

CITY OF VALLEJO CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CITY OF VALLEJO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

PREPARED BY THE
FINANCE DEPARTMENT

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CITY OF VALLEJO, CALIFORNIA

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December 27, 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 2016 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, 2016, 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 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, 2016, 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 117,322, Vallejo is the largest City in Solano County and the 51st 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, road 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, the Water Emergency Transport Agency (WETA) provides for ferry services and the 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

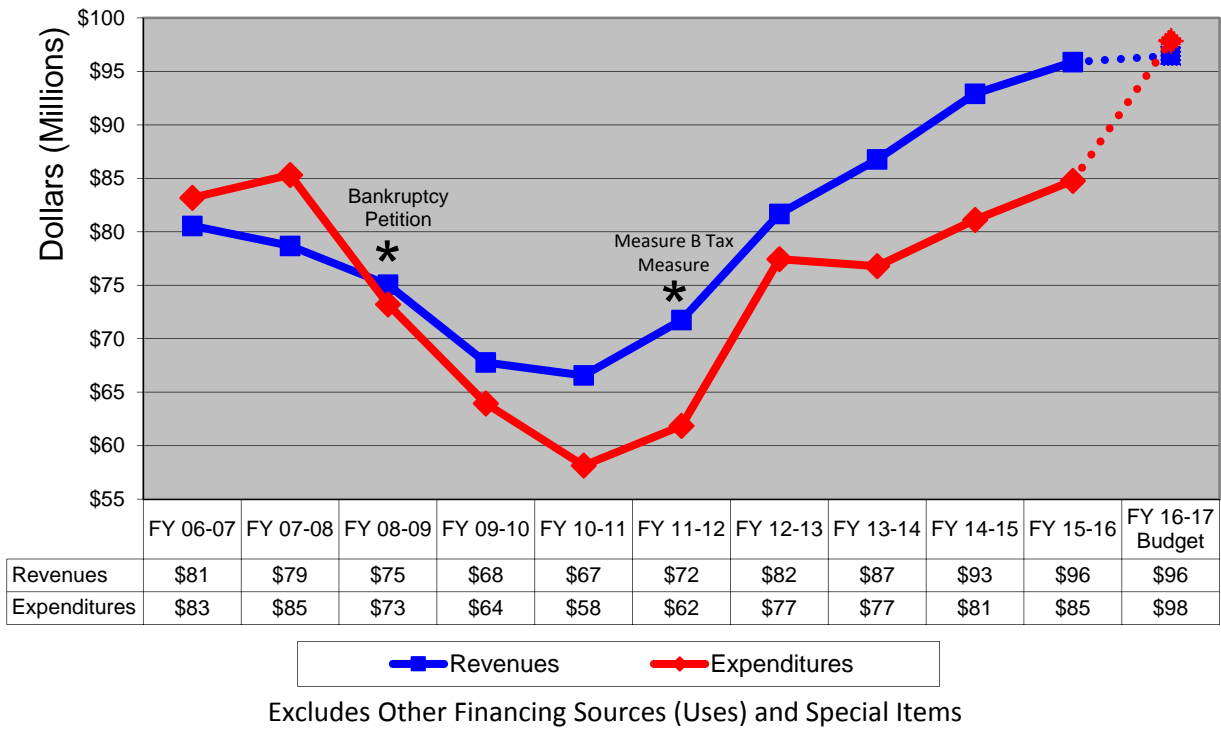
ECONOMIC CONDITION AND OUTLOOK

Recent economic news indicates that the City's revenue base has stabilized and is now gaining momentum for renewed growth. Employment rates are improving, property and sales tax revenues are increasing and the economy is growing modestly. Vallejo has remained in the top 5 of the U.S.'s hottest real estate markets so far during 2016, showing clear signs of recovery. However, while the City has seen improvement in revenue sources, it continues to face many fiscal challenges to fund rising costs for employee pensions and benefits and fully meet the needs of maintaining and replacing critical infrastructure.

State Budget – According to the California 2016-17 State Budget, the 2016 Budget Act prepares the state for the next recession with the passage of Proposition 2 to save for rainy days and pay down the state's debts and liabilities. In addition, it increases spending on education, infrastructure, affordable housing programs, and drought assistance. It will also begin implementing the \$10.50 per hour minimum wage beginning January 1, 2017. While the state's economy continues to generate significant new revenue, the 2016-17 budget balances new and ongoing commitments with building the state's fiscal reserves and spending on one-time items.

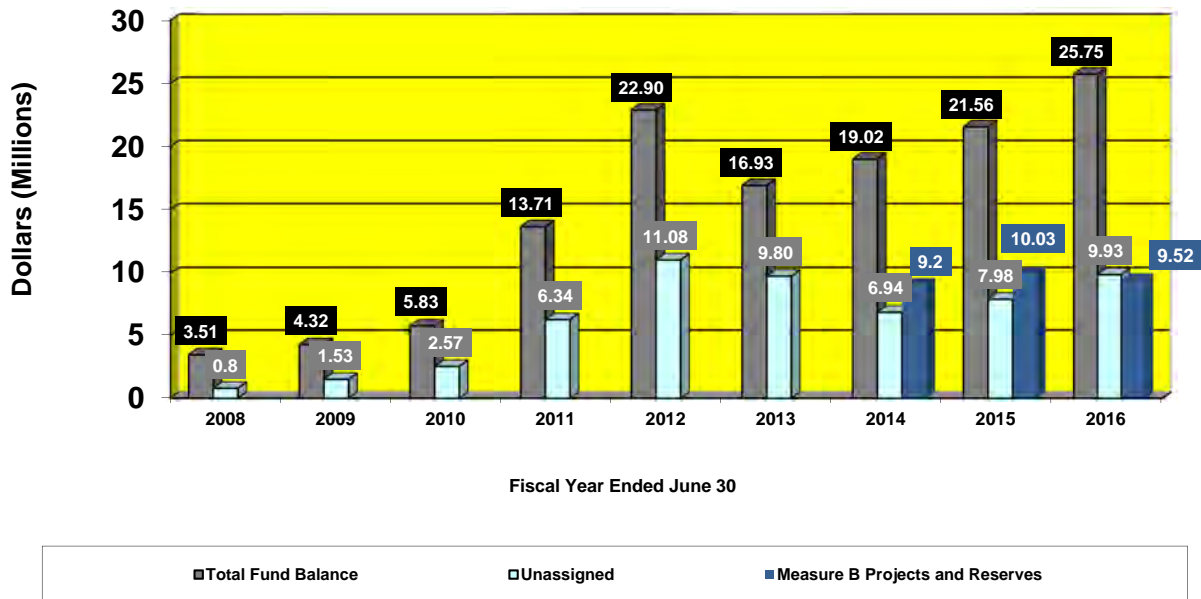
Revenues and Local Sales Tax Increase - In November 2011, Vallejo voters passed Measure B, establishing a one percent transaction and use tax. This general tax, similar to a sales tax, became effective on April 1, 2012, and has a 10-year sunset. On November 8, 2016, the Vallejo voters approved a sales tax measure, known as "Measure V", to permanently extend the City's current Measure B one-cent per dollar transaction and use tax. The Measure B tax is currently generating \$13.8 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 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, 2016, as compared to the eight 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.

General Fund Fund Balance



General Fund Long-Term Financial Forecast – The City utilizes a General Fund five-year financial forecast to help the City to plan for the future by providing an understanding of available funding while evaluating financial risks and identifying future commitments and resource demands. While the City will operate with a structurally balanced budget again in 2016-17, overall, our five year projection indicates that we will still be facing deficits beginning in 2017-18 primarily due to the escalating pension and health care costs and volatility of economic drivers. The key to retaining our fiscal stability in the future lies in focusing on economic development activities which will ultimately improve the city’s tax base and continuing our efforts to achieve program efficiencies and savings across the organization.

Pension Accounting Standards – Starting in 2014-15, the City implemented new pension accounting standards, in compliance with GASB Statement No.68 by reporting a Net Pension Liability of \$241 million as of June 30, 2016. It is important to note that, while the City makes all required contributions including payments on the net pension liability, assumptions used by California Public Employees’ Retirement System (CalPERS), including life expectancy, returns on investments, etc. impact the liability of the City.

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 (CalPERS) continues to address pension plan risk and funding levels by updating its actuarial demographic 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 2015-16, the City contributed 57.639% and 32.670% of employee salary to its Safety and Miscellaneous pension plans, respectively. Prior projections from actuarial valuations (June 2014) show rates at risk of increasing to 64.1% (Safety) and 37.1% (Miscellaneous) in the 2017-18 fiscal year.

The City has taken steps previously to mitigate both this CalPERS rate increase, and its OPEB retiree health obligations. In 2013, the City proactively made a supplemental contribution of \$6.5 million to CalPERS 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, with follow-up contributions of \$2.4 million in 2014-15 and \$1.6 million in 2015-16.

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 third structurally balanced budget in a row (in 2014, 2015 and 2016) receiving in December 2016, for the third year in a row, an Unmodified Audit Opinion, and maintaining General Fund reserves in excess of the City Council’s established goal level of 15% of expenditures for the past two fiscal years.

Water Fund Revenue Shortfall – Current analysis shows the potential for a \$4.1 million shortfall in 2016-17 Water Fund revenues due in large part to conservation efforts and the delay of the City’s Water Rate Study. There has not been an increase in water rates in the past 3 years, since July 1, 2013. Staff will be presenting a 2-year Water Rate Study to City Council early 2017 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.

Measures B and V – 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. On November 8, 2016, the Vallejo voters approved a sales tax measure, known as “Measure V”, to permanently extend the City’s current Measure B one-cent per dollar transaction and use tax.

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 2015-16 a total of twenty five (25) projects have been approved over the course of the PB process, totaling more than \$6.7 million in funding, while engaging over 15,000 Vallejo residents.

Interactive CAFR Dashboard – In an effort to further promote financial transparency, the City of Vallejo is providing an innovative 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 include an internally developed, interactive “Financial Dashboard” in the PDF version of this CAFR report. The page following this transmittal letter contains a fully interactive dashboard, with 10 years of CAFR data (requires latest version of [Adobe Flash Player](#)), enabling 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, 2015. This is the third 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, Deputy Director, Ray Fortaleza, Senior Accountant, Winnie Daba, Senior Accountant, Calvin Cho, 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. 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,

A handwritten signature in blue ink that reads "Ron Millard". The signature is written in a cursive, flowing style.

Ron Millard, FCPA, FCGA
Finance Director

CITY OF VALLEJO

Public Officials

City Council

As of June 30, 2016

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

City Manager

Daniel E. Keen

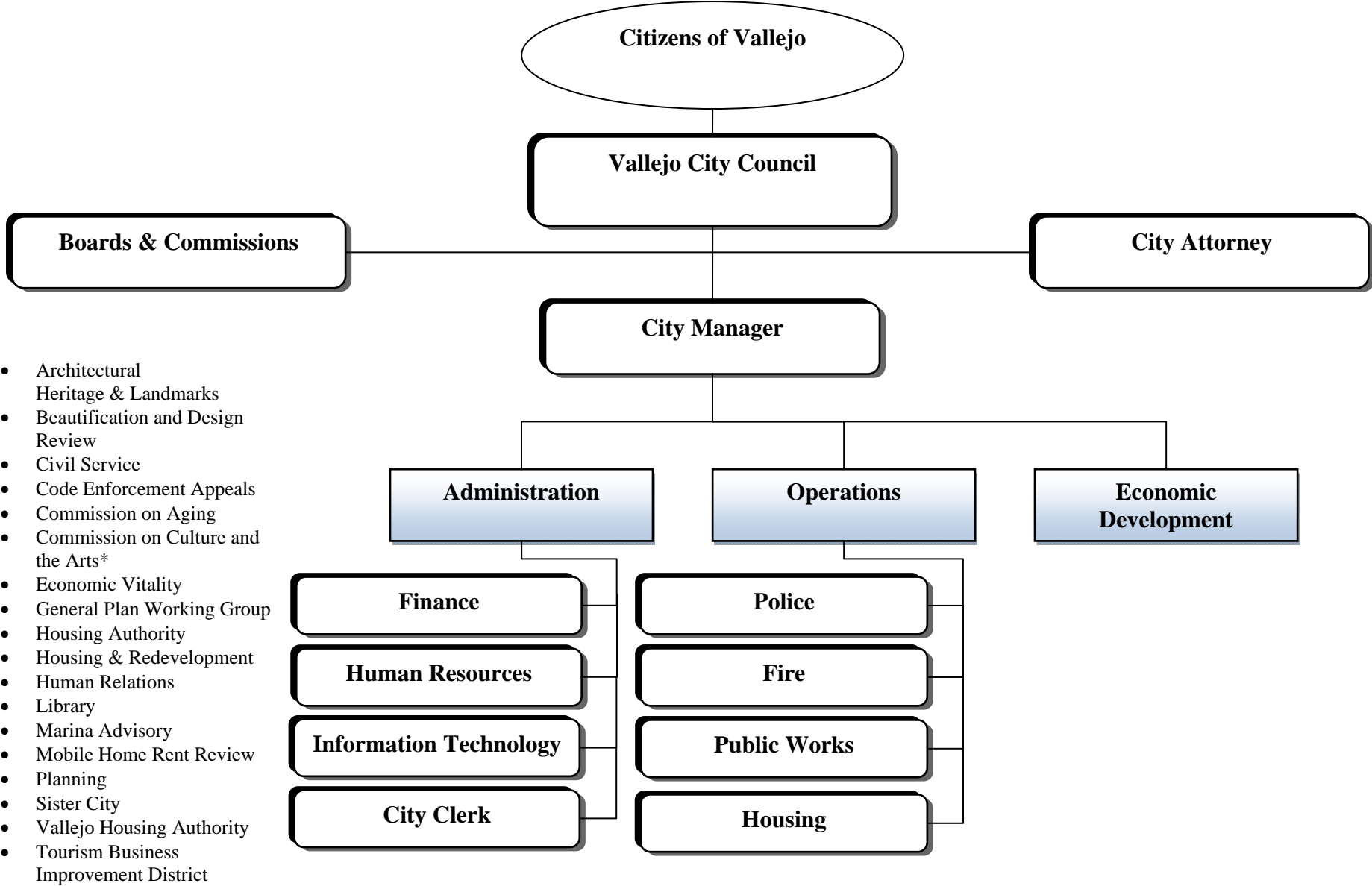
City Attorney

Claudia Quintana

Executive Management Team

Teri Killgore, Assistant City Manager
Ron Millard, Finance Director
Jasmin Loi, 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



- Architectural Heritage & Landmarks
- Beautification and Design Review
- Civil Service
- Code Enforcement Appeals
- Commission on Aging
- Commission on Culture and the Arts*
- Economic Vitality
- General Plan Working Group
- Housing Authority
- Housing & Redevelopment
- Human Relations
- Library
- Marina Advisory
- Mobile Home Rent Review
- Planning
- Sister City
- Vallejo Housing Authority
- Tourism Business Improvement District

* Suspended through June 30, 2016



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, 2015

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vallejo, California, as of and for the year ended June 30, 2016, 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 15, pursuant to ABx1 26 adopted by the State of California, which was validated by the California Supreme Court on December 28, 2011, the Vallejo Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by a Housing Successor and a Successor Agency effective January 31, 2012. Prior to the Redevelopment Agency dissolution, the Agency Board approved various agreements which obligated it to repay certain advances to the City. During fiscal year 2016, the Oversight Board approved three of these loan agreements as an Enforceable Obligation to be listed on future Recognized Obligation Payment Schedules of the Successor Agency, which was not questioned by the California Department of Finance (DOF). In November 2016, the DOF denied the three loans on the Successor Agency's Last and Final Recognized Obligation Payment Schedule (ROPS) submission. The Successor Agency plans to include the three loans as a new, separate line on the upcoming fiscal year 2017 annual ROPS to demonstrate the Successor Agency's intent to repay these obligations.

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

The emphasis of this matter does not constitute a modification to our opinions.

Changes in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Notes 1I and 2H to the financial statements.

Management early-implemented the provisions of Governmental Accounting Standards Board Statement No. 82 – *An Amendment of GASB Statements No. 67, No. 68, and No. 73*, during the year ended June 30, 2016 as noted in the Pension-Related Required Supplementary Information.

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 other 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 December 27, 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.



Pleasant Hill, California
December 27, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

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, 2016. 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 \$13.8 million in 2015-16 revenues to strategically restore and enhance City services and reserves. During the year, over \$7 million of Measure B revenues were invested in Public Safety Preservation and Enhancement, including the hiring of four additional Police Officers to staff a dedicated Crime Reduction Team and retention of ten Fire Department positions previously funded by an expired federal SAFER grant. About \$3 million of Measure B revenues were also invested in Infrastructure Enhancement, including street maintenance and the Marina dredging project. An additional \$1.2 million have 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 and has become the gold standard for public participation and collaborative government.
- At June 30, 2016, the General Fund unassigned reserve balance of \$9.9 million, together with the Measure B reserve balance of \$4.8 million, have achieved a combined \$14.7 million reserve and achieved an 18% reserve milestone. This goal benchmarks contingency reserves against the subsequent year's General Fund annual 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 2015-16 fiscal year, two events have moved the Agency closer to dissolution. First, the State Department of Finance approved the Agency's use or disposition of all the properties listed on the revised Long-Range Property Management Plan (LRPMP) on December 18, 2015. Then, following State enactment of SB107, the Agency re-established all pre-dissolution City/RDA loans as well as the retroactive interest restatement from .267 % to a simple interest rate of 3%.
- As of June 30, 2016, the Net Pension Liability has been recorded at \$241 million. This balance is larger than the City's total of all other bond and long-term liabilities.

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

Government-wide Net Position

The following is a summary of the City's government-wide net position as of June 30, 2016 and 2015, as measured on the accrual basis of accounting, along with highlights of changes from the prior year and a discussion of some of the most significant balances (in millions):

**Statement of Net Position
as of June 30, 2016 and 2015**
(In millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$159.5	\$139.9	\$38.4	\$40.7	\$197.9	\$180.6
Capital assets	332.5	332.0	111.7	112.9	444.2	444.9
Total assets	<u>492.0</u>	<u>471.9</u>	<u>150.1</u>	<u>153.6</u>	<u>642.1</u>	<u>625.5</u>
Deferred Outflows of Resources						
Unamortized loss on refunding on debt			1.0	1.1	1.0	1.1
Related to pensions	17.4	14.5	2.0	1.7	19.4	16.2
Total deferred outflows	<u>17.4</u>	<u>14.5</u>	<u>3.0</u>	<u>2.8</u>	<u>20.4</u>	<u>17.3</u>
Liabilities						
Current and other liabilities	30.8	25.6	10.3	10.4	41.1	36.0
Net pension liability	214.0	198.5	26.7	25.1	240.7	223.6
Other long-term liabilities	47.5	47.2	69.2	72.8	116.7	120.0
Total liabilities	<u>292.3</u>	<u>271.3</u>	<u>106.2</u>	<u>108.3</u>	<u>398.5</u>	<u>379.6</u>
Deferred Inflows of Resources						
Related to pensions	11.0	27.6	1.5	3.4	12.5	31.0
Net position						
Net investment in capital assets	314.7	313.3	40.2	38.2	354.9	351.5
Restricted	68.4	65.4	5.3	5.2	73.7	70.6
Unrestricted	(177.0)	(191.2)	(0.1)	1.3	(177.1)	(189.9)
Total net position	<u>\$206.1</u>	<u>\$187.5</u>	<u>\$45.4</u>	<u>\$44.7</u>	<u>\$251.5</u>	<u>\$232.2</u>

- The current assets and other assets balance of \$197.9 million significantly improved by \$17.3 million from the prior year. This increase is primarily attributable to the re-establishment of the City/Successor Agency loans, MTC grant advance, and grants receivable from federal and state agencies.
- The City's capital asset balance of \$444.2 million declined by \$0.7 million from the prior year. New capital improvements of \$16 million were offset by \$0.5 million of retirements and \$16.2 million of depreciation recorded on existing assets.
- The GASB Statement No.68, representing an accounting measure of the City's unfunded pension obligation, is now in its second year of implementation. Accordingly, reported Net Pension Liability has increased by \$17.1 million for this new pension reporting requirement. 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. For more information on the implementation of GASB 68, please refer to the Note 10 to the Basic Financial Statements.
- The City had a \$3.3 million reduction in its bond and other long-term liabilities, from \$120 million to \$116.7 million. In addition to scheduled debt principal amortization, the City made progress in addressing its retiree health benefits liability by transferring \$1.6 million to a dedicated trust restricted in use for the payment of future retiree health benefits.
- At June 30, 2016, the City reported positive balances in all categories of net position except for unrestricted net position. The net position for the City as a whole increased \$19.3 million or 8%, from \$232.2 million at June 30, 2015 to \$251.5 million at June 30, 2016. The increase in net position is primarily due to the \$18.5 million reduction in deferred inflow of resources related to pensions. The largest portion of the City's net position, \$354.9 million, is its investment in capital assets less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to its residents and other stakeholders. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves could not be used to liquidate these liabilities. Restricted net position, that portion of the City's net position subject to restrictions on how they may be used, increased \$3.1 million from \$70.6 million at June 30, 2015 to \$73.7 million at June 30, 2016. The rise in restricted net position is mainly due to the re-establishment of all pre-dissolution City/Successor Agency loans as well as the retroactive interest restatement from .267 % to a simple interest rate of 3%.

The table below is a summary of the City's government-wide activities for the years ended June 30, 2016 and 2015, as measured on the accrual basis of accounting.

Statement of Activities
for the years ended June 30, 2016 and 2015
(In thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$24,632	\$24,461	\$37,578	\$39,476	\$62,210	\$63,937
Operating grants and contributions	26,732	26,536	26	22	26,758	26,558
Capital grants and contributions	8,852	3,477	1,383	1,198	10,235	4,675
General revenues						
Property, sales and other taxes	66,229	61,572			66,229	61,572
User utility	12,994	12,627			12,994	12,627
Gain on sale of capital assets	174	22			174	22
Insurance recoveries		914		69		983
Other	6,634	6,741	413	251	7,047	6,992
Total revenues	<u>146,247</u>	<u>136,350</u>	<u>39,400</u>	<u>41,016</u>	<u>185,647</u>	<u>177,366</u>
Expenses						
Governmental activities						
Administration	7,020	7,470			7,020	7,470
Development services	2,954	2,701			2,954	2,701
Community development	27,802	26,802			27,802	26,802
Fire services	24,573	24,690			24,573	24,690
Police services	38,994	36,412			38,994	36,412
Public works	29,491	35,650			29,491	35,650
Interest on long-term debt	462	541			462	541
Business-type activities						
Water			34,856	35,076	34,856	35,076
Local transportation						
Marina			1,666	2,375	1,666	2,375
Golf			3,302	3,374	3,302	3,374
Vallejo Station Parking			654	698	654	698
Total expenses	<u>131,296</u>	<u>134,266</u>	<u>40,478</u>	<u>41,523</u>	<u>171,774</u>	<u>175,789</u>
Excess before transfers and special items	14,951	2,084	(1,078)	(507)	13,873	1,577
Transfers	(1,728)	(2,685)	1,728	2,685		
Special items	5,294	2,458			5,294	2,458
Change in net position	18,517	1,857	650	2,178	19,167	4,035
Net position - beginning	<u>187,509</u>	<u>185,652</u>	<u>44,719</u>	<u>42,541</u>	<u>232,228</u>	<u>228,193</u>
Net position - ending	<u>\$206,026</u>	<u>\$187,509</u>	<u>\$45,369</u>	<u>\$44,719</u>	<u>\$251,395</u>	<u>\$232,228</u>

- 2015-16 city-wide revenues of \$185.6 million reflected an improving economic base. Both tax revenues and capital grants and contributions combined to provide a significant \$10.2 million increase in revenues from the prior year, primarily in Governmental Activities programs. However, total revenues have declined by \$1.7 million in charges for services. The Water revenues have been negatively impacted by the State’s drought-related conservation efforts which has reduced water sales.
- Of the City’s governmental activities revenues, \$86.0 million or 59%, came from general unrestricted revenues. The remaining \$60.2 million or 41% primarily came from charges for services and grants.
- City-wide expenses of \$171.8 million decreased during the year. The current year’s expenses were down \$4 million or 2% from the prior year level, largely due to the pension expense which is now an actuarially calculated number based on the various transactions made to record the city’s net pension liability plus deferrals as of June 30, 2016.

Net Program Revenues (Expenses)

For the year ended June 30, 2016, the following table presents the net program cost for each governmental activity by subtracting program-specific revenues from program expenses. The balance is the amount funded by general City revenues.

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net Revenue (Expense) of Activities</u>
Governmental Activities			
General government	(\$7,482,469)		(\$7,482,469)
Community and development services	(30,755,929)	27,168,312	(3,587,617)
Fire services	(24,573,111)	3,267,729	(21,305,382)
Police services	(38,994,284)	5,894,916	(33,099,368)
Public works	(29,491,475)	23,884,593	(5,606,882)
	<u>(\$131,297,268)</u>	<u>\$60,215,550</u>	<u>(\$71,081,718)</u>

Program revenues associated with Governmental Activities total \$60.2 million, or 45.9% of program expenses. Expenses not covered by program revenues are funded from non-program sources like general tax revenues.

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

General government programs provide benefits to both business-type and governmental activities and receive some funding through internal indirect cost allocations to supplement program revenue and general tax revenue.

The following table presents for the year ended June 30, 2016, 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.

Business-type Activities	Expenses	Program Revenues	Net Revenue (Expense) of Activities
Water utility	(\$34,856,203)	\$34,383,056	(\$473,147)
Marina	(1,666,347)	1,309,196	(357,151)
Golf	(3,301,638)	2,479,773	(821,865)
Vallejo Station Parking	(654,815)	815,687	160,872
	<u>(\$40,479,003)</u>	<u>\$38,987,712</u>	<u>(\$1,491,291)</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 \$0.5 million operating deficit, which was down by \$1.6 million over last year, due to lower water usage in response to conservation efforts in California. The Marina and Golf operations also 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 \$1.5 million contributed to supplement these three enterprise operations.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

In addition to the accrual-basis government-wide statements described above, the City also maintains financial records at the fund level for budgetary control. Individual funds are generally established to track the resources and operating results for specific, restricted programs. The results for governmental funds below differ from the results reported above in the government-wide statements since here the focus is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Vallejo's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$96.8 million. Approximately \$9.9 million, or 10%, of the combined ending fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining balance is either non-spendable, restricted, committed or assigned to indicate that it is not available for new spending because it has been committed to liquidate contracts and purchase orders from the prior fiscal period, pay debt service, or fund future uses.

The following are the major funds that either qualified under the reporting criteria or were considered to be important to financial statement users:

General Fund

Services - The City's General Fund provides police, fire, development, public works, and administrative services to the City's 117,322 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 2015-16, the General Fund expended \$84.8 million to provide these services with 404 authorized full time equivalent positions. Labor costs comprised 77% 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 \$13.8 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. The assessed valuation as of January 2016, which is the base for tax allocations in 2016-17, has increased 6% over prior year levels. The recovering real estate market and new construction continue to fuel the decrease in the number of properties on Proposition 8 status, which provides temporary reassessments at a lower value. This rebound in property values translates into an expected 6% increase in secured property tax revenues for the City in 2016-17.

Current Year Increase in General Fund Revenues – The net impact to the City’s 2015-16 General Fund revenues, including transfers and special items, was an increase of \$4.0 million or 4% from the prior year. Of particular note were increases in property tax, sales and transaction tax, transient occupancy tax, new development related building fees and the revenues from the reestablishment of loans to the Successor Agency.

Fiscal year 2015-2016 Budget - Fiscal 2015-2016 revenue collections exceeded original and revised revenue estimates by \$5.5 million and \$2.5 million, respectively. With good news for budget stability, the most significant revenue gains have been in ongoing sales tax and property tax revenues. On the expenditure side, all departments have operated within their approved expenditure budgets for the year except that Finance, Human Resources and Executive departments had slight overruns in their operating budgets. Total expenditure savings vs. budget reached \$5.8 million. About half of the total expenditure savings are in the non-departmental budget line, where savings of \$2.2 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 2016-17 budget year. The non-departmental budget also includes a personnel vacancy savings assumption of \$0.6 million. Actual vacancy savings were significantly favorable to this assumption, at \$2.2 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 15% 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 2015-16, the General Fund added \$4.2 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, 2016, the General Fund reports \$9.9 million of unassigned fund balance and a \$4.8 million Measure B contingency reserve. Combined, this \$14.7 million contingency reserve achieves an 18% benchmark, which is 3% higher than the City Council’s 15% contingency reserve target.

Other Major Governmental Funds

- **Housing Authority** – The Housing Authority received \$20.3 million in federal HUD grant allocations during the year to support its \$20.7 million Section 8 Housing Assistance Voucher Program expenditures. Federal grant revenues had increased by \$1.8 million compared to last year since the program’s lease-up rate increased during the year.
- **Vallejo Station** – The Vallejo Station Fund received \$3.4 million in MTC grant allocations during the year to support its \$3.4 million project expenditures. The MTC grant revenues had increased by \$2.8 million compared to last year primarily due to funding received for the Post Office relocation from the Vallejo Main office to a new facility.

Enterprise Funds

- **Water Fund** – The Water Fund collected \$33 million in operating revenues during the year to support \$27.9 million in cash-basis operating costs and \$5.2 million in debt service. Remaining operating revenues, along with capital grants and capital contributions, also supported \$4.5 million in capital improvements. At June 30, 2016, current assets of \$31 million were available to cover \$8.6 million in current liabilities. The Water system operates with \$93.4 million of capital assets, which have been financed with \$51 million of outstanding long-term debt. 2015-16 annual user fees have been collected based upon a customer rate structure which has not increased since July 1, 2013. A 2-year water rate study is in progress to potentially restore lost revenues due to the recent conservation efforts and allow the City’s Water Fund system to maintain required debt service ratios.
- **Marina** – The Marina collected \$1.3 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 \$1.1 million to support program operating costs of \$1.1 million, dredging costs of \$0.2 million, and debt service payments of \$0.7 million. On an accrual basis, the fund had a deficit net position of \$1.7 million at June 30, 2016, because its capital assets are depreciating faster than the principal payments on the debt that financed the assets. At June 30, 2016, the fund remained obligated for \$14.1 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. New Marina fees have also gone into effect on July 1, 2016 to help reduce the fund’s deficit.
- **Golf** – The Golf Fund collected \$2.5 million in user fees for the year, which were also insufficient to support program cash flow requirements. As anticipated in the budget, the General Fund contributed \$0.5 million, which along with user fees, sustained operating costs of \$2.7 million, debt service payments of \$0.4 million and capital improvements of \$0.2 million. Overall, this Fund had a deficit net position of \$1.2 million at June 30, 2016, because its capital assets are depreciating faster than the principal payments on the debt that financed the assets. At June 30, 2016, the fund remained obligated for \$7.4 million in long-term debt, secured by the General Fund. The City continues to work with the Vallejo Golf Club to reduce the subsidy by carefully managing their operating budget and addressing the fees associated with the operation. New golf fees have gone into effect on January 1, 2016 to help reduce the fund’s deficit.
- **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. The \$0.7 million in operating costs was funded by annual user fees of \$0.8 million, which increased by 11% over prior year due to the increased volume as a result of the construction of Soltran’s Curtola Park & Ride. The General Fund also contributed \$50 thousand to accumulate funds for 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's streets, much less restore them to acceptable pavement condition standards.

The following is a summary of the City's capital assets at June 30, 2016 and 2015. The City placed \$18 million of capital assets in service during the year, including the Mare Island Causeway Bridge, Hiddenbrooke Park, Downtown and Grant Street improvement projects and Montecillo Pump Station and Pipeline project. Reductions included \$16.2 million of depreciation and retirements of \$0.5 million. In total, capital assets have decreased by \$0.7 million during the year to \$444.2 million at June 30, 2016. Additional information about the City's capital assets can be found in Note 5 of this report.

City of Vallejo
Capital Assets
(net of depreciation)

	Governmental		Business-type		Total	
	activities		activities			
	2016	2015	2016	2015	2016	2015
Land	\$136,190,275	\$136,218,248	\$12,298,805	\$12,298,805	\$148,489,080	\$148,517,053
Building and improvement	79,126,972	79,906,810	34,560,843	36,206,661	113,687,815	116,113,471
Machinery and equipment	8,530,108	8,419,454	11,892,745	12,450,625	20,422,853	20,870,079
Infrastructure	102,556,060	99,296,529	49,788,115	45,455,402	152,344,175	144,751,931
Construction in progress	6,115,457	8,119,785	3,130,443	6,497,659	9,245,900	14,617,444
Total	<u>\$332,518,872</u>	<u>\$331,960,826</u>	<u>\$111,670,951</u>	<u>\$112,909,152</u>	<u>\$444,189,823</u>	<u>\$444,869,978</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, 2016 and 2015.

	Long-Term Debt					
	Governmental		Business-type		Total	
	activities		activities			
	2016	2015	2016	2015	2016	2015
Certificates of Participation	\$3,420,210	\$3,584,575			\$3,420,210	\$3,584,575
Capital Lease Obligations	507,320	608,784			507,320	608,784
Revenue Bonds			\$49,201,649	\$51,560,639	49,201,649	51,560,639
Loans & Notes Payable	13,936,400	14,455,264	23,254,939	24,252,560	37,191,339	38,707,824
Total	\$17,863,930	\$18,648,623	\$72,456,588	\$75,813,199	\$90,320,518	\$94,461,822

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 \$35.4 million at June 2016, \$21.5 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 2015-16, the General Fund contributed \$1.1 million to the Marina and Golf Enterprise funds to support debt requirements for these Enterprise programs.

Annual Activity - In total, the City made long-term principal debt payments of \$4.5 million during the year ended June 30, 2016. This principal reduction has been partially offset by deferred interest accruals on the City's Union Bank debt. Overall, the City's total long-term debt obligations decreased from \$94 million at June 2015 to \$90 million at June 2016. Additional information about the City's long-term debt can be found in Note 6 of this report.

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 \$770 at June 30, 2016, from \$789 in the prior fiscal year.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Net debt	\$90,320,518	\$94,461,822
Net debt per capita	\$770	\$789
Net debt per capita as a percentage of per capita personal income	2.97%	3.04%
Net debt as a percentage of net assessed value	1.05%	1.13%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's economic base continues to grow after years of recession as a result of a recovering real estate market and new construction. Property values assessed by the County as of January 1, 2016 have increased by 6% over the prior year, which in turn is expected to increase the City's property tax revenues in the 2016-17 budget year. The City forecasts the sales tax in the 2016-17 budget to be approximately 5% above the prior year as well. As of June 30, 2016, unemployment in Vallejo stands at 5.6%, which significantly improved from 8.3% 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 revenue growth to be partially absorbed by escalating pension, benefits, and other service costs, overall the City anticipates to operate a structurally balanced budget 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.

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, 2016

	Primary Government		Component Unit	
	Governmental Activities	Business-Type Activities	Total	Vallejo Sanitation and Flood Control District
ASSETS				
Current Assets:				
Cash and investments (Note 2)	\$97,440,338	\$25,389,580	\$122,829,918	\$35,472,591
Accounts receivable	3,943,178	6,570,632	10,513,810	8,725,633
Interest receivable	294,042		294,042	
Due from other governments	14,361,202	25,847	14,387,049	
Materials, parts, and supplies (Note 1J)	171,786	1,033,852	1,205,638	
Prepays and deposits	5,962,563	116,749	6,079,312	660,670
Total Current Assets	<u>122,173,109</u>	<u>33,136,660</u>	<u>155,309,769</u>	<u>44,858,894</u>
Noncurrent Assets:				
Restricted cash and investments held with fiscal agent (Note 2)	3,362,212	5,253,836	8,616,048	7,464,736
Other assets				
Land held for development (Note 1K)	499,684		499,684	
Notes and loans receivable (Note 4)	33,413,289	26,035	33,439,324	282,942
Prepaid lease and project costs				1,462,178
Capital assets (Note 5):				
Nondepreciable	142,305,732	15,429,248	157,734,980	18,174,790
Depreciable, net of accumulated depreciation	190,213,140	96,241,703	286,454,843	177,762,892
Total Noncurrent Assets	<u>369,794,057</u>	<u>116,950,822</u>	<u>486,744,879</u>	<u>205,147,538</u>
Total Assets	<u>491,967,166</u>	<u>150,087,482</u>	<u>642,054,648</u>	<u>250,006,432</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt (Note 6)		977,016	977,016	1,194,312
Related to pensions (Note 10)	17,364,072	1,995,564	19,359,636	2,449,961
Total Deferred Outflows of Resources	<u>17,364,072</u>	<u>2,972,580</u>	<u>20,336,652</u>	<u>3,644,273</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	10,417,974	2,163,756	12,581,730	1,892,374
Accrued interest payable	146,968	498,324	645,292	565,765
Due to other governments	11,758		11,758	
Unearned revenues	7,452,495	46,418	7,498,913	
Deposits payable	2,340,286	3,033,356	5,373,642	82,800
Employee benefits payable (Note 9 and 11)	5,992,161	1,035,342	7,027,503	479,299
Claims payable, due within one year (Note 13)	3,511,269		3,511,269	
Long-term debt, due within one year (Note 6)	922,135	3,569,381	4,491,516	4,374,522
Total Current Liabilities	<u>30,795,046</u>	<u>10,346,577</u>	<u>41,141,623</u>	<u>7,394,760</u>
Noncurrent Liabilities:				
Claims payable (Note 13)	12,802,731		12,802,731	
Employee benefits payable (Notes 9 and 11)	17,778,114	243,650	18,021,764	1,872,170
Net pension liability (Note 10)	213,988,282	26,739,162	240,727,444	15,432,136
Long-term debt (Note 6)	16,941,795	68,887,207	85,829,002	47,985,283
Total Noncurrent Liabilities	<u>261,510,922</u>	<u>95,870,019</u>	<u>357,380,941</u>	<u>65,289,589</u>
Total Liabilities	<u>292,305,968</u>	<u>106,216,596</u>	<u>398,522,564</u>	<u>72,684,349</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions (Note 10)	11,000,613	1,474,051	12,474,664	1,649,335
NET POSITION (Note 12)				
Net investment in capital assets	314,654,942	40,191,379	354,846,321	132,461,371
Restricted for:				
Debt service	316,656	5,253,836	5,570,492	7,464,736
Capital projects	23,054,052		23,054,052	25,657,307
Housing programs	24,534,809		24,534,809	
Mare Island programs	7,482,321		7,482,321	
Landscape maintenance district services	11,391,504		11,391,504	
Other special projects and programs	1,593,809		1,593,809	
Total Restricted Net Position	<u>68,373,151</u>	<u>5,253,836</u>	<u>73,626,987</u>	<u>33,122,043</u>
Unrestricted	<u>(177,003,436)</u>	<u>(75,800)</u>	<u>(177,079,236)</u>	<u>13,733,607</u>
Total Net Position	<u>\$206,024,657</u>	<u>\$45,369,415</u>	<u>\$251,394,072</u>	<u>\$179,317,021</u>

See accompanying notes to financial statements

CITY OF VALLEJO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Legislative and advisory	\$257,208			
Executive	2,386,112			
Finance	2,009,568			
Human resources	1,390,288			
Law	976,895			
Development services	2,954,366	\$2,526,086		
Community development	27,801,563	1,450,004	\$23,192,222	
Fire services	24,573,111	3,267,729		
Police services	38,994,284	4,422,091	1,472,825	
Public works	29,491,475	12,966,452	2,066,512	\$8,851,629
Interest on long term debt	462,398			
Total Governmental Activities	131,297,268	24,632,362	26,731,559	8,851,629
Business-type Activities:				
Water	34,856,203	32,999,590		1,383,466
Marina	1,666,347	1,283,349	25,847	
Golf	3,301,638	2,479,773		
Vallejo Station Parking	654,815	815,687		
Total Business-type Activities	40,479,003	37,578,399	25,847	1,383,466
Total Primary Government	\$171,776,271	\$62,210,761	\$26,757,406	\$10,235,095
Component Unit:				
Vallejo Sanitation and Flood Control District	\$31,902,945	\$31,734,584		\$1,667,766
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				
Miscellaneous				
Transfers (Note 3A)				
Special items:				
Assets transferred from Successor Agency (Note 5A)				
Re-establish advances from Successor Agency (Note 4H)				
Total general revenues, transfers and special items				
Change in Net Position				
Net Position-Beginning				
Net Position-Ending				

See accompanying notes to financial statements

<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>			<u>Net (Expense) Revenue and Changes in Net Position Component Unit</u>
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Vallejo Sanitation and Food Control District</u>
(\$257,208)		(\$257,208)	
(2,386,112)		(2,386,112)	
(2,009,568)		(2,009,568)	
(1,390,288)		(1,390,288)	
(976,895)		(976,895)	
(428,280)		(428,280)	
(3,159,337)		(3,159,337)	
(21,305,382)		(21,305,382)	
(33,099,368)		(33,099,368)	
(5,606,882)		(5,606,882)	
(462,398)		(462,398)	
<u>(71,081,718)</u>		<u>(71,081,718)</u>	
	(\$473,147)	(473,147)	
	(357,151)	(357,151)	
	(821,865)	(821,865)	
	160,872	160,872	
	<u>(1,491,291)</u>	<u>(1,491,291)</u>	
<u>(71,081,718)</u>	<u>(1,491,291)</u>	<u>(72,573,009)</u>	
			<u>\$1,499,405</u>
25,483,057		25,483,057	949,071
27,767,194		27,767,194	
12,994,432		12,994,432	
5,264,419		5,264,419	
2,395,992		2,395,992	
5,318,618		5,318,618	427,071
1,765,281	413,341	2,178,622	840,119
173,859		173,859	
4,868,998		4,868,998	
(1,728,023)	1,728,023		
585,089		585,089	
<u>4,708,589</u>		<u>4,708,589</u>	
<u>89,597,505</u>	<u>2,141,364</u>	<u>91,738,869</u>	<u>2,216,261</u>
18,515,787	650,073	19,165,860	3,715,666
<u>187,508,870</u>	<u>44,719,342</u>	<u>232,228,212</u>	<u>175,601,355</u>
<u>\$206,024,657</u>	<u>\$45,369,415</u>	<u>\$251,394,072</u>	<u>\$179,317,021</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, 2016. 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.

VALLEJO STATION CAPITAL PROJECTS FUND accounts for grants received to support construction of a new Transit Center and related parking structure in downtown Vallejo.

CITY OF VALLEJO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General	Housing Authority	Vallejo Station	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$16,274,594	\$4,375,469		\$53,361,040	\$74,011,103
Restricted cash and investments held with fiscal agent (Note 2)				3,362,212	3,362,212
Accounts receivable	3,291,611	79,994		515,196	3,886,801
Interest receivable	293,024	1,018			294,042
Notes and loans receivable (Note 4)	4,230,727	13,204,897		15,977,665	33,413,289
Due from other governments	8,398,263		\$1,372,891	4,590,048	14,361,202
Materials, parts, and supplies	146				146
Prepays and deposits	20,001	525	5,935,951	6,086	5,962,563
Land held for redevelopment (Note 1K)	499,684				499,684
Total Assets	\$33,008,050	\$17,661,903	\$7,308,842	\$77,812,247	\$135,791,042
LIABILITIES					
Accounts payable and accrued liabilities	\$2,831,004	\$77,671	\$1,612,403	\$2,779,058	\$7,300,136
Due to other funds (Note 3B)			1,325,400	3,811,075	5,136,475
Due to other governments	4,405			7,353	11,758
Unearned revenues	1,474,437		4,371,039	1,607,019	7,452,495
Deposits payable	391,177	51,546		1,897,563	2,340,286
Total Liabilities	4,701,023	129,217	7,308,842	10,102,068	22,241,150
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - accounts receivable				23,750	23,750
Unavailable revenue - interest receivable	2,558,508	2,719,372		1,695,947	6,973,827
Unavailable revenue - notes and loans receivable				9,716,403	9,716,403
Total Deferred Inflows of Resources	2,558,508	2,719,372		11,436,100	16,713,980
FUND BALANCES (Note 12)					
Fund Balance					
Nonspendable	2,192,050	525		70,711	2,263,286
Restricted	272,885	14,812,789		43,435,292	58,520,966
Committed	2,251,472			6,806,813	9,058,285
Assigned	11,102,326			5,961,263	17,063,589
Unassigned	9,929,786				9,929,786
Total Fund Balances	25,748,519	14,813,314		56,274,079	96,835,912
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$33,008,050	\$17,661,903	\$7,308,842	\$77,812,247	\$135,791,042

See accompanying notes to financial statements

CITY OF VALLEJO
Reconciliation of
GOVERNMENTAL FUND BALANCES
with
GOVERNMENTAL NET POSITION
JUNE 30, 2016

Total fund balances reported on the governmental funds balance sheet \$96,835,912

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. 328,972,268

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	\$23,429,235	
Accounts receivable	56,377	
Materials, parts, and supplies	171,640	
Due from other funds	5,136,475	
Capital assets	3,546,604	
Accounts payable	(3,117,838)	
Claims payable	(16,314,000)	
Net pension liability and pension-related deferred outflows/inflows of resources	(2,434,749)	
Employee benefits payable	<u>(12,405,335)</u>	(1,931,591)

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. 16,713,980

LONG-TERM LIABILITIES

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

Long-term debt	(17,863,930)	
Net pension liability and pension-related deferred outflows/inflows of resources	(205,190,074)	
Interest payable	(146,968)	
Compensated absences	<u>(11,364,940)</u>	

NET POSITION OF GOVERNMENTAL ACTIVITIES \$206,024,657

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, 2016

	General	Housing Authority	Vallejo Station	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes, including Measure B	\$68,982,976			\$1,427,607	\$70,410,583
Licenses, permits, and fees	2,895,070			1,131,097	4,026,167
Fines and forfeitures	1,828,033			50,546	1,878,579
Intergovernmental	11,229,195	\$20,266,190	\$3,384,094	10,318,267	45,197,746
Use of money and property	1,375,161	338,792		1,982,228	3,696,181
Charges for services	9,207,003			10,222,146	19,429,149
Other	352,907	94,430		979,378	1,426,715
Total Revenues	95,870,345	20,699,412	3,384,094	26,111,269	146,065,120
EXPENDITURES					
Current:					
Legislative and advisory	294,088				294,088
Executive	2,641,913				2,641,913
Finance	1,974,032			128,880	2,102,912
Human resources	1,431,434				1,431,434
Law	1,047,920			85,962	1,133,882
Development services	2,483,195			564,645	3,047,840
Community development	2,257,797	20,728,798		3,470,905	26,457,500
Fire services	23,701,990			1,867,801	25,569,791
Police services	38,499,019			1,199,343	39,698,362
Public works	5,780,165			9,343,471	15,123,636
Non departmental	4,552,327				4,552,327
Capital outlay			3,384,094	10,689,848	14,073,942
Debt Service:					
Principal	101,464			825,837	927,301
Interest and fiscal agent fees				343,902	343,902
Total Expenditures	84,765,344	20,728,798	3,384,094	28,520,594	137,398,830
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,105,001	(29,386)		(2,409,325)	8,666,290
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	71,185				71,185
Transfers in (Note 3A)	21,751	27,706		5,972,080	6,021,537
Transfers out (Note 3A)	(7,876,667)			(372,893)	(8,249,560)
Total Other Financing Sources (Uses)	(7,783,731)	27,706		5,599,187	(2,156,838)
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS	3,321,270	(1,680)		3,189,862	6,509,452
SPECIAL ITEMS					
Reestablishment of loans to Successor Agency (Note 4H)	871,177			(7,965)	863,212
NET CHANGE IN FUND BALANCES	4,192,447	(1,680)		3,181,897	7,372,664
BEGINNING FUND BALANCES	21,556,072	14,814,994		53,092,182	89,463,248
ENDING FUND BALANCES	\$25,748,519	\$14,813,314		\$56,274,079	\$96,835,912

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, 2016

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 \$7,372,664

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 9,112,004

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation of \$1,210,333 which has already been allocated to serviced funds) (8,993,721)

Capital asset retirements are deducted from fund balance (539,174)

Assets transferred from Successor Agency are added to fund balance 585,089

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 927,301

Interest accrued to principal is deducted from fund balance (142,608)

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 24,112

Unavailable revenue 3,770,334

Compensated absences (1,045,956)

Net pension liability and pension-related deferred outflows/inflows of resources 3,950,015

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 3,495,727

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$18,515,787

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$65,238,525	\$67,411,171	\$68,982,976	\$1,571,805
Licenses, permits and fees	1,991,400	2,507,000	2,895,070	388,070
Fines and forfeitures	1,504,000	1,417,000	1,828,033	411,033
Intergovernmental	11,586,568	11,645,213	11,229,195	(416,018)
Use of money and property	1,251,937	1,228,937	1,375,161	146,224
Charges for services	8,463,184	8,856,543	9,207,003	350,460
Other	348,000	348,000	352,907	4,907
Total Revenues	<u>90,383,614</u>	<u>93,413,864</u>	<u>95,870,345</u>	<u>2,456,481</u>
EXPENDITURES:				
Current:				
Legislative and advisory	296,238	296,238	294,088	2,150
Executive	2,597,794	2,610,154	2,641,913	(31,759)
Finance	1,697,140	1,886,215	1,974,032	(87,817)
Human resources	1,258,639	1,401,735	1,431,434	(29,699)
Law	1,280,099	1,289,178	1,047,920	241,258
Development services	2,393,567	2,867,578	2,483,195	384,383
Community development	2,105,507	2,405,164	2,257,797	147,367
Fire services	22,532,858	23,803,363	23,701,990	101,373
Police services	39,473,981	40,238,945	38,499,019	1,739,926
Public works	6,249,946	6,384,824	5,780,165	604,659
Non departmental	6,796,795	6,609,148	4,552,327	2,056,821
Debt service				
Principal	691,464	691,464	101,464	590,000
Total Expenditures	<u>87,374,028</u>	<u>90,484,006</u>	<u>84,765,344</u>	<u>5,718,662</u>
EXCESS REVENUES OVER EXPENDITURES	<u>3,009,586</u>	<u>2,929,858</u>	<u>11,105,001</u>	<u>8,175,143</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets			71,185	71,185
Transfers in	122,534	122,534	21,751	(100,783)
Transfers (out)	(6,905,163)	(7,765,720)	(7,876,667)	(110,947)
Total other financing sources (uses)	<u>(6,782,629)</u>	<u>(7,643,186)</u>	<u>(7,783,731)</u>	<u>(140,545)</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	<u>(3,773,043)</u>	<u>(4,713,328)</u>	<u>3,321,270</u>	<u>8,034,598</u>
SPECIAL ITEM				
Reestablishment of loans to Successor Agency			871,177	871,177
NET CHANGE IN FUND BALANCES	<u><u>(\$3,773,043)</u></u>	<u><u>(\$4,713,328)</u></u>	<u>4,192,447</u>	<u><u>\$8,905,775</u></u>
Fund balance, July 1			<u>21,556,072</u>	
Fund balance, June 30			<u><u>\$25,748,519</u></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, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$22,061,324	\$22,062,480	\$20,266,190	(\$1,796,290)
Use of money and property	14,451	14,451	338,792	324,341
Other	<u>55,900</u>	<u>55,918</u>	<u>94,430</u>	<u>38,512</u>
Total Revenues	<u>22,131,675</u>	<u>22,132,849</u>	<u>20,699,412</u>	<u>(1,433,437)</u>
EXPENDITURES:				
Current:				
Community development	<u>23,817,026</u>	<u>24,531,011</u>	<u>20,728,798</u>	<u>3,802,213</u>
Total Expenditures	<u>23,817,026</u>	<u>24,531,011</u>	<u>20,728,798</u>	<u>3,802,213</u>
EXCESS REVENUES OVER EXPENDITURES	<u>(1,685,351)</u>	<u>(2,398,162)</u>	<u>(29,386)</u>	<u>2,368,776</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	26,000	26,000	27,706	1,706
Transfers (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u> </u>	<u>25,000</u>
Total other financing sources (uses)	<u>1,000</u>	<u>1,000</u>	<u>27,706</u>	<u>26,706</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$1,684,351)</u></u>	<u><u>(\$2,397,162)</u></u>	<u>(1,680)</u>	<u><u>\$2,395,482</u></u>
Fund balance, July 1			<u>14,814,994</u>	
Fund balance, June 30			<u><u>\$14,813,314</u></u>	

See accompanying notes to financial statements

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CITY OF VALLEJO, CALIFORNIA

MAJOR PROPRIETARY FUNDS

The City reported all enterprise funds as major funds in fiscal 2016.

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, 2016

	Business-type Activities-Enterprise Funds		
	Water	Marina	Golf
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$23,403,460	\$973,910	\$588,628
Accounts receivable	6,529,635	17,806	4,700
Due from other governments		25,847	
Materials, parts and supplies	915,866	12,707	105,279
Prepays	101,747		15,002
Due from other funds (Note 3B)			
Total current assets	<u>30,950,708</u>	<u>1,030,270</u>	<u>713,609</u>
Noncurrent assets:			
Restricted cash and investments held with fiscal agent (Note 2)	5,253,836		
Notes receivable (Note 4)	26,035		
Capital assets (Note 5):			
Nondepreciable	3,201,178	10,736,670	1,491,400
Depreciable, net	<u>90,151,961</u>	<u>1,556,610</u>	<u>4,533,132</u>
Total noncurrent assets	<u>98,633,010</u>	<u>12,293,280</u>	<u>6,024,532</u>
Total assets	<u>129,583,718</u>	<u>13,323,550</u>	<u>6,738,141</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of debt (Note 6)	977,016		
Related to pensions (Note 10)	<u>1,930,274</u>	<u>47,256</u>	
Total deferred outflows of resources	<u>2,907,290</u>	<u>47,256</u>	
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,524,118	101,663	506,502
Accrued interest payable	403,451	61,690	33,183
Unearned revenue	3,855	42,563	
Deposits payable	2,918,402	114,954	
Claims payable, current (Note 13)			
Employee benefits payable, current (Note 9)	1,021,454	9,021	
Long-term debt, due within one year (Note 6)	<u>2,704,460</u>	<u>576,620</u>	<u>288,301</u>
Total current liabilities	<u>8,575,740</u>	<u>906,511</u>	<u>827,986</u>
Long-term liabilities:			
Long-term debt, due in more than one year (Note 6)	48,260,009	13,549,738	7,077,460
Claims payable, noncurrent (Note 13)			
Employee benefits payable, noncurrent (Notes 9)	243,650		
Net pension liability (Note 10)	<u>25,848,492</u>	<u>586,607</u>	
Total noncurrent liabilities	<u>74,352,151</u>	<u>14,136,345</u>	<u>7,077,460</u>
Total Liabilities	<u>82,927,891</u>	<u>15,042,856</u>	<u>7,905,446</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 10)	<u>1,433,699</u>	<u>28,210</u>	
NET POSITION (DEFICIT) (Note 12)			
Net investment in capital assets	43,365,686	(1,833,078)	(1,341,229)
Restricted for debt service	5,253,836		
Unrestricted	<u>(490,104)</u>	<u>132,818</u>	<u>173,924</u>
Total Net Position (Deficit)	<u>\$48,129,418</u>	<u>(\$1,700,260)</u>	<u>(\$1,167,305)</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>	
\$423,582	\$25,389,580	\$23,429,235
18,491	6,570,632	56,377
	25,847	
	1,033,852	171,640
	116,749	
		<u>5,136,475</u>
<u>442,073</u>	<u>33,136,660</u>	<u>28,793,727</u>
	5,253,836	
	26,035	
	15,429,248	
	<u>96,241,703</u>	<u>3,546,604</u>
	<u>116,950,822</u>	<u>3,546,604</u>
<u>442,073</u>	<u>150,087,482</u>	<u>32,340,331</u>
	977,016	
<u>18,034</u>	<u>1,995,564</u>	<u>161,627</u>
<u>18,034</u>	<u>2,972,580</u>	<u>161,627</u>
31,473	2,163,756	3,117,838
	498,324	
	46,418	
	3,033,356	
		3,511,269
4,867	1,035,342	250,815
	<u>3,569,381</u>	
<u>36,340</u>	<u>10,346,577</u>	<u>6,879,922</u>
	68,887,207	
		12,802,731
	243,650	12,154,520
<u>304,063</u>	<u>26,739,162</u>	<u>2,487,216</u>
<u>304,063</u>	<u>95,870,019</u>	<u>27,444,467</u>
<u>340,403</u>	<u>106,216,596</u>	<u>34,324,389</u>
<u>12,142</u>	<u>1,474,051</u>	<u>109,160</u>
	40,191,379	3,546,604
	5,253,836	
<u>107,562</u>	<u>(75,800)</u>	<u>(5,478,195)</u>
<u>\$107,562</u>	<u>\$45,369,415</u>	<u>(\$1,931,591)</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds		
	Water	Marina	Golf
OPERATING REVENUES			
Charges for services	\$32,855,846	\$1,283,074	\$2,474,482
Other	143,744	275	5,291
Total operating revenues	<u>32,999,590</u>	<u>1,283,349</u>	<u>2,479,773</u>
OPERATING EXPENSES			
Operations expenses	18,436,382	1,314,965	1,264,692
General and administrative	8,418,871	13,185	1,427,472
Insurance and claims			
Depreciation	<u>5,471,405</u>	<u>60,817</u>	<u>463,061</u>
Total operating expenses	<u>32,326,658</u>	<u>1,388,967</u>	<u>3,155,225</u>
Operating income (loss)	<u>672,932</u>	<u>(105,618)</u>	<u>(675,452)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	403,056	4,019	2,301
Intergovernmental revenue		25,847	
Gain on sale of capital assets			
Interest expense and fiscal charges	<u>(2,529,545)</u>	<u>(277,380)</u>	<u>(146,413)</u>
Total nonoperating revenues (expenses)	<u>(2,126,489)</u>	<u>(247,514)</u>	<u>(144,112)</u>
Income (loss) before contributions and transfers	(1,453,557)	(353,132)	(819,564)
Capital grants and contributions	1,383,466		
Transfers in (Note 3A)		<u>1,145,423</u>	<u>532,600</u>
Change in net position	(70,091)	792,291	(286,964)
BEGINNING NET POSITION (DEFICIT)	<u>48,199,509</u>	<u>(2,492,551)</u>	<u>(880,341)</u>
ENDING NET POSITION (DEFICIT)	<u>\$48,129,418</u>	<u>(\$1,700,260)</u>	<u>(\$1,167,305)</u>

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		<u>Governmental</u>
<u>Vallejo Station</u>	<u>Totals</u>	<u>Activities-</u>
<u>Parking</u>		<u>Internal Service</u>
		<u>Funds</u>
\$815,687	\$37,429,089	\$16,114,951
	149,310	74,281
<u>815,687</u>	<u>37,578,399</u>	<u>16,189,232</u>
261,312	21,277,351	7,821,932
393,503	10,253,031	4,714,134
	5,995,283	1,210,333
<u>654,815</u>	<u>37,525,665</u>	<u>13,746,399</u>
<u>160,872</u>	<u>52,734</u>	<u>2,442,833</u>
3,965	413,341	422,248
	25,847	130,646
	(2,953,338)	
<u>3,965</u>	<u>(2,514,150)</u>	<u>552,894</u>
164,837	(2,461,416)	2,995,727
	1,383,466	
<u>50,000</u>	<u>1,728,023</u>	<u>500,000</u>
214,837	650,073	3,495,727
(107,275)	44,719,342	(5,427,318)
<u>\$107,562</u>	<u>\$45,369,415</u>	<u>(\$1,931,591)</u>

CITY OF VALLEJO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Water</u>	<u>Marina</u>	<u>Golf</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$32,653,742	\$1,285,288	\$2,549,064
Payments to suppliers	(19,623,297)	(1,330,150)	(2,650,878)
Payments to or on behalf of employees	(8,308,312)	(10,035)	
Claims paid			
Cash Flows from Operating Activities	<u>4,722,133</u>	<u>(54,897)</u>	<u>(101,814)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund receipts (payments)		1,145,423	532,600
Intergovernmental receipts (payments)			
Cash Flows from Noncapital Financing Activities		<u>1,145,423</u>	<u>532,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets			
Acquisition of capital assets	(4,543,015)		(214,067)
Principal payments on capital debt	(2,591,096)	(562,556)	(281,269)
Interest paid	(2,594,290)	(137,444)	(74,597)
Capital grants and contributions	1,383,466		
Cash Flows from Capital and Related Financing Activities	<u>(8,344,935)</u>	<u>(700,000)</u>	<u>(569,933)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	403,056	4,019	2,301
Cash Flows from Investing Activities	<u>403,056</u>	<u>4,019</u>	<u>2,301</u>
Net Cash Flows	(3,219,746)	394,545	(136,846)
Cash and investments at beginning of period	<u>31,877,042</u>	<u>579,365</u>	<u>725,474</u>
Cash and investments at end of period	<u>\$28,657,296</u>	<u>\$973,910</u>	<u>\$588,628</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:			
Operating income (loss)	\$672,932	(\$105,618)	(\$675,452)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	5,471,405	60,817	463,061
Change in assets and liabilities:			
Receivables, net	(471,042)	2,173	69,291
Inventory and prepaids	(27,859)	(2,476)	4,810
Other assets	3,750		
Accounts payable and other accrued expenses	(553,963)	1,750	36,476
Employee benefits payable	110,559	3,150	
Net pension liability and deferred outflows/inflows of resources related to pensions	(605,093)	(14,459)	
Deposits payable	279,252	(16,209)	
Unearned revenue	(157,808)	15,975	
Claims payable			
Cash Flows from Operating Activities	<u>\$4,722,133</u>	<u>(\$54,897)</u>	<u>(\$101,814)</u>
Non cash transactions:			
Accreted interest		(\$146,968)	(\$75,332)
Amortization of bond premium	<u>\$143,990</u>		
Retirement of capital assets, net			

See accompanying notes to financial statements

<u>Business-type Activities-Enterprise Funds</u>		Governmental Activities- Internal Service Funds
<u>Vallejo Station Parking</u>	<u>Totals</u>	
\$797,196	\$37,285,290	\$16,164,042
(273,438)	(23,877,763)	(2,114,625)
(393,312)	(8,711,659)	(5,175,538)
		(3,999,134)
<u>130,446</u>	<u>4,695,868</u>	<u>4,874,745</u>
50,000	1,728,023	500,000
		(2,399,921)
<u>50,000</u>	<u>1,728,023</u>	<u>(1,899,921)</u>
		145,948
	(4,757,082)	(1,619,483)
	(3,434,921)	
	(2,806,331)	
	1,383,466	
	<u>(9,614,868)</u>	<u>(1,473,535)</u>
3,965	413,341	422,248
<u>3,965</u>	<u>413,341</u>	<u>422,248</u>
184,411	(2,777,636)	1,923,537
239,171	33,421,052	21,505,698
<u>\$423,582</u>	<u>\$30,643,416</u>	<u>\$23,429,235</u>
\$160,872	\$52,734	\$2,442,833
	5,995,283	1,210,333
(18,491)	(418,069)	4,470
	(25,525)	
	3,750	22,849
(12,653)	(528,390)	439,926
191	113,900	55,323
527	(619,025)	(15,989)
	263,043	
	(141,833)	
		715,000
<u>\$130,446</u>	<u>\$4,695,868</u>	<u>\$4,874,745</u>
	<u>(\$222,300)</u>	
	<u>\$143,990</u>	
		<u>(\$15,302)</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, 2016

	Agency Funds	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments (Note 2)	\$3,366,787	\$1,774,467
Restricted cash and investments held with fiscal agent (Note 2)	3,899,722	1,129,711
Notes and loans receivables (Note 15A)		126,777
Capital assets (Note 15B):		
Nondepreciable		3,440,775
Depreciable, net of accumulated depreciation		74,907
	<u>\$7,266,509</u>	<u>6,546,637</u>
Total Assets	<u>\$7,266,509</u>	<u>6,546,637</u>
LIABILITIES		
Account payable and accrued liabilities		680,242
Accrued interest payable		128,655
Unearned revenue		3,800
Long-term debt, due within one year (Note 15C)		750,000
Long-term debt, due in more than one year (Note 15C)		14,942,779
Due to property owners	\$45,888	
Due to bondholders	7,220,621	
	<u>7,220,621</u>	<u>16,505,476</u>
Total Liabilities	<u>\$7,266,509</u>	<u>16,505,476</u>
NET POSITION		
Held in trust for other purposes		<u>(\$9,958,839)</u>

See accompanying notes to financial statements

CITY OF VALLEJO
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund <hr style="border: 0.5px solid black;"/>
ADDITIONS	
Taxes	\$2,005,037
Use of money and property	166,058
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Total Additions	2,171,095
	<hr style="border: 0.5px solid black;"/>
DEDUCTIONS	
Community development	2,035,806
Depreciation	5,827
Debt service:	
Interest and fiscal agent fees	500,611
	<hr style="border: 0.5px solid black;"/>
Total Deductions	2,542,244
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Change in Net Position before Special Items	(371,149)
Special items:	
Assets transferred to the City	(585,089)
Re-establish loans from the City and adjustment to interest payable	(4,708,589)
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CHANGE IN NET POSITION	(5,664,827)
Net position (deficit), beginning	(4,294,012)
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Net position (deficit), ending	(\$9,958,839)
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See accompanying notes to financial statements

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CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016

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, 2016.

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, 2016. The Authority is inactive and had no activity during the year ended June 30, 2016.

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, 2016.

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, 2016

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, and pre-1990 Successor Agency loans and the related revenues, 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.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Projects Funds– To account for the acquisition and construction of capital improvements.

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

Trust Funds – Trust funds account for assets held by the City as an agent for various functions. The Successor Agency to the Vallejo Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. As discussed in Note 15, all California redevelopment agencies were dissolved as of January 31, 2012 and replaced with Successor Agencies responsible for winding down the affairs of the redevelopment agencies including disposing of their assets. This fund continues payments on the Enforceable Obligation Schedule and disposes of assets and property of the former Redevelopment Agency for the benefit of taxing agencies.

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

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental Funds: Governmental funds are used to report the majority of the City's programs. These funds are reported in the *Fund Financial Statements* on the modified accrual basis of accounting, with a focus on current financial resources. This basis differs from the accrual basis of accounting used to report the government-wide financial statements and proprietary and fiduciary fund financial statements.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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.

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

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.

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.

**CITY OF VALLEJO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 17th for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the financing sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through passage of a resolution.

Level of Budgetary Control - Budgetary control is established at the following levels: a) General Fund – Department level; b) Other Funds – Fund level; and c) Capital Projects – Project level. The City Manager may authorize line item budget transfers within a General Fund department, or within a fund other than the General Fund.

Budget Amendments - City Council authorization is required to transfer appropriations between General Fund departments, or between funds. City Council authorization is also required to establish or amend capital project budgets. The Budget may be amended at such times as the City Council may deem necessary, in accordance with the requirements and procedures contained in the City Charter and Municipal Code.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the General Fund and Special Revenue Funds.

Expenditures in Excess of Budget

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

General Fund:		
Executive	\$31,759	
Finance	87,817	
Human Resources	29,699	
Non-Major Funds:		
Special Revenue Fund		
Administrative Trust Fund	6,074	

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

G. Encumbrance Accounting

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

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

J. *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.

K. *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.

**CITY OF VALLEJO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Prepaids

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.

M. 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.

N. New and Closed Funds

In fiscal year 2016, the City established the NLP Nuisance Abatement Special Revenue Fund, for the purpose of reporting monies received and used to demolish dangerous buildings or prevent escalating nuisance conditions.

The Transportation Capital Projects Fund did not have any activity in fiscal year 2016 and was closed as of July 1, 2015.

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 VSFCD. The respective cash and investment positions as of June 30, 2016 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	\$242,860	\$256,120
Deposits	4,167,278	3,626,158		7,793,436		7,793,436
Investments	122,890,409	748,861	\$10,170,687	133,809,957	42,694,467	176,504,424
	<u>\$127,070,497</u>	<u>\$4,375,469</u>	<u>\$10,170,687</u>	<u>\$141,616,653</u>	<u>\$42,937,327</u>	<u>\$184,553,980</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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	\$16,274,594		
Other funds	102,179,855		
Total, City			\$118,454,449
Housing Authority			4,375,469
			122,829,918

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			8,616,048
Subtotal Primary Government cash and investments			131,445,966

Discrete Component Unit (VSFCD):

Cash and investments

35,472,591

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			42,937,327
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Reported on the Statement of Fiduciary Net Position

Agency Funds

Cash and investments

3,366,787

Restricted investments (held by fiscal agents)

3,899,722

Total, Agency Funds

7,266,509

Successor Agency to the Redevelopment Agency

Private-Purpose Trust Fund

Cash and investments

1,774,467

Restricted investments (held by fiscal agents)

1,129,711

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

2,904,178

Subtotal Fiduciary Funds cash and investments

10,170,687

Total cash and investments

\$184,553,980

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Policies

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

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

These cash transactions are recorded in the City's main checking account with transactions allocated to each applicable general ledger fund of the City and its component units pending periodic reimbursement and settlement of inter-agency balances. As of June 30, 2016, the City held balances of cash for each of the above entities representing their equity in the City's checking account.

Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Cash and cash equivalents, including restricted cash, are considered to be liquid assets for purpose of measuring cash flows.

D. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policies and the California Government Code permit the following investments, provided the credit ratings of the issuers are acceptable and approved percentages and maturities are not exceeded. The tables below also identify certain provisions of the California Government Code, or Investment Policies if more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or investment policies.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

City and Housing Authority

The City's investment policy and the California Government Code allow the City and the Housing Authority to invest in the following investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Government Treasury Bills, 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 Deposit	5 Years	No Limit	10%	No Limit
Negotiable Certificates of Deposit	5 Years	AA	5%	No Limit
Local Agency Investment Fund State Pool	No Limit	No Limit	\$65 million per account	No Limit
State of California or Local Agency Bonds	5 Years	A	10%	No Limit
Mutual Funds and Money Market & Mutual Funds	On Demand	Highest Rating	10%	10%
Asset Backed Securities	5 Years	AAA	20%	No Limit
Mortgage Backed Securities or Collateralized Mortgage Obligations	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%

**CITY OF VALLEJO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2016**

NOTE 2 - CASH AND INVESTMENTS (Continued)

VSFCD

VSFCD's investment policy and the California Government Code allow the VSFCD 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.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

City and Housing Authority

Investment Type	Less than 1 year	1 - 3 years	3 - 5 years	Total
<i>Held by the City and its Blended Component Units:</i>				
U.S. Government Agencies	\$3,664,905	\$17,431,877	\$6,720,239	\$27,817,021
Asset Backed Securities		4,780,131	1,978,969	6,759,100
Commercial Paper	867,938			867,938
Corporate Medium Term Notes	2,486,635	15,866,137	2,200,068	20,552,840
U.S. Treasury Notes	942,555	20,896,299	7,154,637	28,993,491
California Local Agency Investment Fund:				
City	33,128,256			33,128,256
Housing Authority	748,861			748,861
Money Market Mutual Funds	58,305			58,305
Municipal Bonds	1,103,511	619,415		1,722,926
<i>Held by Fiscal Agents:</i>				
Money Market Mutual Funds	13,161,219			13,161,219
Total Investments	<u>\$56,162,185</u>	<u>\$59,593,859</u>	<u>\$18,053,913</u>	<u>\$133,809,957</u>

Money market funds are available for withdrawal on demand and at June 30, 2016, have an average maturity ranging from 43 to 87 days.

VSFCD

Investment Type	Less than 1 year	1 - 5 years	Total
U.S. Government Agencies		\$20,554,338	\$20,554,338
Corporate Notes and Bonds		1,609,308	1,609,308
Corporate Certificates of Deposit	\$241,969	1,236,215	1,478,184
California Local Agency Investment Fund	4,448,160		4,448,160
Money Market Funds	7,139,741		7,139,741
Held by Trustee:			
U.S. Treasury Notes	474,674		474,674
U.S. Government Agencies		2,794,811	2,794,811
Certificates of Deposit - Negotiable		1,025,366	1,025,366
Money Market Mutual Funds (U.S. Securities)	3,169,885		3,169,885
Total Investments	<u>\$15,474,429</u>	<u>\$27,220,038</u>	<u>\$42,694,467</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. 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, 2016, these investments have an average maturity of 167 days.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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For the Year Ended June 30, 2016

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, 2016 for each entity by investment type as provided by Moody's investment rating system.

City and Housing Authority

Investment Type	Aaa	AA1 to AA3	A1 to A3	Total
<i>Held by the City and its Blended Component Units:</i>				
U.S. Government Agencies				
Non-callable	\$27,817,021			\$27,817,021
Asset Backed Securities	6,759,100			6,759,100
Commercial Paper			\$867,938	867,938
Corporate Medium Term Notes	2,049,740	\$5,730,007	12,773,093	20,552,840
Money Market Mutual Funds	58,305			58,305
Municipal Bonds		1,436,052	286,874	1,722,926
<i>Held by Fiscal Agents:</i>				
Money Market Mutual Funds	13,161,219			13,161,219
Total rated investments	\$49,845,385	\$7,166,059	\$13,927,905	70,939,349
<i>Exempt:</i>				
U.S. Treasury Notes				28,993,491
<i>Not rated:</i>				
California Local Agency Investment Fund:				
City				33,128,256
Housing Authority				748,861
Total Investments				\$133,809,957

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 both S&P and Moody's.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

H. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

City and Housing Authority

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments by Fair Value Level:			
U.S. Government Agencies		\$27,817,021	\$27,817,021
Asset Backed Securities		6,759,100	6,759,100
Commercial Paper		867,938	867,938
Corporate Medium Term Notes		20,552,840	20,552,840
U.S. Treasury Notes	\$28,993,491		28,993,491
California Local Agency Investment Fund:			
City		33,128,256	33,128,256
Housing Authority		748,861	748,861
Municipal Bonds		1,722,926	1,722,926
Subtotal	<u>\$28,993,491</u>	<u>\$91,596,942</u>	120,590,433
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			58,305
Held with Trustee:			
Money Market Mutual Funds			<u>13,161,219</u>
Total Investments			<u>\$133,809,957</u>

U.S. Treasury Notes, classified in Level 1 of the fair value hierarchy, are valued using IDC Institutional Bond Pricing. Asset Backed Securities, classified in Level 2 of the fair value hierarchy, are valued using IDC CMO pricing service. Commercial Paper, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques. Corporate Medium Term Notes, classified in Level 2 of the fair value hierarchy, are valued using IDC Institutional Bond Pricing. Municipal Bonds, classified in level 2 of the fair value hierarchy, are valued using JJ Kenny Municipal. These prices are obtained from various pricing sources by our custodian bank. The California Local Agency Investment Fund, classified in Level 2 of the fair value hierarchy, is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

VSFCD

The following is a summary of the fair value hierarchy of the fair value of investments of the VSFCD as of June 30, 2016:

	Level 1	Level 2	Total
U.S. Government Agencies		\$20,554,338	\$20,554,338
Corporate Notes and Bonds		1,609,308	1,609,308
Corporate Certificates of Deposit		1,478,184	1,478,184
California Local Agency Investment Fund		4,448,160	4,448,160
Money Market Funds		7,139,741	7,139,741
Held by Trustee:			
U.S. Treasury Notes	\$474,674		474,674
U.S. Government Agencies		2,794,811	2,794,811
Certificates of Deposit - Negotiable		1,025,366	1,025,366
Money Market Mutual Funds (U.S. Securities)		3,169,885	3,169,885
Total Investments	\$474,674	\$42,219,793	\$42,694,467

U.S Treasury Notes, classified in Level 1 of the fair value hierarchy, are valued using quoted prices in active markets. U.S. government agencies, corporate notes and bonds, certificates of deposit, and money market mutual funds, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The California Local Agency Investment Fund, classified in Level 2 of the fair value hierarchy, is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

I. Concentration Risk

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

At June 30, 2016, 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	\$10,450,167
Entity-wide	Federal Home Loan Bank	U.S. Government Agencies	9,709,526

VSFCDC Concentration Risk

Of the VSFCDC's controllable portfolio at June 30, 2016, 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%.

J. 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, 2016, the VSFCDC deposit and investment balances were exposed to custodial risk as follow:

Deposits - uninsured and collateralized with securities held by the pledging bank's trust department or agent not in the District's name	\$723,494
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CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 – INTERFUND TRANSACTIONS

A. Transfers Between Funds

Transfers between funds during the fiscal year ended June 30, 2016 were as follows:

<u>Fund Making Transfers</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>	
General Fund, including Measure B	NLP Nuisance Abatement Special Revenue Fund	\$96,753	(A)
	Certificates of Participation Debt Service Fund	1,245,016	(B)
	Capital Outlay Capital Projects Fund	4,352,298	(C) (D)
	Long Term Maintenance Capital Projects Fund	100,000	(C)
	Marina Enterprise Fund	1,000,000	(C) (B)
	Golf Enterprise Fund	532,600	(A) (B)
	Vallejo Station Parking Enterprise Fund	50,000	(A)
	Insurance Internal Service Fund	500,000	(E)
	Special Revenue Funds:		
State Gas Tax	Traffic Congestion Relief Capital Projects Fund	177,674	(C)
Outside Services	General Fund	8,730	(F)
State Lands	Marina Enterprise Fund	145,423	(A)
Administrative Trust	General Fund	13,021	(F)
Capital Projects Funds:			
Bridge Construction	Housing Authority Special Revenue Fund	2,617	(G)
Hiddenbrooke Overpass	Housing Authority Special Revenue Fund	2,681	(G)
Arts & Convention Center	Housing Authority Special Revenue Fund	22,408	(G)
Fire Station # 7	Certificates of Participation Debt Service Fund	339	(B)
	Total	<u>\$8,249,560</u>	

(A) To fund City operations.

(B) To fund debt service payments.

(C) To fund capital program projects.

(D) To transfer technology surcharge fees to Capital Projects Fund.

(E) To transfer amounts to reduce or eliminate fund deficits.

(F) To transfer investment income from unrestricted funds to General Fund.

(G) To fund affordable housing.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

As of June 30, 2016, 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		\$231,792
Office of Traffic Safety		11,445
State Lands		7,735
Hazmat Revolving		10,000
Capital Projects Funds:		
Capital Grants and Contributions		3,550,103
Vallejo Station		1,325,400
Internal Service Fund:		
Insurance	<u>\$5,136,475</u>	
Total	<u><u>\$5,136,475</u></u>	<u><u>\$5,136,475</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.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4 – NOTES & LOANS RECEIVABLE

A. Summary of Notes and Loans Receivable

The following notes and loans receivable were outstanding as of June 30, 2016:

Types of Loans	Fund Type	Amounts
Primary Government and Blended Component Units:		
<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		633,765
Temple Arts Lofts		750,000
Accrued interest		2,719,372
Residential Rehabilitation		246,592
Vallejo Housing Collaborative		311,418
		<u>13,204,897</u>
HOME Program	Non-major Governmental	
Avian Glen		900,000
Marina Towers		500,000
Temple Arts Lofts		495,734
Vallejo Housing Collaborative		100,000
Heart and Hands of Compassion		318,257
Single family residential		3,220,087
		<u>5,534,078</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		799,212
		<u>2,359,574</u>
Neighborhood Stabilization Program	Non-major Governmental	
Temple Art Lofts		1,437,844
Single family residential		384,907
		<u>1,822,751</u>
<u>Development Programs</u>		
<u>Serenio Village Apartments</u>		
General Fund	Major Governmental	991,158
Neighborhood Parks Fund	Non-major Governmental	177,644
		<u>1,168,802</u>
<u>Other Programs</u>		
General Fund-Temple Art Lofts	Major Governmental	23,820
Water Fund - Trailer City	Major Enterprise	26,035
Transportation Impact Mitigation Fund - Temple Art Lofts	Non-major Governmental	89,088
		<u>138,943</u>
<u>Advances to Former Redevelopment Agency (Successor Agency)</u>		
<u>Pre-1990 Advances</u>		
General Fund	Major Governmental	3,215,749
<u>Empress Theater</u>		
Hiddenbrooke Overpass Fund	Non-major Governmental	598,543
Arts and Convention Center Fund	Non-major Governmental	4,785,267
<u>Georgia Street Extension</u>		
Bridge Construction Fund	Non-major Governmental	610,720
		<u>9,210,279</u>
Total Primary Government notes and loans receivable		<u>33,439,324</u>
VSFCD:		
<u>Development Programs</u>		
Serenio Village Apartments		253,369
Employee computer loans		29,573
Total Component Unit notes and loans receivable		<u>282,942</u>
Total notes and loans receivable		<u>\$33,722,266</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016 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, 2016, the developer had drawn down \$311,418 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, 2016 were \$5,534,078, \$2,359,574, and \$1,822,751 in the HOME, CDBG Program, and NSP Program, respectively.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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.

In July 2015, the City entered into a loan agreement with Heart and Hands of Compassion, Inc. in the amount of \$409,765. Heart and Hands of Compassion, Inc. has drawn down \$321,176 of the loan for the acquisition and rehabilitation of a foreclosed single family home located at 621 Hilton Avenue in Vallejo. This loan was funded with HOME Investment Partnerships Program funds and is included in the balance of HOME Program loans receivable above. The loan bears simple interest of 0%, and principal payments are deferred. The loan is secured by a deed of trust on the property, and the entire loan is due and payable no later than November 16, 2020, or upon resale of the property to a qualified first time home buyer, whichever is sooner.

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, 2016 the outstanding balance of this loan, including accrued interest, was \$1,168,802 comprised of \$991,158 funded by the General Fund and \$117,644 funded by the 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, 2016 was \$253,369.

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 55th anniversary of the date of the loan which is December 15, 2011. The loan is recorded in the General Fund and the Transportation Impact Mitigation Fund.

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, 2016 the outstanding balance of this loan was \$26,035. This loan is recorded in the City's Water Enterprise Fund.

CITY OF VALLEJO
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

G. *Golf Cart Storage*

During fiscal year 2007, the City loaned \$350,000 to Vallejo Golf Club, Inc. for the construction of a golf cart storage building. During fiscal year 2011, the City established an allowance for collectability equal to the total amount owed of \$180,843. At June 30, 2016, the outstanding balance of this loan and the offsetting allowance were \$180,843.

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

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 DOF approved these loans as enforceable obligations in March 2015.

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 totaled \$9,042,032. On February 12, 2015, the Oversight Board also approved these pre-dissolution loans between the City and the former Vallejo Redevelopment Agency as enforceable obligations, but the DOF overturned the approval. However, a change in Health and Safety Code Section 34191.4 during fiscal year 2016 provided for the reestablishment of these prior loans as enforceable obligations so long as they were approved by the Oversight Board. On January 28, 2016, the Oversight Board passed resolution OB 16-002 to reaffirm its approval of the Pre-1990 loans. Therefore, the City reversed the prior allowance for doubtful accounts and recorded the loans as of July 1, 2015 in the amount of \$3,319,614, including accrued interest.

On November 30, 2016, the DOF denied the Pre-1990 loans on the Agency's Last and Final Recognized Obligation Payment Schedule (ROPS) submission. But the Agency plans to include the Pre-1990 loans from Oversight Board Resolution 16-002 as a new, separate line on the upcoming Fiscal Year 2017-2018 annual ROPS to demonstrate the Agency's intent to repay this obligation. Therefore, the City reports these loans to their full value as of June 30, 2016.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)

The loan balances as of June 30, 2016 are as follows:

	Principal	Accrued Interest	Total
Hiddenbrooke Overpass Capital Projects Fund	\$456,595	\$141,948	\$598,543
Bridge Construction Capital Projects Fund	426,913	183,807	610,720
Arts and Convention Center Capital Projects Fund	3,453,958	1,331,309	4,785,267
General Fund:			
Waterfront	162,805	850,843	1,013,648
Marina Vista		647,510	647,510
Central	708,372	846,219	1,554,591
	<u>\$5,208,643</u>	<u>\$4,001,636</u>	<u>\$9,210,279</u>

Prior to July 1, 2015, the loans bore interest, compounded monthly, at the rate of 0.267%. However, a change in Health and Safety Code Section 34191.4 during fiscal year 2016 allowed for the loans to bear simple interest of 3% calculated from inception of the loan. Therefore, the accrued interest was adjusted and increased \$1,388,975 during fiscal year 2016. Repayment of these loans is governed by 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 the State Department of Finance for fiscal year 2016.

I. VSFCD Employee Computer Loans

VSFCD has a Computer Literacy program that allows employees to borrow, in an amount approved by the District Manager, to purchase personal computers. The principal balance amount of \$29,573, with the rate of interest equal to the rate of interest being earned by VSFCD that shall not exceed 9% is to be paid off within 36 months from the date of the loan.

CITY OF VALLEJO
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NOTE 5 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

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 and capitalization thresholds listed below to capital assets.

	<u>Useful Lives</u>	<u>Capitalization Threshold</u>
Land	N/A	Capitalize All
Easements	N/A	\$500,000
Land Improvements	25 to 60 years	\$50,000
Buildings and improvements	5 to 50 years	\$50,000
Machinery and equipment	5 to 25 years	\$5,000
Internally Developed Software	2 to 5 years	\$500,000
Purchased Software	2 to 5 years	\$50,000
Infrastructure:		
Traffic signals	5 to 25 years	\$50,000
Street lights	15 to 50 years	\$50,000
Bridges and culverts	15 to 60 years	\$50,000
Sidewalks, curbs and gutters	15 to 40 years	\$50,000
Streets and roads	15 to 40 years	\$50,000

Improvements to existing infrastructure assets in excess of \$50,000 are capitalized if: the estimated useful life of the existing asset has been extended by at least 25%; the capacity of the existing asset has been substantially improved; or the quality of the output of the existing asset has been substantially improved.

The VSFCDC capitalizes applicable assets greater than \$5,000 and the VSFCDC has assigned the useful lives listed below to capital assets:

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

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.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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For the Year Ended June 30, 2016

NOTE 5 – CAPITAL ASSETS (Continued)

A. Government Capital Asset Activity

	Balance at June 30, 2015	Additions	Retirements	Transfers	Transfers from Successor Agency	Balance at June 30, 2016
Governmental activities						
Capital assets not being depreciated:						
Land	\$136,218,248		(\$27,973)			\$136,190,275
Construction in progress	8,119,785	\$8,462,255		(\$10,466,583)		6,115,457
Total capital assets not being depreciated	144,338,033	8,462,255	(27,973)	(10,466,583)		142,305,732
Capital assets being depreciated:						
Buildings and improvements	112,829,864	30,701	(710,000)	1,949,430	\$585,089	114,685,084
Machinery and equipment	31,501,875	2,238,531	(719,552)	35,600		33,056,454
Infrastructure	249,968,163			8,481,553		258,449,716
Total capital assets being depreciated	394,299,902	2,269,232	(1,429,552)	10,466,583	585,089	406,191,254
Less accumulated depreciation for:						
Buildings and improvements	(32,923,054)	(2,833,856)	198,798			(35,558,112)
Machinery and equipment	(23,082,421)	(2,148,176)	704,251			(24,526,346)
Infrastructure	(150,671,634)	(5,222,022)				(155,893,656)
Total accumulated depreciation	(206,677,109)	(10,204,054)	903,049			(215,978,114)
Net capital assets being depreciated	187,622,793	(7,934,822)	(526,503)	10,466,583	585,089	190,213,140
Governmental activity capital assets, net	\$331,960,826	\$527,433	(\$554,476)		\$585,089	\$332,518,872

As discussed in Note 15B, pursuant to the Long Range Property Management Plan, the Successor Agency transferred buildings and improvements totaling \$585,089 to the City during fiscal year 2016, which has been reported as a Special Item.

B. Business-Type Capital Asset Activity

	Balance at June 30, 2015	Additions	Transfers/ Adjustments	Balance at June 30, 2016
Business-type activities				
Capital assets, not being depreciated:				
Land	\$12,298,805			\$12,298,805
Construction in progress	6,497,659	\$4,269,265	(\$7,636,481)	3,130,443
Total capital assets not being depreciated	18,796,464	4,269,265	(7,636,481)	15,429,248
Capital assets, being depreciated:				
Buildings and improvements	93,406,384	226,895		93,633,279
Machinery and equipment	19,960,230	260,922		20,221,152
Infrastructure	142,239,647		7,636,481	149,876,128
Total capital assets being depreciated	255,606,261	487,817	7,636,481	263,730,559
Less accumulated depreciation for:				
Buildings and improvements	(57,199,723)	(1,872,713)		(59,072,436)
Machinery and equipment	(7,509,605)	(818,802)		(8,328,407)
Infrastructure	(96,784,245)	(3,303,768)		(100,088,013)
Total accumulated depreciation	(161,493,573)	(5,995,283)		(167,488,856)
Net capital assets being depreciated	94,112,688	(5,507,466)	7,636,481	96,241,703
Business-type activity capital assets, net	\$112,909,152	(\$1,238,201)		\$111,670,951

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For the Year Ended June 30, 2016

NOTE 5 – CAPITAL ASSETS (Continued)

C. Vallejo Sanitation and Flood Control District Capital Asset Activity

	Balance at June 30, 2015	Additions	Transfers	Balance at June 30, 2016
Capital assets, not being depreciated:				
Land and Land improvements	\$2,810,716			\$2,810,716
Construction in progress	12,105,731	\$3,524,309	(\$265,966)	15,364,074
Total capital assets not being depreciated	14,916,447	3,524,309	(265,966)	18,174,790
Capital assets, being depreciated:				
Buildings and improvements	3,530,384			3,530,384
Machinery and equipment	13,629,580		159,872	13,789,452
Infrastructure	330,601,418	20,919	106,094	330,728,431
Total capital assets being depreciated	347,761,382	20,919	265,966	348,048,267
Less accumulated depreciation for:				
Buildings and improvements	(3,357,967)	(83,443)		(3,441,410)
Machinery and equipment	(7,732,021)	(739,032)		(8,471,053)
Infrastructure	(150,703,487)	(7,669,425)		(158,372,912)
Total accumulated depreciation	(161,793,475)	(8,491,900)		(170,285,375)
Net capital assets being depreciated	185,967,907	(8,470,981)	265,966	177,762,892
Capital assets, net	\$200,884,354	(\$4,946,672)		\$195,937,682

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For the Year Ended June 30, 2016

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	\$13,891
Human resources	1,015
Community development	228,577
Fire services	97,170
Police services	82,676
Public works	8,570,392
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,210,333
	\$10,204,054

Business-Type Activities

Water	\$5,471,405
Marina	60,817
Golf	463,061
	\$5,995,283

VSFCD:

Vallejo Sanitation and Flood Control District	\$8,491,900
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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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For the Year Ended June 30, 2016

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, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Governmental Activity Debt:						
Certificates of Participation:						
1999 COPs						
(Restructured, see Note 6C)	\$4,815,000	\$3,351,517		\$150,000	\$3,201,517	\$155,000
Other Obligation:						
1999 COPs Shortfall Indebtedness						
(Restructured, see Note 6C)	75,860	233,058	\$12,037	26,402	218,693	
Total Certificates of Participation	4,890,860	3,584,575	12,037	176,402	3,420,210	155,000
UBOC Reimbursement Obligations:						
UBOC Tranche A - General Fund	7,813,780	6,420,103		649,435	5,770,668	665,671
UBOC Tranche B - General Fund	7,906,677	8,035,161	130,571		8,165,732	
Total Loans & Notes Payable	15,720,457	14,455,264	130,571	649,435	13,936,400	665,671
Capital Lease Obligation:						
2001 Site & Facility Lease						
(Restructured, see Note 6G)	710,248	608,784		101,464	507,320	101,464
Total Governmental Activity Debt	\$21,321,565	\$18,648,623	\$142,608	\$927,301	\$17,863,930	\$922,135

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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For the Year Ended June 30, 2016

NOTE 6 - LONG-TERM DEBT (Continued)

	Original Issue Amount	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Business-type Activity Debt:						
Revenue Bonds:						
2006 Water Revenue Refunding Bonds, 4-5%, due 5/1/26	\$45,790,000	\$31,645,000		\$2,215,000	\$29,430,000	\$2,320,000
Plus: Unamortized bond premium		1,030,032		93,640	936,392	
2013 Water Revenue Refunding Bonds, 5.25%, due 5/1/31	18,080,000	18,080,000			18,080,000	
Plus: Unamortized bond premium		805,607		50,350	755,257	
Total Revenue Bonds	63,870,000	51,560,639		2,358,990	49,201,649	2,320,000
UBOC Reimbursement Obligations						
UBOC tranche A- Golf Course	4,269,641	2,935,900		281,269	2,654,631	288,301
UBOC tranche A- Marina	7,916,579	5,497,743		562,556	4,935,187	576,620
UBOC tranche B - Golf Course	5,359,564	4,635,798	\$75,332		4,711,130	
UBOC tranche B- Marina	10,368,842	9,044,203	146,968		9,191,171	
Other Loans & Notes Payable:						
State Safe Drinking Water 0%, due 1/1/25	68,080	32,337		1,702	30,635	3,404
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	2,106,579		374,394	1,732,185	381,056
Total Loans & Notes Payable	34,657,706	24,252,560	222,300	1,219,921	23,254,939	1,249,381
Total Business-type Activity Debt	\$98,527,706	\$75,813,199	\$222,300	\$3,578,911	\$72,456,588	\$3,569,381

	Original Issue Amount	Balance June 30, 2015	Retirements	Balance June 30, 2016	Current Portion
VSFCD:					
Revenue Bonds:					
Vallejo Sanitation and Flood Control District 2014 Revenue Bonds 4.0-5.0%, due 5/1/36	\$34,294,966	\$33,089,018	\$1,028,953	\$32,060,065	\$855,000
2011 Revenue Bonds 2-5%, due 5/1/25	3,345,000	2,591,818	212,727	2,379,091	220,000
Total Revenue Bonds	37,639,966	35,680,836	1,241,680	34,439,156	1,075,000
Certificates of Participation:					
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control 5.0 - 5.04%, due 7/1/19	38,905,000	11,718,624	2,099,656	9,618,968	2,280,000
Total Certificates of Participation	38,905,000	11,718,624	2,099,656	9,618,968	2,280,000
Other Loans & Notes Payable:					
Vallejo Sanitation and Flood Control State Clean Water (2004) 2.5%, due 2023	13,798,201	6,503,828	744,476	5,759,352	763,088
State Clean Water (2008) 2.4%, due 2025	4,406,072	2,792,753	250,424	2,542,329	256,434
Total Loans & Notes Payable	18,204,273	9,296,581	994,900	8,301,681	1,019,522
Total VSFCD Debt	\$94,749,239	\$56,696,041	\$4,336,236	\$52,359,805	\$4,374,522

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For the Year Ended June 30, 2016

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
2017	\$922,135	\$273,728	\$3,569,381	\$2,648,435	\$4,374,522	\$2,145,050
2018	948,777	252,090	3,708,006	2,513,807	4,559,753	1,957,068
2019	975,834	229,599	3,814,765	2,360,855	4,750,609	1,760,661
2020	952,659	252,034	4,164,231	2,211,418	4,957,106	1,546,316
2021	979,090	229,556	1,410,562	1,162,226	2,404,258	1,460,663
2022-2026	4,445,056	893,655	22,287,720	8,453,928	10,015,433	5,928,885
2027-2031	4,287,843	724,190	21,956,347	4,341,896	7,575,000	3,983,900
2032-2036	4,953,829	264,863	4,098,184	1,179,677	9,865,000	1,685,475
2037-2041	388,244	6,309	7,184,962	398,817		
2042			396,886	6,447		
Total	18,853,467	\$3,126,024	72,591,044	\$25,277,506	48,501,681	\$20,468,018
Plus: Unamortized bond premium (discount)			1,691,649		3,858,124	
Net long-term debt	\$18,853,467		\$74,282,693		\$52,359,805	

(A) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$989,537

(B) Includes accreted interest on the UBOC Reimbursement Obligations - Tranche B for \$1,826,105

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.

Due to the failure of the City to pay the scheduled amounts due under the original agreement, on January 25th 2011, the City, National Public Finance Guarantee Corporation (National) and the Controller for the State of California (the “Controller”) entered into a Settlement Agreement (the Settlement Agreement).

Commencing July 1, 2013, 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. 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, 2016, the City paid \$26,402 to reduce the shortfall principal balance and \$12,386 of accrued interest.

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NOTE 6 - LONG-TERM DEBT (Continued)

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.

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 amended and replaced 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 accrued on either the “A” or the “B” obligation from the effective date of November 1, 2011, through December 31, 2014, and interest commenced accrual on both obligations on January 1, 2015. The “A” obligation has a fixed annual interest rate of 2.5% and the “B” obligation has a fixed annual interest rate of 1.625%. Interest is payable annually on the first business day of each calendar year, in a single annual payment, in advance. Interest payments on the obligations commence in the calendar years 2015 and 2018 for obligations “A” and “B”, respectively, and continuing, in each case, until the principal balance of that obligation has been paid in full.

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

E. Revenue Bonds

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 \$38,122,000 in remaining debt service on the bonds which is scheduled to occur in 2026. Under the terms of the indenture, net revenues are required to provide a 1.25 debt service coverage ratio.

2013 Water Revenue Refunding Bonds – In October 2013 the City issued \$18,080,000 in Water Revenue Refunding Bonds to refund the outstanding 2001 Water Revenue Bonds. The refunding increased total debt service by \$7,485,213, resulting in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$4,109,109, due to the conversion of the interest rate on the bonds from a variable rate to a fixed rate. The 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 \$30,516,463 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 2016, operating revenues and investment income amount to \$34,786,112 and operating costs including operating expenses, but not interest, amounted to \$26,855,253 Net Revenues available for debt service plus the \$1,500,000 transfer from the Water Rate Stabilization Fund amounts to \$9,430,859 which represents coverage of 1.82 over the \$5,165,821 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, 2016 is \$32,060,065.

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For the Year Ended June 30, 2016

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

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

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, 2016 is as follows:

Improvement Bonds

2004 Hiddenbrooke Improvement District Series A	\$13,160,000
Northeast Improvement District 2003-1	<u>5,520,000</u>
Total	<u><u>\$18,680,000</u></u>

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, 2016, \$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, 2016, \$8,585,000 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, 2016, \$9,810,000 of these bonds remained outstanding.

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For the Year Ended June 30, 2016

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. The long-term portion of governmental activities employee benefits payable is liquidated primarily by the General Fund. 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, 2016.

Compensated absences activity for the City and VSFCF for the year ended June 30, 2016 is as follows:

	Governmental Activities	Business-Type Activities	Total	VSCFD
Compensated Absences Activity:				
Beginning Balance	\$10,469,325	\$1,165,092	\$11,634,417	\$1,597,390
Additions	6,522,120	1,043,180	7,565,300	771,709
Deletions	(5,375,690)	(929,280)	(6,304,970)	(959,396)
Ending Balance	<u>\$11,615,755</u>	<u>\$1,278,992</u>	<u>\$12,894,747</u>	<u>\$1,409,703</u>
Compensated Absences				
Classification Presentation:				
Current Portion:				
Internal Service Funds	\$94,375		\$94,375	
Entity-wide	156,440		156,440	
Vallejo Sanitation Flood and Control District	5,741,346	\$1,035,342	6,776,688	\$479,299
Current Portion	<u>5,992,161</u>	<u>1,035,342</u>	<u>7,027,503</u>	<u>479,299</u>
Noncurrent Portion:				
Entity-wide	5,623,594	243,650	5,867,244	
Vallejo Sanitation Flood and Control District				930,404
Noncurrent Portion	<u>5,623,594</u>	<u>243,650</u>	<u>5,867,244</u>	<u>930,404</u>
Total	<u>\$11,615,755</u>	<u>\$1,278,992</u>	<u>\$12,894,747</u>	<u>\$1,409,703</u>
Noncurrent Employee Benefits Payable:				
Compensated Absences	\$5,623,594	\$243,650	\$5,867,244	\$930,404
Other Employee Benefits (1.5% VEBA contribution set aside by City)	182,646		182,646	
Net OPEB Obligation (Note 11)	11,971,874		11,971,874	941,766
Non-current Portion	<u>\$17,778,114</u>	<u>\$243,650</u>	<u>\$18,021,764</u>	<u>\$1,872,170</u>

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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For the Year Ended June 30, 2016

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, 2016, are summarized as follows:

	Miscellaneous		
	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	2.7% @ 55	2.0% @ 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 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.70%	1.426% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	32.670%	32.670%	32.670%
	Safety - Fire		
	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	3.00%	2.0% - 2.7%	2.0% - 2.7%
Required employee contribution rates	9.00%	9.00%	12.00%
Required employer contribution rates	57.639%	57.639%	57.639%

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For the Year Ended June 30, 2016

NOTE 10 – PENSION PLANS (Continued)

	Safety - Police	
	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	3.00%	2.0% - 2.7%
Required employee contribution rates	9.00%	12.00%
Required employer contribution rates	57.639%	57.639%

Employees Covered – At the June 30, 2014 actuarial valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous		
	Classic Tier I	Classic Tier II	PEPRA Plan
	Inactive employees or beneficiaries currently receiving benefits	522	-
Inactive employees <i>eligible</i> to, but not yet receiving, benefits	144	-	-
Inactive employees <i>ineligible</i> to, but not yet receiving, benefits	62	-	8
Active employees	227	-	50
Total	955	-	58

	Safety		
	Classic Tier I	Classic Tier II	PEPRA Plan
	Inactive employees or beneficiaries currently receiving benefits	365	-
Inactive employees <i>eligible</i> to, but not yet receiving, benefits	47	1	-
Inactive employees <i>ineligible</i> to, but not yet receiving, benefits	8	-	5
Active employees	142	2	33
Total	562	3	38

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.

CITY OF VALLEJO
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For the Year Ended June 30, 2016

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 net pension liability and related deferred outflows/inflows of resources are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities net pension liability is liquidated primarily by the General Fund.

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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.2% - 12.2% (2)	3.4% - 20% (2)
Investment Rate of Return	7.65% (3)	7.65% (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, 2014 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)

Change of Assumptions - GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% 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.

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	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</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)
Balance at June 30, 2014	\$249,401,669	\$167,135,715	\$82,265,954
Changes in the year:			
Service cost	3,687,869		3,687,869
Interest on the total pension liability	18,270,528		18,270,528
Differences between actual and expected experience	(1,151,730)		(1,151,730)
Changes in assumptions	(4,077,633)		(4,077,633)
Changes in benefit terms			
Contribution - employer		5,947,979	(5,947,979)
Contribution - employee		1,825,329	(1,825,329)
Net investment income		3,661,248	(3,661,248)
Administrative expenses		(184,697)	184,697
Benefit payments, including refunds of employee contributions	(14,371,625)	(14,371,625)	
Net changes	<u>2,357,409</u>	<u>(3,121,766)</u>	<u>5,479,175</u>
Balance at June 30, 2015	<u>\$251,759,078</u>	<u>\$164,013,949</u>	<u>\$87,745,129</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)
Balance at June 30, 2014	\$432,892,683	\$291,511,705	\$141,380,978
Changes in the year:			
Service cost	5,665,531		5,665,531
Interest on the total pension liability	31,830,406		31,830,406
Differences between actual and expected experience	463,336		463,336
Changes in assumptions	(7,623,305)		(7,623,305)
Changes in benefit terms			
Plan to Plan Resource Movement		(115)	115
Contribution - employer		10,188,345	(10,188,345)
Contribution - employee		2,574,737	(2,574,737)
Net investment income		6,292,622	(6,292,622)
Administrative expenses		(320,958)	320,958
Benefit payments, including refunds of employee contributions	(24,963,470)	(24,963,470)	
Net changes	<u>5,372,498</u>	<u>(6,228,839)</u>	<u>11,601,337</u>
Balance at June 30, 2015	<u>\$438,265,181</u>	<u>\$285,282,866</u>	<u>\$152,982,315</u>
Total Balance at June 30, 2015 (Miscellaneous and Safety Plans)	<u>\$690,024,259</u>	<u>\$449,296,815</u>	<u>\$240,727,444</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	6.65%	6.65%	6.65%
Net Pension Liability	\$118,098,053	\$210,056,908	\$328,154,961
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$87,745,129	\$152,982,315	\$240,727,444
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$62,405,765	\$106,089,144	\$168,494,909

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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For the Year Ended June 30, 2016

NOTE 10 – PENSION PLANS (Continued)

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

For the year ended June 30, 2016, the City recognized pension expense of \$14,443,653. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$6,951,327	
Differences between actual and expected experience		(\$691,038)
Changes in assumptions		(2,446,580)
Net differences between projected and actual earnings on plan investments		<u>(1,433,917)</u>
Total	<u>\$6,951,327</u>	<u>(\$4,571,535)</u>

Safety Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$12,077,355	
Differences between actual and expected experience	330,954	
Changes in assumptions		(\$5,445,218)
Net differences between projected and actual earnings on plan investments		<u>(2,457,911)</u>
Total	<u>\$12,408,309</u>	<u>(\$7,903,129)</u>
Total Miscellaneous and Safety Plans	<u>\$19,359,636</u>	<u>(\$12,474,664)</u>

\$19,028,682 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended <u>June 30</u>	<u>Annual Amortization</u>		
	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2017	(\$3,154,164)	(\$3,893,174)	(\$7,047,338)
2018	(2,108,292)	(3,893,174)	(6,001,466)
2019	(1,062,419)	(2,870,321)	(3,932,740)
2020	<u>1,753,340</u>	<u>3,084,494</u>	<u>4,837,834</u>
Total	<u>(\$4,571,535)</u>	<u>(\$7,572,175)</u>	<u>(\$12,143,710)</u>

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NOTE 10 – PENSION PLANS (Continued)

E. Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$716,030 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

F. Vallejo Sanitation and Flood Control District Pension Plan

1. General Information about the District’s 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. The District’s Miscellaneous Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by CalPERS. PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The District sponsors two rate plans within the miscellaneous risk pool. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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, 2016, are summarized as follows:

	Miscellaneous	
	<u>Classic Tier I</u>	<u>PEPRA</u>
	Prior to January 1, 2013	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	10.958%	6.25%

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NOTE 10 – PENSION PLANS (Continued)

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 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, 2016, the District’s contributions to the Plan were \$1,170,814.

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 Plan and additions to/deductions from the Plan’s 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, 2016, the District reported its proportionate share of the net pension liability of the Plan of \$15,432,136.

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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.18915%
Proportion - June 30, 2015	0.37453%
Change - Increase (Decrease)	<u>0.18538%</u>

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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For the Year Ended June 30, 2016

NOTE 10 – PENSION PLANS (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$1,378,123. At June 30, 2016, 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	\$1,170,814	
Differences between expected and actual experience	81,687	
Changes in assumptions		(\$772,831)
Adjustment due to differences in proportions	1,197,460	
Net difference in actual contributions and proportion of contributions		(489,074)
Net differences between projected and actual earnings on plan investments		(387,430)
Total	<u>\$2,449,961</u>	<u>(\$1,649,335)</u>

\$1,170,814 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, 2017. 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
2017	(\$50,472)
2018	(183,521)
2019	(631,425)
2020	495,230
Total	<u>(\$370,188)</u>

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NOTE 10 – PENSION PLANS (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.65% (2)
	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Post Retirement Benefit Increase	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, 2014 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.

Change of Assumptions - GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the 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.

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For the Year Ended June 30, 2016

NOTE 10 – PENSION PLANS (Continued)

In determining the long-term expected 7.65% 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.

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	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</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):

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	\$25,162,728
Current Discount Rate	7.65%
Net Pension Liability	\$15,432,136
1% Increase	8.65%
Net Pension Liability	\$7,398,401

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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 For the Year Ended June 30, 2016**

NOTE 10 – PENSION PLANS (Continued)

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.

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, 2016:

<u>Employee Group</u>	<u>Contractual Benefit at June 30, 2016</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 contribution

The PEMHCA minimum in 2016 is \$125 per month.

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For the Year Ended June 30, 2016

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, June 2015, and June 2016 the City made contribution accruals of \$2,902,645, \$2,391,740, and \$1,618,092, 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, 2016, 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, 2016, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

	Retiree Health Benefits Internal Service Fund - Governmental Activities
Annual required contribution (ARC)	\$3,518,000
Amortization on the Net OPEB Obligation	(809,369)
Interest on the Net OPEB Obligation	877,798
Adjustment to annual required contribution	68,429
Annual OPEB Cost	3,586,429
Contributions made:	
Pay as you go (premiums paid)	(2,104,015)
Paid to Trust	(1,618,092)
Contributions more than the ARC	(135,678)
Net OPEB Obligation at June 30, 2015	12,107,552
Net OPEB Obligation at June 30, 2016	\$11,971,874

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

Fiscal Year	Annual OPEB Cost	Actual Contribution	% of OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$3,006,161	\$13,023,948	433%	\$13,115,031
6/30/2015	3,478,534	4,486,013	129%	12,107,552
6/30/2016	3,586,429	3,722,107	104%	11,971,874

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For the Year Ended June 30, 2016

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):

Actuarial Valuation Date	Actuarial Valuation of Assets	Entry Age Actuarial Accrued Liability	Overfunded (Underfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2014	\$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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For the Year Ended June 30, 2016

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 2015-2016 amounted \$1,064,678 and \$1,212,616, 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	Actuarial Valuation Date	PARS Public Agency Post-Retirement Health Care Plan						
		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
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
2016	01/01/16	1,061,140	79,004	(75,466)	1,064,678	114%	(147,938)	941,766

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, 2016 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 21 years at June 30, 2016.

CITY OF VALLEJO
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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
2016	01/01/16	\$15,908,959	\$5,623,674	\$10,285,285	35.3%	\$7,940,275	129.5%

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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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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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.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2016, are below:

Fund Balance Classifications	General Fund	Housing Authority Fund	Non Major Governmental Funds	Total
Nonspendable:				
Items not in spendable form:				
Prepaid Expenses	\$20,001	\$525	\$6,086	\$26,612
Notes Receivable	1,672,219			1,672,219
Land Held for Redevelopment	499,684			499,684
Materials, Parts and Supplies	146			146
Subtotal	<u>2,192,050</u>	<u>525</u>	<u>6,086</u>	<u>2,198,661</u>
Amounts required to be maintained intact:				
Permanent funds			64,625	64,625
Total Nonspendable Fund Balances	<u>2,192,050</u>	<u>525</u>	<u>70,711</u>	<u>2,263,286</u>
Restricted for:				
Bond indentures			316,656	316,656
Streets and Highways			20,321,238	20,321,238
Community Development and Housing		14,812,789	5,475,867	20,288,656
Public Safety Programs	272,885		1,049,156	1,322,041
Public Facilities Projects			8,377,003	8,377,003
Hiddenbrooke Overpass			7,895,372	7,895,372
Total Restricted Fund Balances	<u>272,885</u>	<u>14,812,789</u>	<u>43,435,292</u>	<u>58,520,966</u>
Committed to:				
Measure B Capital Projects			1,952,175	1,952,175
Measure B Participatory Budgeting Projects	2,159,775		697,383	2,857,158
Public Facilities Projects (funded by General Fund)			3,215,206	3,215,206
Public Facilities Projects (funded by other funds)			942,049	942,049
General Plan Update, Permit Programs	91,697			91,697
Total Committed Fund Balances	<u>2,251,472</u>		<u>6,806,813</u>	<u>9,058,285</u>
Assigned to:				
General Fund Reserves (from Measure B)	4,750,000			4,750,000
Measure B Programs (subsequent year's budget)	2,349,517			2,349,517
Measure B Encumbrances	255,793			255,793
Pension contribution reserves (unfunded)	963,521			963,521
General Fund Encumbrances	471,495			471,495
Union Contracts	2,200,000			2,200,000
Compensated Absences	112,000			112,000
Arts and Convention Center			3,534,698	3,534,698
2014 Napa Earthquake costs			1,882,420	1,882,420
Public Facilities Maintenance			506,654	506,654
Solid Waste Disposal			37,491	37,491
Total Assigned Fund Balances	<u>11,102,326</u>		<u>5,961,263</u>	<u>17,063,589</u>
Unassigned:				
General Fund	9,929,786			9,929,786
Total Unassigned Fund Balances	<u>9,929,786</u>			<u>9,929,786</u>
Total Fund Balances	<u>\$25,748,519</u>	<u>\$14,813,314</u>	<u>\$56,274,079</u>	<u>\$96,835,912</u>

CITY OF VALLEJO
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For the Year Ended June 30, 2016

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, 2016, the Unassigned Fund Balance of \$9.9 million and \$4.8 million of Measure B Assigned Fund Balance have achieved a combined \$14.7 million of reserves and 18% of 2016-17 annual appropriations of \$82.1 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, 2016:

Proprietary Funds:	
Marina	\$1,700,260
Golf	1,167,305
Internal Service Fund:	
Retiree Health Benefits	11,971,873

The Marina Enterprise Fund had a net position deficit of \$1,700,260, but the fund had positive working capital since the General Fund backfilled the current operating deficit. The Golf Enterprise Fund had a net position deficit of \$1,167,305. The adopted 10% rate increase for annual passes in FY2016-17 is expected to help reduce the deficit. 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 deficits over time with Council approval.

The Retiree Health Benefits Internal Service Fund had a net position deficit of \$11,971,873 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.

CITY OF VALLEJO
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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 with various sublimits for certain types of claims. 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, 2016, the City contributed \$287,237 for general liability 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, 2016, the City contributed \$436,758 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 for claims other than flood and earthquake. Flood claims are subject to a deductible of \$100,000 and earthquake claims have a deductible of 5% of the insured value at the time of loss with a minimum 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, subject to a deductible of \$2,500. Excess public entity general liability insurance is obtained for coverage up to \$15,000,000 associated with either sanitary sewer or storm drain operations. Auto liability is subject to a deductible of \$1,000 with coverage up to \$3,104,988.

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 \$25,000 and \$5,000,000 in the aggregate. Property insurance provides coverage up to \$169,756,156 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:

	2016	2015
Beginning balance	\$15,599,000	\$15,867,000
Current year claims and increase (decrease)		
in prior estimates	3,569,168	3,202,366
Claims paid	(2,854,168)	(3,470,366)
Ending balance	\$16,314,000	\$15,599,000
Current portion	\$3,511,269	\$3,671,710

The claims payable are reported at their present value using expected future investment yield assumption of 3%. The undiscounted claims totaled \$19,275,000 at June 30, 2016.

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, 2016 of City and VSFCD amounted to approximately \$4.3 million and \$2.9 million, respectively.

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NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

D. *Bankruptcy*

The City's entry into bankruptcy in May 2008 triggered the imposition of an automatic stay, which froze all active litigation against the City. With the confirmation of the City's plan of adjustment on August 5, 2011, and the City's official emergence from bankruptcy on November 1, 2011, the automatic stay expired. A prospective discharge injunction, however, bars the City's litigation creditors from recovering anything on their discharged claims beyond the treatment of their claims in the City's Confirmed Plan.

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 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 2018. As of the end of fiscal year 2015-2016, the City is working on the Detailed Design Phase for the project, and construction is expected to be completed by April 1, 2018. The natural gas engines will be removed from service during the construction phase before the January 1, 2018 deadline in accordance with the Compliance and Enforcement Agreement.

F. *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.

In January 2015, project worksheets containing scopes of the earthquake damage were submitted to the Federal Emergency Management Agency (FEMA) for reimbursement of eligible repair costs, after which, the Public Works Department proceeded with project efforts to repair the earthquake damage. A total of fourteen projects costing \$0.7 million were approved but the Police Building Renovation project was denied for funding. As of June 30, 2016, twelve of the approved projects were completed while the remaining two projects are expected to be finished by January 31, 2017.

During the August 2014 earthquake, numerous ceiling tiles and light fixture on the second floor of the Police Department building became displaced, and a significant number of interior locations sustained drywall cracks. In October 2014 the original ceiling tiles were tested by the City's on-call hazardous material testing firm, and were reported to contain asbestos containing material (ACM). A project proposal was submitted to FEMA in January 2015 for reimbursement of eligible repair costs but was disapproved. The cost to remediate and renovate the Police building is estimated at \$8.5 million as of June 30, 2016, if that approach is chosen.

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For the Year Ended June 30, 2016

NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

The City Council assumed the duties of the Successor Agency to the Former Vallejo Community Redevelopment Agency (Successor Agency) upon State redevelopment dissolution on February 1, 2012. Amendments to the State Health and Safety Code, enacted through ABx1 26 on June 28, 2011, AB1484 on June 27, 2012, and SB107 on September 11, 2015 suspended most redevelopment activities and charged successor agencies to retire redevelopment obligations and dispose of assets.

The activities of the Successor Agency are subject to review and approval of an Oversight Board, which is comprised of seven members, including one member representing the City Council, one representing the former Redevelopment Agency (RDA) employees, and five members representing other taxing agencies within the County. Oversight Board actions are further subject to review and approval by the State Department of Finance (DOF).

The activities of the Successor Agency are reported in the Successor Agency to the Former Redevelopment Agency Private-Purpose Trust Fund, because activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency.

Cash and investments of the Successor Agency as of June 30, 2016 are discussed in Note 2. Information about other assets and liabilities of the Successor Agency as of June 30, 2016 is presented below.

A. *Notes and Loans Receivable*

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

Meyer Cookware Industries, Inc.	\$80,000
Empress Theatre Associates, LLC	<u>46,777</u>
	<u>\$126,777</u>

Meyer Cookware Industries, Inc.

Pursuant to a Disposition and Development Agreement between the RDA and Meyer Cookware Industries, Inc., the former RDA paid certain development fees on behalf of Meyer totaling \$1,500,000. Meyer agreed to repay \$500,000 of these fees to the RDA 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, 2016 the outstanding balance of the loan was \$80,000. 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 RDA 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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NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(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 (VCAF) leased the property under an agreement that expired in 2014. The Successor Agency does not have the statutory authority to renew a lease with VCAF. However, VCAF continues day to day operations and offers programs to the community.

As of June 2016, the EIF holds loan receivable assets, including accumulated interest, of \$6,356,463, due from ETA, and carries a loan payable obligation, with accumulated interest payable, of \$46,777, due to Triad Communities LP, the site development partner. 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 \$6,309,686, leaving a net loan receivable balance of \$46,777 in the accompanying financial statements. After deducting loans payable and accumulated interest payable, the net reported value of the Successor Agency's interests in the Empress Theater is zero.

Subsequent to June 30, 2016, in September 2016, the Successor Agency and the Oversight Board approved the transfer of the Successor Agency's interests in the Empress Theater to the City with the long term objective of preserving this historic property for the community. The Oversight Board action is under current review by the State DOF.

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For the Year Ended June 30, 2016

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

B. Capital Assets

The Successor Agency assumed the capital assets of the RDA 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.

During fiscal year 2016, the Successor Agency determined that land held for redevelopment in the amount of \$1,343,395 should be reported as capital assets until the properties are sold or transferred as detailed in the Long Range Property Management Plan.

In addition, pursuant to the Long Range Property Management Plan, the Successor Agency transferred capital assets totaling \$585,089 to the City.

Capital assets at June 30, 2016 were comprised of land of \$3,440,775 and Building and Improvements, net of accumulated depreciation, of \$74,907. Current year additions to accumulated depreciation were \$5,827.

C. Long-Term Obligations

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

1. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2015	Additions	Retirements/ Adjustments	Balance June 30, 2016	Current Portion
Tax Allocation Bonds:						
Waterfront Redevelopment Project						
7.9%, due 5/1/19	\$2,485,000	\$1,030,000		\$220,000	\$810,000	\$245,000
Marina Vista Project						
6.0-7.5%, due 9/1/20	3,335,000	1,285,000		175,000	1,110,000	190,000
Vallejo Central Project						
6.0-7.5%, due 9/1/20	1,900,000	1,045,000		130,000	915,000	145,000
Vallejo Housing Set Aside						
7.0%, due 10/1/31	5,410,000	3,765,000		160,000	3,605,000	170,000
	<u>13,130,000</u>	<u>7,125,000</u>		<u>685,000</u>	<u>6,440,000</u>	<u>750,000</u>
Other Obligations						
Advances from the City of Vallejo	4,436,351	4,483,965	\$4,864,848	138,534	9,210,279	
Loans payable to Triad Communities LP	42,500	42,500			42,500	
	<u>4,478,851</u>	<u>4,526,465</u>	<u>4,864,848</u>	<u>138,534</u>	<u>9,252,779</u>	
Total Other Obligations	<u>4,478,851</u>	<u>4,526,465</u>	<u>4,864,848</u>	<u>138,534</u>	<u>9,252,779</u>	
Total Successor Agency Debt	<u>\$17,608,851</u>	<u>\$11,651,465</u>	<u>\$4,864,848</u>	<u>\$823,534</u>	<u>\$15,692,779</u>	<u>\$750,000</u>

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For the Year Ended June 30, 2016

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 RDA 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 RDA 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 RDA and the PFA. The semi-annual loan payments by the RDA 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 RDA issued Tax Allocation Bonds in the amount of \$5,410,000 to finance housing activities of the RDA 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 RDA has pledged all future tax increment revenues, less amounts required to be set aside in the RDA’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 \$9,150,146 remaining debt service on the Bonds above, which is scheduled to occur in 2032. With the dissolution of the RDA 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 2016, the Successor Agency received sufficient RPTTF distributions to meet all bond obligations for the year.

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

3. Advances from the City

On February 12, 2015 the Oversight Board approved certain pre-dissolution loans between the City and RDA as enforceable obligations. The State DOF also approved a portion of these loans as enforceable obligations on March 26, 2015. With accrued interest at the State’s eligible interest rate of 0.27%, City loans approved for repayment by both the Oversight Board and the State DOF had a carrying value of \$4,483,965 at June 30, 2015.

On January 28, 2016, the Oversight Board passed resolution OB 16-002 to reaffirm its approval of the remaining pre-dissolution loans between the City and the RDA as enforceable obligations using new State criteria enacted through SB107. Because the State DOF did not act to approve or deny Oversight Board resolution 16-002 within the statutory review period, the resolution was deemed approved and the remaining pre-dissolution loans were re-established as of June 30, 2016. However, on November 30, 2016, the State DOF denied the Pre-1990 loans on the Agency’s Last and Final Recognized Obligation Payment Schedule (ROPS) submission. The Agency plans to include the Pre-1990 loans from Oversight Board resolution 16-002 as a new, separate line item on the upcoming Fiscal Year 2017-18 annual ROPS to demonstrate the Agency’s intent to repay the obligation. Therefore, the Agency reports these loans to their full value as of June 30, 2016. Also, following State enactment of SB107, all pre-dissolution City/RDA loans became eligible for retroactive interest restatement to a simple interest rate of 3%. Further, the Agency restored its advance payable balance by \$655,000 upon repayment from the City of a prior year loan payment found to be ineligible by the State Controller’s Office during a review of the Agency’s asset transfers.

Repayment of these loans and the maximum annual repayment is governed by the Health and Safety Code Section 34176(e)(6). During 2015-16, the Successor Agency made installment payments on outstanding City loans of \$138,534. The following is a summary of loan activity during the year ended June 30, 2016:

Balance, June 30, 2015	\$4,483,965
Adjustment for retroactive interest to 3%, to June 2015, for loans previously approved for repayment	1,388,975
Restored prior year loan payment	655,000
2015-16 interest at 3%	130,124
Current year loan payment	(138,534)
Adjustment for additional loan loans approved for repayment, to June 2016, with 3% interest	2,690,749
Balance, June 30, 2016	\$9,210,279

CITY OF VALLEJO
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NOTE 15 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

The loan balances as of June 30, 2016 are as follows:

	Principal	Accrued Interest	Total
Hiddenbrooke Overpass Capital Projects Fund	\$456,595	\$141,948	\$598,543
Bridge Construction Capital Projects Fund	426,913	183,807	610,720
Arts and Convention Center Capital Projects Fund	3,453,958	1,331,309	4,785,267
General Fund:			
Waterfront	162,805	850,843	1,013,648
Marina Vista		647,510	647,510
Central	708,372	846,219	1,554,591
	<u>\$5,208,643</u>	<u>\$4,001,636</u>	<u>\$9,210,279</u>

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:

	Ending June 30	Principal	Interest
2017		\$750,000	\$480,974
2018		824,698	418,483
2019		896,209	351,461
2020		651,223	278,703
2021		696,237	225,659
2022-2026		1,076,402	611,965
2027-2031		1,260,780	340,176
2032-2036		309,759	14,300
2037-2041		7,607	776
2042-2046		8,057	326
2047		1,528	9
Total		<u>\$6,482,500</u>	<u>\$2,722,832</u>

E. Commitments and Contingencies

1. Oversight Board and State Approval of Enforceable Obligations

The Successor Agency prepares an annual Recognized Obligation Payment Schedule (ROPS) that contains proposed expenditures for the upcoming fiscal year. All payment obligations are subject to annual review and re-approval by the Oversight Board and the State DOF. The City expects future adjustments by the Oversight Board and State DOF, if any, to be immaterial.

CITY OF VALLEJO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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For the Year Ended June 30, 2016

NOTE 16 – SUBSEQUENT EVENTS

A. *Water Fund Shortfall*

The revenues in the Water Enterprise Fund declined by \$1.7 million during Fiscal Year 2015-16 compared to prior year. The continued conservation efforts by Vallejo residents in response to the Governor's call to lower water usage negatively impacted the unrestricted position of the Water Fund as of June 30, 2016. A 2-year Water Rate Study report is expected in late fiscal year 2016-17 with the intent to restore revenues lost during recent conservation efforts, allow the City's Water Fund to maintain current service levels, and debt service ratios until such time as a more comprehensive Water Rate Study can be undertaken.

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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 Contributed</u>	<u>Net OPEB Obligation</u>
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
6/30/2016	3,586,429	3,722,107	104%	11,971,874

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>
01/01/10	\$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%
01/01/16	15,908,959	5,623,674	10,285,285	35.3%	7,940,275	129.5%

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Miscellaneous Plan - Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years*

Measurement Date	6/30/2014	6/30/2015
Total Pension Liability		
Service Cost	\$3,707,801	\$3,687,869
Interest	17,746,245	18,270,528
Differences between expected and actual experience	-	(1,151,730)
Changes in assumptions	-	(4,077,633)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(13,630,142)	(14,371,625)
Net change in total pension liability	7,823,904	2,357,409
Total pension liability - beginning	241,577,765	249,401,669
Total pension liability - ending (a)	\$249,401,669	\$251,759,078
 Plan fiduciary net position		
Contributions - employer	\$5,801,786	\$5,947,979
Contributions - employee	1,849,941	1,825,329
Net investment income (1)	24,872,487	3,661,248
Administrative expense	-	(184,697)
Benefit payments, including refunds of employee contributions	(13,630,142)	(14,371,625)
Net change in plan fiduciary net position	18,894,072	(3,121,766)
Plan fiduciary net position - beginning	148,241,643	167,135,715
Plan fiduciary net position - ending (b)	\$167,135,715	\$164,013,949
 Net pension liability - ending (a)-(b)	\$82,265,954	\$87,745,129
 Plan fiduciary net position as a percentage of the total pension liability	67.01%	65.15%
 Covered payroll	\$19,462,126	\$20,358,941
 Net pension liability as percentage of covered payroll	422.70%	430.99%

Notes to Schedule:

(1) Net of administrative expenses in 2014.

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes.

Changes in assumptions. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

* - Fiscal year 2015 was the 1st year of implementation.

Source: CalPERS Accounting Valuation

SCHEDULE OF CONTRIBUTIONS

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

Fiscal Year Ended June 30,	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$5,947,949	\$6,951,327
Contributions in relation to the actuarially determined contributions	<u>5,947,949</u>	<u>\$6,951,327</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>
 Covered payroll	 <u><u>\$20,358,941</u></u>	 <u><u>\$21,778,435</u></u>
 Contributions as a percentage of covered payroll	 29.22%	 31.92%

Notes to Schedule

Valuation date:	6/30/2012	6/30/2013
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.00%
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.

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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Safety Plan - Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years*

Measurement Date	6/30/2014	6/30/2015
Total Pension Liability		
Service Cost	\$5,410,714	\$5,665,531
Interest	30,833,294	31,830,406
Differences between expected and actual experience	-	463,336
Changes in assumptions	-	(7,623,305)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(23,513,099)	(24,963,470)
Net change in total pension liability	12,730,909	5,372,498
Total pension liability - beginning	420,161,774	432,892,683
Total pension liability - ending (a)	\$432,892,683	\$438,265,181
 Plan fiduciary net position		
Contributions - employer	\$9,034,348	\$10,188,345
Contributions - employee	2,517,611	2,574,737
Net investment income (1)	43,593,695	6,292,622
Administrative expense	-	(320,958)
Plan to Plan resource movement	-	(115)
Benefit payments, including refunds of employee contributions	(23,513,099)	(24,963,470)
Net change in plan fiduciary net position	31,632,555	(6,228,839)
Plan fiduciary net position - beginning	259,879,150	291,511,705
Plan fiduciary net position - ending (b)	\$291,511,705	\$285,282,866
 Net pension liability - ending (a)-(b)	\$141,380,978	\$152,982,315
 Plan fiduciary net position as a percentage of the total pension liability	67.34%	65.09%
 Covered payroll	\$19,082,521	\$20,922,604
 Net pension liability as percentage of covered payroll	740.89%	731.18%

Notes to Schedule:

(1) Net of administrative expenses in 2014.

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes.

Changes in assumptions. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

* - Fiscal year 2015 was the 1st year of implementation.

Source: CalPERS Accounting Valuation

Safety Plan - Agent Multiple-Employer Defined Benefit Pension Plan

Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30,	2015	2016
Actuarially determined contribution	\$10,188,345	\$12,077,355
Contributions in relation to the actuarially determined contributions	10,188,345	12,077,355
Contribution deficiency (excess)	\$0	\$0
 Covered payroll	 \$20,922,604	 \$21,563,045
 Contributions as a percentage of covered payroll	 48.70%	 56.01%
Notes to Schedule		
Valuation date:	6/30/2012	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3.00%
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

*- Fiscal year 2015 was the 1st year of implementation.

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

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

Measurement Date	6/30/2014	6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.18915%	0.14712%
Plan's proportion share of the Net Pension Liability (Asset)	\$11,769,980	\$15,432,136
Plan's Covered Payroll	\$7,602,013	\$7,940,275
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	154.83%	194.35%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%

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.

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

Fiscal Year Ended June 30,	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$1,273,976	\$1,064,678
Contributions in relation to the actuarially determined contributions	<u>(1,273,976)</u>	<u>(1,170,814)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>(\$106,136)</u>
 Covered payroll	 \$7,693,775	 \$7,924,588
 Contributions as a percentage of covered payroll	 16.56%	 13.44%

* - Fiscal year 2015 is the first year of implementation.

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

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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

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

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

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

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

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

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.

NLP Nuisance Abatement Fund accounts for monies received and used to demolish dangerous buildings or prevent escalating nuisance conditions.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

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, 2016

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
ASSETS						
Cash and investments		\$704,129	\$357,577	\$484,996	\$5,059,332	\$288,289
Restricted cash and investments held with fiscal agent				480,860		
Accounts receivable	\$1,560	30,549	1,396	73,916	103,275	
Due from other governments	271,998	302,045				
Notes and loans receivable	2,359,574	5,534,078	1,822,751			
Prepays and deposits				4,934	707	
Total Assets	<u>\$2,633,132</u>	<u>\$6,570,801</u>	<u>\$2,181,724</u>	<u>\$1,044,706</u>	<u>\$5,163,314</u>	<u>\$288,289</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$41,521	\$86,879		\$5,455	\$31,115	\$31,866
Due to other funds	231,792					
Due to other governments						
Unearned revenue - Grants					50,226	
Deposits payable	245	343		7,785		
Total Liabilities	<u>273,558</u>	<u>87,222</u>		<u>13,240</u>	<u>81,341</u>	<u>31,866</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - accounts receivable		23,750				
Unavailable revenue - interest receivable						
Unavailable revenue - notes and loans receivable	2,359,574	5,534,078	\$1,822,751			
Total Deferred Inflows of Resources	<u>2,359,574</u>	<u>5,557,828</u>	<u>1,822,751</u>			
FUND BALANCES						
Fund balances						
Nonspendable				4,934	707	
Restricted		925,751	358,973	1,026,532	5,081,266	256,423
Committed						
Assigned						
Unassigned						
Total Fund Balances		<u>925,751</u>	<u>358,973</u>	<u>1,031,466</u>	<u>5,081,973</u>	<u>256,423</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$2,633,132</u>	<u>\$6,570,801</u>	<u>\$2,181,724</u>	<u>\$1,044,706</u>	<u>\$5,163,314</u>	<u>\$288,289</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
\$1,112,459	\$109,993	\$158,946	\$2,696,851	\$9,087,102	\$731,489	\$129,919	
	141,250 37,612	127,590					\$11,445
					445		
<u>\$1,112,459</u>	<u>\$288,855</u>	<u>\$286,536</u>	<u>\$2,696,851</u>	<u>\$9,087,102</u>	<u>\$731,934</u>	<u>\$129,919</u>	<u>\$11,445</u>
	\$163,920	\$19,929	\$70,956	\$216,583	\$13,861	\$31,716	
					7,353		\$11,445
		229,116	104,910		129,447		
	163,920	249,045	175,866	216,583	150,661	31,716	11,445
\$1,112,459	124,935		2,520,985	8,870,519	445 580,828	98,203	
		37,491					
<u>1,112,459</u>	<u>124,935</u>	<u>37,491</u>	<u>2,520,985</u>	<u>8,870,519</u>	<u>581,273</u>	<u>98,203</u>	
<u>\$1,112,459</u>	<u>\$288,855</u>	<u>\$286,536</u>	<u>\$2,696,851</u>	<u>\$9,087,102</u>	<u>\$731,934</u>	<u>\$129,919</u>	<u>\$11,445</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

SPECIAL REVENUE FUNDS

	Justice Assistance Grant Fund #149	Supplemental Law Enforcement Grant Fund #151	Cadet Program Fund #152	Outside Services Fund #129	State Lands Fund #134	Hazmat Revolving Fund Fund #143
ASSETS						
Cash and investments		\$286,594	\$62,640	\$870,526		\$4,524
Restricted cash and investments held with fiscal agent						
Accounts receivable Due from other governments		21,052			\$25,660	10,000
Notes and loans receivable						
Prepays and deposits						
Total Assets		<u>\$307,646</u>	<u>\$62,640</u>	<u>\$870,526</u>	<u>\$25,660</u>	<u>\$14,524</u>
LIABILITIES						
Accounts payable and accrued liabilities		\$161		\$76,012		\$4,524
Due to other funds					\$7,735	10,000
Due to other governments						
Unearned revenue - Grants					16,538	
Deposits payable				794,514	1,387	
Total Liabilities		<u>161</u>		<u>870,526</u>	<u>25,660</u>	<u>14,524</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - accounts receivable						
Unavailable revenue - interest receivable						
Unavailable revenue - notes and loans receivable						
Total Deferred Inflows of Resources						
FUND BALANCES						
Fund balances						
Nonspendable						
Restricted		307,485	\$62,640			
Committed						
Assigned						
Unassigned						
Total Fund Balances		<u>307,485</u>	<u>62,640</u>			
Total Liabilities, Deferred Inflows of Resources and Fund Balances		<u>\$307,646</u>	<u>\$62,640</u>	<u>\$870,526</u>	<u>\$25,660</u>	<u>\$14,524</u>

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			
Administrative Trust Fund #601	Emergency Disaster Fund #109	NLP Nuisance Abatement Fund #147	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
\$929,260	\$2,196,807	\$108,897		\$10,197,565	\$2,993,990	\$934,413	\$224,159
			\$316,656				
	6,568			84,642	89,088	610,720	
<u>\$929,260</u>	<u>\$2,203,375</u>	<u>\$108,897</u>	<u>\$316,656</u>	<u>\$10,282,207</u>	<u>\$3,083,078</u>	<u>\$1,545,133</u>	<u>\$224,159</u>
\$2,418				\$1,453,185		\$17,657	
926,842	\$320,955						
<u>929,260</u>	<u>320,955</u>			<u>1,453,185</u>		<u>17,657</u>	
						183,807	
						183,807	
			\$316,656	2,964,258	\$3,083,078	1,343,669	\$224,159
	1,882,420	\$108,897		5,864,764			
	<u>1,882,420</u>	<u>108,897</u>	<u>316,656</u>	<u>8,829,022</u>	<u>3,083,078</u>	<u>1,343,669</u>	<u>224,159</u>
<u>\$929,260</u>	<u>\$2,203,375</u>	<u>\$108,897</u>	<u>\$316,656</u>	<u>\$10,282,207</u>	<u>\$3,083,078</u>	<u>\$1,545,133</u>	<u>\$224,159</u>

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

CAPITAL PROJECTS FUNDS

	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213	Mare Island Conversion Fund #106	Traffic Congestion Relief Fund #219	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137
ASSETS						
Cash and investments	\$7,439,606	\$1,112,826	\$951,695	\$1,266,841	\$775,370	\$553,968
Restricted cash and investments held with fiscal agent			2,564,696			
Accounts receivable Due from other governments					3,854,686	
Notes and loans receivable	598,543					177,644
Prepays and deposits						
Total Assets	<u>\$8,038,149</u>	<u>\$1,112,826</u>	<u>\$3,516,391</u>	<u>\$1,266,841</u>	<u>\$4,630,056</u>	<u>\$731,612</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$829		\$180,872	\$25,016	\$304,583	
Due to other funds					3,550,103	
Due to other governments						
Unearned revenue - Grants			170,908		714,366	
Deposits payable						\$37,000
Total Liabilities	<u>829</u>		<u>351,780</u>	<u>25,016</u>	<u>4,569,052</u>	<u>37,000</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - accounts receivable						
Unavailable revenue - interest receivable	141,948					38,883
Unavailable revenue - notes and loans receivable						
Total Deferred Inflows of Resources	<u>141,948</u>					<u>38,883</u>
FUND BALANCES						
Fund balances						
Nonspendable						
Restricted	7,895,372	\$1,112,826	3,164,611	1,241,825	61,004	655,729
Committed						
Assigned						
Unassigned						
Total Fund Balances	<u>7,895,372</u>	<u>1,112,826</u>	<u>3,164,611</u>	<u>1,241,825</u>	<u>61,004</u>	<u>655,729</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$8,038,149</u>	<u>\$1,112,826</u>	<u>\$3,516,391</u>	<u>\$1,266,841</u>	<u>\$4,630,056</u>	<u>\$731,612</u>

CAPITAL PROJECTS FUNDS				PERMANENT FUND	
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
\$506,654	\$80,740	\$833,152		\$109,731	\$53,361,040
					3,362,212
					515,196
	4,785,267				4,590,048
					15,977,665
					6,086
<u>\$506,654</u>	<u>\$4,866,007</u>	<u>\$833,152</u>		<u>\$109,731</u>	<u>\$77,812,247</u>
					\$2,779,058
					3,811,075
					7,353
					1,607,019
					1,897,563
					10,102,068
					23,750
	\$1,331,309				1,695,947
					9,716,403
	1,331,309				11,436,100
				\$64,625	70,711
				45,106	43,435,292
\$506,654	3,534,698	\$833,152			6,806,813
					5,961,263
<u>506,654</u>	<u>3,534,698</u>	<u>833,152</u>		<u>109,731</u>	<u>56,274,079</u>
<u>\$506,654</u>	<u>\$4,866,007</u>	<u>\$833,152</u>		<u>\$109,731</u>	<u>\$77,812,247</u>

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	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
REVENUES						
Taxes					\$1,427,607	
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$679,901	\$403,692				
Use of money and property	188,615	348,990	\$80,756	\$390,863	69,728	\$3,763
Charges for services				52,789	2,122,096	327,310
Other		500,000				
Total Revenues	<u>868,516</u>	<u>1,252,682</u>	<u>80,756</u>	<u>443,652</u>	<u>3,619,431</u>	<u>331,073</u>
EXPENDITURES						
Current:						
Finance						
Law						
Development services						
Community development	605,426	810,206	8,075	440,975		
Fire services					1,806,000	
Police services					623,000	
Public works					1,020,814	328,215
Capital outlay	263,090				387,460	
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>868,516</u>	<u>810,206</u>	<u>8,075</u>	<u>440,975</u>	<u>3,837,274</u>	<u>328,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
		<u>442,476</u>	<u>72,681</u>	<u>2,677</u>	<u>(217,843)</u>	<u>2,858</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS						
		442,476	72,681	2,677	(217,843)	2,858
Special items:						
Re-establish loans to Successor Agency						
NET CHANGE IN FUND BALANCES						
		442,476	72,681	2,677	(217,843)	2,858
BEGINNING FUND BALANCES						
		483,275	286,292	1,028,789	5,299,816	253,565
ENDING FUND BALANCES						
		<u>\$925,751</u>	<u>\$358,973</u>	<u>\$1,031,466</u>	<u>\$5,081,973</u>	<u>\$256,423</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
		\$15,428 3,180			\$47,366	\$126,092	
\$16,052	\$2,749,638	48,250					\$98,824
112,257	2,170	6,011	\$37,905	\$124,897	12,136	2,347	
	565,000	1,527,159	694,987	3,543,902			
	22,948					4,132	
<u>128,309</u>	<u>3,339,756</u>	<u>1,600,028</u>	<u>732,892</u>	<u>3,668,799</u>	<u>59,502</u>	<u>132,571</u>	<u>98,824</u>
					129,758	120,926	98,824
7,296	3,371,121	1,562,537	639,165	2,375,755			
<u>7,296</u>	<u>3,371,121</u>	<u>1,562,537</u>	<u>639,165</u>	<u>2,375,755</u>	<u>129,758</u>	<u>120,926</u>	<u>98,824</u>
121,013	(31,365)	37,491	93,727	1,293,044	(70,256)	11,645	
	(177,674)						
	(177,674)						
121,013	(209,039)	37,491	93,727	1,293,044	(70,256)	11,645	
121,013	(209,039)	37,491	93,727	1,293,044	(70,256)	11,645	
991,446	333,974		2,427,258	7,577,475	651,529	86,558	
<u>\$1,112,459</u>	<u>\$124,935</u>	<u>\$37,491</u>	<u>\$2,520,985</u>	<u>\$8,870,519</u>	<u>\$581,273</u>	<u>\$98,203</u>	

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	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
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$67,564	\$315,035				
Use of money and property		2,913	\$1,109	\$8,730	\$232,439	\$338
Charges for services				564,645		40,000
Other			1,558			
Total Revenues	<u>67,564</u>	<u>317,948</u>	<u>2,667</u>	<u>573,375</u>	<u>232,439</u>	<u>40,338</u>
EXPENDITURES						
Current:						
Finance						
Law						
Development services				564,645		
Community development					87,016	
Fire services						61,801
Police services	67,564	126,839	12,053			
Public works						
Capital outlay						
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>67,564</u>	<u>126,839</u>	<u>12,053</u>	<u>564,645</u>	<u>87,016</u>	<u>61,801</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
		<u>191,109</u>	<u>(9,386)</u>	<u>8,730</u>	<u>145,423</u>	<u>(21,463)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(8,730)	(145,423)	
Total Other Financing				<u>(8,730)</u>	<u>(145,423)</u>	
NET CHANGE IN FUND BALANCES						
		191,109	(9,386)			(21,463)
Special items:						
Re-establish loans to Successor Agency						
NET CHANGE IN FUND BALANCES						
		191,109	(9,386)			(21,463)
BEGINNING FUND BALANCES						
		116,376	72,026			21,463
ENDING FUND BALANCES						
		<u>\$307,485</u>	<u>\$62,640</u>			

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS			
Administrative Trust Fund #601	Emergency Disaster Fund #109	NLP Nuisance Abatement Fund #147	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
				\$410,360	\$467,711		\$13,601
\$13,021	\$2,735	\$760	\$17	140,674	42,722	\$4,837	3,477
20,379		97,346		333,015			
33,400	2,735	98,106	17	884,049	510,433	4,837	17,078
	128,880	85,962					
20,379			9,000	4,500	4,500	4,500	4,500
				4,969,326		334,919	
			825,837				
			343,902				
20,379	128,880	85,962	1,178,739	4,973,826	4,500	339,419	4,500
13,021	(126,145)	12,144	(1,178,722)	(4,089,777)	505,933	(334,582)	12,578
(13,021)		96,753	1,245,355	4,352,298		(2,617)	
(13,021)	-	96,753	1,245,355	4,352,298		(2,617)	
	(126,145)	108,897	66,633	262,521	505,933	(337,199)	12,578
						(15,468)	
	(126,145)	108,897	66,633	262,521	505,933	(352,667)	12,578
	2,008,565		250,023	8,566,501	2,577,145	1,696,336	211,581
	\$1,882,420	\$108,897	\$316,656	\$8,829,022	\$3,083,078	\$1,343,669	\$224,159

(Continued)

CITY OF VALLEJO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	CAPITAL PROJECTS FUNDS					
	Hiddenbrooke Overpass Fund #211	Mare Island CFD 2005 1A Facilities Fund #213	Mare Island Conversion Fund #106	Traffic Congestion Relief Fund #219	Capital Grants & Contributions Fund #221	Neighborhood Parks (GVRD) Fund #137
REVENUES						
Taxes						
Licenses, permits and fees						\$97,571
Fines and forfeitures						
Intergovernmental			\$1,437,337		\$4,439,633	75,658
Use of money and property	\$120,283	\$16,191	20,603	\$19,514	9,802	5,316
Charges for services		100,006				
Other						
Total Revenues	<u>120,283</u>	<u>116,197</u>	<u>1,457,940</u>	<u>19,514</u>	<u>4,449,435</u>	<u>178,545</u>
EXPENDITURES						
Current:						
Finance						
Law						
Development services						
Community development			1,519,207			
Fire services						
Police services						
Public works	4,500	7,068				
Capital outlay	41,690			227,823	4,439,632	11,712
Debt Service:						
Principal						
Interest and fiscal agent fees						
Total Expenditures	<u>46,190</u>	<u>7,068</u>	<u>1,519,207</u>	<u>227,823</u>	<u>4,439,632</u>	<u>11,712</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>74,093</u>	<u>109,129</u>	<u>(61,267)</u>	<u>(208,309)</u>	<u>9,803</u>	<u>166,833</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				177,674		
Transfers (out)	(2,681)					
Total Other Financing Sources (Uses)	<u>(2,681)</u>			<u>177,674</u>		
NET CHANGE IN FUND BALANCES	71,412	109,129	(61,267)	(30,635)	9,803	166,833
Special items:						
Re-establish loans to Successor Agency	3,449					
NET CHANGE IN FUND BALANCES	74,861	109,129	(61,267)	(30,635)	9,803	166,833
BEGINNING FUND BALANCES	7,820,511	1,003,697	3,225,878	1,272,460	51,201	488,896
ENDING FUND BALANCES	<u>\$7,895,372</u>	<u>\$1,112,826</u>	<u>\$3,164,611</u>	<u>\$1,241,825</u>	<u>\$61,004</u>	<u>\$655,729</u>

CAPITAL PROJECTS FUNDS				PERMANENT FUND	
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
			\$334		\$1,427,607
					1,131,097
					50,546
					10,318,267
\$7,297	\$38,625	\$7,630	5	\$1,692	1,982,228
		571,995			10,222,146
					979,378
<u>7,297</u>	<u>38,625</u>	<u>579,625</u>	<u>339</u>	<u>1,692</u>	<u>26,111,269</u>
					128,880
					85,962
					564,645
					3,470,905
					1,867,801
					1,199,343
					9,343,471
	9,696	4,500			10,689,848
					825,837
					343,902
	<u>9,696</u>	<u>4,500</u>			<u>28,520,594</u>
<u>7,297</u>	<u>28,929</u>	<u>575,125</u>	<u>339</u>	<u>1,692</u>	<u>(2,409,325)</u>
100,000					5,972,080
	(22,408)		(339)		(372,893)
<u>100,000</u>	<u>(22,408)</u>		<u>(339)</u>		<u>5,599,187</u>
107,297	6,521	575,125		1,692	3,189,862
	4,054				(7,965)
107,297	10,575	575,125		1,692	3,181,897
399,357	3,524,123	258,027		108,039	53,092,182
<u>\$506,654</u>	<u>\$3,534,698</u>	<u>\$833,152</u>		<u>\$109,731</u>	<u>\$56,274,079</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, 2016

	COMMUNITY DEVELOPMENT BLOCK GRANT			HOME PROGRAM		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental	\$1,810,438	\$679,901	(\$1,130,537)	\$1,722,384	\$403,692	(\$1,318,692)
Use of money and property	50,000	188,615	138,615	200,000	348,990	148,990
Charges for services						
Other				500,000	500,000	
Total Revenues	<u>1,860,438</u>	<u>868,516</u>	<u>(991,922)</u>	<u>2,422,384</u>	<u>1,252,682</u>	<u>(1,169,702)</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Law						
Development services						
Community development	883,072	605,426	277,646	2,905,658	810,206	2,095,452
Fire services						
Police services						
Public works						
Capital outlay	977,366	263,090	714,276			
Total Expenditures	<u>1,860,438</u>	<u>868,516</u>	<u>991,922</u>	<u>2,905,658</u>	<u>810,206</u>	<u>2,095,452</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				<u>(483,274)</u>	<u>442,476</u>	<u>925,750</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES				<u>(\$483,274)</u>	<u>\$442,476</u>	<u>\$925,750</u>
BEGINNING FUND BALANCES					<u>483,275</u>	
ENDING FUND BALANCES					<u>\$925,751</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)
						\$1,314,309	\$1,427,607	\$113,298
\$897,748		(\$897,748)	\$353,000	\$390,863	\$37,863	26,000	69,728	43,728
506,000	\$80,756	(425,244)	66,500	52,789	(13,711)	2,172,321	2,122,096	(50,225)
<u>1,403,748</u>	<u>80,756</u>	<u>(1,322,992)</u>	<u>419,500</u>	<u>443,652</u>	<u>24,152</u>	<u>3,512,630</u>	<u>3,619,431</u>	<u>106,801</u>
1,690,039	8,075	1,681,964	905,149	440,975	464,174	1,761,000	1,806,000	(45,000)
						605,000	623,000	(18,000)
						1,283,670	1,020,814	262,856
						387,460	387,460	
<u>1,690,039</u>	<u>8,075</u>	<u>1,681,964</u>	<u>905,149</u>	<u>440,975</u>	<u>464,174</u>	<u>4,037,130</u>	<u>3,837,274</u>	<u>199,856</u>
<u>(286,291)</u>	<u>72,681</u>	<u>358,972</u>	<u>(485,649)</u>	<u>2,677</u>	<u>488,326</u>	<u>(524,500)</u>	<u>(217,843)</u>	<u>306,657</u>
<u>(\$286,291)</u>	<u>\$72,681</u>	<u>\$358,972</u>	<u>(\$485,649)</u>	<u>2,677</u>	<u>\$488,326</u>	<u>(\$524,500)</u>	<u>(217,843)</u>	<u>\$306,657</u>
	<u>286,292</u>			<u>1,028,789</u>			<u>5,299,816</u>	
	<u>\$358,973</u>			<u>\$1,031,466</u>			<u>\$5,081,973</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, 2016

	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		\$3,763	\$3,763		\$16,052	\$16,052
Charges for services	\$327,308	327,310	2	\$112,254	112,257	3
Other						
Total Revenues	<u>327,308</u>	<u>331,073</u>	<u>3,765</u>	<u>112,254</u>	<u>128,309</u>	<u>16,055</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services						
Public works	371,178	328,215	42,963	10,409	7,296	3,113
Capital outlay						
Total Expenditures	<u>371,178</u>	<u>328,215</u>	<u>42,963</u>	<u>10,409</u>	<u>7,296</u>	<u>3,113</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(43,870)</u>	<u>2,858</u>	<u>46,728</u>	<u>101,845</u>	<u>121,013</u>	<u>19,168</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$43,870)</u>	<u>2,858</u>	<u>\$46,728</u>	<u>\$101,845</u>	<u>121,013</u>	<u>\$19,168</u>
BEGINNING FUND BALANCES		<u>253,565</u>			<u>991,446</u>	
ENDING FUND BALANCES		<u>\$256,423</u>			<u>\$1,112,459</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	\$15,428	\$5,828			
				3,180	3,180			
\$2,790,137	\$2,749,638	(\$40,499)	61,000	48,250	(12,750)			
	2,170	2,170		6,011	6,011	\$22,499	\$37,905	\$15,406
555,000	565,000	10,000	1,500,544	1,527,159	26,615	797,444	694,987	(102,457)
28,000	22,948	(5,052)						
<u>3,373,137</u>	<u>3,339,756</u>	<u>(33,381)</u>	<u>1,571,144</u>	<u>1,600,028</u>	<u>28,884</u>	<u>819,943</u>	<u>732,892</u>	<u>(87,051)</u>
3,510,677	3,371,121	139,556	1,590,207	1,562,537	27,670	974,793	639,165	335,628
<u>3,510,677</u>	<u>3,371,121</u>	<u>139,556</u>	<u>1,590,207</u>	<u>1,562,537</u>	<u>27,670</u>	<u>974,793</u>	<u>639,165</u>	<u>335,628</u>
<u>(137,540)</u>	<u>(31,365)</u>	<u>106,175</u>	<u>(19,063)</u>	<u>37,491</u>	<u>56,554</u>	<u>(154,850)</u>	<u>93,727</u>	<u>248,577</u>
<u>(196,024)</u>	<u>(177,674)</u>	<u>18,350</u>						
<u>(196,024)</u>	<u>(177,674)</u>	<u>18,350</u>						
<u>(\$333,564)</u>	<u>(209,039)</u>	<u>\$124,525</u>	<u>(\$19,063)</u>	<u>37,491</u>	<u>\$56,554</u>	<u>(\$154,850)</u>	<u>93,727</u>	<u>\$248,577</u>
	<u>333,974</u>						<u>2,427,258</u>	
	<u>\$124,935</u>			<u>\$37,491</u>			<u>\$2,520,985</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, 2016

	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	\$47,366	(\$2,634)
Intergovernmental						
Use of money and property	\$71,814	\$124,897	\$53,083	7,000	12,136	5,136
Charges for services	3,129,591	3,543,902	414,311			
Other						
Total Revenues	<u>3,201,405</u>	<u>3,668,799</u>	<u>467,394</u>	<u>57,000</u>	<u>59,502</u>	<u>2,502</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services				325,000	129,758	195,242
Public works	2,954,462	2,375,755	578,707			
Capital outlay						
Total Expenditures	<u>2,954,462</u>	<u>2,375,755</u>	<u>578,707</u>	<u>325,000</u>	<u>129,758</u>	<u>195,242</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>246,943</u>	<u>1,293,044</u>	<u>1,046,101</u>	<u>(268,000)</u>	<u>(70,256)</u>	<u>197,744</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$246,943</u>	<u>1,293,044</u>	<u>\$1,046,101</u>	<u>(\$268,000)</u>	<u>(70,256)</u>	<u>\$197,744</u>
BEGINNING FUND BALANCES		<u>7,577,475</u>			<u>651,529</u>	
ENDING FUND BALANCES		<u>\$8,870,519</u>			<u>\$581,273</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)
\$200,000	\$126,092	(\$73,908)						
	2,347	2,347	\$155,000	\$98,824	(\$56,176)	\$135,129	\$67,564	(\$67,565)
	4,132	4,132						
<u>200,000</u>	<u>132,571</u>	<u>(67,429)</u>	<u>155,000</u>	<u>98,824</u>	<u>(56,176)</u>	<u>135,129</u>	<u>67,564</u>	<u>(67,565)</u>
179,603	120,926	58,677	155,000	98,824	56,176	135,129	67,564	67,565
<u>179,603</u>	<u>120,926</u>	<u>58,677</u>	<u>155,000</u>	<u>98,824</u>	<u>56,176</u>	<u>135,129</u>	<u>67,564</u>	<u>67,565</u>
<u>20,397</u>	<u>11,645</u>	<u>(8,752)</u>						
<u>\$20,397</u>	<u>11645</u>	<u>(\$8,752)</u>						
	<u>86,558</u>							
	<u>\$98,203</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, 2016

	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	\$273,273	\$315,035	\$41,762			
Use of money and property		2,913	2,913		\$1,109	\$1,109
Charges for services						
Other				\$2,000	1,558	(442)
Total Revenues	<u>273,273</u>	<u>317,948</u>	<u>44,675</u>	<u>2,000</u>	<u>2,667</u>	<u>667</u>
EXPENDITURES						
Current:						
Executive						
Finance						
Law						
Development services						
Community development						
Fire services						
Police services	180,000	126,839	53,161	22,500	12,053	10,447
Public works						
Capital outlay						
Total Expenditures	<u>180,000</u>	<u>126,839</u>	<u>53,161</u>	<u>22,500</u>	<u>12,053</u>	<u>10,447</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>93,273</u>	<u>191,109</u>	<u>97,836</u>	<u>(20,500)</u>	<u>(9,386)</u>	<u>11,114</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$93,273</u>	191,109	<u>\$97,836</u>	<u>(\$20,500)</u>	(9,386)	<u>\$11,114</u>
BEGINNING FUND BALANCES		<u>116,376</u>			<u>72,026</u>	
ENDING FUND BALANCES		<u>\$307,485</u>			<u>\$62,640</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	\$8,730	\$5,730	\$148,716	\$232,439	\$83,723	\$700	\$338	(\$362)
773,000	564,645	(208,355)				40,000	40,000	
<u>776,000</u>	<u>573,375</u>	<u>(202,625)</u>	<u>148,716</u>	<u>232,439</u>	<u>83,723</u>	<u>40,700</u>	<u>40,338</u>	<u>(362)</u>
573,000	564,645	8,355	141,215	87,016	54,199	93,700	61,801	31,899
200,000		200,000						
<u>773,000</u>	<u>564,645</u>	<u>208,355</u>	<u>141,215</u>	<u>87,016</u>	<u>54,199</u>	<u>93,700</u>	<u>61,801</u>	<u>31,899</u>
3,000	8,730	5,730	7,501	145,423	137,922	(53,000)	(21,463)	31,537
(3,000)	(8,730)	(5,730)	(7,501)	(145,423)	(137,922)			
(3,000)	(8,730)	(5,730)	(7,501)	(145,423)	(137,922)			
						<u>(\$53,000)</u>	<u>(21,463)</u>	<u>\$31,537</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, 2016

	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					\$2,735	\$2,735
Use of money and property	\$7,000	\$13,021	\$6,021			
Charges for services	4,000		(4,000)			
Other	10,305	20,379	10,074			
Total Revenues	21,305	33,400	12,095		2,735	2,735
EXPENDITURES						
Current:						
Executive	7,305		7,305			
Finance				\$139,608	128,880	10,728
Law						
Development services						
Community development						
Fire services						
Police services	3,000	20,379	(17,379)			
Public works	4,000		4,000	1,536,732		1,536,732
Capital outlay						
Total Expenditures	14,305	20,379	(6,074)	1,676,340	128,880	1,547,460
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,000	13,021	6,021	(1,676,340)	(126,145)	1,550,195
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(7,000)	(13,021)	(6,021)			
Total Other Financing Sources (Uses)	(7,000)	(13,021)	(6,021)			
NET CHANGE IN FUND BALANCES				(\$1,676,340)	(126,145)	\$1,550,195
BEGINNING FUND BALANCES					2,008,565	
ENDING FUND BALANCES					\$1,882,420	

NLP NUISANCE ABATEMENT FUND

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
	\$760	\$760
<u>\$128,205</u>	<u>97,346</u>	<u>(30,859)</u>
<u>128,205</u>	<u>98,106</u>	<u>(30,099)</u>
85,962	85,962	
<u>85,962</u>	<u>85,962</u>	
<u>42,243</u>	<u>12,144</u>	<u>(30,099)</u>
96,753	96,753	
<u>96,753</u>	<u>96,753</u>	
<u>\$138,996</u>	108,897	<u>(\$30,099)</u>
	<u>\$108,897</u>	

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INTERNAL SERVICE FUNDS

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

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
ASSETS					
Cash and investments	\$8,143,291	\$12,052,581	\$1,432,624	\$1,800,739	\$23,429,235
Accounts receivable	8,308	16,882	31,187		56,377
Due from other funds		5,136,475			5,136,475
Materials, parts, and supplies	171,640				171,640
Prepays					
Capital assets, net	<u>3,546,604</u>				<u>3,546,604</u>
Total Assets	<u>11,869,843</u>	<u>17,205,938</u>	<u>1,463,811</u>	<u>1,800,739</u>	<u>32,340,331</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	<u>137,994</u>	<u>23,633</u>			<u>161,627</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	168,873	23,502	1,307,371	1,618,092	3,117,838
Claims payable, current		3,511,269			3,511,269
Employee benefits payable, current	<u>91,618</u>	<u>2,757</u>	<u>156,440</u>		<u>250,815</u>
Current liabilities	<u>260,491</u>	<u>3,537,528</u>	<u>1,463,811</u>	<u>1,618,092</u>	<u>6,879,922</u>
Long-term liabilities:					
Claims payable		12,802,731			12,802,731
Employee benefits payable, long term				12,154,520	12,154,520
Net pension liability	<u>2,014,113</u>	<u>473,103</u>			<u>2,487,216</u>
Total Liabilities	<u>2,274,604</u>	<u>16,813,362</u>	<u>1,463,811</u>	<u>13,772,612</u>	<u>34,324,389</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	<u>101,372</u>	<u>7,788</u>			<u>109,160</u>
NET POSITION (DEFICITS)					
Net investment in capital assets	3,546,604				3,546,604
Unrestricted	<u>6,085,257</u>	<u>408,421</u>		<u>(11,971,873)</u>	<u>(5,478,195)</u>
Total Net Position (Deficits)	<u>\$9,631,861</u>	<u>\$408,421</u>		<u>(\$11,971,873)</u>	<u>(\$1,931,591)</u>

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
OPERATING REVENUES					
Charges for services	\$4,587,278	\$7,834,513		\$3,693,160	\$16,114,951
Other	74,281				74,281
Total operating revenues	<u>4,661,559</u>	<u>7,834,513</u>		<u>3,693,160</u>	<u>16,189,232</u>
OPERATING EXPENSES					
Operating expenses	2,365,595	1,869,908		3,586,429	7,821,932
Insurance and claims		4,714,134			4,714,134
Depreciation	1,210,333				1,210,333
Total operating expenses	<u>3,575,928</u>	<u>6,584,042</u>		<u>3,586,429</u>	<u>13,746,399</u>
Operating income (loss)	<u>1,085,631</u>	<u>1,250,471</u>		<u>106,731</u>	<u>2,442,833</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income (expense)	117,152	288,271		16,825	422,248
Total nonoperating revenues (expenses)	<u>117,152</u>	<u>288,271</u>		<u>16,825</u>	<u>422,248</u>
Income (loss) before transfers	<u>1,202,783</u>	<u>1,538,742</u>		<u>123,556</u>	<u>2,865,081</u>
OTHER FINANCING SOURCES (USES)					
Gain on sale of assets	130,646				130,646
Transfers in		500,000			500,000
Total other financing sources (uses)	<u>130,646</u>	<u>500,000</u>			<u>630,646</u>
Change in net position	1,333,429	2,038,742		123,556	3,495,727
BEGINNING NET POSITION (DEFICIT)	<u>8,298,432</u>	<u>(1,630,321)</u>		<u>(12,095,429)</u>	<u>(5,427,318)</u>
ENDING NET POSITION (DEFICIT)	<u><u>\$9,631,861</u></u>	<u><u>\$408,421</u></u>		<u><u>(\$11,971,873)</u></u>	<u><u>(\$1,931,591)</u></u>

CITY OF VALLEJO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Fleet Maintenance/ Replacement	Insurance	Payroll Benefits	Retiree Health Benefits (OPEB)	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$4,653,251	\$7,817,631		\$3,693,160	\$16,164,042
Payments to suppliers	(1,438,076)	(676,549)			(2,114,625)
Payments to or on behalf of employees	(936,257)	(1,255,231)	\$1,421,178	(4,405,228)	(5,175,538)
Claims paid		(3,999,134)			(3,999,134)
Cash Flows from Operating Activities	<u>2,278,918</u>	<u>1,886,717</u>	<u>1,421,178</u>	<u>(712,068)</u>	<u>4,874,745</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in		500,000			500,000
Intergovernmental receipts (payments)		(2,399,921)			(2,399,921)
Cash Flows from Noncapital Financing Activities		<u>(1,899,921)</u>			<u>(1,899,921)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	145,948				145,948
Acquisition of capital assets	(1,619,483)				(1,619,483)
Cash Flows from Capital and Related Financing Activities	<u>(1,473,535)</u>				<u>(1,473,535)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	117,152	288,271		16,825	422,248
Cash Flows from Investing Activities	<u>117,152</u>	<u>288,271</u>		<u>16,825</u>	<u>422,248</u>
Net Cash Flows	922,535	275,067	1,421,178	(695,243)	1,923,537
Cash and investments at beginning of period	7,220,756	11,777,514	11,446	2,495,982	21,505,698
Cash and investments at end of period	<u>\$8,143,291</u>	<u>\$12,052,581</u>	<u>\$1,432,624</u>	<u>\$1,800,739</u>	<u>\$23,429,235</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$1,085,631	\$1,250,471		\$106,731	\$2,442,833
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	1,210,333				1,210,333
Change in assets and liabilities:					
Receivables, net	(8,308)	(16,882)	\$29,660		4,470
Other assets	18,228	4,621			22,849
Accounts payable and accrued liabilities	6,948	(55,450)	1,262,076	(773,648)	439,926
Employee benefits payable	(5,687)	(23,281)	129,442	(45,151)	55,323
Net pension liability and deferred outflows/inflows of resources related to pensions	(28,227)	12,238			(15,989)
Claims payable		715,000			715,000
Cash Flows from Operating Activities	<u>\$2,278,918</u>	<u>\$1,886,717</u>	<u>\$1,421,178</u>	<u>(\$712,068)</u>	<u>\$4,874,745</u>
Non cash transactions:					
Retirement of capital assets, net	<u>(\$15,302)</u>				<u>(\$15,302)</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, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>NE Quadrant Assessment District 2003-B</u>				
<u>Assets</u>				
Cash and investments	<u>\$49,611</u>	<u>\$777</u>	<u>\$4,500</u>	<u>\$45,888</u>
Total Assets	<u>\$49,611</u>	<u>\$777</u>	<u>\$4,500</u>	<u>\$45,888</u>
<u>Liabilities</u>				
Due to property owners	<u>\$49,611</u>	<u>\$777</u>	<u>\$4,500</u>	<u>\$45,888</u>
Total Liabilities	<u>\$49,611</u>	<u>\$777</u>	<u>\$4,500</u>	<u>\$45,888</u>
<u>Hiddenbrooke Improvement District</u>				
<u>Assets</u>				
Cash and investments	\$3,085,076	\$1,773,525	\$1,905,621	\$2,952,980
Restricted cash and investments	<u>3,323,728</u>	<u>342</u>	<u>19,233</u>	<u>3,304,837</u>
Total Assets	<u>\$6,408,804</u>	<u>\$1,773,867</u>	<u>\$1,924,854</u>	<u>\$6,257,817</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$6,408,804</u>	<u>\$1,773,867</u>	<u>\$1,924,854</u>	<u>\$6,257,817</u>
Total Liabilities	<u>\$6,408,804</u>	<u>\$1,773,867</u>	<u>\$1,924,854</u>	<u>\$6,257,817</u>

CITY OF VALLEJO
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
<u>NE Quadrant Improvement District 2003-01</u>				
<u>Assets</u>				
Cash and investments	\$530,881	\$524,970	\$687,932	\$367,919
Restricted cash and investments	1,562,581	118	967,814	594,885
Total Assets	<u>\$2,093,462</u>	<u>\$525,088</u>	<u>\$1,655,746</u>	<u>\$962,804</u>
<u>Liabilities</u>				
Due to bondholders	\$2,093,462	\$525,088	\$1,655,746	\$962,804
Total Liabilities	<u>\$2,093,462</u>	<u>\$525,088</u>	<u>\$1,655,746</u>	<u>\$962,804</u>
 <u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$3,665,568	\$2,299,272	\$2,598,053	\$3,366,787
Restricted cash and investments held with fiscal agent	4,886,309	460	987,047	3,899,722
Total Assets	<u>\$8,551,877</u>	<u>\$2,299,732</u>	<u>\$3,585,100</u>	<u>\$7,266,509</u>
<u>Liabilities</u>				
Due to bondholders	\$8,502,266	\$2,298,955	\$3,580,600	\$7,220,621
Due to property owners	49,611	777	4,500	45,888
Total Liabilities	<u>\$8,551,877</u>	<u>\$2,299,732</u>	<u>\$3,585,100</u>	<u>\$7,266,509</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 Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and sales 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
- Taxable Sales by Category
- Top 25 Principal Sales Tax Payers

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net Investment in Capital Assets	\$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	\$314,654,942
Restricted	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	68,373,151
Unrestricted	(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)	(177,003,436)
Total governmental activities net position	<u>\$ 361,176,082</u>	<u>\$ 345,252,869</u>	<u>\$ 324,619,671</u>	<u>\$ 336,730,053</u>	<u>\$ 367,633,439</u>	<u>\$ 385,218,767</u>	<u>\$ 383,743,678</u>	<u>\$ 398,377,765</u>	<u>\$ 187,508,870</u>	<u>\$ 206,024,657</u>
Business-type activities:										
Net Investment in Capital Assets	\$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	\$40,191,379
Restricted	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	5,253,836
Unrestricted	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	(75,800)
Total business-type activities net position	<u>\$ 263,348,584</u>	<u>\$ 291,304,141</u>	<u>\$ 282,846,724</u>	<u>\$ 275,348,541</u>	<u>\$ 302,094,541</u>	<u>\$ 99,847,542</u>	<u>\$ 64,325,157</u>	<u>\$ 69,428,202</u>	<u>\$ 44,719,342</u>	<u>\$ 45,369,415</u>
Primary government:										
Net Investment in Capital Assets	\$ 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	\$ 354,846,321
Restricted	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	73,626,987
Unrestricted	(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)	(177,079,236)
Total primary government net position	<u>\$ 624,524,666</u>	<u>\$ 636,557,010</u>	<u>\$ 607,466,395</u>	<u>\$ 612,078,594</u>	<u>\$ 669,727,980</u>	<u>\$ 485,066,309</u>	<u>\$ 448,068,835</u>	<u>\$ 467,805,967</u>	<u>\$ 232,228,212</u>	<u>\$ 251,394,072</u>

Notes: ¹ 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.

² The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

³ 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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Legislative and Advisory	\$ 277,713	\$ 285,594	\$ 230,008	\$ 125,753	\$ 181,654	\$ 220,581	\$ 304,333	\$ 213,736	\$ 268,785	\$ 257,208
Executive	1,443,648	686,783	515,508	922,039	513,771	2,442,285	3,012,974	3,844,344	3,817,882	2,386,112
Finance	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	2,009,568
Human Resources	1,325,483	668,458	500,773	499,447	556,953	962,813	1,026,415	930,294	1,034,655	1,390,288
Law	860,128	867,418	907,159	760,735	719,025	503,754	1,158,594	1,079,614	694,447	976,895
Development Services	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	2,954,366
Community Development	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	27,801,563
Fire services	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	24,573,111
Police services	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	38,994,284
Public Works	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	29,491,475
Nondepartmental	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	2,649,965	2,694,646	2,506,891	2,764,194	2,223,807	766,981	209,054	196,404	541,370	462,398
Total governmental activities expenses	<u>159,089,950</u>	<u>150,738,832</u>	<u>143,229,142</u>	<u>121,709,659</u>	<u>115,888,937</u>	<u>112,790,928</u>	<u>127,788,270</u>	<u>123,136,077</u>	<u>134,265,943</u>	<u>131,297,268</u>
Business-type activities:										
Water	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	34,856,203
Local Transportation	30,667,114	28,873,584	28,008,014	27,091,545	29,226,639	18,138,000	2,612,944	-	-	-
Sanitation & Flood Control	26,012,630	27,478,992	28,865,210	29,261,276	29,284,313	-	-	-	-	-
Marine World JPA	55,980,978	40,016,158	-	-	-	-	-	-	-	-
Other proprietary funds	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	5,622,800
Total business-type activities expenses	<u>149,085,613</u>	<u>132,817,516</u>	<u>94,770,629</u>	<u>94,639,370</u>	<u>94,060,762</u>	<u>52,664,694</u>	<u>41,734,607</u>	<u>39,764,642</u>	<u>41,523,236</u>	<u>40,479,003</u>
Total primary government expenses	<u>\$ 308,175,563</u>	<u>\$ 283,556,348</u>	<u>\$ 237,999,771</u>	<u>\$ 216,349,029</u>	<u>\$ 209,949,699</u>	<u>\$ 165,455,622</u>	<u>\$ 169,522,877</u>	<u>\$ 162,900,719</u>	<u>\$ 175,789,179</u>	<u>\$ 171,776,271</u>
Program Revenues										
Governmental activities:										
Charges for services	\$ 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	\$ 24,632,362
Operating grants and contributions	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	26,731,559
Capital grants and contributions	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	8,851,629
Total governmental activities program revenues	<u>66,317,210</u>	<u>49,576,065</u>	<u>45,278,061</u>	<u>64,141,335</u>	<u>77,222,939</u>	<u>68,390,499</u>	<u>58,359,834</u>	<u>63,078,078</u>	<u>54,473,952</u>	<u>60,215,550</u>
Business-type activities:										
Charges for services	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	37,578,399
Operating grants and contributions	16,154,147	16,349,279	13,279,238	13,953,527	17,808,014	7,735,861	350,876	-	22,479	25,847
Capital grants and contributions	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	1,383,466
Total business-type activities program revenues	<u>144,989,428</u>	<u>130,719,578</u>	<u>88,377,271</u>	<u>86,366,064</u>	<u>118,049,770</u>	<u>60,268,825</u>	<u>42,010,633</u>	<u>42,921,122</u>	<u>40,696,313</u>	<u>38,987,712</u>
Total primary government program revenues	<u>\$ 211,306,638</u>	<u>\$ 180,295,643</u>	<u>\$ 133,655,332</u>	<u>\$ 150,507,399</u>	<u>\$ 195,272,709</u>	<u>\$ 128,659,324</u>	<u>\$ 100,370,467</u>	<u>\$ 105,999,200</u>	<u>\$ 95,170,265</u>	<u>\$ 99,203,262</u>
Net revenue/(expense)										
Governmental activities	\$ (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)	\$ (71,081,718)
Business-type activities	(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)	(1,491,291)
Total primary government net expense	<u>\$ (96,868,925)</u>	<u>\$ (103,260,705)</u>	<u>\$ (104,344,439)</u>	<u>\$ (65,841,630)</u>	<u>\$ (14,676,990)</u>	<u>\$ (36,796,298)</u>	<u>\$ (69,152,410)</u>	<u>\$ (56,901,519)</u>	<u>\$ (80,618,914)</u>	<u>\$ (72,573,009)</u>

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(Continued)										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 16,956,367
Incremental property taxes	4,302,203	4,908,635	3,591,154	3,280,994	3,061,230	1,790,418	-	-	-	-
Sales taxes	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	27,767,194
Utility user taxes	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	12,994,432
Motor vehicles / In lieu property tax	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	8,526,690
Other taxes	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	12,979,029
Mare Island CFD Assessments	-	5,311,886	5,022,136	3,499,675	2,099,096	-	-	-	-	-
Investment earnings	6,686,545	6,043,677	2,826,200	968,998	1,579,810	1,282,961	419,817	679,347	1,376,228	1,765,281
Gain on sale of capital assets	-	-	-	-	-	-	-	102,447	21,700	173,859
Insurance recoveries	-	-	-	-	-	-	-	-	913,838	-
Miscellaneous	2,433,895	3,244,188	4,038,522	3,824,312	4,002,078	3,435,245	3,874,022	3,837,952	5,364,701	4,868,998
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	5,293,678
Transfers	72,871	1,352,629	(621,487)	2,270,320	(372,100)	438,038	(4,401,612)	(1,591,754)	(2,685,186)	(1,728,023)
Total governmental activities	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	89,597,505
Business-type activities:										
Investment earnings	4,225,630	2,716,137	(2,857,059)	2,930,362	1,358,973	401,785	106,369	354,811	251,358	413,341
Miscellaneous	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	(72,871)	(1,352,629)	621,487	(2,270,320)	372,100	(438,038)	4,401,612	1,591,754	2,685,186	1,728,023
Total business-type activities	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	2,141,364
Total primary government	\$ 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	\$ 91,738,869
Change in Net Position										
Governmental activities	\$ (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	\$ 18,515,787
Business-type activities	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	650,073
Total primary government	\$ (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	\$ 19,165,860

Notes: ¹ 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.

² The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

³ 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 1,774,947	\$ 2,059,564	\$ 1,928,641	\$ 2,004,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,246,450	1,453,476	2,397,227	3,834,873	-	-	-	-	-	-
Nonspendable	-	-	-	-	6,509,043	1,315,581	1,303,621	1,294,967	1,315,114	2,192,050
Restricted	-	-	-	-	208,435	242,919	241,179	249,697	271,572	272,885
Committed	-	-	-	-	350,685	381,709	356,245	2,617,267	2,691,002	2,251,472
Assigned	-	-	-	-	304,729	9,874,285	5,233,259	7,910,909	9,302,184	11,102,326
Unassigned	-	-	-	-	6,340,374	11,084,523	9,797,270	6,944,336	7,976,200	9,929,786
Total General Fund	\$ 7,021,397	\$ 3,513,040	\$ 4,325,868	\$ 5,839,440	\$ 13,713,266	\$ 22,899,017	\$ 16,931,574	\$ 19,017,176	\$ 21,556,072	\$ 25,748,519 ¹
All Other Governmental Funds										
Reserved	\$ 68,287,067	\$ 106,524,043	\$ 88,606,846	\$ 83,361,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	11,999,502	146,399	98,115	4,249	-	-	-	-	-	-
Debt service funds	(5,322,945)	(5,529,994)	(5,530,905)	(5,530,904)	-	-	-	-	-	-
Capital projects funds	41,485,128	733,691	780,658	1,327,530	-	-	-	-	-	-
Permanent funds	120,291	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	3,898,072	102,072	102,072	240,832	102,072	71,236
Restricted	-	-	-	-	75,195,891	54,463,122	52,151,109	55,992,171	55,838,343	58,248,081
Committed	-	-	-	-	1,890,263	3,087,235	9,799,861	9,045,767	6,028,419	6,806,813
Assigned	-	-	-	-	2,423	1,883	3,088	196,806	5,938,342	5,961,263
Unassigned	-	-	-	-	(6,390,906)	-	-	-	-	-
Total all other governmental funds	\$ 116,569,043	\$ 101,874,139	\$ 83,954,714	\$ 79,162,215	\$ 74,595,743	\$ 57,654,312	\$ 62,056,130	\$ 65,475,576	\$ 67,907,176	\$ 71,087,393 ¹

Note: ¹ The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Taxes	\$ 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	\$ 70,410,583
Licenses and permits	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	4,026,167
Fines and forfeitures	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	1,878,579
Intergovernmental	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	45,197,746
Investment income	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	3,696,181
Charges for services	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	19,429,149
Other	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	1,426,715
Total revenues	145,363,280	131,389,500	121,948,379	130,354,621	139,373,017	131,638,994	131,171,083	137,823,019	137,210,275	146,065,120
Expenditures										
Current:										
Legislative and Advisory	270,743	292,370	215,485	152,693	180,050	219,289	275,664	207,903	264,854	294,088
Executive	1,425,841	736,846	621,003	958,688	530,814	2,221,478	2,747,243	3,600,970	3,794,952	2,641,913
Finance	1,926,168	1,159,374	1,696,164	1,696,193	1,658,660	934,626	1,183,251	1,636,027	1,636,916	2,102,912
Human resources	1,319,304	723,493	553,254	542,961	542,742	986,692	993,835	868,575	1,017,017	1,431,434
Law	871,733	892,284	863,429	812,432	702,882	592,192	1,027,329	1,116,788	692,338	1,133,882
Development services	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	3,047,840
Community Development	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	26,457,500
Fire services	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	25,569,791
Police services	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	39,698,362
Public works	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	15,123,636
Redevelopment and housing	-	-	-	-	-	-	-	-	-	-
Nondepartmental	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	4,552,327
Capital Outlay	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	14,073,942
Debt service:										
Principal	3,966,314	1,497,254	1,464,697	1,767,835	1,324,504	6,033,970	275,131	397,268	746,689	927,301
Interest	2,667,960	2,589,723	2,392,481	2,257,120	1,306,025	766,981	204,899	186,276	358,575	343,902
Total expenditures	169,803,553	153,259,051	138,541,071	133,556,936	134,599,811	126,187,191	131,800,491	130,303,624	132,835,944	137,398,830
Excess (deficiency) of revenues over (under) expenditures	(24,440,273)	(21,869,551)	(16,592,692)	(3,202,315)	4,773,206	5,451,803	(629,408)	7,519,395	4,374,331	8,666,290
Other financing sources (uses):										
Gain (loss) on sale of assets	-	-	-	381,327	119,428	-	-	44,352	-	71,185
Transfers in	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	6,021,537
Transfers out	(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)	(8,249,560)
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)	-	-	-	-	-	-
Total other financing sources (uses)	724,900	3,666,290	(513,905)	(76,612)	(1,465,852)	(533,196)	(936,217)	(2,014,347)	(3,185,186)	(2,156,838)
Extraordinary/Special Item:										
Assets transferred to/liabilities assumed by										
Successor Agency/Housing Successor	-	-	-	-	-	(12,674,287)	-	-	3,781,351	863,212
Net change in fund balances	\$ (23,715,373)	\$ (18,203,261)	\$ (17,106,597)	\$ (3,278,927)	\$ 3,307,354	\$ (7,755,680)	\$ (1,565,625)	\$ 5,505,048	\$ 4,970,496	\$ 7,372,664
Beginning fund balance	\$ 147,305,813	\$ 123,590,440	\$ 105,387,179	\$ 88,280,582	\$ 85,001,655	\$ 88,309,009	\$ 80,553,329	\$ 78,987,704	\$ 84,492,752	\$ 89,463,248
Prior period adjustments	-	-	-	-	-	-	-	-	-	-
Ending fund balance	\$ 123,590,440	\$ 105,387,179	\$ 88,280,582	\$ 85,001,655	\$ 88,309,009	\$ 80,553,329	\$ 78,987,704	\$ 84,492,752	\$ 89,463,248	\$ 96,835,912
Debt service as a percentage of noncapital expenditures	5%	3%	3%	3%	2%	6%	0%	0%	1%	1%

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30	City					Former Agency / Successor Agency to Redevelopment Agency 1					Total Direct Tax Rate
	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Nonunitary Utilities	Less: Exemptions	Taxable Assessed Value	
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	8,790,923,985	215,615,952	113,370	(990,126,778)	8,016,526,529	343,524,473	52,435,017	132,592	(55,876,943)	340,215,139	0.24622%
2016	9,367,567,455	208,385,912	113,370	(1,014,346,016)	8,561,720,721	361,136,586	54,225,181	132,592	(51,564,900)	363,929,459	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.

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

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>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>	<u>2016</u>
City Direct Rates:										
City basic rate	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>	<u>0.24622</u>
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	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365	0.01365
Mosquito Abatement	0.00587	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	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>	<u>0.01474</u>
Total Prop. 13 Direct Rate	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	0.01211	0.01189	0.00000	0.01538	0.01636	0.01711	0.01768	0.01820	0.01299	0.00000
SCC GOB 2012 Series A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01384	0.01337	0.01232
Vallejo U.S.D. Measure A 2002	0.01852	0.01556	0.01571	0.01885	0.01741	0.01609	0.01261	0.01250	0.00853	0.00730
Vallejo U.S.D. Measure A 2004	0.01019	0.00914	0.00962	0.01219	0.01258	0.01258	0.01187	0.01305	0.01086	0.01007
SCC GOB 2012 Series B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00475	0.00387	0.00326
SCC GOB 2014 Ref Series A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00131	0.00148
SCC GOB 2014 Ref Series B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00309	0.01607
Vallejo U.S.D. 2002-A GOB Refunding	0.03828	0.03597	0.03958	0.05369	0.07544	0.06555	0.06576	0.06850	0.06358	0.06144
Vallejo U.S.D. Measure A - 2006	0.01643	0.01153	0.00993	0.00494	0.00804	0.00649	0.00646	0.00711	0.00588	0.00544
SCC GOB Series 2006B	0.00336	0.00269	0.00258	0.00309	0.00309	0.00304	0.00292	0.00276	0.00208	0.00178
SCC GOB Series 2005 Refunding	-	-	0.012399	-	-	-	-	-	-	-
Total Voter Approved Rate	0.11888	0.10677	0.10981	0.12812	0.15292	0.14086	0.13730	0.16070	0.14556	0.13917
Total Direct Rate	<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>	<u>1.13917</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

Source: Solano County Auditor-Controller's Office

Top 10 Principal Property Tax Payers

Current Year and Nine Years Ago

Taxpayer	2016		2007	
	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	\$ 105,282,089	1.18%	\$ 68,325,981	0.83%
Park Management Corporation	77,311,955	0.87%	54,570,033	0.66%
Prime Ascot LP	58,473,115	0.66%		
Sundance- Vallejo	34,521,479	0.39%	30,374,890	0.37%
MG Sterling Vill Apartment GWP	30,907,896	0.35%		
(George) Ogino LLC	28,383,144	0.32%	23,154,000	0.28%
KW WDC Vallejo LLC	26,770,021	0.30%		
Lennar Mare Island LLC	24,334,384	0.27%		
Lowes HIW Inc	21,747,758	0.24%		
Comcast	20,458,846	0.23%		
Kaiser Foundation Hospitals	-		250,558,097	3.03%
Sutter Solano Medical Center	-		64,290,971	0.78%
Pan Pacific Retail Properties, Inc.	-		27,013,561	0.33%
Misawa Gines USA Inc.	-		18,083,580	0.22%
Vallejo Highlands Associates	-		30,617,144	0.37%
Centro Watt Operating Partnership	-		24,888,000	0.30%
Top Ten Totals	<u>\$ 428,190,687</u>	<u>4.80%</u>	<u>\$ 591,876,257</u>	<u>7.16%</u>

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
2007	\$ 19,935,587.00	\$19,725,185.00	98.94%	not available	not available	n.a.
2008	\$ 21,379,627.00	\$21,159,268.00	98.97%	not available	not available	n.a.
2009	\$ 18,650,665.00	\$18,392,684.00	98.62%	not available	not available	n.a.
2010	\$ 13,724,398.00	\$13,463,254.00	98.10%	not available	not available	n.a.
2011	\$ 14,988,824.00	\$14,721,738.00	98.22%	not available	not available	n.a.
2012	\$ 14,464,482.00	\$14,216,317.00	98.28%	not available	not available	n.a.
2013	\$ 13,895,641.00	\$13,649,602.00	98.23%	not available	not available	n.a.
2014	\$ 14,207,379.00	\$14,036,515.00	98.80%	not available	not available	n.a.
2015	\$ 15,455,643.41	\$15,302,849.73	99.01%	not available	not available	n.a.
2016	\$ 16,777,950.69	\$16,639,812.58	99.18%	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

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS

State Board of Equalization Major Business Categories	Calendar Yr 2006 Totals	Calendar Yr 2007 Totals	Calendar Yr 2008 Totals	Calendar Yr 2009 Totals	Calendar Yr 2010 Totals	Calendar Yr 2011 Totals	Calendar Yr 2012 Totals	Calendar Yr 2013 Totals	Calendar Yr 2014 Totals	Calendar Yr 2015 Totals	YTD % change
Retail Group											
Apparel Stores	387,552	390,692	359,513	369,543	360,763	345,862	605,365	758,982	729,060	774,468	6%
Auto Dealers and Supplies	3,067,924	2,879,479	1,998,036	1,470,319	1,513,273	1,631,711	3,350,870	4,810,138	5,141,839	5,689,553	11%
Building Materials	931,777	799,622	720,223	644,770	662,073	746,590	1,300,322	1,690,133	1,720,598	1,872,305	9%
Drug Stores	160,438	167,467	172,695	167,018	176,892	191,552	338,120	395,157	471,278	496,641	5%
Eating and Drinking Places	1,087,413	1,131,324	1,125,658	1,067,025	1,059,653	1,115,102	2,050,277	2,483,150	2,665,448	2,906,373	9%
Food Stores	1,069,303	820,704	511,981	503,626	466,673	503,023	912,903	1,139,899	1,209,115	1,291,787	7%
Furniture and Appliances	462,862	640,849	609,548	559,419	579,883	648,822	1,097,635	1,416,513	1,466,057	1,495,456	2%
General Merchandise	1,591,109	1,551,765	1,519,286	1,352,361	1,433,255	1,496,190	2,752,006	3,118,356	3,142,565	3,157,454	0%
Other Retail Stores	679,287	625,491	575,426	502,195	466,542	449,602	985,360	1,290,156	1,305,731	1,314,263	1%
Packaged Liquor	83,965	82,817	84,533	84,430	82,831	86,022	158,442	180,317	209,710	239,682	14%
Service Stations	1,267,360	1,497,983	1,584,449	1,129,465	1,357,559	1,583,528	2,876,297	3,144,854	3,384,436	2,761,900	-18%
Total Retail Group	10,788,989	10,588,194	9,261,348	7,850,171	8,159,397	8,798,004	16,427,597	20,427,655	21,445,837	21,999,882	3%
Non-Store & Part Time Retailers	26,281	28,839	23,761	18,852	21,303	4,923	42,407	55,142	46,717	51,216	10%
Business, Service & Repair Group	738,220	786,320	784,686	610,460	559,570	594,428	1,455,135	1,707,567	1,722,581	1,877,718	9%
Manufacturer & Wholesaler Group											
Contractions & Material	182,963	182,408	363,377	357,909	163,573	204,032	275,750	257,457	361,198	357,650	-1%
Drugs & Chemical	4,305	2,841	2,301	62	-	-	39,633	46,141	56,577	139,697	147%
Food/Farm Products & Equip	19,095	19,474	22,570	23,370	83,322	13,172	(27,521)	54,641	55,199	35,418	-36%
Furniture & Textiles	3,867	9,336	5,627	3,186	1,483	1,578	9,266	15,756	19,400	18,527	-5%
Heavy Industrial Equipment	107,271	148,647	252,867	211,939	119,087	148,636	251,122	234,838	246,794	213,383	-14%
Industrial Equipment	136,498	134,660	194,877	99,609	101,367	76,267	227,485	295,961	316,909	370,663	17%
All Other Equipment	12,398	11,767	5,706	22,102	3,497	4,252	296,596	420,478	404,424	487,063	20%
Total Mfg & Wholesale Group	466,396	509,133	847,325	718,175	472,329	447,937	1,072,331	1,325,272	1,460,501	424,543	-71%
State Adjustments & Transfers	(339)	427	140	(243)	(116)	(273)	509	5,675	3,205	(10,290)	-421%
Total Sales All Outlets	12,019,547	11,912,913	10,917,260	9,197,415	9,212,483	9,845,019	18,997,979	23,521,311	24,678,841	24,343,069	-1%
Retail Group	10,788,989	10,588,194	9,261,348	7,850,171	8,159,397	8,798,004	16,427,597	20,427,655	21,445,837	21,999,882	3%
Non-Store & Part Time Retailers	26,281	28,839	23,761	18,852	21,303	4,923	42,407	55,142	46,717	51,216	10%
Business, Service & Repair Group	738,220	786,320	784,686	610,460	559,570	594,428	1,455,135	1,707,567	1,722,581	1,877,718	9%
Manufacturer & Wholesaler Group	466,396	509,133	847,325	718,175	472,329	447,937	1,072,331	1,325,272	1,460,501	424,543	-71%
State Adjustments & Transfers	(339)	427	140	(243)	(116)	(273)	509	5,675	3,205	(10,290)	-421%
Total Point of Sale	12,019,547	11,912,913	10,917,260	9,197,416	9,212,483	9,845,019	18,997,979	23,521,311	24,678,841	24,343,069	-1%
County Pool	1,806,648	1,526,135	1,023,183	1,346,368	1,146,988	1,316,169	1,185,156	1,510,000	1,475,021	1,634,979	11%
State Pool	20,253	6,817	5,825	8,650	4,915	1,701	6,051	7,149	10,111	10,358	2%
Sales Tax Receipts	13,846,448	13,445,865	11,946,268	10,552,434	10,364,387	11,162,889	11,799,325	12,781,159	13,128,117	13,546,345	3%
Transaction & Use Tax (MEASURE B)	-	-	-	-	-	-	8,389,861	12,257,300	13,035,854	13,639,919	
Total Receipts	13,846,448	13,445,865	11,946,268	10,552,434	10,364,387	11,162,889	20,189,186	25,038,459	26,163,971	27,186,264	4%

Top 25 Principal Sales Tax Payers**CALENDAR YEARS 2015 and 2005**

IN ALPHABETICAL ORDER

2015	2005
AT&T Mobility	Avery Greene Honda
Au Energy Shell Station	Barber Chrysler Dodge Jeep
Autolinx	Bill Lang Pontiac Cadillac
Avery Greene Honda	Cornelius Ford
Best Buy	Costco
Costco	First Capitol Auction
First Capitol Auction	Harley Davidson
Foster Lumber Yard	Home Depot
Home Depot	JCs RVs
Kohls	Kohls
La Mesa RV Center	Mervyns
Lowe's	Nino Quality Motors
Marshalls	R & J Cycles
McDonalds	Rose Import Motors
Momentum Chrysler/Dodge/Jeep/Kia	Ross
Ross	Safeway
Safeway	Safeway Fuel
Safeway Fuel	Shell/Texaco
Six Flags Discovery Kingdom	Six Flags Discovery Kingdom
Target	Target
Team Chevrolet Cadillac Hyundai Mazda	Team Chevrolet Cadillac Hyundai Mazda
Toyota Vallejo	Toyota Vallejo
Tributary Point Arco	Vallejo Nissan
Vallejo Nissan	Walmart Neighborhood Market
Walmart Neighborhood Market	Yardbirds Electric & Plumbing

Source: HDL Report

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					
	General Obligation Bonds	RDA Tax Allocation Bonds ¹	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations	Total Governmental Activities
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
2016	-	-	3,420,210	13,936,400	507,320	17,863,930

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

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

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

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

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

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

Fiscal Year Ended June 30	Business-type Activities ³				Total Business-type Activities	Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
	Revenue Bonds	Certificates of Participation	Loans & Notes Payable	Capital Lease Obligations				
2007	65,882,818	153,269,877	17,780,129	-	236,932,824	276,662,465	6.61%	2,285
2008	64,831,880	94,131,286	21,130,805	-	180,093,971	218,737,410	4.86%	1,806
2009	62,705,942	91,457,179	19,817,014	-	173,980,135	211,158,877	4.59%	1,744
2010	60,485,004	87,771,532	18,485,394	-	166,741,930	203,176,578	4.22%	1,673
2011	58,169,066	87,265,475	17,998,136	-	163,432,677	198,597,225	4.37%	1,705
2012	58,923,128	53,334,101	40,340,363	-	152,597,592	171,134,458	3.88%	1,476
2013	54,497,312	-	26,727,801	-	81,225,113	99,566,540	3.22%	850
2014	53,814,629	-	25,416,179	-	79,230,808	97,174,967	3.10%	820
2015	51,560,639	-	24,252,560	-	75,813,199	94,461,822	3.04%	789
2016	49,201,649	-	23,254,939	-	72,456,588	90,320,518	2.97%	770

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 ²	Per Capita ³
	General Obligation Bonds	RDA Tax Allocation Bonds ¹	Total		
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%	-
2016	-	-	-	0.00%	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

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

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

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

Direct and Overlapping Debt**June 30, 2016**

FY 2015-16 Assessed Valuation Citywide Total		\$ 8,925,650,180	
Successor Agency Incremental Valuation		(363,929,459)	
FY 2015-16 Adjusted City-Only Assessed Valuation		<u>\$ 8,561,720,721</u>	
	Percentage	Total	City's Estimated
	Applicable ¹	Outstanding	Share of
		Debt 6/30/16	Overlapping
			Debt 6/30/16
Overlapping Tax and Assessment Debt:			
Solano County Community College District	20.019%	\$ 216,406,333	\$ 43,322,384
Vallejo Unified School District	97.764%	67,935,000	66,415,973
Vallejo Unified School District CFD No. 2	100.000%	19,090,000	19,090,000
City of Vallejo Hiddenbrooke Improvement District No. 1998-1	100.000%	13,160,000	13,160,000
City of Vallejo 1915 Act Bonds	100.000%	6,565,000	6,565,000
Total overlapping debt repaid with property taxes		<u>323,156,333</u>	<u>148,553,357</u>
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	19.213%	94,655,000	\$ 18,186,065
Solano County Pension Obligations	19.213%	55,810,000	10,722,775
Solano County Board of Education Certificates of Participation	19.213%	1,045,000	200,776
Solano Community College District Certificates of Participation	20.019%	10,572,508	2,116,510
Vallejo Unified School District Certificates of Participation	97.764%	27,480,000	26,865,547
City of Vallejo General Fund Obligations	100.000%	38,510,223	38,510,223
Total Direct and Overlapping General Fund Debt		<u>228,072,731</u>	<u>96,601,896</u>
Overlapping Tax Increment Debt (Successor Agency):	100.000%	<u>\$ 6,440,000</u>	<u>6,440,000</u>
Total City Direct Debt			<u>\$38,510,223</u>
Total overlapping debt ²			<u>\$ 213,085,030</u>
Combined Total Debt			<u>\$ 251,595,253</u>

Notes:

¹ 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.

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

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.66%
Total Direct Debt (\$38,510,223)	0.43%
Combined Total Debt	2.82%

Ratios to Redevelopment Successor Agency Incremental Value:

Total Overlapping Tax Increment Debt	1.91%
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Source: California Municipal Statistics, Inc.

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed valuation	\$ 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	\$ 8,016,526,529	\$ 8,561,720,721
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	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	2,004,131,632	2,140,430,180
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	\$ 343,853,023	\$ 377,017,363	\$ 357,508,886	\$ 289,844,644	\$ 271,885,946	\$ 262,558,872	\$ 274,343,547	\$ 271,432,533	\$ 300,619,745	\$ 321,064,527
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 343,853,023</u>	<u>\$ 377,017,363</u>	<u>\$ 357,508,886</u>	<u>\$ 289,844,644</u>	<u>\$ 271,885,946</u>	<u>\$ 262,558,872</u>	<u>\$ 274,343,547</u>	<u>\$ 271,432,533</u>	<u>\$ 300,619,745</u>	<u>\$ 321,064,527</u>
Total debt applicable to the limit as a percentage of debt limit ¹	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

¹ 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	Water Revenue Bonds (a)				
	Gross Water Revenues (a)	Less Expenses (b)	Net Available Revenues	Total Debt Service (c)	City system Coverage
2007	35,784,017	22,812,283	12,971,734	4,866,200	2.67
2008	37,066,802	22,961,893	14,104,909	4,574,731	3.08
2009	33,442,234	24,473,086	8,969,148	5,285,910	1.70
2010	32,555,633	25,393,647	7,161,986	5,819,158	1.23
2011	36,836,222	23,243,250	13,592,972	5,029,601	2.70
2012	35,443,045	24,069,547	11,373,498	5,027,461	2.26
2013	36,121,520	25,393,089	10,728,431	5,064,399	2.12
2014	39,167,233	25,860,570	13,306,663	4,672,819	2.85
2015	35,309,850	27,107,002	8,202,848	5,165,995	1.59
2016	36,286,112	26,855,253	9,430,859	5,165,821	1.83

a) Includes operating revenues, investment earnings, contributions, and transfer from Water Rate Stabilization Fund.

b) Excludes depreciation and debt service payments.

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

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

Pledged Revenue Coverage

Last Ten Fiscal Years

Wastewater														
Fiscal Year Ended June 30	Utility Service Charges	Less Operating Expenses	Net Available Revenues	Debt Service (Principal and Interest)										Coverage Ratio
				2014 Rev Bonds	2011 Rev Bonds	2008 State Fund Loan	2006 COP	2004 State Fund Loan	2001 COP	1993 COP	State Revenue Fund Loans	Notes Payable	Total	
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
2016	29,530,993	16,901,393	12,629,600	2,314,475	324,475	317,450	-	907,072	-	2,661,500	-	-	6,524,971	1.94

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

Pledged Revenue Coverage

Last Ten Fiscal Years

Tax Allocation Bonds				
Fiscal Year Ended June 30	Tax Increment / ROPS	Former Agency / Successor Agency (a)		Coverage
		Debt Service (b)		
		Principal	Interest	
2007	3,463,653	320,000	827,959	3.02
2008	3,756,553	350,000	803,498	3.26
2009	3,591,153	385,000	776,595	3.09
2010	3,280,996	430,000	747,078	2.79
2011	3,061,230	465,000	714,155	2.60
2012	1,833,660	510,000	678,430	1.54
2013	2,312,496	555,000	639,132	1.94
2014	1,695,726	610,000	596,657	1.41
2015	1,695,595	630,000	593,109	1.39
2016	2,005,037	685,000	489,311	1.71

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

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

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

Demographic and Economic Statistics**Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
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%
2016	117,322	3,043,919	25,945	5.6%

Sources:

- (1) State Department of Finance (revised)
- (2) U.S. Bureau of Economic Analysis (2007 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	2016		2007	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente Medical Center	3,906	7.05%	2,735	4.90%
Six Flags Discovery Kingdom	1,600	2.89%	2,000	3.58%
Vallejo Unified School District	1,515	2.73%	2,000	3.58%
Kaiser Permanente Call Center	950	1.71%	950	1.70%
Sutter Solano Medical Center	680	1.23%	670	1.20%
City of Vallejo	548	0.99%	602	1.08%
Touro University California	385	0.69%	-	0.00%
California Maritime Academy	318	0.57%	215	0.39%
U.S.D.A Forest Service	300	0.54%	300	0.54%
Costco	286	0.52%	NA	NA
U.S. Postal Service	NA	NA	216	0.39%

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

Source: City of Vallejo Finance Department

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

Function	Full-Time and Part-Time Employees as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	49	46	45	41	40	49	60	61	66	61
Public safety	329	291	250	214	195	192	226	236	242	244
Public works	63	62	58	54	59	60	62	68	68	71
Mare Island Coop/CFD	5	2	2	2	2	2	2	2	2	2
Economic Development	23	29	26	21	22	20	18	18	21	21
Housing	22	18	17	17	17	17	17	15	14	14
Solid Waste Disp	1	-	-	-	-	-	-	-	-	-
Landscape District	6	8	8	7	4	4	4	5	5	5
Risk Management	3	2	2	2	2	2	2	2	2	2
Water	95	98	101	101	103	103	104	104	106	106
Transportation	6	5	5	5	5	5	2	-	-	-
Marina	3	3	3	3	4	4	4	4	4	4
Corp Yard	11	11	11	10	8	8	8	7	7	7
Parking Structure	-	-	-	-	-	-	-	1	1	1
Total	<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>	<u>538</u>

Source: City of Vallejo Adopted Budget

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

	Fiscal Year Ended June 30									
	<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>	<u>2016</u>
Police:										
Arrests	8,682	7,589	7,300	4,273	3,133	3,643	3,522	3,738	4,182	4,103
Parking citations issued	13,200	12,864	5,178	3,676	4,532	4,385	1,163	3,778	3,679	3,131
Fire:										
Number of emergency calls	11,194	11,739	12,098	12,149	12,119	12,546	12,970	12,992	14,339	14,307
Inspections (Fire Prevention)	1,371	947	842	1,200	675	2,122	2,667	3,925	3,242	2,372
Inspections (Code Enforcement) ¹	4,247	157	2,776	8,000	5,567	2,623	7,074	9,586	9,055	11,334
Public works:										
Street resurfacing (miles)	2.20	16.47	18.47	46.50	55	5.6	6.6	3.2	9.0	3.87
Water:										
New connections	139	71	31	67	51	42	5	10	45	66
Average daily consumption (thousands of gallons)	21,271	20,658	19,402	17,975	17,698	16,976	17,806	17,371	15,637	14,216
Development Services:										
Building permits	3,427	2,000	1,837	2,175	1,791	1,797	2,176	2,444	2,816	3,244
Housing Rental units ²	2,266	2,266	2,267	2,267	2,292	2,194	2,292	2,292	2,306	2,333
Housing Vouchers ³	2,041	2,036	2,156	2,147	2,149	2,292	2,133	2,062	1,953	1,976
Golf course:										
Golf rounds played ⁴	112,296	87,416	82,373	65,470	64,407	66,133	73,077	73,835	70,795	69,803

¹ Function transferred to Code Enforcement.

² Amounts listed represent the number of rental units contracted.

³ Amounts listed represent actual vouchers issued.

⁴ For 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
Enforcement Technology

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

	Fiscal Year Ended June 30									
	<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>	<u>2016</u>
Police:										
Stations	4	3	3	3	3	3	3	4	4	5
Fire:										
Fire stations	8	6	6	6	6	6	6	6	6	6
Public works:										
Streets (miles)	351	351	351	351	351	351	351	351	351	351
Traffic signals	151	151	148	148	148	123	123	123	125	124
Water:										
Water mains (miles)	623	623	624	624	624	624	624	624	624	624
Maximum daily capacity (thousands of gallons) ¹	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Golf Course:										
Municipal golf courses	3	2	2	2	2	2	2	2	2	2

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

Source: City of Vallejo
Vallejo Golf Club, Inc.

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