

Vacaville Redevelopment Agency Vacaville, California



Annual Financial Report
A Component Unit of the City of Vacaville
For the Year ended June 30, 2011



Vacaville Redevelopment Agency Vacaville, California

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A Component Unit of the City of Vacaville

For The Year Ended June 30, 2011

Prepared by:
City of Vacaville
Finance Department

VACAVILLE REDEVELOPMENT AGENCY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

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Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Governing Board
of the Vacaville Redevelopment Agency
Vacaville, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vacaville Redevelopment Agency (Agency), a component unit of the City of Vacaville, California (City), as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the basic financial statements, these basic financial statements present only the Agency and are not intended to present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 13 of the basic financial statements, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Members of the Governing Board
of the Vacaville Redevelopment Agency
Vacaville, California
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The accompanying Introductory Section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Excess Surplus Computation as of July 1, 2010 is not a required part of the basic financial statements, but is supplementary information required by the California State Controller's office. The combining fund financial statements and the Excess Surplus Computation as of July 1, 2010 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 29, 2011

Management's Discussion and Analysis

This discussion and analysis of the Vacaville Redevelopment Agency's (Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the accompanying basic financial statements and the notes to those financial statements.

Financial Highlights

- Assets exceeded liabilities at the close of the most recent fiscal year by \$64.6 million (*net assets*).
- Total net assets decreased by \$35 million.
- Total debt decreased by \$6.5 million during the current fiscal year. The decrease was the result of normal debt retirement (\$6.5 million).
- The most recent financial projections for Community Redevelopment Project Area I indicate that the cap on tax increment revenue will be reached prior to the final maturity of bonded indebtedness for that project area. Therefore, the Agency has begun setting aside funds for the early redemption of bonds and to ensure sufficient funds are available to fully retire the remaining outstanding indebtedness of Community Redevelopment Project Area I.
- Through legislation adopting the fiscal year 2009-2010 State Budget, the State of California required the Agency to make a payment to Solano County for Supplemental Revenue Augmentation Funds (SERAF) in the amount of \$1.9 million for next fiscal year. For more information see footnote 12 on page 33.
- Because of the SERAF payment, the Agency had less money to spend on housing and redevelopment projects.
- Tax increment revenues decreased by 8.8% from FY2010 due to downward assessments of property in the redevelopment areas.
- The 2011-2012 State Budget included legislation which will have a large detrimental impact on the Redevelopment Agency and its ability to meet its mission. For more information see footnote 13 on page 34.

The Financial Statements

The financial statements presented herein include activities of the Vacaville Redevelopment Agency using the integrated approach as prescribed by GASB Statement No. 34.

Reporting the Vacaville Redevelopment Agency

Statement of Net Assets and Statement of Activities

These statements report information about the Agency and its activities. The statements report *all* assets and liabilities of the Agency using the *accrual basis of accounting*. This is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statements further report the Agency's net assets and how the net assets have changed during the most recent fiscal year. Net assets are the difference between assets and liabilities, which is one way to measure the financial health, or *financial position*, of the Agency. Over time, *increases or decreases* in net assets are one indicator of whether the Agency's *financial health* is improving or deteriorating.

In the statement of net assets and the statement of activities, all Agency activities are reported as **Governmental activities**, supported principally by property tax revenues.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – and management has determined that all funds within the Agency are major funds. Some funds are required to be established by state law or by bond covenants. Management may also establish other funds to help it manage its financial resources for particular purposes or to show it is meeting legal responsibilities for using certain taxes or other money.

Governmental funds. The Agency's basic activities are reported in *governmental funds*, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the *modified accrual basis of accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Agency's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's activities. The differences between results contained in the governmental funds financial statements and the government-wide financial statements are explained in a reconciliation following each governmental funds financial statement.

Government-wide Financial Analysis

Following is a summary of the Agency's combined net assets for the for the fiscal year ended June 30, 2011:

Summary of Net Assets

	2011 (\$000's)	2010 (\$000's)
Current assets	\$ 89,038	\$ 89,799
Capital assets	<u>38,785</u>	<u>80,804</u>
Total assets	127,823	170,603
Long-term liabilities	61,694	68,162
Other liabilities	<u>1,497</u>	<u>2,810</u>
Total liabilities	63,191	70,972
Net assets:		
Invested in capital assets, net of related debt	50,186	88,254
Restricted	10,168	9,042
Unrestricted	<u>4,278</u>	<u>2,335</u>
Total net assets	<u>\$ 64,632</u>	<u>\$ 99,631</u>

Presented in the statement of activities are program expenses and related charges by function, general revenues by major source, and the resulting change in net assets. Following is a summary of the current year's activity:

Summary of Current Year Activity

	2011 (\$000's)	2010 (\$000's)
REVENUES:		
Program Revenues:		
Charges for services	\$ 103	\$ 103
General Revenues:		
Property taxes	33,824	37,108
Interest and other	<u>1,465</u>	<u>1,661</u>
Total revenues	35,392	38,872
EXPENSES:		
Redevelopment	64,743	34,299
Housing	2,098	2,054
Interest on debt	<u>3,551</u>	<u>3,624</u>
Total expenses	<u>70,392</u>	<u>39,977</u>
Increase (decrease) in net assets	<u>\$ (35,000)</u>	<u>\$ (1,105)</u>

Financial Analysis of the Agency's Funds

The Agency's special revenue fund balances at the end of the current year totals \$40.1 million; an increase of \$2.4 million over the previous year. The special revenue fund experienced a decrease of tax increment revenues (roughly 8.8%) related to economic readjustment of assessed valuation within projects areas, which were offset by decreased expenditures on affordable housing projects.

The Agency's debt service fund at the end of the current year is \$6.96 million; a decrease of \$103,394 over the previous year. The decrease is the result of regularly scheduled debt maturities.

The Agency's capital project fund experienced a decrease of \$1.9 million during the year, ending with a balance of \$38.5 million. The capital project fund experienced a decrease of tax increment revenues (roughly 8.8%) related to economic readjustment of assessed valuation within projects areas. This downturn was offset by a reduction in expenditures due to the lower SERAF payment required.

Capital Assets

The capital assets of the Agency are those assets used in the furtherance of the Agency's functions. As of June 30, 2011, net capital assets totaled \$38.8 million. Depreciation on capital assets is recognized in the government-wide financial statements, but not on the fund financial statements. Following is a summary of capital assets at year end:

	(\$000's)		
	Original Cost	Accumulated Depreciation	Book Value
Land	\$ 7,691	\$ -	\$ 7,691
Buildings and improvements	6,159	1,363	4,796
Intangibles	788	-	788
Infrastructure	27,657	2,589	25,068
Construction in progress	441	-	441
Total	<u>\$ 42,736</u>	<u>\$ 3,952</u>	<u>\$ 38,784</u>

Debt Administration

Long-term debt of the Agency decreased by \$6.5 million during the current fiscal year primarily due to scheduled debt maturities. Following is a summary of changes in long-term debt:

	(\$000's)			
	Balance 6/30/2010	Incurred or Issued	Satisfied or Matured	Balance 6/30/2011
Tax allocation bonds	\$ 63,145	\$ -	\$ 2,514	\$ 60,631
Loans payable	5,017	-	3,954	1,063
Total	<u>\$ 68,162</u>	<u>\$ -</u>	<u>\$ 6,468</u>	<u>\$ 61,694</u>

Redevelopment Fund Budgetary Highlights

The Agency adopts annual budgets for the special revenue funds and project-length budgets for the capital project funds. The changes from the original appropriations were due to the issuance of loans and operating transfers between the housing and loan funds during the fiscal year. The budget variations were the direct result of housing efforts to clean-up blighted areas. Actual expenditures were \$1.04 million under budget for the year which was due to delays in rehabilitation of property acquired by the Agency. The Housing fund received \$0.7 million less of property tax revenue than anticipated.

Economic Factors and Next Year's Budget

The key assumptions in our revenue forecast for the next fiscal year include:

- Current economic conditions will have a dampening effect on development activity and property values, thus causing a negative growth factor of 3.0% in property tax revenues.
- Appeals by property owners of the assessed valuation of property will not exceed anticipated amounts.
- In fiscal year 2009-2010, the State adopted budget legislation (Assembly Bill X4-26) taking of \$2.05 billion of redevelopment property tax revenue statewide over two fiscal years 2009-2010 and 2010-2011. The impact to the Vacaville Redevelopment Agency was \$9,492,145 in fiscal year 2009-2010 and \$1,954,265 in fiscal year 2010-2011. As a result, the Agency has had to delay budgeted projects, which has and will impact the Agency's ability for economic revitalization, affordable housing, and other projects that would benefit the local economy.
- The fiscal year 2011-12 budget did not include the impacts of the State Budget's proposal to eliminate Redevelopment Agencies state-wide. A discussion of this proposal can be found in the notes to the financial statements.
- Scheduled projects will remain within budget.
- The price of targeted property acquisitions will remain within anticipated price ranges.
- Assessed valuation of property within project areas will not decline further than anticipated in the tax increment assumptions.

Requests for Information

This financial report is designed to provide a general overview of the Vacaville Redevelopment Agency's finances and to show the Agency's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department at 650 Merchant Street, Vacaville, CA 95688 or you may visit our website at www.cityofvacaville.com for contact information.

VACAVILLE REDEVELOPMENT AGENCY

Government-Wide Financial Statements

VACAVILLE REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and investments	\$ 29,575,496
Receivables, net of allowance for uncollectibles:	
Interest	19,527
Accounts	96,837
Loans	31,863,452
Advances to the City	10,539,452
Prepaid items	1,137
Deferred charges	725,667
Restricted cash and investments	16,216,353
Capital assets, non-depreciable	8,920,793
Capital assets, net of depreciation	29,864,370
Total Assets	127,823,084
 LIABILITIES	
Accounts and contract payable	111,544
Accrued liabilities	77,662
Deposits payable	197,461
Interest payable	1,110,795
Long-term liabilities:	
Long-term debt - due within one year	2,215,876
Long-term debt - due in more than one year	59,478,014
Total Liabilities	63,191,352
 NET ASSETS	
Invested in capital assets, net of related debt	50,186,075
Restricted for:	
Housing	6,241,107
Capital projects	(335,075)
Debt service	4,261,994
Unrestricted	4,277,631
Total Net Assets	\$ 64,631,732

See accompanying notes to financial statements.

VACAVILLE REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals	
Primary Government:					
Governmental Activities:					
Housing	\$ 2,097,857	\$ 6,008	\$ -	\$ 6,008	\$ (2,091,849)
Redevelopment	64,743,333	97,419	-	97,419	(64,645,914)
Interest on long-term debt	3,551,332	-	-	-	(3,551,332)
Total Governmental activities	<u>70,392,522</u>	<u>103,427</u>	<u>-</u>	<u>103,427</u>	<u>(70,289,095)</u>
Total Primary government	<u>\$ 70,392,522</u>	<u>\$ 103,427</u>	<u>\$ -</u>	<u>\$ 103,427</u>	<u>(70,289,095)</u>
General revenues:					
Property taxes					33,824,414
Investment income					703,122
Miscellaneous					<u>762,173</u>
Total general revenues					<u>35,289,709</u>
Change in net assets					(34,999,386)
Net Assets, beginning of year					<u>99,631,118</u>
Net Assets, end of year					<u>\$ 64,631,732</u>

See accompanying notes to financial statements.



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VACAVILLE REDEVELOPMENT AGENCY

Government Fund Financial Statements

VACAVILLE REDEVELOPMENT AGENCY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	SPECIAL REVENUE		DEBT SERVICE	
	HOUSING	REDEVELOPMENT LOANS	COMMUNITY REDEVELOPMENT PROJECT AREA I	1505/80 REDEVELOPMENT PROJECT AREA II
<u>Assets and Other Debits</u>				
Cash and investments	\$ 6,397,155	5,588,276	\$ 321,585	\$ -
Receivables:				
Interest	-	-	14,536	66
Accounts	20,204	-	-	-
Loans	-	24,304,539	2,364,740	-
Prepaid items	-	-	1,137	-
Advances to other funds	3,898,429	3,967,000	-	-
Advances to the City of Vacaville	-	-	-	-
Restricted cash and investments held by fiscal agent	-	-	2,428,250	1,833,744
Total Assets	\$ 10,315,788	\$ 33,859,815	\$ 5,130,248	\$ 1,833,810
<u>Liabilities</u>				
Accounts and contract payable	\$ 1,093	\$ -	\$ -	-
Accrued payroll	32,305	-	-	-
Deposits payable	64,159	-	-	-
Deferred revenue	10,124	6,843	-	-
Advances from other funds	3,967,000	-	-	-
Total Liabilities	4,074,681	6,843	-	-
<u>Fund Balances and Other Credits</u>				
Fund balances:				
Restricted	6,218,669	5,581,433	4,615,986	1,809,411
Committed	-	-	514,262	24,399
Assigned	22,438	28,271,539	-	-
Total Fund Balances	6,241,107	33,852,972	5,130,248	1,833,810
Total Liabilities and Fund Balances	\$ 10,315,788	\$ 33,859,815	\$ 5,130,248	\$ 1,833,810

See accompanying notes to financial statements.

VACAVILLE REDEVELOPMENT AGENCY
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2011

CAPITAL PROJECTS		
COMMUNITY REDEVELOPMENT PROJECT AREA I	I505/80 REDEVELOPMENT PROJECT AREA II	TOTAL GOVERNMENTAL FUNDS
\$ 8,770,083	\$ 8,498,397	\$ 29,575,496
4,925	-	19,527
12,871	63,762	96,837
5,194,173	-	31,863,452
-	-	1,137
-	-	7,865,429
1,943,137	8,596,315	10,539,452
<u>11,687,372</u>	<u>266,987</u>	<u>16,216,353</u>
<u>\$ 27,612,561</u>	<u>\$ 17,425,461</u>	<u>\$ 96,177,683</u>
\$ 24,321	\$ 86,130	\$ 111,544
9,831	35,526	77,662
78,302	55,000	197,461
2,300,915	15,925	2,333,807
<u>1,898,429</u>	<u>2,000,000</u>	<u>7,865,429</u>
<u>4,311,798</u>	<u>2,192,581</u>	<u>10,585,903</u>
16,940,744	8,863,302	44,029,545
6,325,184	6,333,066	13,196,911
<u>34,835</u>	<u>36,512</u>	<u>28,365,324</u>
<u>23,300,763</u>	<u>15,232,880</u>	<u>85,591,780</u>
<u>\$ 27,612,561</u>	<u>\$ 17,425,461</u>	<u>\$ 96,177,683</u>

See accompanying notes to financial statements.

VACAVILLE REDEVELOPMENT AGENCY
 Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
STATEMENT OF NET ASSETS
JUNE 30, 2011

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS \$ 85,591,780

Amounts reported for Governmental Activities in the Statement of Net Assets of Net Assets 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. 38,785,163

LONG TERM ASSETS AND LIABILITIES

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

Deferred charges	725,667
Long-term debt	(61,693,890)
Interest payable	(1,110,795)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 2,333,807

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 64,631,732

See accompanying notes to financial statements.



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VACAVILLE REDEVELOPMENT AGENCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE		DEBT SERVICE	
	HOUSING	REDEVELOPMENT LOANS	COMMUNITY REDEVELOPMENT PROJECT AREA I	I505/80 REDEVELOPMENT PROJECT AREA II
Revenues:				
Taxes	\$ 6,764,883	-	\$ -	\$ -
Investment income	80,797	130,359	140,313	2,787
Other	58,107	-	695,752	-
Total revenues	<u>6,903,787</u>	<u>130,359</u>	<u>836,065</u>	<u>2,787</u>
Expenditures:				
Current:				
Housing	1,798,378	299,479	-	-
Redevelopment	-	-	-	-
Shared revenues	-	-	-	-
Intergovernmental	730,004	65	2,361	53,205
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	2,067,848	4,399,709
Interest and fiscal charges	-	-	2,516,950	1,013,022
Total expenditures	<u>2,528,382</u>	<u>299,544</u>	<u>4,587,159</u>	<u>5,465,936</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,375,405</u>	<u>(169,185)</u>	<u>(3,751,094)</u>	<u>(5,463,149)</u>
Other financing sources (uses):				
Transfers in	-	1,041,396	3,644,929	5,465,920
Transfers out	<u>(2,825,642)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,825,642)</u>	<u>1,041,396</u>	<u>3,644,929</u>	<u>5,465,920</u>
Net change in total fund balance	1,549,763	872,211	(106,165)	2,771
Fund balances, beginning of year	<u>4,691,344</u>	<u>32,980,761</u>	<u>5,236,413</u>	<u>1,831,039</u>
Fund balances, end of year	<u>\$ 6,241,107</u>	<u>\$ 33,852,972</u>	<u>\$ 5,130,248</u>	<u>\$ 1,833,810</u>

See accompanying notes to financial statements.

VACAVILLE REDEVELOPMENT AGENCY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

CAPITAL PROJECTS		
COMMUNITY REDEVELOPMENT PROJECT AREA I	1505/80 REDEVELOPMENT PROJECT AREA II	TOTAL GOVERNMENTAL FUNDS
\$ 5,675,245	\$ 21,384,286	\$ 33,824,414
351,593	100,700	806,549
6,854	37,050	797,763
<u>6,033,692</u>	<u>21,522,036</u>	<u>35,428,726</u>
-	-	2,097,857
1,823,507	5,067,069	6,890,576
1,519,381	12,273,636	13,793,017
172,206	643,666	1,601,507
421,903	17,758	439,661
-	-	6,467,557
-	-	<u>3,529,972</u>
3,936,997	18,002,129	34,820,147
<u>2,096,695</u>	<u>3,519,907</u>	<u>608,579</u>
102,402	-	10,254,647
<u>(1,963,085)</u>	<u>(5,465,920)</u>	<u>(10,254,647)</u>
<u>(1,860,683)</u>	<u>(5,465,920)</u>	<u>-</u>
236,012	(1,946,013)	608,579
<u>23,064,751</u>	<u>17,178,893</u>	<u>84,983,201</u>
<u>\$ 23,300,763</u>	<u>\$ 15,232,880</u>	<u>\$ 85,591,780</u>

See accompanying notes to financial statements.

VACAVILLE REDEVELOPMENT AGENCY
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS \$ 608,579

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report acquisition of capital assets as capital outlays and other program expenditures. However, in the Government-Wide Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.

Capital outlay	439,661
Uncapitalized outlay costs	(29,024)
Departmental expenditures capitalized	847,231

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.

(837,968)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

6,467,557

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:

Unearned revenue	(35,590)
Interest expense	(21,360)
Disposal of property	(42,438,472)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (34,999,386)

See accompanying notes to financial statements.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Vacaville Redevelopment Agency (the Agency) was established pursuant to the Community Redevelopment Law of the California Health and Safety Code. The objectives of the Agency are to develop the Vacaville Community Redevelopment Project Area I and the I-505/80 Redevelopment Project Area II.

The Agency is governed by a five-member board, which consists of all members of the Vacaville City Council. The Agency is a component unit and an integral part of the City of Vacaville (City).

Project Area I was established in June, 1982 and is bounded on the north by Vaca Valley Parkway, on the east by Putah South Canal, on the south by Interstate 80, and on the west by Browns Valley Road, Monte Vista Avenue, Kentucky Street, Walnut Avenue, Lovers Lane, Merchant Street, Alamo Drive and other streets.

Project Area II was established in July, 1983 and is generally bounded on the east by the Putah South Canal and Ulatis Creek, on the north by Midway Road, on the west by Interstate 505, Leisure Town Road, and Nut Tree Road, and on the south by Ulatis Creek, Elmira Road, and other streets.

B. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Agency Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Agency. No fiduciary activities are recorded in the Agency.

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Agency are reported as charges for services.

Certain eliminations have been in regards to Interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The Agency has presented all as major funds.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property tax, intergovernmental revenues, other taxes, and investment income. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Reconciliation of the Fund financial statements to the Government-Wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

C. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the Agency’s intent to hold investments until maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

The Agency’s cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The Agency participates in the Local Agency Investment Fund (LAIF), an investment pool for local governments and special districts managed by the State of California. Under Federal Law, the State of California cannot declare bankruptcy, thereby deposits in the LAIF shall not be subject to either of the following: (a) transfer or loan pursuant to Government Code Sections 16310, 16312 or 16313 or (b) impoundment or seizure by any state official or state agency.

The Agency participates in the City of Vacaville internal investment pool. The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City’s Investment Officer, and overseen by the City’s Treasurer, to enhance interest earnings. The pooled interest earned is allocated to the funds based on cash and investment balances in these funds at the end of each accounting period. For more information on the City’s internal investment pool, see the City of Vacaville’s Comprehensive Annual Financial Report.

D. RECEIVABLES AND PAYABLES

Property taxes related to the current fiscal year are accrued as revenue and accounts receivable, and considered available, if received within 60 days of year end. Federal and state grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available.

E. RESTRICTED/UNRESTRICTED NET ASSETS

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency’s policy is to apply restricted net assets first. Additionally, certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. CAPITAL ASSETS

The Agency's capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Agency policy has set the capitalization threshold for reporting infrastructure at \$100,000 and at \$5,000 for all other general capital assets. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and Improvements	40 years
Machinery and Equipment	5-7 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The infrastructure assets built or acquired by the Agency are subsequently donated to the City so the amounts are recorded as an expense in the Government-Wide Financial Statements of the Agency.

G. LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. For bond issuances subsequent to the implementation of GASB Statement No. 34 (in 2004), bond premiums and discounts as well as issuance costs, will be deferred and amortized over the life of the bonds using the effective interest method and bonds payable will be reported net of the applicable bond premium or discount. Bonds issued prior to the implementation of GASB Statement No. 34 (in 2004) have been presented at the gross issuance amount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. PROPERTY TAX REVENUE

All property taxes are collected and allocated by the County of Solano (the County) to the various taxing entities. Property taxes are determined annually as of January 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County bills and collects property taxes and remits them to the Agency under the State authorized alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies receive from the County 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collections of the taxes levied. Agency property tax is recognized when it is available and measurable. The Agency considers property taxes as available if they are collected within 60 days after year-end.

I. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Agency participates in the California Joint Powers Risk Management Authority (CJPRMA), the Local Agency Worker's Compensation Excess Insurance Authority (LAWCX), and the Employment Risk Management Authority (ERMA) as a component unit of the City of Vacaville. The purpose of the CJPRMA, LAWCX, and ERMA is to spread the adverse effects of losses among the member agencies and to purchase excess insurance as a group, thereby reducing expenses. The Agency, through cost allocation from the City, contributes its pro rate share of anticipated losses to pools administered by CJPRMA, LAWCX, and ERMA.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

J. LOW AND MODERATE HOUSING OBLIGATIONS

The Community Redevelopment Project Area I and the I-505/80 Redevelopment Project Area II deposit 20% of the allocated tax increment revenues into a Low and Moderate Housing Fund (reflected in Special Revenue Funds) as required by Section 33334.2 of the California Health and Safety Code. This money is to be used to provide for low and moderate housing. Housing expenditures include the administration of the low and moderate program, loan extensions, and purchasing property to develop low and moderate housing projects.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures during the reporting period. Actual results could differ from those estimates.

L. IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In 2011, the Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* established new definitions for fund balances and how they are reported in the financial statements. The Agency's compliance with this statement is detailed in Note 10 Classification of Net Assets and Fund Balances.

NOTE 2 – CASH AND INVESTMENTS

As of June 30, 2011 cash and investments of the Agency are as follows:

	<u>Fair Value</u>
Governmental Activities	
Unrestricted Cash and Investments	\$29,575,496
Restricted Cash and Investments	<u>16,216,353</u>
Total Governmental Activities	<u>\$45,791,849</u>

The Agency pools cash from all sources and all funds except Cash with Fiscal Agents with the City Treasury so that it can be invested at the maximum yield, consistent with the City's investment policy, while individual funds can make expenditures at any time.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 2 – CASH AND INVESTMENTS, continued

The Agency's cash is included in a City-wide cash and investments pool, the details of which are presented in the City's basic financial statements. Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

- Securities of the U.S. Government, or its agencies
- Securities of the State of California, or its agencies
- Securities of local agencies within the state of California
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Banker's Acceptances
- Commercial Paper
- Mortgage Pass-through Securities, Collateralized Mortgage Obligations, or other Pay-through Asset-backed Securities
- Local Agency Investment Fund
- Repurchase Agreements
- Reverse Repurchase Agreements
- Money Market Funds
- Corporate Notes
- United States Treasury

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

NOTE 3 – LOANS RECEIVABLES

Loans Receivables as of June 30, 2011 were as follows:

- | | |
|--------------|---|
| \$ 7,042,253 | Neighborhood Conservation Program (NCP) loans are recorded in the Special Revenue Funds. The Agency encourages the conservation of decent, safe, and sanitary housing that is also affordable to low and moderate income households, by providing a pool of loan funds to investor-owners and owner-occupants to improve the lower income neighborhoods of the City and further equal opportunity in housing. Loans ranging in amount from \$1,000 to \$45,000 per unit are offered at 3% interest and may be amortized for up to 15 years. The loans are secured by the property. Deferred loans may be made to households with very low incomes. At the time household income becomes sufficient to repay the loan, the deferred loan will become fully amortized at 3% interest. Deferred loans may also be made to low-income households on fixed incomes. These loans will be due and payable upon sale or other title transfer. |
| \$13,345,998 | Redevelopment Agency Equity Loans are recorded in the Special Revenue Funds. These loans are for primary financing to obtain blighted property. The loan amounts and terms may vary depending on the amounts needed to acquire and improve the property. The loans are offered at 0% interest, with the total payment deferred until the end of the term and are secured by the property. There is one loan in arrears for \$120,628. |
| \$ 2,364,740 | A loan receivable has been recorded in the Debt Service Funds from Vacaville Community Housing, a non-profit corporation. The loan is secured by multifamily housing units and is at 0% interest, with the total payment deferred until the year 2025. |

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 3 – LOANS RECEIVABLES, continued

\$ 1,104,377	Redevelopment Down Payment loans are recorded in the Special Revenue Funds. These loans assist low income families with their down payment and closing costs. There are two types of loans. The first type is given in coordination with a Mortgage Credit Certificate (MCC) for a maximum amount of \$5,000, deferred for five years, and repaid over ten years at an interest rate of 5%. The loan is not secured against the property. The second type has no other assistance for a maximum amount of \$10,000, deferred for five years, and repaid over fifteen years at an interest rate of 5%. The loan is secured against the property as a second mortgage. There are thirteen loans in arrears totaling \$18,913.
\$ 2,811,910	The Redevelopment Shared Equity loans are recorded in the Special Revenue funds for expanding homeownership opportunities to low and moderate-income households. The amount borrowed is the minimum needed to close the gap between lender requirements and buyer's cash for down payment assistance and/or closing costs. Qualified homebuyers may receive up to \$70,000 plus customary closing costs or 105% of loan to value (whichever is less) towards the purchase of a home located in Vacaville. The deferred loan terms are 45 years at zero interest with no payments required during that time as long as the homebuyer does not sell, transfer ownership, rent the property, refinance it with cash back, or prepay the loan with any other funds. The loan will be forgiven if the borrower remains in the home for the full 45 year loan term. There is a 45 year Resale Restriction Agreement that will be recorded against the property. The City will hold an option to purchase the home at a restricted sales price to keep the home affordable for another buyer.
\$ 1,455,000	A loan receivable has been recorded in the Capital Project Funds from Vacaville Community Housing, a non-profit corporation. The loan is secured by multifamily housing units and is at 0% interest, with the total payment deferred until the year 2025.
\$ 1,855,235	Downtown Rehabilitation loans are recorded in the Capital Projects Funds. These loans are for façade improvements and historic district building loans. Façade improvement loans are fully amortized for 15-year terms at 3% interest with a \$15,000 maximum loan per standard building street frontage. Façade improvements may include a complete renovation, signage, exterior lighting, landscaping, painting, and awnings. Historic district building loans are fully amortized for 25-year terms at 3% interest with a maximum loan amount of \$105,000. Historic district building loans for tenant improvements and other non-seismic related costs require 50% matching funds contributed by the borrower, which may include private funds as well as loans made through the façade improvement loan program. Borrowers are not required to match funds on seismic upgrades. These loans may be assumable on a case by case basis.
<u>\$ 1,883,938</u>	In 2002, the Agency entered into an agreement with the Vacaville Library District to loan \$3,895,000 to finance the construction of a new Vacaville Library branch located in the Downtown Project Area. A loan receivable and deferred revenue have been recorded in the amount of \$3,895,000 in the Capital Projects Funds. The Vacaville Library District paid down an additional \$1.5 million to the Agency in fiscal year 2006 reducing the future annual debt service from the Library to the Agency. The loan will be repaid by Fiscal Year 2031/2032 with interest ranging from 4% to 7%.
<u>\$31,863,451</u>	Total loans receivable

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Non-Depreciable Assets:				
Land	\$ 14,324,504	\$ -	\$ (12,647,940)	\$ 1,676,564
Land held for development	34,980,292	696,398	(29,661,948)	6,014,742
Intangibles	788,124	-		788,124
Construction in Progress	1,102,029	101,713	(762,379)	441,363
Total Non-Depreciable Assets	<u>51,194,949</u>	<u>798,111</u>	<u>(43,072,267)</u>	<u>8,920,793</u>
Depreciable Assets:				
Buildings & Improvements	5,711,563	448,069	-	6,159,632
Infrastructure	27,011,668	669,163	(23,680)	27,657,151
Total Depreciable Assets	<u>32,723,231</u>	<u>1,117,232</u>	<u>(23,680)</u>	<u>33,816,783</u>
Less accumulated depreciation for:				
Buildings & Improvements	(1,215,943)	(147,525)	-	(1,363,468)
Infrastructure	(1,898,502)	(690,443)	-	(2,588,945)
Total Accumulated Depreciation	<u>(3,114,445)</u>	<u>(837,968)</u>	<u>-</u>	<u>(3,952,413)</u>
Total depreciable assets, net	<u>29,608,786</u>	<u>279,264</u>	<u>(23,680)</u>	<u>29,864,370</u>
RDA activities capital assets, net	<u>\$ 80,803,735</u>	<u>\$ 1,077,375</u>	<u>\$ (43,095,947)</u>	<u>\$ 38,785,163</u>

Depreciation expense was charged to functions as follows:

RDA activities:	
Redevelopment	\$ 837,968
Total RDA activities depreciation expense	<u>\$ 837,968</u>

Fund Financial Statements

The fund financial statements do not present general government activities capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions of the Agency for the year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Loans Payable:					
Beck & Clark Family Trust	316,127	-	22,748	293,379	24,369
City of Vacaville (Nut Tree)	3,814,710	-	3,814,710	-	-
Dept. of Toxic Substances	178,178	-	3,581	174,597	174,599
Klotz Family Trust	405,436	-	76,466	328,970	80,958
Babington, Richard & Carol	302,486	-	36,312	266,174	38,400
Total Loans Payable	5,016,937	-	3,953,817	1,063,120	318,326
Tax Allocation Bonds:					
1996 Tax Allocation Bonds	4,665,000	-	260,000	4,405,000	275,000
2000 Tax Allocation Bonds	8,810,000	-	950,000	7,860,000	260,000
2000A Multifamily Mortgage	1,794,510	-	78,740	1,715,770	82,550
2001 Tax Allocation Bonds	27,485,000	-	765,000	26,720,000	790,000
2006 Tax Allocation Bonds	2,375,000	-	100,000	2,275,000	105,000
2006 Taxable Housing Bonds	18,015,000	-	360,000	17,655,000	385,000
Total Tax Allocation Bonds	63,144,510	-	2,513,740	60,630,770	1,897,550
Total long term debt	\$ 68,161,447	\$ -	\$ 6,467,557	\$ 61,693,890	\$ 2,215,876

The following is a summary of long-term debt transactions of the Agency for the year ended June 30, 2011.

Loans Payable:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2011</u>	
\$ 475,000	\$ 293,378	Long-term note for the purchase of .51 acres of downtown property. Principal and interest are paid in semi-annual installments of \$22,243 each March and September including interest at an annual rate of 7% through March 1, 2020. Payments of principal and interest are funded by Redevelopment Project Area I revenues. This note is secured by real property.
\$7,881,241	\$ 0	Variable rate long-term note for the purchase of the Nut Tree property. Note was paid in full in February of 2011.
\$ 195,690	\$ 174,597	Long-term note for the Agency's liability for toxic and hazardous waste materials clean-up on property located at the southwest corner of East Main Street and Wilson Street. Principal and interest are payable in monthly installments of \$1,017 including interest at an annual rate of 5.7% through July 2011. Payments of principal and interest are funded by Redevelopment Project Area I revenues.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 5 – LONG-TERM LIABILITIES, continued

\$ 742,500	\$ 328,970	Long-term note for the Agency's purchase of 2 acres of downtown property. Principal and interest are paid in quarterly installments of \$24,537 at an annual interest rate of 5.75% through February 1, 2015. Payments of principal and interest are funded by Redevelopment Project Area I revenues.
\$ 400,000	\$ 266,174	Long-term note for the Agency's acquisition of 140 Depot Street and 150 Depot Street. Principal and interest are paid in annual installments of \$53,705.31 each January through January 2017. Payments of principal and interest are funded by Redevelopment Project Area I revenues.

Loans Payable:

The annual requirement to amortize debt outstanding as of June 30, 2011 for loans payable is as follows:

Year Ending June 30	Principal	Interest	Total
2012	318,325	52,613	370,938
2013	152,428	43,913	196,341
2014	161,658	34,683	196,341
2015	146,913	24,891	171,804
2016	80,113	18,079	98,192
2017-2021	<u>203,682</u>	<u>27,968</u>	<u>231,650</u>
Total	<u>\$ 1,063,119</u>	<u>\$ 202,147</u>	<u>\$ 1,265,266</u>

Tax Allocation Bonds Payable:

There are five Bonds payable secured by property tax increments: Series 1996, 2000, 2001, 2000A, 2006 ABAG and 2006 Taxable. Annual principal and interest payments on the four bonds are expected to require 25% of net revenues. The total principal and interest remaining to be paid on the Series 1996, 2000, 2001, 2000A, 2006 ABAG and 2006 Taxable is \$5,972,282, \$12,620,883, \$42,678,894, \$2,527,565, \$3,139,788 and \$32,269,858, respectively. For the current year, principal and interest paid on the Series 1996, 2000, 2001, 2000A, 2006 ABAG and 2006 Taxable were \$501,400, \$2,194,277, \$2,085,080, \$182,048, \$196,425 and \$1,479,466, respectively totaling \$6,638,696 and property tax increment net revenues were \$16,222,307.

Original Debt <u>Amount</u> \$ 9,250,000	Outstanding <u>June 30, 2010</u> \$ 4,405,000	1996 Tax Allocation Revenue Bonds issued by the Vacaville Public Financing Authority for financing various public improvements in Redevelopment Project Area I. Interest rates range from 4% to 5.4% and the bonds mature in 2022. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$11,995,000	\$ 7,860,000	2000 Tax Allocation Revenue Bonds issued by the Vacaville Public Financing Authority for financing various public improvements in Redevelopment Project Area I. Interest rates range from 5.25% to 5.875% and the bonds mature in September 2031. Payments of principal and interest are funded by tax increment revenues of the Agency.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 5 – LONG-TERM LIABILITIES, continued

Tax Allocation Bonds Payable:

<u>Original Debt</u> <u>Amount</u>	<u>Outstanding</u> <u>June 30, 2010</u>	
\$ 2,364,740	\$ 1,715,770	Multifamily Mortgage Revenue Bonds issued by the Agency to provide financing for Vacaville Community Housing (VCH), a non-profit corporation, to acquire and rehabilitate multifamily rental housing units. The bonds are limited obligations of the Agency and are payable solely from VCH project revenues, certain tax increment revenues, and certain other revenue and pledge funds. The Agency is committed to funding 25.4% of the debt service on the bonds from tax increment revenue during the 30 year life of the bonds, and as such 25.4% of the bond principal has been recorded in the financial statements as an obligation of the Agency. The Agency has an offsetting note receivable from VCH for \$1,455,000, with payments starting in 2025, to be amortized over the following 30 years, to reimburse the Agency for debt service payments advanced on behalf of VCH. Interest rates on the bonds range from 4.78% to 6.00% and the bonds mature in 2025. The indebtedness is recorded in Redevelopment Project Area I.
\$31,980,000	\$26,720,000	2001 Tax Allocation Revenue Bonds issued by the Vacaville Public Financing Authority for financing various public improvements in both Redevelopment Project Areas. Interest rates range from 4% to 7% and the bonds mature in September 2026. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$ 2,660,000	\$ 2,275,000	2006 Tax Allocation Revenue Bonds issued by the Association of Bay Area Governments (ABAG) for financing redevelopment projects, primarily sewer main extension improvements, located in the Redevelopment Project Area II. Interest rates range from 3.0% to 4.5% and the bonds mature in September 2026. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$18,875,000	\$17,655,000	2006 Taxable Housing Bonds issued by the Agency for financing redevelopment projects primarily by making loans to qualified 501(3)(c) non-profit corporations in connection with their development of multifamily rental housing in the City of Vacaville. Interest rates range from 5.6% to 7%. Payments of principal and interest are funded by tax increment revenues of the Housing fund of the Agency.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 5 – LONG-TERM LIABILITIES, continued

The annual requirement to amortize debt outstanding as of June 30, 2009 for tax allocation bonds payable is as follows:

Year Ending June 30	Principal	Interest	Total
2012	1,897,550	3,281,560	5,179,110
2013	1,997,630	3,182,783	5,180,413
2014	2,102,710	3,076,982	5,179,692
2015	2,207,790	2,964,845	5,172,635
2016	2,317,870	2,805,019	5,122,889
2017-2021	13,613,410	11,962,690	25,576,100
2022-2026	15,968,810	7,865,946	23,834,756
2027-2031	16,485,000	3,396,610	19,881,610
2032-2033	4,040,000	204,461	4,244,461
Total	<u>\$ 60,630,770</u>	<u>\$ 38,740,896</u>	<u>\$ 99,371,666</u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

In 2002, the Agency entered into a sublease agreement with Vacaville Recreation Corporation with an option to purchase and right of first refusal for the in-line skating and multi-purpose areas of the Vacaville Skating Center. Pursuant to a separate sublease agreement between the City and the Agency, the City agreed to assume all rights and responsibilities of the Agency under the lease agreement. In the event of the City's inability to pay the sublease, the Agency is obligated to pay the corporation the lease payments. Lease payments are paid monthly through September 2025. The lease was recorded as a capital lease by the City with outstanding debt of \$1,958,160 as of June 30, 2011.

Additionally, the Agency has certain contingent payments in connection with the purchase and sale of land held for development. The Agency has retained responsibility for paying a portion of assessments assigned to each property if certain criteria are met, the special assessments are funded by Redevelopment Project Area I or II tax increment revenues. There are currently three areas in which the Agency could be contingently liable for paying the assessments:

	June 30, 2011 <u>Contingent Liability</u>
Auto mall special assessments	\$258,593
Cultural Center special assessments	56,260
East Monte Vista special assessments	9,336
Total contingent liability	<u>\$324,189</u>

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 7 – RELATED PARTY TRANSACTIONS

The following is a summary of transactions between the Agency and the City during the year:

Administrative and Other Expenditures – These expenditures represent reimbursements to the City for various allocated costs. Such expenses amounted to \$4,042,023 during the year for administrative costs, of which \$2,798,767 is reflected in Capital Projects Funds and \$1,243,256 is reflected in Special Revenue Funds.

Intergovernmental Expenditures in Debt Service Fund - \$74,432 of intergovernmental expenditure is special assessment liability paid by the Agency to the City for liabilities assumed by the Agency.

NOTE 8 – TRANSFERS AND ADVANCES

The Agency has numerous transactions to report the nonreciprocal contribution of resources from one fund to another, to report long-term advances between funds and short-term Interfund receivables and payables between funds.

The major transfer activity consists of the following; 1) Housing transferred \$261,200 to RDA to cover the down payment loans assistance program and \$780,196 to RDA to cover neighborhood conservation loans. 2) Housing transferred \$1,681,844 to the debt service fund to cover Housing debt obligations; 3) Community Redevelopment Project Area capital projects fund transferred \$1,963,085 to the debt service fund to cover downtown redevelopment debt obligations; 4) I505/80 Redevelopment Project Area capital projects fund transferred \$5,465,920 to the debt service fund to cover I505/80 redevelopment debt obligations; and 5) Housing transferred \$102,402 to the Community Redevelopment capital project fund to cover capital project costs.

The following summarizes Interfund transactions (as presented in the Agency's Fund Financial Statements) for the fiscal year ended June 30, 2011:

Interfund Transfers:

	<u>Transfers In (fund receiving transfer):</u>				Totals
	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>		
	Redevelopment Loans	Community Redevelopment Project Area I	I505/80 Redevelopment Project Area II	Community Redevelopment Project Area I	
Transfers Out (fund making transfer):					
Special Revenue Funds:					
Housing	\$ 1,041,396	\$ 1,681,844	\$ -	\$ 102,402	\$ 2,825,642
Capital Projects Funds:					
Community Redevelopment Project Area I	-	1,963,085	-	-	1,963,085
I505/80 Redevelopment Project Area II	-	-	5,465,920	-	5,465,920
Total Capital Projects Funds	-	1,963,085	5,465,920	-	7,429,005
Totals	<u>\$ 1,041,396</u>	<u>\$ 3,644,929</u>	<u>\$ 5,465,920</u>	<u>\$ 102,402</u>	<u>\$ 10,254,647</u>

Advances to the City:

The advances to the City consisted of a \$10,539,452 loan from Redevelopment Capital Projects funds for construction of a City owned police facility.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 9 – UNEARNED AND DEFERRED REVENUE

Unearned revenues in the government-wide financial statement as of June 30, 2011 were eliminated.

Deferred revenues in the fund financial statements as of June 30, 2011 were as follows:

	<u>Special Revenue Fund</u>		<u>Capital Projects Fund</u>		<u>Totals</u>
	<u>Housing</u>	<u>Redevelopment Loans</u>	<u>Community Redevelopment Project Area I</u>	<u>I505/80 Redevelopment Project Area II</u>	
Loans Receivable	\$ -	\$ -	\$ 1,883,938	\$ -	\$ 1,883,938
Deferred maintenance	-	-	412,693	-	412,693
Unearned interest	<u>10,124</u>	<u>6,843</u>	<u>4,284</u>	<u>15,925</u>	<u>37,176</u>
	<u>\$ 10,124</u>	<u>\$ 6,843</u>	<u>\$ 2,300,915</u>	<u>\$ 15,925</u>	<u>\$ 2,333,807</u>

The following amounts and descriptions are included in deferred revenue in the fund financial statements:

- \$1,883,938 Recorded in the Redevelopment Capital Projects Fund for the agreement with the Vacaville Library District to loan \$3,895,000 to finance the construction of a new Vacaville Library branch located in the Downtown Project Area. A loan receivable and deferred revenue have been recorded in the amount of \$1,883,938 in the Redevelopment Capital Projects Funds.
- \$ 412,693 Recorded in the Redevelopment Capital Projects Fund for deferred maintenance of the Buck-Eldridge building complex.
- \$ 37,177 Recorded in the Redevelopment Special Revenue and Capital Projects Fund for unearned interest.

The amounts in deferred revenue have been eliminated and recognized as revenues in the Government-Wide Financial Statements.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 10 – CLASSIFICATION OF NET ASSETS AND FUND BALANCES

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed as established by the City Council.

Unrestricted net assets – This category represents the net assets of the Agency, which are not restricted or invested in capital assets net of related debt for any project or other purpose.

In the Fund Financial Statements, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the City Council and Management and can be increased, decreased or eliminated by similar actions. As of June 30, 2010 reservations of fund balance are shown on below. Additionally, the remaining unreserved, designated and undesignated fund balance are shown below:

	<u>Special Revenue Fund</u>		<u>Debt Service Fund</u>		<u>Capital Projects Fund</u>		<u>Totals</u>
	<u>Housing</u>	<u>Redevelopment Loans</u>	<u>Community Redevelopment Project Area I</u>	<u>I-505/80 Redevelopment Project Area II</u>	<u>Community Redevelopment Project Area I</u>	<u>I-505/80 Redevelopment Project Area II</u>	
Fund Balance:							
Restricted							
Loans and long-term receivables	\$ -	\$ 24,304,539	\$ 2,364,740	\$ -	\$ 3,310,235	\$ -	\$ 29,979,514
Advances to other funds	3,898,429	3,967,000	-	-	1,943,137	8,596,315	18,404,881
Prepaid items	-	-	1,137	-	-	-	1,137
Housing	2,320,240	5,581,433	-	-	-	-	7,901,673
Debt service	-	-	2,250,109	1,809,411	-	-	4,059,520
Capital Projects	-	-	-	-	11,687,372	266,987	11,954,359
Subtotal	6,218,669	33,852,972	4,615,986	1,809,411	16,940,744	8,863,302	72,301,084
Committed							
Capital projects	-	-	514,262	24,399	6,325,184	6,333,066	13,196,911
Assigned							
Department initiated encumbrances for Redevelopment	22,438	-	-	-	34,835	36,512	93,785
Total Fund Balances	\$ 6,241,107	\$ 33,852,972	\$ 5,130,248	\$ 1,833,810	\$ 23,300,763	\$ 15,232,880	\$ 85,591,780

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 11 – SHARED REVENUES & EXPENDITURES

The Agency has an agreement with the County of Solano and other taxing agencies whereby the Agency agrees to share a portion of all tax increment revenues received by the Project Areas.

The percentage and amounts shared in the year ended June 30, 2011 under the terms of the agreement are displayed below. These amounts have been recorded as shared revenue expenditures in the Capital Projects Funds.

	Percent of Revenue	Shared Revenue Agreements			
		Property Tax	Non-Statutory	Statutory	Total
Area I	15%	\$ 7,094,056	\$ 1,064,108	\$ 150,187	\$ 1,214,295
Area II	36%	<u>26,730,358</u>	<u>9,622,929</u>	<u>1,213,728</u>	<u>10,836,657</u>
Total		<u>\$ 33,824,414</u>	<u>\$ 10,687,037</u>	<u>\$ 1,363,915</u>	<u>\$ 12,050,952</u>

NOTE 12 – SUPPLEMENTAL REVENUE AUGMENTATION FUNDS (SERAF)

In fiscal year 2009-2010, the State adopted budget legislation (Assembly Bill X4-26) taking of \$2.05 billion of redevelopment property tax revenue statewide over two fiscal years 2009-2010 and 2010-2011. Litigation was initiated by California Redevelopment Association (CRA) on the grounds that Assembly Bill X4-26 violated the State Constitution which states that redevelopment funding can only be used for redevelopment purposes. Additionally, it was argued the taking of redevelopment funds constitutes an unconstitutional impairment of contracts.

In May of 2010 the Sacramento Superior Court upheld the legality of Assembly Bill X4-26. CRA has filed an appeal arguing the ruling effectively gave legislators unlimited discretion to change the definition of redevelopment to suit their purpose for the sole reason of filling the budget deficit. The appeal process could take one to two years to conclude.

The monies to be transferred for both the current fiscal year and next fiscal year are very significant to the Agency and are as follows:

Fiscal Year 2009-2010	\$9,492,145
Fiscal Year 2010-2011	1,954,265

The Agency has had to develop contingency plans to deal with the loss of these funds. The net impact has been the ultimate delay of budgeted projects, which has and will impact the Agency's ability for economic revitalization, affordable housing, and other projects that would benefit the local economy.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 13 – RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor

Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Vacaville intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26. On March 22, 2011, the Redevelopment Agency transferred eighty-eight (88) parcels of land and land held for redevelopment to the City of Vacaville with a total value of \$37.25 million.

In the event that Assembly Bill X1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

VACAVILLE REDEVELOPMENT AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 13 – RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, continued

On August 9, 2011, City Ordinance No. 1840 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$11.5 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$2.7M will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.



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REQUIRED SUPPLEMENTARY INFORMATION

VACAVILLE REDEVELOPMENT AGENCY

REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2011

Budgetary Data

The Agency adopts annual budgets for the Special Revenue Funds. The Agency also adopts project length budgets which can span a number of years for the Capital Projects Funds. The Debt Service Funds' budgets are adopted when the debt issuances are authorized.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgetary comparisons presented in this report are on this budgetary basis and reflect applicable amendments and revisions. The Agency uses the following procedures in establishing the annual budget:

1. The City Manager submits a recommended annual operating budget to the Redevelopment Agency for each fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Redevelopment Agency holds budget study sessions which are open to the public for its comments.
3. The budget is prepared by fund and by department. The budget is approved by the Redevelopment Agency through the passage of an ordinance.
4. The City Manager has the ability to transfer amounts between funds and fund types without the Redevelopment Agency approval as long as there is no legal restriction and as long as the transfer does not result in the total appropriation amount being exceeded. When an appropriation requires an increase that cannot be supported by a transfer, Redevelopment Agency authorization is required.

No reductions to appropriations to the Agency operating budget were made by the Redevelopment Agency action during the year.

Encumbrances

Encumbrance accounting is used during the year for budgetary control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather, a reservation of fund balance. The Agency honors contracts represented by year-end encumbrances and the appropriations carried over provide authority to complete these transaction in the following year.

**VACAVILLE REDEVELOPMENT AGENCY
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2011**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL --
 SPECIAL REVENUE FUND-HOUSING**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes and fees	\$ 7,458,400	7,458,400	\$ 6,764,883	\$ (693,517)
Investment income	56,008	56,008	80,797	24,789
Other	11,637	11,637	58,107	46,470
Total revenues	<u>7,526,045</u>	<u>7,526,045</u>	<u>6,903,787</u>	<u>(622,258)</u>
Expenditures:				
Current:				
Housing	2,839,806	2,834,885	1,798,378	1,036,507
Intergovernmental	-	730,004	730,004	-
Total expenditures	<u>2,839,806</u>	<u>3,564,889</u>	<u>2,528,382</u>	<u>1,036,507</u>
Excess of revenues over expenditures	<u>4,686,239</u>	<u>3,961,156</u>	<u>4,375,405</u>	<u>414,249</u>
Other financing sources (uses):				
Operating transfers out	<u>(2,447,508)</u>	<u>(2,854,481)</u>	<u>(2,825,642)</u>	<u>28,839</u>
Total other financing sources (uses)	<u>(2,447,508)</u>	<u>(2,854,481)</u>	<u>(2,825,642)</u>	<u>28,839</u>
Net change in total fund balance	<u>\$ 2,238,731</u>	<u>\$ 1,106,675</u>	1,549,763	<u>\$ 443,088</u>
Fund balances, beginning of year			<u>4,691,344</u>	
Fund balances, end of year			<u>\$ 6,241,107</u>	

**VACAVILLE REDEVELOPMENT AGENCY
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2011**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL --
 SPECIAL REVENUE FUND-LOANS**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Investment income	-	-	\$ 130,359	\$ 130,359
Total revenues	-	-	<u>130,359</u>	<u>130,359</u>
Expenditures:				
Current:				
Housing	65	65	299,479	(299,414)
Total expenditures	<u>65</u>	<u>65</u>	<u>299,544</u>	<u>(299,479)</u>
Excess (deficiency) of revenues				
Excess of revenues over expenditures	<u>(65)</u>	<u>(65)</u>	<u>(169,185)</u>	<u>(169,120)</u>
Other financing sources (uses):				
Transfers in	-	1,041,396	1,041,396	-
Total other financing sources (uses)	<u>-</u>	<u>1,041,396</u>	<u>1,041,396</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (65)</u>	<u>\$ 1,041,331</u>	872,211	<u>\$ (169,120)</u>
Fund balances, beginning of year			<u>32,980,761</u>	
Fund balances, end of year			<u>\$ 33,852,972</u>	

SUPPLEMENTAL INFORMATION

VACAVILLE REDEVELOPMENT AGENCY
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET SCHEDULE
JUNE 30, 2011

	HOUSING	REDEVELOPMENT LOANS	TOTALS
<u>Assets</u>			
Cash and investments	\$ 6,397,155	\$ 5,588,276	\$ 11,985,431
Receivables:			
Accounts	20,204	-	20,204
Loans	-	24,304,539	24,304,539
Advances to other funds	3,898,429	3,967,000	7,865,429
Total Assets	\$ 10,315,788	\$ 33,859,815	\$ 44,175,603
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts and contract payable	\$ 1,093	\$ -	\$ 1,093
Accrued payroll	32,305	-	32,305
Deposits payable	64,159	-	64,159
Deferred revenue	10,124	6,843	16,967
Advances from other funds	3,967,000	-	3,967,000
Total Liabilities	4,074,681	6,843	4,081,524
Fund balances:			
Restricted	6,218,669	5,581,433	11,800,102
Assigned	22,438	28,271,539	28,293,977
Total Fund Balances	6,241,107	33,852,972	40,094,079
Total Liabilities and Fund Balances	\$ 10,315,788	\$ 33,859,815	\$ 44,175,603

VACAVILLE REDEVELOPMENT AGENCY
SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>HOUSING</u>	<u>REDEVELOPMENT LOANS</u>	<u>TOTALS</u>
Revenues:			
Taxes	\$ 6,764,883	\$ -	\$ 6,764,883
Investment income	80,797	130,359	211,156
Other	<u>58,107</u>	<u>-</u>	<u>58,107</u>
Total revenues	<u>6,903,787</u>	<u>130,359</u>	<u>7,034,146</u>
Expenditures:			
Current:			
Housing	1,798,378	299,479	2,097,857
Intergovernmental	<u>730,004</u>	<u>65</u>	<u>730,069</u>
Total expenditures	<u>2,528,382</u>	<u>299,544</u>	<u>2,827,926</u>
Excess of revenues over expenditures	<u>4,375,405</u>	<u>(169,185)</u>	<u>4,206,220</u>
Other financing sources (uses):			
Transfers in	-	1,041,396	1,041,396
Transfers out	<u>(2,825,642)</u>	<u>-</u>	<u>(2,825,642)</u>
Total other financing sources (uses)	<u>(2,825,642)</u>	<u>1,041,396</u>	<u>(1,784,246)</u>
Net change in total fund balance	1,549,763	872,211	2,421,974
Fund balances, beginning of year	<u>4,691,344</u>	<u>32,980,761</u>	<u>37,672,105</u>
Fund balances, end of year	<u>\$ 6,241,107</u>	<u>\$ 33,852,972</u>	<u>\$ 40,094,079</u>

VACAVILLE REDEVELOPMENT AGENCY
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET SCHEDULE
JUNE 30, 2011

	COMMUNITY REDEVELOPMENT PROJECT AREA I	I-505/80 REDEVELOPMENT PROJECT AREA II	TOTALS
<u>Assets</u>			
Cash and investments	\$ 321,585	\$ -	\$ 321,585
Receivables:			
Interest	14,536	66	14,602
Loans	2,364,740	-	2,364,740
Prepaid items	1,137	-	1,137
Restricted cash and investments held by fiscal agent	<u>2,428,250</u>	<u>1,833,744</u>	<u>4,261,994</u>
 Total Assets	 <u><u>\$ 5,130,248</u></u>	 <u><u>\$ 1,833,810</u></u>	 <u><u>\$ 6,964,058</u></u>
<u>Fund Balances</u>			
Fund balances:			
Restricted	4,615,986	1,809,411.00	6,425,397
Committed	<u>514,262</u>	<u>24,399</u>	<u>538,661</u>
 Total Fund Equity	 <u>5,130,248</u>	 <u>1,833,810</u>	 <u>6,964,058</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 5,130,248</u></u>	 <u><u>\$ 1,833,810</u></u>	 <u><u>\$ 6,964,058</u></u>

VACAVILLE REDEVELOPMENT AGENCY
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	COMMUNITY REDEVELOPMENT PROJECT AREA I	I-505/80 REDEVELOPMENT PROJECT AREA II	TOTALS
Revenues:			
Investment income	\$ 140,313	\$ 2,787	\$ 143,100
Other	695,752	-	695,752
Total revenues	836,065	2,787	838,852
Expenditures:			
Current:			
Intergovernmental	2,361	53,205	55,566
Debt service:			
Principal	2,067,848	4,399,709	6,467,557
Interest and fiscal charges	2,516,950	1,013,022	3,529,972
Total expenditures	4,587,159	5,465,936	10,053,095
Deficiency of revenues under expenditures	(3,751,094)	(5,463,149)	(9,214,243)
Other financing sources:			
Transfers in	3,644,929	5,465,920	9,110,849
Total other financing sources	3,644,929	5,465,920	9,110,849
Net change in total fund balance	(106,165)	2,771	(103,394)
Fund balances, beginning of year	5,236,413	1,831,039	7,067,452
Fund balances, end of year	\$ 5,130,248	\$ 1,833,810	\$ 6,964,058

VACAVILLE REDEVELOPMENT AGENCY
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET SCHEDULE
 JUNE 30, 2011

	COMMUNITY REDEVELOPMENT PROJECT AREA I	I-505/80 REDEVELOPMENT PROJECT AREA II	TOTALS
<u>Assets</u>			
Cash and investments	\$ 8,770,083	\$ 8,498,397	\$ 17,268,480
Receivables:			
Interest	4,925	-	4,925
Accounts	12,871	63,762	76,633
Loans	5,194,173	-	5,194,173
Advances to the City of Vacaville	1,943,137	8,596,315	10,539,452
Restricted cash and investments held by fiscal agent	11,687,372	266,987	11,954,359
Total Assets	\$ 27,612,561	\$ 17,425,461	\$ 45,038,022
<u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts and contract payable	\$ 24,321	\$ 86,130	\$ 110,451
Accrued payroll	9,831	35,526	45,357
Deposits payable	78,302	55,000	133,302
Deferred revenue	2,300,915	15,925	2,316,840
Advance from other funds	1,898,429	2,000,000	3,898,429
Total Liabilities	4,311,798	2,192,581	6,504,379
<u>Fund balances:</u>			
Restricted	16,940,744	8,863,302	25,804,046
Committed	6,325,184	6,333,066	12,658,250
Assigned	34,835	36,512	71,347
Total Fund Balances	23,300,763	15,232,880	38,533,643
Total Liabilities and Fund Balances	\$ 27,612,561	\$ 17,425,461	\$ 45,038,022

VACAVILLE REDEVELOPMENT AGENCY
CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	COMMUNITY REDEVELOPMENT PROJECT AREA I	I-505/80 REDEVELOPMENT PROJECT AREA II	TOTALS
Revenues:			
Taxes	\$ 5,675,245	\$ 21,384,286	\$ 27,059,531
Investment income	351,593	100,700	452,293
Other	<u>6,854</u>	<u>37,050</u>	<u>43,904</u>
Total revenues	<u>6,033,692</u>	<u>21,522,036</u>	<u>27,555,728</u>
Expenditures:			
Current:			
Redevelopment	1,823,507	5,067,069	6,890,576
Shared revenues	1,519,381	12,273,636	13,793,017
Intergovernmental	172,206	643,666	815,872
Capital outlay	<u>421,903</u>	<u>17,758</u>	<u>439,661</u>
Total expenditures	<u>3,936,997</u>	<u>18,002,129</u>	<u>21,939,126</u>
Deficiency of revenues under expenditures	<u>2,096,695</u>	<u>3,519,907</u>	<u>5,616,602</u>
Other financing sources (uses):			
Transfers in	102,402	-	102,402
Transfers out	<u>(1,963,085)</u>	<u>(5,465,920)</u>	<u>(7,429,005)</u>
Total other financing sources (uses)	<u>(1,860,683)</u>	<u>(5,465,920)</u>	<u>(7,326,603)</u>
Net change in total fund balance	236,012	(1,946,013)	(1,710,001)
Fund balances, beginning of year	<u>23,064,751</u>	<u>17,178,893</u>	<u>40,243,644</u>
Fund balances, end of year	<u>\$ 23,300,763</u>	<u>\$ 15,232,880</u>	<u>\$ 38,533,643</u>

Redevelopment Agency

Low and Moderate Income Housing Excess/Surplus Computations

For the year ended June 30, 2011

		Low and Moderate Housing Fund
Opening Fund Balance - July 1, 2010		\$ 2,792,915
Less Unavailable Amounts:		
Land held for resale	\$ -	
Encumbrances (Section 33334.12 (g)(2))	(40,056)	
Unspent debt proceeds (Section 33334.12 (g)(3)(B))	-	
	<u> </u>	<u>(40,056)</u>
Available Low and Moderate Income Housing Funds		2,752,859
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
Prior Year 1 - 2010	7,421,646	
Prior Year 2 - 2009	7,416,695	
Prior Year 3 - 2008	7,006,227	
Prior Year 4 - 2007	5,748,578	
	<u> </u>	
	<u>\$ 27,593,146</u>	
Base limitation	<u> </u>	
	<u>\$ 1,000,000</u>	
Greater amount		<u>\$ 27,593,146</u>
Computed Excess/Surplus		<u> </u> <u>None</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the Governing Board
of the Vacaville Redevelopment Agency
Vacaville, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vacaville Redevelopment Agency (Agency), a component unit of the City of Vacaville (City), California, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 29, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Members of the Governing Board
of the Vacaville Redevelopment Agency
Vacaville, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 29, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Honorable Members of the Governing Board
of the Vacaville Redevelopment Agency
Vacaville, California

Compliance

We have audited the Vacaville Redevelopment Agency (Agency), a component unit of City of Vacaville, California, compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

To the Honorable Members of the Governing Board
of the Vacaville Redevelopment Agency
Vacaville, California
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Agency's management and others within the entity, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

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San Francisco, California
December 29, 2011