

# CITY OF VALLEJO CALIFORNIA



(Hiddenbrooke Golf Club)

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

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FOR THE FISCAL YEAR ENDED JUNE 30, 2015



**CITY OF VALLEJO, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

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CITY OF VALLEJO, CALIFORNIA

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2015

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January 14, 2016

**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 2015 Comprehensive Annual Financial Report (CAFR) for 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, 2015, 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 (GAAP).

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, 2015, 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 an estimated population of 119,683, 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 fog 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, automobile 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 in which 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 to serve as the chief administrative officer of the City. The City Manager 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 City of Vallejo's governing body is elected by the citizens in a general, popular election. 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, elected on a nonpartisan basis, consists of six members elected by the community at-large to four-year, staggered terms, with three Council members elected every two years.

The City provides a wide range of municipal services, including public safety (police and fire protection), a municipal water system, street maintenance and other public works infrastructure functions, housing assistance, golf courses, planning, building inspection, public marina, and general administration. The separate Greater Vallejo Recreation District (GVRD) provides for Parks and Recreation programs and services, Water Emergency Transport Agency (WETA) provides for ferry services and Solano County Transit (SolTrans) provides bus services.

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

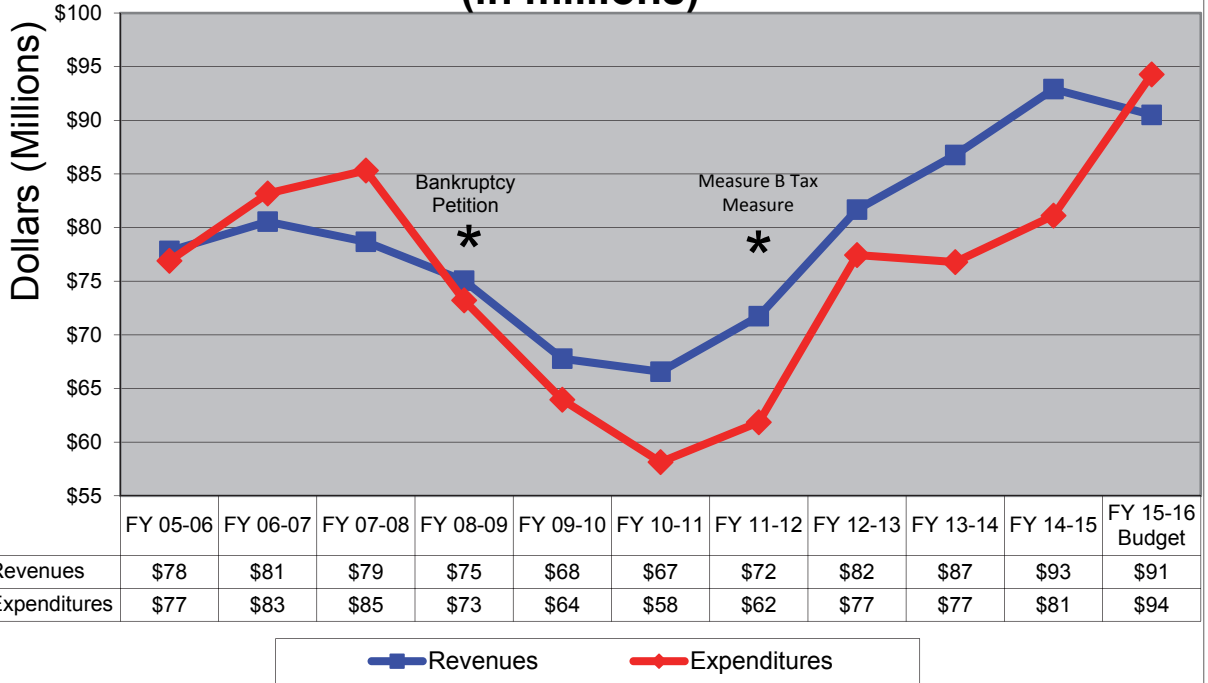
## ECONOMIC CONDITION AND OUTLOOK

Recent economic news indicates that the City's revenue base has stabilized and is slowly gaining 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 clear signs of recovery.

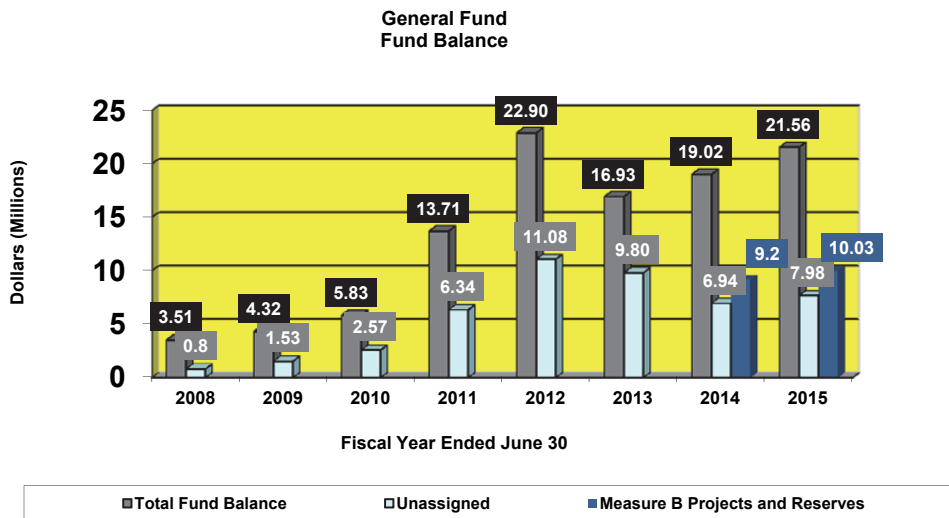
**State Budget** – According to the California 2015-16 State Budget, the 2015 Budget Act pays down debt and saves for a rainy day as it implements the first year of Proposition 2. In addition, it increases spending on education, health care, in home supportive services, workforce development, drought assistance and the judiciary. It establishes the state's first earned income tax credit to help the state's poorest working families, and an amnesty program that will help many Californians pay past due court ordered debt to regain their drivers' licenses. Despite stronger revenues compared to a year ago, the state budget remains precariously balanced. Still, the fiscal stability gained from a balanced state budget and a recovering state economy, has been a welcome reprieve from a decade of budget deficits.

**Revenues and Local Sales Tax Increase** - In November 2011, Vallejo voters passed Measure B, establishing a one percent transaction and use tax. This general tax, similar to a sales tax, became effective on April 1, 2012, and has a 10-year sunset. The tax is currently generating \$13 million annually in new revenues. Strategic allocation of these revenues towards specific 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 several years. The following chart tracks the 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 (in millions)



**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 ended June 30, 2015, as compared with the seven prior years. Certain Measure B revenues have been committed to projects and assigned to 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.



**Pension Accounting Standards** – The City has implemented new pension accounting standards during 2014-15, in compliance with the Government Accounting Standards Board’s guidance. A new Net Pension Liability of \$224 million has been recorded as of June 30, 2015. In terms of magnitude, this balance is larger than the total of all other bond and long-term liabilities combined. As noted in the MD&A portion of this document, these new pension accounting standards respond to public interest in government pensions and provide new transparency concerning the City’s pension obligations and their funding.

**Pension and Other Post Employment Benefit (OPEB) Obligations** – A continued concern for California cities are notable obligations for pensions and Other Post-Employment Benefits (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 in future years. During 2014-15, the City contributed 51% and 30% of employee salary to its Safety and Miscellaneous pension plans, respectively. Prior projections from actuarial valuations (June 2013) show rates at risk of increasing to 62% (Safety) and 35% (Miscellaneous) in the 2016-17 fiscal year.

The City has taken steps previously to mitigate both this PERS rate increase, and its OPEB retiree health obligations. In 2013, the City proactively made a supplemental contribution of \$6.5 million to PERS to begin plan stabilization. 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 its OPEB obligation, and a follow-up contribution of \$2.4 million in 2014-15.

**Fiscal Stability** – During the past fiscal year, the City has made significant progress towards the goal of fiscal stability, including: City Council approving the City’s second structurally balanced budget in a row (in 2014 and 2015) and receiving, in December 2015, for the second year in a row, an Unmodified Audit Opinion.

**Subsequent Events** – Subsequent to year-end, the City identified an impactful event worthy of note. Current analysis shows the potential of a \$5.3 million shortfall in the Water Fund revenues due in large part to conservation efforts and the delay of the city’s Water Rate Study. Staff will be presenting a staff report and analysis to Council shortly to address this potential shortfall.

## MAJOR INITIATIVES

Each year provides the City a new opportunity to identify, address and resolve issues facing the community and its residents. 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 City continues to focus on economic development with a commitment to advance job growth, increase retail and commercial opportunities, and maintain an excellent quality of life for all residents. Realization of this commitment can be achieved through a strategy of positioning Vallejo as a competitive hub for business and residential activity; focusing on retail attraction, retention and expansion opportunities; and promoting Vallejo as a travel destination. Mare Island, the Solano 360 site, and the Waterfront area all continue to be primary catalysts for growth and development in Vallejo.

**Neighborhood Law and Code Enforcement Programs** – The City Attorney’s office, in conjunction with Code Enforcement and other departments, have continued the “Neighborhood Law” and pro-active code enforcement program to address and improve the appearance of blighted properties throughout the City.

**Measure B** - Since the voters’ approval of Measure B in November of 2011, the City has worked to address a number of unmet needs in the community. The spending plan for Measure B continues to focus on the restoration of services which were reduced during the great recession, rebuilding important reserves, and funding 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 (PB) process in the United States, where ordinary residents directly decided how to spend a portion of the city budget. Through the PB 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. By Fiscal Year 2014-15 a total of twenty (20) projects have been approved over the course of the PB process, totaling more than \$5.8 million in funding. The more recent PB voting results are in, for Cycle 3, allocating an additional \$1 million in funding to five (5) projects for the coming fiscal year.

**Interactive CAFR Dashboard** – In an effort to further promote financial transparency, the City of Vallejo is providing a new tool to allow easier access to complex financial data in a more graphical, manageable and interactive format for financial statement users. We are proud to announce the inclusion of an internally developed, interactive “Financial Dashboard” in the PDF version of this year’s CAFR report, for the first time ever. The page following this transmittal letter contains a fully interactive dashboard, integrated with 10 years of CAFR data (requires latest version of [Adobe Flash Player](#)), which enables a user to perform a comprehensive comparison and detailed analysis of annual revenues and expenditures.

## AWARDS

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

We are once again 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, 2014. This is the second year in a row that the City received this certificate.

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.

## 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, Chas Fadrigio, Senior Accountant; Jason Ackley, Administrative Analyst II, Jon R. Oiler, Auditor Controller, and the Finance Department staff as they have worked closely with the auditors in finalizing this report and to Calvin Cho, Accountant for his work on the Audit Dashboard. 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.

Respectfully submitted,



Ron Millard, FCPA, FCGA  
Finance Director



# CITY OF VALLEJO

## Public Officials

### City Council

#### As of June 30, 2015

#### Term Expires

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

### City Manager

Daniel E. Keen

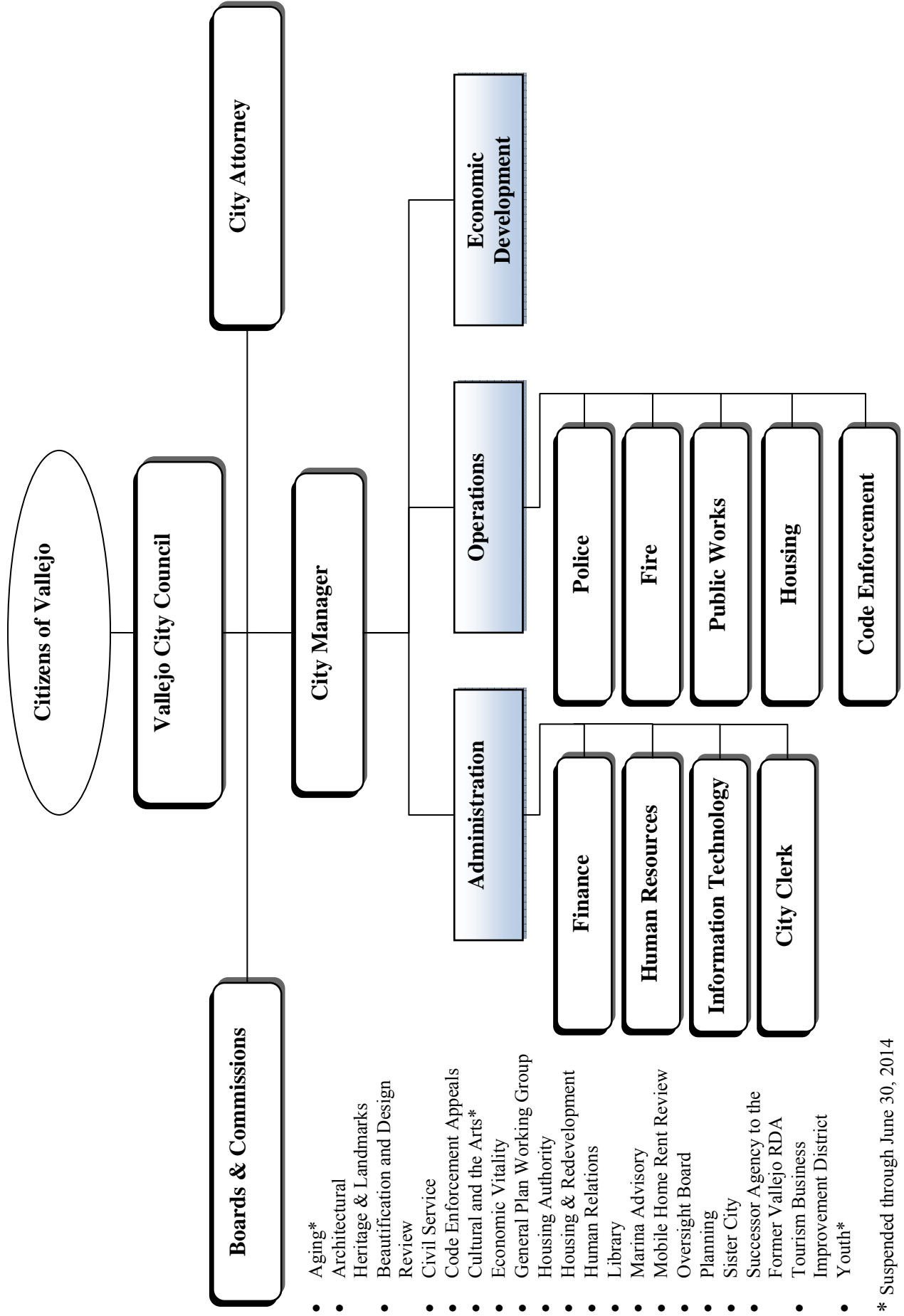
### City Attorney

Claudia Quintana

### Executive Management Team

Craig Whitton, Assistant City Manager  
Ron Millard, Finance Director  
Janet Thiessen, Human Resources Director  
Andrew Bidou, Police Chief  
Jack McArthur, Fire Chief  
David Kleinschmidt, Public Works Director  
Andrea Ouse, Economic Development Director

# City of Vallejo Organization Chart



\* Suspended through June 30, 2014

Note: Detailed departmental organization charts are located in the Appendix





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, 2014**

Executive Director/CEO

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## 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, 2015, 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 40.25%, 75.62%, and 17.42% 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, 2015, 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.

## ***Change in Accounting Principles***

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 that required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Notes 10 and 12E:

- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*

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

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

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

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

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Mane & Associates*

Pleasant Hill, California  
January 14, 2016

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2015**

**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, 2015. 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 voter-approved "Measure B" 1% transactions tax provided \$13 million in 2014-15 revenues to strategically restore and enhance City services and reserves. During the year, over \$5 million of Measure B revenues were invested in *Public Safety Preservation and Enhancement*, including the retention of Fire Department positions previously funded by an expiring federal SAFER grant. Over \$4 million of Measure B revenues were also invested in *Infrastructure Enhancement*, including street maintenance and the LED street light project. An additional \$1.5 million has been dedicated to building the City's General Fund and Risk Management Fund 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 Measure B revenues. The City continues to be recognized for its leadership in creating this vehicle for community involvement.
- The City's General Fund continues solid progress towards the City Council's long-range 25% contingency reserve target. At June 30, 2015, the General Fund unassigned reserve balance of \$8 million, together with the Measure B reserve balance of \$4 million, have achieved a combined \$12 million reserve and achieved a 15% reserve milestone. This goal benchmarks contingency reserves against the subsequent year's General Fund operating budget.
- The Successor Agency to the Former Redevelopment Agency continues to "wind down" affairs following the State of California's legislative dissolution actions in 2012. During the 2014-15 fiscal year, three events have moved the Agency closer to dissolution. First, the Agency has received State Department of Finance approval to recognize and begin repayment of some of the City's pre-dissolution loans to the Agency. \$4.4 million of these Agency loans have been restored as City loan receivable assets at June 30, 2015. Additional City loans may also become eligible for repayment following State legislative action SB 107, enacted subsequent to year end, in September 2015. Unfortunately, also in 2014-15, the State Department of Finance denied continued debt service funding for the former Redevelopment Agency's pro-rata share of the City's 2003 COPS bond issue, restructured as Union Bank debt in 2011. Accordingly, the City has assumed the Agency's remaining \$1.3 million obligation for this debt as of June 2015. Finally the City implemented a State Controller recommendation to repay \$655,000 to the Successor agency for a disputed pre-dissolution city loan payment in 2011. Resolution of these transactions continues to move the Agency toward final dissolution.
- The City implemented new pension accounting standards during 2014-15, following guidance from the Government Accounting Standards Board. A new *Net Pension Liability* of \$224 million has been recorded as of June 30, 2015. This balance is larger than the total of all other bond and long-term liabilities. These new pension accounting standards respond to public interest about government pensions and provide new transparency about the City's considerable pension obligations and their funding progress.

## 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) Required Supplementary Information
  - a. OPEB Funding and Contribution Schedules
  - b. Pension Net Pension Liability and Contribution Schedules
- 4) 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

Comparative financial information is presented below to provide the reader with highlights of changes from the prior year. In the following comparative tables, prior fiscal year 2014 balances are presented as originally reported in last year's financial statements. The City implemented new pension accounting standards in the current 2015 fiscal year that have adjusted the beginning balance for the net impact of the newly reported pension obligations at July 1, 2014. Comparative June 30, 2014 balances have not been restated because all information required to restate prior year amounts is not readily available.



## Government-wide Net Position

The following is a summary of the City's government-wide net position as of June 30, 2015 and 2014, as measured on the accrual basis of accounting, along with a discussion of some of the most significant balances (in millions):

<b>Statement of Net Position</b>						
<b>as of June 30, 2015 and 2014</b>						
<b>(in millions)</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2015</b>	<b>2014 (A)</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014 (A)</b>
<b>Assets</b>						
Current and other assets	\$139.9	\$138.9	\$40.7	\$42.1	\$180.6	\$181.0
Capital assets	332.0	336.6	112.9	113.3	444.9	449.9
Total assets	<u>471.9</u>	<u>475.5</u>	<u>153.6</u>	<u>155.4</u>	<u>625.5</u>	<u>630.9</u>
<b>Deferred Outflows of Resources</b>						
Unamortized loss on refunding on debt			1.1	1.1	1.1	1.1
Related to pensions	14.5		1.7		16.2	
Total deferred outflows	<u>14.5</u>		<u>2.8</u>	<u>1.1</u>	<u>17.3</u>	<u>1.1</u>
<b>Liabilities</b>						
Current and other liabilities	25.6	30.7	10.4	11.1	36.0	41.8
Net pension liability	198.5		25.1		223.6	
Other long-term liabilities	47.2	46.4	72.8	76.0	120.0	122.4
Total liabilities	<u>271.3</u>	<u>77.1</u>	<u>108.3</u>	<u>87.1</u>	<u>379.6</u>	<u>164.2</u>
<b>Deferred Inflows of Resources</b>						
Related to pensions	27.6		3.4		31.0	
<b>Net position</b>						
Net investment in capital assets	313.3	318.7	38.2	40.4	351.5	359.1
Restricted	65.4	70.1	5.2	5.3	70.6	75.4
Unrestricted	(191.2)	9.6	1.3	23.7	(189.9)	33.3
Total net position	<u>\$187.5</u>	<u>\$398.4</u>	<u>\$44.7</u>	<u>\$69.4</u>	<u>\$232.2</u>	<u>\$467.8</u>

(A) Not restated for the implementation of GASB Statement No. 68

- The City implemented new pension accounting standards during the year, following guidance issued by the Government Accounting Standards Board. New transparency, valuations, and disclosure is provided about the City's pension obligations to its current and former employees and beneficiaries. The Net Pension Liability, representing an accounting measure of the City's unfunded pension obligation, is presented as a new liability on the Statement of Net Position at June 2015. Accordingly, reported liabilities have increased by \$224 million for this new pension reporting requirement.
- With this new pension liability, the City's net position has dropped to \$232 million. Unrestricted net position is now a deficit \$189.9 million. Future tax and other revenues will continue to fund and reduce this pension liability over time as the City's pension administrator, CalPERS, updates and phases in funding rates to address past actuarial losses.

- The City's capital asset balance of \$444.9 million declined by \$5 million from the prior year. New capital improvements of \$13.7 million were offset by \$2.9 million of retirements and \$15.8 million of depreciation recorded on existing assets.
- The City reflected a \$2.5 million reduction in its bond and other long-term liabilities, from \$122.4 million to \$119.9 million. In addition to scheduled debt principal amortization, the City made progress in addressing its retiree health benefits liability by transferring \$2 million to a dedicated trust restricted in use for the payment of future retiree health benefits.

The table below is a summary of the City's government-wide activities for the years ended June 30, 2015 and 2014, as measured on the accrual basis of accounting.

**Statement of Activities**  
for the years ended June 30, 2015 and 2014  
(in thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014 (A)	2015	2014 (A)	2015	2014 (A)
<b>Revenues</b>						
Program revenues						
Charges for services	\$24,461	\$18,819	\$39,476	\$42,590	\$63,937	\$61,409
Operating grants and contributions	26,536	38,597	22		26,558	38,597
Capital grants and contributions	3,477	5,662	1,198	331	4,675	5,993
General revenues						
Property, sales and other taxes	61,572	57,518			61,572	57,518
User utility	12,627	12,611			12,627	12,611
Gain on sale of capital assets	22	102			22	102
Insurance recoveries	914		69		983	
Other	6,741	4,517	251	355	6,992	4,872
<b>Total revenues</b>	<b>136,350</b>	<b>137,826</b>	<b>41,016</b>	<b>43,276</b>	<b>177,366</b>	<b>181,102</b>
<b>Expenses</b>						
Governmental activities						
Administration	7,470	7,839			7,470	7,839
Development services	2,701	2,505			2,701	2,505
Community development	26,802	32,366			26,802	32,366
Fire services	24,690	23,629			24,690	23,629
Police services	36,412	31,967			36,412	31,967
Public works	35,650	24,634			35,650	24,634
Interest on long-term debt	541	196			541	196
Business-type activities						
Water			35,076	34,534	35,076	34,534
Local transportation						
Marina			2,375	1,514	2,375	1,514
Golf			3,374	3,107	3,374	3,107
Vallejo Station Parking			698	610	698	610
<b>Total expenses</b>	<b>134,266</b>	<b>123,136</b>	<b>41,523</b>	<b>39,765</b>	<b>175,789</b>	<b>162,901</b>
Excess before transfers and special items	2,084	14,690	(507)	3,511	1,577	18,201
Transfers	(2,685)	(1,592)	2,685	1,592		
Special items	2,458	1,536			2,458	1,536
Change in net position	1,857	14,634	2,178	5,103	4,035	19,737
Net position - beginning, restated for 2015	185,652	383,744	42,541	64,325	228,193	448,069
Net position - ending	\$187,509	\$398,378	\$44,719	\$69,428	\$232,228	\$467,806

(A) Not restated for the implementation of GASB Statement No. 68

- 2014-15 city-wide revenues of \$177.4 million reflected an improving economic base. Both tax revenues and charges for services contributed to a combined \$6.6 million increase in revenues from the prior year, primarily in Governmental Activities programs. However, total revenues have declined through a significant \$12 million reduction in operating grants, such as Section 8 housing grants and the expired Fire Department SAFER grant program. Of the City's governmental activities revenues, \$81.9 million or 60% came from general unrestricted revenues. The remaining \$54.4 million or 40% primarily came from charges for services and grants.
- City-wide expenses of \$175.8 million increased during the year as the City continues to adjust and implement its service levels in line with its Measure B transaction tax revenue. The current year expenses were up \$12.9 million or 8% from the prior year level, largely due to street maintenance, Mare Island building demolition costs, and LED streetlight retrofit project costs. The Police Department had also filled vacancies to staff up to the levels now supported by Measure B revenues.
- For 2015, the beginning net position has been restated to reflect the net pension liability reported through the City's implementation of new pension accounting standards. Net position at July 1, 2014 has been reduced by \$212.7 million and \$26.9 million for Governmental and Business-type Activities, respectively.

### Net Program Revenues (Expenses)

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	(\$8,011,210)	\$1,495,682	(\$6,515,528)
Fire services	(24,689,484)	5,928,495	(18,760,989)
Police services	(36,412,375)	3,569,825	(32,842,550)
Community and development services	(29,502,731)	25,337,300	(4,165,431)
Public works	(35,650,143)	18,142,650	(17,507,493)
	<u>(\$134,265,943)</u>	<u>\$54,473,952</u>	<u>(\$79,791,991)</u>

Net program expenses of police, fire and public works were the largest municipal programs within both the General Fund and Citywide Governmental Activities. Public Works programs and Police services have increased considerably from prior year due to Measure B revenues, which supported infrastructure enhancements and the hiring of Measure B funded police officers.

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

<b>Business-type Activities</b>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
Water utility	(\$35,075,642)	\$36,257,068	\$1,181,426
Marina	(2,374,674)	1,215,318	(1,159,356)
Golf	(3,374,281)	2,488,651	(885,630)
Vallejo Station Parking	(698,639)	735,276	36,637
	<u>(\$41,523,236)</u>	<u>\$40,696,313</u>	<u>(\$826,923)</u>

In total, the fee and grant sources of cash for these business-type operations were generally intended to cover operating, debt service, and capital reinvestment requirements. This year, the Water Fund realized a \$1.1 million operating surplus, but that was down by \$3.1 million over last year, due to lower water usage in response to conservation efforts in California. The Marina and Golf operations, however, incurred losses. Although each of these programs collected user fees to cover a substantial portion of annual costs, their fees did not fully cover program cash flow requirements. General Fund support of \$2.3 million contributed to supplement these two 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 119,683 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. For financial reporting purposes, the scope of General Fund balances and activities includes the City's unrestricted Measure B and Contingency Reserve Funds.

During 2014-15, the General Fund expended \$81.1 million to provide these services with 396 authorized full time equivalent positions. Labor costs comprised 83% 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 \$13 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 City has recovered from a dramatic decline in local housing values and property tax revenue from early 2006 to 2012. During 2007-08, the Solano County Assessor considered the declines in property values to be in a “freefall” and 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% and 10% in 2012-13 and 2014-15, respectively. The assessed valuation as of January 2015, which is the base for tax allocations in 2015-16, has increased 15% over prior year levels. This rebound in property values translates into an expected 6% increase in property tax revenues for the City in 2015-16.

**Current Year Increase in General Fund Revenues** – The net impact to the City’s 2014-15 General Fund revenues, including transfers, was an increase of \$6.1 million or 7% from the prior year. Of particular note were increases in property tax, sales and transaction tax, and new development related building fees.

**Fiscal year 2014-2015 Budget** - Fiscal 2014-2015 revenue collections exceeded original and revised revenue estimates by \$6.7 million and \$2.9 million, respectively. With good news for budget stability, the most significant revenue gains have been in ongoing property and sales tax revenues. On the expenditure side, all program departments have operated within their approved expenditure budgets for the year except Police Department which had overruns in its personnel budget. Total expenditure savings vs. budget reached \$5.8 million. Half of the total expenditure savings are in the non-department budget line, where savings of \$2.6 million have been realized through deferral/delay in implementation of Measure B Participatory Budget projects. These are projects initiated and approved by a citizen’s advisory committee. Participatory Budget savings have been carried over and re-appropriated in the subsequent 2015-16 budget year. The non-department budget also includes a personnel vacancy savings assumption of \$1.0 million. Actual vacancy savings were slightly favorable to this assumption, at \$1.3 million. As positions have been filled, the City expects this vacancy rate to diminish in the next fiscal year.

**Reserves** – The City Council has established a 25% contingency reserve target, measured in proportion to the subsequent year’s base General Fund operating budget. The recent volatility of tax revenues and in expenditures related to employee and retiree benefits 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 benchmarking progress toward needed fund balance reserves

With positive revenue growth and expenditure savings in FY 2014-15, the General Fund added \$2.5 million to its total fund balance during the year. The voter-approved supplemental Measure B transaction tax revenues have accumulated as planned and are strategically assigned to reserves, targeted programs, and to Participatory Budget projects. At June 30, 2015, the General Fund reports \$8 million of unassigned fund balance and a \$4 million Measure B contingency reserve. Combined, this \$12 million contingency reserve achieves a 15% benchmark, and demonstrates steady progress in achieving the City Council's 25% contingency reserve target.

### **Other Major Governmental Funds**

- ***Housing Authority*** – The Housing Authority received \$18.4 million in federal HUD grant allocations during the year to support its \$20 million Section 8 Housing Assistance Voucher Program expenditures. Federal grant revenues had decreased by \$6.9 million compared to last year since the program's lease-up rate fell from 90% to 85% during the year. As a result, the Authority's June 30, 2015 cash reserve position had declined to \$4.6 million. This cash balance is held by the Authority to support operations in the coming fiscal year.

### **Enterprise Funds**

- ***Water Fund*** – The Water Fund collected \$35.1 million in operating revenues during the year to support \$28 million in cash-basis operating costs and \$5 million in debt service. Remaining operating revenues, along with capital grants and capital contributions, also supported \$5 million in capital improvements. At June 30, 2015, current assets of \$33.7 million were available to cover \$8.7 million in current liabilities. The Water system operates with \$94.3 million of capital assets, which have been financed with \$53.7 million of outstanding long-term debt. 2014-15 annual user fees have been collected based upon a customer rate structure which has not increased since July 1, 2013. A water rate study is in progress to propose new rates to address the system's ongoing and significant drop in water usage due to the current drought conditions.
- ***Marina*** – The Marina collected \$1.2 million in user fees during the year, which was insufficient to support program cash flow. The General Fund and State Land's Fund contributed an additional \$1.6 million to support program operating costs of \$1.1 million, dredging costs of \$0.8 million, and debt service payments of \$0.7 million. On an accrual basis, the fund had a deficit net position of \$2.5 million at June 30, 2015, because its capital assets are depreciating faster than the principal payments on the debt that financed the assets. At June 30, 2015, the fund remained obligated for \$14.5 million in long-term debt, secured by the General Fund. Ongoing General Fund transfers are anticipated to support the debt service payments associated with debt-financed assets in the Marina Fund.
- ***Golf*** – The Golf Fund collected \$2.5 million in user fees for the year, which were also insufficient to support program cash flow requirements. Golf services were particularly challenged this year by a structure fire at the golf facility. As anticipated in the budget, the General Fund and Capital Outlay Fund contributed \$1 million, which along with user fees, sustained operating costs of \$2.6 million, debt service payments of \$0.4 million and capital improvements of \$0.1 million. Overall, this Fund had a deficit net position of \$0.9 million at June 30, 2015, because its capital assets are depreciating faster than the principal payments on the debt that financed the assets. At June 30, 2015, the fund remained obligated for \$7.6 million in long-term debt, secured by the General Fund.

- **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 \$0.7 million matched \$0.7 million in operating costs. The General Fund also contributed \$0.1 million to support long term maintenance projects.

### 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 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, 2015 and 2014. The City placed in service \$13.7 million of capital assets during the year, including the Sereno Drive, Admiral Callaghan, and Downtown street improvement projects and a water system water main project. Detail asset classifications were updated during the year, with \$17 million reclassified from Buildings to Infrastructure assets. Reductions included \$15.8 million of depreciation and retirements of \$2.9 million. In total, capital assets have decreased by \$5 million during the year to \$445 million at June 30, 2015.

#### Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$136,218,248	\$136,218,248	\$12,298,805	\$12,298,805	\$148,517,053	\$148,517,053
Building and improvement	79,906,810	77,430,603	36,206,661	55,114,086	116,113,471	132,544,689
Machinery and equipment	8,419,454	6,605,899	12,450,625	11,140,287	20,870,079	17,746,186
Infrastructure	99,296,529	94,795,473	45,455,402	24,623,458	144,751,931	119,418,931
Construction in progress	8,119,785	21,524,169	6,497,659	10,098,068	14,617,444	31,622,237
Total	<u>\$331,960,826</u>	<u>\$336,574,392</u>	<u>\$112,909,152</u>	<u>\$113,274,704</u>	<u>\$444,869,978</u>	<u>\$449,849,096</u>

## DEBT ADMINISTRATION

**Objectives** - The City administers debt programs for its General Fund and for the following restricted revenue programs: Water, Successor Agency to the Former Redevelopment Agency, and Improvement Districts. The City has established the following equally important objectives in administering its long-term debt financing programs.

- 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, 2015 and 2014.

### Long-Term Debt

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Certificates of Participation	\$3,584,575	\$3,725,835			\$3,584,575	\$3,725,835
Capital Lease Obligations	608,784	710,248			608,784	710,248
Revenue Bonds			\$51,560,639	\$53,814,629	51,560,639	53,814,629
Loans & Notes Payable	14,455,264	13,508,076	24,252,560	25,416,179	38,707,824	38,924,255
Total	<u>\$18,648,623</u>	<u>\$17,944,159</u>	<u>\$75,813,199</u>	<u>\$79,230,808</u>	<u>\$94,461,822</u>	<u>\$97,174,967</u>

**General Fund Debt Restructure** - 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 Union Bank loan balance of \$36.6 million at June 2015, \$22.1 million of this debt is carried in the Business Type Activities Programs (Marina and Golf). The debt service for those programs is paid from program user fees. However, the General Fund remains obligated for the debt if those sources are insufficient to pay the debt service. During FY 2014-15, the General Fund contributed \$2.3 million to the Marina and Golf Enterprise funds to support debt and capital requirements for these Enterprise programs.

**Annual Activity** - In total, the City made long-term principal debt payments of \$4.1 million during the year ended June 30, 2015. This principal reduction has been partially offset by deferred interest accruals on the City's Union Bank debt. Also during the year ended June 30, 2015, the State Department of Finance determined that the Successor Agency to the Former Redevelopment Agency was no longer eligible to provide tax increment revenues to pay its proportionate share of debt service of the Former Redevelopment Agency's share of proceeds received from the City's 2003 COPS issue, restructured as Union Bank debt in 2011. Accordingly, the City assumed the remaining \$1.3 million Union Bank debt obligation from the Successor Agency as of June 2015. Overall, the City's total long-term debt obligations decreased from \$97 million at June 2014 to \$94 million at June 2015.



**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 net debt position to management, citizens, and investors. A comparison of these indicators follows. Per capita debt outstanding decreased to \$789 at June 30, 2015, from \$820 in the prior fiscal year.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Net debt	\$94,461,822	\$97,174,967
Net debt per capita	\$789	\$820
Net debt per capita as a percentage of per capita personal income	3.04%	3.10%
Net debt as a percentage of net assessed value	1.13%	1.34%

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

The City's economic base continues to grow after years of recession. Property values assessed by the County as of January 1, 2015 have increased by 15% over the prior year, which in turn is expected to increase the City's property tax revenues by 6% in the 2015-16 budget year. As of June 30, 2015, unemployment in Vallejo stands at 8.3%, slightly improved from 8.4% 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, new participant demographic assumptions, and a lower investment earnings assumption that will continue to drive up employee benefit costs over the next decade. 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 sustainable and balanced economic and budget environment for the coming fiscal year.

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

### **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, 2015

	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)	\$92,052,643	\$28,167,278	\$120,219,921	\$36,403,344
Accounts receivable	3,243,088	6,152,563	9,395,651	7,042,542
Interest receivable	241,788		241,788	
Due from other governments	10,429,627		10,429,627	
Materials, parts, and supplies (Note 11)	191,998	998,394	1,190,392	
Prepays	17,887	126,682	144,569	403,010
<b>Total Current Assets</b>	<b>106,177,031</b>	<b>35,444,917</b>	<b>141,621,948</b>	<b>43,848,896</b>
Noncurrent Assets:				
Restricted cash and investments held with fiscal agent (Note 2)	4,697,997	5,253,774	9,951,771	4,993,354
Other assets				
Land held for development (Note 1J)	499,684		499,684	
Notes and loans receivable (Note 4)	28,583,047	29,785	28,612,832	253,542
Prepaid lease and project costs				1,813,388
Capital assets (Note 5):				
Nondepreciable	144,338,033	18,796,464	163,134,497	14,916,447
Depreciable, net of accumulated depreciation	187,622,793	94,112,688	281,735,481	185,967,907
<b>Total Noncurrent Assets</b>	<b>365,741,554</b>	<b>118,192,711</b>	<b>483,934,265</b>	<b>207,944,638</b>
<b>Total Assets</b>	<b>471,918,585</b>	<b>153,637,628</b>	<b>625,556,213</b>	<b>251,793,534</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding of debt (Note 6) Related to pensions (Note 10)	14,477,523	1,074,718 1,732,794	1,074,718 16,210,317	1,256,634 1,514,873
<b>Total Deferred Outflows of Resources</b>	<b>14,477,523</b>	<b>2,807,512</b>	<b>17,285,035</b>	<b>2,771,507</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	9,150,159	2,692,146	11,842,305	1,736,455
Accrued interest payable	171,080	527,329	698,409	633,523
Due to other governments	9,996		9,996	
Unearned revenues	4,594,252	188,251	4,782,503	
Deposits payable	1,976,782	2,770,313	4,747,095	1,271,498
Employee benefits payable (Note 9 and 11)	5,130,774	965,649	6,096,423	542,772
Claims payable, due within one year (Note 13)	3,671,710		3,671,710	
Long-term debt, due within one year (Note 6)	900,899	3,247,667	4,148,566	4,199,900
<b>Total Current Liabilities</b>	<b>25,605,652</b>	<b>10,391,355</b>	<b>35,997,007</b>	<b>8,384,148</b>
Noncurrent Liabilities:				
Claims payable (Note 13)	11,927,290		11,927,290	
Employee benefits payable (Notes 9 and 11)	17,538,222	199,443	17,737,665	2,144,323
Net pension liability (Note 10)	198,517,883	25,129,049	223,646,932	11,769,980
Long-term debt (Note 6)	17,747,724	72,565,532	90,313,256	52,496,141
<b>Total Noncurrent Liabilities</b>	<b>245,731,119</b>	<b>97,894,024</b>	<b>343,625,143</b>	<b>66,410,444</b>
<b>Total Liabilities</b>	<b>271,336,771</b>	<b>108,285,379</b>	<b>379,622,150</b>	<b>74,794,592</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions (Note 10)	27,550,467	3,440,419	30,990,886	4,169,094
<b>NET POSITION (Note 12)</b>				
Net investment in capital assets	313,312,203	38,170,671	351,482,874	136,530,088
Restricted for:				
Debt service	250,023	5,253,774	5,503,797	4,993,354
Capital projects	18,328,504		18,328,504	26,231,838
Special projects and programs	46,843,149		46,843,149	
<b>Total Restricted Net Position</b>	<b>65,421,676</b>	<b>5,253,774</b>	<b>70,675,450</b>	<b>31,225,192</b>
Unrestricted	(191,225,009)	1,294,897	(189,930,112)	7,846,075
<b>Total Net Position</b>	<b>\$187,508,870</b>	<b>\$44,719,342</b>	<b>\$232,228,212</b>	<b>\$175,601,355</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

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	\$268,785			
Executive	3,817,882	\$1,312,842		
Finance	1,654,071			
Human resources	1,034,655			
Law	694,447	182,840		
Development services	2,701,130	2,279,966		
Community development	26,801,601	1,674,078	\$21,383,256	
Fire services	24,689,484	4,163,448	1,765,047	
Police services	36,412,375	2,209,351	1,360,474	
Public works	35,650,143	12,638,596	2,027,167	\$3,476,887
Interest on long term debt	541,370			
<b>Total Governmental Activities</b>	<b>134,265,943</b>	<b>24,461,121</b>	<b>26,535,944</b>	<b>3,476,887</b>
Business-type Activities:				
Water	35,075,642	35,059,341		1,197,727
Marina	2,374,674	1,192,839	22,479	
Golf	3,374,281	2,488,651		
Vallejo Station Parking	698,639	735,276		
<b>Total Business-type Activities</b>	<b>41,523,236</b>	<b>39,476,107</b>	<b>22,479</b>	<b>1,197,727</b>
<b>Total Primary Government</b>	<b>\$175,789,179</b>	<b>\$63,937,228</b>	<b>\$26,558,423</b>	<b>\$4,674,614</b>
<b>Component Unit:</b>				
Vallejo Sanitation and Flood Control District	\$30,473,822	\$28,643,145		\$100,179
General revenues:				
Taxes:				
Property taxes/In-lieu property tax				
Sales and transaction taxes				
User Utility				
Franchise				
Transit occupancy				
Other				
Investment earnings				
Gain on sale of capital assets				
Insurance recoveries				
Miscellaneous				
Transfers (Note 3A)				
Special items (Note 15):				
Assets transferred to Successor Agency				
Re-establish loans to Successor Agency				
Obligation assumed from Successor Agency				
<b>Total general revenues, transfers and special items</b>				
Change in Net Position				
Net Position-Beginning, as restated (Note 12E)				
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
(\$268,785)		(\$268,785)	
(2,505,040)		(2,505,040)	
(1,654,071)		(1,654,071)	
(1,034,655)		(1,034,655)	
(511,607)		(511,607)	
(421,164)		(421,164)	
(3,744,267)		(3,744,267)	
(18,760,989)		(18,760,989)	
(32,842,550)		(32,842,550)	
(17,507,493)		(17,507,493)	
(541,370)		(541,370)	
<u>(79,791,991)</u>		<u>(79,791,991)</u>	
	\$1,181,426	1,181,426	
	(1,159,356)	(1,159,356)	
	(885,630)	(885,630)	
	36,637	36,637	
	<u>(826,923)</u>	<u>(826,923)</u>	
<u>(79,791,991)</u>	<u>(826,923)</u>	<u>(80,618,914)</u>	
			<u>(\$1,730,498)</u>
24,059,635		24,059,635	876,878
26,857,325		26,857,325	
12,627,342		12,627,342	
4,929,284		4,929,284	
1,877,037		1,877,037	
3,848,600		3,848,600	518,096
1,376,228	251,358	1,627,586	752,513
21,700		21,700	
913,838	69,208	983,046	
5,364,701		5,364,701	
(2,685,186)	2,685,186		
(655,000)		(655,000)	
4,436,351		4,436,351	
(1,322,669)		(1,322,669)	
<u>81,649,186</u>	<u>3,005,752</u>	<u>84,654,938</u>	<u>2,147,487</u>
1,857,195	2,178,829	4,036,024	416,989
<u>185,651,675</u>	<u>42,540,513</u>	<u>228,192,188</u>	<u>175,184,366</u>
<u>\$187,508,870</u>	<u>\$44,719,342</u>	<u>\$232,228,212</u>	<u>\$175,601,355</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, 2015. 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.

CITY OF VALLEJO  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015

	General	Housing Authority	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments (Note 2)	\$15,951,617	\$4,598,551	\$49,996,777	\$70,546,945
Restricted cash and investments held with fiscal agent (Note 2)			4,697,997	4,697,997
Accounts receivable	2,692,987	88,041	401,213	3,182,241
Interest receivable	240,826	962		241,788
Notes and loans receivable (Note 4)	991,597	12,988,546	14,602,904	28,583,047
Due from other governments	7,257,908		3,171,719	10,429,627
Materials, parts, and supplies	2,130			2,130
Prepays	12,259		1,007	13,266
Land held for redevelopment (Note 1J)	499,684			499,684
<b>Total Assets</b>	<b>\$27,649,008</b>	<b>\$17,676,100</b>	<b>\$72,871,617</b>	<b>\$118,196,725</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$3,799,496	\$91,652	\$2,581,099	\$6,472,247
Due to other funds (Note 3B)			2,736,554	2,736,554
Due to other governments	2,643		7,353	9,996
Unearned revenues	1,750,509		2,843,743	4,594,252
Deposits payable	349,732	75,496	1,551,554	1,976,782
<b>Total Liabilities</b>	<b>5,902,380</b>	<b>167,148</b>	<b>9,720,303</b>	<b>15,789,831</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - accounts receivable			120,427	120,427
Unavailable revenue - interest receivable			47,614	47,614
Unavailable revenue - notes and loans receivable	190,556	2,693,958	9,891,091	12,775,605
<b>Total Deferred Inflows of Resources</b>	<b>190,556</b>	<b>2,693,958</b>	<b>10,059,132</b>	<b>12,943,646</b>
<b>FUND BALANCES (Note 12)</b>				
Fund Balance				
Nonspendable	1,315,114		102,072	1,417,186
Restricted	271,572	14,814,994	41,023,349	56,109,915
Committed	2,691,002		6,028,419	8,719,421
Assigned	9,302,184		5,938,342	15,240,526
Unassigned	7,976,200			7,976,200
<b>Total Fund Balances</b>	<b>21,556,072</b>	<b>14,814,994</b>	<b>53,092,182</b>	<b>89,463,248</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$27,649,008</b>	<b>\$17,676,100</b>	<b>\$72,871,617</b>	<b>\$118,196,725</b>

See accompanying notes to financial statements

CITY OF VALLEJO  
Reconciliation of  
GOVERNMENTAL FUND BALANCES  
with  
GOVERNMENTAL NET POSITION  
JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet \$89,463,248

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. 328,808,070

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	\$21,505,698	
Accounts receivable	60,847	
Materials, parts, and supplies	189,868	
Prepays	4,621	
Due from other funds	2,736,554	
Capital assets	3,152,756	
Accounts payable	(2,677,912)	
Claims payable	(15,599,000)	
Net pension liability and pension-related deferred outflows/inflows of resources	(2,450,738)	
Employee benefits payable	<u>(12,350,012)</u>	(5,427,318)

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. 12,943,646

LONG-TERM LIABILITIES

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

Long-term debt		(18,648,623)
Net pension liability and pension-related deferred outflows/inflows of resources		(209,140,089)
Interest payable		(171,080)
Compensated absences		<u>(10,318,984)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$187,508,870

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, 2015

	General	Housing Authority	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes, including Measure B	\$64,569,441		\$1,182,167	\$65,751,608
Licenses, permits, and fees	2,683,405		1,058,501	3,741,906
Fines and forfeitures	1,861,051		15,635	1,876,686
Intergovernmental	13,501,126	\$18,420,356	9,175,555	41,097,037
Use of money and property	1,033,598	316,019	3,206,507	4,556,124
Charges for services	8,455,033		10,411,100	18,866,133
Other	805,175	63,086	452,520	1,320,781
<b>Total Revenues</b>	<b>92,908,829</b>	<b>18,799,461</b>	<b>25,501,985</b>	<b>137,210,275</b>
<b>EXPENDITURES</b>				
Current:				
Legislative and advisory	264,854			264,854
Executive	3,794,952			3,794,952
Finance	1,636,916			1,636,916
Human resources	1,017,017			1,017,017
Law	692,338			692,338
Development services	2,200,686		554,713	2,755,399
Community development	1,755,835	19,971,695	4,749,307	26,476,837
Fire services	22,759,113		1,886,571	24,645,684
Police services	35,415,941		1,391,876	36,807,817
Public works	7,357,905		9,618,625	16,976,530
Non departmental	4,118,675			4,118,675
Capital outlay			12,543,661	12,543,661
Debt Service:				
Principal	101,464		645,225	746,689
Interest and fiscal agent fees			358,575	358,575
<b>Total Expenditures</b>	<b>81,115,696</b>	<b>19,971,695</b>	<b>31,748,553</b>	<b>132,835,944</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>11,793,133</b>	<b>(1,172,234)</b>	<b>(6,246,568)</b>	<b>4,374,331</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 3A)	11,395		6,352,558	6,363,953
Transfers out (Note 3A)	(8,610,632)		(938,507)	(9,549,139)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,599,237)</b>		<b>5,414,051</b>	<b>(3,185,186)</b>
Net change in fund balance before special items	3,193,896	(1,172,234)	(832,517)	1,189,145
Special items (Note 15):				
Assets transferred to Successor Agency	(655,000)			(655,000)
Re-establish loans to Successor Agency			4,436,351	4,436,351
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,538,896</b>	<b>(1,172,234)</b>	<b>3,603,834</b>	<b>4,970,496</b>
<b>BEGINNING FUND BALANCES</b>	<b>19,017,176</b>	<b>15,987,228</b>	<b>49,488,348</b>	<b>84,492,752</b>
<b>ENDING FUND BALANCES</b>	<b>\$21,556,072</b>	<b>\$14,814,994</b>	<b>\$53,092,182</b>	<b>\$89,463,248</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, 2015

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 \$4,970,496

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 6,569,426

Depreciation expense is deducted from the fund balance  
(Depreciation expense is net of internal service fund depreciation of \$1,189,986 which has already been allocated to serviced funds) (8,744,929)

Capital asset retirements are deducted from fund balance (2,652,522)  
Assets transferred from Successor Agency are added to fund balance

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 746,689  
Interest accrued to principal is deducted from fund balance (128,484)  
Obligation transferred from Successor Agency is deducted from fund balance (1,322,669)

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 (54,311)  
Unavailable revenue (1,302,642)  
Compensated absences (889,235)  
Net pension liability and pension-related deferred outflows/inflows of resources 1,106,991

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 3,558,385

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$1,857,195

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$61,528,572	\$63,355,014	\$64,569,441	\$1,214,427
Licenses, permits and fees	1,734,200	2,551,400	2,683,405	132,005
Fines and forfeitures	1,519,000	1,549,000	1,861,051	312,051
Intergovernmental	12,331,805	12,758,495	13,501,126	742,631
Use of money and property	908,157	915,083	1,033,598	118,515
Charges for services	7,693,395	8,188,288	8,455,033	266,745
Other	464,500	746,709	805,175	58,466
	<u>86,179,629</u>	<u>90,063,989</u>	<u>92,908,829</u>	<u>2,844,840</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative and advisory	304,017	299,017	264,854	34,163
Executive	4,088,697	4,159,548	3,794,952	364,596
Finance	1,668,816	1,915,356	1,636,916	278,440
Human resources	1,090,432	1,076,132	1,017,017	59,115
Law	1,429,467	1,504,220	692,338	811,882
Development services	2,231,715	2,868,128	2,200,686	667,442
Community development	1,910,419	2,170,473	1,755,835	414,638
Fire services	23,038,466	23,376,516	22,759,113	617,403
Police services	34,854,864	35,111,067	35,415,941	(304,874)
Public works	7,510,043	7,815,341	7,357,905	457,436
Non departmental	6,915,625	6,522,871	4,118,675	2,404,196
Debt service				
Principal	101,464	101,464	101,464	
	<u>85,144,025</u>	<u>86,920,133</u>	<u>81,115,696</u>	<u>5,804,437</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<u>1,035,604</u>	<u>3,143,856</u>	<u>11,793,133</u>	<u>8,649,277</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	37,256	37,256	11,395	(25,861)
Transfers (out)	(14,061,549)	(9,416,014)	(8,610,632)	805,382
	<u>(14,024,293)</u>	<u>(9,378,758)</u>	<u>(8,599,237)</u>	<u>779,521</u>
Net change in fund balance before special items	(12,988,689)	(6,234,902)	3,193,896	9,428,798
Special items (Note 15):				
Assets transferred to Successor Agency		(655,000)	(655,000)	
<b>NET CHANGE IN FUND BALANCE</b>	<u>(\$12,988,689)</u>	<u>(\$6,889,902)</u>	2,538,896	<u>\$9,428,798</u>
Fund balance, July 1			<u>19,017,176</u>	
Fund balance, June 30			<u>\$21,556,072</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, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$25,181,579	\$25,220,726	\$18,420,356	(\$6,800,370)
Use of money and property	17,030	17,030	316,019	298,989
Other	<u>61,525</u>	<u>63,300</u>	<u>63,086</u>	<u>(214)</u>
Total Revenues	<u>25,260,134</u>	<u>25,301,056</u>	<u>18,799,461</u>	<u>(6,501,595)</u>
EXPENDITURES:				
Current:				
Community development	<u>25,405,109</u>	<u>25,403,109</u>	<u>19,971,695</u>	<u>5,431,414</u>
Total Expenditures	<u>25,405,109</u>	<u>25,403,109</u>	<u>19,971,695</u>	<u>5,431,414</u>
NET CHANGE IN FUND BALANCE	<u>(\$144,975)</u>	<u>(\$102,053)</u>	(1,172,234)	<u>(\$1,070,181)</u>
Fund balance, July 1			<u>15,987,228</u>	
Fund balance, June 30			<u>\$14,814,994</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 2015.

**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 , 2015

	Business-type Activities-Enterprise Funds		
	Water	Marina	Golf
<b>ASSETS</b>			
Current assets:			
Cash and investments (Note 2)	\$26,623,268	\$579,365	\$725,474
Accounts receivable	6,058,593	19,979	73,991
Materials, parts and supplies	891,758	10,231	96,405
Prepays	97,996		28,686
Due from other funds (Note 3)			
Total current assets	<u>33,671,615</u>	<u>609,575</u>	<u>924,556</u>
Noncurrent assets:			
Restricted cash and investments			
held with fiscal agent (Note 2)	5,253,774		
Notes receivable (Note 4)	29,785		
Capital assets (Note 5):			
Nondepreciable	6,568,394	10,736,670	1,491,400
Depreciable, net	<u>87,713,135</u>	<u>1,617,427</u>	<u>4,782,126</u>
Total noncurrent assets	<u>99,565,088</u>	<u>12,354,097</u>	<u>6,273,526</u>
Total assets	<u>133,236,703</u>	<u>12,963,672</u>	<u>7,198,082</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding of debt (Note 6)	1,074,718		
Related to pensions (Note 10)	<u>1,668,144</u>	<u>41,285</u>	
Total deferred outflows of resources	<u>2,742,862</u>	<u>41,285</u>	
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	2,078,081	99,913	470,026
Accrued interest payable	421,908	68,722	36,699
Unearned revenue	161,663	26,588	
Deposits payable	2,639,150	131,163	
Claims payable, current (Note 13)			
Employee benefits payable, current (Note 9)	955,102	5,871	
Long-term debt, due within one year (Note 6)	<u>2,403,842</u>	<u>562,556</u>	<u>281,269</u>
Total current liabilities	<u>8,659,746</u>	<u>894,813</u>	<u>787,994</u>
Long-term liabilities:			
Long-term debt, due in more than one year (Note 6)	51,295,713	13,979,390	7,290,429
Claims payable, noncurrent (Note 13)			
Employee benefits payable, noncurrent (Notes 9)	199,443		
Net pension liability (Note 10)	<u>24,298,452</u>	<u>548,245</u>	
Total noncurrent liabilities	<u>75,793,608</u>	<u>14,527,635</u>	<u>7,290,429</u>
Total Liabilities	<u>84,453,354</u>	<u>15,422,448</u>	<u>8,078,423</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions (Note 10)	<u>3,326,702</u>	<u>75,060</u>	
<b>NET POSITION (DEFICIT) (Note 12)</b>			
Net investment in capital assets	41,656,692	(2,187,849)	(1,298,172)
Restricted for debt service	5,253,774		
Unrestricted	<u>1,289,043</u>	<u>(304,702)</u>	<u>417,831</u>
Total Net Position (Deficit)	<u>\$48,199,509</u>	<u>(\$2,492,551)</u>	<u>(\$880,341)</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>	
\$239,171	\$28,167,278	\$21,505,698
	6,152,563	60,847
	998,394	189,868
	126,682	4,621
		<u>2,736,554</u>
<u>239,171</u>	<u>35,444,917</u>	<u>24,497,588</u>
	5,253,774	
	29,785	
	18,796,464	
	<u>94,112,688</u>	<u>3,152,756</u>
	118,192,711	<u>3,152,756</u>
<u>239,171</u>	<u>153,637,628</u>	<u>27,650,344</u>
	1,074,718	
<u>23,365</u>	<u>1,732,794</u>	<u>183,330</u>
<u>23,365</u>	<u>2,807,512</u>	<u>183,330</u>
	2,692,146	2,677,912
44,126	527,329	
	188,251	
	2,770,313	
		3,671,710
4,676	965,649	122,384
	<u>3,247,667</u>	
<u>48,802</u>	<u>10,391,355</u>	<u>6,472,006</u>
	72,565,532	
	199,443	11,927,290
	25,129,049	12,227,628
<u>282,352</u>	<u>25,129,049</u>	<u>2,316,866</u>
<u>282,352</u>	<u>97,894,024</u>	<u>26,471,784</u>
<u>331,154</u>	<u>108,285,379</u>	<u>32,943,790</u>
	38,657	
<u>38,657</u>	<u>3,440,419</u>	<u>317,202</u>
	38,170,671	3,152,756
	5,253,774	
<u>(107,275)</u>	<u>1,294,897</u>	<u>(8,580,074)</u>
<u>(\$107,275)</u>	<u>\$44,719,342</u>	<u>(\$5,427,318)</u>

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Marina</u>	<u>Golf</u>
OPERATING REVENUES			
Charges for services	\$34,996,773	\$1,192,839	\$2,488,651
Other	62,568		
Total operating revenues	<u>35,059,341</u>	<u>1,192,839</u>	<u>2,488,651</u>
OPERATING EXPENSES			
Operations expenses	18,823,554	1,936,015	1,327,168
General and administrative	8,283,448	12,089	1,401,970
Insurance and claims			
Depreciation	5,320,906	62,066	452,954
Total operating expenses	<u>32,427,908</u>	<u>2,010,170</u>	<u>3,182,092</u>
Operating income (loss)	<u>2,631,433</u>	<u>(817,331)</u>	<u>(693,441)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	250,509		
Intergovernmental revenue		22,479	
Gain on sale of capital assets			
Insurance recoveries			69,208
Interest expense and fiscal charges	(2,647,734)	(364,504)	(192,189)
Total nonoperating revenues (expenses)	<u>(2,397,225)</u>	<u>(342,025)</u>	<u>(122,981)</u>
Income (loss) before contributions and transfers	234,208	(1,159,356)	(816,422)
Capital grants and contributions	1,197,727		
Transfers in (Note 3A)		1,578,336	1,004,480
Change in net position	1,431,935	418,980	188,058
BEGINNING NET POSITION (DEFICIT), as restated (Note 12E)	<u>46,767,574</u>	<u>(2,911,531)</u>	<u>(1,068,399)</u>
ENDING NET POSITION (DEFICIT)	<u>\$48,199,509</u>	<u>(\$2,492,551)</u>	<u>(\$880,341)</u>

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		Governmental
Vallejo Station	Totals	Activities-
Parking		Internal Service
		Funds
\$735,276	\$39,413,539	\$15,476,420
	62,568	144,791
<u>735,276</u>	<u>39,476,107</u>	<u>15,621,211</u>
267,631	22,354,368	8,174,223
431,008	10,128,515	4,306,627
	5,835,926	1,189,986
<u>698,639</u>	<u>38,318,809</u>	<u>13,670,836</u>
<u>36,637</u>	<u>1,157,298</u>	<u>1,950,375</u>
849	251,358	172,472
	22,479	21,700
	69,208	913,838
	(3,204,427)	
<u>849</u>	<u>(2,861,382)</u>	<u>1,108,010</u>
37,486	(1,704,084)	3,058,385
	1,197,727	
<u>102,370</u>	<u>2,685,186</u>	<u>500,000</u>
139,856	2,178,829	3,558,385
<u>(247,131)</u>	<u>42,540,513</u>	<u>(8,985,703)</u>
<u>(\$107,275)</u>	<u>\$44,719,342</u>	<u>(\$5,427,318)</u>

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities-Enterprise Funds		
	Water	Marina	Golf
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$36,182,449	\$1,212,354	\$2,414,660
Payments to suppliers	(19,707,178)	(1,942,373)	(2,617,708)
Payments to or on behalf of employees	(8,218,322)	(17,102)	
Claims paid			
Cash Flows from Operating Activities	<u>8,256,949</u>	<u>(747,121)</u>	<u>(203,048)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund receipts		1,578,336	1,004,480
Intergovernmental receipts (payments)	995,000	22,479	
Cash Flows from Noncapital Financing Activities	<u>995,000</u>	<u>1,600,815</u>	<u>1,004,480</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of capital assets			
Acquisition of capital assets	(5,374,287)		(96,087)
Insurance recoveries for impaired capital assets			69,208
Principal payments on capital debt	(2,669,119)	(548,836)	(274,409)
Interest paid	(2,721,198)	(151,164)	(81,363)
Capital grants and contributions	1,197,727		
Cash Flows from Capital and Related Financing Activities	<u>(9,566,877)</u>	<u>(700,000)</u>	<u>(382,651)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	250,509		
Cash Flows from Investing Activities	<u>250,509</u>		
Net Cash Flows	(64,419)	153,694	418,781
Cash and investments at beginning of period	31,941,461	425,671	306,693
Cash and investments at end of period	<u>\$31,877,042</u>	<u>\$579,365</u>	<u>\$725,474</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>			
Operating income (loss)	\$2,631,433	(\$817,331)	(\$693,441)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	5,320,906	62,066	452,954
Change in assets and liabilities:			
Receivables, net	873,923	(4,392)	(73,991)
Inventory and prepaids	(149,251)	5,795	4,382
Other assets	377,863		
Accounts payable and other accrued expenses	(734,373)	(12,153)	107,048
Employee benefits payable	65,126	(5,013)	
Deposits payable	(290,341)	26,442	
Unearned revenue	161,663	(2,535)	
Claims payable			
Cash Flows from Operating Activities	<u>\$8,256,949</u>	<u>(\$747,121)</u>	<u>(\$203,048)</u>
Non cash transactions:			
Accreted interest		(\$144,618)	(\$74,127)
Amortization of bond premium	\$143,990		
Retirement of capital assets, net			

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		
<u>Vallejo Station Parking</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
\$735,276	\$40,544,739	\$15,780,812
(272,242)	(24,539,501)	(2,394,424)
(433,864)	(8,669,288)	(7,260,573)
		(4,574,627)
<u>29,170</u>	<u>7,335,950</u>	<u>1,551,188</u>
102,370	2,685,186	500,000
	1,017,479	(10,373)
<u>102,370</u>	<u>3,702,665</u>	<u>489,627</u>
		297,311
	(5,470,374)	(1,680,056)
	69,208	913,838
	(3,492,364)	
	(2,953,725)	
	1,197,727	
	<u>(10,649,528)</u>	<u>(468,907)</u>
<u>849</u>	<u>251,358</u>	<u>172,472</u>
<u>849</u>	<u>251,358</u>	<u>172,472</u>
132,389	640,445	1,744,380
106,782	32,780,607	19,761,318
<u>\$239,171</u>	<u>\$33,421,052</u>	<u>\$21,505,698</u>
\$36,637	\$1,157,298	\$1,950,375
	5,835,926	1,189,986
	795,540	237,782
	(139,074)	
	377,863	(14,359)
(4,611)	(644,089)	(488,886)
(2,856)	57,257	(1,055,710)
	(263,899)	
	159,128	
		(268,000)
<u>\$29,170</u>	<u>\$7,335,950</u>	<u>\$1,551,188</u>
	<u>(218,745)</u>	
	<u>\$143,990</u>	
		<u>(\$275,611)</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.

CITY OF VALLEJO  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2015

	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
<b>ASSETS</b>		
Cash and investments (Note 2)	\$3,665,568	\$2,142,133
Restricted cash and investments held with fiscal agent (Note 2)	4,886,309	1,125,509
Accounts receivable		7,600
Interest receivable		
Notes and loans receivables (Note 15A)		166,288
Land held for redevelopment		1,343,595
Capital assets (Note 15B):		
Nondepreciable		2,682,269
Depreciable, net of accumulated depreciation		80,733
	<u>\$8,551,877</u>	<u>7,548,127</u>
Total Assets	<u>\$8,551,877</u>	<u>7,548,127</u>
<b>LIABILITIES</b>		
Account payable and accrued liabilities		4,178
Accrued interest payable		141,488
Deposits payable		45,008
Long-term debt, due within one year (Note 15C)		687,322
Long-term debt, due in more than one year (Note 15C)		10,964,143
Due to property owners	\$49,611	
Due to bondholders	8,502,266	
	<u>8,551,877</u>	<u>11,842,139</u>
Total Liabilities	<u>\$8,551,877</u>	<u>11,842,139</u>
<b>NET POSITION</b>		
Held in trust for other purposes		<u>(\$4,294,012)</u>

See accompanying notes to financial statements



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**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**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. On February 1, 2012, the Housing Authority also elected to assume the responsibilities of the Housing Successor for the low/moderate income housing programs of the former Redevelopment Agency. 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. Management of the City has operational responsibility for the Authority.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**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 City has full accountability for the Authority's fiscal affairs. The Authority had no activity and had no assets or liabilities during the year ended June 30, 2015.

**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 City has full accountability for the Authority's fiscal affairs. The Authority's parcels of land had a value of \$72,800 as of June 30, 2015. The Authority is inactive and had no activity during the year ended June 30, 2015.

**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 City has full accountability for the Authority's fiscal affairs. The Authority had no activity during the year ended June 30, 2015.

**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 United States of America.

**CITY OF VALLEJO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**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, including Measure B Transaction tax and the related expenditures 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**  
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**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.



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**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 reports 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 has two types of items that qualify for reporting in this category. 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. The City also has deferred outflows of resources related to pensions as discussed in Note 10.

In addition to liabilities, the statement of financial position or balance sheet reports 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 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. The City also has deferred inflows of resources related to pensions as discussed in Note 10.

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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.

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; 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>	
Police Services	\$304,874
<b>Non-Major Funds:</b>	
<b>Special Revenue Fund</b>	
Mare Island CFD 2002	11,449
Supplemental Law Enforcement Grant	27,278
Outside Services	154,713

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. *Prepays***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

**L. 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.

**M. New Fund, Activated Funds and Inactive Fund**

The Emergency Disaster Special Revenue Fund was established during fiscal year 2015 to account for monies received and expended on activities related to damage from the 2014 South Napa earthquake.

The Arts and Convention Center Capital Projects Fund was activated during fiscal year 2015 with the restoration of Empress Theatre advances to the former Redevelopment Agency.

The Columbus Parkway Improvements Capital Projects Fund was established during fiscal year 2015 to account for monies received from a developer for the Columbus Parkway widening project.

The Fire Station #7 Capital Projects Fund was activated during fiscal year 2015 to account for development fees that support debt service payments on Columbus Fire Station #7.

The Justice Assistance Grant Special Revenue Fund did not have any activity in fiscal year 2015. 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, 2015 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	3,621,221	3,852,541		7,473,762	\$3,226,063	10,699,825
Investments	121,939,110	745,560	\$11,819,519	134,504,189	38,170,635	172,674,824
	<u>\$125,573,141</u>	<u>\$4,598,551</u>	<u>\$11,819,519</u>	<u>\$141,991,211</u>	<u>\$41,396,698</u>	<u>\$183,387,909</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	\$15,951,617		
Other funds	99,669,753		
Total, City			\$115,621,370
Housing Authority			4,598,551
			120,219,921

Restricted cash and investments (held by fiscal agents):

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

City			9,951,771
Subtotal Primary Government cash and investments			130,171,692

**Discrete Component Unit (VSFCD):**

Cash and investments

36,403,344

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			41,396,698
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Reported on the Statement of Fiduciary Net Position

Agency Funds

Cash and investments

3,665,568

Restricted investments (held by fiscal agents)

4,886,309

Total, Agency Funds

8,551,877

Successor Agency to the Redevelopment Agency

Private-Purpose Trust Fund

Cash and investments

2,142,133

Restricted investments (held by fiscal agents)

1,125,509

Total, Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund

3,267,642

Subtotal Fiduciary Funds cash and investments

11,819,519

Total cash and investments

\$183,387,909

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

**C. Policies**

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools idle cash from all sources and all funds, except Cash with Fiscal Agents, Housing Authority, and the VSFCDC, so that it can be invested at the maximum yield, consistent with safety and liquidity.

Cash receipts and disbursements, including payroll, are processed by City staff which administers activities for the following separate legal entities: the City, the Successor Agency to the Redevelopment Agency, and the Housing Authority.

These cash transactions are recorded in the City's main checking account with transactions allocated to each applicable general ledger fund of the City and its component units pending periodic reimbursement and settlement of inter-agency balances. As of June 30, 2015, 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
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	A	30%	5%
Maturing in 3 to 5 years	5 Years	AA	30%	5%
Certificates of Deposits	5 Years	No Limit	10%	No Limit
Negotiable Certificates of Deposits	5 Years	AA	5%	No Limit
Local Agency Investment Fund State Pool	No Limit	No Limit	\$50 million per account	No Limit
State of California or Local Agency Bonds	5 Years	A	10%	No Limit
Mutual Funds	On Demand	Highest Rating	10%	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
Municipal Bonds of Other States	5 Years	AA	10%	5%
Equity Securities (Common and Preferred Stocks)	N/A	N/A	0%	No Limit
Supranationals	5 Years	No Limit	0%	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, 2015.

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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
<b><i>Held by the City and its Blended Component Units:</i></b>				
U.S. Government Agencies	\$1,676,628	\$17,563,706	\$5,567,151	\$24,807,485
Asset Backed Securities		7,274,842	2,552,100	9,826,942
Commercial Paper	854,188			854,188
Corporate Notes	1,832,425	15,883,063	1,159,208	18,874,696
U.S. Treasury Notes	977,363	18,792,637	7,279,639	27,049,639
California Local Agency Investment Fund:				
City	33,048,177			33,048,177
Housing Authority	745,560			745,560
Money Market Mutual Funds	83,571			83,571
Municipal Bonds	550,505	3,184,993		3,735,498
<b><i>Held by Fiscal Agents:</i></b>				
Money Market Mutual Funds	15,478,433			15,478,433
Total Investments	<u>\$55,246,850</u>	<u>\$62,699,241</u>	<u>\$16,558,098</u>	<u>\$134,504,189</u>

Money market funds are available for withdrawal on demand and at June 30, 2015, have an average maturity which ranged from 1 to 18 days.

VSFCD

Investment Type	Less than 1 year	1 - 5 years	6-10 years	Total
U.S. Government Agencies	\$466,468	\$24,753,374	\$1,975,540	\$27,195,382
Corporate Notes and Bonds	750,499	1,286,190		2,036,689
Corporate Certificates of Deposit	1,350,051	1,712,549		3,062,600
California Local Agency Investment Fund	1,936,901			1,936,901
Money Market Funds	3,939,063			3,939,063
Total Investments	<u>\$8,442,982</u>	<u>\$27,752,113</u>	<u>\$1,975,540</u>	<u>\$38,170,635</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, 2015, these investments have an average maturity of 239 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, 2015 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	\$24,807,485			\$24,807,485
Asset Backed Securities	9,826,942			9,826,942
Commercial Paper			\$854,188	854,188
Corporate Notes	750,000	\$6,940,978	11,183,718	18,874,696
Money Market Mutual Funds	83,571			83,571
Municipal Bonds		3,735,498		3,735,498
<b><i>Held by Fiscal Agents:</i></b>				
Money Market Mutual Funds	15,478,433			15,478,433
Total rated investments	\$50,946,431	\$10,676,476	\$12,037,906	73,660,813
<b><i>Exempt:</i></b>				
U.S. Treasury Notes				27,049,639
<b><i>Not rated:</i></b>				
California Local Agency Investment Fund:				
City				33,048,177
Housing Authority				745,560
Total Investments				\$134,504,189

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 of 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 AAA by S&P and Moody's, respectively.

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

**H. Concentration Risk**

The City and the VSFCDD investment policies regarding the amount that can be invested in any one issuer are stipulated by the California Government Code. However, these entities are required to disclose investments that represent a concentration of 5.0 percent or more of investments in any one issuer, held by individual Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools.

At June 30, 2015, 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	\$10,107,865
Entity-wide	Federal home Loan Mortgage Company	U.S. Government Agencies	7,277,390

VSFCDD Concentration Risk

Of the Sanitation and Flood Control District's controllable portfolio at June 30, 2015, 16% was with Federal National Mortgage Association, 16% was with Federal Home Loan Mortgage Corporation, 20% was with Federal Home Loan Bank, and 11% 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, 2015, the VSFCDD deposit and investment balances were exposed to custodial risk as follow:

Deposits - uninsured and collateralized with securities held by the pledging bank's trust department or agent not in the District's name	\$3,092,109
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**NOTE 3 – INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

Transfers between funds during the fiscal year ended June 30, 2015 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred	
<b>General Fund, including Measure B</b>	Emergency Disaster Special Revenue Fund	\$2,200,000	(A)
	Certificates of Participation Debt Service Fund	524,326	(B)
	Capital Outlay Capital Projects Fund	2,949,534	(C) (D)
	Marina Enterprise Fund	1,500,000	(D) (E)
	Golf Enterprise Fund	834,402	(D) (E)
	Vallejo Station Parking Enterprise Fund	102,370	(F)
	Insurance Internal Service Fund	500,000	(E)
<b>Special Revenue Funds:</b>			
State Gas Tax	Traffic Congestion Relief Capital Projects Fund	675,372	(D)
Outside Services	General Fund	4,954	(G)
State Lands	Marina Enterprise Fund	78,336	(F)
Administrative Trust	General Fund	6,441	(G)
<b>Capital Projects Funds:</b>			
Capital Outlay	Golf Enterprise Fund	170,078	(D)
Fire Station # 7	Certificates of Participation Debt Service Fund	3,326	(B)
<b>Total</b>		<u>\$9,549,139</u>	

- (A) To fund 2014 Napa Earthquake costs.
- (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 fund city operations.
- (G) To transfer investment income from unrestricted funds to General Fund.

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

**B. Current Interfund Balances**

As of June 30, 2015, the City’s Insurance Internal Service Fund had provided short-term lending to the following funds with deficit cash positions. These balances are expected to be repaid shortly after the end of the fiscal year upon receipt of grant or other reimbursements.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Funds:		
Community Development Block Grant		\$261,217
Office of Traffic Safety		51,908
State Lands		24,125
Capital Projects Funds:		
Capital Grants and Contributions		875,547
Vallejo Station		1,506,623
Transportation		17,134
Internal Service Fund:		
Insurance	<u>\$2,736,554</u>	
Total	<u><u>\$2,736,554</u></u>	<u><u>\$2,736,554</u></u>

**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, 2015:

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		689,501
Temple Arts Lofts		750,000
Accrued interest		2,693,958
Residential Rehabilitation		246,592
Vallejo Housing Collaborative		64,745
		<u>12,988,546</u>
HOME Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Temple Arts Lofts		495,734
Vallejo Housing Collaborative		100,000
Single family residential		3,444,687
		<u>5,440,421</u>
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		963,979
		<u>2,524,341</u>
Neighborhood Stabilization Program	Non-major Governmental	
Temple Art Lofts		1,437,844
Single family residential		453,774
		<u>1,891,618</u>
<u>Development Programs</u>		
<u>Sereno Village Apartments</u>		
General Fund	Major Governmental	967,777
Neighborhood Parks Fund	Non-major Governmental	173,471
		<u>1,141,248</u>
<u>Other Programs</u>		
General Fund-Temple Art Lofts	Major Governmental	23,820
Water Fund - Trailer City	Major Enterprise	29,785
Transportation Impact Mitigation Fund - Temple Art Lofts	Non-major Governmental	89,088
		<u>142,693</u>
<u>Advances to Former Redevelopment Agency (Successor Agency)</u>		
<u>Empress Theater</u>		
Hiddenbrooke Overpass Fund	Non-major Governmental	466,551
Arts and Convention Center Fund	Non-major Governmental	3,561,946
<u>Georgia Street Extension</u>		
Bridge Construction Fund	Non-major Governmental	455,468
		<u>4,483,965</u>
Total Primary Government notes and loans receivable		<u>28,612,832</u>
<b>VSFCD:</b>		
<u>Development Programs</u>		
Sereno Village Apartments		253,542
Total Component Unit notes and loans receivable		<u>253,542</u>
Total notes and loans receivable		<u>\$28,866,374</u>



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

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

Various residential purchase and rehabilitation loan programs were offered to qualifying low- to moderate-income individuals by the former Redevelopment Agency through the Affordable Housing Special Revenue Fund. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans range from 3.0% to 8.0% and the principal maturity dates range from 5 years to 30 years. Deferred interest loans are offered as well as below-market-rate 30-year loans. Interest income is recorded as payments are received. In addition, the former Redevelopment Agency had entered into agreements with developers to assist in the development of affordable housing. The notes receivable are secured by deeds of trust and bear varying interest rates.

Under the provisions of AB 1484, the City's Housing Authority elected to become the Housing Successor and retain the housing assets of the former Redevelopment Agency. On February 1, 2012 certain former Redevelopment Agency housing assets were transferred to the Housing Authority which is reported in the Housing Authority Special Revenue Fund as the 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, 2015 remains at \$246,592.

In July 2014, the Housing Authority entered into a loan agreement with Vallejo Housing Collaborative, LLC, in the amount of \$900,000. The proceeds of the loan will be used to acquire, rehabilitate and operate from ten to twelve properties that are improved with housing to provide permanent housing for extremely low income individuals and households transitioning from homelessness. The loan bears simple interest of 3% and is repayable from residual receipts as defined in the agreement. The loan will be secured by up to twelve deeds of trust on the properties and unpaid principal and interest is due on or before the thirtieth anniversary of the promissory note. As of June 30, 2015, the developer had drawn down \$64,745 of the loan proceeds.

**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, 2015 were \$5,440,421, \$2,524,341, and \$1,891,618 in the HOME, CDBG Program, and NSP Program, respectively.

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

In July 2014, the City also entered into a loan agreement with Vallejo Housing Collaborative, LLC, in the amount of \$100,000 for the same project discussed in B. above. The loan was funded with HOME funds and is included in the balance of HOME Program loans receivable above. The loan bears simple interest of 3% and is repayable from residual receipts as defined in the agreement. The loan will be secured by up to twelve deeds of trust on the properties and unpaid principal and interest is due on or before the thirtieth anniversary of the promissory note.

**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, 2015 the outstanding balance of this loan, including accrued interest, was \$1,141,248 including \$967,777 funded by General Fund and \$173,471 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, 2015 was \$253,542.

**E. *Temple Art Loft Impact Fee Loan***

In December 2011, the City entered into a \$112,908 loan agreement with Temple Art Lofts Associates to pay certain impact fees, permit fees, and administrative fees for the 707-715 Marin Street Project. The loan bears zero interest and will be due and payable in full upon the 55<sup>th</sup> anniversary of the date of the loan which is December 15, 2011.

**F. *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, 2015 the outstanding balance of this loan was \$29,785. This note is recorded in the City's Water Enterprise Fund.

**G. *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 remaining balance of the loan of \$374,113 was repaid during fiscal year 2015.

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

**H. 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, 2015, the outstanding balance of this loan and the offsetting allowance were \$180,843.

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

**Vallejo Central Project Area – Empress Theatre and Georgia Street Loans**

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, and in fiscal year 2003, the City advanced \$500,000 to the Marina Vista Debt Service Fund for the Georgia Street extension project. Repayment of these loans was 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.

On February 12, 2015 the Oversight Board to the Successor Agency of the former Vallejo Redevelopment Agency approved these pre-dissolution loans between the City and the former Vallejo Redevelopment Agency as enforceable obligations. The City had previously offset these loans receivable with an allowance for collectability, but the allowance was reversed in fiscal year 2015, since the Department of Finance approved these loans as enforceable obligations in March 2015. Under the provisions of Health and Safety Code Section 34191.4(b)(2)(A), the maximum annual repayment amount on the loans is limited based on calculations in the Code Section and the interest rate on the loans is limited to the Local Agency Investment Fund interest rate on the date of approval of the loans by the Oversight Board, which was 0.00267%. The balances of these loans as of June 30, 2015 are as follows:

	Principal	Accrued Interest	Total
Hiddenbrooke Overpass Capital Projects Fund	\$461,597	\$4,954	\$466,551
Bridge Construction Capital Projects Fund	450,632	4,837	455,469
Arts and Convention Center Capital Projects Fund	3,524,122	37,823	3,561,945
	<u>\$4,436,351</u>	<u>\$47,614</u>	<u>\$4,483,965</u>

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

**Pre-1990 Advances**

During the early years of the Agency (pre-1990), the City advanced start-up funds to the Agency. As of January 31, 2012, the date of dissolution of the former Redevelopment Agency, the balance of these advances, including accrued interest at that date, were as follows:

Project Area	Balance Due June 30, 2015
Marina Vista	\$3,701,103
Waterfront	4,096,461
Vallejo Central	1,244,468
Total	\$9,042,032

Due to uncertainties on the timing of repayment, the City has fully offset these advances receivable with an allowance for doubtful accounts. On February 12, 2015, the Oversight Board to the Successor Agency of the former Vallejo Redevelopment Agency approved these pre-dissolution loans between the City and the former Vallejo Redevelopment Agency as enforceable obligations. However, the State Department of Finance overturned this approval and has not approved repayment of these advances as enforceable obligations of the Agency, since the advances were in the form of expenditure reimbursement agreements rather than cash advances to the Agency. Subsequent to June 30, 2015, the State Legislature has approved SB 107, which provides new pathways for approval of reimbursement agreements such as these advances. As of June 30, 2015, these City Advances continue to be fully offset by an allowance for doubtful accounts, pending additional analysis about the possibility of their future collection.

**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 \$5,000.

Depreciation is provided using the half year convention 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, but only half of the full year depreciation is charged in the first year, while the other half is charged in the last year of depreciation or in the year the asset is sold or retired.

The City has assigned the useful lives listed below to capital assets.

Buildings and improvements	5 to 50 years
Machinery and equipment	5 to 25 years
Traffic signals	5 to 25 years
Street lights	15 to 50 years
Bridges and culverts	15 to 60 years
Sidewalks, curbs and gutters	15 to 40 years
Streets and roads	15 to 40 years

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

The VSFCDD 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

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, 2014	Additions	Retirements	Transfers	Balance at June 30, 2015
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$136,218,248				\$136,218,248
Construction in progress	21,524,169	\$6,377,623	(\$2,134,520)	(\$17,647,487)	8,119,785
Total capital assets not being depreciated	157,742,417	6,377,623	(2,134,520)	(17,647,487)	144,338,033
Capital assets being depreciated:					
Buildings and improvements	108,751,210		(1,480,000)	5,558,654	112,829,864
Machinery and equipment	29,055,569	1,871,859	(1,610,890)	2,185,337	31,501,875
Infrastructure	240,064,667			9,903,496	249,968,163
Total capital assets being depreciated	377,871,446	1,871,859	(3,090,890)	17,647,487	394,299,902
Less accumulated depreciation for:					
Buildings and improvements	(31,320,607)	(2,564,445)	961,998		(32,923,054)
Machinery and equipment	(22,449,670)	(1,968,030)	1,335,279		(23,082,421)
Infrastructure	(145,269,194)	(5,402,440)			(150,671,634)
Total accumulated depreciation	(199,039,471)	(9,934,915)	2,297,277		(206,677,109)
Net capital assets being depreciated	178,831,975	(8,063,056)	(793,613)	17,647,487	187,622,793
Governmental activity capital assets, net	\$336,574,392	(\$1,685,433)	(\$2,928,133)		\$331,960,826

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

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

	Balance at June 30, 2014	Additions	Transfers/ Adjustments	Balance at June 30, 2015
<b><i>Business-type activities</i></b>				
Capital assets, not being depreciated:				
Land	\$12,298,805			\$12,298,805
Construction in progress	10,098,068	\$5,034,184	(\$8,634,593)	6,497,659
Total capital assets not being depreciated	<u>22,396,873</u>	<u>5,034,184</u>	<u>(8,634,593)</u>	<u>18,796,464</u>
Capital assets, being depreciated:				
Buildings and improvements	110,401,716	96,087	(17,091,419)	93,406,384
Machinery and equipment	17,885,624	340,103	1,734,503	19,960,230
Infrastructure	118,248,138		23,991,509	142,239,647
Total capital assets being depreciated	<u>246,535,478</u>	<u>436,190</u>	<u>8,634,593</u>	<u>255,606,261</u>
Less accumulated depreciation for:				
Buildings and improvements	(55,287,630)	(1,912,093)		(57,199,723)
Machinery and equipment	(6,745,337)	(764,268)		(7,509,605)
Infrastructure	(93,624,680)	(3,159,565)		(96,784,245)
Total accumulated depreciation	<u>(155,657,647)</u>	<u>(5,835,926)</u>		<u>(161,493,573)</u>
Net capital assets being depreciated	<u>90,877,831</u>	<u>(5,399,736)</u>	<u>8,634,593</u>	<u>94,112,688</u>
Business-type activity capital assets, net	<u>\$113,274,704</u>	<u>(\$365,552)</u>		<u>\$112,909,152</u>

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

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

	Balance at June 30, 2014	Additions	Retirements	Transfers	Balance at June 30, 2015
Capital assets, not being depreciated:					
Land and Land improvements	\$2,810,716				\$2,810,716
Construction in progress	11,333,552	\$7,764,947	(\$9,223)	(\$6,983,545)	12,105,731
Total capital assets not being depreciated	14,144,268	7,764,947	(9,223)	(6,983,545)	14,916,447
Capital assets, being depreciated:					
Buildings and improvements	3,464,811	68,973	(3,400)		3,530,384
Machinery and equipment	12,946,808	650,369	(227,405)	259,808	13,629,580
Infrastructure	323,307,427	570,254		6,723,737	330,601,418
Total capital assets being depreciated	339,719,046	1,289,596	(230,805)	6,983,545	347,761,382
Less accumulated depreciation for:					
Buildings and improvements	(3,275,892)	(85,475)	3,400		(3,357,967)
Machinery and equipment	(7,247,274)	(707,530)	222,783		(7,732,021)
Infrastructure	(143,167,800)	(7,535,687)			(150,703,487)
Total accumulated depreciation	(153,690,966)	(8,328,692)	226,183		(161,793,475)
Net capital assets being depreciated	186,028,080	(7,039,096)	(4,622)	6,983,545	185,967,907
Capital assets, net	\$200,172,348	\$725,851	(\$13,845)		\$200,884,354

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

**D. 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	\$16,723
Human resources	2,031
Community development	154,515
Fire services	102,841
Police services	80,691
Public works	8,388,128
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,189,986
	\$9,934,915

***Business-Type Activities***

Water	\$5,320,906
Marina	62,066
Golf	452,954
	\$5,835,926

***VSFCD:***

Vallejo Sanitation and Flood Control District	\$8,328,692
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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. Bond issuance costs are expensed in the year incurred. Any differences between proprietary refunded debt and the debt issued to refund it is recorded as Deferred Outflows/Inflows of Resources and amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.



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

**A. Current Year Transactions and Balances**

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

	Original Issue Amount	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
<b>Governmental Activity Debt:</b>						
<b>Certificates of Participation:</b>						
1999 COPs						
(Restructured, see Note 6C)	\$4,815,000	\$3,491,517		\$140,000	\$3,351,517	\$150,000
<b>Other Obligation:</b>						
1999 COPs Shortfall Indebtedness						
(Restructured, see Note 6C)	75,860	234,318		1,260	233,058	
Total Certificates of Participation	4,890,860	3,725,835		141,260	3,584,575	150,000
<b>UBOC Reimbursement Obligations:</b>						
UBOC Tranche A - General Fund	7,813,780	5,601,399	\$1,322,669	503,965	6,420,103	649,435
UBOC Tranche B - General Fund	7,906,677	7,906,677	128,484		8,035,161	
Total Loans & Notes Payable	15,720,457	13,508,076	1,451,153	503,965	14,455,264	649,435
<b>Capital Lease Obligations:</b>						
2001 Site & Facility Lease						
(Restructured, see Note 6G)	710,248	710,248		101,464	608,784	101,464
Total Capital Leases Obligations	710,248	710,248		101,464	608,784	101,464
<b>Total Governmental Activity Debt</b>	<b>\$21,321,565</b>	<b>\$17,944,159</b>	<b>\$1,451,153</b>	<b>\$746,689</b>	<b>\$18,648,623</b>	<b>\$900,899</b>

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

	Original Issue Amount	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
<b>Business-type Activity Debt:</b>						
<b>Revenue Bonds:</b>						
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	\$45,790,000	\$33,755,000		\$2,110,000	\$31,645,000	\$2,215,000
Plus: Unamortized bond premium		1,123,672		93,640	1,030,032	
2013 Water Revenue Refunding Bonds, 5.25%, due 5/1/31	18,080,000	18,080,000			18,080,000	
Plus: Unamortized bond premium		855,957		50,350	805,607	
<b>Total Revenue Bonds</b>	<b>63,870,000</b>	<b>53,814,629</b>		<b>2,253,990</b>	<b>51,560,639</b>	<b>2,215,000</b>
<b>UBOC Reimbursement Obligations</b>						
UBOC tranche A- Golf Course	4,269,641	3,210,309		274,409	2,935,900	281,269
UBOC tranche A- Marina	7,916,579	6,046,579		548,836	5,497,743	562,556
UBOC tranche B - Golf Course	5,359,564	4,561,671	\$74,127		4,635,798	
UBOC tranche B- Marina	10,368,842	8,899,585	144,618		9,044,203	
<b>Other Loans &amp; Notes Payable:</b>						
US Dept of Commerce, Water Fund 2.5%, due 7/1/15	2,560,923	191,839		191,839		
State Safe Drinking Water 0%, due 1/1/25	68,080	35,742		3,405	32,337	1,702
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	2,470,454		363,875	2,106,579	187,140
<b>Total Loans &amp; Notes Payable</b>	<b>37,218,629</b>	<b>25,416,179</b>	<b>218,745</b>	<b>1,382,364</b>	<b>24,252,560</b>	<b>1,032,667</b>
<b>Total Business-type Activity Debt</b>	<b>\$101,088,629</b>	<b>\$79,230,808</b>	<b>\$218,745</b>	<b>\$3,636,354</b>	<b>\$75,813,199</b>	<b>\$3,247,667</b>

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

	<u>Original Issue Amount</u>	<u>Balance June 30, 2014</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
<b>VSFCD:</b>					
<b>Revenue Bonds:</b>					
Vallejo Sanitation and Flood Control District					
2014 Revenue Bonds					
4.0-5.0%, due 5/1/36	\$34,294,966	\$34,277,970	\$1,188,952	\$33,089,018	\$825,000
2011 Revenue Bonds					
2-5%, due 5/1/25	<u>3,345,000</u>	<u>2,799,545</u>	<u>207,727</u>	<u>2,591,818</u>	<u>210,000</u>
Total Revenue Bonds	<u>37,639,966</u>	<u>37,077,515</u>	<u>1,396,679</u>	<u>35,680,836</u>	<u>1,035,000</u>
<b>Certificates of Participation:</b>					
Vallejo Sanitation and Flood Control District					
1993 Sanitation and Flood Control					
5.0 - 5.04%, due 7/1/19	<u>38,905,000</u>	<u>13,718,280</u>	<u>1,999,656</u>	<u>11,718,624</u>	<u>2,170,000</u>
Total Certificates of Participation	<u>38,905,000</u>	<u>13,718,280</u>	<u>1,999,656</u>	<u>11,718,624</u>	<u>2,170,000</u>
<b>Other Loans &amp; Notes Payable:</b>					
Vallejo Sanitation and Flood Control					
State Clean Water (2004)					
2.5%, due 2023	13,798,201	7,230,146	726,318	6,503,828	744,476
State Clean Water (2008)					
2.4%, due 2025	<u>4,406,072</u>	<u>3,037,308</u>	<u>244,555</u>	<u>2,792,753</u>	<u>250,424</u>
Total Loans & Notes Payable	<u>18,204,273</u>	<u>10,267,454</u>	<u>970,873</u>	<u>9,296,581</u>	<u>994,900</u>
<b>Total VSFCD Debt</b>	<u><u>\$94,749,239</u></u>	<u><u>\$61,063,249</u></u>	<u><u>\$4,367,208</u></u>	<u><u>\$56,696,041</u></u>	<u><u>\$4,199,900</u></u>

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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
2016	\$900,899	\$294,647	\$3,247,667	\$2,793,238	\$4,199,900	\$2,325,072
2017	922,135	273,728	3,565,012	2,652,805	4,374,522	2,145,050
2018	948,777	252,090	3,703,534	2,518,278	4,559,753	1,957,069
2019	975,834	229,599	3,800,188	2,365,428	4,760,609	1,760,663
2020	952,659	252,034	4,015,769	2,206,500	4,947,106	1,555,916
2021-2025	4,634,709	912,650	20,982,496	8,429,258	11,114,691	6,379,124
2026-2030	4,175,194	816,798	21,838,366	5,014,404	7,200,000	4,359,350
2031-2035	4,892,480	340,578	8,529,499	1,021,083	9,355,000	2,200,000
2036-2040	1,366,044	28,507	4,915,092	436,830	2,190,000	120,450
2041-2042			1,428,342	69,362		
Total	19,768,731	<u>\$3,400,631</u>	76,025,965	<u>\$27,507,186</u>	52,701,581	<u>\$22,802,694</u>
Plus: Unamortized bond premium (discount)			1,835,639		3,994,460	
Net long-term debt	<u>\$19,768,731</u>		<u>\$77,861,604</u>		<u>\$56,696,041</u>	

(A) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$1,120,108

(B) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$2,048,405

**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 City pledged motor vehicle license fees (MVLFF) for the repayment of the COPs. The pledge of future MVLFF revenues ends upon repayment of the remaining debt service which is scheduled to occur in 2030. For fiscal year 2015, the City received MVLFF revenues of \$49,765. However, debt service on the COPs is also 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 outstanding claim of \$303,440 plus accrued interest.

On July 13, 2012 and January 15, 2013, the City had additional shortfalls of \$56,510 and \$23,182, respectively, for a total amount of \$79,692. The City did not incur a shortfall in fiscal year 2015.

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 was 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 MVLFF to which the City would be entitled under the California Revenue and Taxation Code during the previous six months minus the amount paid to the Trustee for the same period, provided that the MVLFF exceed the total amounts due for that period. The City’s obligation to pay amounts is not dependent on its receipt of MVLFF in any amount.

The MVLFF catch-up payment is to be applied to the shortfall indebtedness until paid in full. Each MVLFF catch-up payment is to 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 the last scheduled payment under the Lease Agreement, the City is to pay the remaining balance of the shortfall indebtedness to National no later than January 15, 2030. During the year ended June 30, 2015, the City paid \$41,475 to reduce the shortfall balance.

**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 were 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.

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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.

The Successor Agency was responsible for the repayment of a portion of the UBOC Tranche A related to the 2005 COPs, however in March 2015, the Department of Finance denied the liability and determined it was no longer eligible for repayment by the Successor Agency. Therefore, the City assumed the outstanding balance of \$1,322,669 at that date.

**E. Revenue Bonds**

**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. The defeased 1996 bonds were called on May 1, 2009. 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 \$41,919,250 in remaining debt service on the bonds which is scheduled to occur in 2026. Under the terms of the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

**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 defeased 2001 Water Revenue Bonds were called on November 26, 2013.

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

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 2006 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 \$31,465,663 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 2015, operating revenues and investment income amount to \$35,309,850 and operating costs include operating expenses, but not interest, amounted to \$27,107,002. Net Revenues available for debt service amounts to \$8,202,848, which represents coverage of 1.59 over the \$5,165,995 in combined debt service for the 2006 and 2013 Water Revenue Bonds and State Safe Drinking Water loans debt service.

**2011 Revenue Bonds** - the VSFC and the Water Reuse Finance Authority issued 2011 Revenue Bonds in a current refunding (1) to prepay the outstanding principal of 2001 Certificates of Participation, (2) to fund a reserve fund for the Bonds, and (3) to pay certain costs of issuing the Bonds. The 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, 2025 are subject to optional redemption on any date on or after May 1, 2024, together with accrued interest to the redemption date, without a premium.

**2014 Revenue Bonds** - the VSFC and the Water Reuse 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, 2015 is \$32,003,009.

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

**F. Other Notes and Loans Payable**

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

**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. The final payment was made in June 2015.

**State Safe Drinking Water, Water Fund** – 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.

**State Safe Drinking Water, Water Fund** – 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 defeased 1999 Bonds were called on May 1, 2009.

**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 confirmed in August 2011, 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 are payable semi-annually on December 1 and June 1.



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**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, 2015 is as follows:

<i>Improvement Bonds</i>	
2004 Hiddenbrooke Improvement District Series A	\$13,935,000
Northeast Improvement District 2003-1	6,750,000
Total	\$20,685,000

**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, 2015, \$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, 2015, \$8,820,000 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, 2015, \$9,980,000 of these bonds remained outstanding.

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**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 leave, sick leave and compensatory time off. 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, 2015.

Compensated absences activity for the City for the year ended June 30, 2015 is as follows:

	Governmental Activities	Business-Type Activities	Total	VSCFD
Compensated Absences Activity:				
Beginning Balance	\$9,692,168	\$1,056,820	\$10,748,988	\$1,446,613
Additions	6,169,633	1,097,574	7,267,207	874,480
Deletions	(5,392,476)	(989,302)	(6,381,778)	(723,703)
Ending Balance	<u>\$10,469,325</u>	<u>\$1,165,092</u>	<u>\$11,634,417</u>	<u>\$1,597,390</u>
Compensated Absences				
Classification Presentation:				
Current Portion:				
Internal Service Funds	\$122,384		\$122,384	
Entity-wide	5,008,390	\$965,649	5,974,039	
Vallejo Sanitation Flood and Control District				\$542,772
Current Portion	<u>5,130,774</u>	<u>965,649</u>	<u>6,096,423</u>	<u>542,772</u>
Noncurrent Portion:				
Internal Service Fund	27,957		27,957	
Entity-wide	5,310,594	199,443	5,510,037	
Vallejo Sanitation Flood and Control District				1,054,618
Noncurrent Portion	<u>5,338,551</u>	<u>199,443</u>	<u>5,537,994</u>	<u>1,054,618</u>
Total	<u>\$10,469,325</u>	<u>\$1,165,092</u>	<u>\$11,634,417</u>	<u>\$1,597,390</u>
Noncurrent Employee Benefits Payable:				
Compensated Absences	\$5,338,551	\$199,443	\$5,537,994	\$1,054,618
Other Employee Benefits (1.5% VEBA contribution set aside by City)	92,119		92,119	
Net OPEB Obligation (Note 11)	<u>12,107,552</u>		<u>12,107,552</u>	<u>1,089,705</u>
Non-current Portion	<u>\$17,538,222</u>	<u>\$199,443</u>	<u>\$17,737,665</u>	<u>\$2,144,323</u>

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**NOTE 10 – PENSION PLANS**

**A. General Information about the City’s Pension Plans**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<b>Miscellaneous</b>		
	Classic Tier I	Classic Tier II	PEPRA
	Prior to October 30, 2012	On or after October 30, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.0% @ 55	2.7% @ 55	2.0% @ 62
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	50 - 63	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	2.0% - 2.70%	1.0% - 2.5%
Required employee contribution rates	7%	8%	6.25%
Required employer contribution rates	30.228%	30.228%	30.228%
	<b>Safety - Fire</b>		
	Classic Tier I	Classic Tier II	PEPRA
	Prior to October 30, 2012	On or after October 30, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	2% @ 50	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	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% - 2.7%	2.0% - 2.7%
Required employee contribution rates	9%	9%	12%
Required employer contribution rates	50.838%	50.838%	50.838%

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**NOTE 10 – PENSION PLANS (Continued)**

	<b>Safety - Police</b>	
	Classic Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% - 2.7%
Required employee contribution rates	9%	12%
Required employer contribution rates	50.838%	50.838%

**Employees Covered** – At the June 30, 2013 actuarial valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous		
	Classic Tier	Classic Tier	PEPRA Plan
	I	II	
Inactive employees or beneficiaries currently receiving benefits	515	-	-
Inactive employees <i>eligible</i> to, but not yet receiving, benefits	135	-	-
Inactive employees <i>ineligible</i> to, but not yet receiving, benefits	64	-	-
Active employees	257	-	13
Total	971	-	13

	Safety		
	Classic Tier	Classic Tier	PEPRA Plan
	I	II	
Inactive employees or beneficiaries currently receiving benefits	358	-	-
Inactive employees <i>eligible</i> to, but not yet receiving, benefits	43	-	-
Inactive employees <i>ineligible</i> to, but not yet receiving, benefits	11	-	-
Active employees	146	1	12
Total	558	1	12

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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**NOTE 10 – PENSION PLANS (Continued)**

**B. Net Pension Liability**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (2)	3.3% - 14.2% (2)
Investment Rate of Return	7.5% (3)	7.5% (3)
Mortality	Derived using CalPers Membership Data for all Funds (4)	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

(1) Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tier II and PEPRA)

(2) Depending on age, service and type of employment

(3) Net of pension plan investment expenses, includes inflation

(4) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

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**NOTE 10 – PENSION PLANS (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS deemed the difference immaterial to the agent multiple-employer plans.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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**NOTE 10 – PENSION PLANS (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**C. Changes in the Net Pension Liability**

The changes in the Net Pension Liability for each Plan follow:

*Miscellaneous Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2013</b>	<u>\$241,577,765</u>	<u>\$148,241,643</u>	<u>\$93,336,122</u>
<b>Changes in the year:</b>			
Service cost	3,707,801		3,707,801
Interest on the total pension liability	17,746,245		17,746,245
Differences between actual and expected experience			-
Changes in assumptions			-
Changes in benefit terms			-
Contribution - employer		5,801,786	(5,801,786)
Contribution - employee (paid by employer)			
Contribution - employee		1,849,941	(1,849,941)
Net investment income		24,872,487	(24,872,487)
Administrative expenses			-
Benefit payments, including refunds of employee contributions	(13,630,142)	(13,630,142)	-
<b>Net changes</b>	<u>7,823,904</u>	<u>18,894,072</u>	<u>(11,070,168)</u>
<b>Balance at June 30, 2014</b>	<u>\$249,401,669</u>	<u>\$167,135,715</u>	<u>\$82,265,954</u>

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**NOTE 10 – PENSION PLANS (Continued)**

*Safety Plan:*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2013</b>	\$420,161,774	\$259,879,150	\$160,282,624
<b>Changes in the year:</b>			
Service cost	5,410,714		5,410,714
Interest on the total pension liability	30,833,294		30,833,294
Differences between actual and expected experience			-
Changes in assumptions			-
Changes in benefit terms			-
Contribution - employer		9,034,348	(9,034,348)
Contribution - employee (paid by employer)			-
Contribution - employee		2,517,611	(2,517,611)
Net investment income		43,593,695	(43,593,695)
Administrative expenses			-
Benefit payments, including refunds of employee contributions	(23,513,099)	(23,513,099)	-
<b>Net changes</b>	<u>12,730,909</u>	<u>31,632,555</u>	<u>(18,901,646)</u>
<b>Balance at June 30, 2014</b>	<u>\$432,892,683</u>	<u>\$291,511,705</u>	<u>\$141,380,978</u>
<b>Total Balance at June 30, 2014</b> <b>(Miscellaneous and Safety Plans)</b>	<u>\$682,294,352</u>	<u>\$458,647,420</u>	<u>\$223,646,932</u>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety	Total
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	\$111,693,587	\$196,989,470	\$308,683,057
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	\$82,265,954	\$141,380,978	\$223,646,932
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	\$57,609,796	\$95,534,025	\$153,143,821

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.



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**NOTE 10 – PENSION PLANS (Continued)**

**D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense of \$15,023,951. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Miscellaneous Plan:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$5,983,070	-
Differences between actual and expected experience	-	-
Changes in assumptions	-	
Net differences between projected and actual earnings on plan investments	-	(\$11,263,036)
<b>Total</b>	<b>\$5,983,070</b>	<b>(\$11,263,036)</b>

**Safety Plan:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$10,227,247	-
Differences between actual and expected experience	-	-
Changes in assumptions	-	
Net differences between projected and actual earnings on plan investments	-	(\$19,727,850)
<b>Total</b>	<b>\$10,227,247</b>	<b>(\$19,727,850)</b>

**Total Miscellaneous and Safety Plans**

<b>\$16,210,317</b>	<b>(\$30,990,886)</b>
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\$16,210,317 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization		
	Miscellaneous	Safety	Total
2016	(\$2,815,759)	(\$4,931,963)	(\$7,747,722)
2017	(2,815,759)	(4,931,963)	(7,747,722)
2018	(2,815,759)	(4,931,963)	(7,747,722)
2019	(2,815,759)	(4,931,961)	(7,747,720)
<b>Total</b>	<b>(\$11,263,036)</b>	<b>(\$19,727,850)</b>	<b>(\$30,990,886)</b>

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**NOTE 10 – PENSION PLANS (Continued)**

**E. Payable to the Pension Plan**

At June 30, 2015, the City reported a payable of \$629,630 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**F. Vallejo Sanitation and Flood Control District Pension Plan**

1. General Information about the Pension Plan

**Plan Descriptions** – Eligible employees of the District are provided with pensions through the District’s Miscellaneous Plan, a cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plan’s provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<b>Miscellaneous</b>	
	Classic Tier I Prior to January 1, 2013	PEPRA On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	16.691%	6.25%

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**Required Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following public notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the District’s contributions to the Plan were \$1,273,976.

2. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2015, the District reported its proportionate share of the net pension liability of the Plan of \$11,769,980.

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

Proportion - June 30, 2013	0.19951%
Proportion - June 30, 2014	0.18915%
Change - Increase (Decrease)	-0.01036%

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**NOTE 10 – PENSION PLANS (Continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$390,906. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

*Miscellaneous Plan - VSFCD*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,273,976	0
Differences between expected and actual experience	0	0
Changes in assumptions	0	0
Adjustment due to differences in proportions	240,897	(\$213,836)
Net differences between projected and actual earnings on plan investments	0	(3,955,258)
Total	\$1,514,873	(\$4,169,094)

\$1,273,976 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Annual Amortization
2016	(\$954,753)
2017	(954,753)
2018	(972,952)
2019	(1,045,739)
Total	(\$3,928,197)

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**NOTE 10 – PENSION PLANS (Continued)**

*Actuarial Assumptions* – For the measurement period ended June 30, 2014, the total pension liabilities were determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
	Contract COLA up to 2.75% until Purchasing Power applies,
Post Retirement Benefit Increase	.25% thereafter
Mortality	Derived using CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.50% for each Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.50% rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as expected pension fund cash flows. Based on the expected benefit payments of the Public Employees Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption was ideal in determining the level equivalent discount rate assumption. Using simulated rates of return, together with the CalPERS asset allocation mix, the median net return over the 19 years was calculated. The final geometric rate of return was set after removing 15 basis points over expected administrative expenses.

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**NOTE 10 – PENSION PLANS (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	<u>Miscellaneous</u>
1% Decrease Net Pension Liability	6.50% \$20,970,465
Current Discount Rate Net Pension Liability	7.50% \$11,769,980
1% Increase Net Pension Liability	8.50% \$4,134,451

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**3. Temporary and Seasonal Employees**

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

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**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, 2015:

<u>Employee Group</u>	<u>Contractual Benefit at June 30, 2015</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 VEBA

The PEMHCA minimum in 2015 is \$122 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. In June 2014 and June 2015, the City made contribution accruals of \$2,902,645 and \$2,391,740, respectively, 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, 2014 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 7.8% 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, 2015, 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, 2015, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

	<u>Retiree Health Benefits Internal Service Fund - Governmental Activities</u>
Annual required contribution (ARC)	\$3,383,000
Amortization on the Net OPEB Liability	(855,306)
Interest on the Net OPEB Liability	950,840
Adjustment to annual required contribution	<u>95,534</u>
Annual OPEB Cost	<u>3,478,534</u>
Contributions made:	
Pay as you go (premiums paid)	(2,094,273)
Paid to Trust	<u>(2,391,740)</u>
Contributions more than the ARC	<u>(1,007,479)</u>
Net OPEB Obligation at June 30, 2014	<u>13,115,031</u>
Net OPEB Obligation at June 30, 2015	<u><u>\$12,107,552</u></u>

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	Net OPEB Obligation
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
6/30/2015	3,478,534	4,486,013	129%	12,107,552

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

5. Funded Status and Funding Progress

The Schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year 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>
6/30/2014	\$10,536	\$47,263	(\$36,727)	22.29%	\$40,299	(91.1%)

**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 2014-2015 amounted \$1,274,834 and \$1,170,813, 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							
2013	01/01/13	\$1,267,152	\$61,996	(\$188,135)	\$1,141,013	97%	\$33,458	\$860,077
2014	01/01/13	1,267,152	64,506	(56,244)	1,275,414	90%	125,604	985,681
2015	01/01/13	1,267,152	73,926	(66,241)	1,274,837	99%	104,024	1,089,705

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 include 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 22 years at June 30, 2015.

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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 valuation as follows:

Fiscal Year Ended June 30	Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
2013	01/01/13	\$14,833,842	\$3,710,757	\$11,123,085	25.0%	\$7,332,700	151.7%
2014	01/01/13	14,833,842	4,922,255	9,911,587	33.2%	7,602,013	130.4%
2015	01/01/13	14,833,842	3,048,294	11,785,548	20.5%	7,332,700	160.7%

**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, 2015, 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	\$12,259			\$12,259
Notes Receivable	801,041			801,041
Land Held for Redevelopment	499,684			499,684
Materials, Parts and Supplies	2,130			2,130
Subtotal	<u>1,315,114</u>			<u>1,315,114</u>
Amounts required to be maintained intact:				
Permanent funds			\$102,072	102,072
<b>Total Nonspendable Fund Balances</b>	<u>1,315,114</u>		<u>102,072</u>	<u>1,417,186</u>
<b>Restricted for:</b>				
Bond indentures			250,023	250,023
Streets and Highways			19,159,691	19,159,691
Community Development and Housing	7,709	\$14,814,994	5,024,234	19,846,937
Public Safety Programs	263,863		941,655	1,205,518
Public Facilities Projects			7,827,235	7,827,235
Hiddenbrook Overpass			7,820,511	7,820,511
<b>Total Restricted Fund Balances</b>	<u>271,572</u>	<u>14,814,994</u>	<u>41,023,349</u>	<u>56,109,915</u>
<b>Committed to:</b>				
Measure B Capital Projects			1,958,318	1,958,318
Measure B Participatory Budgeting Projects	2,658,249		370,575	3,028,824
Public Facilities Projects (funded by General Fund)			3,441,499	3,441,499
Public Facilities Projects (funded by other funds)			258,027	258,027
General Plan Update, Permit programs	32,753			32,753
<b>Total Committed Fund Balances</b>	<u>2,691,002</u>		<u>6,028,419</u>	<u>8,719,421</u>
<b>Assigned to:</b>				
General Fund Reserves (from Measure B)	4,000,000			4,000,000
Measure B Programs (subsequent year's budget)	2,797,277			2,797,277
Measure B Encumbrances	574,124			574,124
Pension contribution reserves (unfunded)	963,521			963,521
General Fund Encumbrances	967,262			967,262
Cadet program			6,297	6,297
Arts and Convention Center			3,524,123	3,524,123
2014 Napa Earthquake costs			2,008,565	2,008,565
Public Facilities Maintenance			399,357	399,357
<b>Total Assigned Fund Balances</b>	<u>9,302,184</u>		<u>5,938,342</u>	<u>15,240,526</u>
<b>Unassigned:</b>				
General Fund	<u>7,976,200</u>			<u>7,976,200</u>
<b>Total Unassigned Fund Balances</b>	<u>7,976,200</u>			<u>7,976,200</u>
<b>Total Fund Balances</b>	<u>\$21,556,072</u>	<u>\$14,814,994</u>	<u>\$53,092,182</u>	<u>\$89,463,248</u>

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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 15% of annual appropriations in the General Fund's Unassigned Fund Balance. As of June 30, 2015, the Unassigned Fund Balance of \$8 million and \$4 million of Measure B Assigned Fund Balance have achieved a combined \$12 million of reserves and 15% of 2015-16 annual appropriations of \$77.5 million, excluding Measure B. The City will continue to address the unassigned reserve level in the subsequent years' budget process to rebuild the General Fund reserves towards the City Council's 25% contingency reserves goal.

**D. Deficits**

The funds below had fund balance or net position deficits at June 30, 2015:

<b>Proprietary Funds:</b>	
Marina	\$2,492,551
Golf	880,341
Vallejo Station Parking	102,275
<b>Internal Service Funds:</b>	
Insurance	1,630,321
Retiree Health Benefits	12,095,429

The Marina and Golf Enterprise Funds had net position deficits of \$2,492,551 and \$880,341, respectively, but both funds had positive working capital since the General Fund backfilled the current operating deficits. As more revenues are collected and as the debt service obligations are fully paid, both funds are expected to improve their net position. In addition, the management is currently looking for options to reduce the deficit over time with Council approval.

The Vallejo Station Parking Enterprise Fund had a net position deficit of \$102,275. Future parking revenues are anticipated to offset the deficit over time.

The Insurance Internal Service Fund had a net position deficit of \$1,630,321. A \$500,000 transfer from Measure B revenues is appropriated in FY 15-16 to reduce the deficit. The City will also continue to address the deficit during each subsequent year's budget process.

The Retiree Health Benefits Internal Service Fund had a net position deficit of \$12,095,429 due to recognition of the net OPEB obligation. The city's annual budget process includes funding the liability over time through annual contributions with a 30 year amortization period to cure the deficit.

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

**E. Fund Balance and Net Position Restatements**

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The intension of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The intension of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The implementation of the above Statements required the City and District to make prior period adjustments. As a result, the beginning net position of the following were restated and reduced by:

<b>Governmental Activities:</b>	
Governmental Funds	\$210,247,080
Fleet Maintenance/Replacement Internal Service Fund	2,017,693
Insurance Internal Service Fund	461,317
Subtotal, Governmental activities	<u>212,726,090</u>
<b>Business-type Activities</b>	
Water Enterprise Fund	25,998,958
Marina Enterprise Fund	586,621
Vallejo Stations Parking Enterprise Fund	302,110
Subtotal, Business-type activities	<u>26,887,689</u>
<b>Total, City</b>	<u><u>\$239,613,779</u></u>
<b>Vallejo Sanitation and Flood Control District</b>	
Component Unit	<u><u>\$14,815,107</u></u>

See Note 10 for additional information.



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**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, 2015, the City contributed \$354,474 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, 2015, the City contributed \$432,820 for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The City has also purchased a Difference in Conditions commercial policy that includes earthquake coverage and provides coverage up to \$25,000,000 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 remediation 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.

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

**B. Liability for Uninsured Claims**

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

	2015	2014
Beginning balance	\$15,867,000	\$15,033,000
Current year claims and increase (decrease) in prior estimates	3,202,366	3,909,153
Claims paid	(3,470,366)	(3,075,153)
Ending balance	\$15,599,000	\$15,867,000
Current portion	\$3,671,710	\$3,552,821

The claims payable are reported at their present value using expected future investment yield assumption of 3%. The undiscounted claims totaled \$18,301,000 at June 30, 2015.

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.

**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. Long Term Construction Contracts**

The City and Vallejo Sanitation and Flood Control District have various ongoing capital projects that involve long-term construction contracts with progress payments billed and paid on a percentage-of-completion basis. Material outstanding construction commitments related to these contracts at June 30, 2015 of City and VSFCD amounted to approximately \$4.1 million and \$5.2 million, respectively.

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

**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.

**E. *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, which would be paid out by the Water Enterprise Fund. 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 January 2019.

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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 indicated that assets of the former Redevelopment Agency totaling \$655,000 held by the City were to be returned to the Successor Agency. The City's General Fund paid that amount to the Successor Agency in fiscal year 2015, which has been reported as a Special item.

Effective January 31, 2012, the Redevelopment Agency was dissolved. 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 as Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to the Successor Agency.

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

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

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

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 (Continued)**

AB1484 also 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, 2015 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, 2015.

**A. Notes and Loans Receivable**

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

Meyer Cookware Industries, Inc.	\$120,000
Empress Theatre Associates, LLC	46,288
	\$166,288

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, 2015 the outstanding balance of the loan was \$120,000. The terms of the agreement call for Meyer to repay the note in increasing annual installments, as follows:

Fiscal Year 2010-2013	\$25,000 per year
Fiscal Year 2014-2018	\$40,000 per year

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

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**(Continued)**

Investment in Empress Theater Project through the Empress Investment Fund, LLC

During the year ended June 30, 2015, the Successor Agency acquired a 100% ownership interest in the Empress Investment Fund, LLC (EIF), a limited liability corporation formed in 2007 to leverage New Market Tax Credits as a source of additional private investment in the historic Empress Theater (Theater). After seven years, in October 2014, the tax credit program matured and the private investor exercised its put option which transferred ownership of the EIF to the Successor Agency. The EIF is now a component unit of the Successor Agency.

The Empress Theater property is owned, leased, and operated through a series of limited liability corporations. Through the EIF, the Successor Agency holds 100% ownership of the Empress Theater Master Tenant, LLC (ETMT), which in turn holds a 49% ownership position in Empress Theater Associates, LLC, (ETA). ETA holds title to the Empress Theater property. The Vallejo Community Arts Foundation leases the property, continues day to day operations, and offers programs to the community.

Since the October 2014 exit from the New Market Tax Credit program, the EIF has assumed loan receivable assets of \$6,325,903, due from ETA, and carries a loan payable obligation of \$42,500, due to Triad Communities LP, the site development partner. The new loan receivable asset has replaced the Agency's former \$4,296,000 loan receivable due from ETA through the EIF. Cash flow from Theater development and operations have been pledged to ultimately settle these loans receivable and payable. The loan receivable carries an interest rate of 0.5%, with quarterly payments scheduled through 2047. The loan payable carries an interest rate of 1.15%, with quarterly payments also scheduled through 2047. However, current Theater cash flow does not support amortization of these obligations, and as such, the net assets of the EIF are reported net of an allowance for doubtful accounts of \$6,278,669, leaving a net loan receivable balance of \$46,288 in the accompanying financial statements. The Agency anticipates negotiating a work out plan to address the future ownership and operation of Theater with the long term objective of preserving this historic property for the community.

**B. Capital Assets**

The Successor Agency assumed the capital assets of the former Redevelopment Agency as of February 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

Capital assets at June 30, 2015 were comprised of land of \$2,682,269 and Building and Improvements, net of accumulated depreciation, of \$80,733. Current year additions to accumulated depreciation were \$5,827.

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**(Continued)**

**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, 2014	Additions	Retirements/ Adjustments	Balance June 30, 2015	Current Portion
<b>Tax Allocation Bonds:</b>						
Waterfront Redevelopment Project 7.9%, due 5/1/19	\$2,485,000	\$1,230,000		\$200,000	\$1,030,000	\$220,000
Marina Vista Project 6.0-7.5%, due 9/1/20	3,335,000	1,450,000		165,000	1,285,000	175,000
Vallejo Central Project 6.0-7.5%, due 9/1/20	1,900,000	1,160,000		115,000	1,045,000	130,000
Vallejo Housing Set Aside 7.0%, due 10/1/31	5,410,000	3,915,000		150,000	3,765,000	160,000
Total Tax Allocation Bonds	<u>13,130,000</u>	<u>7,755,000</u>		<u>630,000</u>	<u>7,125,000</u>	<u>685,000</u>
<b>Certificates of Participation:</b>						
UBOC tranche A - General Fund (Restructured, see Note 6D)	6,743,199	1,452,299		1,452,299		
Total Certificates of Participation	<u>6,743,199</u>	<u>1,452,299</u>		<u>1,452,299</u>		
<b>Other Obligations</b>						
Redevelopment Waterfront DDA		290,298		290,298		
Advances from the City of Vallejo	4,436,351		\$4,483,965		4,483,965	
Loans payable to Triad Communities LP	42,500		42,500		42,500	2,322
Total Other Obligations	<u>4,478,851</u>	<u>290,298</u>	<u>4,526,465</u>	<u>290,298</u>	<u>4,526,465</u>	<u>2,322</u>
Total Successor Agency Debt	<u>\$24,352,050</u>	<u>\$9,497,597</u>	<u>\$4,526,465</u>	<u>\$2,372,597</u>	<u>\$11,651,465</u>	<u>\$687,322</u>

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

2. Tax Allocation Bonds

**Waterfront Redevelopment Project** – In January 1989, Tax Allocation Refunding Bonds in the amount of \$2,485,000 were issued to repay certain advances made to the Agency from the City. The bonds mature in May 2019. Semi-annual interest payments are due on May 1 and November 1 and annual principal payments are due May 1. Bonds became eligible to be redeemed, in whole or in part, at the option of the Agency on May 1, 1996, or on any Interest Payment Date thereafter. The bonds are subject to mandatory sinking fund redemption and are secured by amounts in the related Debt Service Fund held by the bond trustee and by incremental property tax revenues.

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

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

**Vallejo Housing Set Aside** – In August 2001, the Redevelopment Agency issued Tax Allocation Bonds in the amount of \$5,410,000 to finance housing activities of the Agency and to repay a loan from the PFA. Semi-annual interest payments are due on April 1 and October 1 and annual principal payments are due October 1. The bonds are subject to mandatory sinking fund redemption and payment is made solely from, and secured by, housing set-aside tax increment revenues generated within the redevelopment project areas.

**Pledge of Tax Revenues** – As discussed above, the Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Redevelopment Agency's Low and Moderate Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of \$10,505,551 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 2015, the Successor Agency received sufficient RPTTF distributions to meet all bond obligations for the year.



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 (Continued)**

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 remaining balance of \$290,298 was paid in full as of June 30, 2015.

4. Advances from the City

On February 12, 2015 the Oversight Board to the Successor Agency of the former Vallejo Redevelopment Agency approved certain pre-dissolution loans between the City and the former Vallejo Redevelopment Agency as enforceable obligations. The DOF approved these loans as enforceable obligations in March 2015. The advances balances as of June 30, 2015 are as follows:

	Principal	Accrued Interest	Total
Hiddenbrooke Overpass Capital Projects Fund	\$461,597	\$4,954	\$466,551
Bridge Construction Capital Projects Fund	450,632	4,837	455,469
Arts and Convention Center Capital Projects Fund	3,524,122	37,823	3,561,945
	\$4,436,351	\$47,614	\$4,483,965

The loans bear interest, compounded monthly, at the rate of 0.267%. Repayment of these loans is governed by the Health and Safety Code Section 34176(e)(6) and the maximum annual repayment is limited based on calculations in that Code Section. Initial repayment installments have been approved by State Department of Finance for fiscal year 2016.

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**(Continued)**

4. Debt Service Requirements

Debt service requirements to maturity are shown below for all long-term debt, except the advances from the City, because the ultimate repayment terms cannot be determined at this time, as discussed above:

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$687,322	\$536,731
2017	751,181	479,943
2018	821,195	418,483
2019	896,209	351,461
2020	651,223	278,703
2021-2025	1,566,329	858,588
2026-2030	1,181,703	424,303
2031-2035	593,676	46,707
2036-2040	7,521	863
2041-2045	7,964	418
2046-2047	3,177	37
Total	<u>\$7,167,500</u>	<u>\$3,396,237</u>

**E. *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 the UBOC tranche A liability in the amount of \$1.3 million. Other amounts, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to examination by the State of California. Certain transactions undertaken by the former Redevelopment Agency prior to the date of dissolution are subject to an asset transfer review by the State 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 complied by transferring the full balance to the Successor Agency in fiscal year 2015.

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**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 studies conducted by the City's Public Works department, the estimated cost to repair these damages is approximately \$1.6 million as of June 30, 2015.

**2. Water Fund Shortfall**

Revenues in the Water Enterprise Fund are expected to decline sharply during Fiscal Year 2015-16 compared to the original projections in the FY 2015-16 Adopted Budget. Continued conservation efforts by Vallejo residents in response to the Governor's call to lower water usage have had a significant effect on usage volumes, and a 20-inch water main break beneath a section of railroad track in August 2015 resulted in increased Water Fund expenses. Management estimates a \$5.3 million decline in Water revenues, which will could result in negative unrestricted position in the Fund. City staff is working to refine that estimate and reduce expenses, and a Water Rate Study report is expected in late fiscal year 2015-16 with the intent to increase revenues, achieve a more balanced rate model that reflects our true fixed and variable cost structure, and address cost fluctuations associated with the City's aging infrastructure.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**City's Retiree Medical Benefits (OPEB) Schedule of Funding Progress**

<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>
6/30/2010	\$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%)
6/30/2014	10,536	47,263	(36,727)	22.29%	40,299	(91.1%)

**City's Retiree Medical Benefits (OPEB) Schedule of Contributions**

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>% of OPEB Cost</u>	<u>Net OPEB Obligation</u>
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
6/30/2015	3,478,534	4,486,013	129%	12,107,552

**VSFCD's Retiree Medical Benefits Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
01/01/07	\$10,418,127	\$972,186	\$9,445,941	9.3%	\$6,764,563	139.6%
01/01/10	11,297,650	1,102,420	10,195,230	9.8%	7,316,414	139.3%
01/01/13	14,833,842	3,048,294	11,785,548	20.5%	7,332,700	160.7%

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan

Last 10 Years\*

Measurement Date	<u>6/30/2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$3,707,801
Interest	17,746,245
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	<u>(13,630,142)</u>
<b>Net change in total pension liability</b>	7,823,904
<b>Total pension liability - beginning</b>	<u>241,577,765</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$249,401,669</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$5,801,786
Contributions - employee	1,849,941
Net investment income (1)	24,872,487
Benefit payments, including refunds of employee contributions	<u>(13,630,142)</u>
<b>Net change in plan fiduciary net position</b>	18,894,072
<b>Plan fiduciary net position - beginning</b>	<u>148,241,643</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$167,135,715</u></u>
Net pension liability - ending (a)-(b)	<u><u>\$82,265,954</u></u>
Plan fiduciary net position as a percentage of the total pension liability	67.01%
Covered - employee payroll	<u><u>\$19,616,955</u></u>
Net pension liability as percentage of covered-employee payroll	419.36%

**Notes to Schedule:**

(1) Net of administrative expenses

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes.

**Changes in assumptions.** There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Source:** CalPERS Accounting Valuation

**SCHEDULE OF CONTRIBUTIONS**

Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan  
Last 10 Years\*

	<u>2015</u>
Actuarially determined contribution	\$5,983,070
Contributions in relation to the actuarially determined contributions	<u>5,983,070</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>
Covered-employee payroll	<u><u>\$19,651,304</u></u>
Contributions as a percentage of covered-employee payroll	30.45%
<b>Notes to Schedule</b>	
Valuation date:	6/30/2012
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	16 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: City of Vallejo's general ledger and CalPERS Actuarial Valuation

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
 Safety Plan - Agent Multiple-Employer Defined Pension Plan  
 Last 10 Years\*

Measurement Date	<u>6/30/2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$5,410,714
Interest	30,833,294
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(23,513,099)
<b>Net change in total pension liability</b>	<u>12,730,909</u>
<b>Total pension liability - beginning</b>	<u>420,161,774</u>
<b>Total pension liability - ending (a)</b>	<u>\$432,892,683</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$9,034,348
Contributions - employee	2,517,611
Net investment income (1)	43,593,695
Benefit payments, including refunds of employee contributions	(23,513,099)
<b>Net change in plan fiduciary net position</b>	<u>31,632,555</u>
<b>Plan fiduciary net position - beginning</b>	<u>259,879,150</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$291,511,705</u>
Net pension liability - ending (a)-(b)	<u>\$141,380,978</u>
Plan fiduciary net position as a percentage of the total pension liability	67.34%
Covered - employee payroll	<u>\$18,842,159</u>
Net pension liability as percentage of covered-employee payroll	750.34%

**Notes to Schedule:**

(1) Net of administrative expenses

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes.

**Changes in assumptions.** There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Source:** CalPERS Accounting Valuation



Safety Plan - Agent Multiple-Employer Defined Pension Plan  
Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

	<b>2015</b>
Actuarially determined contribution	\$10,227,247
Contributions in relation to the actuarially determined contributions	10,227,247
Contribution deficiency (excess)	\$0
 Covered-employee payroll	 \$19,571,492
 Contributions as a percentage of covered-employee payroll	 52.26%

**Notes to Schedule**

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	28 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

Mortality The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: City of Vallejo's general ledger and CalPERS Actuarial Valuation

**Vallejo Sanitation and Flood Control District**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Last 10 Years\***  
**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

<b>Measurement Date</b>	<u><b>6/30/2014</b></u>
Plan's proportion of the Net Pension Liability (Asset)	0.18915%
Plan's proportion share of the Net Pension Liability (Asset)	\$11,769,980
Plan's Covered Employee Payroll	\$7,602,013
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	154.83%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%

Notes to Schedule:

**Benefit Changes** - In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary, instead of a final five-year average salary.

**Changes in Assumptions** - In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Vallejo Sanitation and Flood Control District  
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
 Schedule of Contributions  
 Last 10 Fiscal Years\***

	<b>Fiscal Year Ended June 30, 2015</b>
Actuarially determined contribution	\$1,273,976
Contributions in relation to the actuarially determined contributions	(1,273,976)
Contribution deficiency (excess)	\$0
 Covered-employee payroll	 \$7,693,775
 Contributions as a percentage of covered-employee payroll	 16.56%

\* - Fiscal year 2015 is the first year of implementation, therefore only one year is shown.

Source: City of Vallejo's general ledger and CalPERS Actuarial Valuation

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<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**SPECIAL REVENUE FUNDS**

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

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

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

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

**Mare Island CFD 2002 Fund** accounts for monies received from general taxes and from property owner assessments for maintenance and repair of infrastructure and facilities on the former Mare Island Naval Shipyard.

**Mare Island CFD 2005 1A (State) Fund** accounts for transactions of this district formed under state statute to provide municipal services within the district.

**Mare Island CFD 2005 1B (Local) Fund** accounts for transactions of this district formed under local statute to provide municipal services within the district.

**State Gas Tax Fund** accounts for monies received from the state gas tax allocation and expended on construction, improvement and maintenance of public streets and related infrastructure.

**Solid Waste Disposal Fund** accounts for monies received from garbage collection fines and expended on enforcing major portions of the mandatory garbage subscription ordinance. This fund is also used for the mandatory city-wide recycling program and related recycling program grants.

**Hiddenbrooke Community Services District Fund** accounts for monies collected as the result of special taxes which are used to fund a variety of municipal services provided to the residents of the Hiddenbrooke development.

**Landscape Maintenance Districts Fund** accounts for special assessments on property within district boundaries for the restricted purpose of providing landscape services within the specified districts.

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

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

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

## NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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

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

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

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

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

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

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

**Emergency Disaster Fund** accounts for monies received and expended for activities related to damages from the 2014 South Napa earthquake, including federal and State grant revenues.

### **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.

**Arts and Convention Center Fund** accounts for the Empress Theatre advances to the former Redevelopment Agency.

**Columbus Parkway Improvements Fund** accounts for monies received from a developer for the Columbus Parkway widening project.

**Fire Station #7 Fund** accounts for development fees that support debt service payments on Columbus Fire Station #7.

**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, 2015

SPECIAL REVENUE FUNDS						
	Community Development Block Grant Fund #101	HOME Program Fund # 102	Neighborhood Stabilization Program Fund #103	Mare Island Base Reuse Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
<b>ASSETS</b>						
Cash and investments		\$414,193	\$284,501	\$527,871	\$5,390,478	\$284,412
Restricted cash and investments held with fiscal agent				481,752		
Accounts receivable	\$2,137	52,205	1,791	35,790	96,677	
Due from other governments	382,557	40,977				
Notes and loans receivable	2,524,341	5,440,421	1,891,618			
Prepays						
Total Assets	<u>\$2,909,035</u>	<u>\$5,947,796</u>	<u>\$2,177,910</u>	<u>\$1,045,413</u>	<u>\$5,487,155</u>	<u>\$284,412</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$123,477	\$350		\$8,839	\$90,662	\$30,847
Due to other funds	261,217					
Due to other governments						
Unearned revenue - Grants						
Deposits payable				7,785		
Total Liabilities	<u>384,694</u>	<u>350</u>		<u>16,624</u>	<u>90,662</u>	<u>30,847</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - accounts receivable		23,750			96,677	
Unavailable revenue - interest receivable						
Unavailable revenue - notes and loans receivable	2,524,341	5,440,421	\$1,891,618			
Total Deferred Inflows of Resources	<u>2,524,341</u>	<u>5,464,171</u>	<u>1,891,618</u>		<u>96,677</u>	
<b>FUND BALANCES</b>						
Fund balances						
Nonspendable						
Restricted		483,275	286,292	1,028,789	5,299,816	253,565
Committed						
Assigned						
Total Fund Balances		<u>483,275</u>	<u>286,292</u>	<u>1,028,789</u>	<u>5,299,816</u>	<u>253,565</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$2,909,035</u>	<u>\$5,947,796</u>	<u>\$2,177,910</u>	<u>\$1,045,413</u>	<u>\$5,487,155</u>	<u>\$284,412</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
\$991,446	\$500,712	\$215,500	\$2,546,135	\$7,870,295	\$777,870	\$86,584	
	147,977 2,250	27,590		1,007			\$51,908
<u>\$991,446</u>	<u>\$650,939</u>	<u>\$243,090</u>	<u>\$2,546,135</u>	<u>\$7,871,302</u>	<u>\$777,870</u>	<u>\$86,584</u>	<u>\$51,908</u>
	\$316,965	\$19,626	\$118,877	\$293,827		\$26	\$51,908
		223,464			\$7,353		
					118,988		
	<u>316,965</u>	<u>243,090</u>	<u>118,877</u>	<u>293,827</u>	<u>126,341</u>	<u>26</u>	<u>51,908</u>
\$991,446	333,974		2,427,258	7,577,475	651,529	86,558	
<u>991,446</u>	<u>333,974</u>		<u>2,427,258</u>	<u>7,577,475</u>	<u>651,529</u>	<u>86,558</u>	
<u>\$991,446</u>	<u>\$650,939</u>	<u>\$243,090</u>	<u>\$2,546,135</u>	<u>\$7,871,302</u>	<u>\$777,870</u>	<u>\$86,584</u>	<u>\$51,908</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2015

	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		\$110,661	\$72,026	\$541,838		\$13,252
Restricted cash and investments held with fiscal agent						
Accounts receivable Due from other governments		12,183			\$27,046	10,000
Notes and loans receivable						
Prepays						
Total Assets		\$122,844	\$72,026	\$541,838	\$27,046	\$23,252
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities Due to other funds		\$6,468		\$36,453	\$284 24,125	\$1,789
Due to other governments						
Unearned revenue - Grants					1,250	
Deposits payable				505,385	1,387	
Total Liabilities		6,468		541,838	27,046	1,789
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - accounts receivable						
Unavailable revenue - interest receivable						
Unavailable revenue - notes and loans receivable						
Total Deferred Inflows of Resources						
<b>FUND BALANCES</b>						
Fund balances						
Nonspendable						
Restricted		116,376	\$65,729			21,463
Committed						
Assigned			6,297			
Total Fund Balances		116,376	72,026			21,463
Total Liabilities, Deferred Inflows of Resources and Fund Balances		\$122,844	\$72,026	\$541,838	\$27,046	\$23,252

SPECIAL REVENUE FUNDS		DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS					
Administrative Trust Fund #601	Emergency Disaster Fund #109	Certificates of Participation Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213
\$881,009	\$2,276,400		\$8,878,285	\$2,488,057	\$1,763,799	\$211,581	\$7,391,616	\$1,003,697
		\$250,023						
	6,514			89,088	455,468		466,551	
<u>\$881,009</u>	<u>\$2,282,914</u>	<u>\$250,023</u>	<u>\$8,878,285</u>	<u>\$2,577,145</u>	<u>\$2,219,267</u>	<u>\$211,581</u>	<u>\$7,858,167</u>	<u>\$1,003,697</u>
	\$8,867		\$311,784		\$518,094		\$32,702	
\$881,009	265,482							
<u>881,009</u>	<u>274,349</u>		<u>311,784</u>		<u>518,094</u>		<u>32,702</u>	
					4,837		4,954	
					4,837		4,954	
		\$250,023	2,796,109 5,770,392	\$2,577,145	1,696,336	\$211,581	7,820,511	\$1,003,697
	2,008,565							
	<u>2,008,565</u>	<u>250,023</u>	<u>8,566,501</u>	<u>2,577,145</u>	<u>1,696,336</u>	<u>211,581</u>	<u>7,820,511</u>	<u>1,003,697</u>
<u>\$881,009</u>	<u>\$2,282,914</u>	<u>\$250,023</u>	<u>\$8,878,285</u>	<u>\$2,577,145</u>	<u>\$2,219,267</u>	<u>\$211,581</u>	<u>\$7,858,167</u>	<u>\$1,003,697</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2015

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>ASSETS</b>					
Cash and investments	\$1,023,908	\$1,486,043	\$796,503	\$402,682	
Restricted cash and investments held with fiscal agent	3,966,222				
Accounts receivable					
Due from other governments			979,046	150,000	\$1,529,150
Notes and loans receivable				173,471	
Prepays					
Total Assets	<u>\$4,990,130</u>	<u>\$1,486,043</u>	<u>\$1,775,549</u>	<u>\$726,153</u>	<u>\$1,529,150</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$156,007	\$213,583	\$103,499	\$165,546	\$22,527
Due to other funds			875,547		1,506,623
Due to other governments					
Unearned revenue - Grants	1,608,245		745,302		
Deposits payable				37,000	
Total Liabilities	<u>1,764,252</u>	<u>213,583</u>	<u>1,724,348</u>	<u>202,546</u>	<u>1,529,150</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - accounts receivable					
Unavailable revenue - interest receivable					
Unavailable revenue - notes and loans receivable				34,711	
Total Deferred Inflows of Resources				<u>34,711</u>	
<b>FUND BALANCES</b>					
Fund balances					
Nonspendable					
Restricted	3,225,878	1,272,460	51,201	488,896	
Committed					
Assigned					
Total Fund Balances	<u>3,225,878</u>	<u>1,272,460</u>	<u>51,201</u>	<u>488,896</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$4,990,130</u>	<u>\$1,486,043</u>	<u>\$1,775,549</u>	<u>\$726,153</u>	<u>\$1,529,150</u>

CAPITAL PROJECTS FUNDS					PERMANENT FUND	
Transportation Fund #421	Long-Term Maintenance Fund #223	Arts and Convention Center Fund #206	Columbus Parkway Improvements Fund #224	Fire Station #7 Fund #205	McCune Collection Fund #603	Total Nonmajor Governmental Funds
	\$399,357		\$258,027		\$108,039	\$49,996,777
\$17,134		\$3,561,946				4,697,997
						401,213
						3,171,719
						14,602,904
						1,007
<u>\$17,134</u>	<u>\$399,357</u>	<u>\$3,561,946</u>	<u>\$258,027</u>		<u>\$108,039</u>	<u>\$72,871,617</u>
\$17,134						\$2,581,099
						2,736,554
						7,353
						2,843,743
						1,551,554
<u>17,134</u>						<u>9,720,303</u>
		\$37,823				120,427
						47,614
						9,891,091
		<u>37,823</u>				<u>10,059,132</u>
					\$102,072	102,072
					5,967	41,023,349
			\$258,027			6,028,419
	\$399,357	\$3,524,123				5,938,342
	<u>399,357</u>	<u>3,524,123</u>	<u>258,027</u>		<u>108,039</u>	<u>53,092,182</u>
<u>\$17,134</u>	<u>\$399,357</u>	<u>\$3,561,946</u>	<u>\$258,027</u>		<u>\$108,039</u>	<u>\$72,871,617</u>

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS					
	Community Development Block Grant Fund #101	Home Program Fund # 102	Neighborhood Stabilization Program Fund #103	Mare Island Base Reuse Fund #107	Mare Island CFD 2002 Fund #112	Mare Island CFD 2005 1A (State) Fund #113
<b>REVENUES</b>						
Taxes					\$1,182,167	
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$1,539,314	\$40,977				
Use of money and property	180,069	1,521,659	\$364,287	\$344,808	33,564	\$1,593
Charges for services				62,443	3,157,706	327,311
Other						
Total Revenues	<u>1,719,383</u>	<u>1,562,636</u>	<u>364,287</u>	<u>407,251</u>	<u>4,373,437</u>	<u>328,904</u>
<b>EXPENDITURES</b>						
Current:						
Development services						
Community development	655,303	1,079,361	77,995	549,053		
Fire services					1,800,000	
Police services					654,000	
Public works					1,043,162	291,475
Capital outlay	1,064,080				52,040	
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>1,719,383</u>	<u>1,079,361</u>	<u>77,995</u>	<u>549,053</u>	<u>3,549,202</u>	<u>291,475</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
		<u>483,275</u>	<u>286,292</u>	<u>(141,802)</u>	<u>824,235</u>	<u>37,429</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
Net change in fund balance before special items		483,275	286,292	(141,802)	824,235	37,429
<b>Special items:</b>						
Re-establish loans to Successor Agency						
NET CHANGE IN FUND BALANCES		483,275	286,292	(141,802)	824,235	37,429
BEGINNING FUND BALANCES				1,170,591	4,475,581	216,136
ENDING FUND BALANCES		<u>\$483,275</u>	<u>\$286,292</u>	<u>\$1,028,789</u>	<u>\$5,299,816</u>	<u>\$253,565</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
		\$10,237				\$228,087	
		1,394			\$14,241		
	\$3,209,620	77,741					\$211,246
\$7,628	4,794	2,725	\$19,157	\$58,727	7,632	786	
112,256	448,500	1,417,310	768,969	3,164,407			
	33,366						
119,884	3,696,280	1,509,407	788,126	3,223,134	21,873	228,873	211,246
8,481	3,170,960	1,509,407	626,508	2,396,150	169,857	142,315	211,246
8,481	3,170,960	1,509,407	626,508	2,396,150	169,857	142,315	211,246
111,403	525,320		161,618	826,984	(147,984)	86,558	
	(675,372)						
	(675,372)						
111,403	(150,052)		161,618	826,984	(147,984)	86,558	
111,403	(150,052)		161,618	826,984	(147,984)	86,558	
880,043	484,026		2,265,640	6,750,491	799,513		
\$991,446	\$333,974		\$2,427,258	\$7,577,475	\$651,529	\$86,558	

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

	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		\$222,477				
Use of money and property		971	\$597	\$4,954	\$212,123	\$657
Charges for services				554,713		40,000
Other			300			
Total Revenues		223,448	897	559,667	212,123	40,657
<b>EXPENDITURES</b>						
Current:						
Development services				554,713		
Community development					133,787	
Fire services						86,571
Police services		214,278	180			
Public works						
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures		214,278	180	554,713	133,787	86,571
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
		9,170	717	4,954	78,336	(45,914)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)				(4,954)	(78,336)	
Total Other Financing				(4,954)	(78,336)	
Net change in fund balance before special items		9,170	717			(45,914)
Special items:						
Re-establish loans to Successor Agency						
<b>NET CHANGE IN FUND BALANCES</b>		9,170	717			(45,914)
<b>BEGINNING FUND BALANCES</b>		107,206	71,309			67,377
<b>ENDING FUND BALANCES</b>		\$116,376	\$72,026			\$21,463



SPECIAL REVENUE FUNDS		DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS					
Administrative Trust Fund #601	Emergency Disaster Fund #109	Certificates of Participation Fund #-various	Capital Outlay Fund #201	Transportation Impact Mitigation Fund #203	Bridge Construction Fund #204	Northgate Fee & Benefit District #94-1 Fund #208	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213
			\$310,368	\$289,787		\$126,747	\$1,947	
\$6,441	\$332,225	\$1,520	83,466	19,526	\$17,416	920	61,339	\$7,788 100,004
			3,553					
6,441	332,225	1,520	397,387	309,313	17,416	127,667	63,286	107,792
	523,660	9,000	4,500 6,252,011	4,500	4,500 1,900,701	4,500	4,500 53,838	7,036
		645,225 358,575						
	523,660	1,012,800	6,256,511	4,500	1,905,201	4,500	58,338	7,036
6,441	(191,435)	(1,011,280)	(5,859,124)	304,813	(1,887,785)	123,167	4,948	100,756
(6,441)	2,200,000	527,652	2,949,534 (170,078)					
(6,441)	2,200,000	527,652	2,779,456					
	2,008,565	(483,628)	(3,079,668)	304,813	(1,887,785)	123,167	4,948	100,756
					450,632		461,597	
	2,008,565	(483,628)	(3,079,668)	304,813	(1,437,153)	123,167	466,545	100,756
		733,651	11,646,169	2,272,332	3,133,489	88,414	7,353,966	902,941
	\$2,008,565	\$250,023	\$8,566,501	\$2,577,145	\$1,696,336	\$211,581	\$7,820,511	\$1,003,697

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015

	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
REVENUES					
Taxes					
Licenses, permits and fees				\$88,008	
Fines and forfeitures					
Intergovernmental	\$2,097,109		\$741,305	150,000	\$551,251
Use of money and property	12,417	\$7,663	5,205	7,300	(805)
Charges for services					
Other				415,300	
Total Revenues	<u>2,109,526</u>	<u>7,663</u>	<u>746,510</u>	<u>660,608</u>	<u>550,446</u>
EXPENDITURES					
Current:					
Development services					
Community development	2,249,808				
Fire services					
Police services					
Public works					
Capital outlay		344,223	741,301	1,582,027	551,250
Debt Service:					
Principal					
Interest and fiscal agent fees					
Total Expenditures	<u>2,249,808</u>	<u>344,223</u>	<u>741,301</u>	<u>1,582,027</u>	<u>551,250</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(140,282)</u>	<u>(336,560)</u>	<u>5,209</u>	<u>(921,419)</u>	<u>(804)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		675,372			
Transfers (out)					
Total Other Financing Sources (Uses)		<u>675,372</u>			
Net change in fund balance before special items	(140,282)	338,812	5,209	(921,419)	(804)
Special items:					
Re-establish loans to Successor Agency					
NET CHANGE IN FUND BALANCES	(140,282)	338,812	5,209	(921,419)	(804)
BEGINNING FUND BALANCES	<u>3,366,160</u>	<u>933,648</u>	<u>45,992</u>	<u>1,410,315</u>	<u>804</u>
ENDING FUND BALANCES	<u>\$3,225,878</u>	<u>\$1,272,460</u>	<u>\$51,201</u>	<u>\$488,896</u>	

CAPITAL PROJECTS FUNDS					PERMANENT FUND	
Transportation Fund #421	Long-Term Maintenance Fund #223	Arts and Convention Center Fund #206	Columbus Parkway Improvements Fund #224	Fire Station #7 Fund #205	McCune Collection Fund #603	Total Nonmajor Governmental Funds
				\$3,320		\$1,182,167
						1,058,501
						15,635
\$2,290						9,175,555
	\$208,131		\$546	6	\$897	3,206,507
			257,481			10,411,100
		\$1				452,520
<u>2,290</u>	<u>208,131</u>	<u>1</u>	<u>258,027</u>	<u>3,326</u>	<u>897</u>	<u>25,501,985</u>
						554,713
					4,000	4,749,307
						1,886,571
10,286						1,391,876
2,190						9,618,625
						12,543,661
						645,225
						358,575
<u>12,476</u>					<u>4,000</u>	<u>31,748,553</u>
<u>(10,186)</u>	<u>208,131</u>	<u>1</u>	<u>258,027</u>	<u>3,326</u>	<u>(3,103)</u>	<u>(6,246,568)</u>
				<u>(3,326)</u>		<u>6,352,558</u>
				<u>(3,326)</u>		<u>(938,507)</u>
						5,414,051
<u>(10,186)</u>	<u>208,131</u>	<u>1</u>	<u>258,027</u>		<u>(3,103)</u>	<u>(832,517)</u>
						4,436,351
		3,524,122				4,436,351
<u>(10,186)</u>	<u>208,131</u>	<u>3,524,123</u>	<u>258,027</u>		<u>(3,103)</u>	<u>3,603,834</u>
<u>10,186</u>	<u>191,226</u>				<u>111,142</u>	<u>49,488,348</u>
	<u>\$399,357</u>	<u>\$3,524,123</u>	<u>\$258,027</u>		<u>\$108,039</u>	<u>\$53,092,182</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, 2015

	COMMUNITY DEVELOPMENT BLOCK GRANT			HOME PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$2,402,942	\$1,539,314	(\$863,628)	\$1,554,403	\$40,977	(\$1,513,426)
Use of money and property	175,000	180,069	5,069	900,000	1,521,659	621,659
Charges for services						
Other						
Total Revenues	<u>2,577,942</u>	<u>1,719,383</u>	<u>(858,559)</u>	<u>2,454,403</u>	<u>1,562,636</u>	<u>(891,767)</u>
EXPENDITURES						
Current:						
Executive						
Development services						
Community development	1,056,524	655,303	401,221	2,104,403	1,079,361	1,025,042
Fire services						
Police services						
Public works						
Capital outlay	<u>1,370,418</u>	<u>1,064,080</u>	<u>306,338</u>			
Total Expenditures	<u>2,426,942</u>	<u>1,719,383</u>	<u>707,559</u>	<u>2,104,403</u>	<u>1,079,361</u>	<u>1,025,042</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>151,000</u>		<u>(151,000)</u>	<u>350,000</u>	<u>483,275</u>	<u>133,275</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$151,000</u>		<u>(\$151,000)</u>	<u>\$350,000</u>	<u>\$483,275</u>	<u>\$133,275</u>
BEGINNING FUND BALANCES						
ENDING FUND BALANCES					<u>\$483,275</u>	

NEIGHBORHOOD STABILIZATION PROGRAM			MARE ISLAND BASE REUSE			MARE ISLAND CFD 2002		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$1,147,589	\$1,182,167	\$34,578
\$897,748		(\$897,748)						
770,949	\$364,287	(406,662)	\$330,000	\$344,808	\$14,808	16,000	33,564	17,564
			52,000	62,443	10,443	3,248,414	3,157,706	(90,708)
<u>1,668,697</u>	<u>364,287</u>	<u>(1,304,410)</u>	<u>382,000</u>	<u>407,251</u>	<u>25,251</u>	<u>4,412,003</u>	<u>4,373,437</u>	<u>(38,566)</u>
1,662,389	77,995	1,584,394	685,805	549,053	136,752	1,648,000	1,800,000	(152,000)
						578,000	654,000	(76,000)
						1,259,713	1,043,162	216,551
						52,040	52,040	
<u>1,662,389</u>	<u>77,995</u>	<u>1,584,394</u>	<u>685,805</u>	<u>549,053</u>	<u>136,752</u>	<u>3,537,753</u>	<u>3,549,202</u>	<u>(11,449)</u>
6,308	286,292	279,984	(303,805)	(141,802)	162,003	874,250	824,235	(50,015)
<u>\$6,308</u>	<u>\$286,292</u>	<u>\$279,984</u>	<u>(\$303,805)</u>	<u>(141,802)</u>	<u>\$162,003</u>	<u>\$874,250</u>	<u>824,235</u>	<u>(\$50,015)</u>
				<u>1,170,591</u>			<u>4,475,581</u>	
	<u>\$286,292</u>			<u>\$1,028,789</u>			<u>\$5,299,816</u>	

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGE IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

	MARE ISLAND CFD 2005 1A (State)			MARE ISLAND CFD 2005 1B (Local)		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property		\$1,593	\$1,593		\$7,628	\$7,628
Charges for services	\$327,308	327,311	3	\$112,254	112,256	2
Other						
Total Revenues	<u>327,308</u>	<u>328,904</u>	<u>1,596</u>	<u>112,254</u>	<u>119,884</u>	<u>7,630</u>
EXPENDITURES						
Current:						
Executive						
Development services						
Community development						
Fire services						
Police services						
Public works	360,354	291,475	68,879	9,048	8,481	567
Nondepartmental						
Total Expenditures	<u>360,354</u>	<u>291,475</u>	<u>68,879</u>	<u>9,048</u>	<u>8,481</u>	<u>567</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(33,046)</u>	<u>37,429</u>	<u>70,475</u>	<u>103,206</u>	<u>111,403</u>	<u>8,197</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u><u>(\$33,046)</u></u>	<u>37,429</u>	<u><u>\$70,475</u></u>	<u><u>\$103,206</u></u>	<u>111,403</u>	<u><u>\$8,197</u></u>
BEGINNING FUND BALANCES		<u>216,136</u>			<u>880,043</u>	
ENDING FUND BALANCES		<u><u>\$253,565</u></u>			<u><u>\$991,446</u></u>	

STATE GAS TAX			SOLID WASTE DISPOSAL			HIDDENBROOKE COMMUNITY SERVICES DISTRICT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$9,600	\$10,237	\$637			
			1,394	1,394				
\$3,586,354	\$3,209,620	(\$376,734)	33,000	77,741	44,741			
	4,794	4,794		2,725	2,725	\$21,655	\$19,157	(\$2,498)
448,500	448,500		1,443,120	1,417,310	(25,810)	767,944	768,969	1,025
27,500	33,366	5,866						
4,062,354	3,696,280	(366,074)	1,487,114	1,509,407	22,293	789,599	788,126	(1,473)
3,288,791	3,170,960	117,831	1,563,552	1,509,407	54,145	1,163,724	626,508	537,216
3,288,791	3,170,960	117,831	1,563,552	1,509,407	54,145	1,163,724	626,508	537,216
773,563	525,320	(248,243)	(76,438)		76,438	(374,125)	161,618	535,743
(675,372)	(675,372)		(27,256)		27,256			
(675,372)	(675,372)		(27,256)		27,256			
\$98,191	(150,052)	(\$248,243)	(\$103,694)		\$103,694	(\$374,125)	161,618	\$535,743
	484,026						2,265,640	
	\$333,974						\$2,427,258	

(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, 2015

	LANDSCAPE MAINTENANCE DISTRICTS			ASSET SEIZURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures				\$50,000	\$14,241	(\$35,759)
Intergovernmental						
Use of money and property	\$61,966	\$58,727	(\$3,239)	7,000	7,632	632
Charges for services	3,020,185	3,164,407	144,222			
Other						
Total Revenues	<u>3,082,151</u>	<u>3,223,134</u>	<u>140,983</u>	<u>57,000</u>	<u>21,873</u>	<u>(35,127)</u>
EXPENDITURES						
Current:						
Executive						
Development services						
Community development						
Fire services						
Police services				175,000	169,857	5,143
Public works	2,675,724	2,396,150	279,574			
Total Expenditures	<u>2,675,724</u>	<u>2,396,150</u>	<u>279,574</u>	<u>175,000</u>	<u>169,857</u>	<u>5,143</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>406,427</u>	<u>826,984</u>	<u>420,557</u>	<u>(118,000)</u>	<u>(147,984)</u>	<u>(29,984)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$406,427</u>	826,984	<u>\$420,557</u>	<u>(\$118,000)</u>	(147,984)	<u>(\$29,984)</u>
BEGINNING FUND BALANCES		<u>6,750,491</u>			<u>799,513</u>	
ENDING FUND BALANCES		<u>\$7,577,475</u>			<u>\$651,529</u>	



TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM			OFFICE OF TRAFFIC SAFETY			JUSTICE ASSISTANCE GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$150,000	\$228,087	\$78,087						
	786	786	\$307,884	\$211,246	(\$96,638)	\$67,564		(\$67,564)
<u>150,000</u>	<u>228,873</u>	<u>78,873</u>	<u>307,884</u>	<u>211,246</u>	<u>(96,638)</u>	<u>67,564</u>		<u>(67,564)</u>
148,806	142,315	6,491	307,884	211,246	96,638	67,564		67,564
<u>148,806</u>	<u>142,315</u>	<u>6,491</u>	<u>307,884</u>	<u>211,246</u>	<u>96,638</u>	<u>67,564</u>		<u>67,564</u>
<u>1,194</u>	<u>86,558</u>	<u>85,364</u>						
<u>\$1,194</u>	86558	<u>\$85,364</u>						
	<u>\$86,558</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, 2015

	SUPPLEMENTAL LAW ENFORCEMENT GRANT			CADET PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$187,000	\$222,477	\$35,477			
Use of money and property		971	971		\$597	\$597
Charges for services						
Other				\$200	300	100
Total Revenues	<u>187,000</u>	<u>223,448</u>	<u>36,448</u>	<u>200</u>	<u>897</u>	<u>697</u>
EXPENDITURES						
Current:						
Executive						
Development services						
Community development						
Fire services						
Police services	187,000	214,278	(27,278)	200	180	20
Public works						
Nondepartmental						
Total Expenditures	<u>187,000</u>	<u>214,278</u>	<u>(27,278)</u>	<u>200</u>	<u>180</u>	<u>20</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>9,170</u>	<u>9,170</u>		<u>717</u>	<u>717</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES		<u>9,170</u>	<u>\$9,170</u>		<u>717</u>	<u>\$717</u>
BEGINNING FUND BALANCES		<u>107,206</u>			<u>71,309</u>	
ENDING FUND BALANCES		<u>\$116,376</u>			<u>\$72,026</u>	

OUTSIDE SERVICES			STATE LANDS			HAZMAT REVOLVING FUND		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$3,000	\$4,954	\$1,954	\$172,242	\$212,123	\$39,881	\$700	\$657	(\$43)
400,000	554,713	154,713				40,000	40,000	
<u>403,000</u>	<u>559,667</u>	<u>156,667</u>	<u>172,242</u>	<u>212,123</u>	<u>39,881</u>	<u>40,700</u>	<u>40,657</u>	<u>(43)</u>
200,000	554,713	(354,713)	141,467	133,787	7,680	88,700	86,571	2,129
200,000		200,000						
<u>400,000</u>	<u>554,713</u>	<u>(154,713)</u>	<u>141,467</u>	<u>133,787</u>	<u>7,680</u>	<u>88,700</u>	<u>86,571</u>	<u>2,129</u>
<u>3,000</u>	<u>4,954</u>	<u>1,954</u>	<u>30,775</u>	<u>78,336</u>	<u>47,561</u>	<u>(48,000)</u>	<u>(45,914)</u>	<u>2,086</u>
<u>(3,000)</u>	<u>(4,954)</u>	<u>(1,954)</u>	<u>(30,775)</u>	<u>(78,336)</u>	<u>(47,561)</u>			
<u>(3,000)</u>	<u>(4,954)</u>	<u>(1,954)</u>	<u>(30,775)</u>	<u>(78,336)</u>	<u>(47,561)</u>			
						<u>(\$48,000)</u>	<u>(45,914)</u>	<u>\$2,086</u>
							<u>67,377</u>	
							<u>\$21,463</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, 2015

	ADMINISTRATIVE TRUST FUND			EMERGENCY DISASTER FUND		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental				\$652,402	\$332,225	(\$320,177)
Use of money and property	\$7,000	\$6,441	(\$559)			
Charges for services	4,000		(4,000)			
Other	11,305		(11,305)			
<b>Total Revenues</b>	<b>22,305</b>	<b>6,441</b>	<b>(15,864)</b>	<b>652,402</b>	<b>332,225</b>	<b>(320,177)</b>
EXPENDITURES						
Current:						
Executive	8,305		8,305			
Development services						
Community development						
Fire services						
Police services	3,000		3,000			
Public works	4,000		4,000	2,200,000	523,660	1,676,340
Nondepartmental						
<b>Total Expenditures</b>	<b>15,305</b>		<b>15,305</b>	<b>2,200,000</b>	<b>523,660</b>	<b>1,676,340</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,000	6,441	(559)	(1,547,598)	(191,435)	1,356,163
OTHER FINANCING SOURCES (USES)						
Transfers in				2,200,000	2,200,000	
Transfers (out)	(7,000)	(6,441)	559			
<b>Total Other Financing Sources (Uses)</b>	<b>(7,000)</b>	<b>(6,441)</b>	<b>559</b>	<b>2,200,000</b>	<b>2,200,000</b>	
NET CHANGE IN FUND BALANCES				\$652,402	2,008,565	\$1,356,163
BEGINNING FUND BALANCES						
ENDING FUND BALANCES					\$2,008,565	

## **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, 2015

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
<b>ASSETS</b>					
Cash and investments	\$7,220,756	\$11,777,514	\$11,446	\$2,495,982	\$21,505,698
Accounts receivable			60,847		60,847
Due from other funds		2,736,554			2,736,554
Materials, parts, and supplies	189,868				189,868
Prepays		4,621			4,621
Capital assets, net	<u>3,152,756</u>				<u>3,152,756</u>
<b>Total Assets</b>	<u>10,563,380</u>	<u>14,518,689</u>	<u>72,293</u>	<u>2,495,982</u>	<u>27,650,344</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions	<u>138,176</u>	<u>45,154</u>			<u>183,330</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	161,925	78,952	45,295	2,391,740	2,677,912
Claims payable, current		3,671,710			3,671,710
Employee benefits payable, current	<u>69,348</u>	<u>26,038</u>	<u>26,998</u>		<u>122,384</u>
<b>Current liabilities</b>	<u>231,273</u>	<u>3,776,700</u>	<u>72,293</u>	<u>2,391,740</u>	<u>6,472,006</u>
Long-term liabilities:					
Claims payable		11,927,290			11,927,290
Employee benefits payable, long term	27,957			12,199,671	12,227,628
Net pension liability	<u>1,885,720</u>	<u>431,146</u>			<u>2,316,866</u>
<b>Total Liabilities</b>	<u>2,144,950</u>	<u>16,135,136</u>	<u>72,293</u>	<u>14,591,411</u>	<u>32,943,790</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	<u>258,174</u>	<u>59,028</u>			<u>317,202</u>
<b>NET POSITION (DEFICITS)</b>					
Net investment in capital assets	3,152,756				3,152,756
Unrestricted	<u>5,145,676</u>	<u>(1,630,321)</u>		<u>(12,095,429)</u>	<u>(8,580,074)</u>
<b>Total Net Position (Deficits)</b>	<u>\$8,298,432</u>	<u>(\$1,630,321)</u>	<u></u>	<u>(\$12,095,429)</u>	<u>(\$5,427,318)</u>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$4,171,084	\$6,877,825		\$4,427,511	\$15,476,420
Other	144,791				144,791
Total operating revenues	<u>4,315,875</u>	<u>6,877,825</u>		<u>4,427,511</u>	<u>15,621,211</u>
<b>OPERATING EXPENSES</b>					
Operating expenses	2,726,589	1,969,100		3,478,534	8,174,223
Insurance and claims		4,306,627			4,306,627
Depreciation	1,189,986				1,189,986
Total operating expenses	<u>3,916,575</u>	<u>6,275,727</u>		<u>3,478,534</u>	<u>13,670,836</u>
Operating income (loss)	<u>399,300</u>	<u>602,098</u>		<u>948,977</u>	<u>1,950,375</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income (expense)	56,223	104,126		12,123	172,472
Total nonoperating revenues (expenses)	<u>56,223</u>	<u>104,126</u>		<u>12,123</u>	<u>172,472</u>
Income (loss) before transfers	<u>455,523</u>	<u>706,224</u>		<u>961,100</u>	<u>2,122,847</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Gain on sale of assets	21,700				21,700
Insurance recoveries	913,838				913,838
Transfers in		500,000			500,000
Total other financing sources (uses)	<u>935,538</u>	<u>500,000</u>			<u>1,435,538</u>
Change in net position	1,391,061	1,206,224		961,100	3,558,385
BEGINNING NET POSITION (DEFICIT), AS RESTATED	<u>6,907,371</u>	<u>(2,836,545)</u>		<u>(13,056,529)</u>	<u>(8,985,703)</u>
ENDING NET POSITION (DEFICIT)	<u>\$8,298,432</u>	<u>(\$1,630,321)</u>		<u>(\$12,095,429)</u>	<u>(\$5,427,318)</u>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$4,315,875	\$7,037,426		\$4,427,511	\$15,780,812
Payments to suppliers	(1,809,370)	(585,054)			(2,394,424)
Payments to or on behalf of employees	(957,072)	(1,367,018)	(\$7,604)	(4,928,879)	(7,260,573)
Claims paid		(4,574,627)			(4,574,627)
<b>Cash Flows from Operating Activities</b>	<b>1,549,433</b>	<b>510,727</b>	<b>(7,604)</b>	<b>(501,368)</b>	<b>1,551,188</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in		500,000			500,000
Intergovernmental receipts (payments)		(68,875)		58,502	(10,373)
<b>Cash Flows from Noncapital Financing Activities</b>		<b>431,125</b>		<b>58,502</b>	<b>489,627</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from sale of capital assets	297,311				297,311
Acquisition of capital assets	(1,680,056)				(1,680,056)
Insurance recoveries for impaired capital assets	913,838				913,838
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(468,907)</b>				<b>(468,907)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	56,223	104,126		12,123	172,472
<b>Cash Flows from Investing Activities</b>	<b>56,223</b>	<b>104,126</b>		<b>12,123</b>	<b>172,472</b>
<b>Net Cash Flows</b>	<b>1,136,749</b>	<b>1,045,978</b>	<b>(7,604)</b>	<b>(430,743)</b>	<b>1,744,380</b>
Cash and investments at beginning of period	6,084,007	10,731,536	19,050	2,926,725	19,761,318
Cash and investments at end of period	<u>\$7,220,756</u>	<u>\$11,777,514</u>	<u>\$11,446</u>	<u>\$2,495,982</u>	<u>\$21,505,698</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	\$399,300	\$602,098		\$948,977	\$1,950,375
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
Depreciation	1,189,986				1,189,986
<b>Change in assets and liabilities:</b>					
Receivables, net		159,601	\$78,181		237,782
Other assets	(9,738)	(4,621)			(14,359)
Accounts payable and accrued liabilities	18,117	32,792	(28,890)	(510,905)	(488,886)
Employee benefits payable	(48,232)	(11,143)	(56,895)	(939,440)	(1,055,710)
Claims payable		(268,000)			(268,000)
<b>Cash Flows from Operating Activities</b>	<b>\$1,549,433</b>	<b>\$510,727</b>	<b>(7,604)</b>	<b>(\$501,368)</b>	<b>\$1,551,188</b>
<b>Non cash transactions:</b>					
Retirement of capital assets, net	<u>(\$275,611)</u>				<u>(\$275,611)</u>



## **AGENCY FUNDS**

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations.

The City's Agency funds include the Improvement Districts and Assessment Districts Agency Funds. These funds account for the collection of assessment and the disbursement to district bond holders for debt without City commitment.

CITY OF VALLEJO  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
<u>NE Quadrant Assessment District 2003-B</u>				
<u>Assets</u>				
Cash and investments		\$49,611		\$49,611
Restricted cash and investments	<u>\$277,025</u>	<u>11</u>	<u>\$277,036</u>	
Total Assets	<u><u>\$277,025</u></u>	<u><u>\$49,622</u></u>	<u><u>\$277,036</u></u>	<u><u>\$49,611</u></u>
<u>Liabilities</u>				
Due to property owners		\$49,611		\$49,611
Due to bondholders	<u>\$277,025</u>	<u>11</u>	<u>\$277,036</u>	
Total Liabilities	<u><u>\$277,025</u></u>	<u><u>\$49,622</u></u>	<u><u>\$277,036</u></u>	<u><u>\$49,611</u></u>
<u>Hiddenbrooke Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$3,341,473	\$19,382	\$275,779	\$3,085,076
Restricted cash and investments	<u>3,094,961</u>	<u>1,737,605</u>	<u>1,508,838</u>	<u>3,323,728</u>
Total Assets	<u><u>\$6,436,434</u></u>	<u><u>\$1,756,987</u></u>	<u><u>\$1,784,617</u></u>	<u><u>\$6,408,804</u></u>
<u>Liabilities</u>				
Due to bondholders	<u>\$6,436,434</u>	<u>\$1,756,987</u>	<u>\$1,784,617</u>	<u>\$6,408,804</u>
Total Liabilities	<u><u>\$6,436,434</u></u>	<u><u>\$1,756,987</u></u>	<u><u>\$1,784,617</u></u>	<u><u>\$6,408,804</u></u>

CITY OF VALLEJO  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
<u>NE Quadrant Improvement District 2003-01</u>				
<u>Assets</u>				
Cash and investments	\$523,625	\$7,256		\$530,881
Restricted cash and investments	<u>594,875</u>	<u>1,579,706</u>	<u>\$612,000</u>	<u>1,562,581</u>
Total Assets	<u>\$1,118,500</u>	<u>\$1,586,962</u>	<u>\$612,000</u>	<u>\$2,093,462</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$1,118,500</u>	<u>\$1,586,962</u>	<u>\$612,000</u>	<u>\$2,093,462</u>
Total Liabilities	<u>\$1,118,500</u>	<u>\$1,586,962</u>	<u>\$612,000</u>	<u>\$2,093,462</u>
 <u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$3,865,098	\$76,249	\$275,779	\$3,665,568
Restricted cash and investments held with fiscal agent	<u>3,966,861</u>	<u>3,317,322</u>	<u>2,397,874</u>	<u>4,886,309</u>
Total Assets	<u>\$7,831,959</u>	<u>\$3,393,571</u>	<u>\$2,673,653</u>	<u>\$8,551,877</u>
<u>Liabilities</u>				
Due to bondholders	\$7,831,959	\$3,343,960	\$2,673,653	\$8,502,266
Due to property owners	<u>49,611</u>	<u>49,611</u>		<u>49,611</u>
Total Liabilities	<u>\$7,831,959</u>	<u>\$3,393,571</u>	<u>\$2,673,653</u>	<u>\$8,551,877</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
- Top 10 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 Statistics
- Top 10 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 by Function
- Capital Asset Statistics by Function

### ***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 Ended June 30										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
<b>Governmental activities:</b>											
Net Investment in Capital Assets	\$ 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	\$313,312,203	
Restricted	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	65,421,676	
Unrestricted	(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	(191,225,009)	
Total governmental activities net position	\$ 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	\$ 187,508,870	
<b>Business-type activities:</b>											
Net Investment in Capital Assets	\$ 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	\$38,170,671	
Restricted	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	5,253,774	
Unrestricted	12,397,504	676,754	35,217,209	38,002,659	33,507,221	41,110,758	24,728,431	20,942,101	23,707,740	1,294,897	
Total business-type activities net position	\$ 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	\$ 44,719,342	
<b>Primary government:</b>											
Net Investment in Capital Assets	\$ 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	\$ 351,482,874	
Restricted	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	70,675,450	
Unrestricted	(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	(189,930,112)	
Total primary government net position	\$ 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	\$ 232,228,212	

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".

<sup>3</sup> The City implemented the provisions of GASB Statement 68 in fiscal year 2015. Prior amounts have not been restated.

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

Fiscal Year Ended June 30

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
Legislative and Advisory	\$ 327,583	\$ 277,713	\$ 285,594	\$ 230,008	\$ 125,753	\$ 181,654	\$ 220,581	\$ 304,333	\$ 213,736	\$ 268,785
Executive	1,335,818	1,443,648	686,783	515,508	922,039	513,771	2,442,285	3,012,974	3,844,344	3,817,882
Finance	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	1,654,071
Human Resources	1,273,713	1,325,483	668,458	500,773	499,447	556,953	962,813	1,026,415	930,294	1,034,655
Law	722,436	860,128	867,418	907,159	760,735	719,025	503,754	1,158,594	1,079,614	694,447
Development Services	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	2,701,130
Community Development	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	26,801,601
Fire services	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	24,689,484
Police services	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	36,412,375
Public Works	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	35,650,143
Nondepartmental	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	2,703,849	2,649,965	2,694,646	2,506,891	2,764,194	2,223,807	766,981	209,054	196,404	541,370
Total governmental activities expenses	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	134,265,943
Business-type activities:										
Water	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	35,075,642
Local Transportation	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	-	-	-	-	-	29,284,313	-	-	-	-
Sanitation & Flood Control	24,902,110	26,012,630	27,478,992	28,865,210	29,261,276	-	-	-	-	-
Marine World JPA	58,203,991	55,980,978	40,016,158	-	-	3,493,484	-	-	-	-
Other proprietary funds	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	6,447,594
Total business-type activities expenses	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	41,523,236
Total primary government expenses	\$ 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	\$ 175,789,179
<b>Program Revenues</b>										
Governmental activities:										
Charges for services	\$ 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	\$ 24,461,121
Operating grants and contributions	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	26,535,944
Capital grants and contributions	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	3,476,887
Total governmental activities program revenues	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	54,473,952
Business-type activities:										
Charges for services	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	39,476,107
Operating grants and contributions	13,454,404	16,154,147	16,349,279	13,279,238	13,953,527	17,808,014	7,735,861	350,876	-	22,479
Capital grants and contributions	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	1,197,727
Total business-type activities program revenues	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	40,696,313
Total primary government program revenues	\$ 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	\$ 95,170,265
Net revenue/(expense)	\$ (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)	\$ (79,791,991)
Governmental activities	(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	(826,923)
Business-type activities	(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)	(80,618,914)
Total primary government net expense										



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

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>(Continued)</b>										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 15,694,198
Incremental property taxes	4,466,603	4,302,203	4,908,635	3,591,154	3,280,994	3,061,230	1,790,418	-	-	-
Special assessments	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	26,857,325
Sales taxes	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	12,627,342
Utility user taxes	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	8,365,437
Motor vehicles	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	10,654,921
Other taxes	-	-	5,311,886	5,022,136	3,499,675	2,099,096	-	-	-	-
Marine Island CFD Assessments	-	-	-	2,826,200	968,998	1,579,810	1,282,961	419,817	679,347	1,376,228
Investment earnings	4,985,424	6,686,545	6,043,677	-	-	-	-	-	102,447	21,700
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	913,838
Insurance recoveries	-	-	-	-	-	-	-	-	-	5,364,701
Miscellaneous	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	2,458,682
Transfers	190,988	72,871	1,352,629	(621,487)	2,270,320	(372,100)	438,038	(4,401,612)	(1,591,754)	(2,685,186)
Total governmental activities	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	81,649,186
Business-type activities:										
Property taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings	1,549,559	4,225,630	2,716,137	(2,857,059)	2,930,362	1,358,973	401,785	106,369	354,811	251,358
Miscellaneous	37,705	64,536	247,080	171,513	115,081	1,025,919	-	87,023	-	-
Gain or (Loss) on sales or transfer of assets	-	-	28,442,907	-	-	-	(19,034,732)	(40,393,415)	-	-
Insurance recoveries	-	-	-	-	-	-	-	-	-	69,208
Debt Restructuring Adjustment	-	-	-	-	-	-	625,498	-	-	-
Transfers	(190,988)	(72,871)	(1,352,629)	621,487	(2,270,320)	372,100	(438,038)	4,401,612	1,591,754	2,685,186
Total business-type activities	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	3,005,752
Total primary government	\$ 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	\$ 84,654,938
<b>Change in Net Position</b>										
Governmental activities	\$ (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	\$ 1,857,195
Business-type activities	(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	2,178,829
Total primary government	\$ (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	\$ 4,036,024

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".

<sup>3</sup> The City implemented the provisions of GASB Statement 68 in fiscal year 2015. Prior amounts have not been restated.

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

(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund</b>										
Reserved	\$ 2,117,143	\$ 1,774,947	\$ 2,059,564	\$ 1,928,641	\$ 2,004,567	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,739,529	5,246,450	1,453,476	2,397,227	3,834,873	6,509,043	1,315,581	1,303,621	1,294,967	1,315,114
Nonspendable	-	-	-	-	-	208,435	242,919	241,179	249,697	271,572
Restricted	-	-	-	-	-	350,685	381,709	356,245	2,617,267	2,691,002
Committed	-	-	-	-	-	304,729	9,874,285	5,233,259	7,910,909	9,302,184
Assigned	-	-	-	-	-	6,340,374	11,084,523	9,797,270	6,944,336	7,976,200
Unassigned	-	-	-	-	-	6,340,374	11,084,523	9,797,270	6,944,336	7,976,200
<b>Total General Fund</b>	<b>\$ 10,856,672</b>	<b>\$ 7,021,397</b>	<b>\$ 3,513,040</b>	<b>\$ 4,325,868</b>	<b>\$ 5,839,440</b>	<b>\$ 13,713,266</b>	<b>\$ 22,899,017</b>	<b>\$ 16,931,574</b>	<b>\$ 19,017,176</b>	<b>\$ 21,556,072</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 75,584,065	\$ 68,287,067	\$ 106,524,043	\$ 88,606,846	\$ 83,361,340	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	10,410,295	11,999,502	146,399	98,115	4,249	-	-	-	-	-
Debt service funds	(3,686,077)	(5,322,945)	(5,529,994)	(5,530,905)	(5,530,904)	-	-	-	-	-
Capital projects funds	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	102,072
Restricted	-	-	-	-	-	75,195,891	54,463,122	52,151,109	55,992,171	55,838,343
Committed	-	-	-	-	-	1,890,263	3,087,235	9,799,861	9,045,767	6,028,419
Assigned	-	-	-	-	-	2,423	1,883	3,088	196,806	5,938,342
Unassigned	-	-	-	-	-	(6,390,906)	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 136,449,140</b>	<b>\$ 116,569,043</b>	<b>\$ 101,874,139</b>	<b>\$ 83,954,714</b>	<b>\$ 79,162,215</b>	<b>\$ 74,595,743</b>	<b>\$ 57,654,312</b>	<b>\$ 62,056,130</b>	<b>\$ 65,475,576</b>	<b>\$ 67,907,176</b>

**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 Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues:</b>										
Taxes	\$ 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	\$ 65,751,608
Licenses and permits	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	3,741,906
Fines and forfeitures	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	1,876,686
Intergovernmental	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	41,097,037
Investment income	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	4,556,124
Charges for services	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	18,866,133
Contributions from property owners	-	-	-	-	-	-	-	-	-	-
Other	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	1,320,781
<b>Total revenues</b>	<b>139,695,983</b>	<b>145,363,280</b>	<b>131,389,500</b>	<b>121,948,379</b>	<b>130,354,621</b>	<b>139,373,017</b>	<b>131,638,994</b>	<b>131,171,083</b>	<b>137,823,019</b>	<b>137,210,275</b>
<b>Expenditures</b>										
<b>Current:</b>										
Legislative and Advisory	323,174	270,743	292,370	215,485	152,693	180,050	219,289	275,664	207,903	264,854
Executive	1,374,916	1,425,841	736,846	621,003	958,688	530,814	2,221,478	2,747,243	3,600,970	3,794,952
Finance	1,864,644	1,926,168	1,159,374	1,696,164	1,696,193	1,638,660	934,626	1,183,251	1,636,027	1,636,916
Human resources	1,282,442	1,319,304	723,493	553,254	542,961	542,742	986,692	993,835	868,575	1,017,017
Law	764,614	871,733	892,284	863,429	812,432	702,882	592,192	1,027,329	1,116,788	692,338
Development services	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	2,755,399
Community Development	39,856,041	46,712,048	33,707,475	38,999,888	40,552,499	35,884,630	32,372,627	32,516,830	31,197,117	26,476,837
Fire services	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	24,645,684
Police services	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	36,807,817
Public works	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	16,976,530
Redevelopment and housing	-	-	-	-	-	-	-	-	-	-
Nondepartmental	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	4,118,675
Capital Outlay	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	12,543,661
Debt service:										
Principal	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	746,689
Interest	2,705,865	2,667,960	2,589,723	2,392,481	2,257,120	1,306,025	766,981	204,899	186,276	358,575
<b>Total expenditures</b>	<b>140,671,978</b>	<b>169,803,553</b>	<b>153,259,051</b>	<b>138,541,071</b>	<b>133,556,936</b>	<b>134,599,811</b>	<b>126,187,191</b>	<b>131,800,491</b>	<b>130,303,624</b>	<b>132,835,944</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(975,995)</b>	<b>(24,440,273)</b>	<b>(21,869,551)</b>	<b>(16,592,692)</b>	<b>(3,202,315)</b>	<b>4,773,206</b>	<b>5,451,803</b>	<b>(629,408)</b>	<b>7,519,395</b>	<b>4,374,331</b>
<b>Other financing sources (uses):</b>										
Gain (loss) on sale of assets	-	-	-	-	381,327	119,428	-	-	44,352	-
Transfers in	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	6,363,953
Transfers out	(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)	(9,549,139)
Proceeds from long-term debt issuance	-	661,320	411,052	-	1,023,741	75,860	78,766	79,692	-	-
Provision for collectability	-	-	-	-	(2,752,000)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,613,209)</b>	<b>724,900</b>	<b>3,666,290</b>	<b>(513,905)</b>	<b>(76,612)</b>	<b>(1,465,852)</b>	<b>(533,196)</b>	<b>(936,217)</b>	<b>(2,014,347)</b>	<b>(3,185,186)</b>
<b>Extraordinary/Special Items:</b>										
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor	-	-	-	-	-	-	(12,674,287)	-	-	3,781,351
Net change in fund balances	<b>\$ (2,589,204)</b>	<b>\$ (23,715,373)</b>	<b>\$ (18,203,261)</b>	<b>\$ (17,106,597)</b>	<b>\$ (3,278,927)</b>	<b>\$ 3,307,354</b>	<b>\$ (7,755,680)</b>	<b>\$ (1,565,625)</b>	<b>\$ 5,505,048</b>	<b>\$ 4,970,496</b>
<b>Beginning fund balance</b>	<b>\$ 149,895,016</b>	<b>\$ 147,305,813</b>	<b>\$ 123,590,440</b>	<b>\$ 105,387,179</b>	<b>\$ 88,280,582</b>	<b>\$ 85,001,655</b>	<b>\$ 88,309,009</b>	<b>\$ 80,553,329</b>	<b>\$ 78,987,704</b>	<b>\$ 84,492,752</b>
<b>Prior period adjustments</b>	-	-	-	-	-	-	-	-	-	-
<b>Ending fund balance</b>	<b>\$ 147,305,812</b>	<b>\$ 123,590,440</b>	<b>\$ 105,387,179</b>	<b>\$ 88,280,582</b>	<b>\$ 85,001,655</b>	<b>\$ 88,309,009</b>	<b>\$ 80,553,329</b>	<b>\$ 78,987,704</b>	<b>\$ 84,492,752</b>	<b>\$ 89,463,248</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>3%</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>	<b>6%</b>	<b>0%</b>	<b>0%</b>	<b>1%</b>

**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		
	Secured	Unsecured	Nonutility Utilities	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Nonutility Utilities	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate
2006	8,166,353,064	171,754,178	1,690,797	(403,807,879)	7,935,990,160	299,392,380	59,923,297	161,333	(29,371,477)	330,105,533	0.24622%
2007	9,405,082,519	181,006,723	323,460	(416,998,759)	9,169,413,943	319,454,849	76,150,836	151,717	(48,168,099)	347,589,303	0.24622%
2008	10,362,506,115	263,084,155	66,760	(571,860,687)	10,053,796,343	370,158,332	75,986,022	102,524	(48,422,877)	397,824,001	0.24622%
2009	10,017,721,922	218,039,859	130,670	(702,322,165)	9,533,570,286	363,508,768	70,359,276	168,820	(44,383,622)	389,653,242	0.24622%
2010	8,334,230,762	205,436,106	130,670	(810,607,027)	7,729,190,511	336,214,268	67,421,432	168,820	(48,687,967)	355,116,553	0.24622%
2011	7,988,586,847	218,037,092	130,670	(956,462,720)	7,250,291,889	320,815,890	63,140,016	168,820	(48,616,563)	335,508,163	0.24622%
2012	7,740,206,643	200,451,644	130,670	(939,219,031)	7,001,569,926	334,138,674	61,058,136	168,820	(52,623,635)	342,741,995	0.24622%
2013	7,386,493,615	218,701,022	113,370	(289,480,094)	7,315,827,913	322,746,509	58,076,187	132,592	(48,641,023)	332,314,265	0.24622%
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	0.24622%
2015	9,134,448,458	268,050,969	245,962	(1,046,003,721)	8,356,741,668	343,524,473	52,435,017	132,592	(55,876,943)	340,215,139	0.24622%

**NOTES:**

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

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

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 Ended June 30	<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>	<u>2015</u>
City Direct Rates:										
City basic rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Total City Direct Rate	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622	0.24622
Overlapping Rates:										
Acc Capital Outlay	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807	0.00807
Aviation	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119	0.00119
BAAQMD	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219	0.00219
County Free Library	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743	0.02743
County General	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331	0.31331
County School Service Fund Support	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134	0.01134
County Support-Board of Education	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334	0.00334
Development Center	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217	0.00217
GVRD	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490	0.06490
Library Special Tax Zone 7	0.01385	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365
Mosquito Abatement	0.00567	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587	0.00587
Recreation	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203	0.00203
Solano Community College M&O	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758	0.02758
Solano County Water Agency	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527	0.01527
Vallejo Unified School District M&O	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069	0.24069
VSFCD Operating	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474	0.01474
<b>Total Prop. 13 Direct Rate</b>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
SC Fld State Wtr Pj Zone Ben #1	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000	0.02000
SCC GOB Series 2005-A	0.01643	0.01211	0.01189	0.00000	0.01538	0.01636	0.01711	0.01768	0.01820	0.01299
SCC GOB 2012 Series A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01384	0.01337
Vallejo U.S.D. Measure A 2002	0.02238	0.01852	0.01556	0.01571	0.01885	0.01741	0.01609	0.01261	0.01250	0.00853
Vallejo U.S.D. Measure A 2004	0.00874	0.01019	0.00914	0.00962	0.01219	0.01258	0.01258	0.01187	0.01305	0.01086
SCC GOB 2012 Series B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00475	0.00387
SCC GOB 2014 Ref Series A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00131
SCC GOB 2014 Ref Series B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00309
Vallejo U.S.D. State Repay	0.00001	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Vallejo U.S.D. 2002-A GOB Refunding	0.04267	0.03828	0.03597	0.03958	0.05369	0.07544	0.06555	0.06576	0.06850	0.06358
Vallejo U.S.D. Measure A - 2006	0.00000	0.01643	0.01153	0.00993	0.00494	0.00804	0.00649	0.00646	0.00711	0.00588
SCC GOB Series 2006B	0.00000	0.00336	0.00269	0.00258	0.00309	0.00309	0.00304	0.00292	0.00276	0.00208
SCC GOB Series 2005 Refunding	-	-	-	0.012399	-	-	-	-	-	-
<b>Total Voter Approved Rate</b>	0.11023	0.11888	0.10677	0.10981	0.12812	0.15292	0.14086	0.13730	0.16070	0.14556
<b>Total Direct Rate</b>	<u>1.11023</u>	<u>1.11888</u>	<u>1.10677</u>	<u>1.10981</u>	<u>1.12812</u>	<u>1.15292</u>	<u>1.14086</u>	<u>1.13730</u>	<u>1.16070</u>	<u>1.14556</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

Source: Solano County Auditor-Controller's Office

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

Taxpayer	2015		2006	
	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	\$ 98,669,562	1.13%	\$ 66,986,256	0.81%
Park Management Corporation	76,012,183	0.87%	58,843,888	0.71%
Prime Ascot LP	57,333,294	0.66%	-	0.00%
Lennar Mare Island LLC	48,453,703	0.56%	-	0.00%
Sundance- Vallejo	33,847,969	0.39%	29,781,603	0.36%
KW WDC Vallejo LLC	26,111,851	0.30%	-	0.00%
MG Sterling Vill Apartment GWP	26,043,302	0.30%	-	0.00%
(George) Ogino LLC	25,817,571	0.30%	22,700,000	0.27%
Lowes HIW Inc	21,596,575	0.25%	-	0.00%
Meyer Cookware Corporation	19,921,930	0.23%	17,371,871	0.21%
Kaiser Foundation Hospitals	-	0.00%	225,652,908	2.73%
Sutter Solano Medical Center	-	0.00%	39,483,120	0.48%
Pan Pacific Retail Properties, Inc.	-	0.00%	26,483,884	0.32%
Misawa Gines USA Inc.	-	0.00%	19,308,551	0.23%
Solano Vista II Housing Investment LP	-	0.00%	16,922,252	0.20%
<b>Top Ten Totals</b>	<b>\$ 433,807,940</b>	<b>4.99%</b>	<b>\$ 523,534,333</b>	<b>6.33%</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
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.
2015	15,455,643	15,302,850	99.01%	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
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
2015	-	-	3,584,575	14,455,264	608,784	18,648,623

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**

Business-type Activities <sup>3</sup>							
Revenue Bonds	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations	Total Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>
67,288,083	156,721,379	18,807,307	-	242,816,769	285,851,404	7.05%	2,368
65,882,818	153,269,877	17,780,129	-	236,932,824	276,662,465	6.61%	2,285
64,831,880	94,131,286	21,130,805	-	180,093,971	218,737,410	4.86%	1,806
62,705,942	91,457,179	19,817,014	-	173,980,135	211,158,877	4.59%	1,744
60,485,004	87,771,532	18,485,394	-	166,741,930	203,176,578	4.22%	1,673
58,169,066	87,265,475	17,998,136	-	163,432,677	198,597,225	4.37%	1,705
58,923,128	53,334,101	40,340,363	-	152,597,592	171,134,458	3.88%	1,476
54,497,312	-	26,727,801	-	81,225,113	99,566,540	3.22%	850
53,814,629	-	25,416,179	-	79,230,808	97,174,967	3.10%	820
51,560,639	-	24,252,560	-	75,813,199	94,461,822	3.04%	789

### 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		
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%	-
2015	-	-	-	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, 2015**

FY 2014-15 Assessed Valuation Citywide Total		\$ 8,696,956,807	
Successor Agency Incremental Valuation		(340,215,139)	
FY 2014-15 Adjusted City-Only Assessed Valuation		<u>\$ 8,356,741,668</u>	
	Percentage	Total	City's Estimated
	Applicable <sup>1</sup>	Outstanding	Share of
		Debt 6/30/15	Overlapping
			Debt 6/30/15
<b>Overlapping Tax and Assessment Debt:</b>			
Solano County Community College District	19.782%	\$ 211,298,734	\$ 41,799,116
Vallejo Unified School District	98.105%	72,135,000	70,768,042
Vallejo Unified School District CFD No. 2	100.000%	19,885,000	19,885,000
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	13,935,000	13,935,000
City of Vallejo 1915 Act Bonds	100.000%	6,750,000	6,750,000
Total overlapping debt repaid with property taxes		<u>324,003,734</u>	<u>153,137,158</u>
<b>Direct and Overlapping General Fund Debt:</b>			
Solano County Certificates of Participation	18.924%	100,105,000	\$ 18,943,870
Solano County Pension Obligations	18.924%	62,810,000	11,886,164
Solano County Board of Education Certificates of Participation	18.924%	1,360,000	257,366
Solano Community College District Certificates of Participation	20.126%	11,271,511	2,268,504
Vallejo Unified School District Certificates of Participation	98.105%	29,370,000	28,813,439
City of Vallejo General Fund Obligations	100.000%	44,064,379	44,064,379
Total Direct and Overlapping General Fund Debt		<u>248,980,890</u>	<u>106,233,722</u>
Overlapping Tax Increment Debt (Successor Agency):	100.000%	<u>\$ 7,125,000</u>	<u>7,125,000</u>
Total City Direct Debt			<u>\$44,064,379</u>
Total overlapping debt <sup>2</sup>			<u>\$ 222,431,501</u>
Combined Total Debt			<u>\$ 266,495,880</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 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.83%
Total Direct Debt (\$44,064,379)	0.53%
Combined Total Debt	3.19%

Ratios to Redevelopment Successor Agency Incremental Value:

Total Overlapping Tax Increment Debt	2.28%
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Source: California Municipal Statistics, Inc.

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed valuation	\$ 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	\$ 8,356,741,668
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,983,997,540	2,292,353,486	2,513,449,086	2,383,392,572	1,932,297,628	1,812,572,972	1,750,392,482	1,828,956,978	1,809,550,220	2,089,185,417
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	\$ 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	\$ 313,377,813
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 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	\$ 313,377,813
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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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)										Coverage Ratio
				2014	2011	2008	2006	2004	2001	1993	State Revenue Fund Loans	Notes Payable	Total	
				Rev Bonds	Rev Bonds	State Fund Loan	COP	State Fund Loan	COP	COP	State Revenue Fund Loans	Payable	Total	
2006	21,896,473	11,974,517	9,921,956	-	-	-	576,089	-	1,260,243	2,705,508	904,648	61,537	5,508,025	1.80
2007	22,674,374	12,156,158	10,518,216	-	-	-	2,247,115	-	268,459	2,699,270	904,588	-	6,119,432	1.72
2008	24,379,225	13,136,914	11,242,311	-	-	-	2,501,698	-	240,565	2,762,964	926,556	-	6,431,783	1.75
2009	24,660,197	13,893,269	10,766,928	-	-	-	2,501,698	-	240,565	2,762,964	926,556	-	6,431,783	1.67
2010	25,384,971	15,812,036	9,572,935	-	-	-	2,521,221	-	248,426	2,760,344	1,219,675	-	6,749,666	1.42
2011	25,853,201	16,209,375	9,643,826	-	33,160	-	2,499,531	-	236,769	2,755,344	1,219,556	-	6,744,360	1.43
2012	26,639,300	15,838,616	10,800,684	-	313,742	-	2,490,967	-	664	2,767,704	1,219,433	-	6,792,510	1.59
2013	27,385,589	16,833,300	10,552,289	-	325,943	-	2,507,309	-	-	2,747,344	1,219,309	-	6,799,905	1.55
2014	28,628,926	18,297,585	10,331,341	82,728	327,693	315,062	2,231,956	904,119	-	2,743,844	-	-	6,605,402	1.56
2015	28,270,621	17,989,148	10,281,473	2,318,519	331,626	317,449	-	907,072	-	2,721,750	-	-	6,596,416	1.56

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





**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>
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%
2015	119,683	3,111,279	25,996	8.3%

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	2015		2006	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,906	7.22%	2,735	4.90%
Six Flags Discovery Kingdom	1,600	2.96%	2,000	3.58%
Vallejo Unified School District	1,184	2.19%	2,000	3.58%
Kaiser Permanente Call Center	950	1.76%	950	1.70%
Sutter Solano Medical Center	690	1.28%	670	1.20%
City of Vallejo	537	0.99%	602	1.08%
CA Highway Patrol, Regional Off	400	0.74%	400	0.72%
Touro University California	385	0.71%	-	0.00%
U.S.D.A Forest Service	298	0.55%	300	0.54%
California Maritime Academy	325	0.60%	215	0.39%
U.S. Postal Service	-	0.00%	216	0.39%

"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>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>	<u>2015</u>
General government	61	49	46	45	41	40	49	60	61	66
Public safety	325	329	291	250	214	195	192	226	236	242
Public works	59	63	62	58	54	59	60	62	68	68
Mare Island Coop/CFD	2	5	2	2	2	2	2	2	2	2
Economic Development	21	23	29	26	21	22	20	18	18	21
Housing	25	22	18	17	17	17	17	17	15	14
Solid Waste Disp	1	1	-	-	-	-	-	-	-	-
Landscape District	5	6	8	8	7	4	4	4	5	5
Risk Management	3	3	2	2	2	2	2	2	2	2
Water	77	95	98	101	101	103	103	104	104	106
Transportation	6	6	5	5	5	5	5	2	-	-
Marina	3	3	3	3	3	4	4	4	4	4
Corp Yard	16	11	11	11	10	8	8	8	7	7
Parking Structure	-	-	-	-	-	-	-	-	1	1
Total	<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>	<u>537</u>

Source: City of Vallejo Adopted Budget

### Operating Indicators by Function

#### Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	<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>	<u>2015</u>
Police:										
Arrests	7,658	8,682	7,589	7,300	4,273	3,133	3,643	3,522	3,738	4,182
Parking citations issued	14,108	13,200	12,864	5,178	3,676	4,532	4,385	1,163	3,778	3,679
Fire:										
Number of emergency calls	11,030	11,194	11,739	12,098	12,149	12,119	12,546	12,970	12,992	14,339
Inspections (Fire Prevention)	967	1,371	947	842	1,200	675	2,122	2,667	3,925	3,242
Inspections (Code Enforcement) <sup>1</sup>	4,305	4,247	157	2,776	8,000	5,567	2,623	7,074	9,586	9,055
Public works:										
Street resurfacing (miles)	27.70	2.20	16.47	18.47	46.50	55	5.6	6.6	3.2	9.0
Water:										
New connections	314	139	71	31	67	51	42	5	10	45
Average daily consumption (thousands of gallons)	21,030	21,271	20,658	19,402	17,975	17,698	16,976	17,806	17,371	15,637
Development Services:										
Building permits	3,357	3,427	2,000	1,837	2,175	1,791	1,797	2,176	2,444	2,816
Housing Rental units <sup>2</sup>	2,266	2,266	2,266	2,267	2,267	2,292	2,194	2,292	2,292	2,306
Housing Vouchers <sup>3</sup>	2,105	2,041	2,036	2,156	2,147	2,149	2,292	2,133	2,062	1,953
Golf course:										
Golf rounds played <sup>4</sup>	96,750	112,296	87,416	82,373	65,470	64,407	66,133	73,077	73,835	70,795

<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.

Source: City of Vallejo

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

	Fiscal Year Ended June 30									
	<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>	<u>2015</u>
Police:										
Stations	4	4	3	3	3	3	3	3	4	4
Fire:										
Fire stations	8	8	6	6	6	6	6	6	6	6
Public works:										
Streets (miles)	350	351	351	351	351	351	351	351	351	351
Traffic signals	134	151	151	148	148	148	123	123	123	125
Water:										
Water mains (miles)	622	623	623	624	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
Golf Course:										
Municipal golf courses	3	3	2	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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