

# CITY OF VALLEJO CALIFORNIA



**Vallejo Station Parking Structure**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**CITY OF VALLEJO, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

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CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2014

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December 16, 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 2014 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, 2014, 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 City's financial position and changes in financial position, 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, 2014, 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 118,470 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 of Vallejo's governing body is elected by the citizens in a general, popular election.

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.

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

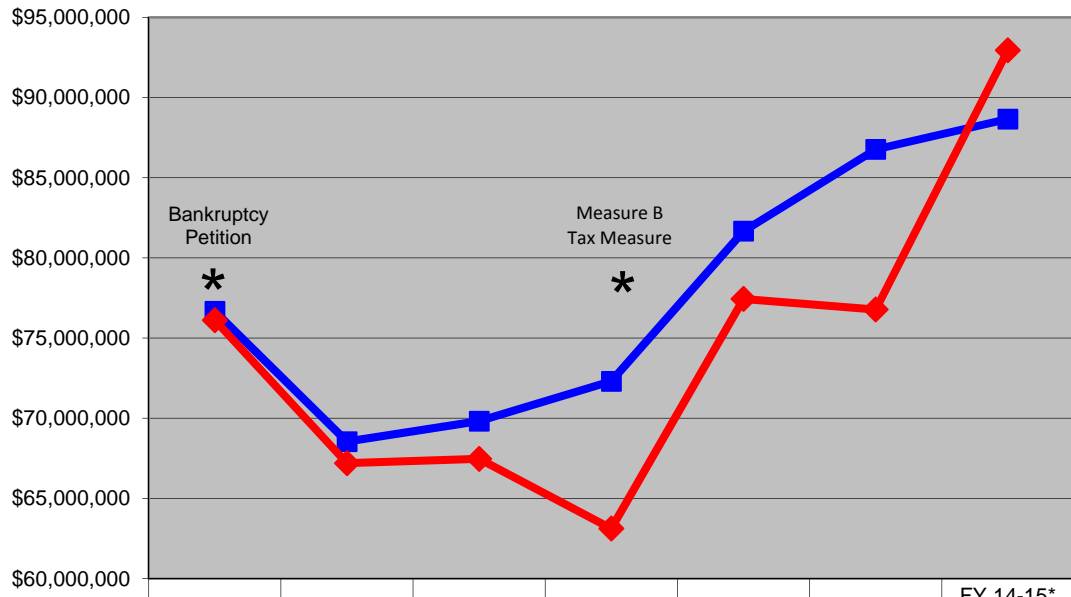
## ECONOMIC CONDITION AND OUTLOOK

Recent economic news indicates that the City's revenue base has stabilized and is beginning to gain momentum for renewed growth. Employment rates are improving, property and sales tax revenues are increasing, the economy is growing modestly, and the Vallejo housing market is showing signs of recovery.

**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.

**Revenues and Local Sales Tax Increase** - In November 2011, Vallejo voters passed Measure B, establishing a one percent transaction and use tax. This tax, similar to a sales tax, became effective on April 1, 2012, and has a 10-year sunset. The tax is currently generating \$12 million annually in new revenues. Strategic allocation of these revenues towards projects, targeted staffing, and the rebuilding of reserves continues under the direction of City Council. These revenues have positioned the City to address and restore services previously depleted during the resource challenges of the past 5 years. The following chart tracks the significant improvement in the total General Fund revenues available to provide the General Fund's public safety and other services.

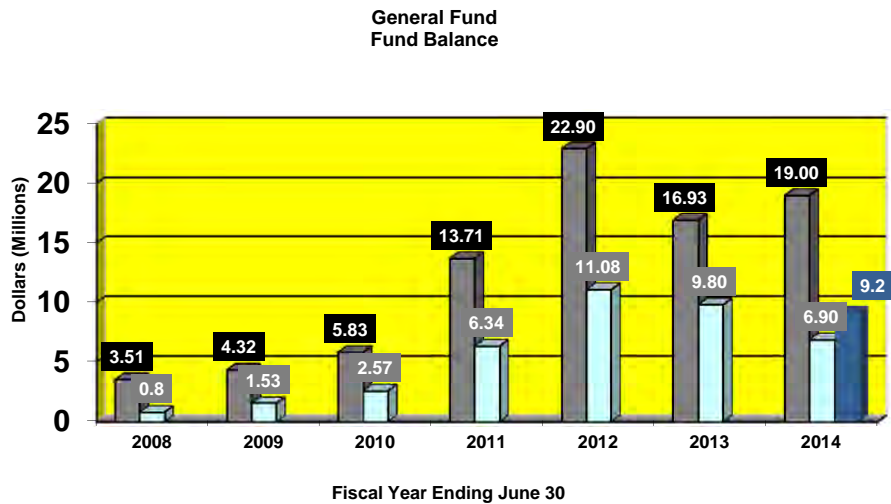
## Vallejo General Fund Revenue and Expenditure Trends



	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15* Budget
Revenues	\$76,672,351	\$68,544,190	\$69,821,232	\$72,306,407	\$81,670,952	\$86,768,444	\$88,659,439
Expenditures (*Budget Basis)	\$76,119,104	\$67,198,219	\$67,467,704	\$63,120,656	\$77,440,937	\$76,781,942	\$92,945,971

■ Revenues     ◆ Expenditures (\*Budget Basis)

**Current Financial Condition** - The graph below illustrates the City's current financial condition and its improved stability since the passage of the 2011 Measure B tax measure. It presents the changes in fund balance for the General Fund for the fiscal year ending June 30, 2014, as compared with the six prior years. Certain Measure B revenues have been committed to projects and assigned to new fund balance reserves. The City is committed to maintaining and growing these fund balance reserves to provide additional strength and assurance for ongoing City operations.



■ Total Fund Balance     ■ Unassigned     ■ Measure B Projects and Reserves

**Pension and Other Post Employment Benefit (OPEB) Obligations** - One potential cloud on the City's financial horizon is its notable obligations to pension and Other Post Employment Benefit (OPEB), for retiree health care. The California Public Employees' Retirement System (PERS) continues to address pension plan risk and funding levels by updating its actuarial demographics assumptions and phasing in contribution increases to address large investment losses dating back to 2009. As a result, employer contribution rates are projected to continue to rise over the next five years. During 2013-14, the City contributed 48% and 29% of employee salary to its Safety and Miscellaneous pension plans, respectively. Initial projections from the most recently available actuarial valuation (June 2013) show rates at risk of increasing to 62% (Safety) and 35% (Miscellaneous) by 2016-17. However, to mitigate this rate increase, the City has proactively made a supplemental contribution of \$6.5 million in 2013 to begin plan stabilization. The City has also taken action to begin funding its OPEB retiree health obligations. During 2013-14, the City made an initial \$10 million contribution to a dedicated and irrevocable retiree health benefits trust fund, to begin to provide the resources necessary to ensure long-term funding for this OPEB obligation.

**Fiscal Stability** – During the past fiscal year, the City has made significant progress towards the goal of fiscal stability, including these important milestones:

- City Council approving on June 24, 2014, the first structurally balanced budget in over a decade.
- Receiving on February 28, 2014, an Unmodified Audit Opinion for the first time in over seven years.
- Implementing changes which achieved an \$83 million reduction in OPEB liabilities.
- Creating an irrevocable OPEB trust while at the same time reducing annual costs by \$2 million.
- Issuing an \$18 million water refinancing bond for the first time since 2006.
- Attaining “A+ rating with Stable Outlook” rating on the water bond from Standard and Poors.
- Renegotiating our banking relationship and removing our “prepay” status.
- Receiving the first Government Finance Officers Association Financial Reporting award since 2006.
- Completing our audit on schedule by December 31, 2014, for the first time in over a decade.

**Subsequent Events** – Subsequent to year-end, the City experienced a number of impactful events; on August 24, 2014 the City experienced a 6.0 magnitude earthquake, in September the City entered into settlement agreement discussions with the Bay Area Air Quality District regarding air quality improvements, on October 10, 2014 the City acquired an ownership interest in a fund flowing from the expiration of the Empress Theater tax credit program, and on December 2, 2014 a California Superior Court judge heard oral arguments regarding litigation on medical insurance premium contributions. Please see the Notes to Financial Statements (Note 15, 16) for a complete discussion of these events.

## 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 growth to the Vallejo community.

**Development Initiatives** - The improving economy and the availability of development opportunities in the city should be sources of optimism for future job and revenue growth. The City has added key economic development staff, begun update of the General Plan and renewed its focus on providing streamlined, efficient, and predictable development services. Among the more promising opportunities for new development this year are 1) the Cooke property, 2) the Orcem project on the former General Mills property, 3) continued leasing activity on Mare Island, 4) North Mare Island (190 acres), 5) the Solano 360 project on the County Fairgrounds property, and 5) the Waterfront. We also expect to be able to take advantage of opportunities for improvements in the downtown area, with the cooperation of property owners. Additionally, we are pursuing the establishment of a high speed broadband network in the city this year, which could create a number of interesting economic development opportunities citywide.

**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.

**Measure B** - With the voters' approval of Measure B in November of 2011, the City has begun to address a number of unmet needs in the community. The spending plan for Measure B attempts to restore some of the services which were reduced during the great recession, rebuild important reserves, and fund programs which will ultimately grow the City's tax base. Measure B funds are used to promote the following City Council approved goals of: Rebuilding Reserves, Preserving and Enhancing Public Safety, Preserving and Enhancing Quality of Life, Enhancing and Reconstructing Infrastructure, Improving Community Aesthetics, Setting the Stage for Economic Development, Enhancing Government Efficiency, Leveraging City Assets, and Participatory Budgeting.

**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 2013-14 Participatory Budgeting process, 33 projects were developed and placed on the ballot, 12 were approved by 3,917 eligible Vallejo voters (aged 16 and over) representing \$3.28 million in funding of approximately \$12 million in Measure B related tax revenues in the 2013-14 fiscal year. The Participatory Budgeting program implementation continues in FY 2014-15.

## AWARDS

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

We are pleased to report that the Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Vallejo for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This is the first year that the City received this certificate since 2006.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year.

## 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; Ray Fortaleza, Senior Accountant, Winnie Daba, Senior Accountant; Jon R. Oiler, Auditor Controller, and the Finance Department staff as they have worked closely with the auditors in finalizing this report. Additionally, we would like to thank the City's audit firm of Maze & Associates CPA for the professional support and guidance they have given us. I would also like to thank the Mayor and the members of the City Council for their continued support in leading the City towards the goal of regaining long-term fiscal stability.

Respectively submitted,



Ron Millard, CPA (BC), FCGA  
Interim Finance Director

## **Public Officials**

### **City Council**

#### **As of June 30, 2014**

#### **Term Expires**

Osby Davis, Mayor	January 2017
Bob Sampayan, Vice Mayor	January 2017
Jesus Malgapo, Councilmember	January 2019
Robert McConnell, Councilmember	January 2017
Katy Miessner, Councilmember	January 2019
Rozzanna Verder-Aliga, Councilmember	January 2017
Pippin Dew-Costa, Councilmember	January 2019

### **City Manager**

Daniel E. Keen

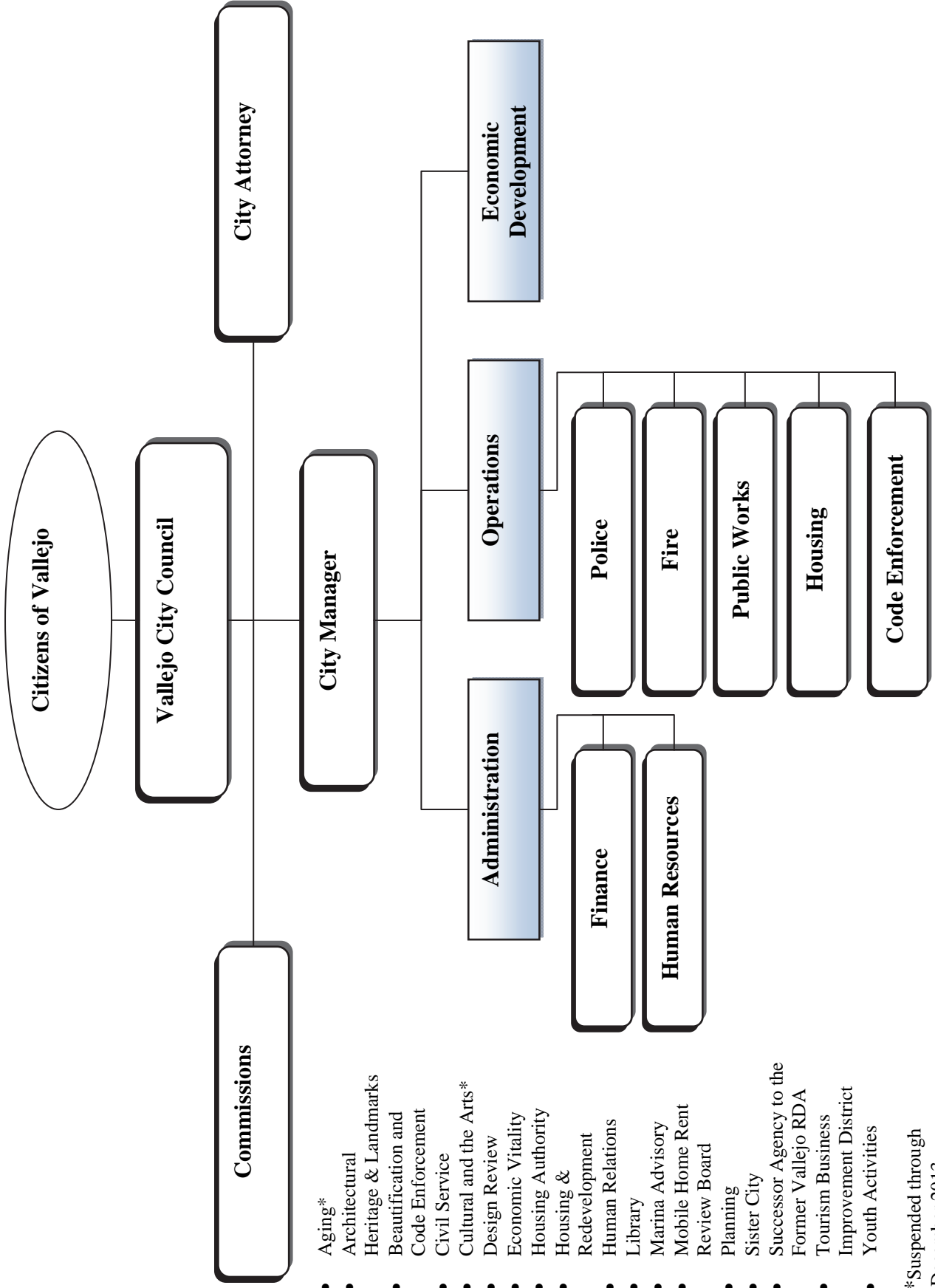
### **City Attorney**

Claudia Quintana

### **Executive Management Team**

Craig Whitton, Assistant City Manager  
Ron Millard, Interim Finance Director  
Maria Olvera, Human Resources Director  
Joseph Kreins, Police Chief  
Jack McArthur, Fire Chief  
David Kleinschmidt, Public Works Director  
Mark Sawicki, 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 December 2013



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Vallejo  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO





## 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, 2014, 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 40.56%, 40.62%, and 16.97% 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, 2014, 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. City staff intends to go to the Oversight Board in January 2015 to request approval of these loan agreements as an Enforceable Obligations to be listed on future Recognized Obligation Payment Schedules of the Successor Agency. 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 4H, the City has offset the full balance of the advances to the former Agency with an allowance for collectability.

The City's position on this matter 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 this uncertain matter has been recorded in the accompanying financial statements.

The emphasis of this matter 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 December 8, 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.

A handwritten signature in black ink that reads "Mary & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California  
December 8, 2014

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**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2014**

**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, 2014. This overview should be read in conjunction with the accompanying Transmittal Letter, the Basic Financial Statements, and the accompanying notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- The City continued to rebuild financial health in this third year since its 2011 debt restructure.
- The voter-approved “Measure B” 1% transactions tax has provided \$12 million in current year revenues to strategically restore services and reserves. The City’s noteworthy “Participatory Budgeting” program brings residents into the budget allocation process to make short and long-term recommendations on how to best leverage some of these funds. The City continues to be recognized for its leadership in creating this vehicle for community involvement.
- June 2014 year-end General Fund unassigned reserves of \$6.9 million have exceeded projection and reached 9% of the 2014-15 annual General Fund expenditure budget.
- The Water Fund also had positive operating results for the year and made progress in accumulating cash balances to self-fund its capital program. A bond refinance provided additional current year cash flow savings.
- Retiree Health obligations have been reduced through the City’s contribution of \$10 million into its new trust fund. This contribution demonstrates the City’s commitment to fund its benefit commitment to its employees and retirees. The City’s benefit obligation has been further reduced through extension of new, reduced retiree benefit levels to the last of the City’s employee organizations.
- The Successor Agency continued progress in “winding down” activities of the former Redevelopment Agency. During the year, the State Department of Finance issued its “Finding of Completion,” a milestone which positions the Agency to next seek approval to resume repayment of City General fund advances commencing in the 2015-16 fiscal year. This brings potential (but still uncertain) new resources to the General Fund.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- 1) This introductory commentary, *Management’s Discussion and Analysis*
- 2) *Basic Financial Statements*, including:
  - a. Government-wide financial statements
  - b. Fund financial statements
  - c. Notes
- 3) Supplemental Information:
  - a. Non-major governmental funds
  - b. Internal service funds
  - c. Agency funds

## **The Basic Financial Statements**

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

- The *Government-wide Financial Statements* provide a long-term view of the City's activities as a whole. *The Statement of Net 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, 2014 and 2013, as measured on the accrual basis of accounting, along with a discussion of some of the most significant balances (in millions):

*Table on the next page.*

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013 (A)	2014	2013	2014	2013 (A)
<b>Assets</b>						
Current and other assets	\$138.9	\$133.7	\$42.1	\$36.2	\$181.0	\$169.9
Capital assets	336.6	336.3	113.3	114.7	449.9	451.0
<b>Total assets</b>	<u>475.5</u>	<u>470.0</u>	<u>155.4</u>	<u>150.9</u>	<u>630.9</u>	<u>620.9</u>
<b>Deferred Outflows of Resources</b>						
Unamortized loss on refunding of debt			1.1	1.3	1.1	1.3
<b>Liabilities</b>						
Current and other liabilities	30.7	30.5	11.1	10.3	41.8	40.8
Long-term liabilities	46.4	55.8	76.0	77.6	122.4	133.4
<b>Total liabilities</b>	<u>77.1</u>	<u>86.3</u>	<u>87.1</u>	<u>87.9</u>	<u>164.2</u>	<u>174.2</u>
<b>Net position</b>						
Net investment in capital assets	318.7	317.9	40.4	39.1	359.1	357.0
Restricted	70.1	65.4	5.3	4.3	75.4	69.7
Unrestricted	9.6	0.4	23.7	20.9	33.3	21.3
<b>Total net position</b>	<u>\$398.4</u>	<u>\$383.7</u>	<u>\$69.4</u>	<u>\$64.3</u>	<u>\$467.8</u>	<u>\$448.0</u>

(A) Certain amounts have been reclassified to conform with the current year presentation.

- Total City total assets of \$630.9 million and Deferred Outflows of Resources of \$1.1 million are offset by \$164.2 of liabilities and other credits, resulting in a net Government-wide net position of \$467.8 million at June 2014. This is an increase of \$20 million from the prior year that has been generated substantially from the City's General Fund, Retiree Health, and Water Fund programs.
- The City's capital asset balance of \$449.9 million remained fairly consistent during the year, with a minor \$1 million decline from the prior year. New capital improvements of \$14 million approximately replaced the \$15 million of depreciation recorded on existing assets.
- The City has made a significant \$11 million reduction in its long-term liabilities, from \$133.4 million to \$122.4 million. In addition to scheduled debt principal amortization, the City made substantial progress in addressing its retiree health benefits liability by transferring \$10 million to a dedicated trust restricted in use for the payment of future retiree health benefits.
- The City's net position includes a \$359.1 million investment in capital assets, net of the long-term debt that financed the acquisition of the assets. An additional \$75.4 million of net position is restricted by third party sources, including Federal and State statutory requirements and bond covenants. This is an increase of \$5.7 million in restricted assets from the prior year due to underutilized housing program funding. The remaining Government unrestricted net position is \$33.3 million, which is an improvement of \$12 million since the prior year.

The table below is a summary of the City's government-wide activities for the years ended June 30, 2014 and 2013, as measured on the accrual basis of accounting.

**Statement of Activities**  
**for the year ended June 30,**  
(In thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013 (A)	2014	2013	2014	2013 (A)
<b>Revenues</b>						
Program revenues						
Charges for services	\$18,819	\$15,463	\$42,590	\$39,543	\$61,409	\$55,006
Operating grants and contributions	38,597	35,971		351	38,597	36,322
Capital grants and contributions	5,662	6,926	331	2,117	5,993	9,043
General revenues						
Property, sales and other taxes	57,518	55,539			57,518	55,539
User utility	12,611	12,522			12,611	12,522
Gain on sale of capital assets	102				102	
Other	4,517	4,294	355	193	4,872	4,487
Total revenues	<u>137,826</u>	<u>130,715</u>	<u>43,276</u>	<u>42,204</u>	<u>181,102</u>	<u>172,919</u>
<b>Expenses</b>						
Governmental activities						
Legislative and advisory	214	304			214	304
Executive	3,844	3,013			3,844	3,013
Finance	1,771	1,382			1,771	1,382
Human resources	930	1,026			930	1,026
Law	1,080	1,159			1,080	1,159
Development services	2,505	2,180			2,505	2,180
Community development	32,366	33,587			32,366	33,587
Fire services	23,629	23,481			23,629	23,481
Police services	31,967	37,952			31,967	37,952
Public works	24,634	23,495			24,634	23,495
Interest on long-term debt	196	209			196	209
Business-type activities						
Water			34,534	33,770	34,534	33,770
Local transportation				2,613		2,613
Marina			1,514	2,602	1,514	2,602
Golf			3,107	2,514	3,107	2,514
Vallejo Station Parking			610	236	610	236
Total expenses	<u>123,136</u>	<u>127,788</u>	<u>39,765</u>	<u>41,735</u>	<u>162,901</u>	<u>169,523</u>
Excess before transfers, special and extraordinary items	14,690	2,927	3,511	469	18,201	3,396
Transfers	(1,592)	(4,402)	1,592	4,402		
Special items	1,536			(40,394)	1,536	(40,394)
Extraordinary items						
Change in net position	14,634	(1,475)	5,103	(35,523)	19,737	(36,998)
Net position - beginning, restated	<u>383,744</u>	<u>385,219</u>	<u>64,325</u>	<u>99,848</u>	<u>448,069</u>	<u>485,067</u>
Net position - ending	<u>\$398,378</u>	<u>\$383,744</u>	<u>\$69,428</u>	<u>\$64,325</u>	<u>\$467,806</u>	<u>\$448,069</u>

(A) Certain amounts have been reclassified to conform with the current year presentation.



- The City’s growth in 2013-14 city-wide revenues to \$181.1 million reflects an improving economic base. Both tax revenues and charges for services have contributed to an overall \$8.5 million increase in revenues, primarily in Governmental Activities programs.
- City-wide expenses of \$162.9 million, however, were less than both revenues and the prior year expense level, as the City moves to adjust and implement its service levels in line with its new Measure B transaction tax revenue. After adjusting for \$2.6 million in non-reoccurring prior year expenses for transportation programs and a 2012-13 lump-sum supplemental PERS pension contribution of \$6.5 million, the comparable current year expenses were up \$2.5 million or 1.6% from the prior year level. The public safety programs have been filling vacancies to staff up to the levels now supported by Measure B revenues.
- Overall, current year operations have improved the City’s net position by \$19.7 million.

### Net Program Revenues

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

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
<b>Governmental Activities</b>			
General government	(\$8,034,984)	\$1,901,957	(\$6,133,027)
Fire services	(23,628,510)	5,814,269	(17,814,241)
Police services	(31,968,288)	3,541,367	(28,426,921)
Community and development services	(34,870,777)	33,115,087	(1,755,690)
Public works	(24,633,518)	18,705,398	(5,928,120)
	<u>(\$123,136,077)</u>	<u>\$63,078,078</u>	<u>(\$60,057,999)</u>

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 considerably 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.

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
<b>Business-type Activities</b>			
Water utility	(\$34,534,260)	\$38,812,706	\$4,278,446
Marina	(1,514,172)	1,066,736	(447,436)
Golf	(3,106,469)	2,501,320	(605,149)
Vallejo Station Parking	(609,741)	540,360	(69,381)
	<u>(\$39,764,642)</u>	<u>\$42,921,122</u>	<u>\$3,156,480</u>

In total, the fee and grant sources of cash for these business-type operations are generally intended to cover operating, debt service, and capital reinvestment requirements. This year, the Water Fund realized a \$4.3 million operating surplus. This accumulation is consistent with the water rate structure design which is intended to accumulate cash to self-fund some of the Water System's long term capital expenditure program. Water Fund cash flow savings were also realized from the refinance of the 2001 Water Revenue Bonds. The Marina, Golf, and Vallejo Station Parking operations, however, have realized losses. Although each of these programs realized user fees to cover a substantial portion of annual costs, their fees did not fully cover program cash flow requirements. General Fund support was budgeted and contributed to supplement these three enterprise operations.

### **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** - The City's General Fund provides police, fire, development, public works, and administrative services to the City's 118,470 residents, other funds, businesses and visitors. 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.

During 2013-14, \$76.8 million was expended to provide these services with 383 full time employees. Labor costs comprised 81% of General Fund expenditures prior to inter-fund cost allocations.

**California Revenue Environment** - 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. In November 2011, Vallejo voters adopted Measure B, a general local 1% transactions tax measure, which is currently generating \$12 million in supplemental tax revenues per year.

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.

**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 2007-08 fiscal year and has continued to reassess parcels at lower levels in the 2008-09, 2009-10 and 2010-11 fiscal years. In the 2012-13 fiscal year, the previous declines in assessed valuations had reversed from -6% in 2010-11 to -3% in 2011-12 to an increase of 4% in 2012-13. The assessed valuation as of January 2014, which is the base for tax allocations in 2014-15, has increased an additional 10% over prior year levels.

**Current Year Increase in General Fund Revenues** – The net impact to the City's 2013-14 General Fund revenues, including transfers, was an increase of \$5.2 million or 6% from the prior year. Of particular note were increases in Code Enforcement revenues, Fire Department grants, and development related engineering and planning fees.

**Fiscal year 2013-2014 Budget** - The Fiscal 2013-2014 revenue collections exceeded original estimates by \$4.1 million. All Program Departments operated within their approved expenditure budgets. The Non-departmental budget allocation included a \$3.7 million staff vacancy assumption; \$3.1 million of this target was achieved. As positions have been filled, the City expects this vacancy rate to diminish in the next fiscal year.

**Reserves** - In total, the General Fund added \$2.1 million to its total fund balance during the current year. Measure B revenues have accumulated and been strategically assigned to reserves, targeted programs, and to Participatory Budget Projects. The General Fund ended the year with \$6.9 million of unassigned fund balance or 9% of the subsequent year operating expenditure budget.

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 continue to be within available revenues, while providing needed fund balance reserves.

### **Other Major Governmental Funds**

- ***Housing Authority*** – The Housing Authority received \$25.3 million in federal HUD grant allocations during the year to support its \$24.3 million Section 8 Housing Assistance Voucher Program expenditures. Federal revenue allocations were not fully utilized since the program's lease-up rate fell from 95% to 90% during the year. As a result, the Authority's June 30, 2014 cash position has increased to \$5.8 million. This balance is available to support operations in the coming fiscal year.
- ***HOME Program*** – The HOME program received \$0.5 million in federal grant allocations and loan payments of \$0.2 million during the year to support its \$0.8 million expenditures. The revenues and expenditures for 2014 increased from prior year due to increased HOME program activity.

### **Enterprise Funds**

- ***Water Fund*** – This fund collected \$38.5 million in operating revenues during the year to support \$25.9 million in operating costs and \$5.6 million in depreciation. Cash from operations, capital contributions and investment income supported \$3.9 million in net debt service payments and \$4.7 million in capital improvements. The net debt service for the year was \$1.6 million less than the prior year as a result of a bond refinance. Through the refinance, \$16.9 million of 2001 Water Revenue Bonds were converted to a fixed interest rate and also generated a one-time cash flow savings in debt service. Both operating and debt refinance activities improved Water Fund liquidity. The Fund ended the year with \$35.5 million in current assets available to cover \$9.6 million in current liabilities. The fund has \$94.2 million of capital assets, financed with \$55.3 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. As anticipated in the rate structure, the Fund is accumulating cash to self-fund some of its capital program.
- ***Marina*** – The Marina collected \$1.1 million in user fees during the year to support its operating and debt service costs. Operating costs, excluding depreciation, were \$1.3 million and debt service payments were \$0.6 million. The fund continues to operate at a deficit. For FY 2013-14, the deficit was financed with contributions from the State Lands Commission Fund of \$0.1 million and the General Fund of \$0.9 million. On an accrual basis, the fund has a deficit net position of \$2.3 million at June 30, 2014, 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, secured by the General Fund. The fund has benefitted from reduced interest charges on its share of the City's Certificates of Participation 2011 debt restructure. Ongoing operating transfers are anticipated to support the debt service payments associated with debt financed assets in the Marina Fund.
- ***Golf*** – In 2013-14, the Golf Fund had its first full year of operations under the Golf Management Agreement executed in 2012. User fees of \$2.5 million supported operating and depreciation costs of \$3.1 million and debt service payments of \$0.4 million. As anticipated in the budget, the fund operated with a General Fund transfer to provide cash flow to meet its debt service payments. The fund remains obligated for \$7.8 million in long-term debt, secured by the General

Fund. This debt was issued to acquire the capital assets of the fund. The fund has benefitted from reduced interest charges on its share of the City's Certificates of Participation 2011 debt restructure. The Golf Fund has a deficit net position of \$1.1 million at June 30, 2014, 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 in 2013 to account for the operations, maintenance and management of the Vallejo Station Parking Structure. Annual user fees of \$0.5 million supported \$0.6 million in operating costs. The General Fund provided \$0.1 million in operating support during this first full year of operation.

### **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' streets, much less restore them to acceptable pavement condition standards.

The following is a summary of the City's capital assets at June 30, 2014 and 2013. Total capital assets have decreased by \$1 million during the year to \$449.8 million. Total depreciation of \$15.4 million was offset by new capital additions of \$12.7 million and transfer from Successor Agency of \$1.5 million. Governmental construction in progress balances for Vallejo Station Parking have been placed in service and transferred to Buildings and Improvements. Business-type construction in progress has increased to \$10.1 million for Water projects. Further information can be found in Note 5 to the financial statements.

**Capital Assets**  
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$136,218,248	\$134,684,782	\$12,298,805	\$12,298,805	\$148,517,053	\$146,983,587
Building and improvement	77,430,603	40,442,168	55,114,086	57,466,841	132,544,689	97,909,009
Machinery and equipment	6,605,899	7,092,331	11,140,287	10,015,498	17,746,186	17,107,829
Infrastructure	94,795,473	100,035,612	24,623,458	27,713,919	119,418,931	127,749,531
Construction in progress	21,524,169	54,071,257	10,098,068	7,235,031	31,622,237	61,306,288
Total	<u>\$336,574,392</u>	<u>\$336,326,150</u>	<u>\$113,274,704</u>	<u>\$114,730,094</u>	<u>\$449,849,096</u>	<u>\$451,056,244</u>

**DEBT ADMINISTRATION**

**Objectives** - The City has established the following equally important objectives in administering its long-term debt financing program. These objectives remain achievable for the City's debt programs secured by restricted revenues such as Water, 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, 2014 and 2013.

	Long-Term Debt					
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Certificates of Participation	\$3,725,835	\$3,860,835			\$3,725,835	\$3,860,835
Capital Lease Obligations	710,248	710,248			710,248	710,248
Revenue Bonds			\$53,814,629	\$54,497,312	53,814,629	54,497,312
Loans & Notes Payable	13,508,076	13,770,344	25,416,179	26,727,801	38,924,255	40,498,145
Total	<u>\$17,944,159</u>	<u>\$18,341,427</u>	<u>\$79,230,808</u>	<u>\$81,225,113</u>	<u>\$97,174,967</u>	<u>\$99,566,540</u>

**General Fund Debt Service Expenditures** - 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 a series of Certificates of Participation debt into a direct bank loan debt. Of the total outstanding loan balance of \$36.2 million, \$22.7 million of this debt is carried in the Business Type Activities Programs (Marina and Golf) 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.

**Annual Activity** - In total, long-term debt decreased by \$2.4 million during the year ended June 30, 2014. In addition to normal principal amortization from annual debt service payments, the Water Fund issued new 2013 Series A Water Refunding Bonds to defease and convert its variable rate 2001 Water Revenue Bonds to a fixed interest structure. 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 \$820 from \$850 in the prior fiscal year.

### **Debt Position**

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Net debt	\$97,174,967	\$99,566,540
Net debt per capita	\$820	\$850
Net debt per capita as a percentage of per capita personal income	3.10%	3.22%
Net debt as a percentage of net assessed value	1.34%	1.36%

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

The City's economic base is starting to show improvement after years of a long recession. Property values assessed by the County as of January 1, 2014 have increased by 10% over the prior year, which will drive improved City tax revenues for the 2014-15 budget year. Local business strength can also be seen through an uptick in City business license revenues. As of June 30, 2014, unemployment in Vallejo stands at 8.4%, improved from 10.2% a year ago.

However, the City approaches this revenue resurgence with cautious optimism since this growth is accompanied by increases in the cost of services. The California Public Employees Retirement System (CalPERS) continues to phase in aggressive pension contribution rate increases to address 2009 investment portfolio losses and new participant demographic assumptions that will continue to drive up employee benefit costs over the next five years. While the City continues to expect its revenue growth to be partially absorbed by growing pension, benefit, and other service costs, overall the City anticipates a healthier economic and budget environment for the coming fiscal year.

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

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

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**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 financial activities of these entities are integrally related to those of the City, and so data has been blended with those of the City in both of these statements. 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, 2014

	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)	\$92,654,950	\$27,526,832	\$120,181,782	\$38,245,559
Accounts receivable	3,277,075	6,948,103	10,225,178	7,485,035
Interest receivable	276,919		276,919	1,348
Due from other governments	10,672,241	995,000	11,667,241	
Materials, parts, and supplies (Note 11)	185,818	851,166	1,036,984	
Prepays	13,048	134,836	147,884	345,018
<b>Total Current Assets</b>	<b>107,080,051</b>	<b>36,455,937</b>	<b>143,535,988</b>	<b>46,076,960</b>
Noncurrent Assets:				
Restricted cash and investments held with fiscal agent (Note 2)	6,230,622	5,253,775	11,484,397	7,481,227
Other assets				36,567
Land held for development	499,684		499,684	
Notes and loans receivable (Note 4)	25,084,980	407,648	25,492,628	260,675
Prepaid lease and project costs				1,839,794
Capital assets (Note 5):				
Nondepreciable	157,742,417	22,396,873	180,139,290	14,144,268
Depreciable, net of accumulated depreciation	178,831,975	90,877,831	269,709,806	186,028,080
<b>Total Noncurrent Assets</b>	<b>368,389,678</b>	<b>118,936,127</b>	<b>487,325,805</b>	<b>209,790,611</b>
<b>Total Assets</b>	<b>475,469,729</b>	<b>155,392,064</b>	<b>630,861,793</b>	<b>255,867,571</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding of debt (Note 6)		1,172,420	1,172,420	1,318,956
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	12,347,961	3,336,235	15,684,196	2,245,245
Accrued interest payable	116,769	449,084	565,853	528,200
Due to other governments	9,414		9,414	
Unearned revenues	6,038,772	29,123	6,067,895	
Deposits payable	1,960,690	3,034,212	4,994,902	918,065
Employee benefits payable (Note 9 and 11)	5,885,874	974,350	6,860,224	485,738
Claims payable, due within one year (Note 13)	3,552,821		3,552,821	
Long-term debt, due within one year (Note 6)	745,429	3,293,882	4,039,311	4,230,872
<b>Total Current Liabilities</b>	<b>30,657,730</b>	<b>11,116,886</b>	<b>41,774,616</b>	<b>8,408,120</b>
Noncurrent Liabilities:				
Claims payable (Note 13)	12,314,179		12,314,179	
Employee benefits payable (Notes 9 and 11)	16,921,325	82,470	17,003,795	1,946,557
Long-term debt (Note 6)	17,198,730	75,936,926	93,135,656	56,832,377
<b>Total Noncurrent Liabilities</b>	<b>46,434,234</b>	<b>76,019,396</b>	<b>122,453,630</b>	<b>58,778,934</b>
<b>Total Liabilities</b>	<b>77,091,964</b>	<b>87,136,282</b>	<b>164,228,246</b>	<b>67,187,054</b>
<b>NET POSITION (Note 12)</b>				
Net investment in capital assets	318,630,233	40,466,687	359,096,920	141,859,146
Restricted for:				
Debt service	733,651	5,253,775	5,987,426	6,953,027
Capital projects	18,894,181		18,894,181	24,637,821
Special projects and programs	50,497,754		50,497,754	
<b>Total Restricted Net Position</b>	<b>70,125,586</b>	<b>5,253,775</b>	<b>75,379,361</b>	<b>31,590,848</b>
Unrestricted	9,621,946	23,707,740	33,329,686	16,549,479
<b>Total Net Position</b>	<b>\$398,377,765</b>	<b>\$69,428,202</b>	<b>\$467,805,967</b>	<b>\$189,999,473</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

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	\$213,736			
Executive	3,844,344	\$1,901,957		
Finance	1,770,592			
Human resources	930,294			
Law	1,079,614			
Development services	2,504,558	1,556,082		
Community development	32,366,219	2,617,060	\$28,935,772	\$6,173
Fire services	23,628,510	2,782,922	3,031,347	
Police services	31,968,288	2,279,617	1,261,750	
Public works	24,633,518	7,681,843	5,367,860	5,655,695
Interest on long term debt	196,404			
<b>Total Governmental Activities</b>	<b>123,136,077</b>	<b>18,819,481</b>	<b>38,596,729</b>	<b>5,661,868</b>
Business-type Activities:				
Water	34,534,260	38,481,391		331,315
Marina	1,514,172	1,066,736		
Golf	3,106,469	2,501,320		
Vallejo Station Parking	609,741	540,360		
<b>Total Business-type Activities</b>	<b>39,764,642</b>	<b>42,589,807</b>		<b>331,315</b>
<b>Total Primary Government</b>	<b>\$162,900,719</b>	<b>\$61,409,288</b>	<b>\$38,596,729</b>	<b>\$5,993,183</b>
<b>Component Unit:</b>				
Vallejo Sanitation and Flood Control District	\$31,530,503	\$28,073,886		\$216,982
General revenues:				
Taxes:				
Property taxes/In-lieu property tax				
Sales taxes				
User Utility				
Franchise				
Transit occupancy				
Other				
Investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers (Note 3A)				
Special item (Notes 5D):				
Assets transferred from Successor Agency				
<b>Total general revenues, transfers and special items</b>				
Change in Net Position				
Net Position-Beginning				
Net Position-Ending				

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position			Net (Expense) Revenue and Changes in Net Position
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Vallejo Sanitation and Food Control District
(\$213,736)		(\$213,736)	
(1,942,387)		(1,942,387)	
(1,770,592)		(1,770,592)	
930,294		(930,294)	
(1,079,614)		(1,079,614)	
948,476		(948,476)	
(807,214)		(807,214)	
(17,814,241)		(17,814,241)	
(28,426,921)		(28,426,921)	
(5,928,120)		(5,928,120)	
(196,404)		(196,404)	
<u>(60,057,999)</u>		<u>(60,057,999)</u>	
	\$4,278,446	4,278,446	
	(447,436)	(447,436)	
	(605,149)	(605,149)	
	<u>(69,381)</u>	<u>(69,381)</u>	
	<u>3,156,480</u>	<u>3,156,480</u>	
<u>(60,057,999)</u>	<u>3,156,480</u>	<u>(56,901,519)</u>	
			<u>(\$3,239,635)</u>
21,986,190		21,986,190	778,473
25,583,330		25,583,330	
12,610,733		12,610,733	
4,769,564		4,769,564	
1,481,346		1,481,346	
3,697,153		3,697,153	453,552
679,347	354,811	1,034,158	1,209,719
102,447		102,447	
3,837,952		3,837,952	
(1,591,754)	1,591,754		
<u>1,535,778</u>		<u>1,535,778</u>	
<u>74,692,086</u>	<u>1,946,565</u>	<u>76,638,651</u>	<u>2,441,744</u>
14,634,087	5,103,045	19,737,132	(797,891)
<u>383,743,678</u>	<u>64,325,157</u>	<u>448,068,835</u>	<u>190,797,364</u>
<u>\$398,377,765</u>	<u>\$69,428,202</u>	<u>\$467,805,967</u>	<u>\$189,999,473</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, 2014. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND** is used to account for all general revenues of the City not specifically levied or collected for other City funds including Measure B transaction tax 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.

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

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CITY OF VALLEJO  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014

	General	Housing Authority	HOME Program	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments (Note 2)	\$14,545,775	\$5,840,974		\$52,506,883	\$72,893,632
Restricted cash and investments held with fiscal agent (Note 2)				6,230,622	6,230,622
Accounts receivable	2,494,614	60,379	\$32,151	392,317	2,979,461
Interest receivable	275,874	1,045			276,919
Notes and loans receivable (Note 4)	944,460	12,940,070	6,225,044	4,975,406	25,084,980
Due from other governments	7,106,658		416,555	3,089,511	10,612,724
Materials, parts, and supplies	5,688				5,688
Prepays	12,374			674	13,048
Land held for redevelopment	499,684				499,684
<b>Total Assets</b>	<b>\$25,885,127</b>	<b>\$18,842,468</b>	<b>\$6,673,750</b>	<b>\$67,195,413</b>	<b>\$118,596,758</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$4,592,360	\$109,786	\$76,066	\$4,402,951	\$9,181,163
Due to other funds (Note 3)			348,890	2,318,789	2,667,679
Due to other governments	2,061			7,353	9,414
Unearned revenues	1,354,863			4,683,909	6,038,772
Deposits payable	416,241	87,032		1,457,417	1,960,690
<b>Total Liabilities</b>	<b>6,365,525</b>	<b>196,818</b>	<b>424,956</b>	<b>12,870,419</b>	<b>19,857,718</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - accounts receivable	335,187		23,750		358,937
Unavailable revenue - notes and loans receivable	167,239	2,658,422	6,225,044	4,836,646	13,887,351
<b>Total Deferred Inflows of Resources</b>	<b>502,426</b>	<b>2,658,422</b>	<b>6,248,794</b>	<b>4,836,646</b>	<b>14,246,288</b>
<b>FUND BALANCES (Note 12)</b>					
Fund Balance					
Nonspendable	1,294,967			240,832	1,535,799
Restricted	249,697	15,987,228		40,004,943	56,241,868
Committed	2,617,267			9,045,767	11,663,034
Assigned	7,910,909			196,806	8,107,715
Unassigned	6,944,336				6,944,336
<b>Total Fund Balances</b>	<b>19,017,176</b>	<b>15,987,228</b>		<b>49,488,348</b>	<b>84,492,752</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$25,885,127</b>	<b>\$18,842,468</b>	<b>\$6,673,750</b>	<b>\$67,195,413</b>	<b>\$118,596,758</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
Reconciliation of  
GOVERNMENTAL FUND BALANCES  
with  
GOVERNMENTAL NET POSITION  
JUNE 30, 2014

Total fund balances reported on the governmental funds balance sheet \$84,492,752

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. 333,636,095

**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	\$19,761,318	
Accounts receivable	297,614	
Materials, parts, and supplies	180,130	
Due from other funds	2,667,679	
Due from other governments	59,517	
Capital assets	2,938,297	
Accounts payable	(3,166,798)	
Claims payable	(15,867,000)	
Employee benefits payable	<u>(13,377,450)</u>	(6,506,693)

**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. 14,246,288

**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	(17,944,159)
Interest payable	(116,769)
Compensated absences	<u>(9,429,749)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$398,377,765

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, 2014

	General	Housing Authority	HOME Program	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$61,315,132			\$1,173,052	\$62,488,184
Licenses, permits, and fees	1,959,112			498,328	2,457,440
Fines and forfeitures	2,216,907			120,796	2,337,703
Intergovernmental	12,457,454	\$25,322,805	\$584,007	11,992,636	50,356,902
Use of money and property	986,285	304,215	231,733	1,439,967	2,962,200
Charges for services	7,565,183			9,149,564	16,714,747
Other	268,371	142,303		95,169	505,843
<b>Total Revenues</b>	<b>86,768,444</b>	<b>25,769,323</b>	<b>815,740</b>	<b>24,469,512</b>	<b>137,823,019</b>
<b>EXPENDITURES</b>					
Current:					
Legislative and advisory	207,903				207,903
Executive	3,600,853			117	3,600,970
Finance	1,636,027				1,636,027
Human resources	868,575				868,575
Law	1,116,788				1,116,788
Development services	1,935,806			668,692	2,604,498
Community development	1,346,172	24,342,664	815,740	4,692,541	31,197,117
Fire services	21,795,847			1,666,700	23,462,547
Police services	32,488,192			1,651,318	34,139,510
Public works	4,273,692			10,269,387	14,543,079
Non departmental	7,512,087			4,500	7,516,587
Capital outlay				8,826,479	8,826,479
Debt Service:					
Principal				397,268	397,268
Interest and fiscal agent fees				186,276	186,276
<b>Total Expenditures</b>	<b>76,781,942</b>	<b>24,342,664</b>	<b>815,740</b>	<b>28,363,278</b>	<b>130,303,624</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>9,986,502</b>	<b>1,426,659</b>		<b>(3,893,766)</b>	<b>7,519,395</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of property	44,352				44,352
Transfers in (Note 3)	37,222	688		7,283,899	7,321,809
Transfers out (Note 3)	(7,982,474)			(1,398,034)	(9,380,508)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,900,900)</b>	<b>688</b>		<b>5,885,865</b>	<b>(2,014,347)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,085,602</b>	<b>1,427,347</b>		<b>1,992,099</b>	<b>5,505,048</b>
<b>BEGINNING FUND BALANCES</b>	<b>16,931,574</b>	<b>14,559,881</b>		<b>47,496,249</b>	<b>78,987,704</b>
<b>ENDING FUND BALANCES</b>	<b>\$19,017,176</b>	<b>\$15,987,228</b>		<b>\$49,488,348</b>	<b>\$84,492,752</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, 2014

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 \$5,505,048

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 6,994,938

Depreciation expense is deducted from the fund balance  
 (Depreciation expense is net of internal service fund depreciation  
 of \$997,225 which has already been allocated to serviced funds) (8,189,349)

Capital asset retirements are deducted from fund balance (2,312)  
 Assets transferred from Successor Agency are added to fund balance 1,535,778

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 397,268

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 (10,128)  
 Unavailable revenue 1,060,096  
 Compensated absences 146,167

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 7,196,581

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$14,634,087

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, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$58,978,075	\$60,384,190	\$61,315,132	\$930,942
Licenses, permits and fees	1,865,150	1,719,150	1,959,112	239,962
Fines and forfeitures	1,514,553	1,403,053	2,216,907	813,854
Intergovernmental	12,072,915	12,634,365	12,457,454	(176,911)
Use of money and property	895,871	1,119,265	986,285	(132,980)
Charges for services	6,990,782	7,565,793	7,565,183	(610)
Other	403,870	281,178	268,371	(12,807)
	<u>82,721,216</u>	<u>85,106,994</u>	<u>86,768,444</u>	<u>1,661,450</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative and advisory	334,598	341,223	207,903	133,320
Executive	3,412,171	4,083,608	3,600,853	482,755
Finance	1,856,794	2,033,093	1,636,027	397,066
Human resources	1,337,469	1,358,479	868,575	489,904
Law	2,009,509	1,820,152	1,116,788	703,364
Development services	1,983,204	2,147,910	1,935,806	212,104
Community development	1,318,415	1,346,518	1,346,172	346
Fire services	22,955,156	22,994,225	21,795,847	1,198,378
Police services	38,046,547	33,034,743	32,488,192	546,551
Public works	5,087,207	5,856,768	4,273,692	1,583,076
Non departmental	(3,153,231)	5,949,894	7,512,087	(1,562,193)
	<u>75,187,839</u>	<u>80,966,613</u>	<u>76,781,942</u>	<u>4,184,671</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<u>7,533,377</u>	<u>4,140,381</u>	<u>9,986,502</u>	<u>5,846,121</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property		44,352	44,352	
Transfers in	49,331	49,331	37,222	(12,109)
Transfers (out)	(6,751,852)	(8,037,252)	(7,982,474)	54,778
	<u>(6,702,521)</u>	<u>(7,943,569)</u>	<u>(7,900,900)</u>	<u>42,669</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$830,856</u>	<u>(\$3,803,188)</u>	2,085,602	<u>\$5,888,790</u>
Fund balance, July 1			<u>16,931,574</u>	
Fund balance, June 30			<u>\$19,017,176</u>	

See accompanying notes to financial statements

CITY OF VALLEJO  
HOUSING AUTHORITY SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, AND EXPENDITURES  
AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$24,505,849	\$25,337,768	\$25,322,805	(\$14,963)
Use of money and property	24,574	77,782	304,215	226,433
Other	104,993	172,393	142,303	(30,090)
Total Revenues	<u>24,635,416</u>	<u>25,587,943</u>	<u>25,769,323</u>	<u>181,380</u>
EXPENDITURES:				
Current:				
Community development	24,881,244	25,872,824	24,342,664	1,530,160
Total Expenditures	<u>24,881,244</u>	<u>25,872,824</u>	<u>24,342,664</u>	<u>1,530,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(245,828)	(284,881)	1,426,659	1,711,540
OTHER FINANCING SOURCES (USES)				
Transfers in		688	688	
NET CHANGE IN FUND BALANCE	<u>(\$245,828)</u>	<u>(\$284,193)</u>	1,427,347	<u>\$1,711,540</u>
Fund balance, July 1			<u>14,559,881</u>	
Fund balance, June 30			<u>\$15,987,228</u>	

See accompanying notes to financial statements

CITY OF VALLEJO  
HOME PROGRAM SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, AND EXPENDITURES  
AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$347,301	\$1,792,762	\$584,007	(\$1,208,755)
Use of money and property	200,000	200,000	231,733	31,733
Total Revenues	<u>547,301</u>	<u>1,992,762</u>	<u>815,740</u>	<u>(1,177,022)</u>
EXPENDITURES:				
Current:				
Community development	547,301	2,014,559	815,740	1,198,819
Total Expenditures	<u>547,301</u>	<u>2,014,559</u>	<u>815,740</u>	<u>1,198,819</u>
NET CHANGE IN FUND BALANCE		<u><u>(\$21,797)</u></u>		<u><u>\$21,797</u></u>
Fund balance, July 1			<u>                    </u>	
Fund balance, June 30			<u><u>                    </u></u>	

See accompanying notes to financial statements

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**CITY OF VALLEJO, CALIFORNIA**

**MAJOR PROPRIETARY FUNDS**

The City reported all enterprise funds as major funds in fiscal 2014.

**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.

**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 , 2014

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Marina</u>	<u>Golf</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments (Note 2)	\$26,687,686	\$425,671	\$306,693
Accounts receivable	6,932,516	15,587	
Due from other governments	995,000		
Materials, parts and supplies	747,587	16,026	87,553
Prepays	92,916		41,920
Due from other funds (Note 3)			
<b>Total current assets</b>	<b><u>35,455,705</u></b>	<b><u>457,284</u></b>	<b><u>436,166</u></b>
Noncurrent assets:			
Restricted cash and investments held with fiscal agent (Note 2)	5,253,775		
Notes receivable (Note 4)	407,648		
Capital assets (Note 5):			
Nondepreciable	10,168,803	10,736,670	1,491,400
Depreciable, net	84,059,345	1,679,493	5,138,993
<b>Total noncurrent assets</b>	<b><u>99,889,571</u></b>	<b><u>12,416,163</u></b>	<b><u>6,630,393</u></b>
<b>Total assets</b>	<b><u>135,345,276</u></b>	<b><u>12,873,447</u></b>	<b><u>7,066,559</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding of debt (Note 6)	1,172,420		
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	2,812,454	112,066	362,978
Accrued interest payable	449,084		
Unearned revenue		29,123	
Deposits payable	2,929,491	104,721	
Claims payable, current (Note 13)			
Employee benefits payable, current (Note 9)	965,001	6,283	
Long-term debt, due within one year (Note 6)	2,470,637	548,836	274,409
<b>Total current liabilities</b>	<b><u>9,626,667</u></b>	<b><u>801,029</u></b>	<b><u>637,387</u></b>
Long-term liabilities:			
Long-term debt, due in more than one year (Note 6)	54,042,027	14,397,328	7,497,571
Claims payable, noncurrent (Note 13)			
Employee benefits payable, noncurrent (Notes 9 and 11)	82,470		
<b>Total noncurrent liabilities</b>	<b><u>54,124,497</u></b>	<b><u>14,397,328</u></b>	<b><u>7,497,571</u></b>
<b>Total Liabilities</b>	<b><u>63,751,164</u></b>	<b><u>15,198,357</u></b>	<b><u>8,134,958</u></b>
<b>NET POSITION (DEFICIT) (Note 12)</b>			
Net investment in capital assets	44,138,275	(2,530,001)	(1,141,587)
Restricted for debt service	5,253,775		
Unrestricted	23,374,482	205,091	73,188
<b>Total Net Position (Deficit)</b>	<b><u>\$72,766,532</u></b>	<b><u>(\$2,324,910)</u></b>	<b><u>(\$1,068,399)</u></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>	
\$106,782	\$27,526,832	\$19,761,318
	6,948,103	297,614
	995,000	59,517
	851,166	180,130
	134,836	
		<u>2,667,679</u>
<u>106,782</u>	<u>36,455,937</u>	<u>22,966,258</u>
	5,253,775	
	407,648	
	22,396,873	
	<u>90,877,831</u>	<u>2,938,297</u>
	<u>118,936,127</u>	<u>2,938,297</u>
<u>106,782</u>	<u>155,392,064</u>	<u>25,904,555</u>
	<u>1,172,420</u>	
48,737	3,336,235	3,166,798
	449,084	
	29,123	
	3,034,212	
		3,552,821
3,066	974,350	176,221
	<u>3,293,882</u>	
<u>51,803</u>	<u>11,116,886</u>	<u>6,895,840</u>
	75,936,926	
		12,314,179
	<u>82,470</u>	<u>13,201,229</u>
	<u>76,019,396</u>	<u>25,515,408</u>
<u>51,803</u>	<u>87,136,282</u>	<u>32,411,248</u>
	40,466,687	2,938,297
	5,253,775	
<u>54,979</u>	<u>23,707,740</u>	<u>(9,444,990)</u>
<u>\$54,979</u>	<u>\$69,428,202</u>	<u>(\$6,506,693)</u>

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Marina</u>	<u>Golf</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$37,933,016	\$1,066,611	\$2,498,278
Other	548,375	125	3,042
Total operating revenues	<u>38,481,391</u>	<u>1,066,736</u>	<u>2,501,320</u>
<b>OPERATING EXPENSES</b>			
Operations expenses	17,955,387	1,334,323	1,291,412
General and administrative	7,905,183	10,211	1,351,440
Insurance and claims			
Depreciation	<u>5,563,219</u>	<u>169,638</u>	<u>462,717</u>
Total operating expenses	<u>31,423,789</u>	<u>1,514,172</u>	<u>3,105,569</u>
Operating income (loss)	<u>7,057,602</u>	<u>(447,436)</u>	<u>(604,249)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	354,527		177
Intergovernmental revenue			
Gain (loss) on sale of capital assets			
Interest expense and fiscal charges	<u>(3,110,471)</u>		<u>(900)</u>
Total nonoperating revenues (expenses)	<u>(2,755,944)</u>		<u>(723)</u>
Income (loss) before contributions and transfers	4,301,658	(447,436)	(604,972)
Capital grants and contributions	331,315		
Transfers in (Note 3)	4,475	977,299	485,727
Transfers out (Note 3)			
Change in net position	4,637,448	529,863	(119,245)
BEGINNING NET POSITION (DEFICIT)	<u>68,129,084</u>	<u>(2,854,773)</u>	<u>(949,154)</u>
ENDING NET POSITION (DEFICIT)	<u>\$72,766,532</u>	<u>(\$2,324,910)</u>	<u>(\$1,068,399)</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>	
\$539,564	\$42,037,469	\$19,542,014
796	552,338	61,382
<u>540,360</u>	<u>42,589,807</u>	<u>19,603,396</u>
197,759	20,778,881	7,060,745
411,982	9,678,816	5,067,321
	6,195,574	997,225
<u>609,741</u>	<u>36,653,271</u>	<u>13,125,291</u>
<u>(69,381)</u>	<u>5,936,536</u>	<u>6,478,105</u>
107	354,811	191,124
	(3,111,371)	60,407
<u>107</u>	<u>(2,756,560)</u>	<u>251,531</u>
(69,274)	3,179,976	6,729,636
124,253	331,315	500,459
	1,591,754	(33,514)
<u>54,979</u>	<u>5,103,045</u>	<u>7,196,581</u>
	64,325,157	(13,703,274)
<u>\$54,979</u>	<u>\$69,428,202</u>	<u>(\$6,506,693)</u>

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Marina</u>	<u>Golf</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$40,793,107	\$1,170,722	\$2,511,124
Payments to suppliers	(16,852,261)	(1,391,305)	(2,699,871)
Payments to or on behalf of employees	(7,947,207)	(24,664)	
Claims paid			
Cash Flows from Operating Activities	<u>15,993,639</u>	<u>(245,247)</u>	<u>(188,747)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund receipts	4,475	977,299	485,727
Interfund payments			
Intergovernmental receipts	(995,000)		
Cash Flows from Noncapital Financing Activities	<u>(990,525)</u>	<u>977,299</u>	<u>485,727</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of capital assets			
Acquisition of capital assets	(4,727,148)		(13,036)
Proceeds from debt issuance	18,080,000		
Premium on issuance of debt	906,307		
Principal payments on capital debt	(19,881,956)	(599,999)	(354,667)
Interest paid	(3,007,675)		(900)
Capital grants and contributions	331,315		
Cash Flows from Capital and Related Financing Activities	<u>(8,299,157)</u>	<u>(599,999)</u>	<u>(368,603)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	354,527		177
Cash Flows from Investing Activities	<u>354,527</u>		<u>177</u>
Net Cash Flows	7,058,484	132,053	(71,446)
Cash and investments at beginning of period	<u>24,882,977</u>	<u>293,618</u>	<u>378,139</u>
Cash and investments at end of period	<u>\$31,941,461</u>	<u>\$425,671</u>	<u>\$306,693</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>			
Operating income (loss)	\$7,057,602	(\$447,436)	(\$604,249)
<b>Adjustments to reconcile operating income to cash flows from operating activities:</b>			
Depreciation	5,563,219	169,638	462,717
<b>Change in assets and liabilities:</b>			
Receivables, net	1,080,411	84,690	9,804
Inventory and prepaids	61,652	534	(4,510)
Other assets	1,061,204		
Accounts payable and other accrued expenses	1,041,474	(57,516)	(52,509)
Employee benefits payable	(42,024)	(14,453)	
Deposits payable	651,002	2,096	
Unearned revenue	(480,901)	17,200	
Claims payable			
Cash Flows from Operating Activities	<u>\$15,993,639</u>	<u>(\$245,247)</u>	<u>(\$188,747)</u>
<b>Non cash transactions:</b>			
Amortization of bond premium	<u>\$143,990</u>		
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>	
\$540,360	\$45,015,313	\$19,569,595
(176,907)	(21,120,344)	(2,463,359)
(408,916)	(8,380,787)	(11,949,170)
		(4,233,321)
<u>(45,463)</u>	<u>15,514,182</u>	<u>923,745</u>
124,253	1,591,754	500,459
	(995,000)	(33,514)
		<u>896,035</u>
<u>124,253</u>	<u>596,754</u>	<u>1,362,980</u>
		97,428
	(4,740,184)	(943,433)
	18,080,000	
	906,307	
	(20,836,622)	
	(3,008,575)	
	331,315	
	<u>(9,267,759)</u>	<u>(846,005)</u>
107	354,811	191,124
107	354,811	191,124
78,897	7,197,988	1,631,844
27,885	25,582,619	18,129,474
<u>\$106,782</u>	<u>\$32,780,607</u>	<u>\$19,761,318</u>
(69,381)	\$5,936,536	\$6,478,105
	6,195,574	997,225
	1,174,905	(124,378)
	57,676	
	1,061,204	43,127
20,852	952,301	2,990,807
3,066	(53,411)	(10,295,141)
	653,098	
	(463,701)	
		<u>834,000</u>
<u>(\$45,463)</u>	<u>\$15,514,182</u>	<u>\$923,745</u>
		<u>(\$37,021)</u>

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**CITY OF VALLEJO, CALIFORNIA**

**FIDUCIARY FUNDS**

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

The City uses Agency 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.

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CITY OF VALLEJO  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2014

	<u>Agency Funds</u>	<u>Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund</u>
<b>ASSETS</b>		
Cash and investments (Note 2)	\$3,865,098	\$1,644,767
Restricted cash and investments held with fiscal agent (Note 2)	3,966,861	1,114,333
Notes and loans receivables (Note 15A)		4,456,000
Land held for redevelopment		1,343,595
Capital assets (Note 15B):		
Nondepreciable		2,274,904
Depreciable, net of accumulated depreciation		86,560
	<u>                    </u>	<u>                    </u>
Total Assets	<u><u>\$7,831,959</u></u>	<u><u>10,920,159</u></u>
<b>LIABILITIES</b>		
Account payable and accrued liabilities		4,980
Accrued interest payable		149,958
Deposits payable		70,008
Long-term debt, due within one year (Note 15C)		1,049,928
Long-term debt, due in more than one year (Note 15C)		8,447,669
Due to bondholders	<u>\$7,831,959</u>	
	<u>                    </u>	<u>                    </u>
Total Liabilities	<u><u>\$7,831,959</u></u>	<u><u>9,722,543</u></u>
<b>NET POSITION</b>		
Held in trust for other purposes		<u><u>\$1,197,616</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, 2014

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund <u>                    </u>
<b>ADDITIONS</b>	
Taxes	\$1,695,727
Use of money and property	<u>53,192</u>
Total Additions	<u>1,748,919</u>
<b>DEDUCTIONS</b>	
Community development	439,767
Depreciation	5,827
Debt service:	
Interest and fiscal agent fees	590,729
Special Item (Notes 5D and 15B):	
Assets transferred to City	<u>1,535,778</u>
Total Deductions	<u>2,572,101</u>
<b>CHANGE IN NET POSITION</b>	(823,182)
Net position, beginning	<u>2,020,798</u>
Net position, ending	<u><u>\$1,197,616</u></u>

See accompanying notes to financial statements

**CITY OF VALLEJO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

**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, 2014**

**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, 2014.

**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, 2014. The Authority is inactive and had no activity during the year ended June 30, 2014.

**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, 2014.

**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.

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

**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 VSFCD in funding certain projects and other matters relating to the purpose of VSFCD. Members of the Board for VSFCD serve as Directors of the VSFCDFC. The activities of the VSFCDFC are blended with the VSFCD 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.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

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 position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

**Governmental Funds:**

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

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

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

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

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.

**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.



**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

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

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. An 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.

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 accounts receivable, inter-agency reimbursements and notes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

**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.

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

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.

**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.

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.

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

**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.

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>	
Nondepartmental	\$1,562,193
<b>Non-Major Funds:</b>	
<b>Special Revenue Fund</b>	
Mare Island CFD 2005 1B (Local)	1,117

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

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

**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.

**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.

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

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

The Long-Term Maintenance Capital Projects Fund was established to account for revenues received from cell tower leases for use on long term repairs and maintenance expenditures.

The Bankruptcy Claims Internal Service Fund was closed as of June 30, 2014.

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.

**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, 2014 for each of these legal entities is as follows:

	Primary Government		Fiduciary Funds	Subtotal	Discrete Component Unit	Total
	City	Housing				
Cash on hand	\$12,810	\$450		\$13,260		\$13,260
Deposits	3,936,403	4,099,066		8,035,469	\$969,599	9,005,068
Investments	121,875,992	1,741,458	\$10,591,059	134,208,509	44,757,187	178,965,696
	<u>\$125,825,205</u>	<u>\$5,840,974</u>	<u>\$10,591,059</u>	<u>\$142,257,238</u>	<u>\$45,726,786</u>	<u>\$187,984,024</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, including Measure B	\$14,545,775	
Other funds	99,795,033	
Total, City		\$114,340,808
Housing Authority		5,840,974
		120,181,782

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		11,484,397
Subtotal Primary Government cash and investments		131,666,179

**Discrete Component Unit (VSFCD):**

Cash and investments

38,245,559

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		7,481,227
		45,726,786

Reported on the Statement of Fiduciary Net Position

Agency Funds

Cash and investments	3,865,098	
Restricted investments (held by fiscal agents)	3,966,861	
Total, Agency Funds		7,831,959

Successor Agency to the Redevelopment Agency

Private-Purpose Trust Fund

Cash and investments	1,644,767	
Restricted investments (held by fiscal agents)	1,114,333	
Total, Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund		2,759,100

10,591,059

\$187,984,024

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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 VSFCD, 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, 2014, 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	5 Years	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 Rating	25%	\$1,000,000
Corporate Medium Term Notes:				
Maturing in 3 years or less	5 Years	A1	30%	5%
Maturing in 3 to 5 years	5 Years	AA1	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, 2014.

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

City and Housing Authority

Investment Type	Less than 1 year	1 - 3 years	3 - 5 years	Total
<i>Held by the City and its Blended Component Units:</i>				
U.S. Government Agencies	\$1,342,492	\$21,834,926	\$4,069,284	\$27,246,702
Asset Backed Securities		8,505,786		8,505,786
Commercial Paper	844,451			844,451
Corporate Notes	11,866,765	5,083,507	1,974,736	18,925,008
U.S. Treasury Notes	250,313	14,444,353	9,064,657	23,759,323
California Local Agency Investment Fund:				
City	31,990,924			31,990,924
Housing Authority	1,741,458			1,741,458
Money Market Mutual Funds	297,539			297,539
Municipal Bonds	1,403,366	3,414,410		4,817,776
<i>Held by Fiscal Agents:</i>				
Money Market Mutual Funds	16,079,542			16,079,542
Total Investments	<u>\$65,816,850</u>	<u>\$53,282,982</u>	<u>\$15,108,677</u>	<u>\$134,208,509</u>

Money market funds are available for withdrawal on demand and at June 30, 2014, have an average maturity which ranged from 1 to 34 days.

VSFCD

Investment Type	Less than 1 year	1 - 5 years	6-10 years	Total
U.S. Government Agencies		\$24,162,489	\$7,310,876	\$31,473,365
Corporate Notes and Bonds	\$1,118,235	1,543,528		2,661,763
Corporate Certificates of Deposit	2,409,592	4,309,594	226,425	6,945,611
California Local Agency Investment Fund	554,501			554,501
Money Market Funds	3,121,947			3,121,947
Total Investments	<u>\$7,204,275</u>	<u>\$30,015,611</u>	<u>\$7,537,301</u>	<u>\$44,757,187</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, 2014, these investments have an average maturity of 232 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, 2014 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 Blended Component Units:</i></b>				
U.S. Government Agencies				
Non-callable	\$27,246,702			\$27,246,702
Asset Backed Securities	8,505,786			8,505,786
Commercial Paper		\$844,451		844,451
Corporate Notes	2,177,473	8,124,366	\$8,623,169	18,925,008
Money Market Mutual Funds	297,539			297,539
Municipal Bonds	152,327	3,509,565	1,155,884	4,817,776
<b><i>Held by Fiscal Agents:</i></b>				
Money Market Mutual Funds	16,079,542			16,079,542
Total rated investments	<u>\$54,459,369</u>	<u>\$12,478,382</u>	<u>\$9,779,053</u>	<u>76,716,804</u>
<b><i>Exempt:</i></b>				
U.S. Treasury Notes				23,759,323
<b><i>Not rated:</i></b>				
California Local Agency Investment Fund:				
City				31,990,924
Housing Authority				<u>1,741,458</u>
Total Investments				<u>\$134,208,509</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, Goldman Financial Square 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 VSFCDC 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, 2014, 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	\$11,544,250

VSFCDC Concentration Risk

Of the Sanitation and Flood Control District's controllable portfolio at June 30, 2014, 14% was with Federal National Mortgage Association, 13% was with Federal Home Loan Mortgage Corporation, 25% was with Federal Home Loan Bank, and 9% 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, 2014, the VSFCDC 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	\$863,174
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**NOTE 3 – INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

Transfers between funds during the fiscal year ended June 30, 2014 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred	
<b>General Fund</b>	Mare Island CFD 2002 Special Revenue Fund	\$150,000	(A)
	Certificates of Participation Debt Service Fund	355,758	(B)
	Capital Outlay Capital Projects Fund	5,462,416	(C) (D)
	Marina Enterprise Fund	904,320	(D) (E)
	Golf Enterprise Fund	485,727	(A) (E)
	Vallejo Station Parking Enterprise Fund	124,253	(E)
	Insurance Internal Service Fund	500,000	(E)
<b>Special Revenue Funds:</b>			
State Gas Tax	Traffic Congestion Relief Capital Projects Fund	1,315,266	(D)
Outside Services	General Fund	4,395	(F)
State Lands	Marina Enterprise Fund	72,864	(A)
Administrative Trust	General Fund	5,509	(F)
<b>Internal Service Fund:</b>			
Bankruptcy Claims	General Fund	27,318	(G)
	Housing Authority Special Revenue Fund	688	(G)
	Mare Island CFD 2002 Special Revenue Fund	115	(G)
	Landscape Maintenance Districts Special Revenue Fund	344	(G)
	Water Enterprise Fund	4,475	(G)
	Marina Enterprise Fund	115	(G)
	Fleet Maintenance/Replacement Internal Service Fund	459	(G)
	<b>Total</b>	<u>\$9,414,022</u>	

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

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

**B. Current Interfund Balances**

As of June 30, 2014, 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:		
Home Program		\$348,890
Community Development Block Grant		117,521
Office of Traffic Safety		72,546
State Lands		12,551
Capital Projects Funds:		
Capital Grants and Contributions		887,251
Vallejo Station		941,330
Transportation		287,590
Internal Service Fund:		
Insurance	\$2,667,679	
Total	\$2,667,679	\$2,667,679

**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, 2014:

Types of Loans	Fund Type	Amounts
<b>Primary Government and Blended Component Units:</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		741,306
Temple Arts Lofts		750,000
Accrued interest		2,658,422
Residential Rehabilitation		246,592
		12,940,070
HOME Program	Major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Temple Arts Lofts		495,734
Heart and Hands of Compassion		424,755
Single family residential		3,904,555
		6,225,044
Community Development Block Grant	Non-major Governmental	
Reynnaissance Family Center		920,362
Youth & Family Services		240,000
Temple Art Lofts		400,000
Single family residential		1,136,908
		2,697,270
Neighborhood Stabilization Program	Non-major Governmental	
Community Housing Development Corporation		242,066
Temple Art Lofts		1,437,844
Single family residential		428,916
		2,108,826
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	944,460
Neighborhood Parks Fund	Non-major Governmental	169,310
		1,113,770
<u>Other Programs</u>		
Water Fund - Trailer City	Major Enterprise	33,535
Water Fund - American Canyon	Major Enterprise	374,113
		407,648
Total Primary Government notes and loans receivable		25,492,628
<b>VSFCD:</b>		
<u>Development Programs</u>		
Sereno Village Apartments		253,369
Other Programs		7,306
Total Component Unit notes and loans receivable		260,675
Total notes and loans receivable		\$25,753,303



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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 Housing Authority has control of those assets, which are to be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The residential rehabilitation loan is a single loan to Temple Art Lofts with an agreement that the principal shall be due and payable in full upon the 55th anniversary of the date of the note which is December 15, 2011. As long as no Event of Default occurs prior to the maturity date, borrower shall not be obliged to pay periodic payments of principal and or interest on the principal amount. The outstanding balance at June 30, 2014 remains at \$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, 2014 were \$6,225,044, \$2,697,270, and \$2,108,826 in the HOME, CDBG Program, and NSP Program, respectively.

The City had loaned \$831,111 to Community Housing Development Corporation (CHDC), formally the Vallejo Neighborhood Housing Service (VHNS), for its 22 unit Graham Gardens affordable housing development project. The City financed the loan from a Federal Home Investment Partnership Program grant. CHDC has not proceeded with the construction of the project and is in default under the loan agreement, so the City had established an allowance for collectability in fiscal year 2010. In April 2014, the City Council approved forgiving the loan, and the balances of the loan receivable and the offsetting allowance for collectability in the amount of \$831,111 were written off.

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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, 2014 the outstanding balance of this loan, including accrued interest, was \$1,113,770, including \$944,460 funded by General Fund and \$169,310 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, 2014 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, 2014 the outstanding balance of this loan was \$33,535. 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, 2014 was \$374,113.

**G. *Golf Cart Storage***

During fiscal year 2007, the City loaned \$350,000 to Vallejo Golf Club, Inc. for the construction of a golf cart storage building. During fiscal year 2011, the City established an allowance for collectability equal to the total amount owed of \$180,843. At June 30, 2014, the outstanding balance of this loan and the offsetting allowance were \$180,843.

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

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

**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, 2014 were as follows:

Project Area	Balance Due June 30, 2014
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. Interest accrues at 3% per annum on the unpaid principal balance until it is repaid in full. The Advance from the City is expected to be repaid by the Successor Agency from its receipt of the County's Redevelopment Property Tax Trust Fund payments when available. The source of repayment of the loan by the Agency to the Empress Investment Fund, LLC ultimately comes from repayment of the loans to Empress Theater Associates, LLC, the owner of the Empress Theatre. See Note 15 for additional discussion. As of June 30, 2014, the balance of the Agency's loan receivable, including interest, 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, 2014, the balance of the advance was \$160,000.

**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, 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. The Successor Agency received a Finding of Completion on October 16, 2013, but the Successor Agency had not yet applied for the Oversight Board's approval of the advances as of June 30, 2014.

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

Therefore, Management has offset the total amount owed (\$13,919,650 as of June 30, 2014) with an allowance for collectability. Although the Pre-1990 and Empress Theatre loans continue to accrue interest on the unpaid balances, due to the change to and limitation on the interest that may be charged and the unknown date of Oversight Board approval, the City has not revised the balances of the advances after the date of dissolution. When the loans are approved by the Oversight Board, the balance of each loan, including accrued unpaid interest, will be recalculated using the applicable Local Agency Investment Fund interest rate.

**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, 2013	Additions	Retirements	Transfers	Transfer from Successor Agency	Balance at June 30, 2014
<i>Governmental activities</i>						
Capital assets not being depreciated:						
Land	\$134,684,782		(\$2,312)		\$1,535,778	\$136,218,248
Construction in progress	54,071,257	\$6,769,566		(\$39,316,654)		21,524,169
Total capital assets not being depreciated	188,756,039	6,769,566	(2,312)	(39,316,654)	1,535,778	157,742,417
Capital assets being depreciated:						
Buildings and improvements	69,434,556			39,316,654		108,751,210
Machinery and equipment	28,751,486	1,168,805	(864,722)			29,055,569
Infrastructure	240,064,667					240,064,667
Total capital assets being depreciated	338,250,709	1,168,805	(864,722)	39,316,654		377,871,446
Less accumulated depreciation for:						
Buildings and improvements	(28,992,388)	(2,328,219)				(31,320,607)
Machinery and equipment	(21,659,155)	(1,618,216)	827,701			(22,449,670)
Infrastructure	(140,029,055)	(5,240,139)				(145,269,194)
Total accumulated depreciation	(190,680,598)	(9,186,574)	827,701			(199,039,471)
Net capital assets being depreciated	147,570,111	(8,017,769)	(37,021)	39,316,654		178,831,975
Governmental activity capital assets, net	\$336,326,150	(\$1,248,203)	(\$39,333)		\$1,535,778	\$336,574,392

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

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

	Balance at June 30, 2013	Additions	Transfers	Balance at June 30, 2014
<i>Business-type activities</i>				
Capital assets, not being depreciated:				
Land	\$12,298,805			\$12,298,805
Construction in progress	7,235,031	\$4,533,867	(\$1,670,830)	10,098,068
Total capital assets not being depreciated	<u>19,533,836</u>	<u>4,533,867</u>	<u>(1,670,830)</u>	<u>22,396,873</u>
Capital assets, being depreciated:				
Buildings and improvements	110,401,716			110,401,716
Machinery and equipment	16,008,477	206,317	1,670,830	17,885,624
Infrastructure	118,248,138			118,248,138
Total capital assets being depreciated	<u>244,658,331</u>	<u>206,317</u>	<u>1,670,830</u>	<u>246,535,478</u>
Less accumulated depreciation for:				
Buildings and improvements	(52,934,875)	(2,352,755)		(55,287,630)
Machinery and equipment	(5,992,979)	(752,358)		(6,745,337)
Infrastructure	(90,534,219)	(3,090,461)		(93,624,680)
Total accumulated depreciation	<u>(149,462,073)</u>	<u>(6,195,574)</u>		<u>(155,657,647)</u>
Net capital assets being depreciated	<u>95,196,258</u>	<u>(5,989,257)</u>	<u>1,670,830</u>	<u>90,877,831</u>
Business-type activity capital assets, net	<u>\$114,730,094</u>	<u>(\$1,455,390)</u>		<u>\$113,274,704</u>

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

	Balance at June 30, 2013	Additions	Retirements	Transfers	Balance at June 30, 2014
Capital assets, not being depreciated:					
Land and Land improvements	\$2,810,716				\$2,810,716
Construction in progress	9,526,577	\$4,709,666	(\$171,637)	(\$2,731,054)	11,333,552
Total capital assets not being depreciated	<u>12,337,293</u>	<u>4,709,666</u>	<u>(171,637)</u>	<u>(2,731,054)</u>	<u>14,144,268</u>
Capital assets, being depreciated:					
Buildings and improvements	2,804,092			660,719	3,464,811
Machinery and equipment	12,132,240	619,132		195,436	12,946,808
Infrastructure	321,046,007	386,521		1,874,899	323,307,427
Total capital assets being depreciated	<u>335,982,339</u>	<u>1,005,653</u>		<u>2,731,054</u>	<u>339,719,046</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,218,479)	(57,413)			(3,275,892)
Machinery and equipment	(6,620,591)	(626,683)			(7,247,274)
Infrastructure	(135,556,142)	(7,611,658)			(143,167,800)
Total accumulated depreciation	<u>(145,395,212)</u>	<u>(8,295,754)</u>			<u>(153,690,966)</u>
Net capital assets being depreciated	<u>190,587,127</u>	<u>(7,290,101)</u>		<u>2,731,054</u>	<u>186,028,080</u>
Capital assets, net	<u>\$202,924,420</u>	<u>(\$2,580,435)</u>	<u>(\$171,637)</u>		<u>\$200,172,348</u>

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

**D. Transfer from the Successor Agency**

In July 2013, the City received notification of approval from California Department of Finance (Finance) for Oversight Board Resolution Number 13-2 approving and directing the transfer of twelve governmental use properties from the Successor Agency to the City. In January 2014, the City received another notification of approval from Finance of 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 obligations, by and among the City of Vallejo, Successor Agency and Callahan Property Company, Inc. The approval of this amendment to the DDA eliminated all obligations currently held by the Successor Agency and allowed the City and the Callahan Property Company, Inc., to proceed on the project without the involvement of the Successor Agency, Oversight Board and the Department of Finance. As a result, the Successor Agency transferred two parcels comprising the central waterfront properties to the City. The transferred assets had a total book value of \$1,535,778 and the transfer had been accounted for as a special item.

**E. 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	\$26,531
Human resources	2,031
Community development	134,021
Fire services	160,285
Police services	36,933
Public works	7,829,548
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	997,225
	\$9,186,574

***Business-Type Activities***

Water	\$5,563,219
Marina	169,638
Golf	462,717
	\$6,195,574

***VSFCD:***

Vallejo Sanitation and Flood Control District	\$8,295,754
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**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 City implemented Governmental Accounting Standards Board (GASB) Statement No. 65 in fiscal year 2013. As a result of the implementation, the unamortized loss on refunding for the 2006 Water Revenue Refunding Bonds is reported as Deferred Outflow of Resources. The bond issuance cost related to newly issued 2013 Water Revenue Refunding Bond is also expensed in the current fiscal year.

**A. Current Year Transactions and Balances**

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

	Original Issue Amount	Balance June 30, 2013	Retirements	Balance June 30, 2014	Current Portion
<b>Governmental Activity Debt:</b>					
<b>Certificates of Participation:</b>					
1999 COPs (Restructured, see Note 6C)	\$4,815,000	\$3,626,517	\$135,000	\$3,491,517	\$140,000
<b>Other Obligation:</b>					
1999 COPs Shortfall Indebtedness (Restructured, see Note 6C)	75,860	234,318		234,318	
Total Certificates of Participation	4,890,860	3,860,835	135,000	3,725,835	140,000
<b>UBOC Reimbursement Obligations:</b>					
UBOC Tranche A - General Fund	5,863,667	5,863,667	262,268	5,601,399	503,965
UBOC Tranche B - General Fund	7,906,677	7,906,677		7,906,677	
Total Loans & Notes Payable	13,770,344	13,770,344	262,268	13,508,076	503,965
<b>Capital Lease Obligations:</b>					
2001 Site & Facility Lease (Restructured, see Note 6G)	710,248	710,248		710,248	101,464
Total Capital Leases Obligations	710,248	710,248		710,248	101,464
<b>Total Governmental Activity Debt</b>	<b>\$19,371,452</b>	<b>\$18,341,427</b>	<b>\$397,268</b>	<b>\$17,944,159</b>	<b>\$745,429</b>



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

	Original Issue Amount	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	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	\$17,515,000		\$17,515,000		
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	45,790,000	35,765,000		2,010,000	\$33,755,000	\$2,110,000
Plus: Unamortized bond premium		1,217,312		93,640	1,123,672	
2013 Water Revenue Refunding Bonds, 5.25%, due 5/1/31	18,080,000		\$18,080,000		18,080,000	
Plus: Unamortized bond premium			906,307	50,350	855,957	
<b>Total Revenue Bonds</b>	<b>86,945,000</b>	<b>54,497,312</b>	<b>18,986,307</b>	<b>19,668,990</b>	<b>53,814,629</b>	<b>2,110,000</b>
<b>UBOC Reimbursement Obligations</b>						
UBOC tranche A- Golf Course	4,269,641	3,564,976		354,667	3,210,309	274,409
UBOC tranche A- Marina	7,916,579	6,646,578		599,999	6,046,579	548,836
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	191,839			191,839	176,016
State Safe Drinking Water 0%, due 1/1/25	68,080	39,146		3,404	35,742	1,702
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	2,824,006		353,552	2,470,454	182,919
<b>Total Loans &amp; Notes Payable</b>	<b>37,218,629</b>	<b>26,727,801</b>		<b>1,311,622</b>	<b>25,416,179</b>	<b>1,183,882</b>
<b>Total Business-type Activity Debt</b>	<b>\$124,163,629</b>	<b>\$81,225,113</b>	<b>\$18,986,307</b>	<b>\$20,980,612</b>	<b>\$79,230,808</b>	<b>\$3,293,882</b>
<b>VSFCD:</b>						
<b>Revenue Bonds:</b>						
Vallejo Sanitation and Flood Control District 2014 Revenue Bonds	\$34,294,966		\$34,294,966	\$16,996	\$34,277,970	\$985,000
2011 Revenue Bonds 2-5%, due 5/1/22	3,345,000	2,957,364		157,819	2,799,545	205,000
<b>Total Revenue Bonds</b>	<b>37,639,966</b>	<b>2,957,364</b>	<b>34,294,966</b>	<b>174,815</b>	<b>37,077,515</b>	<b>1,190,000</b>
<b>Certificates of Participation:</b>						
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control	38,905,000	15,617,934		1,899,654	13,718,280	2,070,000
2006 Sanitation and Flood Control District 4-5%, due 2036	39,665,000	35,065,855		35,065,855		
<b>Total Certificates of Participation</b>	<b>78,570,000</b>	<b>50,683,789</b>		<b>36,965,509</b>	<b>13,718,280</b>	<b>2,070,000</b>
<b>Other Loans &amp; Notes Payable:</b>						
Vallejo Sanitation and Flood Control State Clean Water (2004) 2.5%, due 2023	13,798,201	7,938,749		708,603	7,230,146	726,318
State Clean Water (2008) 2.4%, due 2025	4,406,072	3,276,131		238,823	3,037,308	244,554
<b>Total Loans &amp; Notes Payable</b>	<b>18,204,273</b>	<b>11,214,880</b>		<b>947,426</b>	<b>10,267,454</b>	<b>970,872</b>
<b>Total VSFCD Debt</b>	<b>\$134,414,239</b>	<b>\$64,856,033</b>		<b>\$38,087,750</b>	<b>\$61,063,249</b>	<b>\$4,230,872</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 (A)	Interest	Principal (B)	Interest	Principal	Interest
2015	\$745,429	\$314,860	\$3,293,882	\$2,937,279	\$4,230,872	\$2,313,793
2016	768,029	294,647	3,446,147	2,822,645	4,199,900	2,325,072
2017	785,942	273,728	3,565,012	2,681,447	4,374,522	2,145,050
2018	809,179	252,090	3,703,534	2,544,136	4,559,753	1,957,069
2019	832,746	229,599	3,800,188	2,387,827	4,750,609	1,760,663
2020-2024	3,957,220	1,031,015	20,656,253	9,373,056	14,211,788	6,830,073
2025-2029	4,157,641	835,256	21,521,517	5,915,067	7,475,009	4,732,566
2030-2034	4,808,354	417,955	12,251,991	1,430,058	8,865,000	2,687,575
2035-2039	2,328,211	66,341	4,836,503	436,830	4,265,000	355,025
2040-2042			2,443,302	69,362		
<b>Total</b>	<b>19,192,751</b>	<b>\$3,715,491</b>	<b>79,518,329</b>	<b>\$30,597,706</b>	<b>56,932,453</b>	<b>\$25,106,886</b>
Plus: Unamortized bond premium (discount)			1,979,629		4,130,796	
<b>Net long-term debt</b>	<b>\$19,192,751</b>		<b>\$81,497,958</b>		<b>\$61,063,249</b>	

(A) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$1,248,592

(B) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$2,267,150

**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 2014, 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.

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 amounts 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”) entered into 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. The City did not incur a shortfall in fiscal year 2014.

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 advanced 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. The 2006 Certificates were refunded in whole by the 2014 Revenue Bonds.

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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 is \$18,049,887 and the “B” obligation has a starting principal of \$21,369,933. 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 is 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 is 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 is due and payable on January 1, 2026; and the “B” obligation is due and payable on January 1, 2042.

**E. Revenue Bonds**

**2001 Water Revenue Bonds (Refunded)** – 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 was payable at the beginning of each month at a variable rate. The City had 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 was secured and serviced from the water system operations, subordinate to the 2006 Water Revenue Refunding Bonds. Principal on the bonds was due annually June 1.

In October 2013, the City advance refunded the 2001 Water Revenue Bonds by depositing an amount in an irrevocable escrow fund sufficient to retire the debt, using the proceeds of the 2013 Series A Water Revenue Refunding Bonds. As of June 30, 2014, the 2001 Water Revenue Bonds with an outstanding balance of \$16,865,000 was considered defeased.

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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 \$45,717,000 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.

**2013 Water Revenue Refunding Bonds** – In October 2013 the City issued \$18,080,000 in Water Revenue Refunding Bonds to refund the outstanding 2001 Water Revenue Bonds. The refunding increased total debt service by \$7,485,213, resulting in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$4,109,109, due to the conversion of the interest rate on the bonds from a variable rate to a fixed rate. 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, on parity with the 2001 Water Revenue Bonds and the State Safe Drinking Water loans. 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 \$32,414,863 in remaining debt service on the bonds and loans 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.

For fiscal year 2014, revenues amount to \$39,167,233 and operating costs include operating expenses, but not interest or depreciation amounted to \$25,860,570. Net Revenues available for debt service amounts to \$13,306,663 which represents coverage of 2.85 over the \$4,663,659 in combined debt service for the 2006 and 2013 Water Revenue Bonds and State Safe Drinking Water loans debt service.

**2011 Revenue Bonds** - the VSFCDA 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 transaction resulted in a deferred amount on refunding of \$53,447, a decrease in total cash flows of \$262,952. The deferred amount on refunding is carried as a deferred outflow of resources, and the premium is carried as a net reduction to the 2011 Revenue Bonds. The deferred outflow of resources and the premium are to be amortized on a straight-line basis over the life of the Bonds as components of interest expense. 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.

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

**2014 Revenue Bonds** - the VSFCF and the WaterReuse Finance Authority issued 2014 Revenue Bonds in the principal amount of \$29,825,000 at premium of \$4,469,967 in an advance refunding (1) to prepay the outstanding principal of 2006 Certificates of Participation, (2) to fund a reserve fund for the Bonds, and (3) to pay certain costs of issuing the Bonds. The Bonds are fully registered with principal due annually on May 1, and interest payable semi-annually on May 1 and November 1. The Bonds maturing on or after May 1, 2022 are subject to optional redemption on any date on or after May 1, 2021, together with accrued interest to the redemption date, without a premium.

The transaction advance refunded the principal amount of \$33,740,000 plus interest in the amount of \$1,602,175 due on the 2006 Certificates of Participation by placing in escrow the amount of \$35,342,175. The escrow amount will be used to redeem the entire outstanding amount of the Certificates of Participation, Series 2006 in full on May 1, 2015. The transaction resulted in a deferred amount on refunding of \$1,282,720, a decrease in total cash flows of \$2,024,106, and an economic gain of \$323,440. The deferred amount on refunding is carried as a deferred outflow of resources, and the premium is carried as a net reduction to the 2014 Revenue Bonds. The deferred amount on refunding and the premium are amortized on a straight-line basis over the life of the Bonds as components of interest expense. The amount in escrow at June 30, 2014 is \$35,324,067.

**F. Other Notes and Loans Payable**

**Vallejo Sanitation and Flood Control State Clean Water (2004)** -In August 2004 the VSFCF 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, with original amount of \$68,080, 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, with original amount of \$6,675,000, from the State of California, Department of Water Resources was used to partially refund the 1999 Water Parity Refunding Revenue Bonds. The interest rate is 2.32%. Semiannual principal and interest payments are due on July 1 and January 2, through 2021. The amount of outstanding principal defeased for the 1999 Bonds was \$6,675,000.

**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 discussed in Note 14, 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, 2014.

**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, 2014 is as follows:

<i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	\$14,440,000
Northeast Improvement District 2003-1	6,925,000
 <i>Revenue Bonds</i>	
2003 Series B (Northeast Quadrant)	60,000
Total	\$21,425,000

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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, 2014, \$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, 2014, \$9,045,000 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, 2014, \$10,145,000 of these bonds remained outstanding.

**NOTE 9 – EMPLOYEE BENEFITS PAYABLE**

Employee Benefits Payable reported in the Statement of Net Position 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. 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, 2014.



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**NOTE 9 – EMPLOYEE BENEFITS PAYABLE (Continued)**

Compensated absences activity for the City for the year ended June 30, 2014 is as follows:

	Governmental Activities	Business-Type Activities	Total	VSCFD
Compensated Absences Activity:				
Beginning Balance, as restated	\$10,115,689	\$1,110,231	\$11,225,920	\$1,473,024
Additions	5,640,515	932,326	6,572,841	846,148
Deletions	(6,064,036)	(985,737)	(7,049,773)	(872,559)
Ending Balance	<u>\$9,692,168</u>	<u>\$1,056,820</u>	<u>\$10,748,988</u>	<u>\$1,446,613</u>
Compensated Absences Classification Presentation:				
Current Portion:				
Internal Service Funds	\$176,221		\$176,221	
Entity-wide	5,709,653	\$974,350	6,684,003	
Vallejo Sanitation Flood and Control District				\$485,738
Current Portion	<u>5,885,874</u>	<u>974,350</u>	<u>6,860,224</u>	<u>485,738</u>
Noncurrent Portion:				
Internal Service Fund	86,198		86,198	
Entity-wide	3,720,096	82,470	3,802,566	
Vallejo Sanitation Flood and Control District				960,875
Noncurrent Portion	<u>3,806,294</u>	<u>82,470</u>	<u>3,888,764</u>	<u>960,875</u>
Total	<u>\$9,692,168</u>	<u>\$1,056,820</u>	<u>\$10,748,988</u>	<u>\$1,446,613</u>
Noncurrent Employee Benefits Payable:				
Compensated Absences	\$3,806,294	\$82,470	\$3,888,764	\$960,875
Net OPEB Obligation (Note 11)	13,115,031		13,115,031	985,682
Non-current Portion	<u>\$16,921,325</u>	<u>\$82,470</u>	<u>\$17,003,795</u>	<u>\$1,946,557</u>

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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% (before cost sharing) for Safety and 8% (before cost sharing) for Miscellaneous employees of their annual covered salary which amounted to \$3,738,591. The City as employer was required to contribute for fiscal year 2014 at an actuarially determined rate of 49.325% and 29.296% of annual covered payroll for safety and miscellaneous employees, respectively. However, due to the \$6,559,854 supplemental contribution made in June 2013, the City’s actual employer contribution was reduced by a prepaid rate adjustment to 48.124% (before cost savings) and 28.576% (before cost savings) 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 2014 at an actuarially determined rate of 48.124% 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, 2014, 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	52 - 67	50 - 57	50 - 57
Monthly benefits, as a % of annual salary	1.0% - 2.5%	1.426% - 2.0%	1.426% - 2.0%
Required employee contribution rates	6.25%	12.00%	12.00%
Required employer contribution rates	28.576%	48.124%	48.124%

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

3. Annual Pension Cost

The City's annual pension costs of \$12,088,716, \$13,083,650 and \$14,080,384 were equal to the City's required and actual contributions in fiscal years , , and , respectively. In addition, the City made a supplemental contribution of \$6,559,854 during fiscal year 2013. The required contribution for 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. The City is in the final year of the phase in.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp-down.

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.

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

The following schedule of funding progress is presented for the most recent actuarial valuations as of June 30, 2014:

*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		
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%	58.7%	19,739,558	530.4%
2013	259,701,132	402,268,088	142,566,956	64.6%	64.6%	18,293,358	779.3%

*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		
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%	58.6%	19,010,763	321.1%
2013	148,015,365	229,785,009	81,769,644	64.4%	64.4%	19,045,587	429.3%

The unfunded liability of both Safety and Miscellaneous Plans continued to increase in 2013. To mitigate the risk, the City made a supplemental contribution of \$6,559,854 in June 2013 to reduce the unfunded liability of Safety and Miscellaneous plans by \$4,146,415 and \$2,413,439, respectively.

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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 2013-14 was 15.685% 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 2013-2014 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 Requirement	Percent of Contributions	Pension Assets
	Dollars	Paid	(Liabilities)
2012	\$1,080,049	100%	\$0
2013	1,116,393	100%	0
2014	1,187,553	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***

1. Plan Description

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, 2014:

<u>Employee Group</u>	<u>Contractual Benefit at June 30, 2014</u>
Vallejo Police Officers Association (VPOA)	Retired prior to 7/1/2000 - up to 75% of Kaiser Bay Area non-Medicare Premium  Retired on or after 7/1/2000 and hired before 1/1/2014 - up to \$300 per month, but not less than PEMHCA minimum  Hired on or after 1/1/14 - PEMHCA minimum plus 1.5% of employee's base monthly salary VEBA contribution
International Association of Fire Fighters (IAFF)	Retired prior to 7/1/2000 - up to 75% of Kaiser Bay Area non-Medicare Premium  Retired on or after 7/1/2000 - up to \$300 per month, but not less than PEMHCA minimum
Council, Executives, and International Brotherhood of Electrical Workers (IBEW)	Up to \$300 per month, but not less than PEMHCA minimum
Confidential, Administrative, Management, and Professional Employees Association (CAMP)	Hired before 7/1/2013 - up to \$300 per month, but not less than PEMHCA minimum  Hired on or after 7/1/2013 - PEMHCA minimum plus 1.5% of employee's base monthly salary

The PEMHCA minimum in 2014 is \$119 per month.

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

2. Funding Policy

Through June 30, 2013 the City's policy had been to fund these benefits on a pay-as-you go basis. But based on the June 30, 2012 actuarial report, issued by Bartel Associates, LLC, it was determined that it is in the best interest of the City and its retirees to set aside funds for OPEB in an irrevocable trust dedicated to paying the expenses of OPEB and to ensure that such funds are invested in a prudent manner. On December 10, 2013, City Council authorized and approved resolution 13-188 N.C. allowing the City to join the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. On December 31, 2013, the City transferred \$7,101,517 into the trust and in June 2014 the City made a late contribution accrual of \$2,902,645 to serve this purpose. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

3. Actuarial Methods and Assumptions

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) 7.25% 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 actuarial accrued liability (AAL) representing the present value of future benefits, is being amortized as a level percentage of projected payroll using a 30 year amortization period.

4. Annual OPEB Cost and Net OPEB Obligation

At June 30, 2014, 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.

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

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2014, 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)	\$2,803,000
Amortization on the Net OPEB Liability	(1,473,968)
Interest on the Net OPEB Liability	1,677,129
Adjustment to annual required contribution	203,161
Annual OPEB Cost	3,006,161
Contributions made:	
Pay as you go (premiums paid)	(3,019,786)
Paid to Trust	(10,004,162)
Contributions more than the ARC	(10,017,787)
Net OPEB Obligation at June 30, 2013	23,132,818
Net OPEB Obligation at June 30, 2014	\$13,115,031

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
6/30/2012	\$5,772,393	\$3,147,016	55%	\$18,599,839
6/30/2013	7,924,555	3,391,576	43%	23,132,818
6/30/2014	3,006,161	13,023,948	433%	13,115,031

Due to changes in VPOA and CAMP benefit assumptions in fiscal year 2014, the City's OPEB liability was substantially decreased and correspondingly decreased the annual cost of funding that liability by \$4.9 million.



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

5. Funded Status and Funding Progress

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):

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Overfunded (Underfunded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll</u>
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	34,686	(34,686)	0.00%	41,419	(83.7%)

The Actuarial Accrued Liability (AAL) was significantly reduced to \$34.686 million (excluding implied subsidy of \$20.990 million) due to prefunding discount rate assumption and VPOA and CAMP plan changes. The AAL was partially funded since assets have been transferred into CERBT, but it was not reflected in the June 30, 2012 actuarial study due to the timing of the City's contribution. The assets with CERBT are \$10.536 million as of June 30, 2014, which partially reduces the unfunded AAL to \$24.150 million.

**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 plus a requirement for employee matching in the amount of 2% of gross salary for all employees. 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.

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

3. Annual OPEB Cost

The District’s annual OPEB expense (the ARC) and the amount paid for the fiscal year 2013-2014 amounted \$1,275,414 and \$1,149,810, 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	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
	Date							
2012	01/01/10	\$1,016,399	\$58,243	\$0	\$1,074,642	95%	\$50,048	\$826,618
2013	01/01/13	1,267,152	61,996	(188,135)	1,141,013	97%	33,458	860,076
2014	01/01/13	1,267,152	64,506	(56,244)	1,275,414	90%	125,604	985,681

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. The amortization method used is a level percent of payroll. Payments are assumed to be made throughout the year. Subsequent gains and losses and benefit improvements will be amortized over the same remaining period. The remaining period for the amortization of the unfunded actuarial accrued liability is 23 years at June 20, 2014.

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

5. Funded Status and Funding Progress

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

Fiscal Year Ended June 30	Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
2012	01/01/10	\$11,297,650	\$2,874,685	\$8,422,965	25.4%	\$7,316,414	154.4%
2013	01/01/13	14,833,842	3,710,757	11,123,085	25.0%	7,332,700	151.7%
2014	01/01/13	14,833,842	4,922,255	9,911,587	33.2%	7,602,013	130.4%

**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.

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

**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.

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.

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

Detailed classifications of the City’s Fund Balances, as of June 30, 2014, are below:

<b>Fund Balance Classifications</b>	<b>General Fund</b>	<b>Housing Authority Fund</b>	<b>Non Major Governmental Funds</b>	<b>Total</b>
<b>Nonspendable:</b>				
Items not in spendable form:				
Prepaid Expenses	\$12,374			\$12,374
Notes Receivable	777,221		\$138,760	915,981
Land Held for Redevelopment	499,684			499,684
Materials, Parts and Supplies	5,688			5,688
Subtotal	1,294,967		138,760	1,433,727
Amounts required to be maintained intact:				
Permanent funds			102,072	102,072
<b>Total Nonspendable Fund Balances</b>	<b>1,294,967</b>		<b>240,832</b>	<b>1,535,799</b>
<b>Restricted for:</b>				
Bond indentures			733,651	733,651
Streets and Highways			16,908,506	16,908,506
Community Development and Housing		\$15,987,228	4,536,751	20,523,979
Public Safety Programs			1,039,825	1,039,825
Public Facilities Projects			9,432,244	9,432,244
Hiddenbrook Overpass			7,353,966	7,353,966
Handicap, Union Business Leave, SB1186	249,697			249,697
<b>Total Restricted Fund Balances</b>	<b>249,697</b>	<b>15,987,228</b>	<b>40,004,943</b>	<b>56,241,868</b>
<b>Committed to:</b>				
Measure B Capital Projects			3,258,590	3,258,590
Measure B Participatory Budgeting Projects	2,293,959		2,794,683	5,088,642
General Plan Update, Permit programs	323,308			323,308
Public Facilities Projects (funded by General Fund)			2,992,494	2,992,494
<b>Total Committed Fund Balances</b>	<b>2,617,267</b>		<b>9,045,767</b>	<b>11,663,034</b>
<b>Assigned to:</b>				
General Fund Reserves (from Measure B)	3,000,000			3,000,000
Measure B Programs (subsequent year's budget)	3,534,029			3,534,029
Measure B Encumbrances	336,231			336,231
Repayment of Successor Agency Advances	735,017			735,017
General Fund Encumbrances	305,632			305,632
Cadet program			5,580	5,580
Public Facilities Maintenance			191,226	191,226
<b>Total Assigned Fund Balances</b>	<b>7,910,909</b>		<b>196,806</b>	<b>8,107,715</b>
<b>Unassigned:</b>				
General Fund	6,944,336			6,944,336
<b>Total Unassigned Fund Balances</b>	<b>6,944,336</b>			<b>6,944,336</b>
<b>Total Fund Balances</b>	<b>\$19,017,176</b>	<b>\$15,987,228</b>	<b>\$49,488,348</b>	<b>\$84,492,752</b>

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

**C. Minimum Fund Balances**

The City’s Budget and Fiscal Policy requires the City to strive to maintain 1) 15% of annual appropriations in the General Fund’s Unassigned Fund Balance. As of June 30, 2014, the City’s unassigned General Fund balance is at 9% of 2014-15 annual appropriations, excluding Measure B. To rebuild the General Fund reserve to minimum of 15% of the annual expenditure budget, the City had set aside \$3.0 million from Measure B revenues, which was reported as Assigned Fund Balance. An additional \$1.0 million from Measure B revenues is appropriated in FY 14-15 Budget and the City will continue to address the unassigned reserve level during each subsequent year’s budget process.

**D. Deficits**

The funds below had fund balance or net position deficits at June 30, 2014:

<b>Proprietary Funds:</b>	
Marina	\$2,324,910
Golf	1,068,399
<b>Internal Service Funds:</b>	
Insurance	2,375,228
Retiree Health Benefits	13,056,529

**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, 2014, the City contributed \$443,269 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, 2014, the City contributed \$325,638 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. Auto liability is subject to a deductible of \$1,000 with coverage up to \$3,717,634.

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 \$50,000 and \$25,000,000 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:

	2014	2013
Beginning balance	\$15,033,000	\$13,435,000
Current year claims and increase (decrease) in prior estimates	3,909,153	4,032,028
Claims paid	(3,075,153)	(2,434,028)
Ending balance	\$15,867,000	\$15,033,000
Current portion	\$3,552,821	\$3,450,449

The claims payable are reported at their present value using expected future investment yield assumption of 3%. The undiscounted claims totaled \$18,564,000 at June 30, 2014.

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, 2014 amounted to approximately \$5,197,500.

**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.

The plan of adjustment provided 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 contemplated that approximately \$4.9 million would be funded by the General Fund, and that the Restricted Funds Claims Pool of approximately \$1 million would 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 final bankruptcy claim of \$17,164 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, 2014, the State Controller's Office has completed its asset transfer review of the Vallejo Redevelopment Agency. The final report was issued on November 26, 2014, which indicates that assets of the former Redevelopment Agency totaling \$655,000 held by the City are to be returned to the Successor Agency. The City's General Fund has set aside \$735,017 which is reported as Assigned Fund Balance – Repayment of Successor Agency Advances to cover this disallowance that is expected to be paid to the Successor Agency in fiscal year 2015.

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.

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**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES  
 (Continued)**

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.

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. The Successor Agency received its Finding of Completion on October 16, 2013.

Cash and investments of the Successor Agency as of June 30, 2014 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, 2014.

**A. *Notes and Loans Receivable***

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

Meyer Cookware Industries, Inc.	\$160,000
Empress Theatre Associates, LLC	<u>4,296,000</u>
	<u>\$4,456,000</u>

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, 2014 the outstanding balance of the loan was \$160,000. 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

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**(Continued)**

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%.

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 an original 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 Successor Agency leveraged its loan investment in the Empress Theatre Project through the New Market Tax Credit Program. Through this program, Empress Theatre Associates, LLC ("ETA") repaid its original \$4,296,000 loan to the former Redevelopment Agency, and the former Redevelopment Agency then issued a new loan to Empress Investment Fund, LLC (the "Fund"), on an interest only basis during a seven year tax credit period. The Fund, through an intermediary entity, used the Successor Agency loans and tax credit equity to make two new loans to ETA, which remains outstanding. At June 30, 2014 the balance of the loan, including interest from the Agency to the Fund was \$4,717,618. The sources of funds for repayment of the loan by the Fund are expected to come from amortizing principal and interest payments due from ETA.

Subsequent to year end, on July 31, 2014, the seven year tax credit period expired, and in October 2014, the Fund exercised a put/call option agreement leading to the Successor Agency's acquisition of the ownership interest in the Fund on October 10, 2014. Due to the expiration of the market tax credit program, the Successor Agency will continue to monitor the status of the loan and long term options for the property.

**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.

As discussed in Note 5D, the Successor Agency received authorization from the Department of Finance in July 2013 and January 2014 to transfer twelve governmental-use properties and two parcels comprising the central waterfront properties to the City. The assets had a book value of \$1,535,778, and the transfer is reported as a Special Item.

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Capital assets at June 30, 2014 were comprised of land of \$2,274,904 and Building and Improvements, net of accumulated depreciation, of \$86,560. Current year additions to accumulated depreciation were \$5,827.

**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, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
<b>Tax Allocation Bonds:</b>						
Waterfront Redevelopment Project 7.9%, due 5/1/19	\$2,485,000	\$1,405,000		\$175,000	\$1,230,000	\$200,000
Marina Vista Project 6.0-7.5%, due 9/1/20	3,335,000	1,600,000		150,000	1,450,000	165,000
Vallejo Central Project 6.0-7.5%, due 9/1/20	1,900,000	1,265,000		105,000	1,160,000	115,000
Vallejo Housing Set Aside 7.0%, due 10/1/31	5,410,000	4,095,000		180,000	3,915,000	150,000
Total Tax Allocation Bonds	<u>13,130,000</u>	<u>8,365,000</u>		<u>610,000</u>	<u>7,755,000</u>	<u>630,000</u>
<b>Certificates of Participation:</b>						
UBOC tranche A - General Fund (Restructured, see Note 6C)	6,743,199	1,618,237		165,938	1,452,299	129,630
Total Certificates of Participation	<u>6,743,199</u>	<u>1,618,237</u>		<u>165,938</u>	<u>1,452,299</u>	<u>129,630</u>
<b>Other Obligations</b>						
Redevelopment Waterfront DDA		661,320		371,022	290,298	290,298
Triad Downtown Vallejo note payable		12,503	\$75,000	87,503		
Total Other Obligations		<u>673,823</u>	<u>75,000</u>	<u>458,525</u>	<u>290,298</u>	<u>290,298</u>
Total Successor Agency Debt	<u>\$19,873,199</u>	<u>\$10,657,060</u>	<u>\$75,000</u>	<u>\$1,234,463</u>	<u>\$9,497,597</u>	<u>\$1,049,928</u>

**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.

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**NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES**  
**(Continued)**

**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 \$11,519,000 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 2014, total property taxes calculated by the County Auditor-Controller and received by the Successor Agency was \$1,695,727 which represented coverage of 1.41 of the \$1,206,658 of debt service.

**3. Waterfront DDA**

In accordance with the Amended and Restated Disposition and Development Agreement between the Agency, the City, and Callahan and DeSilva Vallejo, LLC signed on November 28, 2006, the Agency has agreed to repay \$661,320 for 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. The cost was approved as an enforceable obligation and the obligation is repaid from the County’s Redevelopment Property Tax Trust Fund (RPTTF). The outstanding balance at June 30, 2014 was \$290,298.

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4. Triad Downtown Vallejo Note Payable

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 agreed to pay any amounts owed under this Agreement to the City before the loan expires on December 31, 2029. Interest accrued monthly based on the Local Agency Investment Fund rate. During fiscal year 2014, the Successor Agency drew down an additional \$75,000 of loan proceeds and repaid the entire outstanding balance of \$87,503.

5. Debt Service Requirements

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

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$1,049,928	\$587,529
2016	817,870	535,700
2017	886,193	479,448
2018	959,598	418,001
2019	1,038,088	350,993
2020-2024	2,790,920	1,004,584
2025-2029	1,100,000	502,250
2030-2032	<u>855,000</u>	<u>92,575</u>
Total	<u>\$9,497,597</u>	<u>\$3,971,080</u>

**D. Commitments and Contingencies**

1. State Approval of Enforceable Obligations

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

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2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to examination by the State of California. Certain transactions undertaken by the former Redevelopment Agency prior to the date of dissolution are subject to an asset transfer review by the State Controller's Office. The review has been completed and the State has issued the report in final form which indicates that assets of the former Redevelopment Agency totaling \$655,000 held by the City are to be returned to the Successor Agency.

The City's General Fund has set aside \$735,017 which was reported as Assigned Fund Balance – Repayment of Successor Agency Advances to cover this disallowance. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**NOTE 16 – SUBSEQUENT EVENTS**

1. Earthquake

On August 24, 2014, a magnitude 6.0 earthquake struck Solano County that affected the City of Vallejo. The earthquake caused damages to the City's road system, water control facilities, buildings and equipment, public utility system and other structures. Based on preliminary studies conducted by City's Public Works department, the estimated cost to repair these damages is approximately \$2.2 million as of December 1, 2014.

2. Bay Area Air Quality Management District Air Quality Violation

The City of Vallejo Water Division received a Notice of Violation in September 2013 from the Bay Area Air Quality Management District citing the lack of authority to construct, and lack of permit to operate seven natural gas engines. The District subsequently tested the emissions from the engines and found them to be out of compliance with District air quality regulations. In lieu of legal action to enforce the regulations, the District entered into settlement negotiations with the City. The parties have reached agreement that the City will replace the seven natural gas engines with compliant equipment. The public works project planned to achieve compliance is estimated to cost \$5-6 million. The City paid approximately \$10,000 to the District to apply for permits as part of the compliance process. Pursuant to settlement terms tentatively agreed on, the City will pay no penalty to the District unless the City fails to comply by a future date that is not yet agreed on but will be no earlier than January 2018. The City has countered with a request for a deadline of January 2019. Once the deadline is agreed upon, the settlement will be executed.

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

**3. California State Superior Court Litigation on Medical Insurance Premium Contributions**

One bargaining unit, the Vallejo Police Officers' Association (VPOA), filed a writ of administrative mandamus challenging the City's reduction of medical insurance premium benefits to employees and retirees under the Public Employees Medical and Hospital Care Act ("PEMHCA"). The City took action on December 16, 2013 to freeze the City's maximum direct PEMHCA medical insurance contribution at \$300 per month. On December 2, 2014, a California Superior Court judge heard oral arguments from the parties to this litigation and took the matter under submission. A formal ruling is expected to be issued within 90 days. The impact of an unfavorable outcome is not reflected in the liability balance for Other Post-Employment Benefits in the financial report as of June 30, 2014. The City has not adjusted its actuarially determined liability for Other Post-Employment Benefits to reflect the impact an unfavorable outcome would have on the liability. The City would research its legal options before determining its course of action or implementing any changes that might be required by any potential unfavorable ruling. The ultimate impact of an unfavorable outcome to this litigation could be material to the City, financial condition or results of operations; but is still unknown at this time.



## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

**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.

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

**Long-Term Maintenance Fund** accounts for revenues received from cell tower leases for use on long term repairs and maintenance expenditures

**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, 2014

SPECIAL REVENUE FUNDS

	<u>Community Development Block Grant Fund #101</u>	<u>Neighborhood Stabilization Program Fund #103</u>	<u>Mare Island Base Reuse Fund #107</u>	<u>Mare Island CFD 2002 Fund #112</u>	<u>Mare Island CFD 2005 1A (State) Fund #113</u>
<b>ASSETS</b>					
Cash and investments		\$114,218	\$773,512	\$4,509,731	\$258,713
Restricted cash and investments held with fiscal agent			482,644		
Accounts receivable	\$2,467	1,294	31,468	93,448	
Due from other governments	157,145	50,054			
Notes and loans receivable	2,697,270	2,108,826			
Prepays					
Total Assets	<u>\$2,856,882</u>	<u>\$2,274,392</u>	<u>\$1,287,624</u>	<u>\$4,603,179</u>	<u>\$258,713</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$42,091	\$925	\$109,248	\$127,598	\$42,577
Due to other funds	117,521				
Due to other governments					
Unearned revenue - Grants		164,641			
Deposits payable			7,785		
Total Liabilities	<u>159,612</u>	<u>165,566</u>	<u>117,033</u>	<u>127,598</u>	<u>42,577</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - notes and loans receivable	<u>2,697,270</u>	<u>2,108,826</u>			
Total Deferred Inflows of Resources	<u>2,697,270</u>	<u>2,108,826</u>			
<b>FUND BALANCES</b>					
Fund balances					
Nonspendable					
Restricted			1,170,591	4,475,581	216,136
Committed					
Assigned					
Total Fund Balances			<u>1,170,591</u>	<u>4,475,581</u>	<u>216,136</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$2,856,882</u>	<u>\$2,274,392</u>	<u>\$1,287,624</u>	<u>\$4,603,179</u>	<u>\$258,713</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
\$880,043	\$55,966	\$205,754	\$2,306,738	\$7,058,572	\$984,991	\$136	
	83,000 502,165	27,499 30,782					\$105,038
		674					
<u>\$880,043</u>	<u>\$641,131</u>	<u>\$264,709</u>	<u>\$2,306,738</u>	<u>\$7,058,572</u>	<u>\$984,991</u>	<u>\$136</u>	<u>\$105,038</u>
	\$156,730	\$11,577	\$41,098	\$308,081	\$18,236	\$136	\$32,492 72,546
	375	253,132			7,353		
					159,889		
	<u>157,105</u>	<u>264,709</u>	<u>41,098</u>	<u>308,081</u>	<u>185,478</u>	<u>136</u>	<u>105,038</u>
\$880,043	484,026		2,265,640	6,750,491	799,513		
<u>880,043</u>	<u>484,026</u>		<u>2,265,640</u>	<u>6,750,491</u>	<u>799,513</u>		
<u>\$880,043</u>	<u>\$641,131</u>	<u>\$264,709</u>	<u>\$2,306,738</u>	<u>\$7,058,572</u>	<u>\$984,991</u>	<u>\$136</u>	<u>\$105,038</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2014

	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>ASSETS</b>						
Cash and investments	\$372	\$99,176	\$71,309	\$451,313		\$59,144
Restricted cash and investments held with fiscal agent						
Accounts receivable				128,355	\$14,786	10,000
Due from other governments	2,610	15,447				
Notes and loans receivable						
Prepays						
Total Assets	<u>\$2,982</u>	<u>\$114,623</u>	<u>\$71,309</u>	<u>\$579,668</u>	<u>\$14,786</u>	<u>\$69,144</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$2,982	\$7,417		\$143,480	\$2,235	\$1,767
Due to other funds					12,551	
Due to other governments						
Unearned revenue - Grants						
Deposits payable				436,188		
Total Liabilities	<u>2,982</u>	<u>7,417</u>	<u></u>	<u>579,668</u>	<u>14,786</u>	<u>1,767</u>
Unavailable revenue - notes and loans receivable						
Total Deferred Inflows of Resources						
<b>FUND BALANCES</b>						
Fund balances						
Nonspendable						
Restricted		107,206	\$65,729			67,377
Committed						
Assigned			5,580			
Total Fund Balances		<u>107,206</u>	<u>71,309</u>	<u></u>	<u></u>	<u>67,377</u>
Total Liabilities, Deferred Inflows	<u>\$2,982</u>	<u>\$114,623</u>	<u>\$71,309</u>	<u>\$579,668</u>	<u>\$14,786</u>	<u>\$69,144</u>

SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS					
		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
Administrative Trust Fund #601	Certificates of Participation Fund #-various						
\$820,365	\$504,382	\$12,657,359	\$2,272,332	\$3,133,489	\$88,414	\$7,353,966	\$902,941
	229,269						
		3,660					
<u>\$820,365</u>	<u>\$733,651</u>	<u>\$12,661,019</u>	<u>\$2,272,332</u>	<u>\$3,133,489</u>	<u>\$88,414</u>	<u>\$7,353,966</u>	<u>\$902,941</u>
\$3,810		\$1,014,850					
816,555							
<u>820,365</u>		<u>1,014,850</u>					
	\$733,651	2,600,402 9,045,767	\$2,272,332	\$3,133,489	\$88,414	\$7,353,966	\$902,941
	733,651	11,646,169	2,272,332	3,133,489	88,414	7,353,966	902,941
<u>\$820,365</u>	<u>\$733,651</u>	<u>\$12,661,019</u>	<u>\$2,272,332</u>	<u>\$3,133,489</u>	<u>\$88,414</u>	<u>\$7,353,966</u>	<u>\$902,941</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2014

	<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	\$1,170,363	\$935,388	\$674,033	\$1,333,446	\$61,047
Restricted cash and investments held with fiscal agent	5,518,709				
Accounts receivable Due from other governments			942,005		977,899
Notes and loans receivable				169,310	
Prepays					
Total Assets	<u>\$6,689,072</u>	<u>\$935,388</u>	<u>\$1,616,038</u>	<u>\$1,502,756</u>	<u>\$1,038,946</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$16,557	\$1,740	\$54,756	\$24,891	\$36,569
Due to other funds			887,251		941,330
Due to other governments					
Unearned revenue - Grants	3,306,355		628,039		60,243
Deposits payable				37,000	
Total Liabilities	<u>3,322,912</u>	<u>1,740</u>	<u>1,570,046</u>	<u>61,891</u>	<u>1,038,142</u>
Unavailable revenue - notes and loans receivable				30,550	
Total Deferred Inflows of Resources				<u>30,550</u>	
<b>FUND BALANCES</b>					
Fund balances					
Nonspendable				138,760	
Restricted	3,366,160	933,648	45,992	1,271,555	804
Committed					
Assigned					
Total Fund Balances	<u>3,366,160</u>	<u>933,648</u>	<u>45,992</u>	<u>1,410,315</u>	<u>804</u>
Total Liabilities, Deferred Inflows	<u>\$6,689,072</u>	<u>\$935,388</u>	<u>\$1,616,038</u>	<u>\$1,502,756</u>	<u>\$1,038,946</u>



CAPITAL PROJECTS FUNDS		PERMANENT FUND	
Transportation Fund #421	Long-Term Maintenance Fund #223	McCune Collection Fund #603	Total Nonmajor Governmental Funds
\$2,467,302	\$191,226	\$111,142	\$52,506,883
			6,230,622
302,706			392,317
			3,089,511
			4,975,406
			674
<u>\$2,770,008</u>	<u>\$191,226</u>	<u>\$111,142</u>	<u>\$67,195,413</u>
\$2,201,108			\$4,402,951
287,590			2,318,789
			7,353
271,124			4,683,909
			1,457,417
<u>2,759,822</u>			<u>12,870,419</u>
			4,836,646
			4,836,646
		\$102,072	240,832
10,186		9,070	40,004,943
			9,045,767
	\$191,226		196,806
<u>10,186</u>	<u>191,226</u>	<u>111,142</u>	<u>49,488,348</u>
<u>\$2,770,008</u>	<u>\$191,226</u>	<u>\$111,142</u>	<u>\$67,195,413</u>

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

SPECIAL REVENUE FUNDS

	Community Development Block Grant Fund #101	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				\$1,173,052	
Licenses, permits and fees					
Fines and forfeitures					
Intergovernmental	\$570,903	\$475,200			
Use of money and property	47,297	264,736	\$341,531	29,122	\$2,659
Charges for services			54,885	2,900,342	185,004
Other		6,173		1,087	
Total Revenues	<u>618,200</u>	<u>746,109</u>	<u>396,416</u>	<u>4,103,603</u>	<u>187,663</u>
<b>EXPENDITURES</b>					
Current:					
Executive					
Development services					
Community development	541,796	746,109	445,194		
Fire services				1,578,000	
Police services				594,259	
Public works				1,219,708	285,108
Non departmental					
Capital outlay	76,404			68,986	
Debt Service:					
Principal					
Interest and fiscal agent fees					
Total Expenditures	<u>618,200</u>	<u>746,109</u>	<u>445,194</u>	<u>3,460,953</u>	<u>285,108</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
			(48,778)	642,650	(97,445)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers (out)				150,115	
Total Other Financing Sources (Uses)				<u>150,115</u>	
<b>NET CHANGE IN FUND BALANCES</b>					
			(48,778)	792,765	(97,445)
<b>BEGINNING FUND BALANCES</b>					
			1,219,369	3,682,816	313,581
<b>ENDING FUND BALANCES</b>					
			<u>\$1,170,591</u>	<u>\$4,475,581</u>	<u>\$216,136</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
		\$5,790				\$145,728	
		2,261			\$118,535		
	\$3,939,556	42,873					\$401,159
\$7,713	2,288	3,869	\$20,426	\$59,381	10,000	567	
112,254	345,450	1,490,134	723,983	3,000,048			
	35,733			1,138	5,000		
<u>119,967</u>	<u>4,323,027</u>	<u>1,544,927</u>	<u>744,409</u>	<u>3,060,567</u>	<u>133,535</u>	<u>146,295</u>	<u>401,159</u>
					190,973	146,295	401,159
7,647	2,523,735	1,545,015	565,964	2,111,273			
<u>7,647</u>	<u>2,523,735</u>	<u>1,545,015</u>	<u>565,964</u>	<u>2,111,273</u>	<u>190,973</u>	<u>146,295</u>	<u>401,159</u>
112,320	1,799,292	(88)	178,445	949,294	(57,438)		
	(1,315,266)			344			
	(1,315,266)			344			
112,320	484,026	(88)	178,445	949,638	(57,438)		
767,723		88	2,087,195	5,800,853	856,951		
<u>\$880,043</u>	<u>\$484,026</u>	<u>(88)</u>	<u>\$2,265,640</u>	<u>\$6,750,491</u>	<u>\$799,513</u>		

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

	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	\$72,610	\$191,761				
Use of money and property		1,857	\$674	\$4,395	\$187,414	\$1,217
Charges for services	372		121	196,719	250	40,000
Other			1,818			
<b>Total Revenues</b>	<b>72,982</b>	<b>193,618</b>	<b>2,613</b>	<b>201,114</b>	<b>187,664</b>	<b>41,217</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Executive						
Development services				161,027		
Community development					114,800	
Fire services						88,700
Police services	72,982	245,529	121			
Public works				35,692		
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
<b>Total Expenditures</b>	<b>72,982</b>	<b>245,529</b>	<b>121</b>	<b>196,719</b>	<b>114,800</b>	<b>88,700</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
		(51,911)	2,492	4,395	72,864	(47,483)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)				(4,395)	(72,864)	
<b>Total Other Financing</b>				<b>(4,395)</b>	<b>(72,864)</b>	
<b>NET CHANGE IN FUND BALANCES</b>						
		(51,911)	2,492			(47,483)
<b>BEGINNING FUND BALANCES</b>						
		159,117	68,817			114,860
<b>ENDING FUND BALANCES</b>						
		<b>\$107,206</b>	<b>\$71,309</b>			<b>\$67,377</b>

SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS					
		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
Administrative Trust Fund #601	Certificates of Participation Fund #-various						
		\$291,667	\$33,220				
\$5,509	\$6,097	103,028 89,850	21,411	\$20,980	\$937	\$70,362	\$7,838
117		1,101					100,002
5,626	6,097	485,646	54,631	20,980	937	70,362	41,069
117		507,665					
	4,500 4,500	4,500	3,809	4,500	4,500	4,500	7,300
		6,011,494			11,664	38,552	
	397,268 186,276						
117	592,544	6,523,659	3,809	4,500	16,164	43,052	7,300
5,509	(586,447)	(6,038,013)	50,822	16,480	(15,227)	27,310	141,609
(5,509)	355,758	5,462,416					
(5,509)	355,758	5,462,416					
	(230,689)	(575,597)	50,822	16,480	(15,227)	27,310	141,609
	964,340	12,221,766	2,221,510	3,117,009	103,641	7,326,656	761,332
	\$733,651	\$11,646,169	\$2,272,332	\$3,133,489	\$88,414	\$7,353,966	\$902,941

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

	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				\$21,923	
Fines and forfeitures					
Intergovernmental	\$2,664,278		\$1,020,232		\$1,435,652
Use of money and property	14,514		6,758	14,887	804
Charges for services					
Other		\$1,933			
Total Revenues	2,678,792	1,933	1,026,990	36,810	1,436,456
<b>EXPENDITURES</b>					
Current:					
Executive					
Development services					
Community development	2,840,642				
Fire services					
Police services					
Public works		342,807	24,637	355,692	
Capital outlay		188,130	995,597		1,435,652
Debt Service:					
Principal					
Interest and fiscal agent fees					
Total Expenditures	2,840,642	530,937	1,020,234	355,692	1,435,652
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(161,850)	(529,004)	6,756	(318,882)	804
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers (out)		1,315,266			
Total Other Financing Sources (Uses)		1,315,266			
<b>NET CHANGE IN FUND BALANCES</b>					
	(161,850)	786,262	6,756	(318,882)	804
<b>BEGINNING FUND BALANCES</b>	3,528,010	147,386	39,236	1,729,197	
<b>ENDING FUND BALANCES</b>	\$3,366,160	\$933,648	\$45,992	\$1,410,315	\$804

CAPITAL PROJECTS FUNDS		PERMANENT FUND	
Transportation Fund #421	Long-Term Maintenance Fund #223	McCune Collection Fund #603	Total Nonmajor Governmental Funds
			\$1,173,052
			498,328
			120,796
\$1,075,384			11,992,636
2,553	\$191,226	\$1,095	1,439,967
			9,149,564
			95,169
<u>1,077,937</u>	<u>191,226</u>	<u>1,095</u>	<u>24,469,512</u>
			117
			668,692
		4,000	4,692,541
			1,666,700
			1,651,318
1,218,500			10,269,387
			4,500
			8,826,479
			397,268
			186,276
<u>1,218,500</u>		<u>4,000</u>	<u>28,363,278</u>
<u>(140,563)</u>	<u>191,226</u>	<u>(2,905)</u>	<u>(3,893,766)</u>
			7,283,899
			(1,398,034)
			5,885,865
(140,563)	191,226	(2,905)	1,992,099
150,749		114,047	47,496,249
<u>\$10,186</u>	<u>\$191,226</u>	<u>\$111,142</u>	<u>\$49,488,348</u>

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, 2014

	COMMUNITY DEVELOPMENT BLOCK GRANT			NEIGHBORHOOD STABILIZATION PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$2,029,850	\$570,903	(\$1,458,947)	\$1,372,948	\$475,200	(\$897,748)
Use of money and property	24,000	47,297	23,297	564,550	264,736	(299,814)
Charges for services						
Other					6,173	6,173
Total Revenues	<u>2,053,850</u>	<u>618,200</u>	<u>(1,435,650)</u>	<u>1,937,498</u>	<u>746,109</u>	<u>(1,191,389)</u>
EXPENDITURES						
Current:						
Executive						
Development services						
Community development	1,977,446	541,796	1,435,650	1,937,498	746,109	1,191,389
Fire services						
Police services						
Public works						
Capital outlay	<u>76,404</u>	<u>76,404</u>				
Total Expenditures	<u>2,053,850</u>	<u>618,200</u>	<u>1,435,650</u>	<u>1,937,498</u>	<u>746,109</u>	<u>1,191,389</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						
BEGINNING FUND BALANCES						
ENDING FUND BALANCES						



MARE ISLAND BASE REUSE			MARE ISLAND CFD 2002			MARE ISLAND CFD 2005 1A (State)		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$1,489,437	\$1,173,052	(\$316,385)			
\$245,000	\$341,531	\$96,531	25,000	29,122	4,122	\$5,000	\$2,659	(\$2,341)
98,000	54,885	(43,115)	2,809,634	2,900,342	90,708	185,000	185,004	4
				1,087	1,087			
343,000	396,416	53,416	4,324,071	4,103,603	(220,468)	190,000	187,663	(2,337)
670,535	445,194	225,341						
			1,779,000	1,578,000	201,000			
			683,000	594,259	88,741			
			2,001,532	1,219,708	781,824	366,982	285,108	81,874
				68,986	(68,986)			
670,535	445,194	225,341	4,463,532	3,460,953	1,002,579	366,982	285,108	81,874
(327,535)	(48,778)	278,757	(139,461)	642,650	782,111	(176,982)	(97,445)	79,537
			150,000	150,115	115			
			150,000	150,115	115			
<u>(\$327,535)</u>	<u>(48,778)</u>	<u>\$278,757</u>	<u>\$10,539</u>	<u>792,765</u>	<u>\$782,226</u>	<u>(\$176,982)</u>	<u>(97,445)</u>	<u>\$79,537</u>
	<u>1,219,369</u>			<u>3,682,816</u>			<u>313,581</u>	
	<u>\$1,170,591</u>			<u>\$4,475,581</u>			<u>\$216,136</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, 2014

	MARE ISLAND CFD 2005 1B (Local)			STATE GAS TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental				\$3,547,092	\$3,939,556	\$392,464
Use of money and property	\$7,000	\$7,713	\$713	1,723	2,288	565
Charges for services	112,250	112,254	4	332,000	345,450	13,450
Other				27,500	35,733	8,233
Total Revenues	<u>119,250</u>	<u>119,967</u>	<u>717</u>	<u>3,908,315</u>	<u>4,323,027</u>	<u>414,712</u>
EXPENDITURES						
Current:						
Executive						
Development services						
Community development						
Fire services						
Police services						
Public works	6,530	7,647	(1,117)	2,608,564	2,523,735	84,829
Nondepartmental						
Total Expenditures	<u>6,530</u>	<u>7,647</u>	<u>(1,117)</u>	<u>2,608,564</u>	<u>2,523,735</u>	<u>84,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>112,720</u>	<u>112,320</u>	<u>(400)</u>	<u>1,299,751</u>	<u>1,799,292</u>	<u>499,541</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(1,315,266)	(1,315,266)	
Total Other Financing Sources (Uses)				<u>(1,315,266)</u>	<u>(1,315,266)</u>	
NET CHANGE IN FUND BALANCES	<u>\$112,720</u>	<u>112,320</u>	<u>(\$400)</u>	<u>(\$15,515)</u>	<u>484,026</u>	<u>\$499,541</u>
BEGINNING FUND BALANCES		<u>767,723</u>				
ENDING FUND BALANCES		<u>\$880,043</u>			<u>\$484,026</u>	

SOLID WASTE DISPOSAL			HIDDENBROOKE COMMUNITY SERVICES DISTRICT			LANDSCAPE MAINTENANCE DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$5,400	\$5,790	\$390						
64,000	42,873	(21,127)						
	3,869	3,869	\$19,515	\$20,426	\$911	\$55,279	\$59,381	\$4,102
1,488,000	1,490,134	2,134	720,744	723,983	3,239	2,887,332	3,000,048	112,716
							1,138	1,138
<u>1,557,400</u>	<u>1,544,927</u>	<u>(12,473)</u>	<u>740,259</u>	<u>744,409</u>	<u>4,150</u>	<u>2,942,611</u>	<u>3,060,567</u>	<u>117,956</u>
1,592,881	1,545,015	47,866	1,046,085	565,964	480,121	2,692,987	2,111,273	581,714
<u>1,592,881</u>	<u>1,545,015</u>	<u>47,866</u>	<u>1,046,085</u>	<u>565,964</u>	<u>480,121</u>	<u>2,692,987</u>	<u>2,111,273</u>	<u>581,714</u>
<u>(35,481)</u>	<u>(88)</u>	<u>35,393</u>	<u>(305,826)</u>	<u>178,445</u>	<u>484,271</u>	<u>249,624</u>	<u>949,294</u>	<u>699,670</u>
						14,900	344	(14,556)
						14,900	344	(14,556)
<u>(\$35,481)</u>	<u>(88)</u>	<u>\$35,393</u>	<u>(\$305,826)</u>	<u>178,445</u>	<u>\$484,271</u>	<u>\$264,524</u>	<u>949,638</u>	<u>\$685,114</u>
	<u>88</u>			<u>2,087,195</u>			<u>5,800,853</u>	
				<u>\$2,265,640</u>			<u>\$6,750,491</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, 2014

	ASSET SEIZURE			TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees				\$150,000	\$145,728	(\$4,272)
Fines and forfeitures	\$100,000	\$118,535	\$18,535			
Intergovernmental						
Use of money and property	7,000	10,000	3,000		567	567
Charges for services						
Other		5,000	5,000			
Total Revenues	107,000	133,535	26,535	150,000	146,295	(3,705)
EXPENDITURES						
Current:						
Executive						
Development services						
Community development						
Fire services						
Police services	235,000	190,973	44,027	150,000	146,295	3,705
Public works						
Total Expenditures	235,000	190,973	44,027	150,000	146,295	3,705
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(128,000)	(57,438)	70,562			
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	(\$128,000)	(57,438)	\$70,562			
BEGINNING FUND BALANCES		856,951				
ENDING FUND BALANCES		\$799,513				

OFFICE OF TRAFFIC SAFETY			JUSTICE ASSISTANCE GRANT			SUPPLEMENTAL LAW ENFORCEMENT GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$578,150	\$401,159	(\$176,991)	\$75,000	\$72,610	(\$2,390)	\$186,000	\$191,761	\$5,761
				372	372		1,857	1,857
<u>578,150</u>	<u>401,159</u>	<u>(176,991)</u>	<u>75,000</u>	<u>72,982</u>	<u>(2,018)</u>	<u>186,000</u>	<u>193,618</u>	<u>7,618</u>
578,150	401,159	176,991	75,000	72,982	2,018	345,118	245,529	99,589
<u>578,150</u>	<u>401,159</u>	<u>176,991</u>	<u>75,000</u>	<u>72,982</u>	<u>2,018</u>	<u>345,118</u>	<u>245,529</u>	<u>99,589</u>
						<u>(159,118)</u>	<u>(51,911)</u>	<u>107,207</u>
						<u>(\$159,118)</u>	<u>(51,911)</u>	<u>\$107,207</u>
							<u>159,117</u>	
							<u>\$107,206</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, 2014

	CADET PROGRAM			OUTSIDE SERVICES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property		\$674	\$674	\$3,000	\$4,395	\$1,395
Charges for services	\$20,000	121	(19,879)	500,000	196,719	(303,281)
Other	5,000	1,818	(3,182)			
Total Revenues	25,000	2,613	(22,387)	503,000	201,114	(301,886)
EXPENDITURES						
Current:						
Executive						
Development services				200,000	161,027	38,973
Community development						
Fire services						
Police services	25,000	121	24,879			
Public works				300,000	35,692	264,308
Nondepartmental						
Total Expenditures	25,000	121	24,879	500,000	196,719	303,281
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		2,492	2,492	3,000	4,395	1,395
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(3,000)	(4,395)	(1,395)
Total Other Financing Sources (Uses)				(3,000)	(4,395)	(1,395)
NET CHANGE IN FUND BALANCES		2,492	\$2,492			
BEGINNING FUND BALANCES		68,817				
ENDING FUND BALANCES		\$71,309				

STATE LANDS			HAZMAT REVOLVING FUND			ADMINISTRATIVE TRUST FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$227,384	\$187,414 250	(\$39,970) 250	\$1,600 40,000	\$1,217 40,000	(\$383)	\$18,500 4,000 12,305	\$5,509 117	(\$12,991) (4,000) (12,188)
<u>227,384</u>	<u>187,664</u>	<u>(39,720)</u>	<u>41,600</u>	<u>41,217</u>	<u>(383)</u>	<u>34,805</u>	<u>5,626</u>	<u>(29,179)</u>
						9,305	117	
206,676	114,800	91,876	88,700	88,700		7,000		7,000
<u>206,676</u>	<u>114,800</u>	<u>91,876</u>	<u>88,700</u>	<u>88,700</u>		<u>16,305</u>	<u>117</u>	<u>7,000</u>
<u>20,708</u>	<u>72,864</u>	<u>52,156</u>	<u>(47,100)</u>	<u>(47,483)</u>	<u>(383)</u>	<u>18,500</u>	<u>5,509</u>	<u>(12,991)</u>
<u>(20,709)</u>	<u>(72,864)</u>	<u>(52,155)</u>				<u>(18,500)</u>	<u>(5,509)</u>	<u>12,991</u>
<u>(20,709)</u>	<u>(72,864)</u>	<u>(52,155)</u>				<u>(18,500)</u>	<u>(5,509)</u>	<u>12,991</u>
<u>(\$1)</u>		<u>\$1</u>	<u>(\$47,100)</u>	<u>(47,483)</u>	<u>(\$383)</u>			
				<u>114,860</u>				
				<u>\$67,377</u>				

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**INTERNAL SERVICE FUNDS**

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

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2014

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
<b>ASSETS</b>						
Cash and investments	\$6,084,007	\$10,731,536	\$19,050	\$2,926,725		\$19,761,318
Accounts receivable		159,601	138,013			297,614
Due from other governments			1,015	58,502		59,517
Due from other funds		2,667,679				2,667,679
Materials, parts, and supplies	180,130					180,130
Capital assets, net	2,938,297					2,938,297
<b>Total Assets</b>	<b>9,202,434</b>	<b>13,558,816</b>	<b>158,078</b>	<b>2,985,227</b>		<b>25,904,555</b>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued liabilities	143,808	46,160	74,185	2,902,645		3,166,798
Claims payable, current		3,552,821				3,552,821
Employee benefits payable, current	56,090	12,158	83,893	24,080		176,221
<b>Current liabilities</b>	<b>199,898</b>	<b>3,611,139</b>	<b>158,078</b>	<b>2,926,725</b>		<b>6,895,840</b>
<b>Long-term liabilities:</b>						
Claims payable		12,314,179				12,314,179
Employee benefits payable, long term	77,472	8,726		13,115,031		13,201,229
<b>Total Liabilities</b>	<b>277,370</b>	<b>15,934,044</b>	<b>158,078</b>	<b>16,041,756</b>		<b>32,411,248</b>
<b>NET POSITION (DEFICITS)</b>						
Net investment in capital assets	2,938,297					2,938,297
Unrestricted	5,986,767	(2,375,228)		(13,056,529)		(9,444,990)
<b>Total Net Position (Deficits)</b>	<b>\$8,925,064</b>	<b>(\$2,375,228)</b>		<b>(\$13,056,529)</b>		<b>(\$6,506,693)</b>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$3,973,368	\$6,591,795		\$8,976,851		\$19,542,014
Other	39,082	22,300				61,382
Total operating revenues	<u>4,012,450</u>	<u>6,614,095</u>		<u>8,976,851</u>		<u>19,603,396</u>
<b>OPERATING EXPENSES</b>						
Operating expenses	2,656,311	1,398,273		3,006,161		7,060,745
Insurance and claims		5,067,321				5,067,321
Depreciation	997,225					997,225
Total operating expenses	<u>3,653,536</u>	<u>6,465,594</u>		<u>3,006,161</u>		<u>13,125,291</u>
Operating income (loss)	<u>358,914</u>	<u>148,501</u>		<u>5,970,690</u>		<u>6,478,105</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income (expense)	53,310	102,769		35,045		191,124
Intergovernmental						
Total nonoperating revenues (expenses)	<u>53,310</u>	<u>102,769</u>		<u>35,045</u>		<u>191,124</u>
Income (loss) before transfers	<u>412,224</u>	<u>251,270</u>		<u>6,005,735</u>		<u>6,669,229</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Gain on sale of assets	60,407					60,407
Transfers in	459	500,000				500,459
Transfers (out)					(\$33,514)	(33,514)
Total other financing sources (uses)	<u>60,866</u>	<u>500,000</u>			<u>(33,514)</u>	<u>527,352</u>
Change in net position	473,090	751,270		6,005,735	(33,514)	7,196,581
BEGINNING NET POSITION (DEFICIT)	<u>8,451,974</u>	<u>(3,126,498)</u>		<u>(19,062,264)</u>	<u>33,514</u>	<u>(13,703,274)</u>
ENDING NET POSITION (DEFICIT)	<u>\$8,925,064</u>	<u>(\$2,375,228)</u>		<u>(\$13,056,529)</u>		<u>(\$6,506,693)</u>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Bankruptcy Claims	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$4,055,132	\$6,537,612		\$8,976,851		\$19,569,595
Payments to suppliers	(1,801,335)	(662,024)				(2,463,359)
Payments to or on behalf of employees	(804,282)	(716,123)	(\$314,378)	(10,097,223)	(\$17,164)	(11,949,170)
Claims paid		(4,233,321)				(4,233,321)
<b>Cash Flows from Operating Activities</b>	<b>1,449,515</b>	<b>926,144</b>	<b>(314,378)</b>	<b>(1,120,372)</b>	<b>(17,164)</b>	<b>923,745</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	459	500,000				500,459
Transfers out					(33,514)	(33,514)
Intergovernmental (payments) receipts		954,537		(58,502)		896,035
<b>Cash Flows from Noncapital Financing Activities</b>	<b>459</b>	<b>1,454,537</b>		<b>(58,502)</b>	<b>(33,514)</b>	<b>1,362,980</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from sale of capital assets	97,428					97,428
Acquisition of capital assets	(943,433)					(943,433)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(846,005)</b>					<b>(846,005)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest	53,310	102,769		35,045		191,124
<b>Cash Flows from Investing Activities</b>	<b>53,310</b>	<b>102,769</b>		<b>35,045</b>		<b>191,124</b>
<b>Net Cash Flows</b>	<b>657,279</b>	<b>2,483,450</b>	<b>(314,378)</b>	<b>(1,143,829)</b>	<b>(50,678)</b>	<b>1,631,844</b>
Cash and investments at beginning of period	5,426,728	8,248,086	333,428	4,070,554	50,678	18,129,474
Cash and investments at end of period	<u>\$6,084,007</u>	<u>\$10,731,536</u>	<u>\$19,050</u>	<u>\$2,926,725</u>	<u>\$17,164</u>	<u>\$19,761,318</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>						
Operating income (loss)	\$358,914	\$148,501		\$5,970,690		\$6,478,105
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	997,225					997,225
Change in assets and liabilities:						
Receivables, net	42,682	(76,483)	(\$90,577)			(124,378)
Other assets	43,127					43,127
Accounts payable and accrued liabilities	(2,298)	16,275	74,185	2,902,645		2,990,807
Employee benefits payable	9,865	3,851	(297,986)	(9,993,707)	(\$17,164)	(10,295,141)
Claims payable		834,000				834,000
<b>Cash Flows from Operating Activities</b>	<b>\$1,449,515</b>	<b>\$926,144</b>	<b>(314,378)</b>	<b>(1,120,372)</b>	<b>(17,164)</b>	<b>\$923,745</b>
<b>Non cash transactions:</b>						
Retirement of capital assets, net	(\$37,021)					(\$37,021)

## **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, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<u>NE Quadrant Assessment District 2003-B</u>				
<u>Assets</u>				
Restricted cash and investments	\$268,721	\$160,871	\$152,567	\$277,025
Total Assets	\$268,721	\$160,871	\$152,567	\$277,025
<u>Liabilities</u>				
Due to bondholders	\$268,721	\$160,871	\$152,567	\$277,025
Total Liabilities	\$268,721	\$160,871	\$152,567	\$277,025
 <u>Hiddenbrooke Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$3,175,760	\$3,341,473	\$3,175,760	\$3,341,473
Restricted cash and investments	3,121,054	3,094,961	3,121,054	3,094,961
Total Assets	\$6,296,814	\$6,436,434	\$6,296,814	\$6,436,434
<u>Liabilities</u>				
Due to bondholders	\$6,296,814	\$6,436,434	\$6,296,814	\$6,436,434
Total Liabilities	\$6,296,814	\$6,436,434	\$6,296,814	\$6,436,434

CITY OF VALLEJO  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>NE Quadrant Improvement District 2003-01</u>				
<u>Assets</u>				
Cash and investments	\$523,492	\$523,625	\$523,492	\$523,625
Restricted cash and investments	594,875			594,875
Total Assets	<u>\$1,118,367</u>	<u>\$523,625</u>	<u>\$523,492</u>	<u>\$1,118,500</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$1,118,367</u>	<u>\$523,625</u>	<u>\$523,492</u>	<u>\$1,118,500</u>
Total Liabilities	<u>\$1,118,367</u>	<u>\$523,625</u>	<u>\$523,492</u>	<u>\$1,118,500</u>
 <u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$3,699,252	\$3,865,098	\$3,699,252	\$3,865,098
Restricted cash and investments held with fiscal agent	3,984,650	3,255,832	3,273,621	3,966,861
Total Assets	<u>\$7,683,902</u>	<u>\$7,120,930</u>	<u>\$6,972,873</u>	<u>\$7,831,959</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$7,683,902</u>	<u>\$7,120,930</u>	<u>\$6,972,873</u>	<u>\$7,831,959</u>
Total Liabilities	<u>\$7,683,902</u>	<u>\$7,120,930</u>	<u>\$6,972,873</u>	<u>\$7,831,959</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										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<b>Governmental activities:</b>											
Net Investment in Capital Assets	\$ 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	\$ 318,630,233	
Restricted	135,874,545	136,337,716	119,741,965	102,874,303	85,263,689	81,295,175	84,076,839	67,066,468	65,402,869	70,125,586	
Unrestricted	(15,725,473)	(15,929,104)	(18,810,903)	(22,169,645)	(26,867,493)	(17,973,163)	(16,698,219)	(949,135)	356,086	9,621,946	
Total governmental activities net position	\$ 380,766,111	\$ 374,714,683	\$ 361,176,082	\$ 345,252,869	\$ 324,619,671	\$ 336,730,053	\$ 367,633,439	\$ 385,218,767	\$ 383,743,678	\$ 398,377,765	
<b>Business-type activities:</b>											
Net Investment in Capital Assets	\$ 218,315,891	\$ 200,899,895	\$ 215,396,608	\$ 209,721,546	\$ 203,332,924	\$ 197,992,367	\$ 218,549,566	\$ 70,577,833	\$ 39,076,148	\$ 40,466,687	
Restricted	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	5,253,775	
Unrestricted	6,179,510	12,397,504	67,6754	35,217,209	38,002,659	33,507,221	41,110,758	24,728,431	20,942,101	23,707,740	
Total business-type activities net position	\$ 266,212,107	\$ 263,227,474	\$ 263,348,584	\$ 291,304,141	\$ 282,846,724	\$ 275,348,541	\$ 302,094,541	\$ 99,847,542	\$ 64,325,157	\$ 69,428,202	
<b>Primary government:</b>											
Net Investment in Capital Assets	\$ 478,932,930	\$ 455,205,966	\$ 475,641,628	\$ 474,269,757	\$ 469,556,399	\$ 471,400,408	\$ 518,804,385	\$ 389,679,267	\$ 357,060,871	\$ 359,096,920	
Restricted	177,591,251	186,267,791	167,017,187	149,239,689	126,774,830	125,144,128	126,511,056	71,607,746	69,709,777	75,379,361	
Unrestricted	(9,545,963)	(3,531,600)	(18,134,149)	13,047,564	11,135,166	15,534,058	24,412,539	23,779,296	21,298,187	33,329,686	
Total primary government net position	\$ 646,978,218	\$ 637,942,157	\$ 624,524,666	\$ 636,557,010	\$ 607,466,395	\$ 612,078,594	\$ 669,727,980	\$ 485,066,309	\$ 448,068,835	\$ 467,805,967	

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 Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

### CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year Ending June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
Legislative and Advisory	\$ 322,556	\$ 327,583	\$ 277,713	\$ 285,594	\$ 230,008	\$ 125,753	\$ 181,654	\$ 220,581	\$ 304,333	\$ 213,736
Executive	1,307,999	1,335,818	1,443,648	686,783	515,508	922,039	513,771	2,442,285	3,012,974	3,844,344
Finance	1,479,210	1,952,829	2,061,912	1,216,526	1,843,470	1,631,483	1,654,657	798,688	1,382,283	1,770,592
Human Resources	1,041,490	1,273,713	1,325,483	668,458	500,773	499,447	556,953	962,813	1,026,415	930,294
Law	687,908	722,436	860,128	867,418	907,159	760,735	719,025	503,754	1,158,594	1,079,614
Development Services	3,188,959	3,681,143	2,839,027	3,252,585	2,612,545	1,986,757	2,616,595	2,346,911	2,180,055	2,504,558
Community Development	51,914,880	37,306,492	44,540,545	33,498,889	38,289,355	39,370,106	36,122,330	27,382,802	33,586,418	32,366,219
Fire services	23,985,109	25,373,064	29,682,741	27,464,830	24,629,574	15,796,657	17,484,072	19,054,650	23,480,073	23,628,510
Police services	34,720,623	37,892,335	41,702,454	43,073,607	37,381,874	29,586,690	29,812,069	32,241,212	37,952,439	31,968,288
Public Works	14,793,797	25,854,625	24,422,136	25,984,476	22,384,992	19,014,211	19,003,755	20,936,214	23,495,632	24,633,518
Nondepartmental	11,710,331	6,826,980	7,284,198	11,045,020	11,426,993	9,251,587	5,000,249	5,134,037	-	-
Depreciation (not allocated)	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	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	196,404
Total governmental activities expenses	147,608,045	145,250,867	159,089,950	150,738,832	143,229,142	121,709,659	115,888,937	112,790,928	127,788,270	123,136,077
Business-type activities:										
Water	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	34,534,260
Local Transportation	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	65,305	-	-	-	-	-	-	-	-	-
Sanitation & Flood Control	22,672,873	24,902,110	26,012,630	27,478,992	28,865,210	29,261,276	29,284,313	-	-	-
Marine World JPA	54,198,128	58,203,991	55,980,978	40,016,158	0	0	-	-	-	-
Other proprietary funds	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	5,230,382
Total business-type activities expenses	133,733,149	149,278,560	149,085,613	132,817,516	94,770,629	94,639,370	94,060,762	52,664,694	41,734,607	39,764,642
Total primary government expenses	\$ 281,341,194	\$ 294,529,427	\$ 308,175,563	\$ 283,556,348	\$ 237,999,771	\$ 216,349,029	\$ 209,949,699	\$ 165,455,622	\$ 169,522,877	\$ 162,900,719
<b>Program Revenues</b>										
Governmental activities:										
Charges for services	\$ 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	\$ 18,819,481
Operating grants and contributions	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	38,596,729
Capital grants and contributions	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	5,661,868
Total governmental activities program revenues	73,598,295	67,251,875	66,317,210	49,576,065	45,278,061	64,141,335	77,222,939	68,390,499	58,359,834	63,078,078
Business-type activities:										
Charges for services	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	42,589,807
Operating grants and contributions	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	0
Capital grants and contributions	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	331,315
Total business-type activities program revenues	128,806,090	143,864,231	144,989,428	130,719,578	88,377,271	86,366,064	118,049,770	60,268,825	42,010,633	42,921,122
Total primary government program revenues	\$ 202,404,385	\$ 211,116,106	\$ 211,306,638	\$ 180,295,643	\$ 133,655,332	\$ 150,507,399	\$ 195,272,709	\$ 128,659,324	\$ 100,370,467	\$ 105,999,200
Net revenue/(expense)	\$ (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)	\$ (60,057,999)
Governmental activities	(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	3,156,480
Business-type activities	\$ (78,936,809)	\$ (83,413,321)	\$ (96,868,925)	\$ (103,260,705)	\$ (104,344,439)	\$ (65,841,630)	\$ (14,676,990)	\$ (36,796,298)	\$ (69,152,410)	\$ (56,901,519)
Total primary government net expense										

### CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year Ending June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>(Continued)</b>										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 14,346,058
Incremental property taxes	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	-	-	-	-	-	-	-	-	-	-
Sales taxes	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	25,583,330
Utility user taxes	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	12,610,733
Motor vehicles	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	7,640,132
Other taxes	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	9,948,063
Mare Island CFD Assessments	-	-	-	5,311,886	5,022,136	3,499,675	2,099,096	-	-	-
Investment earnings	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	679,347
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	102,447
Miscellaneous	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	3,837,952
Capital contributions from developers	-	-	-	-	-	-	6,917,609	-	-	-
Debt Restructuring Adjustment	-	-	-	-	-	-	-	1,075,176	-	-
Assets transferred to/liabilities assumed by Successor Agency	-	-	-	-	-	-	-	(4,483,759)	-	1,535,778
Transfers	1,109,605	190,988	72,871	1,352,629	(621,487)	2,270,320	(372,100)	438,038	(4,401,612)	(1,591,754)
Total governmental activities	74,901,498	71,947,564	79,234,138	85,239,554	77,317,883	69,678,706	72,321,384	61,985,757	67,953,347	74,692,086
Business-type activities:										
Property taxes	286,096	-	-	-	-	-	-	-	-	-
Investment earnings	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	354,811
Miscellaneous	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	(1,109,605)	(190,988)	(72,871)	(1,352,629)	621,487	(2,270,320)	372,100	(438,038)	4,401,612	1,591,754
Total business-type activities	4,481,453	1,396,276	4,217,295	30,053,495	(2,064,059)	775,123	2,756,992	(18,445,487)	(35,798,411)	1,946,565
Total primary government	\$ 79,382,951	\$ 73,343,840	\$ 83,451,433	\$ 115,293,049	\$ 75,253,824	\$ 70,453,829	\$ 75,078,376	\$ 43,540,270	\$ 32,154,936	\$ 76,638,651
<b>Change in Net Position</b>										
Governmental activities	\$ 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)	\$ 14,634,087
Business-type activities	(445,606)	(4,018,053)	121,110	27,955,557	(8,457,417)	(7,498,183)	26,746,000	(10,841,356)	(35,522,385)	5,103,045
Total primary government	\$ 446,142	\$ (10,069,481)	\$ (13,417,492)	\$ 12,032,344	\$ (29,090,615)	\$ 4,612,199	\$ 60,401,386	\$ 6,743,972	\$ (36,997,474)	\$ 19,737,132

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 retrospectively 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)

	Fiscal Year Ending June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 1,926,691	\$ 2,117,143	\$ 1,774,947	\$ 2,059,564	\$ 1,928,641	\$ 2,004,567	\$ -	\$ -	\$ -	\$ -
Unreserved	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	1,294,967
Restricted	-	-	-	-	-	-	208,435	242,919	241,179	249,697
Committed	-	-	-	-	-	-	350,685	381,709	356,245	2,617,267
Assigned	-	-	-	-	-	-	304,729	9,874,285	5,233,259	7,910,909
Unassigned	-	-	-	-	-	-	6,340,374	11,084,523	9,797,270	6,944,336
Total General Fund	\$ 13,856,344	\$ 10,856,672	\$ 7,021,397	\$ 3,513,040	\$ 4,325,868	\$ 5,839,440	\$ 13,713,266	\$ 22,899,017	\$ 16,931,574	\$ 19,017,176
All Other Governmental Funds										
Reserved	\$ 76,608,552	\$ 75,584,065	\$ 68,287,067	\$ 106,524,043	\$ 88,606,846	\$ 83,361,340	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	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	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	240,832
Restricted	-	-	-	-	-	-	75,195,891	54,463,122	52,151,109	55,992,171
Committed	-	-	-	-	-	-	1,890,263	3,087,235	9,799,861	9,045,767
Assigned	-	-	-	-	-	-	2,423	1,883	3,088	196,806
Unassigned	-	-	-	-	-	-	(6,390,906)	-	-	-
Total all other governmental funds	\$ 136,038,672	\$ 136,449,140	\$ 116,569,043	\$ 101,874,139	\$ 83,954,714	\$ 79,162,215	\$ 74,595,743	\$ 57,654,312	\$ 62,056,130	\$ 65,475,576

CITY OF VALLEJO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year Ending June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Taxes	\$ 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	\$ 62,488,184
Licenses and permits	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	2,457,440
Fines and forfeitures	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	2,337,703
Intergovernmental	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	50,356,902
Investment income	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	2,962,200
Charges for services	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	16,714,747
Contributions from property owners	-	-	-	-	-	-	-	-	-	-
Other	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	505,843
Total revenues	147,718,673	139,695,983	145,363,280	131,389,500	121,948,379	130,354,621	139,373,017	131,638,994	131,171,083	137,823,019
<b>Expenditures</b>										
<b>Current:</b>										
Legislative and Advisory	311,994	323,174	270,743	292,370	215,485	152,693	180,050	219,289	275,664	207,903
Executive	1,413,534	1,374,916	1,425,841	736,846	621,003	958,688	530,814	2,221,478	2,747,243	3,600,970
Finance	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	1,636,027
Human resources	973,717	1,282,442	1,319,304	723,493	553,254	542,961	542,742	986,692	993,835	868,575
Law	628,677	764,614	871,733	892,284	863,429	812,432	702,882	592,192	1,027,329	1,116,788
Development services	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	2,604,498
Community Development	52,217,190	39,856,041	46,712,048	33,707,475	38,999,888	40,552,498	35,884,630	32,372,627	32,516,830	31,197,117
Fire services	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	23,462,547
Police services	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	34,139,510
Public works	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	14,543,079
Redevelopment and housing	-	-	-	-	-	-	-	-	-	-
Nondepartmental	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	7,516,587
Capital Outlay	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	8,826,479
Debt service:										
Principal	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	397,268
Interest	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	186,276
Total expenditures	147,264,482	140,671,978	169,803,553	153,259,051	138,541,071	133,556,936	134,599,811	126,187,191	131,800,491	130,303,624
Excess (deficiency) of revenues over (under) expenditures	454,191	(975,995)	(24,440,273)	(21,869,551)	(16,592,692)	(3,202,315)	4,773,206	5,451,803	(629,408)	7,519,395
Other financing sources (uses):										
Gain (loss) on sale of assets	-	-	-	-	-	381,327	119,428	-	-	44,352
Transfers in	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	7,321,809
Transfers out	(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)	(9,380,508)
Proceeds from long-term debt issuance	-	-	661,320	411,052	-	1,023,741	75,860	78,766	79,692	-
Provision for collectibility	-	-	-	-	-	(2,752,000)	-	-	-	-
Total other financing sources (uses)	509,605	(1,613,209)	724,900	3,666,290	(513,905)	(76,612)	(1,465,852)	(533,196)	(936,217)	(2,014,347)
Extraordinary Item:										
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor	-	-	-	-	-	-	-	(12,674,287)	-	-
Net change in fund balances	\$ 963,796	\$ (2,589,204)	\$ (23,715,373)	\$ (18,203,261)	\$ (17,106,597)	\$ (3,278,927)	\$ 3,307,354	\$ (7,755,680)	\$ (1,565,625)	\$ 5,505,048
Beginning fund balance	\$ 148,931,220	\$ 149,895,016	\$ 147,305,813	\$ 123,590,440	\$ 105,387,179	\$ 88,280,582	\$ 85,001,655	\$ 88,309,009	\$ 80,553,329	\$ 78,987,704
Prior period adjustments	-	-	-	-	-	-	-	-	-	-
Ending fund balance	\$ 149,895,016	\$ 147,305,812	\$ 123,590,440	\$ 105,387,179	\$ 88,280,582	\$ 85,001,655	\$ 88,309,009	\$ 80,553,329	\$ 78,987,704	\$ 84,492,752
Debt service as a percentage of noncapital expenditures	6%	3%	5%	3%	3%	3%	2%	6%	0%	0%

**CITY OF VALLEJO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Assessed Value and Estimated Actual Value of Taxable Property**

**Last Ten 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	0.246222%
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	0.246222%
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	0.246222%
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	0.246222%
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	0.246222%
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	0.246222%
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	0.246222%
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	0.246222%
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	0.246222%
2014	8,014,862,817	198,012,673	113,370	(974,787,981)	7,238,200,879	321,057,973	53,344,811	132,592	(55,306,295)	319,229,081	0.246222%

**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.

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>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>	<u>2014</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>0.246223</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	0.246223	0.246223	0.246223	0.246223	0.246223
Overlapping Rates:										
Acc Capital Outlay	0.00807	0.00807	0.00807	0.00807	0.00807	0.008070	0.008070	0.008070	0.008070	0.008070
Aviation	0.00119	0.00119	0.00119	0.00119	0.00119	0.001190	0.001190	0.001190	0.001190	0.001190
BAAQMD	0.00219	0.00219	0.00219	0.00219	0.00219	0.002194	0.002194	0.002194	0.002194	0.002194
County Free Library	0.02743	0.02743	0.02743	0.02743	0.02743	0.027432	0.027432	0.027432	0.027432	0.027432
County General	0.31331	0.31331	0.31331	0.31331	0.31331	0.313305	0.313305	0.313305	0.313305	0.313305
County School Service Fund Support	0.01134	0.01134	0.01134	0.01134	0.01134	0.011342	0.011342	0.011342	0.011342	0.011342
County Support-Board of Education	0.00334	0.00334	0.00334	0.00334	0.00334	0.003341	0.003341	0.003341	0.003341	0.003341
Development Center	0.00217	0.00217	0.00217	0.00217	0.00217	0.002169	0.002169	0.002169	0.002169	0.002169
GVRD	0.06490	0.06490	0.06490	0.06490	0.06490	0.064899	0.064899	0.064899	0.064899	0.064899
Library Special Tax Zone 7	0.01385	0.01385	0.01365	0.01365	0.01365	0.013649	0.013649	0.013649	0.013649	0.013649
Mosquito Abatement	0.00567	0.00567	0.00587	0.00587	0.00587	0.005871	0.005871	0.005871	0.005871	0.005871
Recreation	0.00203	0.00203	0.00203	0.00203	0.00203	0.002025	0.002025	0.002025	0.002025	0.002025
Solano Community College M&O	0.02758	0.02758	0.02758	0.02758	0.02758	0.027583	0.027583	0.027583	0.027583	0.027583
Solano County Water Agency	0.01527	0.01527	0.01527	0.01527	0.01527	0.015274	0.015274	0.015274	0.015274	0.015274
Vallejo Unified School District M&O	0.24069	0.24069	0.24069	0.24069	0.24069	0.240691	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>0.014742</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	1.000000	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	0.020000	0.020000	0.020000	0.020000	0.020000
Sc GOB Series 2005-A	0.01532	0.01643	0.01211	0.01189	0.00000	0.015375	0.016357	0.017113	0.017676	0.018196
SCC GOB 2012 Series A	-	-	-	-	-	-	-	-	-	0.013843
Vallejo Usd Measure A 2002	0.02566	0.02238	0.01852	0.01556	0.01571	0.018850	0.017413	0.016091	0.012614	0.012495
Vallejo Usd Measure A 2004	0.01620	0.00874	0.01019	0.00914	0.00962	0.012186	0.012578	0.012583	0.011873	0.013046
SCC GOB 2012 Series B	-	-	-	-	-	-	-	-	-	0.004748
Vallejo Usd Measure A 2000	0.00000	0.00000	0.00000	0.00000	0.00000	-	-	-	-	-
Vallejo Usd State Repay	0.00007	0.00001	0.00000	0.00000	0.00000	-	-	-	-	-
Vallejo Usd 2002-A GOB Refunding	0.04535	0.04267	0.03828	0.03597	0.03958	0.053689	0.075437	0.065545	0.065757	0.068503
Vallejo Usd Measure A - 2006	0.00000	0.00000	0.01643	0.01153	0.00993	0.004937	0.008040	0.006485	0.006457	0.007109
Sc GOB Series 2006B	0.00000	0.00000	0.00336	0.00269	0.00258	0.003086	0.003092	0.003043	0.002922	0.002762
Sc GOB Series 2005 Refunding	<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>	0.12260	0.11023	0.11888	0.10677	0.10981	0.128123	0.152917	0.140860	0.137299	0.160702
<b>Total Direct Rate</b>	<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>	<u>1.160702</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

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

Taxpayer	2014		2005	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Centro Watt Property Owner II	97,025,314	1.28%	\$ 65,672,800	0.91%
Park Management Corp.	70,819,529	0.94%	62,173,503	0.87%
Prime Ascot LP	57,082,444	0.76%	-	0.00%
Lennar Mare Island	48,198,468	0.64%	-	0.00%
Sundance Vallejo	33,695,528	0.45%	29,200,141	0.41%
Hart Sterling Village Apt	26,043,302	0.34%	-	0.00%
KW WDC Vallejo LLC	25,974,422	0.34%	-	0.00%
Ogino LLC	25,700,889	0.34%	-	0.00%
Lowe's	21,454,194	0.28%	-	0.00%
Alsation Land Company	19,670,731	0.26%	-	0.00%
Oakmont Properties II	-	-	15,296,541	0.21%
Misawa Homes Inc	-	-	19,356,804	0.27%
Pan Pacific Retail Partners	-	-	37,732,865	0.53%
General Mills Inc	-	-	16,345,663	0.23%
Western Pacific Housing	-	-	25,023,292	0.35%
Vallejo Venture 99 LLC	-	-	20,987,806	0.29%
Meyer Cookware	-	-	17,839,113	0.25%
<b>Top Ten Totals</b>	<b>\$ 425,664,821</b>	<b>5.63%</b>	<b>\$ 309,628,528</b>	<b>4.31%</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
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.
2014	14,207,379	14,036,515	98.80%	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
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
2014	-	-	3,725,835	13,508,076	710,248	17,944,159

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				
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
2014	53,814,629	-	25,416,179	-	79,230,808	97,174,967	3.10%	820

### 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		
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%	-
2014	-	-	-	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, 2014

FY 2013-14 Assessed Valuation Citywide Total		\$ 7,557,429,960	
Successor Agency Incremental Valuation		(319,229,081)	
FY 2013-14 Adjusted City-Only Assessed Valuation		<u>\$ 7,238,200,879</u>	
			City's Estimated
	Percentage	Total	Share of
	Applicable <sup>1</sup>	Outstanding	Overlapping
		Debt 6/30/14	Debt 6/30/14
<b>Overlapping Tax and Assessment Debt:</b>			
Solano County Community College District	19.336%	\$ 222,151,989	\$ 42,955,309
Vallejo Unified School District	98.056%	76,085,000	74,605,908
Vallejo Unified School District CFD No. 2	100.000%	20,645,000	20,645,000
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	14,440,000	14,440,000
City of Vallejo 1915 Act Bonds	100.000%	6,985,000	6,985,000
Total overlapping debt repaid with property taxes		<u>340,306,989</u>	<u>159,631,217</u>
<b>Direct and Overlapping General Fund Debt:</b>			
Solano County Certificates of Participation	18.417%	106,050,000	19,531,229
Solano County Pension Obligations	18.417%	68,945,000	12,697,601
Solano County Board of Education Certificates of Participation	18.417%	1,665,000	306,643
Vallejo Unified School District Certificates of Participation	98.056%	31,195,000	30,588,569
City of Vallejo General Fund Obligations	100.000%	41,078,519	41,078,519
Total Direct and Overlapping General Fund Debt		<u>248,933,519</u>	<u>104,202,561</u>
Overlapping Tax Increment Debt (Successor Agency):	100.000%	<u>\$ 7,755,000</u>	<u>7,755,000</u>
Total City Direct Debt			<u>\$41,078,519</u>
Total overlapping debt <sup>2</sup>			<u>\$ 230,510,259</u>
Combined Total Debt			<u>\$ 271,588,778</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 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.11%
Total Direct Debt (\$41,078,519)	0.54%
Combined Total Debt	3.59%

Ratios to Redevelopment Successor Agency Incremental Value:

Total Overlapping Tax Increment Debt	2.66%
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Source: California Municipal Statistics, Inc.

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year Ending June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed valuation	\$ 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	\$ 7,238,200,879
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,754,278,958	1,983,997,540	2,292,353,486	2,513,449,086	2,383,592,572	1,932,297,628	1,812,572,972	1,750,392,482	1,828,956,978	1,809,550,220
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	\$ 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	\$ 271,432,533
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 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	\$ 271,432,533
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.



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**CITY OF VALLEJO COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Pledged Revenue Coverage  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Water Revenue Bonds (a)					City system Coverage
	Gross Water Revenues (a)	Less Expenses (b)	Net Available Revenues	Total Debt Service (c)		
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	25,393,089	10,728,431	5,064,399	2.12	
2014	39,167,233	25,860,570	13,306,663	4,672,819	2.85	

- a) Includes operating revenues, investment earnings, contributions.
- b) Excludes depreciation and debt service payments.
- c) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

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

**Pledged Revenue Coverage  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Utility Service Charges	Less Operating Expenses	Net Available Revenues	Debt Service (Principal and Interest)				2011 Rev Bonds	2014 Rev Bonds	2011 Rev Bonds	2008 State Fund Loan	2006 COP	2004 State Fund Loan	2001 COP	1993 COP	State Revenue Fund Loans	Notes Payable	Total	Coverage Ratio
				2008 State Fund Loan	2006 COP	2004 State Fund Loan	2001 COP												
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	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	2,507,309	-	-	2,747,344	1,219,309	-	6,799,905	1.55	
2014	28,628,926	18,297,585	10,331,341	82,728	327,693	315,062	904,119	2,231,956	2,743,844	-	-	-	-	-	-	-	6,605,402	1.56	

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

**CITY OF VALLEJO**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Former Agency / Tax Increment / ROPS	Former Agency / Successor Agency (a)		Coverage
		Debt Service (b )	Interest	
		Principal		
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
2014	1,695,726	610,000	596,657	1.41

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>
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%
2014	118,470	3,130,333	26,423	8.9%

Sources:

- (1) State Department of Finance (revised)
- (2) U.S. Bureau of Economic Analysis (2005 to 2012); U.S. Census Bureau (2013 and forward)
- (3) State of California Employment Development Department (data shown is for the City)

## Top 10 Principal Employers

## Current Year and Nine Years Ago

Employer	2014		2005	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,906	6.39%	2,735	4.37%
Six Flags Discovery Kingdom	1,600	2.62%	1,660	2.65%
Vallejo Unified School District	1,600	2.62%	2,160	3.45%
Kaiser Permanente Call Center	950	1.55%	830	1.33%
Sutter Solano Medical Center	690	1.13%	600	0.96%
City of Vallejo	523	0.86%	598	0.96%
CA Highway Patrol, Regional Off	400	0.65%	300	0.48%
Touro University California	385	0.63%		0.00%
U.S. Forest Service	300	0.49%	400	0.64%
Petrochem Corporate Headquarters	225	0.37%		0.00%
U.S. Postal Service	-	0.00%	215	0.34%
TIMEC Co	-	0.00%		0.00%
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: 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>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>	<u>2014</u>
General government	62	61	49	46	45	41	40	49	60	61
Public safety	320	325	329	291	250	214	195	192	226	236
Public works	59	59	63	62	58	54	59	60	62	68
Mare Island Coop/CFD	3	2	5	2	2	2	2	2	2	2
Economic Development	20	21	23	29	26	21	22	20	18	18
Housing	24	25	22	18	17	17	17	17	17	15
Solid Waste Disp	1	1	1	-	-	-	-	-	-	-
Landscape District	5	5	6	8	8	7	4	4	4	5
Risk Management	3	3	3	2	2	2	2	2	2	2
Water	75	77	95	98	101	101	103	103	104	104
Transportation	6	6	6	5	5	5	5	5	2	-
Marina	4	3	3	3	3	3	4	4	4	4
Corp Yard	16	16	11	11	11	10	8	8	8	7
Parking Structure	-	-	-	-	-	-	-	-	-	1
<b>Total</b>	<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>	<u>523</u>

Source: City of Vallejo Adopted Budget

### Operating Indicators by Function

#### Last Ten Fiscal Years

	Fiscal Year Ending June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police:</b>										
Arrests	5,250	7,658	8,682	7,589	7,300	4,273	3,133	3,643	3,522	3,738
Parking citations issued	15,097	14,108	13,200	12,864	5,178	3,676	4,532	4,385	1,163	3,778
<b>Fire:</b>										
Number of emergency calls	10,547	11,030	11,194	11,739	12,098	12,149	12,119	12,546	12,970	12,992
Inspections (Fire Prevention)	1,079	967	1,371	947	842	1,200	675	2,122	2,667	3,925
Inspections (Code Enforcement) <sup>1</sup>	3,240	4,305	4,247	157	2,776	8,000	5,567	2,623	7,074	9,586
<b>Public works:</b>										
Street resurfacing (miles)	2.95	27.70	2.20	16.47	18.47	46.50	55	5.6	6.6	3.2
<b>Water:</b>										
New connections	559	314	139	71	31	67	51	42	5	10
Average daily consumption (thousands of gallons)	20,620	21,030	21,271	20,658	19,402	17,975	17,698	16,976	17,806	17,371
<b>Development Services:</b>										
Building permits	3,473	3,357	3,427	2,000	1,837	2,175	1,791	1,797	2,176	2,444
Housing Rental units <sup>2</sup>	2,266	2,266	2,266	2,266	2,267	2,267	2,292	2,194	2,292	2,292
Housing Vouchers <sup>3</sup>	2,210	2,105	2,041	2,036	2,156	2,147	2,149	2,292	2,133	2,062
<b>Golf course:</b>										
Golf rounds played <sup>4</sup>	114,353	96,750	112,296	87,416	82,373	65,470	64,407	66,133	73,077	73,835

<sup>1</sup> Function transferred to Code Enforcement.

<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 2005 to 2007 amounts listed represent the combined total for the following three golf courses: Joe Mortara and Blue Rocks Springs East and West Golf Courses. For 2008 and forward, amounts listed represent the combined total for the following two golf courses: Blue Rock Springs East and West Golf Courses. Beginning in 2008 the City no longer operates the Joe Mortara Golf Course. Amounts for 2014 represent 10 months of actual results which were annualized for the 12 month period.



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

	Fiscal Year Ending June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police:</b>										
Stations	4	4	4	3	3	3	3	3	3	4
<b>Fire:</b>										
Fire stations	8	8	8	6	6	6	6	6	6	6
<b>Public works:</b>										
Streets (miles)	315	350	351	351	351	351	351	351	351	351
Traffic signals	134	134	151	151	148	148	148	123	123	123
<b>Water:</b>										
Water mains (miles)	605	622	623	623	624	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
<b>Golf Course:</b>										
Municipal golf courses	3	3	3	2	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.

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