
<u>27,885</u>	<u>150,948,251</u>	<u>25,178,308</u>
	1,270,122	
27,885	2,383,934	175,991
	300,000	
	492,824	
	2,381,114	
		3,450,449
	962,556	491,323
	<u>3,793,132</u>	
<u>27,885</u>	<u>10,313,560</u>	<u>4,117,763</u>
	77,431,981	
		11,582,551
	<u>147,675</u>	<u>23,181,268</u>
	<u>77,579,656</u>	<u>34,763,819</u>
<u>27,885</u>	<u>87,893,216</u>	<u>38,881,582</u>
	34,775,103	3,029,110
	4,306,908	
	<u>25,243,146</u>	<u>(16,732,384)</u>
	<u>\$64,325,157</u>	<u>(\$13,703,274)</u>



CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Marina	Golf
<b>OPERATING REVENUES</b>				
Charges for services	\$35,672,778		\$1,537,661	\$2,057,608
Other	275,162			
Total operating revenues	<u>35,947,940</u>		<u>1,537,661</u>	<u>2,057,608</u>
<b>OPERATING EXPENSES</b>				
Operations expenses	17,457,411	\$375,774	2,312,614	948,665
General and administrative	7,935,678	4,495	11,581	1,094,450
Insurance and claims				
Depreciation	5,884,046	903,711	277,211	469,392
Total operating expenses	<u>31,277,135</u>	<u>1,283,980</u>	<u>2,601,406</u>	<u>2,512,507</u>
Operating income (loss)	<u>4,670,805</u>	<u>(1,283,980)</u>	<u>(1,063,745)</u>	<u>(454,899)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	104,438	1,427	503	1
Intergovernmental revenue		290,876	60,000	
Lease and rental revenue		87,023		
Gain (loss) on sale of capital assets				
Interest expense and fiscal charges	(2,493,250)			(1,004)
Other expenses		(1,328,964)		
Total nonoperating revenues (expenses)	<u>(2,388,812)</u>	<u>(949,638)</u>	<u>60,503</u>	<u>(1,003)</u>
Income (loss) before contributions, transfers and special items	2,281,993	(2,233,618)	(1,003,242)	(455,902)
Capital grants and contributions	69,142	2,047,406		
Contributions of capital assets (Note 5)		8,794,987		
Transfers in (Note 3)		2,367	524,623	102,307
Transfers out (Note 3)		(5,259,033)		
Special Items:				
Transfer of capital assets and inventory to Water Emergency Transit Authority and Solano County Transit (Note 5D)		(42,576,651)		
Transfer of accounts receivable, inventory and capital assets from Blue Rock Golf Course (Note 5E)				2,183,236
Change in net position	2,351,135	(39,224,542)	(478,619)	1,829,641
BEGINNING NET POSITION (DEFICIT), AS RESTATED (NOTES 1A and 6)	<u>65,777,949</u>	<u>39,224,542</u>	<u>(2,376,154)</u>	<u>(2,778,795)</u>
ENDING NET POSITION (DEFICIT)	<u>\$68,129,084</u>	<u>\$2,854,773</u>	<u>(\$2,854,773)</u>	<u>(\$949,154)</u>

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		<u>Governmental Activities- Internal Service Funds</u>
<u>Vallejo Station Parking</u>	<u>Totals</u>	
	\$39,268,047	\$15,335,938
	275,162	149,024
	<u>39,543,209</u>	<u>15,484,962</u>
\$53,689	21,148,153	11,694,033
182,672	9,228,876	5,000,440
	<u>7,534,360</u>	<u>1,063,026</u>
<u>236,361</u>	<u>37,911,389</u>	<u>17,757,499</u>
<u>(236,361)</u>	<u>1,631,820</u>	<u>(2,272,537)</u>
	106,369	9,691
	350,876	
	87,023	13,998
	(2,494,254)	
	<u>(1,328,964)</u>	
	<u>(3,278,950)</u>	<u>23,689</u>
(236,361)	(1,647,130)	(2,248,848)
	2,116,548	
	8,794,987	
236,361	865,658	301,000
	(5,259,033)	
	(42,576,651)	
	<u>2,183,236</u>	
	(35,522,385)	(1,947,848)
	<u>99,847,542</u>	<u>(11,755,426)</u>
	<u>\$64,325,157</u>	<u>(\$13,703,274)</u>

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Marina	Golf
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$36,338,032		\$1,470,739	\$2,059,778
Payments to suppliers	(17,725,999)	(\$5,021,985)	(2,212,560)	(1,666,739)
Payments to employees	(7,808,068)	(4,495)	(31,311)	
Claims paid				
<b>Cash Flows from Operating Activities</b>	<b>10,803,965</b>	<b>(5,026,480)</b>	<b>(773,132)</b>	<b>393,039</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund receipts		2,367	524,623	102,307
Property taxes				
Interfund payments		(8,313,261)		
Intergovernmental receipts		11,039,307	60,000	
<b>Cash Flows from Noncapital Financing Activities</b>		<b>2,728,413</b>	<b>584,623</b>	<b>102,307</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets				
Acquisition of capital assets	(2,913,457)	(718,444)	(1)	1
Connection fees received				
Intergovernmental receipts		1,434,883		
Intergovernmental payments		(1,328,964)		
Lease and rental receipts		87,023		
Principal payments on capital debt	(3,147,111)		(600,000)	(354,666)
Interest paid	(2,412,536)			(1,004)
Capital contributions	69,142			
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(8,403,962)</b>	<b>(525,502)</b>	<b>(600,001)</b>	<b>(355,669)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	104,438	1,427	503	1
<b>Cash Flows from Investing Activities</b>	<b>104,438</b>	<b>1,427</b>	<b>503</b>	<b>1</b>
<b>Net Cash Flows</b>	<b>2,504,441</b>	<b>(2,822,142)</b>	<b>(788,007)</b>	<b>139,678</b>
Cash and investments at beginning of period	22,378,536	2,822,142	1,081,625	238,461
Cash and investments at end of period	<u>\$24,882,977</u>	<u></u>	<u>\$293,618</u>	<u>\$378,139</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>				
Operating income (loss)	\$4,670,805	(\$1,283,980)	(\$1,063,745)	(\$454,899)
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation	5,884,046	903,711	277,211	469,392
Change in assets and liabilities:				
Receivables, net	(651,346)		(58,748)	2,170
Inventory and prepaids	(74,931)		2,900	(38,912)
Other assets	335,658			
Accounts payable and other accrued expenses	(193,657)	(4,646,211)	97,154	415,288
Employee benefits payable	127,610		(19,730)	
Due to other governments				
Deposits payable	224,879		220	
Unearned revenue	480,901		(8,394)	
Claims payable				
<b>Cash Flows from Operating Activities</b>	<b>\$10,803,965</b>	<b>(\$5,026,480)</b>	<b>(\$773,132)</b>	<b>\$393,039</b>
<b>Non cash transactions:</b>				
Contribution of capital assets (Note 5D)		\$8,794,987		
Transfer of capital assets and inventory to Water Emergency Transit Authority and Solano County Transit (Note 5D)		(\$42,576,651)		
Transfer of accounts receivable, inventory and capital assets from Blue Rock Golf Course (Note 5E)				\$2,183,236
Transfer of capital assets to governmental activities		(\$5,108,284)		
Retirement of capital assets, net				

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		Governmental Activities- Internal Service Funds
<u>Vallejo Station Parking</u>	<u>Totals</u>	
	\$39,868,549	\$15,379,176
(\$25,804)	(26,653,087)	(2,511,340)
(182,672)	(8,026,546)	(4,638,454)
		(3,402,365)
<u>(208,476)</u>	<u>5,188,916</u>	<u>4,827,017</u>
236,361	865,658	301,000
	(8,313,261)	6,735,509
	<u>11,099,307</u>	
<u>236,361</u>	<u>3,651,704</u>	<u>7,036,509</u>
		87,399
	(3,631,901)	(278,472)
	1,434,883	
	(1,328,964)	
	87,023	
	(4,101,777)	
	(2,413,540)	
	69,142	
	<u>(9,885,134)</u>	<u>(191,073)</u>
	106,369	9,691
	<u>106,369</u>	<u>9,691</u>
27,885	(938,145)	11,682,144
	<u>26,520,764</u>	<u>6,447,330</u>
<u>\$27,885</u>	<u>\$25,582,619</u>	<u>\$18,129,474</u>
(\$236,361)	\$1,631,820	(\$2,272,537)
	7,534,360	1,063,026
	(707,924)	(105,786)
	(110,943)	
	335,658	148,026
27,885	(4,299,541)	(127,720)
	107,880	4,524,008
	225,099	
	472,507	
		<u>1,598,000</u>
<u>(208,476)</u>	<u>\$5,188,916</u>	<u>\$4,827,017</u>
	\$8,794,987	
	(\$42,576,651)	
	\$2,183,236	
	(\$5,108,284)	
		(\$73,401)

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**CITY OF VALLEJO, CALIFORNIA**

**FIDUCIARY FUNDS**

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

The City uses Agency 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.

The 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.

CITY OF VALLEJO  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2013

	<u>Agency Funds</u>	<u>Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund</u>
<b>ASSETS</b>		
Cash and investments (Note 2)	\$3,699,252	\$2,210,196
Restricted cash and investments held with fiscal agent (Note 2)	3,984,650	1,102,243
Notes and loans receivables (Note 15A)		4,496,000
Land held for redevelopment		1,343,595
Capital assets (Note 15B):		
Nondepreciable		3,810,682
Depreciable, net of accumulated depreciation		<u>92,386</u>
 Total Assets	 <u><u>\$7,683,902</u></u>	 <u><u>13,055,102</u></u>
 <b>LIABILITIES</b>		
Account payable and accrued liabilities		145,449
Accrued interest payable		161,787
Deposits payable		70,008
Long-term debt, due within one year (Note 15C)		775,938
Long-term debt, due in more than one year (Note 15C)		9,881,122
Due to bondholders	<u>\$7,683,902</u>	
 Total Liabilities	 <u><u>\$7,683,902</u></u>	 <u><u>11,034,304</u></u>
 <b>NET POSITION</b>		
Held in trust for other purposes		<u><u>\$2,020,798</u></u>

See accompanying notes to financial statements

CITY OF VALLEJO  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund <hr style="border: 0.5px solid black;"/>
<b>ADDITIONS</b>	
Taxes	\$2,312,496
Use of money and property	53,394
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Total Additions	2,365,890
	<hr style="border: 0.5px solid black;"/>
<b>DEDUCTIONS</b>	
Community development	485,671
Depreciation	5,827
Debt service:	
Interest and fiscal agent fees	634,208
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Total Deductions	1,125,706
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Change in Net Position before Extraordinary Items	1,240,184
<b>EXTRAORDINARY ITEMS</b>	
Payment of Low and Moderate Income Housing funds to Solano County (Note 15)	(148,378)
Payment of other former Redevelopment funds to Solano County (Note 15)	(3,862,227)
	<hr style="border: 0.5px solid black;"/>
<b>CHANGE IN NET POSITION</b>	(2,770,421)
Net position, beginning, as restated (Note 15B)	4,791,219
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Net position, ending	\$2,020,798
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See accompanying notes to financial statements



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**CITY OF VALLEJO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**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. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

The City's component units are described below:

- Housing Authority of the City of Vallejo (Blended Component Unit)
- Marine World Joint Powers Authority (Blended Component Unit)
- Parking Authority of the City of Vallejo (Blended Component Unit)
- Public Financing Authority of the City of Vallejo (Blended Component Unit)
- Vallejo Sanitation and Flood Control District (Discrete Component Unit)
- Vallejo Sanitation and Flood Control District Financing Corporation (Discrete Component Unit)

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.

**PRIMARY GOVERNMENT**

The financial statements of the primary government of the City of Vallejo include the activities of the City as well as the Housing Authority of the City of Vallejo, the Marine World Joint Powers Authority, the Parking Authority of the City of Vallejo, and the Public Financing Authority of the City of Vallejo, all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

**Blended Component Units**

**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 in the Housing Authority Special Revenue Fund.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

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

**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, 2013.

**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, 2013. The Authority is inactive and had no activity during the year ended June 30, 2013.

**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 in the Certificates of Participation Debt Service Fund. The Authority had no activity during the year ended June 30, 2013.

**DISCRETELY PRESENTED COMPONENT UNITS**

**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 the seven elected City Council members and one member appointed by the Solano County Board of Supervisors. Although the City Council exercises control over the Board of VSFCD, there is no financial benefit or burden relationship with the primary government or operational responsibility.

Prior to July 1, 2012, the financial activities of the VSFCD were reported in the Sanitation and Flood Control District Enterprise Fund. However, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 61 during the year ended June 30, 2013, which modified certain requirements for the inclusion of component units in the financial reporting entity. Under the provisions of Statement No. 61, for component units that were blended based on the "substantively the same governing body" criterion, they must now also have a financial benefit or burden relationship or management of the primary government have operational responsibility for the activities of the component unit. Since the City does not have a financial benefit or burden relationship or operational responsibility with VSFCD, it's financial activities are discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities. Accounting standards require that a change in the reporting entity be reported as a restatement of prior periods. Therefore, net position of the primary government's business-type activities has been restated and reduced in the amount of \$191,571,826.

Separate financial statements for VSFCD may be obtained by contacting 450 Ryder Street Vallejo, CA 94590.

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

**Vallejo Sanitation and Flood Control District Financing Corporation (VSFCDFC)**-- 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 VSFCDFC in funding certain projects and other matters relating to the purpose of VSFCDFC. Members of the Board for VSFCDFC serve as Directors of the VSFCDFC. The activities of the VSFCDFC are blended with the VSFCDFC and separate financial statements are not prepared for the VSFCDFC.

**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 Governmental 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 Position* and the *Statement of Activities*, report the financial activities of the primary government (the City) and its blended and discretely presented component units, using an economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place.

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

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

***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.

Permanent Funds - To account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs— that is, for the benefit of the government or its citizenry.

***Proprietary Funds:***

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

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

***Fiduciary Funds:***

Agency Funds – To account for assets held by the City as an agent for third parties such as bonded assessment districts.

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 15, 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.

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

**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.

**Proprietary Funds:** The proprietary funds of the City are reported on the accrual basis of accounting in the *Fund Financial Statements*. 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.

**D. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the unamortized loss on refunding of debt reported in the government-wide statement of net position. A unamortized loss on refunding of debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from notes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**E. 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

**Local Transportation Fund** – was used to account for the operations and management of the City transit operations, which includes bus, ferry, para-transit and taxi subsidy operations. The Fund was closed as of June 30, 2013.

**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.

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

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

**Vallejo Station Parking Fund** –is used to account for the operations, maintenance and management of the Vallejo Station Parking Structure.

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. The Successor Agency to the 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. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**F. 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 17<sup>th</sup> 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.



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

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:

<b>General Fund:</b>	
Legislative and advisory	\$1,941
Nondepartmental	6,790,654
Debt Service-Principal	35
<b>Non-Major Funds:</b>	
<b>Special Revenue Funds</b>	
Mare Island CFD 2005 1B (Local)	168
State Gas Tax	66,506
Traffic Offender/Vehicle Impound Program	44,505
Office of Traffic Safety	35,970

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

**G. 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.

**H. 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.

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

***I. 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.

VSFCD supplies inventories are valued at cost and follow a first-in-first-out (FIFO) flow. This flow approximates market because ending inventory consists of the most recent items purchased. Inventories are recorded as expenses when consumed rather than when purchased.

***J. 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.

***K. 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.

***L. New Funds, Renamed Fund, Closed Funds and Inactive Fund***

The Vallejo Station Parking Enterprise Fund was established to account for the operations, maintenance and management of the Vallejo Station Parking Structure. Operations of the Parking Structure began in August 2013.

The Mare Island Leasing Special Revenue Fund was renamed to the Mare Island Base Reuse Special Revenue Fund.

The Local Transportation Enterprise Fund was closed due to the transfer of bus and ferry operations to other governments, and the remaining balances of the Fund were transferred to the newly established Transportation Capital Projects Fund and the General Fund.

The Repair & Demolition Revolving Special Revenue Fund, Certificates of Participation Capital Projects Fund, Downtown Development Capital Projects Fund and Fairgrounds Drive Assessment District Agency Fund were closed as of July 1, 2012.

The Arts and Convention Center Capital Projects Fund did not have any activity and became inactive as of July 1, 2012. The Fund is expected to have activity in subsequent years.

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**NOTE 2 – CASH AND INVESTMENTS**

*A. Administration*

Investments are administered separately by the City and by its blended component unit, the Housing Authority of the City of Vallejo, and by the discrete component unit, the VSFCU. The respective cash and investment positions as of June 30, 2013 for each of these legal entities is as follows:

	Primary Government		Fiduciary Funds	Subtotal	Component Unit	Total
	City	Housing				
Cash on hand	\$12,960	\$200		\$13,160		\$13,160
Deposits	3,130,955	2,212,526		5,343,481	\$1,129,293	6,472,774
Investments	112,139,999	2,235,455	\$10,996,341	125,371,795	46,275,656	171,647,451
	<u>\$115,283,914</u>	<u>\$4,448,181</u>	<u>\$10,996,341</u>	<u>\$130,728,436</u>	<u>\$47,404,949</u>	<u>\$178,133,385</u>

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

**B. Classification**

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

Reported on the Statement of Net Position

**Primary Government:**

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	\$12,289,188	
Other funds	89,824,607	
Total, City		\$102,113,795
Housing Authority		4,448,181
		106,561,976

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		13,170,119
Subtotal Primary Government cash and investments		119,732,095

**Component Unit (VSFCD):**

Cash and investments

38,611,889

Restricted cash and investments (held by fiscal agents):

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

Subtotal Component Unit cash and investments		8,793,060 47,404,949
----------------------------------------------	--	-------------------------

Reported on the Statement of Fiduciary Net Position

Agency Funds

Cash and investments

3,699,252

Restricted investments (held by fiscal agents)

3,984,650

Total, Agency Funds

7,683,902

Successor Agency to the Redevelopment Agency

Private-Purpose Trust Fund

Cash and investments

2,210,196

Restricted investments (held by fiscal agents)

1,102,243

Total, Successor Agency to the Redevelopment

3,312,439

Agency Private-Purpose Trust Fund

Subtotal Fiduciary Funds cash and investments

10,996,341

Total cash and investments

\$178,133,385

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

**C. Policies**

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools idle cash from all sources and all funds, except Cash with Fiscal Agents, Housing Authority, and the VSFCDC, 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 Successor Agency to the Redevelopment Agency, and the Housing Authority.

These cash transactions are recorded in the City's main checking account with transactions allocated to each applicable general ledger fund of the City and its component units pending periodic reimbursement and settlement of inter-agency balances. As of June 30, 2013, 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.

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**NOTE 2 - 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	1 Year	No Limit	No Limit	No Limit
U.S. Government Treasury Bonds and Notes	5 Years	No Limit	No Limit	No Limit
U.S. Government Agencies and Government Sponsored Enterprises	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	A1	30%	5%
Maturing in 2 to 4 years	5 Years	AA1	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	AA1	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	One of Three Highest Categories	10%	No Limit
Mutual Funds	On Demand	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

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**NOTE 2 - 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 VSFCD 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.

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

City Debt Agreements

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	No Limit	No Limit	No Limit	No Limit
U.S. Government Agency Obligations	No Limit	Two highest ratings	No Limit	10%
Money Market Funds	No Limit	Prime-1/AA-m	No Limit	No Limit
Government Money Market Funds	360 days	Highest rating	No Limit	No Limit
Insured FDIC deposits	No Limit	No Limit	No Limit	No Limit
Interest-Bearing & Time Deposits – Banks or Savings and Loans or Mutual Savings Banks	No Limit	A-1	No Limit	No Limit
Bankers 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 date or earliest call date at June 30, 2013.



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

City and Housing Authority

Investment Type	Less than 1 year	1 - 5 years	Total
<b><i>Held by the City and its Blended Component Units:</i></b>			
U.S. Government Agencies	\$8,399,381	\$25,851,882	\$34,251,263
Asset Backed Securities		1,715,872	1,715,872
Commercial Paper	779,423		779,423
Corporate Notes	5,002,538	14,495,093	19,497,631
U.S. Treasury Notes	777,986	20,519,828	21,297,814
California Local Agency Investment Fund:			
City	21,937,076		21,937,076
Housing Authority	2,235,455		2,235,455
Money Market Mutual Funds	3,654,148		3,654,148
Municipal Bonds	180,130	2,052,910	2,233,040
<b><i>Held by Fiscal Agents:</i></b>			
Money Market Mutual Funds	17,770,073		17,770,073
Total Investments	<u>\$60,736,210</u>	<u>\$64,635,585</u>	<u>\$125,371,795</u>

Money market funds are available for withdrawal on demand and at June 30, 2013, have an average maturity which ranged from 1 to 47 days.

VSFCD

Investment Type	Less than 1 year	1 - 5 years	6-10 years	More than 10 years	Total
U.S. Government Agencies		\$21,480,416	\$3,818,120	\$3,523,446	\$28,821,982
Corporate Notes and Bonds	\$1,092,500	1,120,985			2,213,485
Corporate Certificates of Deposit	1,684,229	4,983,666	239,278		6,907,173
California Local Agency Investment Fund	1,797,211				1,797,211
Money Market Funds	6,535,805				6,535,805
Total Investments	<u>\$11,109,745</u>	<u>\$27,585,067</u>	<u>\$4,057,398</u>	<u>\$3,523,446</u>	<u>\$46,275,656</u>

Local Agency Investment Fund

The City, the Housing Authority, and the VSFCD 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, 2013, these investments have an average maturity of 278 days.

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**NOTE 2 - 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, 2013 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
<b><i>Held by the City and its Component Units:</i></b>				
U.S. Government Agencies				
Non-callable	\$34,251,263			\$34,251,263
Asset Backed Securities	1,715,872			1,715,872
Commercial Paper			\$779,423	779,423
Corporate Notes	2,772,540	\$8,415,456	8,309,635	19,497,631
Money Market Mutual Funds	3,654,148			3,654,148
Municipal Bonds		2,083,844	149,196	2,233,040
<b><i>Held by Fiscal Agents:</i></b>				
Money Market Mutual Funds	17,770,073			17,770,073
Total rated investments	<u>\$60,163,896</u>	<u>\$10,499,300</u>	<u>\$9,238,254</u>	<u>79,901,450</u>
<b><i>Exempt:</i></b>				
U.S. Treasury Notes				21,297,814
<b><i>Not rated:</i></b>				
California Local Agency Investment Fund:				
City				21,937,076
Housing Authority				<u>2,235,455</u>
Total Investments				<u>\$125,371,795</u>

VSFCD

*Credit risk:* The California Government Code limits credit quality ratings to high investment grade. The District investment policy with respect to credit ratings follows the government code except for corporate medium-term notes that require ratings of AA or better. 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 Aa1 by Moody's and to NR for investments in Lehman Brothers in default. Investments in certificates of deposit (CD's) are FDIC insured. The LAIF investment pool is not rated, and the money market pools consisting of Dreyfus, First American Government Fund and Reich & Tang are rated AAAM and Aaa by S&P and Moody's, respectively.

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

**H. Concentration Risk**

The City and the VSFCDD 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, 2013, 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	U.S. Government Agencies	\$13,340,582
Entity-wide	Federal Home Loan Mortgage Corporation	U.S. Government Agencies	10,000,451
Entity-wide	Federal Farm Credit Banks	U.S. Government Agencies	6,589,403

VSFCDD Concentration Risk

Of the Sanitation and Flood Control District's controllable portfolio at June 30, 2013, 15% was with Federal National Mortgage Association, 14% was with Federal Home Loan Mortgage Corporation, 23% was with Federal Home Loan Bank, and 10% was with Federal Farm Credit Banks. No other investments exceeded 5%.

**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, 2013, the VSFCDD 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	\$1,070,560
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**NOTE 3 – INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

Transfers between funds during the fiscal year ended June 30, 2013 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred	
<b>General Fund</b>	Certificates of Participation Debt Service Fund	\$283,250	(A)
	Capital Outlay Capital Projects Fund	8,889,171	(B), (C)
	Local Transportation Enterprise Fund	2,367	(D)
	Marina Enterprise Fund	383,603	(C), (D)
	Golf Enterprise Fund	102,307	(E)
	Vallejo Station Parking Enterprise Fund	236,361	(D)
	Insurance Internal Service Fund	301,000	(D)
<b>Special Revenue Funds:</b>			
State Gas Tax	Traffic Congestion Relief Capital Projects Fund	953,555	(C)
Outside Services	General Fund	277	(F)
State Lands	Marina Enterprise Fund	141,020	(D)
Administrative Trust	General Fund	324	(F)
<b>Enterprise Fund:</b>			
Local Transportation	Transportation Capital Projects Fund	150,749	(G)
<b>Total</b>		<u>\$11,443,984</u>	

- (A) To fund debt service payments.
- (B) To transfer technology surcharge fees to capital projects fund.
- (C) To fund capital program projects
- (D) To transfer amounts to reduce or eliminate fund deficits.
- (E) To fund city operations.
- (F) To transfer investment income from unrestricted funds to General Fund.
- (G) To close fund.

In addition to the transfers above, governmental activities transferred capital assets in the amount of \$8,794,987 to business-type activities, and the Local Transportation Fund transferred capital assets in the amount of \$5,108,284 to governmental activities.

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

**B. Current Interfund Balances**

As of June 30, 2013, the City’s Insurance Internal Service Fund had provided short-term lending to the following funds with deficit cash positions. These balances are expected to be repaid shortly after the end of the fiscal year upon receipt of grant or other reimbursements.

	Due from Other Funds	Due to Other Funds
Special Revenue Funds:		
Community Development Block Grant		\$261,263
Neighborhood Stabilization Program		308,055
State Gas Tax		138,705
Office of Traffic Safety		15,122
Justice Assistance Grant		22,549
State Lands		30,790
Capital Projects Funds:		
Capital Grants and Contributions		1,445,317
Vallejo Station		1,400,415
Internal Service Funds:		
Insurance	\$3,622,216	
Total	\$3,622,216	\$3,622,216

**C. Internal Balances**

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

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**NOTE 4 – NOTES & LOANS RECEIVABLE**

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

The following notes and loans receivable were outstanding as of June 30, 2013:

Types of Loans	Fund Type	Amounts
<b>Primary Government and Blended Component Unit:</b>		
<u>Housing Programs</u>		
Housing Authority Programs	Major Governmental	
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		795,283
Temple Arts Lofts		750,000
Accrued interest		2,615,406
Residential Rehabilitation		246,592
		<u>12,951,031</u>
HOME Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Temple Arts Lofts		495,734
Single family residential		3,685,370
		<u>5,581,104</u>
Community Development Block Grant	Non-major Governmental	
Reynaissance Family Center		920,362
Youth & Family Services		240,000
Temple Art Lofts		400,000
Single family residential		1,196,775
		<u>2,757,137</u>
Neighborhood Stabilization Program	Non-major Governmental	
Community Housing Development Corporation		107,911
Temple Art Lofts		1,437,844
Vallejo Neighborhood Housing		267,381
Single family residential		225,347
		<u>2,038,483</u>
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	921,144
Neighborhood Parks Fund	Non-major Governmental	165,149
		<u>1,086,293</u>
<u>Other Programs</u>		
Water Fund - Trailer City	Major Enterprise	37,285
Water Fund - American Canyon	Major Enterprise	1,431,567
		<u>1,468,852</u>
<u>Other</u>		
<u>General Fund</u>		
Triad Downtown Vallejo - Legal Costs	Major Governmental	12,503
		<u>12,503</u>
Total Primary Government notes and loans receivable		<u>25,895,403</u>
<b>VSFCD:</b>		
<u>Development Programs</u>		
Sereno Village Apartments		253,369
Other Programs		17,053
		<u>270,422</u>
Total Component Unit notes and loans receivable		<u>270,422</u>
Total notes and loans receivable		<u>\$26,165,825</u>

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

**B. *Affordable Housing and Residential Rehabilitation***

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 had 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.

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, 2013 were \$246,592.

**C. *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 range from 3.0% to 5.0% and the principal maturity dates range from 5 years to 30 years. The outstanding balances at June 30, 2013 were \$5,581,104, \$2,757,137, and \$2,038,483 in the HOME, CDBG Program, and NSP Program, respectively.

The City had 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. Prior to fiscal year 2013, the City had recorded an allowance for doubtful account in the amount of \$831,111.

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

**D. *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, 2013 the outstanding balance of this loan, including accrued interest, was \$1,086,293, including \$921,144 funded by General Fund and \$165,149 funded by Neighborhood Parks Capital Project Fund.

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, 2013 was \$253,369.

**E. *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, 2013 the outstanding balance of this loan was \$37,285. This note is recorded in the City's Water Enterprise Fund.

**F. *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, 2013 was \$1,431,567.

**G. *Triad Downtown Vallejo***

In June 2013, the City entered into an agreement with the Successor Agency in which the City agreed to pay legal costs to defend the Successor Agency in the case of *Triad Downtown Vallejo v. Vallejo Redevelopment Agency*. The maximum cumulative outstanding balance of the loan, excluding accrued interest, may not exceed \$110,000. The Successor Agency agrees to pay any amounts owed under this Agreement to the City before the loan expires on December 31, 2029. Interest accrues monthly based on the Local Agency Investment Fund rate. The outstanding balance of the loan as of June 30, 2013 was \$12,503.



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

**H. Long-Term Loans – Former Redevelopment Agency**

With the dissolution of the Redevelopment Agency effective January 31, 2012 as discussed in Note 15, the following loans are offset by an Allowance for Collectability in fiscal year 2013 as follows:

**Pre-1990 Advances**

During the early years of the Agency (pre-1990), the City advanced start-up funds to the Agency. As property taxes becomes available, these obligations will be recognized and repaid to the City. The advances continue to accrue interest at 4% per year. The balances of these advances as of June 30, 2013 were as follows:

Project Area	Balance Due June 30, 2013
Marina Vista	\$3,701,103
Waterfront	4,096,461
Vallejo Central	1,244,468
Total	\$9,042,032

**Vallejo Central Project Area - Empress Theatre**

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 4D. 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 June 30, 2013, 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 June 30, 2013, the balance of the advance was \$440,000.

**Allowance for Collectability and Accrued Interest**

Repayment of these loans is now contingent upon the Successor Agency receiving a Finding of Completion, as defined in Health and Safety Code Section 34179.6. After the Successor Agency receives a Finding of Completion, and under the provisions of Health and Safety Code Section 34191.4(b)(2)(A), the loans can be repaid by the Successor Agency. However, the Successor Agency must apply for approval of the loans by the Oversight Board including a finding that the loans were for legitimate redevelopment purposes. If the Oversight Board finds that the loans are an enforceable obligation, the loans are to be repaid in accordance with a defined schedule over a reasonable term of years. Repayment cannot begin prior to fiscal year 2014 and the maximum annual repayment amount is limited based on calculations in the Code Section. In addition, the interest rate on the loans is limited to the Local Agency Investment Fund interest rate calculated from the inception of each loan.

Therefore, Management has offset the total amount owed (\$14,199,650 as of June 30, 2013) with an allowance for collectability. When the loans are approved by the Oversight Board, the balance of each loan will be recalculated using the applicable Local Agency Investment Fund interest rate.

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**NOTE 5 – CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. The VSFCDC capitalizes applicable assets greater than \$1,000.

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

The VSFCDC has assigned the useful lives listed below to capital assets:

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
Buildings and improvements	5 to 40 years
Machinery and equipment	5 to 25 years

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**NOTE 5 – 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. Government Capital Asset Activity**

	Balance at June 30, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$137,982,182	\$144,052		(\$3,441,452)	\$134,684,782
Construction in progress	53,989,551	10,422,431		(10,340,725)	54,071,257
Total capital assets not being depreciated	191,971,733	10,566,483		(13,782,177)	188,756,039
Capital assets being depreciated:					
Buildings and improvements	62,173,333	1,863,388		5,397,835	69,434,556
Machinery and equipment	28,626,963	730,130	(\$650,996)	45,389	28,751,486
Infrastructure	235,649,900		(1,889,198)	6,303,965	240,064,667
Total capital assets being depreciated	326,450,196	2,593,518	(2,540,194)	11,747,189	338,250,709
Less accumulated depreciation for:					
Buildings and improvements	(25,617,226)	(1,730,255)		(1,644,907)	(28,992,388)
Machinery and equipment	(20,544,400)	(1,685,542)	577,595	(6,808)	(21,659,155)
Infrastructure	(134,622,003)	(5,407,052)			(140,029,055)
Total accumulated depreciation	(180,783,629)	(8,822,849)	577,595	(1,651,715)	(190,680,598)
Net capital assets being depreciated	145,666,567	(6,229,331)	(1,962,599)	10,095,474	147,570,111
Governmental activity capital assets, net	\$337,638,300	\$4,337,152	(\$1,962,599)	(\$3,686,703)	\$336,326,150

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

**B. Business-Type Capital Asset Activity**

	Restated Balance at June 30, 2012	Additions	Transfers	Transfers from Blue Rock Golf Course	Transfer to WETA/ SolTrans	Balance at June 30, 2013
<i>Business-type activities</i>						
Capital assets, not being depreciated:						
Land	\$12,673,353		(\$374,548)			\$12,298,805
Construction in progress	27,542,007	\$3,328,071	5,831,984		(\$29,467,031)	7,235,031
Total capital assets not being depreciated	<u>40,215,360</u>	<u>3,328,071</u>	<u>5,457,436</u>		<u>(29,467,031)</u>	<u>19,533,836</u>
Capital assets, being depreciated:						
Buildings and improvements	119,785,575		(5,075,743)	\$3,301,166	(\$7,609,282)	110,401,716
Machinery and equipment	52,298,716	303,829	248,297	1,361,105	(38,203,470)	16,008,477
Infrastructure	116,843,140		1,404,998			118,248,138
Total capital assets being depreciated	<u>288,927,431</u>	<u>303,829</u>	<u>(3,422,448)</u>	<u>4,662,271</u>	<u>(45,812,752)</u>	<u>244,658,331</u>
Less accumulated depreciation for:						
Buildings and improvements	(53,131,390)	(3,106,028)	1,644,907	(2,577,060)	4,234,696	(52,934,875)
Machinery and equipment	(34,032,667)	(1,335,946)	6,808		29,368,826	(5,992,979)
Infrastructure	(87,441,833)	(3,092,386)				(90,534,219)
Total accumulated depreciation	<u>(174,605,890)</u>	<u>(7,534,360)</u>	<u>1,651,715</u>	<u>(2,577,060)</u>	<u>33,603,522</u>	<u>(149,462,073)</u>
Net capital assets being depreciated	<u>114,321,541</u>	<u>(7,230,531)</u>	<u>(1,770,733)</u>	<u>2,085,211</u>	<u>(12,209,230)</u>	<u>95,196,258</u>
Business-type activity capital assets, net	<u>\$154,536,901</u>	<u>(\$3,902,460)</u>	<u>\$3,686,703</u>	<u>\$2,085,211</u>	<u>(\$41,676,261)</u>	<u>\$114,730,094</u>

Business-type Activity capital assets were restated and reduced as of July 1, 2012 in the amount of \$205,126,236 to remove the capital assets of VSFC D that is now reported as a discrete component unit, as discussed in Note 1A.

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

**C. Vallejo Sanitation and Flood Control District Capital Asset Activity**

	Balance at June 30, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Capital assets, not being depreciated:					
Land and Land improvements	\$2,810,716				\$2,810,716
Construction in progress	5,404,868	\$5,619,311	(\$122,372)	(\$1,375,230)	9,526,577
Total capital assets not being depreciated	8,215,584	5,619,311	(122,372)	(1,375,230)	12,337,293
Capital assets, being depreciated:					
Buildings and improvements	2,804,092				2,804,092
Machinery and equipment	11,696,160	335,640		100,440	12,132,240
Infrastructure	319,548,778	222,439		1,274,790	321,046,007
Total capital assets being depreciated	334,049,030	558,079		1,375,230	335,982,339
Less accumulated depreciation for:					
Buildings and improvements	(3,162,255)	(56,224)			(3,218,479)
Machinery and equipment	(6,010,310)	(610,281)			(6,620,591)
Infrastructure	(127,965,813)	(7,590,329)			(135,556,142)
Total accumulated depreciation	(137,138,378)	(8,256,834)			(145,395,212)
Net capital assets being depreciated	196,910,652	(7,698,755)		1,375,230	190,587,127
Capital assets, net	\$205,126,236	(\$2,079,444)	(\$122,372)		\$202,924,420

**D. 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.

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

The City of Vallejo and the WETA worked 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 and the net book value of assets transferred amounted to \$30,867,521, which has been recorded as a transfer above and as a Special Item in the Statement of Activities.

The City also transferred inventory in the amount of \$900,390 to WETA in fiscal year 2012-2013, which is included in the Special Item in the Statement of Activities.

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 capital assets transferred amounted to \$19,034,732 in fiscal year 2011-12. In fiscal year 2012-13, the City transferred additional capital assets with a net book value of \$10,808,740 to the JPA, which has been recorded as a transfer above and as a Special Item in the Statement of Activities. In addition, governmental activities transferred capital assets in the amount of \$8,794,987 to the business-type activities which are included in the above transfer to SolTrans and recorded as part of the Special Item.

***E. Vallejo Golf Asset Transfer***

During fiscal year 2013, the City revised the management agreement with the operator of the Blue Rock Golf Course and assumed the capital assets from the operator. Transfer of the capital assets was effective September 2012 and the net book value of the assets transferred amounted to \$2,085,211 in fiscal year 2012-2013, which has been recorded as a transfer above and combined with the transfer of accounts receivable and inventory in the amount of \$98,025 has been reported as a Special Item in the Statement of Activities.

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

**F. 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	\$33,654
Human resources	2,030
Community development	104,690
Fire services	152,555
Police services	68,877
Public works	7,398,017
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,063,026
	<u>\$8,822,849</u>

***Business-Type Activities***

Water	\$5,884,046
Local Transportation	903,711
Marina	277,211
Golf	469,392
	<u>\$7,534,360</u>

***VSFCD:***

Vallejo Sanitation and Flood Control District	\$8,256,834
	<u>\$8,256,834</u>

**NOTE 6 - LONG-TERM DEBT**

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source gross of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

The unamortized loss on refunding of debt was previously reported as a component of the long-term debt balance. With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, the balance of the loss on refunding is to be reported as an asset or liability, as applicable. Another provision of GASB Statement No. 65 requires that bond issuance costs, other than prepaid insurance, be expensed in the year incurred. As a result of the implementation, bond issuance costs as of July 1, 2012 in the amount of \$1,135,616 in the Water Enterprise Fund have been removed and net position of the fund has been reduced and restated in that amount.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**A. Current Year Transactions and Balances**

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

	Original Issue Amount	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
<b>Governmental Activity Debt:</b>						
<b>Certificates of Participation:</b>						
1999 COPs						
(Restructured, see Note 6C)	\$4,815,000	\$3,756,517		\$130,000	\$3,626,517	\$135,000
<b>Other Obligation:</b>						
1999 COPs Shortfall Indebtedness						
(Restructured, see Note 6C)	75,860	154,626	\$79,692		234,318	
Total Certificates of Participation	4,890,860	3,911,143	79,692	130,000	3,860,835	135,000
<b>UBOC Reimbursement Obligations:</b>						
UBOC Traunche A - General Fund	5,863,667	5,863,667			5,863,667	262,268
UBOC Traunche 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	262,268
<b>Capital Lease Obligations:</b>						
2001 Site & Facility Lease						
(Restructured, see Note 6G)	710,248	710,248			710,248	
Fire SCBA						
6.816%, due 9/1/14	313,122	79,257		79,257		
Police Holding Cell						
5.95%, due 1/30/13	675,000	65,874		65,874		
Total Capital Leases Obligations	1,698,370	855,379		145,131	710,248	
<b>Total Governmental Activity Debt</b>	<b>\$20,359,574</b>	<b>\$18,536,866</b>	<b>\$79,692</b>	<b>\$275,131</b>	<b>\$18,341,427</b>	<b>\$397,268</b>



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**NOTE 6 - LONG-TERM DEBT (Continued)**

	Original Issue Amount	Restated Balance June 30, 2012	Retirements	Balance June 30, 2013	Current Portion
<b>Business-type Activity Debt:</b>					
<b>Revenue Bonds:</b>					
2001 Water Revenue Bonds, variable rate, due 6/1/31	\$23,075,000	\$18,140,000	\$625,000	\$17,515,000	\$650,000
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	45,790,000	37,675,000	1,910,000	35,765,000	2,010,000
Plus: Unamortized bond premium		1,310,952	93,640	1,217,312	
<b>Total Revenue Bonds</b>	<b>68,865,000</b>	<b>57,125,952</b>	<b>2,628,640</b>	<b>54,497,312</b>	<b>2,660,000</b>
<b>UBOC Reimbursement Obligations</b>					
UBOC tranche A- Golf Course	4,269,641	3,919,642	354,666	3,564,976	354,666
UBOC tranche A- Marina	7,916,579	7,246,578	600,000	6,646,578	600,000
UBOC tranche B - Golf Course	5,359,564	4,561,671		4,561,671	
UBOC tranche B- Marina	10,368,842	8,899,585		8,899,585	
<b>Other Loans &amp; Notes Payable:</b>					
US Dept of Commerce, Water Fund 2.5%, due 8/1/15	2,560,923	359,437	167,598	191,839	
State Safe Drinking Water 0%, due 1/1/25	68,080	42,550	3,404	39,146	1,702
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	3,171,475	347,469	2,824,006	176,764
<b>Total Loans &amp; Notes Payable</b>	<b>37,218,629</b>	<b>28,200,938</b>	<b>1,473,137</b>	<b>26,727,801</b>	<b>1,133,132</b>
<b>Total Business-type Activity Debt</b>	<b>\$106,083,629</b>	<b>\$85,326,890</b>	<b>\$4,101,777</b>	<b>\$81,225,113</b>	<b>\$3,793,132</b>

Business-type Activity long-term debt was restated and reduced as of July 1, 2012 in the amount of \$68,638,526 to remove the long-term debt of VSFCU that is now reported as a discrete component unit, as discussed in Note 1A, and restated and increased in the amount of \$1,367,824 to reclassify the balance of the unamortized loss on refunding as discussed above.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

	Original Issue Amount	Balance June 30, 2012	Retirements	Balance June 30, 2013	Current Portion
<b>VSFCD:</b>					
<b>Revenue Bonds:</b>					
Vallejo Sanitation and Flood Control District					
2011 Revenue Bonds					
2-5%, due 5/1/22	\$3,345,000	\$3,151,297	\$193,933	\$2,957,364	\$200,000
Total Revenue Bonds	3,345,000	3,151,297	193,933	2,957,364	200,000
<b>Certificates of Participation:</b>					
Vallejo Sanitation and Flood Control District					
1993 Sanitation and Flood Control	38,905,000	17,422,590	1,804,656	15,617,934	1,970,000
2006 Sanitation and Flood Control District					
4-5%, due 2036	39,665,000	35,925,214	859,359	35,065,855	880,000
Total Certificates of Participation	78,570,000	53,347,804	2,664,015	50,683,789	2,850,000
<b>Other Loans &amp; Notes Payable:</b>					
Vallejo Sanitation and Flood Control					
State Clean Water (2004)					
2.5%, due 2023	13,798,201	8,630,069	691,320	7,938,749	708,603
State Clean Water (2008)					
2.4%, due 2025	4,406,072	3,509,356	233,225	3,276,131	238,823
Total Loans & Notes Payable	18,204,273	12,139,425	924,545	11,214,880	947,426
<b>Total VSFCD Debt</b>	<b>\$100,119,273</b>	<b>\$68,638,526</b>	<b>\$3,782,493</b>	<b>\$64,856,033</b>	<b>\$3,997,426</b>

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**NOTE 6 - 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		VSFCD	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$397,268	\$181,976	\$3,793,132	\$1,920,043	\$3,997,426	\$2,746,796
2015	616,945	314,860	3,933,625	2,049,943	2,090,873	1,982,448
2016	637,458	294,647	3,933,848	1,932,814	2,159,900	1,909,671
2017	653,249	273,728	4,084,100	1,789,012	2,009,522	1,732,375
2018	674,329	252,090	4,265,840	1,648,969		
2019-2023	3,501,926	1,101,567	23,486,502	5,725,494	23,329,107	9,872,997
2024-2028	3,863,777	854,211	19,958,909	2,186,410	12,788,350	5,608,447
2029-2033	4,721,484	504,829	8,350,642	912,186	9,510,855	3,530,350
2034-2038	3,274,991	119,559	4,759,167	514,167	8,970,000	1,100,549
2039-2042			3,442,036	125,295		
Total	18,341,427	<u>\$3,897,467</u>	80,007,801	<u>\$18,804,334</u>	64,856,033	<u>\$28,483,633</u>
Plus: Unamortized bond premium (discount)			1,217,312			
Net long-term debt	<u>\$18,341,427</u>		<u>\$81,225,113</u>		<u>\$64,856,033</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 2013, the City did not receive any revenues for the MVLFF. 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.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

Due to the failure of the City to pay the scheduled amounts due under the original agreement, on January 25<sup>th</sup> 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 13, 2012 and January 15, 2013, the City had a shortfall of \$56,510 and \$23,182, respectively, for a total amount of \$79,692.

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 to pay National, on January 15 and July 15 of each year, an amount equal to 100% of all MVLF 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 MVLF exceed the total amounts due for such period. The City’s obligation to pay amounts is not dependent on its receipt of MVLF in any amount.

The MVLF catch-up payment shall be applied to the shortfall indebtedness until paid in full. For the avoidance of doubt, each MVLF catch-up payment shall be applied to the shortfall indebtedness in the following order of priority: (i) interest and (ii) principal. To the extent that the shortfall indebtedness is not paid in full by of the last scheduled payment under the Lease Agreement, the City shall pay the unpaid balance of the shortfall indebtedness to National no later than January 15, 2030.

**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.

**2006 Sanitation and Flood Control District (VSFCD)** - On March 13, 2006, VSFCD 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 transaction advance refunded in part \$19,075,000 of the 2001 Certificates by placing an amount in an irrevocable escrow fund sufficient to retire the debt on May 3, 2006, terminating and legally defeasing the 2001 Certificates. The 2006 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.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**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.

**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 2.145%. Principal on the bonds is due annually June 1.

The pledge of future net revenues ends upon repayment of the \$18,200,697 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, and the new expiration date is December 7, 2013. The outstanding par balance at June 30, 2013 is \$17,515,000. In September 2013, the Bonds were refunded with the issuance of the Water Revenue Refunding Bonds, Series 2013, as discussed in Note 16 below, therefore, the outstanding balance of the Bonds is not reported as due in one year as of June 30, 2013.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**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 \$49,515,250 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 2013, revenues amount to \$36,121,520 and operating costs include operating expenses, but not interest, depreciation or amortization amounted to \$25,393,089. Net Revenues available for debt service amounted to \$10,728,431 which represented coverage of 2.41 over the \$4,456,370 in combined system debt service for both 2001 and 2006 Water Revenue Bonds debt service.

**2011 Revenue Bonds** - the VSFC and the WateReuse 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 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 2011 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.

**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, through 2025.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**State Safe Drinking Water** – The loan from the State of California, Department of Water Resources was used to partially refund the 1999 Water Parity Refunding Revenue Bonds. The amount of outstanding principal defeased was \$6,675,000. The interest rate is 2.32%. Semiannual principal and interest payments are due on July 1 and January 2, through 2021.

**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.

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, 2013.

**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. The City paid off the remaining balance on lease in fiscal year 2012-2013.

**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. The City made the final payment on the lease in fiscal year 2012-2013.

**NOTE 7 – 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, 2013 is as follows:

<i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	\$15,185,000
Northeast Improvement District 2003-1	7,090,000
 <i>Revenue Bonds</i>	
2003 Series B (Northeast Quadrant)	115,000
Total	\$22,390,000

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**NOTE 8 – 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, 2013, \$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, 2013, \$9,255,000 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, 2013, \$10,300,000 of these bonds remained outstanding.



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**NOTE 9 – 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 11.

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 Position. 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, 2013.

Compensated absences activity for the City for the year ended June 30, 2013 is as follows:

	Governmental Activities	Business-Type Activities	Total	VSCFD
Compensated Absences Activity:				
Beginning Balance, as restated	\$11,598,721	\$175,733	\$11,774,454	\$2,554,637
Additions	5,718,694	1,448,678	7,167,372	748,365
Deletions	(7,201,726)	(514,180)	(7,715,906)	(1,829,978)
Ending Balance	<u>\$10,115,689</u>	<u>\$1,110,231</u>	<u>\$11,225,920</u>	<u>\$1,473,024</u>
Compensated Absences Classification Presentation:				
Current Portion:				
Internal Service Funds	\$491,323		\$491,323	
Entity-wide	6,532,477	\$962,556	7,495,033	
Vallejo Sanitation Flood and Control District				\$433,462
Current Portion	<u>7,023,800</u>	<u>962,556</u>	<u>7,986,356</u>	<u>433,462</u>
Noncurrent Portion:				
Internal Service Fund	48,450		48,450	
Entity-wide	3,043,439	147,675	3,191,114	
Vallejo Sanitation Flood and Control District				1,039,562
Noncurrent Portion	<u>3,091,889</u>	<u>147,675</u>	<u>3,239,564</u>	<u>1,039,562</u>
Total	<u>\$10,115,689</u>	<u>\$1,110,231</u>	<u>\$11,225,920</u>	<u>\$1,473,024</u>
Noncurrent Employee Benefits Payable:				
Compensated Absences	\$3,091,889	\$147,675	\$3,239,564	\$1,039,562
Net OPEB Obligation (Note 11)	<u>23,132,818</u>		<u>23,132,818</u>	<u>860,077</u>
Non-current Portion	<u>\$26,224,707</u>	<u>\$147,675</u>	<u>\$26,372,382</u>	<u>\$1,899,639</u>

Business-type Activity compensated absences were restated and reduced as of July 1, 2012 in the amount of \$2,554,637 to remove the capital assets of VSCFD that is now reported as a discrete component unit, as discussed in Note 1A.

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**NOTE 10 – 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. Audited annual financial statements are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

2. Funding Policy

Both Safety and Miscellaneous active plan members hired prior to January 1, 2013 are required by State statute to contribute 9% of their annual covered salary which amounted to \$3,950,259. The City as employer was required to contribute for fiscal year 2013 at an actuarially determined rate of 42.264%% and 24.762% of annual covered payroll for safety and miscellaneous employees, respectively.

In October 2012, the City Council authorized an amendment to the contract between the City and the California Public Employees' Retirement System in order to establish a Tier 2 retirement benefits structure. The Tier 2 has a retirement benefit plan of 2%@50 for new fire employees hired on or after October 30, 2012. The City as employer was required to contribute for fiscal year 2013 at an actuarially determined rate of 43.902%, and the applicable fire employees contribute 9.0% of their annual covered salary.

A Tier 3 structure was established to implement the provisions of the Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, and is applicable to employees new to CALPERS and hired after December 31, 2012. The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

	Miscellaneous Tier 3 (2% @ 62)	Fire Tier 3 (2.7% @ 57)	Police Tier 3 (2.7% @ 57)
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	62	57	57
Monthly benefits, as a % of annual	2.0%	2.0%	2.0%
Required employee contribution rates	6.25%	12.00%	12.00%
Required employer contribution rates	25.762%	43.902% *	44.101%

\* The required employer contribution rate was 44.101% between January 1, 2013 through February 28, 2013 and was amended to 43.902% effective March 2013

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**NOTE 10 – RETIREMENT PENSION BENEFITS (Continued)**

3. Annual Pension Cost

The City's annual pension costs of \$9,573,562, \$12,088,716 and \$13,083,650 were equal to the City's required and actual contributions in fiscal years 2011, 2012, and 2013, respectively. In addition, the City made a supplemental contribution of \$6,599,854 during fiscal year 2013. The required contribution for 2013 was determined as part of the June 30, 2012 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 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, 2009 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.

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, 2013:

*Safety Plan:*

Actuarial							Unfunded (Overfunded) Liability as % of Payroll
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratios		Annual Covered Payroll	
				AVA Value	Market Value		
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%
2012	283,198,406	387,891,793	104,693,387	73.0%	60.9%	19,739,558	530.4%

*Miscellaneous Plan:*

Actuarial							Unfunded (Overfunded) Liability as % of Payroll
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratios		Annual Covered Payroll	
				AVA Value	Market Value		
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%
2012	161,404,690	222,441,282	61,036,592	72.6%	60.6%	19,010,763	321.1%

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**NOTE 10 – RETIREMENT PENSION BENEFITS (Continued)**

**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, Lincoln Plaza, 400 P Street, Sacramento, CA 95814.

2. Funding Policy

CalPERS participating employees contribute 8% of their salary as required by CalPERS for local miscellaneous plan members and 6.25% for members hired after January 1, 2013. 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 2012-2013 was 15.178% 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 of the plan plus the plan's amortization of bases, plus certain other actuarial adjustments. Some members amortize a side-fund used to account for the difference between the funded status of the member's stand-alone plan prior to entry into the pooled plan. The District's employer rate is the normal cost only with no side fund amortization as the District fully paid its side fund in October 2011.

3. Required Contributions

For the fiscal year 2012-2013 and each of the two preceding fiscal years, contribution requirements and contributions made were as follows:

Fiscal Year Ended June 30	CalPERS Local Miscellaneous 2.7% @ 55 and 2 @ 62 Cost-Sharing Plan		
	Contribution	Percent of	Pension
	Requirement	Contributions	Assets
	Dollars	Paid	(Liabilities)
2013	\$1,116,393	100%	\$0
2012	1,080,049	100%	0
2011	1,278,284	100%	0

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**NOTE 10 – RETIREMENT PENSION BENEFITS (Continued)**

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 11 – POST-EMPLOYMENT BENEFITS**

*A. Post Retirement Health Benefits - City*

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.

The following is a summary of benefits by employee group as of June 30, 2013:

<u>Employee Group</u>	<u>Contractual Benefit at June 30, 2013</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

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**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

Funding Policy and Actuarial Assumptions

The City’s policy is to fund these benefits on a pay-as-you-go basis. The annual required contribution (ARC) was determined as part of a June 30, 2012 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) 4.0% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 5.0% to 8.9% 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 \$106.6 million and is being amortized as a level percentage of projected payroll using a 30 year amortization period.

At June 30, 2013, 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.

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, 2013, 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)	\$7,536,000
Amortization on the Net OPEB Liability	(372,695)
Interest on the Net OPEB Liability	761,250
Adjustment to annual required contribution	388,555
Annual OPEB Cost	7,924,555
Contributions made:	
City portion of current year premiums paid	3,391,576
Contributions less than the ARC	4,532,979
Net OPEB Obligation at June 30, 2012	18,599,839
Net OPEB Obligation at June 30, 2013	\$23,132,818

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**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

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
6/30/2011	\$5,593,399	\$3,652,174	65%	\$15,974,462
6/30/2012	5,772,393	3,147,016	55%	18,599,839
6/30/2013	7,924,555	3,391,576	43%	23,132,818

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%)
6/30/2010	0	82,052	(82,052)	0.00%	40,982	(200.2%)
6/30/2012	0	106,628	(106,628)	0.00%	40,115	(265.8%)

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**NOTE 11 – 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 from PARS, 3961 MacArthur Boulevard, Suite 200, Newport Beach, CA 92660.

2. Funding Policy

The Plan is fully funded by employer contributions with no requirement for matching or otherwise pro-rata employee contributions. As the Plan's sponsor, the District establishes and may amend employee and employer contribution requirements. 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 2012-2013 amounted \$1,141,013 and \$1,107,555, 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 Required Contribution (ARC)	OPEB Interest @ 7.5%	Adjustment to ARC	Annual OPEB Cost	Percent of Contributions Paid	Inc (Dec) in Net OPEB Obligation	Net OPEB Obligation End of Year
2013	01/01/13	\$1,267,152	\$61,996	(\$188,135)	\$1,141,013	97%	\$33,458	\$860,076
2012	01/01/10	1,016,399	58,243	0	1,074,642	95%	50,048	826,618
2011	01/01/10	1,016,399	49,137	0	1,065,536	89%	121,405	776,570



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**NOTE 11 – 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 8.8% declining to 7.5% after 10 years, and a 3.0% 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, 2013 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
2013	01/01/13	\$14,833,842	\$3,710,757	\$11,123,085	25.0%	\$7,332,700	151.7%
2012	01/01/10	11,297,650	2,874,685	8,422,965	25.4%	7,316,414	154.4%
2011	01/01/10	11,297,650	2,344,318	8,953,332	20.8%	7,191,470	124.5%

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**NOTE 12 – NET POSITION AND FUND BALANCES**

**A. *Net Position – Statement of Net Position***

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only at the Government-wide level, proprietary fund level, and fiduciary fund level and are described below:

Net investment in capital assets, describes the portion of Net Position which is represented by the current net book value of capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position 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 Position 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 resolution of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

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

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 and may be changed at the discretion of the City Council. 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.

*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, 2013, are below:

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

Fund Balance Classifications	General Fund	Housing Authority Fund	Non Major Governmental Funds	Total
<b>Nonspendable:</b>				
Items not in spendable form:				
Prepaid Expenses	\$9,171			\$9,171
Notes Receivable	789,724			789,724
Land Held for Redevelopment	499,684			499,684
Materials, Parts and Supplies	5,042			5,042
Subtotal	<u>1,303,621</u>			<u>1,303,621</u>
Amounts required to be maintained intact:				
Permanent funds			\$102,072	102,072
<b>Total Nonspendable Fund Balances</b>	<u>1,303,621</u>		<u>102,072</u>	<u>1,405,693</u>
<b>Restricted for:</b>				
Debt Service			964,340	964,340
Capital Projects			21,546,631	21,546,631
Program Restrictions	241,179	\$12,739,651	15,080,257	28,061,087
Housing Development		1,820,230		1,820,230
<b>Total Restricted Fund Balances</b>	<u>241,179</u>	<u>14,559,881</u>	<u>37,591,228</u>	<u>52,392,288</u>
<b>Committed to:</b>				
Capital Projects			8,676,235	8,676,235
Program Commitments	356,245		1,123,626	1,479,871
<b>Total Committed Fund Balances</b>	<u>356,245</u>		<u>9,799,861</u>	<u>10,156,106</u>
<b>Assigned to:</b>				
Designations	4,721,092		3,088	4,724,180
Other contracts	512,167			512,167
<b>Total Assigned Fund Balances</b>	<u>5,233,259</u>		<u>3,088</u>	<u>5,236,347</u>
<b>Unassigned:</b>				
General Fund	<u>9,797,270</u>			<u>9,797,270</u>
<b>Total Unassigned Fund Balances</b>	<u>9,797,270</u>			<u>9,797,270</u>
<b>Total Fund Balances</b>	<u><u>\$16,931,574</u></u>	<u><u>\$14,559,881</u></u>	<u><u>\$47,496,249</u></u>	<u><u>\$78,987,704</u></u>

**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, 2013, the City's unassigned General Fund balance is at 12.65% of annual appropriations.

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

**D. Deficits**

The funds below had fund balance deficits or net position deficits at June 30, 2013:

<b>Proprietary Funds:</b>	
Marina	\$2,854,773
Golf	949,154
<b>Internal Service Funds:</b>	
Insurance	3,126,498
Retiree Health Benefits	19,062,264

**E. Restatement of Net Position**

During fiscal year 2012, the balance of unearned revenue in the Mare Island Conversion Capital Projects was recognized as revenue in the Statement of Activities in error. Therefore, governmental activities net position as of July 1, 2012 in the amount of \$6,943,300 has been reduced and restated in that amount.

**NOTE 13 – SELF-INSURANCE PROGRAM**

The City 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.

**A. Risk Coverage**

**City** – The City 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, 2013, the City contributed \$407,779 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, 2013, the City contributed \$248,332 for current year coverage.

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

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.

The City has also purchased a Difference in Conditions commercial policy that includes earthquake coverage and provides coverage up to \$20,000,000 per occurrence with a deductible of \$25,000.

**Vallejo Sanitation and Flood Control District**—VSFCD is a member of the California Sanitation Risk Management Authority which provides coverage up to \$500,000 for general liability claims. Excess public entity general liability insurance is obtained for coverage up to \$15,500,000 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 \$4,597,415.

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 \$25,000 and \$5,000,000 in the aggregate. Property insurance provides coverage up to \$102,171,659 with a deductible of \$10,000.

**B. Liability for Uninsured Claims**

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

	2013	2012
Beginning balance	\$13,435,000	\$12,953,000
Increase (decrease) in current year claims and changes in estimates	4,032,028	2,704,478
Claims paid	(2,434,028)	(2,222,478)
Ending balance	\$15,033,000	\$13,435,000
Current portion	\$3,450,449	\$3,260,267

The claims payable are reported at their present value using expected future investment yield assumption of 3%. The undiscounted claims totaled \$17,621,000 at June 30, 2013.

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

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In City management's opinion these matters will not have significant adverse effect of the City's financial position.

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**NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)**

**B. Federal and State Grant Programs**

The City participates in several federal and State grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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

The Vallejo Sanitation and Flood Control District has various ongoing capital projects that involve long-term construction contracts with progress payments billed and paid on a percentage-of-completion basis. Construction commitments related to these contracts at June 30, 2013 amounted to approximately \$4,152,595.

**D. 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.

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 2013, 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. The remaining bankruptcy claim as of June 30, 2013 was \$17,164 and this claim was fully paid on August 23, 2013.

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**NOTE 15 – 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, 2013, the State Controller's Office has completed its asset transfer review of the Vallejo Redevelopment Agency, but its report has not been issued in final form.

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 the 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 representing the City Council and one representing the former Redevelopment Agency employees 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.

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.



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AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews are to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR and the Successor Agency remitted the unencumbered balance of \$148,378 to the County on January 3, 2013. The Department of Finance approved the Non-housing DDR and the Successor Agency remitted the unencumbered balance of \$3,862,227 to the County on June 25, 2013. Both remittances to the County have been reported as an Extraordinary Item in the Statement of Changes in Fiduciary Net Position. The Successor Agency received its Finding of Completion on October 16, 2013.

Cash and investments of the Successor Agency as of June 30, 2013 are discussed in Note 2 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2013.

**A. Notes and Loans Receivable**

The balances of the notes and loans receivable were as follows:

Meyer Cookware Industries, Inc.	\$200,000
Empress Theatre Associates, LLC	4,296,000
	\$4,496,000

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, 2013 the outstanding balance of the loan was \$200,000. 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%.

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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 to the former Redevelopment Agency. 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, 2013 the outstanding balance of the loan was \$4,296,000.

**B. 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, 2013 were comprised of land of \$3,810,682 and Building and Improvements, net of accumulated depreciation of \$92,386. Current year additions to accumulated depreciation were \$5,827.

During the completion of the Due Diligence Reviews in fiscal year 2013 discussed above, the Successor Agency discovered that land with a carrying value of \$1,248,835 had never been recorded in the former Redevelopment Agency. Therefore, the balance of land was increased by \$1,248,835 and the net position of the Successor Agency to the former Redevelopment Agency Private Purpose Trust Fund has been increased and restated in that amount.

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**C. 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	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
<b>Tax Allocation Bonds:</b>						
Waterfront Redevelopment Project						
7.9%, due 5/1/19	\$2,485,000	\$1,555,000		\$150,000	\$1,405,000	\$175,000
Marina Vista Project						
6.0-7.5%, due 9/1/20	3,335,000	1,745,000		145,000	1,600,000	150,000
Vallejo Central Project						
6.0-7.5%, due 9/1/20	1,900,000	1,355,000		90,000	1,265,000	105,000
Vallejo Housing Set Aside						
7.0%, due 10/1/31	5,410,000	4,265,000		170,000	4,095,000	180,000
Total Tax Allocation Bonds	13,130,000	8,920,000		555,000	8,365,000	610,000
<b>Certificates of Participation:</b>						
UBOC tranche A - General Fund (Restructured, see Note 6C)	6,743,199	1,784,175		165,938	1,618,237	165,938
Total Certificates of Participation	6,743,199	1,784,175		165,938	1,618,237	165,938
<b>Other Obligations</b>						
Redevelopment Waterfront DDA		661,320			661,320	
Triad Downtown Vallejo note payable (Note 4E)			\$12,503		12,503	
Total Other Obligations		661,320	12,503		673,823	
Total Redevelopment Agency Debt	\$19,873,199	\$11,365,495	\$12,503	\$720,938	\$10,657,060	\$775,938

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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.

**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 Successor Agency.

**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.

**Pledge of Tax Revenues** – As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency's Low and Moderate Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of \$12,725,658 remaining debt service on the Bonds above, which is scheduled to occur in 2032. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed 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. In fiscal year 2013, total property taxes calculated by the County Auditor-Controller and received by the Successor Agency was \$2,312,496, which represented coverage of 1.94 of the \$1,194,133 of debt service.

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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, 2013, the developer has incurred costs of \$661,320. The cost was approved as an enforceable obligation and the obligation will be repaid from the County’s Redevelopment Property Tax Trust Fund (RPTTF).

4. Debt Service Requirements

Debt service requirements are shown below for all long-term debt except the Waterfront DDA and the Triad note payable, because the ultimate repayment terms cannot be determined at this time as discussed above.

For the Year Ending June 30	Successor Agency	
	Principal	Interest
2014	\$775,938	\$632,966
2015	759,629	584,288
2016	817,871	532,378
2017	886,193	476,043
2018	959,598	469,234
2019-2023	3,487,117	1,134,854
2024-2028	1,191,891	576,800
2029-2032	1,105,000	161,175
Total	\$9,983,237	\$4,567,738

***D. Commitments and Contingencies***

1. Waterfront Development Project Area

With the dissolution of the former Redevelopment Agency, 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.

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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)	4,000,000
	\$23,750,000
	\$23,750,000

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, 2013 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 Position.

2. 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.

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3. 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 Controller's Office. The review has been completed and the State has issued the report in draft form which indicates that assets of the former Redevelopment Agency totaling \$34,797,791 held by the City and Housing Successor are to be returned to the Successor Agency. The assets held by the City are comprised of capital assets of \$22,015,203, and the City disputes the State's conclusion since management contends that a disposition and development agreement requires ownership of the parcels transfer to the City. The City filed a formal response to the State's draft findings that includes documentation that the assets transferred were related to a Disposition and Development Agreement (DDA) that the Department of Finance has approved as an enforceable obligation. Under the terms of the DDA, the former Redevelopment Agency was required to transfer the capital assets to the City for the construction of the Vallejo Station Parking Garage. The assets held by the Housing Successor are comprised of the housing assets of the former Redevelopment Agency totaling \$12,782,588 that were transferred under the provisions of Health and Safety Code Section 34176 approved by the State Department of Finance, but not approved by the Oversight Board. The Oversight Board is expected to approve the transfer of the housing assets in February 2014 and therefore it is anticipated that those assets can be retained by the Housing Successor.

**NOTE 16 – SUBSEQUENT EVENTS**

***Water Refunding Bonds, Series 2013***

In September 2013, the City issued \$18,080,000 of the Water Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds"). Proceeds from the bonds will be used to refund the Water Revenue Bonds, 2001 Series A. The Series 2013 Bonds and the interest thereon are payable solely from a first lien on and pledge of the Net Revenues (the amount of the gross revenues less operating expenses) derived by the City from the operation of the City's water system. Principal payments are payable annually on May 1, and interest payments semi-annually on May 1 and November 1.

***Modification of Retiree Medical Benefits***

In December 2013, the City adopted a Resolution fixing the employer's medical benefit contribution for active employees and for retirees of the CAMP Bargaining Unit from employer paid 80% of the Kaiser monthly premium to \$300 per employee/retiree per month. For employees hired after July 1, 2013, the City will contribute a fixed 1.5% of each employee's base monthly salary into a retiree health savings account. The new benefit provisions are effective January 1, 2014.

In December 2013, the City adopted a Resolution fixing the employer's medical benefit contribution for active employees and for retirees of the VPOA Bargaining Unit from employer paid 100% of the Kaiser monthly premium to \$300 per employee/retiree per month. For employees hired after January 1, 2014, the City will contribute a fixed 1.5% of each employee's base monthly salary into a retiree health savings account. The new benefit provisions are effective January 1, 2014.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 16 – SUBSEQUENT EVENTS (Continued)**

*Retiree Medical Benefits Funding Policy*

In December 2013, the City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. Historically, the City has funded Other Post Employment Benefits (OPEB) on a pay-as-you-go basis, and participation in the CERBT Program will allow the City to pre-fund its OPEB obligations and reduce its Annual Required Contribution (ARC) and Unfunded Actuarial Accrued Liability (UAAL). The City made its first contribution to CERBT of \$7,101,517 in December 2013 to begin prefunding benefits.

*Approval of Successor Agency Oversight Board Action*

In January 2014, the City received notification from the California Department of Finance (Finance) that the Oversight Board Resolution Number 13-9 approving, authorizing and directing the execution of a Fourth Amended and Restated Disposition and Development Agreement (DDA), including assignment of the Successor Agency rights and obligation, by and among the City of Vallejo, Successor Agency, and Callahan Property Company, Inc., is approved. The approval of this amendment to the DDA will eliminate all obligations currently held by the Successor Agency. This will allow the City and the Callahan Property Company, Inc. to proceed on the project without the involvement of the Successor Agency, Oversight Board and Finance.



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## 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 Base Reuse 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.

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

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

### **DEBT SERVICE FUND**

**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.

### **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.

**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.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**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.

**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.

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

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

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

**Transportation Fund** accounts for monies received from federal and state grants which are used for transportation improvements.

**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.

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	HOME Program Fund #102	Neighborhood Stabilization Program Fund #103	Mare Island Base Reuse Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
<b>ASSETS</b>						
Cash and investments		\$52,223		\$748,212	\$4,014,147	\$387,948
Restricted cash and investments held with fiscal agent				483,536		
Accounts receivable	\$2,178	36,018	\$605	23,541		
Due from other governments	295,055		313,475			
Notes and loans receivable	2,757,137	5,581,104	2,038,483			
<b>Total Assets</b>	<u>\$3,054,370</u>	<u>\$5,669,345</u>	<u>\$2,352,563</u>	<u>\$1,255,289</u>	<u>\$4,014,147</u>	<u>\$387,948</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$35,970		\$57	\$28,135	\$331,331	\$74,367
Due to other funds	261,263		308,055			
Due to other governments		\$64,491	5,968			
Unearned revenue - Grants						
Deposits payable				7,785		
<b>Total Liabilities</b>	<u>297,233</u>	<u>64,491</u>	<u>314,080</u>	<u>35,920</u>	<u>331,331</u>	<u>74,367</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - accounts receivable		23,750				
Unavailable revenue - notes and loans receivable	2,757,137	5,581,104	2,038,483			
<b>Total Deferred Inflows of Resources</b>	<u>2,757,137</u>	<u>5,604,854</u>	<u>2,038,483</u>			
<b>FUND BALANCES</b>						
Fund balances						
Nonspendable						
Restricted				1,219,369	3,682,816	313,581
Committed						
Assigned						
<b>Total Fund Balances</b>				<u>1,219,369</u>	<u>3,682,816</u>	<u>313,581</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$3,054,370</u>	<u>\$5,669,345</u>	<u>\$2,352,563</u>	<u>\$1,255,289</u>	<u>\$4,014,147</u>	<u>\$387,948</u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161-188	Assets Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
\$767,723		\$290,944	\$2,154,236	\$6,180,145	\$1,022,511	\$1,667	\$19,021
	\$87,649 235,717	25,000 31,225					\$15,122
<u>\$767,723</u>	<u>\$323,366</u>	<u>\$347,169</u>	<u>\$2,154,236</u>	<u>\$6,180,145</u>	<u>\$1,022,511</u>	<u>\$1,667</u>	<u>\$34,143</u>
	\$184,661 138,705	\$104,572	\$67,041	\$379,292		\$1,667	\$19,021 15,122
		242,509			\$7,353		
					158,207		
	<u>323,366</u>	<u>347,081</u>	<u>67,041</u>	<u>379,292</u>	<u>165,560</u>	<u>1,667</u>	<u>34,143</u>
\$767,723		88	2,087,195	5,800,853	856,951		
<u>767,723</u>		<u>88</u>	<u>2,087,195</u>	<u>5,800,853</u>	<u>856,951</u>		
<u>\$767,723</u>	<u>\$323,366</u>	<u>\$347,169</u>	<u>\$2,154,236</u>	<u>\$6,180,145</u>	<u>\$1,022,511</u>	<u>\$1,667</u>	<u>\$34,143</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013

	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	Hazmat Revolving Fund Fund #143
<b>ASSETS</b>						
Cash and investments		\$106,940	\$68,817	\$472,452		\$104,860
Restricted cash and investments held with fiscal agent						
Accounts receivable Due from other governments	\$22,549	52,341			\$30,790	10,000
Notes and loans receivable						
Total Assets	\$22,549	\$159,281	\$68,817	\$472,452	\$30,790	\$114,860
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities Due to other funds	\$22,549	\$164		\$3,640	\$30,790	
Due to other governments						
Unearned revenue - Grants						
Deposits payable				468,812		
Total Liabilities	22,549	164		472,452	30,790	
Unavailable revenue - accounts receivable						
Unavailable revenue - notes and loans receivable						
Total Deferred Inflows of Resources						
<b>FUND BALANCES</b>						
Fund balances						
Nonspendable						
Restricted		159,117	\$65,729			\$114,860
Committed						
Assigned			3,088			
Total Fund Balances		159,117	68,817			114,860
Total Liabilities, Deferred Inflows	\$22,549	\$159,281	\$68,817	\$472,452	\$30,790	\$114,860

SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS					
Administrative Trust Fund #601	Certificates of Participation Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213
\$584,019	\$765,067	\$12,714,867	\$2,221,510	\$3,117,009	\$103,641	\$7,326,656	\$761,447
	199,273						
		3,660					
<u>\$584,019</u>	<u>\$964,340</u>	<u>\$12,718,527</u>	<u>\$2,221,510</u>	<u>\$3,117,009</u>	<u>\$103,641</u>	<u>\$7,326,656</u>	<u>\$761,447</u>
\$59		\$496,761					\$115
583,960							
<u>584,019</u>		<u>496,761</u>					<u>115</u>
	\$964,340	2,421,905 9,799,861	\$2,221,510	\$3,117,009	\$103,641	\$7,326,656	761,332
	<u>964,340</u>	<u>12,221,766</u>	<u>2,221,510</u>	<u>3,117,009</u>	<u>103,641</u>	<u>7,326,656</u>	<u>761,332</u>
<u>\$584,019</u>	<u>\$964,340</u>	<u>\$12,718,527</u>	<u>\$2,221,510</u>	<u>\$3,117,009</u>	<u>\$103,641</u>	<u>\$7,326,656</u>	<u>\$761,447</u>

(Continued)



CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013

	<u>CAPITAL PROJECTS FUNDS</u>				
	<u>Mare Island Conversion Fund #106</u>	<u>Traffic Congestion Relief Fund #219</u>	<u>Capital Grants &amp; Contributions Fund #221</u>	<u>Neighborhood Parks (GVRD) Fund #137</u>	<u>Vallejo Station Fund 222</u>
<b>ASSETS</b>					
Cash and investments	\$1,345,153	\$221,851	\$735,973	\$1,628,592	\$60,243
Restricted cash and investments held with fiscal agent	8,180,402				
Accounts receivable Due from other governments			1,849,721		1,548,827
Notes and loans receivable				165,149	
Total Assets	<u>\$9,525,555</u>	<u>\$221,851</u>	<u>\$2,585,694</u>	<u>\$1,793,741</u>	<u>\$1,609,070</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$26,912	\$74,465	\$365,168	\$1,155	\$148,412
Due to other funds			1,445,317		1,400,415
Due to other governments					
Unearned revenue - Grants	5,970,633		735,973		60,243
Deposits payable				37,000	
Total Liabilities	<u>5,997,545</u>	<u>74,465</u>	<u>2,546,458</u>	<u>38,155</u>	<u>1,609,070</u>
Unavailable revenue - accounts receivable					
Unavailable revenue - notes and loans receivable				26,389	
Total Deferred Inflows of Resources				<u>26,389</u>	
<b>FUND BALANCES</b>					
Fund balances					
Nonspendable					
Restricted	3,528,010	147,386	39,236	1,729,197	
Committed					
Assigned					
Total Fund Balances	<u>3,528,010</u>	<u>147,386</u>	<u>39,236</u>	<u>1,729,197</u>	
Total Liabilities, Deferred Inflows	<u>\$9,525,555</u>	<u>\$221,851</u>	<u>\$2,585,694</u>	<u>\$1,793,741</u>	<u>\$1,609,070</u>

<u>CAPITAL PROJECTS FUND</u>	<u>PERMANENT FUND</u>	
Transportation Fund #421	McCune Collection Fund #603	Total Nonmajor Governmental Funds
\$2,327,501	\$114,047	\$50,419,422
		8,863,211
117,755		215,781
		4,485,447
		10,541,873
<u>\$2,445,256</u>	<u>\$114,047</u>	<u>\$74,525,734</u>
		\$2,342,965
		3,622,216
		77,812
\$2,294,507		9,303,865
		1,255,764
<u>2,294,507</u>		<u>16,602,622</u>
		23,750
		10,403,113
		10,426,863
		102,072
150,749	\$102,072 11,975	37,591,228
		9,799,861
		3,088
<u>150,749</u>	<u>114,047</u>	<u>47,496,249</u>
<u>\$2,445,256</u>	<u>\$114,047</u>	<u>\$74,525,734</u>

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

SPECIAL REVENUE FUNDS						
	Community Development Block Grant Fund #101	HOME Program Fund #102	Neighborhood Stabilization Program Fund #103	Mare Island Base Reuse Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
<b>REVENUES</b>						
Taxes					\$1,235,644	
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$779,593		\$1,021,253			
Use of money and property	27,455	\$42,307	661,568	\$315,437	1,782	\$235
Charges for services				131,439	2,861,838	185,004
Other				483,536	4,108	
Total Revenues	<u>807,048</u>	<u>42,307</u>	<u>1,682,821</u>	<u>930,412</u>	<u>4,103,372</u>	<u>185,239</u>
<b>EXPENDITURES</b>						
Current:						
Development services						
Community development	807,048	42,307	1,682,821	380,763		
Fire services					1,491,500	
Police services					651,163	
Public works					2,164,445	325,726
Nondepartmental					113,794	
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>807,048</u>	<u>42,307</u>	<u>1,682,821</u>	<u>380,763</u>	<u>4,420,902</u>	<u>325,726</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
				549,649	(317,530)	(140,487)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
Issuance of long term debt						
Total Other Financing Sources (Uses)						
<b>NET CHANGE IN FUND BALANCES</b>						
				549,649	(317,530)	(140,487)
<b>BEGINNING FUND BALANCES</b>						
				669,720	4,000,346	454,068
<b>ENDING FUND BALANCES</b>						
				<u>\$1,219,369</u>	<u>\$3,682,816</u>	<u>\$313,581</u>

SPECIAL REVENUE FUNDS

Mare Island CFD 2005 1B (Local) Fund #114	State Gas Tax Fund #133	Solid Waste Disposal Fund #135	Hiddenbrooke Community Services District Fund #138	Landscape Maintenance Districts Fund #161-188	Asset Seizure Fund #139	Traffic Offender/ Vehicle Impound Program Fund #140	Office of Traffic Safety Fund #146
		\$5,693				\$138,377	
		1,800			\$86,831		
\$396	\$2,898,191	47,462					\$235,970
112,253	348,855	201	\$1,108	\$2,957	148	34	
	21,297	1,610,175	721,001	2,768,671			
				53,583	31,365		
112,649	3,268,343	1,665,331	722,109	2,825,211	118,344	138,411	235,970
					97,804	144,505	235,970
5,838	2,645,152	1,665,243	542,849	1,989,966			
5,838	2,645,152	1,665,243	542,849	1,989,966	97,804	144,505	235,970
106,811	623,191	88	179,260	835,245	20,540	(6,094)	
	(953,555)						
	(953,555)						
106,811	(330,364)	88	179,260	835,245	20,540	(6,094)	
660,912	330,364		1,907,935	4,965,608	836,411	6,094	
\$767,723		\$88	\$2,087,195	\$5,800,853	\$856,951		

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

	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	Hazmat Revolving Fund #143
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$63,958	\$161,759				
Use of money and property		135	\$38	\$277	\$302,512	\$99
Charges for services			21,513	91,149		40,000
Other			2,796			
<b>Total Revenues</b>	<b>63,958</b>	<b>161,894</b>	<b>24,347</b>	<b>91,426</b>	<b>302,512</b>	<b>40,099</b>
<b>EXPENDITURES</b>						
Current:						
Development services				91,149		
Community development					174,167	
Fire services						87,766
Police services	63,958	195,348	21,513			
Public works						
Nondepartmental						
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
<b>Total Expenditures</b>	<b>63,958</b>	<b>195,348</b>	<b>21,513</b>	<b>91,149</b>	<b>174,167</b>	<b>87,766</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		<b>(33,454)</b>	<b>2,834</b>	<b>277</b>	<b>128,345</b>	<b>(47,667)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)				(277)	(141,020)	
Issuance of long term debt						
<b>Total Other Financing</b>				<b>(277)</b>	<b>(141,020)</b>	
<b>NET CHANGE IN FUND BALANCES</b>		<b>(33,454)</b>	<b>2,834</b>		<b>(12,675)</b>	<b>(47,667)</b>
<b>BEGINNING FUND BALANCES</b>		<b>192,571</b>	<b>65,983</b>		<b>12,675</b>	<b>162,527</b>
<b>ENDING FUND BALANCES</b>		<b>\$159,117</b>	<b>\$68,817</b>			<b>\$114,860</b>

SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS					
Administrative Trust Fund #601	Certificates of Participation Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213
		\$248,658	\$14,829				
\$324	\$447	31,544 45,016	1,259		\$75	\$4,180	\$405
1,030		311,213					100,004
589							
1,943	447	636,431	16,088		75	4,180	100,409
589							
1,030	9,000	4,500 2,755,108	4,500	\$4,813 1	4,500 46,425	4,500 22,158	6,692 20,001
	130,000	79,257					
	198,718	4,173					
1,619	337,718	2,843,038	4,500	4,814	50,925	26,658	26,693
324	(337,271)	(2,206,607)	11,588	(4,814)	(50,850)	(22,478)	73,716
(324)	283,250	8,889,171					
	79,692						
(324)	362,942	8,889,171					
	25,671	6,682,564	11,588	(4,814)	(50,850)	(22,478)	73,716
	938,669	5,539,202	2,209,922	3,121,823	154,491	7,349,134	687,616
	\$964,340	\$12,221,766	\$2,221,510	\$3,117,009	\$103,641	\$7,326,656	\$761,332

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

	CAPITAL PROJECTS FUNDS				
	Mare Island Conversion Fund #106	Traffic Congestion Relief Fund #219	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137	Vallejo Station Fund 222
<b>REVENUES</b>					
Taxes					
Licenses, permits and fees				\$37,671	
Fines and forfeitures					
Intergovernmental	\$972,667		\$2,772,335		\$2,419,624
Use of money and property	6,991	\$305		936	
Charges for services			38,159		
Other					
Total Revenues	979,658	305	2,810,494	38,607	2,419,624
<b>EXPENDITURES</b>					
Current:					
Development services					
Community development	2,488,808				
Fire services					
Police services					
Public works					
Nondepartmental					
Capital outlay		1,582,265	2,810,491	60,358	2,419,624
Debt Service:					
Principal					
Interest and fiscal agent fees					
Total Expenditures	2,488,808	1,582,265	2,810,491	60,358	2,419,624
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(1,509,150)	(1,581,960)	3	(21,751)	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in		953,555			
Transfers (out)					
Issuance of long term debt					
Total Other Financing Sources (Uses)		953,555			
<b>NET CHANGE IN FUND BALANCES</b>					
	(1,509,150)	(628,405)	3	(21,751)	
<b>BEGINNING FUND BALANCES</b>					
	5,037,160	775,791	39,233	1,750,948	
<b>ENDING FUND BALANCES</b>					
	\$3,528,010	\$147,386	\$39,236	\$1,729,197	

CAPITAL PROJECTS FUND	PERMANENT FUND	Total Nonmajor Governmental Funds
Transportation Fund #421	McCune Collection Fund #603	
		\$1,235,644
		445,228
		88,631
		11,404,356
	\$66	1,416,693
		9,031,091
		908,487
	66	24,530,130
		91,738
		5,575,914
		1,579,266
		1,410,261
		9,334,411
	4,000	162,137
		9,716,431
		209,257
		202,891
	4,000	28,282,306
	(3,934)	(3,752,176)
\$150,749		10,276,725
		(1,095,176)
		79,692
150,749		9,261,241
150,749	(3,934)	5,509,065
	117,981	41,987,184
\$150,749	\$114,047	\$47,496,249



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, 2013

	COMMUNITY DEVELOPMENT BLOCK GRANT			HOME PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$1,836,780	\$779,593	(\$1,057,187)	\$1,367,048		(\$1,367,048)
Use of money and property	40,000	27,455	(12,545)	85,000	\$42,307	(42,693)
Charges for services						
Other						
Total Revenues	<u>1,876,780</u>	<u>807,048</u>	<u>(1,069,732)</u>	<u>1,452,048</u>	<u>42,307</u>	<u>(1,409,741)</u>
EXPENDITURES						
Current:						
Development services						
Community development	1,876,780	807,048	1,069,732	1,452,048	42,307	1,409,741
Fire services						
Police services						
Public works						
Nondepartmental						
Total Expenditures	<u>1,876,780</u>	<u>807,048</u>	<u>1,069,732</u>	<u>1,452,048</u>	<u>42,307</u>	<u>1,409,741</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
BEGINNING FUND BALANCES		<u>                    </u>			<u>                    </u>	
ENDING FUND BALANCES		<u>                    </u>			<u>                    </u>	

NEIGHBORHOOD STABILIZATION PROGRAM			MARE ISLAND BASE REUSE			MARE ISLAND CFD 2002		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$1,364,721	\$1,235,644	(\$129,077)
\$2,438,562	\$1,021,253	(\$1,417,309)	\$245,000	\$315,437	\$70,437	20,000	1,782	(18,218)
585,000	661,568	76,568	98,000	131,439	33,439	2,757,168	2,861,838	104,670
				483,536	483,536		4,108	4,108
<u>3,023,562</u>	<u>1,682,821</u>	<u>(1,340,741)</u>	<u>343,000</u>	<u>930,412</u>	<u>587,412</u>	<u>4,141,889</u>	<u>4,103,372</u>	<u>(38,517)</u>
3,023,562	1,682,821	1,340,741	786,749	380,763	405,986	1,623,000	1,491,500	131,500
						684,000	651,163	32,837
						2,295,990	2,164,445	131,545
						445,398	113,794	331,604
<u>3,023,562</u>	<u>1,682,821</u>	<u>1,340,741</u>	<u>786,749</u>	<u>380,763</u>	<u>405,986</u>	<u>5,048,388</u>	<u>4,420,902</u>	<u>627,486</u>
			<u>(443,749)</u>	<u>549,649</u>	<u>993,398</u>	<u>(906,499)</u>	<u>(317,530)</u>	<u>588,969</u>
			<u>(\$443,749)</u>	<u>549,649</u>	<u>\$993,398</u>	<u>(\$906,499)</u>	<u>(317,530)</u>	<u>\$588,969</u>
				<u>669,720</u>			<u>4,000,346</u>	
				<u>\$1,219,369</u>			<u>\$3,682,816</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, 2013

	MARE ISLAND CFD 2005 1A (State)			MARE ISLAND CFD 2005 1B (Local)		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property	\$5,000	\$235	(\$4,765)	\$6,000	\$396	(\$5,604)
Charges for services	185,000	185,004	4	112,250	112,253	3
Other						
Total Revenues	<u>190,000</u>	<u>185,239</u>	<u>(4,761)</u>	<u>118,250</u>	<u>112,649</u>	<u>(5,601)</u>
<b>EXPENDITURES</b>						
Current:						
Development services						
Community development						
Fire services						
Police services						
Public works	327,879	325,726	2,153			
Nondepartmental				5,670	5,838	(168)
Total Expenditures	<u>327,879</u>	<u>325,726</u>	<u>2,153</u>	<u>5,670</u>	<u>5,838</u>	<u>(168)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(137,879)</u>	<u>(140,487)</u>	<u>(2,608)</u>	<u>112,580</u>	<u>106,811</u>	<u>(5,769)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$137,879)</u></u>	<u><u>(140,487)</u></u>	<u><u>(\$2,608)</u></u>	<u><u>\$112,580</u></u>	<u><u>106,811</u></u>	<u><u>(\$5,769)</u></u>
<b>BEGINNING FUND BALANCES</b>		<u>454,068</u>			<u>660,912</u>	
<b>ENDING FUND BALANCES</b>		<u><u>\$313,581</u></u>			<u><u>\$767,723</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)
			\$6,200	\$5,693	(\$507)			
			1,800	1,800				
\$3,181,244	\$2,898,191	(\$283,053)	66,000	47,462	(18,538)			
				201	201	\$10,962	\$1,108	(\$9,854)
198,855	348,855	150,000	1,697,665	1,610,175	(87,490)	754,696	721,001	(33,695)
87,500	21,297	(66,203)						
<u>3,467,599</u>	<u>3,268,343</u>	<u>(199,256)</u>	<u>1,771,665</u>	<u>1,665,331</u>	<u>(106,334)</u>	<u>765,658</u>	<u>722,109</u>	<u>(43,549)</u>
2,578,646	2,645,152	(66,506)	1,702,609	1,665,243	37,366	728,198	542,849	185,349
<u>2,578,646</u>	<u>2,645,152</u>	<u>(66,506)</u>	<u>1,702,609</u>	<u>1,665,243</u>	<u>37,366</u>	<u>728,198</u>	<u>542,849</u>	<u>185,349</u>
888,953	623,191	(265,762)	69,056	88	(68,968)	37,460	179,260	141,800
<u>(953,555)</u>	<u>(953,555)</u>							
<u>(953,555)</u>	<u>(953,555)</u>							
<u>(\$64,602)</u>	<u>(330,364)</u>	<u>(\$265,762)</u>	<u>\$69,056</u>	<u>88</u>	<u>(\$68,968)</u>	<u>\$37,460</u>	<u>179,260</u>	<u>\$141,800</u>
	<u>330,364</u>						<u>1,907,935</u>	
				<u>\$88</u>			<u>\$2,087,195</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, 2013

	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	\$86,831	(\$13,169)
Intergovernmental						
Use of money and property	\$43,804	\$2,957	(\$40,847)	7,000	148	(6,852)
Charges for services	2,893,819	2,768,671	(125,148)			
Other		53,583	53,583	60,000	31,365	(28,635)
<b>Total Revenues</b>	<b>2,937,623</b>	<b>2,825,211</b>	<b>(112,412)</b>	<b>167,000</b>	<b>118,344</b>	<b>(48,656)</b>
EXPENDITURES						
Current:						
Development services						
Community development						
Fire services						
Police services				250,000	97,804	152,196
Public works	2,690,523	1,989,966	700,557			
Nondepartmental						
<b>Total Expenditures</b>	<b>2,690,523</b>	<b>1,989,966</b>	<b>700,557</b>	<b>250,000</b>	<b>97,804</b>	<b>152,196</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	247,100	835,245	588,145	(83,000)	20,540	103,540
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
NET CHANGE IN FUND BALANCES	<u>\$247,100</u>	835,245	<u>\$588,145</u>	<u>(\$83,000)</u>	20,540	<u>\$103,540</u>
BEGINNING FUND BALANCES		<u>4,965,608</u>			<u>836,411</u>	
ENDING FUND BALANCES		<u>\$5,800,853</u>			<u>\$856,951</u>	

TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM			OFFICE OF TRAFFIC SAFETY			JUSTICE ASSISTANCE GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$100,000	\$138,377	\$38,377						
	34	34	\$200,000	\$235,970	\$35,970	\$71,000	\$63,958	(\$7,042)
<u>100,000</u>	<u>138,411</u>	<u>38,411</u>	<u>200,000</u>	<u>235,970</u>	<u>35,970</u>	<u>71,000</u>	<u>63,958</u>	<u>(7,042)</u>
100,000	144,505	(44,505)	200,000	235,970	(35,970)	71,000	63,958	7,042
<u>100,000</u>	<u>144,505</u>	<u>(44,505)</u>	<u>200,000</u>	<u>235,970</u>	<u>(35,970)</u>	<u>71,000</u>	<u>63,958</u>	<u>7,042</u>
	(6,094)	(6,094)						
	(6,094)	(\$6,094)						
	<u>6,094</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, 2013

	SUPPLEMENTAL LAW ENFORCEMENT GRANT			CADET PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$100,000	\$161,759	\$61,759			
Use of money and property		135	135		\$38	\$38
Charges for services				\$20,000	21,513	1,513
Other				8,000	2,796	(5,204)
<b>Total Revenues</b>	<u>100,000</u>	<u>161,894</u>	<u>61,894</u>	<u>28,000</u>	<u>24,347</u>	<u>(3,653)</u>
<b>EXPENDITURES</b>						
Current:						
Development services						
Community development						
Fire services						
Police services	225,000	195,348	29,652	28,000	21,513	6,487
Public works						
Nondepartmental						
<b>Total Expenditures</b>	<u>225,000</u>	<u>195,348</u>	<u>29,652</u>	<u>28,000</u>	<u>21,513</u>	<u>6,487</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(125,000)</u>	<u>(33,454)</u>	<u>91,546</u>		<u>2,834</u>	<u>2,834</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$125,000)</u></u>	<u><u>(33,454)</u></u>	<u><u>\$91,546</u></u>		<u><u>2,834</u></u>	<u><u>\$2,834</u></u>
<b>BEGINNING FUND BALANCES</b>		<u>192,571</u>			<u>65,983</u>	
<b>ENDING FUND BALANCES</b>		<u><u>\$159,117</u></u>			<u><u>\$68,817</u></u>	

OUTSIDE SERVICES			STATE LANDS			HAZMAT REVOLVING FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$3,000	\$277	(\$2,723)	\$375,237	\$302,512	(\$72,725)	\$1,600	\$99	(\$1,501)
475,000	91,149	(383,851)				40,000	40,000	
<u>478,000</u>	<u>91,426</u>	<u>(386,574)</u>	<u>375,237</u>	<u>302,512</u>	<u>(72,725)</u>	<u>41,600</u>	<u>40,099</u>	<u>(1,501)</u>
175,000	91,149	83,851	238,731	174,167	64,564	88,700	87,766	934
300,000		300,000						
<u>475,000</u>	<u>91,149</u>	<u>383,851</u>	<u>238,731</u>	<u>174,167</u>	<u>64,564</u>	<u>88,700</u>	<u>87,766</u>	<u>934</u>
<u>3,000</u>	<u>277</u>	<u>(2,723)</u>	<u>136,506</u>	<u>128,345</u>	<u>(8,161)</u>	<u>(47,100)</u>	<u>(47,667)</u>	<u>(567)</u>
<u>(3,000)</u>	<u>(277)</u>	<u>2,723</u>	<u>(32,996)</u>	<u>(141,020)</u>	<u>(108,024)</u>			
<u>(3,000)</u>	<u>(277)</u>	<u>2,723</u>	<u>(32,996)</u>	<u>(141,020)</u>	<u>(108,024)</u>			
<u></u>		<u></u>	<u>\$103,510</u>	<u>(12,675)</u>	<u>(\$116,185)</u>	<u>(\$47,100)</u>	<u>(47,667)</u>	<u>(\$567)</u>
				<u>12,675</u>			<u>162,527</u>	
				<u></u>			<u>\$114,860</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, 2013

	ADMINISTRATIVE TRUST FUND		
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes			
Licenses, permits and fees			
Fines and forfeitures			
Intergovernmental			
Use of money and property	\$12,000	\$324	(\$11,676)
Charges for services	7,000	1,030	(5,970)
Other	28,985	589	(28,396)
Total Revenues	47,985	1,943	(46,042)
<b>EXPENDITURES</b>			
Current:			
Development services	9,485	589	8,896
Community development			
Fire services			
Police services	13,000		13,000
Public works	7,000	1,030	5,970
Nondepartmental			
Total Expenditures	29,485	1,619	27,866
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	18,500	324	(18,176)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			
Transfers (out)	(18,500)	(324)	18,176
Total Other Financing Sources (Uses)	(18,500)	(324)	18,176
<b>NET CHANGE IN FUND BALANCES</b>			
<b>BEGINNING FUND BALANCES</b>			
<b>ENDING FUND BALANCES</b>			

**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 POSITION  
JUNE 30, 2013

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
<b>ASSETS</b>						
Cash and investments	\$5,426,728	\$8,248,086	\$333,428	\$4,070,554	\$50,678	\$18,129,474
Accounts receivable	42,682	83,118	48,451			174,251
Due from other funds		3,622,216				3,622,216
Materials, parts, and supplies	223,257					223,257
Capital assets, net	3,029,110					3,029,110
<b>Total Assets</b>	<b>8,721,777</b>	<b>11,953,420</b>	<b>381,879</b>	<b>4,070,554</b>	<b>50,678</b>	<b>25,178,308</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	146,106	29,885				175,991
Claims payable, current		3,450,449				3,450,449
Employee benefits payable, current	75,247	17,033	381,879		17,164	491,323
<b>Current liabilities</b>	<b>221,353</b>	<b>3,497,367</b>	<b>381,879</b>		<b>17,164</b>	<b>4,117,763</b>
Long-term liabilities:						
Claims payable		11,582,551				11,582,551
Employee benefits payable, long term	48,450			23,132,818		23,181,268
<b>Total Liabilities</b>	<b>269,803</b>	<b>15,079,918</b>	<b>381,879</b>	<b>23,132,818</b>	<b>17,164</b>	<b>38,881,582</b>
<b>NET POSITION (DEFICITS)</b>						
Net investment in capital assets	3,029,110					3,029,110
Unrestricted	5,422,864	(3,126,498)		(19,062,264)	33,514	(16,732,384)
<b>Total Net Position (Deficits)</b>	<b>\$8,451,974</b>	<b>(\$3,126,498)</b>		<b>(\$19,062,264)</b>	<b>\$33,514</b>	<b>(\$13,703,274)</b>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$3,959,540	\$4,816,726		\$6,559,672		\$15,335,938
Other	149,024					149,024
Total operating revenues	<u>4,108,564</u>	<u>4,816,726</u>		<u>6,559,672</u>		<u>15,484,962</u>
<b>OPERATING EXPENSES</b>						
Operating expenses	2,682,143	1,077,892		7,933,998		11,694,033
Insurance and claims		5,000,365			\$75	5,000,440
Depreciation	1,063,026					1,063,026
Total operating expenses	<u>3,745,169</u>	<u>6,078,257</u>		<u>7,933,998</u>	<u>75</u>	<u>17,757,499</u>
Operating income (loss)	<u>363,395</u>	<u>(1,261,531)</u>		<u>(1,374,326)</u>	<u>(75)</u>	<u>(2,272,537)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income (expense)	2,727	5,559		\$1,341	64	9,691
Total nonoperating revenues (expenses)	<u>2,727</u>	<u>5,559</u>		<u>1,341</u>	<u>64</u>	<u>9,691</u>
Income (loss) before transfers	<u>366,122</u>	<u>(1,255,972)</u>		<u>(1,372,985)</u>	<u>(11)</u>	<u>(2,262,846)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Gain on sale of assets	13,998					13,998
Transfers in		301,000				301,000
Total other financing sources (uses)	<u>13,998</u>	<u>301,000</u>				<u>314,998</u>
Change in net position	380,120	(954,972)		(1,372,985)	(11)	(1,947,848)
BEGINNING NET POSITION (DEFICIT)	<u>8,071,854</u>	<u>(2,171,526)</u>		<u>(17,689,279)</u>	<u>33,525</u>	<u>(11,755,426)</u>
ENDING NET POSITION (DEFICIT)	<u><u>\$8,451,974</u></u>	<u><u>(\$3,126,498)</u></u>		<u><u>(\$19,062,264)</u></u>	<u><u>\$33,514</u></u>	<u><u>(\$13,703,274)</u></u>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$4,124,226	\$4,733,608	(\$38,330)	\$6,559,672		\$15,379,176
Payments to suppliers	(1,912,198)	(759,638)	160,496			(2,511,340)
Payments to or on behalf of employees	(850,410)	(316,687)	327,115	(3,401,019)	(\$397,453)	(4,638,454)
Claims paid		(3,402,365)				(3,402,365)
<b>Cash Flows from Operating Activities</b>	<b>1,361,618</b>	<b>254,918</b>	<b>449,281</b>	<b>3,158,653</b>	<b>(397,453)</b>	<b>4,827,017</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in		301,000				301,000
(Payment of) increase to amounts due from other funds		6,851,362	(115,853)			6,735,509
<b>Cash Flows from Noncapital Financing Activities</b>		<b>7,152,362</b>	<b>(115,853)</b>			<b>7,036,509</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from sale of capital assets	87,399					87,399
Acquisition of capital assets	(278,472)					(278,472)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(191,073)</b>					<b>(191,073)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest	2,727	5,559		1,341	64	9,691
<b>Cash Flows from Investing Activities</b>	<b>2,727</b>	<b>5,559</b>		<b>1,341</b>	<b>64</b>	<b>9,691</b>
<b>Net Cash Flows</b>	<b>1,173,272</b>	<b>7,412,839</b>	<b>333,428</b>	<b>3,159,994</b>	<b>(397,389)</b>	<b>11,682,144</b>
Cash and investments at beginning of period	4,253,456	835,247		910,560	448,067	6,447,330
Cash and investments at end of period	<u>\$5,426,728</u>	<u>\$8,248,086</u>	<u>\$333,428</u>	<u>\$4,070,554</u>	<u>\$50,678</u>	<u>\$18,129,474</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>						
Operating income (loss)	\$363,395	(\$1,261,531)		(\$1,374,326)	(\$75)	(\$2,272,537)
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>						
Depreciation	1,063,026					1,063,026
<b>Change in assets and liabilities:</b>						
Receivables, net	15,662	(83,118)	(\$38,330)			(105,786)
Other assets	(18,815)		166,841			148,026
Accounts payable and accrued liabilities	(117,876)	(3,499)	(6,345)			(127,720)
Employee benefits payable	56,226	5,066	327,115	4,532,979	(397,378)	4,524,008
Claims payable		1,598,000				1,598,000
<b>Cash Flows from Operating Activities</b>	<b>\$1,361,618</b>	<b>\$254,918</b>	<b>\$449,281</b>	<b>\$3,158,653</b>	<b>(397,453)</b>	<b>\$4,827,017</b>
<b>Non cash transactions:</b>						
Retirement of capital assets, net		(\$73,401)				(\$73,401)

## **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, 2013

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<u>Glen Cove Assessment District</u>				
<u>Assets</u>				
Cash and investments	\$160		\$160	
Total Assets	<u>\$160</u>		<u>\$160</u>	
<u>Liabilities</u>				
Due to bondholders	\$160		\$160	
Total Liabilities	<u>\$160</u>		<u>\$160</u>	
<u>NE Quadrant Assessment District 2003-B</u>				
<u>Assets</u>				
Restricted cash and investments	\$258,274	\$268,721	\$258,274	\$268,721
Total Assets	<u>\$258,274</u>	<u>\$268,721</u>	<u>\$258,274</u>	<u>\$268,721</u>
<u>Liabilities</u>				
Due to bondholders	\$258,274	\$268,721	\$258,274	\$268,721
Total Liabilities	<u>\$258,274</u>	<u>\$268,721</u>	<u>\$258,274</u>	<u>\$268,721</u>
<u>Hiddenbrooke Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$3,123,160	\$3,175,760	\$3,123,160	\$3,175,760
Restricted cash and investments	2,880,281	3,121,054	2,880,281	3,121,054
Total Assets	<u>\$6,003,441</u>	<u>\$6,296,814</u>	<u>\$6,003,441</u>	<u>\$6,296,814</u>
<u>Liabilities</u>				
Due to bondholders	\$6,003,441	\$6,296,814	\$6,003,441	\$6,296,814
Total Liabilities	<u>\$6,003,441</u>	<u>\$6,296,814</u>	<u>\$6,003,441</u>	<u>\$6,296,814</u>

CITY OF VALLEJO  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>NE Quadrant Improvement District 2003-01</u>				
<u>Assets</u>				
Cash and investments	\$521,024	\$523,492	\$521,024	\$523,492
Restricted cash and investments	594,875			594,875
	<u>594,875</u>			<u>594,875</u>
Total Assets	<u>\$1,115,899</u>	<u>\$523,492</u>	<u>\$521,024</u>	<u>\$1,118,367</u>
<u>Liabilities</u>				
Due to bondholders	\$1,115,899	\$523,492	\$521,024	\$1,118,367
	<u>\$1,115,899</u>	<u>\$523,492</u>	<u>\$521,024</u>	<u>\$1,118,367</u>
Total Liabilities	<u>\$1,115,899</u>	<u>\$523,492</u>	<u>\$521,024</u>	<u>\$1,118,367</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$3,644,344	\$3,699,252	\$3,644,344	\$3,699,252
Restricted cash and investments held with fiscal agent	3,733,430	3,389,775	3,138,555	3,984,650
	<u>3,733,430</u>	<u>3,389,775</u>	<u>3,138,555</u>	<u>3,984,650</u>
Total Assets	<u>\$7,377,774</u>	<u>\$7,089,027</u>	<u>\$6,782,899</u>	<u>\$7,683,902</u>
<u>Liabilities</u>				
Due to bondholders	\$7,377,774	\$7,089,027	\$6,782,899	\$7,683,902
	<u>\$7,377,774</u>	<u>\$7,089,027</u>	<u>\$6,782,899</u>	<u>\$7,683,902</u>
Total Liabilities	<u>\$7,377,774</u>	<u>\$7,089,027</u>	<u>\$6,782,899</u>	<u>\$7,683,902</u>



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## 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 wellbeing have changed over time:

- Net Position by Component
- Changes in Net Position
- 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.

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## Net Position by Component

## Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net Investment in Capital Assets	\$ 266,448,146	\$ 260,617,039	\$ 254,306,071	\$ 260,245,020	\$ 264,548,211	\$ 266,223,475	\$ 273,408,041	\$ 300,254,819	\$ 319,101,434	\$ 317,984,723
Restricted	144,466,722	135,874,545	136,337,716	119,741,965	102,874,303	85,263,689	81,295,175	84,076,839	67,066,468	69,054,083
Unrestricted	(31,040,505)	(15,725,473)	(15,929,104)	(18,810,903)	(22,169,645)	(26,867,493)	(17,973,163)	(16,698,219)	(949,135)	(3,295,128)
Total governmental activities net position	<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>\$ 385,218,767</u>	<u>\$ 383,743,678</u>
Business-type activities:										
Net Investment in Capital Assets	\$ 184,052,727	\$ 218,315,891	\$ 200,899,895	\$ 215,396,608	\$ 209,721,546	\$ 203,332,924	\$ 197,992,367	\$ 218,549,566	\$ 70,577,833	\$ 34,775,103
Restricted	52,058,389	41,716,706	49,930,075	47,275,222	46,365,386	41,511,141	43,848,953	42,434,217	4,541,278	4,306,908
Unrestricted	30,546,597	6,179,510	12,397,504	676,754	35,217,209	38,002,659	33,507,221	41,110,758	24,728,431	25,243,146
Total business-type activities net position	<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>\$ 99,847,542</u>	<u>\$ 64,325,157</u>
Primary government:										
Net Investment in Capital Assets	\$ 450,500,873	\$ 478,932,930	\$ 455,205,966	\$ 475,641,628	\$ 474,269,757	\$ 469,556,399	\$ 471,400,408	\$ 518,804,385	\$ 389,679,267	\$ 352,759,826
Restricted	196,525,111	177,591,251	186,267,791	167,017,187	149,239,689	126,774,830	125,144,128	126,511,056	71,607,746	73,360,991
Unrestricted	(493,908)	(9,545,963)	(3,531,600)	(18,134,149)	13,047,564	11,135,166	15,534,058	24,412,539	23,779,296	21,948,018
Total primary government net position	<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>\$ 485,066,309</u>	<u>\$ 448,068,835</u>

Notes: <sup>1</sup> Effective fiscal year 2013 and beyond, the presentation of some financial data has changed to reflect the effects of the implementation of GASB 61 which eliminated the inclusion of the Vallejo Sanitation and Flood Control District as part of the primary government. This results in the financial activities of the Vallejo Sanitation and Flood Control District being discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities. The City did not retroactively restate the amounts prior to FY 2013 for the Net Position related to the implementation of GASB 61.

<sup>2</sup> The City implemented the provisions of GASB 63 during fiscal year 2013, which replaced the term net assets with net position.

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year Ending June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities:										
Legislative and Advisory	\$ 374,331	\$ 322,556	\$ 327,583	\$ 277,713	\$ 285,594	\$ 230,008	\$ 125,753	\$ 181,654	\$ 220,581	\$ 277,018
Executive	1,368,798	1,307,999	1,335,818	1,443,648	686,783	515,508	922,039	513,771	2,442,285	2,742,548
Finance	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	1,258,218
Human Resources	919,935	1,041,490	1,273,713	1,325,483	668,458	500,773	499,447	556,953	962,813	934,290
Law	756,854	687,908	722,436	860,128	867,418	907,159	760,735	719,025	503,754	1,054,606
Development Services	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	1,984,387
Community Development	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	30,571,906
Fire services	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	21,372,644
Police services	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	34,546,059
Public Works	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	20,643,593
Nondepartmental	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	12,193,947
Depreciation (not allocated)	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	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	209,054
Total governmental activities expenses	<u>153,638,259</u>	<u>147,608,045</u>	<u>145,250,867</u>	<u>159,089,950</u>	<u>150,738,832</u>	<u>143,229,142</u>	<u>121,709,659</u>	<u>115,888,937</u>	<u>112,790,928</u>	<u>127,788,270</u>
Business-type activities:										
Water	31,696,161	29,329,743	32,418,880	32,401,050	32,479,434	33,749,246	34,493,370	32,056,326	32,420,781	33,770,385
Local Transportation	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	2,612,944
Waterstone Development	2,747,357	65,305	-	-	-	-	-	-	-	-
Sanitation & Flood Control	22,240,114	22,672,873	24,902,110	26,012,630	27,478,992	28,865,210	29,261,276	29,284,313	0	-
Marine World JPA	57,942,325	54,198,128	58,203,991	55,980,978	40,016,158	0	0	-	-	-
Other proprietary funds	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	5,351,278
Total business-type activities expenses	<u>138,627,414</u>	<u>133,733,149</u>	<u>149,278,560</u>	<u>149,085,613</u>	<u>132,817,516</u>	<u>94,770,629</u>	<u>94,639,370</u>	<u>94,060,762</u>	<u>52,664,694</u>	<u>41,734,607</u>
Total primary government expenses	<u>\$ 292,265,673</u>	<u>\$ 281,341,194</u>	<u>\$ 294,529,427</u>	<u>\$ 308,175,563</u>	<u>\$ 283,556,348</u>	<u>\$ 237,999,771</u>	<u>\$ 216,349,029</u>	<u>\$ 209,949,699</u>	<u>\$ 165,455,622</u>	<u>\$ 169,522,877</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services	\$ 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	\$ 15,462,878
Operating grants and contributions	33,810,077	34,786,028	36,629,191	34,636,280	24,514,830	20,365,355	33,498,552	32,390,912	36,777,286	35,971,107
Capital grants and contributions	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	6,925,849
Total governmental activities program revenues	<u>73,639,709</u>	<u>73,598,295</u>	<u>67,251,875</u>	<u>66,317,210</u>	<u>49,576,065</u>	<u>45,278,061</u>	<u>64,141,335</u>	<u>77,222,939</u>	<u>68,390,499</u>	<u>58,359,834</u>
Business-type activities:										
Charges for services	109,134,399	110,851,695	119,838,664	121,404,636	109,978,623	68,630,750	67,662,779	70,644,225	41,983,768	39,543,209
Operating grants and contributions	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	350,876
Capital grants and contributions	12,241,899	7,974,031	10,571,163	7,430,645	4,391,676	6,467,283	4,749,758	29,597,531	10,549,196	2,116,548
Total business-type activities program revenues	<u>130,918,396</u>	<u>128,806,090</u>	<u>143,864,231</u>	<u>144,989,428</u>	<u>130,719,578</u>	<u>88,377,271</u>	<u>86,366,064</u>	<u>118,049,770</u>	<u>60,268,825</u>	<u>42,010,633</u>
Total primary government program revenues	<u>\$ 204,558,105</u>	<u>\$ 202,404,385</u>	<u>\$ 211,116,106</u>	<u>\$ 211,306,638</u>	<u>\$ 180,295,643</u>	<u>\$ 133,655,332</u>	<u>\$ 150,507,399</u>	<u>\$ 195,272,709</u>	<u>\$ 128,659,324</u>	<u>\$ 100,370,467</u>
Net revenue/(expense)										
Governmental activities	\$ (79,998,550)	\$ (74,009,750)	\$ (77,998,992)	\$ (92,772,740)	\$ (101,162,767)	\$ (97,951,081)	\$ (57,568,324)	\$ (38,665,998)	\$ (44,400,429)	\$ (69,428,436)
Business-type activities	(7,709,018)	(4,927,059)	(5,414,329)	(4,096,185)	(2,097,938)	(6,393,358)	(8,273,306)	23,989,008	7,604,131	276,026
Total primary government net expense	<u>\$ (87,707,568)</u>	<u>\$ (78,936,809)</u>	<u>\$ (83,413,321)</u>	<u>\$ (96,868,925)</u>	<u>\$ (103,260,705)</u>	<u>\$ (104,344,439)</u>	<u>\$ (65,841,630)</u>	<u>\$ (14,676,990)</u>	<u>\$ (36,796,298)</u>	<u>\$ (69,152,410)</u>

## CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year Ending June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>(Continued)</b>										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 14,484,918
Incremental property taxes	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	2,877,767	-	-	-	-	-	-	-	-	-
Sales taxes	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	24,685,817
Utility user taxes	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	12,521,558
Motor vehicles	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	7,156,707
Other taxes	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	9,212,120
Mare Island CFD Assessments	-	-	-	-	5,311,886	5,022,136	3,499,675	2,099,096	-	-
Investment earnings	1,927,541	4,008,728	4,985,424	6,686,545	6,043,677	2,826,200	968,998	1,579,810	1,282,961	419,817
Gain on sale of capital assets	250,000	-	-	-	-	-	-	-	-	-
Miscellaneous	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	3,874,022
Capital contributions from developers	-	-	-	-	-	-	-	6,917,609	-	-
Debt Restructuring Adjustment	-	-	-	-	-	-	-	-	1,075,176	-
Assets transferred to/liabilities assumed by Successor Agency	-	-	-	-	-	-	-	-	(4,483,759)	-
Transfers	(796,567)	1,109,605	190,988	72,871	1,352,629	(621,487)	2,270,320	(372,100)	438,038	(4,401,612)
Total governmental activities	<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>61,985,757</u>	<u>67,953,347</u>
Business-type activities:										
Property taxes	716,352	286,096	-	-	-	-	-	-	-	-
Investment earnings	1,600,870	3,067,039	1,549,559	4,225,630	2,716,137	(2,857,059)	2,930,362	1,358,973	401,785	106,369
Miscellaneous	(674,084)	43,604	37,705	64,536	247,080	171,513	115,081	1,025,919	-	87,023
Gain or (Loss) on sales or transfer of assets	-	2,194,319	-	-	28,442,907	-	-	-	(19,034,732)	(40,393,415)
Contributions	-	-	-	-	-	-	-	-	-	-
Debt Restructuring Adjustment	-	-	-	-	-	-	-	-	625,498	-
Transfers	796,567	(1,109,605)	(190,988)	(72,871)	(1,352,629)	621,487	(2,270,320)	372,100	(438,038)	4,401,612
Total business-type activities	<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>(18,445,487)</u>	<u>(35,798,411)</u>
Total primary government	<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>\$ 43,540,270</u>	<u>\$ 32,154,936</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 3,816,565	\$ 891,748	\$ (6,051,428)	\$ (13,538,602)	\$ (15,923,213)	\$ (20,633,198)	\$ 12,110,382	\$ 33,655,386	\$ 17,585,328	\$ (1,475,089)
Business-type activities	<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>(10,841,356)</u>	<u>(35,522,385)</u>
Total primary government	<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>\$ 6,743,972</u>	<u>\$ (36,997,474)</u>

Notes: <sup>1</sup> Effective fiscal year 2013 and beyond, the presentation of some financial data has changed to reflect the effects of the implementation of GASB 61 which eliminated the inclusion of the Vallejo Sanitation and Flood Control District as part of the primary government. This results in the financial activities of the Vallejo Sanitation and Flood Control District being discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities. The City did not retroactively restate the amounts prior to FY 2013 for the Net Position related to the implementation of GASB 61.

**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 2,692,874	\$ 1,926,691	\$ 2,117,143	\$ 1,774,947	\$ 2,059,564	\$ 1,928,641	\$ 2,004,567	\$ -	\$ -	\$ -
Unreserved	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	1,303,621
Restricted	-	-	-	-	-	-	-	208,435	242,919	241,179
Committed	-	-	-	-	-	-	-	350,685	381,709	356,245
Assigned	-	-	-	-	-	-	-	304,729	9,874,285	5,233,259
Unassigned	-	-	-	-	-	-	-	6,340,374	11,084,523	9,797,270
Total General Fund	<u>\$ 4,125,934</u>	<u>\$ 13,856,344</u>	<u>\$ 10,856,672</u>	<u>\$ 7,021,397</u>	<u>\$ 3,513,040</u>	<u>\$ 4,325,868</u>	<u>\$ 5,839,440</u>	<u>\$ 13,713,266</u>	<u>\$ 22,899,017</u>	<u>\$ 16,931,574</u>
All Other Governmental Funds										
Reserved	\$ 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	72,737,570	16,415,761	10,410,295	11,999,502	146,399	98,115	4,249	-	-	-
Debt service funds	-	(3,531,237)	(3,686,077)	(5,322,945)	(5,529,994)	(5,530,905)	(5,530,904)	-	-	-
Capital projects funds	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	102,072
Restricted	-	-	-	-	-	-	-	75,195,891	54,463,122	52,151,109
Committed	-	-	-	-	-	-	-	1,890,263	3,087,235	9,799,861
Assigned	-	-	-	-	-	-	-	2,423	1,883	3,088
Unassigned	-	-	-	-	-	-	-	(6,390,906)	-	-
Total all other governmental funds	<u>\$ 144,805,286</u>	<u>\$ 136,038,672</u>	<u>\$ 136,449,140</u>	<u>\$ 116,569,043</u>	<u>\$ 101,874,139</u>	<u>\$ 83,954,714</u>	<u>\$ 79,162,215</u>	<u>\$ 74,595,743</u>	<u>\$ 57,654,312</u>	<u>\$ 62,056,130</u>

**Changes in Fund Balances of Governmental Funds**

**Last Ten Fiscal Years**

(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>										
Taxes	\$ 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	\$ 61,132,188
Licenses and permits	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	1,814,364
Fines and forfeitures	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	1,249,687
Intergovernmental	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	47,132,738
Investment income	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	2,363,471
Charges for services	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	16,182,809
Contributions from property owners	6,201,378	-	-	-	-	-	-	-	-	-
Other	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	1,295,826
<b>Total revenues</b>	<b>159,274,877</b>	<b>147,718,673</b>	<b>139,695,983</b>	<b>145,363,280</b>	<b>131,389,500</b>	<b>121,948,379</b>	<b>130,354,621</b>	<b>139,373,017</b>	<b>131,638,994</b>	<b>131,171,083</b>
<b>Expenditures</b>										
<b>Current:</b>										
Legislative and Advisory	368,718	311,994	323,174	270,743	292,370	215,485	152,693	180,050	219,289	275,664
Executive	1,316,730	1,413,534	1,374,916	1,425,841	736,846	621,003	958,688	530,814	2,221,478	2,747,243
Finance	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	1,183,251
Human resources	890,623	973,717	1,282,442	1,319,304	723,493	553,254	542,961	542,742	986,692	993,835
Law	733,749	628,677	764,614	871,733	892,284	863,429	812,432	702,882	592,192	1,027,329
Development services	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	1,878,237
Community Development	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	32,516,830
Fire services	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	20,917,691
Police services	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	34,681,714
Public works	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	13,210,589
Redevelopment and housing	36,460,200	-	-	-	-	-	-	-	-	-
Nondepartmental	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	12,171,647
Capital Outlay	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	9,716,431
<b>Debt service:</b>										
Principal	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	275,131
Interest	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	204,899
<b>Total expenditures</b>	<b>156,954,819</b>	<b>147,264,482</b>	<b>140,671,978</b>	<b>169,803,553</b>	<b>153,259,051</b>	<b>138,541,071</b>	<b>133,556,936</b>	<b>134,599,811</b>	<b>126,187,191</b>	<b>131,800,491</b>
Excess (deficiency) of revenues over (under) expenditures	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	(629,408)
<b>Other financing sources (uses):</b>										
Gain (loss) on sale of assets	1,411,000	-	-	-	-	-	381,327	119,428	-	-
Transfers in	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	10,277,326
Transfers out	(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)	(11,293,235)
Proceeds from long-term debt issuance	6,743,199	-	-	661,320	411,052	-	1,023,741	75,860	78,766	79,692
Provision for collectability	-	-	-	-	-	-	(2,752,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>7,397,249</b>	<b>509,605</b>	<b>(1,613,209)</b>	<b>724,900</b>	<b>3,666,290</b>	<b>(513,905)</b>	<b>(76,612)</b>	<b>(1,465,852)</b>	<b>(533,196)</b>	<b>(936,217)</b>
<b>Extraordinary Item:</b>										
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor	-	-	-	-	-	-	-	-	(12,674,287)	-
<b>Net change in fund balances</b>	<b>\$ 9,717,307</b>	<b>\$ 963,796</b>	<b>\$ (2,589,204)</b>	<b>\$ (23,715,373)</b>	<b>\$ (18,203,261)</b>	<b>\$ (17,106,597)</b>	<b>\$ (3,278,927)</b>	<b>\$ 3,307,354</b>	<b>\$ (7,755,680)</b>	<b>\$ (1,565,625)</b>
<b>Beginning fund balance</b>	<b>\$ 147,121,338</b>	<b>\$ 148,931,220</b>	<b>\$ 149,895,016</b>	<b>\$ 147,305,813</b>	<b>\$ 123,590,440</b>	<b>\$ 105,387,179</b>	<b>\$ 88,280,582</b>	<b>\$ 85,001,655</b>	<b>\$ 88,309,009</b>	<b>\$ 80,553,329</b>
<b>Prior period adjustments</b>	<b>(7,907,425)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending fund balance</b>	<b>\$ 148,931,220</b>	<b>\$ 149,895,016</b>	<b>\$ 147,305,812</b>	<b>\$ 123,590,440</b>	<b>\$ 105,387,179</b>	<b>\$ 88,280,582</b>	<b>\$ 85,001,655</b>	<b>\$ 88,309,009</b>	<b>\$ 80,553,329</b>	<b>\$ 78,987,704</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4%</b>	<b>6%</b>	<b>3%</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>	<b>6%</b>	<b>0%</b>



**Assessed Value and Estimated Actual Value of Taxable Property  
Last Nine 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%
2013	7,386,493,615	218,701,022	113,370	(289,480,094)	7,315,827,913	322,746,509	58,076,187	132,592	(48,641,023)	332,314,265	0.24622%

## 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.

<sup>1</sup> 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.

<sup>2</sup> Data prior to 2005 was not available

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	<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>	<u>2013</u>
City Direct Rates:										
City basic rate	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.246223</u>	<u>0.246223</u>	<u>0.246223</u>	<u>0.246223</u>
Total City Direct Rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.246223	0.246223	0.246223	0.246223
Overlapping Rates:										
Acc Capital Outlay	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.008070	0.008070	0.008070	0.008070
Aviation	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.001190	0.001190	0.001190	0.001190
BAAQMD	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.002194	0.002194	0.002194	0.002194
County Free Library	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.027432	0.027432	0.027432	0.027432
County General	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.313305	0.313305	0.313305	0.313305
County School Service Fund Support	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.011342	0.011342	0.011342	0.011342
County Support-Board of Education	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.003341	0.003341	0.003341	0.003341
Development Center	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.002169	0.002169	0.002169	0.002169
GVRD	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.064899	0.064899	0.064899	0.064899
Library Special Tax Zone 7	0.01385	0.01385	0.01385	0.01365	0.01365	0.01365	0.013649	0.013649	0.013649	0.013649
Mosquito Abatement	0.00567	0.00567	0.00567	0.00587	0.00587	0.00587	0.005871	0.005871	0.005871	0.005871
Recreation	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.002025	0.002025	0.002025	0.002025
Solano Community College M&O	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.027583	0.027583	0.027583	0.027583
Solano County Water Agency	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.015274	0.015274	0.015274	0.015274
Vallejo Unified School District M&O	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.240691	0.240691	0.240691	0.240691
VSFCD Operating	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.014742</u>	<u>0.014742</u>	<u>0.014742</u>	<u>0.014742</u>
<b>Total Prop. 13 Direct Rate</b>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.000000	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	0.020000	0.020000	0.020000	0.020000
Scc GOB Series 2003-A	0.01432	0.01532	0.01643	0.01211	0.01189	0.00000	0.015375	0.016357	0.017113	0.017676
Vallejo Usd Bond 97 Measure A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	-	-	-	-
Vallejo Usd Measure A 2002	0.05221	0.02566	0.02238	0.01852	0.01556	0.01571	0.018850	0.017413	0.016091	0.012614
Vallejo Usd Measure A 2004	0.00000	0.01620	0.00874	0.01019	0.00914	0.00962	0.012186	0.012578	0.012583	0.011873
Vallejo Usd Measure A 1999	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	-	-	-	-
Vallejo Usd Measure A 2000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	-	-	-	-
Vallejo Usd State Repay	0.00014	0.00007	0.00001	0.00000	0.00000	0.00000	-	-	-	-
Vallejo Usd 2002-A GOB Refunding	0.05723	0.04535	0.04267	0.03828	0.03597	0.03958	0.053689	0.075437	0.065545	0.065757
Vallejo Usd Measure A - 2006	0.00000	0.00000	0.00000	0.01643	0.01153	0.00993	0.004937	0.008040	0.006485	0.006457
Scc GOB Series 2006B	0.00000	0.00000	0.00000	0.00336	0.00269	0.00258	0.003086	0.003092	0.003043	0.002922
Scc GOB Series 2005 Refunding	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.00000</u>	<u>0.01240</u>	-	-	-	-
<b>Total Voter Approved Rate</b>	0.14390	0.12260	0.11023	0.11888	0.10677	0.10981	0.128123	0.152917	0.140860	0.137299
<b>Total Direct Rate</b>	<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>	<u>1.137299</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

**Top 10 Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

Taxpayer	2013		2004	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Kaiser Foundation Hospitals	\$ 679,643,543	8.89%	-	-
Centro Watt Property Owner II	95,538,542	1.25%	\$ 46,215,263	0.70%
Park Management Corp.	75,853,631	0.99%	68,196,998	1.04%
Prime Ascot LP	55,945,823	0.73%	-	-
Sundance Vallejo	33,037,182	0.43%	28,655,915	0.44%
Symphony Asset Pool XV LLC	29,649,193	0.39%	-	-
Lennar Mare Island	27,657,802	0.36%	-	-
KW WDC Vallejo LLC	25,409,652	0.33%	-	-
Sutter Health Sac Sierra Reg	25,386,474	0.33%	-	-
Ogino LLC	25,196,950	0.33%	-	-
California Northern Railroad	-	-	108,745,277	1.65%
Misawa Homes Inc	-	-	16,440,098	0.25%
Pan Pacific Retail Partners	-	-	17,478,720	0.27%
General Mills Inc	-	-	16,270,568	0.25%
Ron & Maureen Ashley	-	-	15,013,644	0.23%
Vallejo Somerset LTD Partners	-	-	14,876,109	0.23%
Vallejo Highlands Associates	-	-	14,181,243	0.22%
<b>Top Ten Totals</b>	<b>\$1,073,318,792</b>	<b>14.03%</b>	<b>\$ 346,073,835</b>	<b>5.26%</b>

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
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.
2013	13,895,641	13,649,602	98.23%	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 <sup>1</sup>	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations	Total Governmental Activities
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
2013	-	-	3,860,835	13,770,344	710,248	18,341,427

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

<sup>1</sup> 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 reported in a separate trust fund.

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

<sup>3</sup> Effective fiscal year 2013 and beyond, the presentation of some financial data has changed to reflect the effects of the implementation of GASB 61 which eliminated the inclusion of the Vallejo Sanitation and Flood Control District as part of the primary government. This results in the financial activities of the Vallejo Sanitation and Flood Control District being discretely presented in the Component Unit column of the Statement of Net Position and the Statement of Activities. The City did not retroactively restate the amounts prior to FY 2013 for the debt amounts related to the implementation of GASB 61.

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

Fiscal Year Ended June 30	Business-type Activities <sup>3</sup>				Total Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>
	Revenue Bonds	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations				
2004	\$ 70,543,101	\$147,143,583	\$27,834,693	-	\$ 245,521,377	\$ 295,270,031	7.62%	\$ 2,450
2005	68,955,592	138,299,106	19,981,202	-	227,235,900	271,927,872	7.02%	2,243
2006	67,288,083	156,721,379	18,807,307	-	242,816,769	285,851,404	7.05%	2,368
2007	65,882,818	153,269,877	17,780,129	-	236,932,824	276,662,465	6.61%	2,285
2008	64,831,880	94,131,286	21,130,805	-	180,093,971	218,737,410	4.86%	1,806
2009	62,705,942	91,457,179	19,817,014	-	173,980,135	211,158,877	4.59%	1,744
2010	60,485,004	87,771,532	18,485,394	-	166,741,930	203,176,578	4.22%	1,673
2011	58,169,066	87,265,475	17,998,136	-	163,432,677	198,597,225	4.37%	1,705
2012	58,923,128	53,334,101	40,340,363	-	152,597,592	171,134,458	3.88%	1,476
2013	54,497,312	-	26,727,801	-	81,225,113	99,566,540	3.22%	850

### Ratio of General Bonded Debt Outstanding Last Ten Fiscal Years

(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value <sup>2</sup>	Per Capita <sup>3</sup>
	General Obligation Bonds	RDA Tax Allocation Bonds <sup>1</sup>	Total		
	2004	-	\$ 11,925		
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%	-
2013	-	-	-	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).

<sup>1</sup> 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.

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

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

**Direct and Overlapping Debt**  
**June 30, 2013**

FY 2012-13 Assessed Valuation		\$ 7,648,142,178	
Redevelopment Agency Incremental Valuation		(332,314,265)	
Adjusted Assessed Valuation		<u>\$ 7,315,827,913</u>	
	Percentage Applicable <sup>1</sup>	Total Outstanding Debt 6/30/13	City's Estimated Share of Overlapping Debt 6/30/13
Overlapping Tax and Assessment Debt:			
Solano County Community College District	20.274%	\$ 219,921,989	\$ 44,586,984
Vallejo Unified School District	98.258%	79,795,000	78,404,971
Vallejo Unified School District CFD No. 2	100.000%	21,370,000	21,370,000
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	15,175,000	15,175,000
City of Vallejo 1915 Act Bonds	100.000%	<u>7,205,000</u>	<u>7,205,000</u>
Total overlapping debt repaid with property taxes		<u>343,466,989</u>	<u>166,741,955</u>
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	19.481%	111,720,000	21,764,173
Solano County Pension Obligations	19.481%	74,285,000	14,471,461
Solano County Board of Education Certificates of Participation	19.481%	1,955,000	380,854
Vallejo Unified School District Certificates of Participation	98.258%	32,955,000	32,380,924
City of Vallejo General Fund Obligations	100.000%	<u>42,596,391</u>	<u>42,596,391</u>
Total Direct and Overlapping General Fund Debt		<u>263,511,391</u>	<u>111,593,803</u>
Overlapping Tax Increment Debt (Successor Agency):	100.000%	<u>\$ 8,365,000</u>	<u>8,365,000</u>
City direct debt			\$42,596,391
Total overlapping debt <sup>2</sup>			<u>\$ 244,104,367</u>
Combined Total Debt			<u>\$ 286,700,758</u>

## Notes:

<sup>1</sup> The percentage of overlapping debt applicable to the City is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district'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.

<sup>2</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 2.18%



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

	Fiscal Year Ending June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 7,315,827,913
Conversion percentage	25%	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	1,828,956,978
Debt limit percentage	15%	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	\$ 274,343,547
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>	<u>\$ 274,343,547</u>
Total debt applicable to the limit as a percentage of debt limit <sup>1</sup>	0.0%	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

<sup>1</sup> 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)					City system Coverage
	Gross Water Revenues (b)	Less Expenses (c)	Net Available Revenues	Total Debt Service (d)		
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
2013	36,121,520	25,393,087	10,728,433	5,064,399		2.12

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

b) Includes operating revenues, investment earnings, contributions.

c) Excludes depreciation and debt service payments.

d) Details regarding the city's outstanding debt can be found in the notes to the financial 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	
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
2013	27,385,589	16,833,300	10,552,289	325,943	2,507,309	-	2,747,344	1,219,309	-	6,799,905	1.55

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	
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
2013	2,312,496	555,000	639,132	1.94

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 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**

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
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%
2013	117,112	3,094,450	26,423	10.2%

Sources: (1) State Department of Finance (revised)  
(2) U.S. Bureau of Economic Analysis (2004 to 2012); U.S. Census Bureau (2013)  
(3) State of California Employment Development Department (data shown is for the City)

**Top 10 Principal Employers****Current Year and Nine Years Ago**

Employer	2013		2004	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,906	5.87%	2,735	4.37%
Six Flags Discovery Kingdom	1,600	2.41%	1,660	2.65%
Vallejo Unified School District	1,600	2.41%	2,160	3.45%
Kaiser Permanente Call Center	950	1.43%	830	1.33%
Sutter Solano Medical Center	690	1.04%	600	0.96%
City of Vallejo	509	0.77%	598	0.96%
CA Highway Patrol, Regional Off	400	0.60%	300	0.48%
Touro University California	385	0.58%		0.00%
U.S. Forest Service	300	0.45%	400	0.64%
Petrochem Corporate Headquarters	225	0.34%		0.00%
U.S. Postal Service	-	0.00%	215	0.34%
California Maritime Academy	-	0.00%	208	0.33%

"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>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>	<u>2013</u>
General government	66	62	61	49	46	45	41	40	49	60
Public safety	350	320	325	329	291	250	214	195	192	226
Public works	67	59	59	63	62	58	54	59	60	62
Mare Island Coop/CFD	4	3	2	5	2	2	2	2	2	2
Economic Development	23	20	21	23	29	26	21	22	20	18
Housing	26	24	25	22	18	17	17	17	17	17
Solid Waste Disp	1	1	1	1	-	-	-	-	-	-
Landscape District	3	5	5	6	8	8	7	4	4	4
Risk Management	2	3	3	3	2	2	2	2	2	2
Water	83	75	77	95	98	101	101	103	103	104
Transportation	4	6	6	6	5	5	5	5	5	2
Marina	4	4	3	3	3	3	3	4	4	4
Corp Yard	<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>	<u>8</u>
Total	<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>	<u>509</u>

Source: City of Vallejo Adopted Budget

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

	Fiscal Year Ending June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Arrests	2,610	5,250	7,658	8,682	7,589	7,300	4,273	3,133	3,643	3,522
Parking citations issued	16,971	15,097	14,108	13,200	12,864	5,178	3,676	4,532	4,385	1,163
Fire:										
Number of emergency calls	10,363	10,547	11,030	11,194	11,739	12,098	12,149	12,119	12,546	12,970
Inspections (Fire Prevention)	2,071	1,079	967	1,371	947	842	1,200	675	2,122	2,667
Inspections (Code Enforcement) <sup>1</sup>	4,148	3,240	4,305	4,247	157	2,776	8,000	5,567	2,623	7,074
Public works:										
Street resurfacing (miles)	1.82	2.95	27.70	2.20	16.47	18.47	46.50	55	5.6	6.6
Water:										
New connections	436	559	314	139	71	31	67	51	42	5
Average daily consumption (thousands of gallons)	22,350	20,620	21,030	21,271	20,658	19,402	17,975	17,698	16,976	17,806
Development Services:										
Building permits	3,702	3,473	3,357	3,427	2,000	1,837	2,175	1,791	1,797	2,176
Housing Rental units <sup>2</sup>	2,266	2,266	2,266	2,266	2,266	2,267	2,267	2,292	2,194	2,292
Housing Vouchers <sup>3</sup>	2,246	2,210	2,105	2,041	2,036	2,156	2,147	2,149	2,292	2,133
Golf course:										
Golf rounds played <sup>4</sup>	130,651	114,353	96,750	112,296	87,416	82,373	65,470	64,407	66,133	73,077

<sup>1</sup> Function transferred to Development Services

<sup>2</sup> Amounts listed represent the number of rental units contracted.

<sup>3</sup> Amounts listed represent actual vouchers issued.

<sup>4</sup> From 2004 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 Course. 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Stations	4	4	4	4	3	3	3	3	3	3
Fire:										
Fire stations	8	8	8	8	6	6	6	6	6	6
Public works:										
Streets (miles)	315	315	350	351	351	351	351	351	351	351
Traffic signals	131	134	134	151	151	148	148	148	123	123
Water:										
Water mains (miles)	600	605	622	623	623	624	624	624	624	624
Maximum daily capacity (thousands of gallons) <sup>1</sup>	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Golf Course:										
Municipal golf courses	3	3	3	3	2	2	2	2	2	2

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

Source: City of Vallejo  
Vallejo Golf Club, Inc.