

City of Vacaville, California



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011

CITY OF VACAVILLE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011



Prepared by: Department of Finance

CITY OF VACAVILLE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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CITY OF VACAVILLE
650 MERCHANT STREET, VACAVILLE, CALIFORNIA 95688-6908
ESTABLISHED 1850

COUNCIL MEMBERS
STEVE HARDY, Mayor
RON ROWLETT, Vice Mayor
DILENNA HARRIS
CURTIS HUNT
MITCH MASHBURN
www.cityofvacaville.com

December 29, 2011

To the Honorable Mayor, Members of the City Council and Citizens of the City of Vacaville:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Vacaville (the City) for the fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Caporicci & Larson, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2011. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Vacaville

The City of Vacaville, incorporated in 1892, is located in northern Solano County, on the I-80 corridor, roughly midway between San Francisco and Sacramento. The City currently occupies a land area of roughly 27 square miles.

The City operates under the council-manager form of government. It is classified as a general law city because it is reliant upon California state law to define procedural regulations utilized by the City Council. The mayor and four council members are elected to staggered four year terms through a general election process. The City Council serves as the primary governing body. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing directors of the various City departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness, emergency medical, ambulance transport and building inspection), construction and maintenance of streets, economic development, culture and recreation, parks, water, sewer, transportation, housing assistance and neighborhood revitalization. In addition to general City activities, the Council is financially accountable for the Vacaville Redevelopment Agency, Vacaville Housing Authority, Solano County Housing Authority and the Vacaville Public Financing Authority; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department directors may make transfers of appropriations within a department. The City Manager has certain authority to transfer appropriations between departments and funds, as long as overall appropriations remain within the amounts adopted by the City Council. (The City's budgetary procedures are more fully discussed later under the Required Supplementary Information section of the CAFR.) Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. This comparison is also presented as part of the Required Supplementary Information beginning on page 91 of this CAFR.

Local economy. Originally founded as an agricultural and rail shipping area, Vacaville has developed substantial retail and commercial activity matched with solid, well-considered residential growth. Vacaville is strategically located in Solano County midway between Sacramento and San Francisco and is home to a little over 97,000 residents (including 7,800 prisoners housed in the California State Department of Corrections and Rehabilitation penal and medical facilities located in Vacaville). Vacaville's population is well educated, commutes an average of 24 minutes to work, and earns \$71,000 in median household income. The unemployment rate in Vacaville is one of the lowest in Solano County, and the city is home to the world's largest bio-manufacturing plant, Genentech, as well as several other life sciences and biotech companies. Vacaville is also home to many retail opportunities, from the Nut Tree, California's Legendary Road Stop, to the Vacaville Premium Outlets, which features stores such as Gucci, DKNY, Kenneth Cole and many others.

The long-range economic outlook for the City remains strong. The infrastructure is in excellent condition and has excess capacity for continued commercial and residential development. Approximately one million highly educated and trained employed persons live in and around the vicinity of Vacaville. The City has excellent freeway access and is home to the Nut Tree Airport, which is the only general aviation airport on the I-80 corridor between the Bay Area and Sacramento. The housing market in Vacaville is fairly stable, with a nice mix of single family homes, apartments, and other forms of housing. Vacaville has an area of the city designated for seniors 55 and over, and recently celebrated the opening of a new senior housing project with more than 60 rooms at affordable rents. The housing stock has always been affordable, which is part of what makes this city so attractive to people raising a family. In April 2009, Vacaville was named one of the top 100 cities to call home, according to a real estate relocation website. The annual listing by RelocateAmerica.com included only four cities in California in 2011. This is the third consecutive year Vacaville has been selected as one of the Top 100 Places to Live. In determining its selections, the firm looked at communities with visionary leaders, improving or thriving economies including housing and realization of 'green' initiatives.

Priorities for the future. A citywide strategic plan has been developed through a series of public meetings, workshops and retreats with the City Council and City management. The plan, as updated, sets forth four major goals as follows:

- **Public Safety**
- **Strengthen the Local Economy**
- **Promote Community Viability**
- **Maintain Effective and Efficient City Services**

Long-term financial planning. To ensure the City can continue to provide in the future the same high quality infrastructure enjoyed by existing residents, the City annually updates its Capital Improvement Program (CIP) based upon the future capital and infrastructure needs as contained in the City's long-range development impact fee (DIF) analysis, along with other capital and technology planning documents. The CIP and technology projects for fiscal year 2010/2011 totaled \$24 million. Funding comes from multiple sources, including existing funds; Redevelopment Agency bond funds; utility operating and loan funds; and regional, state and federal grant funds. Water, wastewater and transportation infrastructure and funding plans are projected out over five to ten year horizons.

The City recently completed an \$80 million upgrade and expansion of its wastewater treatment plant. In April 2008, a new permit was issued by the State for the City's wastewater plant that requires advanced treatment including nitrate reduction and filtration (tertiary treatment). These advanced treatment mandates will require further major upgrades to the plant's processing equipment at an expected cost of approximately \$150 million. To finance the project, the City is applying for a low-interest State Revolving Fund loan. If the City is not successful in obtaining the loan, the City would need to issue a revenue bond to raise the needed funds. The City has gained approval from ratepayers to initiate a series of rate increases over the next five years in order to pay for the mandated improvements. Likewise, in 2006 the City approved an eight-year financing plan for its water utility to ensure continued funding for ongoing operations and needed capital improvements. Even with these financing plans in place, Vacaville's monthly water and wastewater rates remain near or below those in surrounding communities.

Relevant financial policies. The City Council has established a policy of maintaining an operating reserve in the General Fund equal to at least 15% of ongoing operating expenditures. However, the severity of the current economic recession has significantly impacted the two primary sources of revenue for the General Fund: sales taxes and property taxes. Given the nature of General Fund spending, however, the City has been unable to reduce expenditures at the same pace as the decline in revenues requiring the use of reserves and other one-time sources of funding. As a result, the General Fund reserve has dropped below the 15% threshold. The adopted General Fund budget for fiscal year 2011-2012 calls for a further use of reserves and supplemental "one-time" funding. The reserve balance at June 30, 2011, is projected at around 8%.

As noted above, it is the policy of the City to fund ongoing municipal services with ongoing revenues, without relying on the use of reserves or other one-time sources of funding. However, to match the significant (and rapid) decline in General Fund operating revenues would require a dramatic reduction in spending that could not be accomplished without a major disruption in service delivery to the community and sever impacts on the City's workforce. Therefore, the City has chose in recent years to use a combination of reserves and other one-time funding sources to fill the gap between ongoing spending and ongoing revenues while continuing to downsize the workforce and implement other spending and service reductions in a systematic and deliberate manner.

In 2009, a trust fund was established with CalPERS to begin the process of pre-funding the City's Other Post-Employment Benefit ("OPEB") obligation with respect to retiree medical benefits. The OPEB trust is being funded via annual contributions from both the City and its employees.

Major initiatives. As just discussed, the City's primary focus for the next fiscal year is to bring ongoing spending in line with ongoing revenues. This is a continuing effort as the effects the "Great Recession" are still being felt in terms of local government revenues. As we look toward fiscal year 2011-2012, the City is facing its' fourth consecutive year of declining revenues used to fund municipal services such as public safety, street and park maintenance and recreation programs. Over the past three years, the City has taken significant and unprecedented steps to reduce General Fund spending, including: across the board departmental budget reductions; workforce reductions from layoffs and attrition; and working with employee groups to achieve significant savings from salary and benefit concessions. The fiscal year 2011-2012 budget was based on a continuation of these spending reductions and the assumption that ongoing General Fund would finally stabilize. Additional measures are being developed to address a further deterioration in ongoing revenues should that occur.

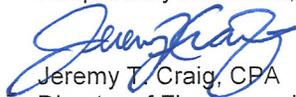
The City's Redevelopment Agency was required by the State of California to make a \$9.5 million payment in fiscal year 2009-2010 to the Solano County Supplemental Education Revenue Augmentation Fund ("SERAF"); and is required to make an additional \$1.9 million SERAF in 2010-11. While this "taking" of redevelopment funds does not impair the Agency's ability to meet bonded debt service and other contractual obligations, it does severely limit the Agency's ability to address blight and promote economic development within the community. In the Fiscal Year 2011-12 State Budget, the Legislature called for the elimination of all Redevelopment Agencies statewide. While still subject to litigation which is under consideration by the California Supreme Court, the elimination of the City's Redevelopment Agency would have a large negative impact to the City's overall finances and many of its current economic development, housing and public safety programs.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the twentieth (20th) consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

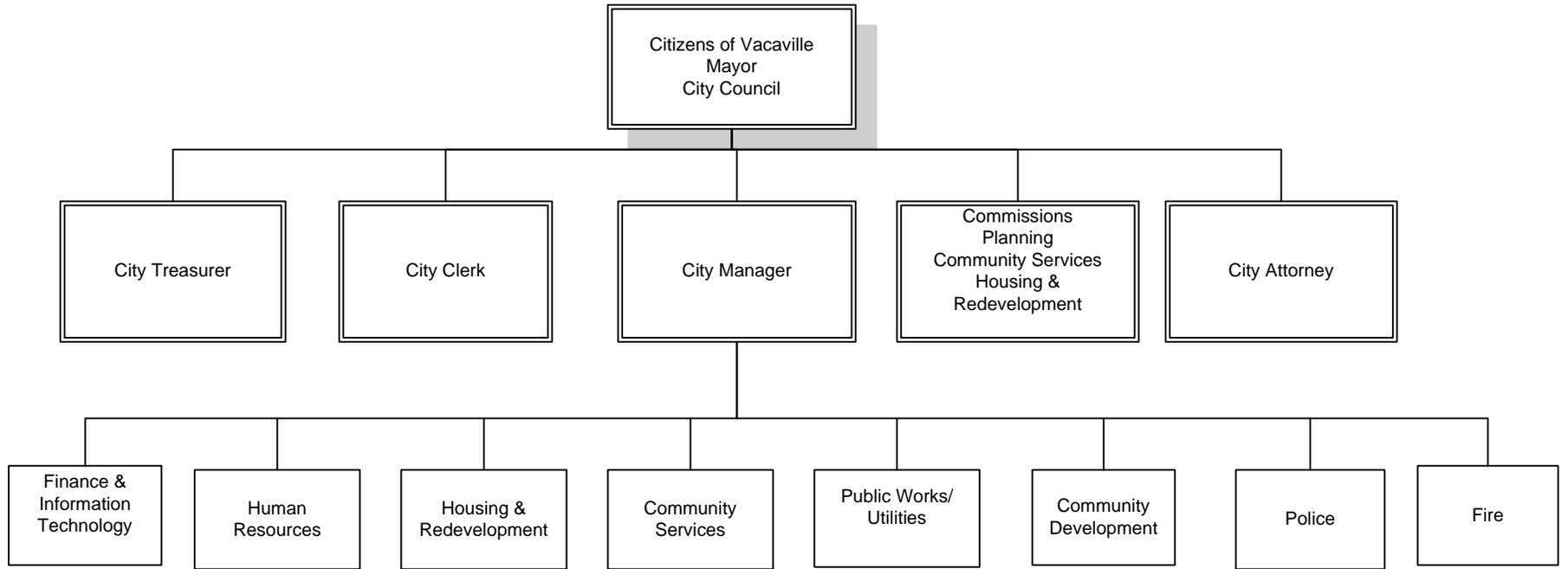
The preparation of this report would not have been possible without the highly professional and dedicated services of the entire staff of the Accounting Division, particularly the leadership of Joan Wallace, Accounting Manager and Kimberly DeYoung, Senior Accountant. Credit must also be given to the Mayor, City Council, and City Manager for their unfailing support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Jeremy T. Craig, CPA
Director of Finance and Information Technology
City of Vacaville

City of Vacaville Organization Chart



**City of Vacaville
List of Elected and Appointed Officials
June 30, 2011**

Elected Officials

Mayor
Vice Mayor
Council Member
Council Member
Council Member
City Treasurer
City Clerk

Steve Hardy
Ron Rowlett
Dilenna Harris
Curtis Hunt
Mitch Mashburn
Andrew Suihkonen
Michelle Thornbrugh

Appointed Officials

City Manager
City Attorney
Director of Finance and Information Technology
Fire Chief
Chief of Police
Director of Public Works
Director of Community Development
Director of Housing & Redevelopment
Director of Community Services
Director of Human Resources

Laura Kuhn
Gerald Hobrecht
Jeremy Craig, CPA
Brian Preciado
Richard Word
Rod Moresco
Maureen Carson
Cynthia Johnston
Kerry Walker
Dawn Del Biaggio

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Vacaville
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

President

Jeffrey R. Emer

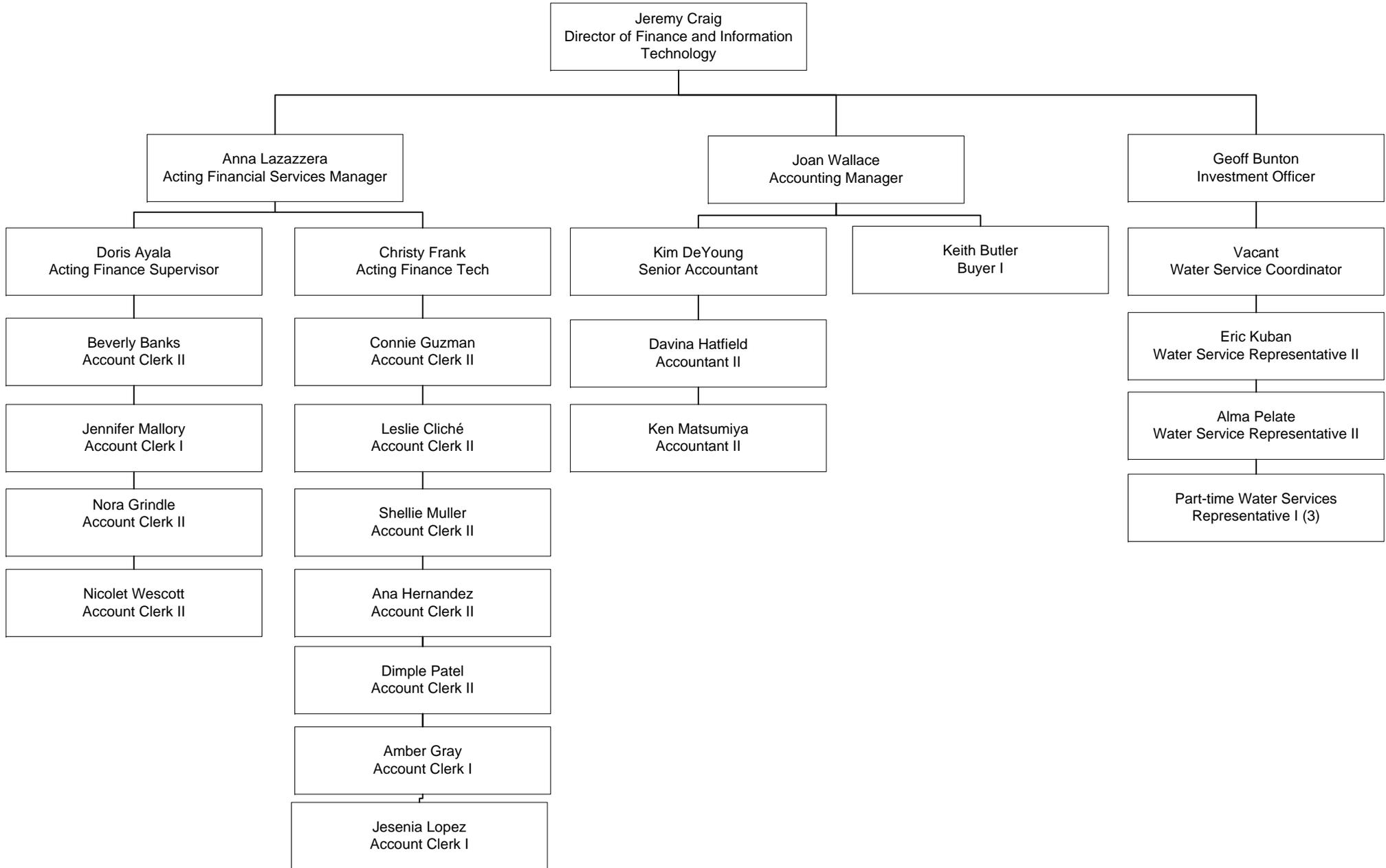
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vacaville for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial report must satisfy both general accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Vacaville has received a Certificate of Achievement for the last twenty consecutive fiscal years ended June 30, 2010. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Department of Finance





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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Vacaville
Vacaville, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 City's internal control over financial reporting. Accordingly, we express no 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011 and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 15 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.

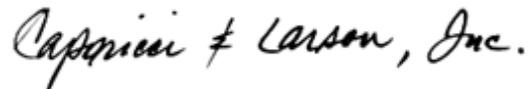
In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and Members of the City Council
of the City of Vacaville
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 16 and 94 through 98 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 City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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 statements 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 statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



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

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2011
(Amounts expressed in thousands)

As management of the City of Vacaville (the City), we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages i-iv of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Assets exceeded liabilities at June 30, 2011 by \$797,532 (*net assets*). Of this amount, \$145,787 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to its citizens and creditors. The remaining net assets are *restricted* for specified purposes.
- Total net assets decreased by \$2,030 from the previous year. There was a decrease in net assets in governmental activities of \$720 and a decrease in net assets in business type activities of \$1,310 mainly from a restatement of capital assets to reflect the disposal of maintenance expenses capitalized as construction in progress costs in prior years.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$98,533, an increase of \$483 in comparison with the prior year. In accordance with the implementation of Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, fund balances are composed of three primary categories to increase the understanding of the availability of resources. The classifications establish a hierarchy based on the extent to which the city must observe constraints imposed upon the use of the resources that are reported. Applying governmental fund balances to the three primary categories the city has 5% categorized as Non-spendable, 85% as Restricted and 10% as Unrestricted (Committed, Assigned and Unassigned) fund balance.
- The \$1,174 unrestricted fund balance of the General Fund represents 2% of ongoing, operating expenditures of the General Fund.
- Total long-term obligations for governmental activities increased by \$828 and total long-term obligations for business-type activities decreased by \$2,522.
- Total liabilities increased by \$6,354 (3.4%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains certain supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the excess of assets over liabilities reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2011
(Amounts expressed in thousands)

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community development and community services. The business-type activities of the City include sewer, water and transit enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Vacaville Redevelopment Agency, Vacaville Housing Authority, Vacaville Public Financing Authority and the Solano County Housing Authority, for which the City is financially accountable. Although legally separate, these *component units* function for all practical purposes as departments of the City and therefore have been blended as part of the primary government.

Both the Governmental Activities and the Business Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds. *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unreserved fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Community Development, Redevelopment Agency Special Revenue, Certificates of Participation, Redevelopment Debt Service, City Projects and Redevelopment Capital Projects funds, all of which are considered to be major funds. Data for the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* and can be found on pages 103-108 of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided in supplemental information for the General Fund to demonstrate compliance with this budget.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2011
(Amounts expressed in thousands)

The governmental fund financial statements can be found on pages 22-25 of this report.

Proprietary funds. The City maintains two different types of proprietary funds, enterprise and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sewer, Water and Transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central services, vehicle replacement, technology replacement, self-insured insurance programs and employee benefits management. The central services, technology replacement, insurance and employee benefits activities benefit predominantly governmental rather than business-type functions, so they have been included within *governmental activities* in the government-wide financial statements. Vehicle replacement is included within *business-type activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, and Transit operations, all of which are considered to be major funds of the City. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* and can be found on pages 112-114 of this report.

The basic proprietary fund financial statements can be found on pages 28-33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 36 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-92 of this report.

CITY OF VACAVILLE
Management's Discussion and Analysis
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(Amounts expressed in thousands)

Government-wide Financial Analysis

The following table presents a summarization of the City's assets, liabilities and net assets for its governmental and business type activities. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

	GOVERNMENTAL ACTIVITIES		NET ASSETS BUSINESS-TYPE ACTIVITIES		TOTAL	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 147,087	\$ 131,902	\$ 91,634	\$ 94,194	\$ 238,721	\$ 226,096
Capital assets	478,448	485,800	272,980	273,930	751,428	759,730
Total assets	625,535	617,702	364,614	368,124	990,149	985,826
Current and other liabilities	22,451	14,726	7,151	6,829	29,602	21,555
Long-term obligations	97,016	96,188	66,000	68,521	163,016	164,709
Total liabilities	119,467	110,914	73,151	75,350	192,618	186,264
Net assets:						
Invested in capital assets, net of related debt	407,621	422,965	216,439	213,956	624,060	636,921
Restricted	27,685	15,519	-	-	27,685	15,519
Unrestricted	70,762	68,304	75,025	78,818	145,787	147,122
Total Net Assets	\$ 506,068	\$ 506,788	\$ 291,464	\$ 292,774	\$ 797,532	\$ 799,562

As noted earlier, the City's assets exceeded liabilities by \$797,532 at June 30, 2011, a decrease of \$2,030 from June 30, 2010. By far the largest portion of net assets (78%) reflects the City's investment in capital assets (i.e., land, buildings, equipment, vehicles and infrastructure), less any related debt used to acquire those assets still outstanding and net of any unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide municipal services to the community; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 3% of net assets represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets (18%) may be used to meet the City's ongoing obligations to its citizens and creditors.

Total net assets decreased by \$2,030 during the current fiscal year, which reflects a \$720 decrease in governmental activities and a \$1,310 decrease in business type activities. This is primarily due to a restatement of capital assets to reflect the disposal of maintenance expenses capitalized as construction in progress costs in prior years.

Following is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2011, with the prior fiscal year presented for comparative purposes. Also included are revenue and expense graphs to aid in understanding the results of the current year's activities.

CITY OF VACAVILLE
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For the year ended June 30, 2011
(Amounts expressed in thousands)

	CITY OF VACAVILLE'S CHANGES IN NET ASSETS					
	(Expressed in Thousands of Dollars)					
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2011	2010	2011	2010	2011	2010
REVENUES:						
Program Revenues:						
Charges for services	\$ 14,925	\$ 14,128	\$ 37,270	\$ 33,267	\$ 52,195	\$ 47,395
Operating grants & contributions	16,360	15,718	1,696	1,674	18,056	17,392
Capital grants & contributions	10,026	15,405	4,097	5,502	14,123	20,907
General Revenues:						
Taxes:						
Property taxes	61,385	64,348	84	83	61,469	64,431
Sales taxes	15,218	13,787	-	-	15,218	13,787
Franchise taxes	2,441	2,383	-	-	2,441	2,383
Transient lodging tax	955	929	-	-	955	929
Business license tax	290	281	-	-	290	281
Excise tax	2,262	2,258	-	-	2,262	2,258
Gasoline tax	2,426	1,596	-	-	2,426	1,596
Vehicle license taxes	569	290	-	-	569	290
Unrestricted capital contributions	3,856	7,592	7,438	10,070	11,294	17,662
Interest and other	1,812	3,836	1,310	1,694	3,122	5,530
Total revenues	<u>132,525</u>	<u>142,551</u>	<u>51,895</u>	<u>52,290</u>	<u>184,420</u>	<u>194,841</u>
Expenses:						
Governmental activities:						
General government	4,601	7,540	-	-	4,601	7,540
Public safety	45,563	46,573	-	-	45,563	46,573
Public works	26,123	25,464	-	-	26,123	25,464
Community services	12,467	13,490	-	-	12,467	13,490
Housing	15,209	14,567	-	-	15,209	14,567
Redevelopment	25,720	31,596	-	-	25,720	31,596
Interest on long-term debt	4,151	4,159	-	-	4,151	4,159
Business-type activities:						
Sewer	-	-	23,464	22,611	23,464	22,611
Water	-	-	16,601	16,124	16,601	16,124
Transit	-	-	4,322	2,666	4,322	2,666
Total expenses	<u>133,834</u>	<u>143,389</u>	<u>44,387</u>	<u>41,401</u>	<u>178,221</u>	<u>184,790</u>
Increase (decrease) in net assets before transfers	(1,309)	(838)	7,508	10,889	6,199	10,051
Transfers	589	615	(589)	(615)	-	-
Increase (decrease) in net assets	(720)	(223)	6,919	10,274	6,199	10,051
Prior period adjustment (Note 19)	-	-	(8,229)	-	(8,229)	-
Net assets-July 1, 2010	506,788	507,011	292,774	282,500	799,562	789,511
Net assets-June 30, 2011	<u>\$ 506,068</u>	<u>\$ 506,788</u>	<u>\$ 291,464</u>	<u>\$ 292,774</u>	<u>\$ 797,532</u>	<u>\$ 799,562</u>

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Governmental activities. Governmental activities decreased the City's net assets by \$720. Net assets decreased by \$223 during the previous fiscal year. Key elements of this year's activity in relation to the prior year are as follows:

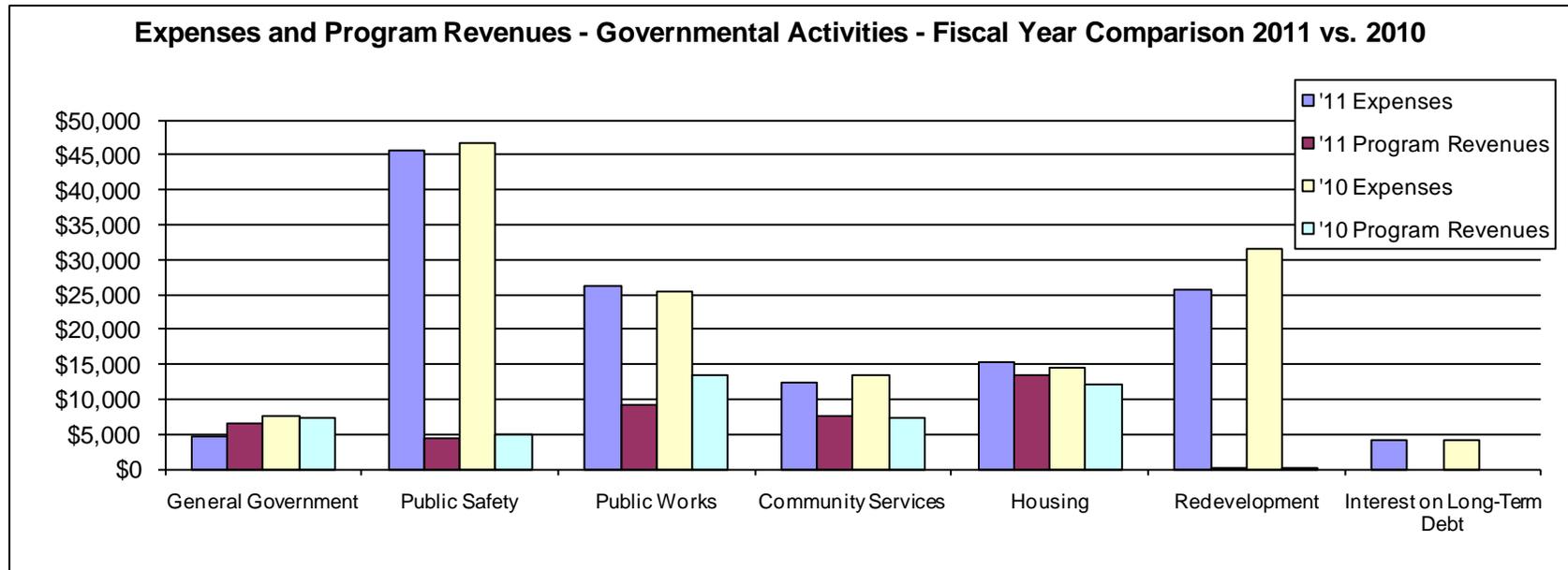
Revenues:

Overall, revenues in 2011 were down \$10,026 (7%) compared with 2010 primarily due to the reduction in federal economic stimulus funding.

- Property taxes decreased \$2,963 in 2011, principally due to the decrease in property values related to continued weakness in the U.S housing market. (Note that property taxes collected in the current fiscal year reflect assessed values of the previous year.)
- Sales tax revenue was up 10% from the previous year. Vacaville experienced an increase in sales tax revenue primarily related to the increase in general consumer goods, fuel and auto sales over the prior year but sales tax levels are still below 2006 highs.
- Interest earnings decreased by \$966 due to historically low investment yields. The City's governmental and business-type activities combined cash portfolio has increased by \$4.6 million however the low interest rates reduced potential investment yields.

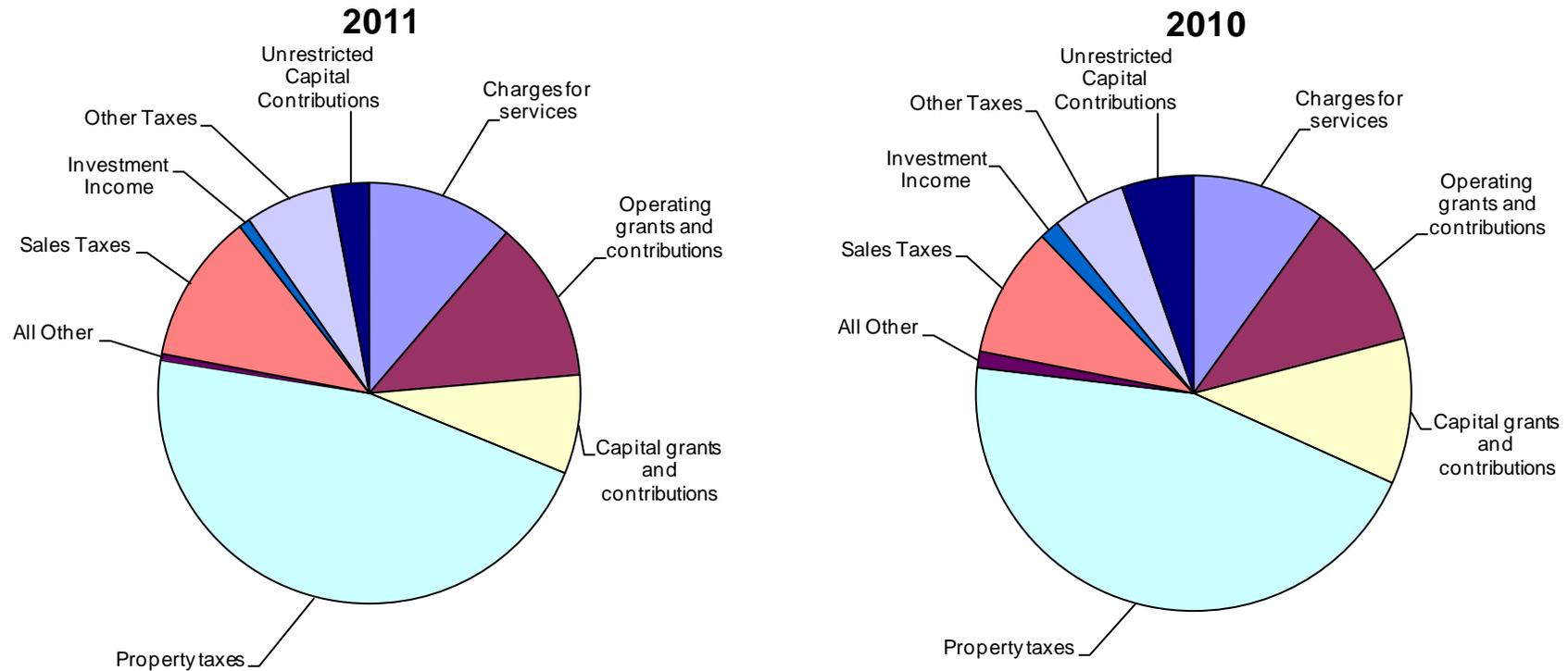
Expenses:

- While significant variances between years exist for the various expense functions, the total net decrease was approximately \$9.5 million. The most significant reduction was due to the Redevelopment Agency's expense of \$1.9 million for the return of property tax revenue, enforced by the State of California, to the county's Supplemental Revenue Augmentation Funds. In comparison, the prior year's return to the county was \$9.5 million.



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(Amounts expressed in thousands)

Revenues by Source – Governmental Activities – Fiscal Year Comparison

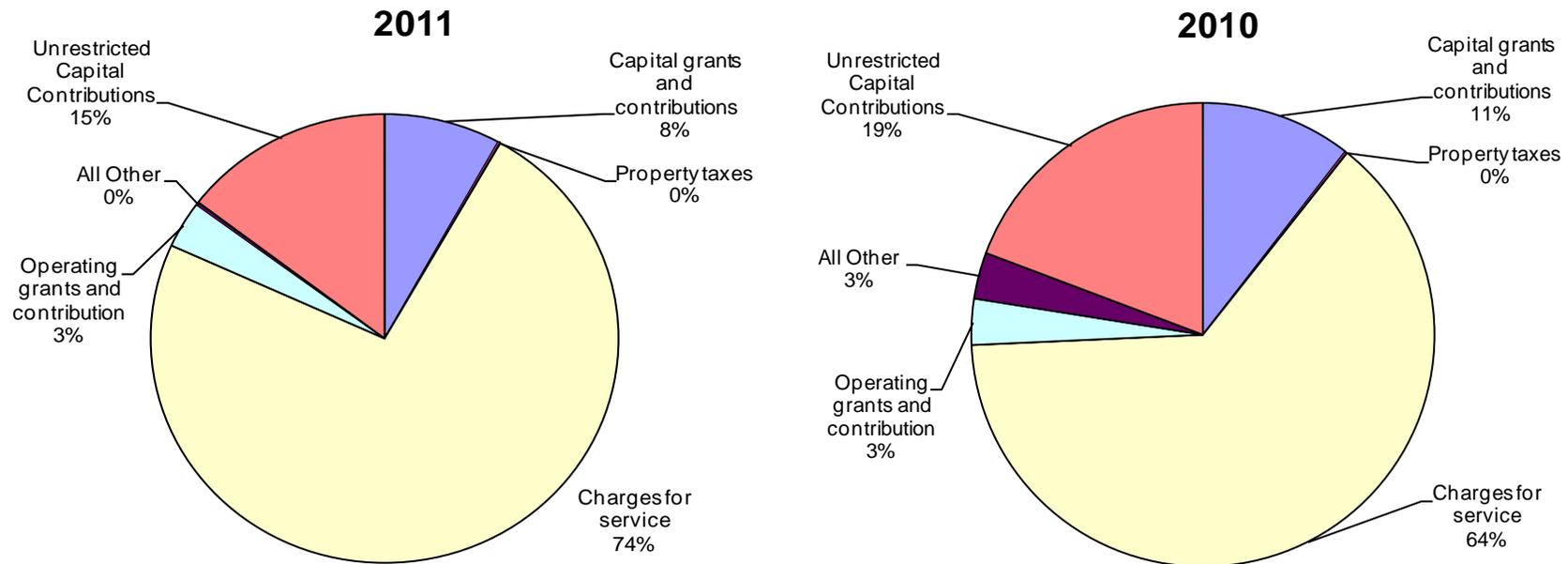


Business-type activities. Business-type activities decreased the City's net assets by \$1,310 accounting for 64.5% of the total decline in net assets. By way of comparison, the net assets of business type activities increased by \$10,274 in 2010. Key elements of 2011 decline in net assets in relation to the prior year are as follows:

- Utility rate increases account for the increase in Charges for Services revenue.
- Capital grants and contributions (restricted and unrestricted) decreased \$1,405 in the current year to \$4,097. As a result of economic conditions, the City saw a decrease in capital contributions from development activity and a decrease from the prior year's capital grants from the federal government (stimulus package) for street and transit related projects.
- The total increase in expenses for business-type activities was \$1,783. Transit non-operational costs were higher due to the loss recorded on sale of 12 fuel powered city busses with a book value greater than the sale price. In the prior year the city purchased and began operating 10 of the more efficient CNG busses which made the fuel powered busses expendable.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2011
(Amounts expressed in thousands)

Revenues by Source-Business Type Activities - Fiscal Year Comparison

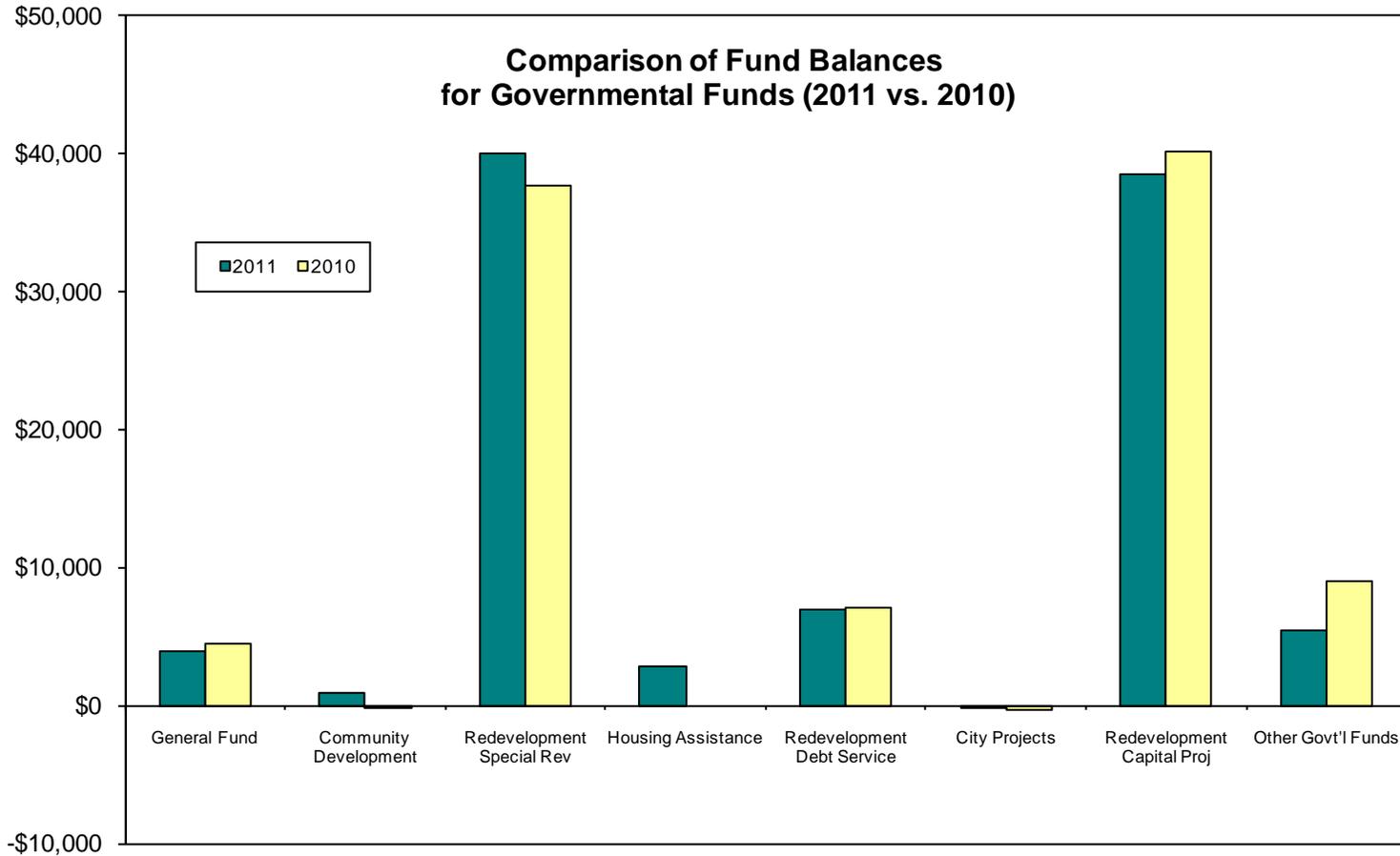


Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, the fund balance classification for *unrestricted fund balance* including; Committed-internally imposed restrictions set by formal action of the city council, Assigned-intended to be used for specific purposes that are neither restricted or committed, and Unassigned-positive fund balance within the general fund which has not been classified and negative fund balances from other governmental funds, may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

The following chart compares the 2011 and 2010 fund balances for the City's General, Community Development, Redevelopment Special Revenue, Housing Assistance, Redevelopment Debt Service, City Projects, Redevelopment Capital Projects, Other Governmental and Total Governmental Funds. As noted earlier, the City of Vacaville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$98,533 an increase of \$483 in comparison with the prior year. Approximately 10% of this total amount (\$10,180) constitutes *unrestricted fund balance*, which is available for spending as the governing body has imposed and intended. The remainder of fund balance is either *Non-spendable* to indicate that it is not available for future spending because it is not in spendable form or is legally required to be maintained such as prepaid items (\$4,862), or *Restricted* to indicate there are spending constraints externally imposed on the city for purposes such as loans and long-term receivables (\$29,980), advances to other funds (\$14,438), highways and streets (\$3,994), housing (\$13,772), redevelopment debt service (\$4,059) and redevelopment capital projects (\$11,954), in addition to a variety of other restricted purposes.

The decrease in the General Fund fund balance reflects the use of reserve funds to maintain current ongoing service levels in light of little to no growth in General Fund revenues. The decline in Redevelopment Capital Projects fund balances reflect the use of funds collected in prior years for current capital projects.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2011
(Amounts expressed in thousands)

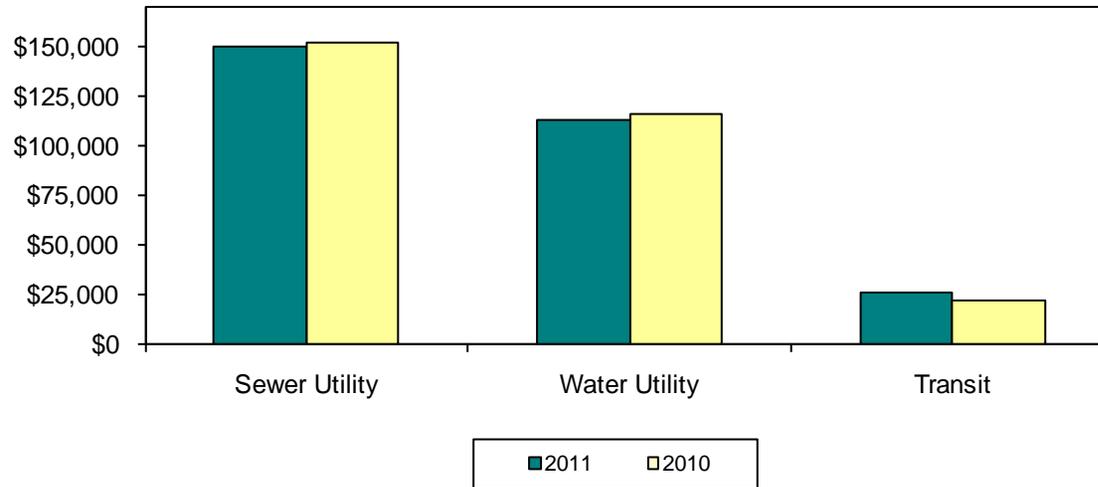
The General Fund is the primary operating fund of the City. At June 30, 2011, unrestricted fund balance, including Committed, Assigned and Unassigned, of the General Fund was \$1,174, while total fund balance was \$3,942. This amount can be viewed as the City's emergency operating reserve and is often measured as a percent of ongoing operating expenditures. The fund balance of the City's General Fund decreased by \$503 during the current fiscal year. As noted above, the decline in fund balance reflects the use of reserves to maintain current service levels during a year in which revenues failed to keep pace with expenditures. The downturn in the economy continues to impact property tax and building-related revenues.

The Redevelopment Capital Projects fund balance decreased by \$1,710, reflecting the use of bond proceeds and other funds accumulated in prior years on projects constructed in the current year.

The City Projects fund has a total fund balance of -\$133. The negative fund balance improved over the prior fiscal year by \$174. The City was allowed to bill more timely for reimbursement of grant-related infrastructure project expenses.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following chart compares the 2011 and 2010 net asset balances for the City's Sewer, Water and Transit Funds.

**Comparison of Net Assets
for Proprietary Funds (2011 vs. 2010)**



Unrestricted net assets at the end of the year amounted to \$36,496 for the sewer utility and \$36,272 for the water utility. Due to the subsidized nature of transportation, the transit operating funds have negative unrestricted net assets at year end. The decrease in total net assets for sewer and water operations was \$1,682 and \$3,774 respectively. The increase in total net assets for transit operations was \$4,154. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF VACAVILLE
Management's Discussion and Analysis
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(Amounts expressed in thousands)

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance from Final Budget
Total revenues	\$ 58,135	\$ 58,050	\$ 56,294	\$ (1,756)
Expenditures:				
General government	9,032	3,867	3,639	228
Public safety	43,174	42,583	42,886	(303)
Public Works	4,589	4,474	4,481	(7)
Community services	8,119	8,031	7,780	251
Housing	-	-	-	-
Debt service	259	259	273	(14)
Total expenditures	65,173	59,214	59,059	155
Revenue over (under) expenditures	(7,038)	(1,164)	(2,765)	(1,601)
Other financing sources (uses)	448	2,262	2,262	-
Net change in fund balance	<u>(6,590)</u>	<u>1,098</u>	<u>(503)</u>	<u>(1,601)</u>
Beginning fund balance			4,427	
Ending fund balance			<u>\$ 3,924</u>	

Final budgeted expenditures were less than the original budgeted expenditures by \$5,959. The reason for this decrease can be summarized as follows:

- All departments were asked to reduce budget throughout the year particularly due to the economic downturn.

Actual amounts differed from the Final budget as follows:

- Actual revenues were about 3% less than the budget. This was primarily due to lower than projected property tax revenue, decreased investment earnings due to the market decline and a general across-the-board decline in all building related revenue.
- Actual expenditures were \$155 below budget for the year. This favorable variance was mainly in the areas of general government and community services. All departments were asked to reduce their spending.
- The net effect of all of the above was an unfavorable variance from the amounts budgeted of \$1,602.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2011
(Amounts expressed in thousands)

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounted to \$751,428 (net of accumulated depreciation). This investment includes land, buildings and improvements, park facilities, equipment, vehicles, roads and bridges. The total decrease in the City's net investment in capital assets for the current fiscal year was \$8,302 (\$7,352 for governmental activities, including internal service funds and \$950 for business type activities).

	CAPITAL ASSETS					
	(net of depreciation)					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Land	\$ 204,039	\$ 206,079	\$ 9,672	\$ 9,672	\$ 213,711	\$ 215,751
Buildings and improvement:	39,824	40,808	137,644	133,129	177,468	173,937
Equipment	1,498	1,535	6,624	5,108	8,122	6,643
Vehicles	2,845	3,256	1,439	1,241	4,284	4,497
Infrastructure	220,271	223,547	68,456	57,413	288,727	280,960
Intangibles	788	788	-	-	788	788
Construction in progress	<u>9,183</u>	<u>9,787</u>	<u>49,145</u>	<u>67,367</u>	<u>58,328</u>	<u>77,154</u>
Total	<u>\$ 478,448</u>	<u>\$ 485,800</u>	<u>\$ 272,980</u>	<u>\$ 273,930</u>	<u>\$ 751,428</u>	<u>\$ 759,730</u>

Major capital asset events during the current fiscal year included completion of the Nut Tree Overcrossing, Pleasants Valley Detention Basin, Phase II of the Creekwalk Extension Project, Mason Street Widening, and the Great Wonders Playground. Construction-in-progress for business-type activities most significantly reflects amounts spent on the four phases of the Tertiary Project, Planning, Denitrification Improvements, Laboratory Expansion and the Filtration Improvements.

Additional information on the City's capital assets can be found in Note 5 on pages 53-57.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2011
(Amounts expressed in thousands)

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$128,094. Of this amount, \$67,463 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt, \$60,631, represents debt secured solely by specified revenue sources (i.e., revenue type bonds).

OUTSTANDING DEBT

(expressed in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Bonds payable	\$ 60,631	\$ 63,145	\$ -	\$ -	\$ 60,631	\$ 63,145
Capital lease obligations	3,680	3,879	424	482	4,104	4,361
Certificates of participation	3,335	4,330	-	-	3,335	4,330
Note payable	-	-	105	205	105	205
Loans payable	<u>3,907</u>	<u>4,555</u>	<u>56,012</u>	<u>59,287</u>	<u>59,919</u>	<u>63,842</u>
Total	<u>\$ 71,553</u>	<u>\$ 75,909</u>	<u>\$ 56,541</u>	<u>\$ 59,974</u>	<u>\$ 128,094</u>	<u>\$ 135,883</u>

The City's total debt decreased by \$7,789 during the current fiscal year, due primarily to the reduction of principal to the State Revolving Fund loan and the normal retirement of outstanding bonds.

The City and Redevelopment Agency maintain a "BBB+" rating from Standard & Poor's for its debt.

Additional information on the City's long-term debt can be found in Note 6 on pages 57-72 of this report.

Economic Factors and Next Year's Budget

The economic recession continues to have a dampening effect on municipal revenues. While the City has taken major steps over the past three years to reduce spending, the decline in operating revenue (primarily sales taxes and property taxes) has continues to outpace those efforts. The General Fund budget for fiscal year 2011-2012 is approximately \$60.8 million; which is roughly \$150,000, or less than 1% change from last year's adopted budget. The FY 2011-2012 budget again includes the use of one-time funding (\$857,000) and reserve funds (\$687,000) to cover the gap between spending and revenues. The use of reserves and one-time funds is part of a longer-range strategy to reduce spending in such a manner as to avoid a major disruption in service delivery to the community and minimizing the impact the City's workforce. The budget projects ending fiscal year 2011-2012 with an operating reserve of about \$3.5 million, or six percent (6%) of operating expenditures.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2011
(Amounts expressed in thousands)

The two largest sources of revenue for the General Fund are property tax and sales tax, accounting for over half of operating revenues. Property tax revenue is projected to be increase 2.1% in FY 2011-2012, while sales tax is projected to grow by around 1.8%. (Note that even though sales tax is expected to increase next year, it remains well below the level received prior to the economic downturn.) While the budget assumes overall operating revenue will be mostly static in FY 2011-2012, serious threats remain:

- If the economic recovery stalls, there could be further negative impacts on sales and property taxes as well as development related revenues.
- A continuation of the State budget crisis could result in further raids on local municipal revenues.
- Further reduction in Medicare/Medical reimbursement rates would result in lower Emergency Medical Services revenue.
- Further declines in investment yields would translate to reduced investment earnings.

Utilities:

Following the process prescribed by state law, the City in 2010 approved a multi-year rate increase to cover the increased maintenance and debt service related to a \$150 million wastewater treatment project intended to provide advanced treatment and filtration processes. This advanced treatment is new requirement stemming from the City's most recent state permit to operate the wastewater treatment facility. The funding plan includes rate increases of 11.1% in the first year (2010), followed by a 15% increase in each of the next three years, and a 7.5% in the fifth year.

Housing and Redevelopment:

The State of California took \$9.5 million of Redevelopment funds in FY 2009-2010 and will be taking an additional \$1.9 million in FY 2010-2011. These "takings" are being used to help "balance" the State budget. As a result, the Redevelopment Agency has been forced to delay, delete, and/or suspend a number of revitalization and rehabilitation projects and other programs. In the State FY 2011-12 budget, the legislature called for the dissolution of Redevelopment Agencies statewide. While legal action is currently pending before the State Supreme Court, dissolution of the City's Redevelopment Agency would have several fiscal consequences to its ability to provide economic development, housing and public safety programs.

Requests for Information

This financial report is designed to provide a general overview of the City of Vacaville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Vacaville, 650 Merchant Street, Vacaville, CA 95688 or you may visit our website at www.cityofvacaville.com for contact information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF VACAVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and investments	\$ 65,264,126	\$ 61,695,237	\$ 126,959,363
Receivables, net of allowance for uncollectibles:			
Interest	705,038	-	705,038
Taxes	3,464,916	-	3,464,916
Accounts	11,719,966	7,568,244	19,288,210
Loans	42,831,352	-	42,831,352
Inventories	171,508	-	171,508
Prepaid Items	4,862,680	-	4,862,680
Deferred charges	725,667	-	725,667
Internal Balances	(1,664,889)	1,664,889	-
Total current assets	<u>128,080,364</u>	<u>70,928,370</u>	<u>199,008,734</u>
Noncurrent assets:			
Restricted cash and investments	18,611,469	-	18,611,469
Deposits	395,081	-	395,081
Investment in joint venture	-	20,706,281	20,706,281
Capital assets:			
Capital assets, non-depreciable	214,010,396	58,817,322	272,827,718
Capital assets, net of accumulated depreciation	<u>264,438,028</u>	<u>214,162,400</u>	<u>478,600,428</u>
Total capital assets	<u>478,448,424</u>	<u>272,979,722</u>	<u>751,428,146</u>
Total noncurrent assets	<u>497,454,974</u>	<u>293,686,003</u>	<u>791,140,977</u>
Total assets	<u>625,535,338</u>	<u>364,614,373</u>	<u>990,149,711</u>
LIABILITIES			
Current liabilities:			
Obligation - reverse repurchase agreement	10,202,000	-	10,202,000
Accounts payable and contract payable	2,562,393	3,011,100	5,573,493
Accrued payroll	2,454,113	491,938	2,946,051
Interest payable	1,221,341	25,136	1,246,477
Employee benefits payable	93,002	-	93,002
Compensated absences-due within one year	453,456	93,686	547,142
Claims payable - due within one year	1,716,000	-	1,716,000
Long-term debt - due within one year	<u>3,749,387</u>	<u>3,528,888</u>	<u>7,278,275</u>
Total current liabilities	<u>22,451,692</u>	<u>7,150,748</u>	<u>29,602,440</u>
Noncurrent liabilities:			
Deposits payable	11,635,442	8,833,261	20,468,703
Due to other governments	-	288,594	288,594
Unearned revenue	3,809,491	1,034,598	4,844,089
Compensated absences-due in more than a year	7,055,168	879,843	7,935,011
Claims payable-due in more than a year	4,323,000	-	4,323,000
Remediation liability-due in more than a year	-	1,355,000	1,355,000
OPEB trust liability-due in more than a year	2,388,758	596,617	2,985,375
Long-term liabilities-due in more than a year	<u>67,803,904</u>	<u>53,011,874</u>	<u>120,815,778</u>
Total noncurrent liabilities	<u>97,015,763</u>	<u>65,999,787</u>	<u>163,015,550</u>
Total liabilities	<u>119,467,455</u>	<u>73,150,535</u>	<u>192,617,990</u>
NET ASSETS			
Invested in capital assets, net of related debt	<u>407,620,800</u>	<u>216,438,960</u>	<u>624,059,760</u>
Restricted for:			
Capital projects	13,112,784	-	13,112,784
Debt service	5,499,663	-	5,499,663
Highway and streets	1,065,267	-	1,065,267
Housing	6,241,108	-	6,241,108
Special Programs	<u>1,766,027</u>	<u>-</u>	<u>1,766,027</u>
Total restricted	<u>27,684,849</u>	<u>-</u>	<u>27,684,849</u>
Unrestricted	<u>70,762,234</u>	<u>75,024,878</u>	<u>145,787,112</u>
Total net assets	<u>\$ 506,067,883</u>	<u>\$ 291,463,838</u>	<u>\$ 797,531,721</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
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	CAPITAL GRANTS AND CONTRIBUTIONS	TOTALS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
Governmental activities:									
General government	\$ 4,633,365	\$ 4,359,268	\$ 54,164	\$ 2,228,487	\$ 6,641,919	\$ 2,008,554	\$ -	\$ 2,008,554	
Public safety	45,562,735	3,456,627	973,363	-	4,429,990	(41,132,745)	-	(41,132,745)	
Public works	26,091,101	287,527	1,109,876	7,797,257	9,194,660	(16,896,441)	-	(16,896,441)	
Community services	12,466,599	5,862,523	1,733,023	-	7,595,546	(4,871,053)	-	(4,871,053)	
Housing	15,209,095	855,557	12,489,560	-	13,345,117	(1,863,978)	-	(1,863,978)	
Redevelopment	25,719,641	103,427	-	-	103,427	(25,616,214)	-	(25,616,214)	
Interest on long-term debt	4,151,254	-	-	-	-	(4,151,254)	-	(4,151,254)	
Total governmental activities	133,833,790	14,924,929	16,359,986	10,025,744	41,310,659	(92,523,131)	-	(92,523,131)	
Business-type activities:									
Sewer	23,464,343	22,793,046	-	2,456,647	25,249,693	-	1,785,350	1,785,350	
Water	16,600,797	14,071,254	-	1,640,338	15,711,592	-	(889,205)	(889,205)	
Transit	4,322,440	405,567	1,696,217	-	2,101,784	-	(2,220,656)	(2,220,656)	
Total business-type activities	44,387,580	37,269,867	1,696,217	4,096,985	43,063,069	-	(1,324,511)	(1,324,511)	
Total primary government	\$ 178,221,370	\$ 52,194,796	\$ 18,056,203	\$ 14,122,729	\$ 84,373,728	(92,523,131)	(1,324,511)	(93,847,642)	
General revenues:									
Taxes:									
						61,385,135	83,680	61,468,815	
						15,218,209	-	15,218,209	
						2,440,411	-	2,440,411	
						954,868	-	954,868	
						290,201	-	290,201	
						2,261,860	-	2,261,860	
						2,425,652	-	2,425,652	
						568,548	-	568,548	
						85,544,884	83,680	85,628,564	
						1,145,207	945,605	2,090,812	
						3,856,371	7,438,639	11,295,010	
						667,627	365,377	1,033,004	
						589,033	(589,033)	-	
						91,803,122	8,244,268	100,047,390	
						Change in net assets	(720,009)	6,919,757	6,199,748
						Net assets, beginning of year	506,787,892	292,773,701	799,561,593
						Prior period adjustment (Note 19)	-	(8,229,620)	(8,229,620)
						Net assets, beginning of year as restated	506,787,892	284,544,081	791,331,973
						Net assets, end of year	\$ 506,067,883	\$ 291,463,838	\$ 797,531,721

See accompanying Notes to Basic Financial Statements.



GOVERNMENTAL FUND FINANCIAL STATEMENTS

GENERAL FUND

The General Fund is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. It derives a majority of its revenues from property, sales, business and excise tax.

COMMUNITY DEVELOPMENT

To account for those funds received from the Federal Government for the purpose of correcting sub-standard, unsafe residences and eliminating building code deficiencies.

REDEVELOPMENT SPECIAL REVENUE

To account for the 20% set aside funds received from tax increments in the City's two Redevelopment areas; to be used for low and moderate housing purposes.

REDEVELOPMENT DEBT SERVICE

To account for receipts and payments related to the City's two Redevelopment areas' bonds outstanding.

HOUSING ASSISTANCE

To account for those funds received from the Federal Government to provide rental assistance payments to low-income, elderly, disabled, and handicapped people qualifying for the programs, as well as rehabilitation for rental property. Funds are received from the Housing and Urban Development's Section 8 Voucher Housing Programs and State Rehabilitation.

CITY PROJECTS

To account for proceeds used to fund the acquisition and construction of public improvements, proceeds from State Gas Tax (Section 2105 and 2106), State and Federal transit programs, development, and proceeds from bonds issued to fund City public facilities and infrastructure.

REDEVELOPMENT CAPITAL PROJECTS

To account for tax increments received in the two Redevelopment areas used to facilitate economic development through construction of public improvements.

OTHER GOVERNMENTAL FUNDS

Other Governmental Funds is the aggregate of all the non-major governmental funds.

CITY OF VACAVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

MAJOR FUNDS

ASSETS	MAJOR FUNDS							OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	COMMUNITY DEVELOPMENT	REDEVELOPMENT SPECIAL REVENUE	HOUSING ASSISTANCE	REDEVELOPMENT DEBT SERVICE	CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS		
Cash and investments	\$ 10,311,289	\$ 893,523	\$ 11,985,431	\$ 2,250,625	\$ 321,585	\$ 9,770,258	\$ 17,268,480	\$ 7,385,286	\$ 60,186,477
Receivables:									
Interest	684,533	-	-	-	14,602	-	4,925	978	705,038
Taxes	3,185,799	-	-	-	-	218,114	-	61,003	3,464,916
Accounts	2,474,466	119,317	20,204	68,202	-	8,599,395	76,633	312,986	11,671,203
Loans	977	10,708,988	24,304,539	-	2,364,740	257,935	5,194,173	-	42,831,352
Prepaid items	2,305,430	-	-	977,579	1,137	1,578,534	-	-	4,862,680
Restricted cash and investments held by fiscal agent	-	-	-	-	4,261,994	-	11,954,359	2,395,116	18,611,469
Deposits	263,191	-	-	-	-	-	-	-	263,191
Advances to other funds	330,000	-	3,898,429	-	-	-	10,539,452	-	14,767,881
Total assets	\$ 19,555,685	\$ 11,721,828	\$ 40,208,603	\$ 3,296,406	\$ 6,964,058	\$ 20,424,236	\$ 45,038,022	\$ 10,155,369	\$ 157,364,207
LIABILITIES AND FUND BALANCES									
Liabilities:									
Obligation - reverse repurchase agreement	\$ 10,202,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,202,000
Accounts and contract payable	780,259	-	1,093	7,302	-	1,452,016	110,451	50,066	2,401,187
Accrued payroll	2,013,695	8,365	32,305	52,338	-	40,495	45,357	163,472	2,356,027
Deposits payable	2,327,363	898	64,159	355,881	-	5,270,885	133,302	3,462,954	11,615,442
Deferred revenue	307,957	10,860,051	16,967	-	-	1,259,804	2,316,840	1,061,714	15,823,333
Advances from other funds	-	-	-	-	-	12,534,341	3,898,429	-	16,432,770
Total liabilities	15,631,274	10,869,314	114,524	415,521	-	20,557,541	6,504,379	4,738,206	58,830,759
Fund Balances:									
Nonspendable	2,635,430	-	-	977,579	-	1,578,534	-	-	5,191,543
Restricted	115,259	852,514	40,071,641	1,903,306	6,425,397	2,572,631	25,804,046	5,416,183	83,160,977
Committed	1,012,189	-	-	-	538,661	-	12,658,250	980	14,210,080
Assigned	251,050	-	22,438	-	-	-	71,347	-	344,835
Unassigned	(89,517)	-	-	-	-	(4,284,470)	-	-	(4,373,987)
Total fund balances	3,924,411	852,514	40,094,079	2,880,885	6,964,058	(133,305)	38,533,643	5,417,163	98,533,448
Total liabilities and fund balances	\$ 19,555,685	\$ 11,721,828	\$ 40,208,603	\$ 3,296,406	\$ 6,964,058	\$ 20,424,236	\$ 45,038,022	\$ 10,155,369	\$ 157,364,207

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
Reconciliation of the Governmental Funds - Balance Sheet with the Statement of Net Assets
JUNE 30, 2011

TOTAL FUND BALANCES- TOTAL GOVERNMENTAL FUNDS \$ 98,533,448

Amounts reported for Governmental Activities in the Statement 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 Balance Sheet net of Central Services & Technology Replacement, internal service funds capital assets of \$800,120. 477,648,304

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in Governmental Activities in the Government-Wide Statement of Net Assets. (181,364)

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 governmental funds:

OPEB trust liability	(2,388,758)
Deferred charges	725,667
Long-term debt	(71,553,291)
Compensated absences	(7,508,624)
Interest payable	(1,221,341)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unearned in the Fund Financial Statements because they are not available currently are taken into revenue in the Statement of Activities. 12,013,842

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 506,067,883

See accompanying Notes to Basic Financial Statements.

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

	GENERAL	COMMUNITY DEVELOPMENT	REDEVELOPMENT SPECIAL REVENUE	HOUSING ASSISTANCE	REDEVELOPMENT DEBT SERVICE	CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:									
Taxes and fees	\$ 47,381,977	\$ -	\$ 6,764,883	\$ -	\$ -	\$ 2,228,487	\$ 27,059,531	\$ 3,856,785	\$ 87,291,663
Licenses and permits	202,455	-	-	-	-	-	-	819,083	1,021,538
Investment income	714,272	-	211,156	17,838	143,100	1,824,154	452,293	101,403	3,464,216
Intergovernmental	1,018,985	1,681,843	-	13,339,764	-	10,338,982	-	1,570,893	27,950,467
Charges for services	6,827,029	-	-	56,533	-	-	-	1,024,352	7,907,914
Fines,forfeits and penalties	119,884	-	-	-	-	-	-	289,212	409,096
Other	29,073	-	57,412	21,822	695,752	127,581	43,904	1,393	976,937
Total revenues	56,293,675	1,681,843	7,033,451	13,435,957	838,852	14,519,204	27,555,728	7,663,121	129,021,831
EXPENDITURES:									
Current:									
General government	3,639,244	-	-	-	-	-	-	2,447,307	6,086,551
Public safety	42,885,675	-	-	-	-	-	-	963,645	43,849,320
Public works	4,480,996	-	-	-	-	254,500	-	1,284,486	6,019,982
Community services	7,779,604	806,024	-	50,888	-	-	-	3,150,776	11,787,292
Housing	479	-	2,097,162	13,054,510	-	-	-	-	15,152,151
Redevelopment	-	-	-	-	3,914,304	-	20,683,593	-	24,597,897
Capital outlay	-	-	-	-	-	12,572,126	439,661	-	13,011,787
Debt service:									
Principal	206,036	-	-	-	2,652,847	657,178	-	995,000	4,511,061
Interest and fiscal charges	67,320	-	-	-	3,485,943	387,430	-	201,690	4,142,383
Total expenditures	59,059,354	806,024	2,097,162	13,105,398	10,053,094	13,871,234	21,123,254	9,042,904	129,158,424
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,765,679)	875,819	4,936,289	330,559	(9,214,242)	647,970	6,432,474	(1,379,783)	(136,593)
OTHER FINANCING SOURCES (USES):									
Transfers in	3,960,717	-	-	65	9,110,848	1,301,259	244,979	2,992,084	17,609,952
Transfers out	(1,892,614)	-	(2,514,315)	-	-	(1,775,333)	(8,387,454)	(2,615,542)	(17,185,258)
Sale of capital assets	31,805	-	-	-	-	-	-	-	31,805
Issuance of debt and loans	163,000	-	-	-	-	-	-	-	163,000
Total other financing sources (uses)	2,262,908	-	(2,514,315)	65	9,110,848	(474,074)	(8,142,475)	376,542	619,499
NET CHANGES IN TOTAL FUND BALANCE	(502,771)	875,819	2,421,974	330,624	(103,394)	173,896	(1,710,001)	(1,003,241)	482,906
FUND BALANCES:									
Fund balances, beginning of year	4,427,182	(23,305)	37,672,105	2,550,261	7,067,452	(307,201)	40,243,644	6,420,404	98,050,542
Fund balances, end of year	\$ 3,924,411	\$ 852,514	\$ 40,094,079	\$ 2,880,885	\$ 6,964,058	\$ (133,305)	\$ 38,533,643	\$ 5,417,163	\$ 98,533,448

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
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 \$ 482,906

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds reported capital asset expenditures as part of capital outlay and other departmental 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. Technology Replacement, internal service fund capital assets additions were \$397,048. This is detail of the amount of capital assets recorded in the current period

Capital outlay	13,011,787
Uncapitalized outlay costs	(11,075,032)
Departmental expenditures capitalized	4,226,187
Developer contributions	3,856,371

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. Internal service funds depreciation is \$227,179. (11,820,749)

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.	4,511,061
Write down of loan agreement	7,242

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds:

Compensated absences	(248,291)
OPEB expense	(1,907,084)
Unearned revenue	(309,425)
Interest expense	(8,871)
Proceeds of capital assets	(31,805)
Gain on sale of property	(1,992,874)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal service funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with the governmental activities. 741,568

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (720,009)



PROPRIETARY FUND FINANCIAL STATEMENTS

SEWER UTILITY

To account for the operation (including waste water treatment) of the City's sewer facility, a self-supporting activity which provides services on a user charge basis.

WATER UTILITY

To account for the operation of the City's water utility, a self-supporting activity which provides services on a user charge basis.

TRANSIT

To account for the operation of the City's transit system.

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT		
ASSETS					
Current assets:					
Cash and investments	\$ 36,821,367	\$ 22,391,532	\$ -	\$ 59,212,899	\$ 7,559,987
Accounts receivable	4,228,971	2,827,314	511,959	7,568,244	48,763
Due from other funds	256,219	-	-	256,219	-
Inventories-supplies	-	-	-	-	171,508
Total current assets	<u>41,306,557</u>	<u>25,218,846</u>	<u>511,959</u>	<u>67,037,362</u>	<u>7,780,258</u>
Noncurrent assets:					
Deposits	-	-	-	-	131,890
Advances to other funds	764,963	1,329,926	-	2,094,889	-
Investment in joint venture	-	20,706,281	-	20,706,281	-
Capital assets:					
Land	2,777,333	1,965,967	4,928,788	9,672,088	-
Construction in progress	42,841,761	5,747,730	555,743	49,145,234	-
Buildings and improvements	147,577,057	50,065,009	15,505,839	213,147,905	123,740
Machinery and equipment	1,567,031	418,189	7,668,372	9,653,592	5,825,522
Transmission and distribution system	36,574,608	53,412,599	-	89,987,207	-
Less: accumulated depreciation	<u>(61,735,639)</u>	<u>(35,426,688)</u>	<u>(2,599,082)</u>	<u>(99,761,409)</u>	<u>(4,014,037)</u>
Total capital assets	<u>169,602,151</u>	<u>76,182,806</u>	<u>26,059,660</u>	<u>271,844,617</u>	<u>1,935,225</u>
Total noncurrent assets	<u>170,367,114</u>	<u>98,219,013</u>	<u>26,059,660</u>	<u>294,645,787</u>	<u>2,067,115</u>
Total assets	<u>211,673,671</u>	<u>123,437,859</u>	<u>26,571,619</u>	<u>361,683,149</u>	<u>9,847,373</u>

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT		
LIABILITIES					
Current liabilities:					
Accounts and contract payable	1,770,399	1,076,738	163,963	3,011,100	161,206
Accrued payroll	296,112	186,293	9,533	491,938	98,086
Interest payable	20,641	4,495	-	25,136	-
Due to other funds	-	-	256,219	256,219	-
Employee benefits payable	-	-	-	-	93,002
Compensated absences-due within one year	58,091	35,595	-	93,686	-
Current portion of claims payable	-	-	-	-	1,716,000
Long-term debt - due within one year	3,394,761	134,127	-	3,528,888	-
Total current liabilities	5,540,004	1,437,248	429,715	7,406,967	2,068,294
Noncurrent liabilities:					
Deposits payable	4,276	8,821,892	7,093	8,833,261	20,000
Due to other governments	-	-	288,594	288,594	-
Advances from other funds	330,000	100,000	-	430,000	-
Unearned revenue	567,430	467,168	-	1,034,598	-
Compensated absences-due in more than a year	819,653	60,190	-	879,843	-
Remediation liability	1,355,000	-	-	1,355,000	-
OPEB trust liability	353,480	230,569	12,568	596,617	-
Long-term claims payable	-	-	-	-	4,323,000
Long-term debt - due in more than one year	52,843,138	168,736	-	53,011,874	-
Total noncurrent liabilities	56,272,977	9,848,555	308,255	66,429,787	4,343,000
Total liabilities	61,812,981	11,285,803	737,970	73,836,754	6,411,294
NET ASSETS					
Invested in capital assets, net of related debt	113,364,252	75,879,943	26,059,660	215,303,855	1,935,225
Unrestricted	36,496,438	36,272,113	(226,011)	72,542,540	1,500,854
Total net assets business-type activities	\$ 149,860,690	\$ 112,152,056	\$ 25,833,649	287,846,395	\$ 3,436,079
				Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	3,617,443
				Net assets of business-type activities	<u><u>\$ 291,463,838</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL
	SEWER UTILITY	WATER UTILITY	TRANSIT		INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
Charges for sales and services:					
Sewer charges	\$ 25,247,932	\$ -	\$ -	\$ 25,247,932	\$ -
Water sales	-	15,711,592	-	15,711,592	-
Transit fares	-	-	405,567	405,567	-
Internal service charges	-	-	-	-	11,388,696
Total operating revenues	25,247,932	15,711,592	405,567	41,365,091	11,388,696
OPERATING EXPENSES:					
Treatment plant and sources of supply	6,477,795	6,902,133	-	13,379,928	-
Transmission and distribution	-	1,679,007	-	1,679,007	-
Maintenance	4,832,354	2,459,814	-	7,292,168	-
Customer services and administration	6,318,645	3,423,208	-	9,741,853	-
Transportation	-	-	2,146,764	2,146,764	-
Internal service expenses	-	-	-	-	10,260,880
Depreciation	4,260,905	2,168,816	969,855	7,399,576	483,265
Total operating expenses	21,889,699	16,632,978	3,116,619	41,639,296	10,744,145
OPERATING INCOME (LOSS)	3,358,233	(921,386)	(2,711,052)	(274,205)	644,551
NONOPERATING REVENUES (EXPENSES):					
Gain (loss) from joint venture	-	(121,668)	-	(121,668)	-
Interest revenue	618,528	327,077	-	945,605	-
Interest expense	(1,609,785)	-	(1,841)	(1,611,626)	-
Taxes and other	192,334	380,152	1,696,217	2,268,703	-
Loss on capital assets	-	-	(1,203,980)	(1,203,980)	-
Total nonoperating revenues (expenses)	(798,923)	585,561	490,396	277,034	-
INCOME (LOSS) BEFORE TRANSFERS, CONTRIBUTION AND EXTRAORDINARY ITEM	2,559,310	(335,825)	(2,220,656)	2,829	644,551
TRANSFER:					
Transfers in	216,206	131,951	46,821	394,978	172,339
Transfers out	(741,418)	(167,983)	-	(909,401)	(82,610)
Total transfers	(525,212)	(36,032)	46,821	(514,423)	89,729
CAPITAL CONTRIBUTIONS:					
Intergovernmental	-	-	6,327,653	6,327,653	-
Developers	631,511	479,475	-	1,110,986	-
Total capital contributions	631,511	479,475	6,327,653	7,438,639	-
Change in net assets	2,665,609	107,618	4,153,818	6,927,045	734,280
NET ASSETS:					
Net assets, beginning of year as previously reported	151,542,604	115,926,535	21,679,831		2,701,799
Prior period adjustment	(4,347,523)	(3,882,097)	-		-
Net assets, beginning of year	147,195,081	112,044,438	21,679,831		2,701,799
Net assets, end of year	<u>\$ 149,860,690</u>	<u>\$ 112,152,056</u>	<u>\$ 25,833,649</u>		<u>\$ 3,436,079</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (7,288)

Change in net assets of business-type activities \$ 6,919,757

See accompanying Notes to Basic Financial Statements.



CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				GOVERNMENTAL
	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TRANSIT</u>	<u>TOTALS</u>	<u>ACTIVITIES- INTERNAL SERVICE FUNDS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 24,765,029	\$ 15,568,773	\$ (1,190)	\$ 40,332,612	\$ 11,382,151
Payments to suppliers	(9,665,939)	(9,926,825)	(1,872,856)	(21,465,620)	(8,315,286)
Payments to employees	(7,516,720)	(4,805,272)	(226,493)	(12,548,485)	(2,074,541)
Claims paid	-	-	-	-	341,000
Net cash provided (used) by operating activities	<u>7,582,370</u>	<u>836,676</u>	<u>(2,100,539)</u>	<u>6,318,507</u>	<u>1,333,324</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances to/(from) other funds	334,616	9,231	-	343,847	-
Due to/(from) other funds	(256,219)	-	256,219	-	-
Transfers in	216,206	131,951	46,821	394,978	172,339
Transfers out	(741,418)	(167,983)	-	(909,401)	(82,610)
Taxes	-	83,680	-	83,680	-
Ground lease	168,750	-	-	168,750	-
Annexation fees	-	270,679	-	270,679	-
Industry permit fees	1,761	-	-	1,761	-
Building rent	21,823	-	-	21,823	-
Power plant revenue	-	25,750	-	25,750	-
Miscellaneous revenue	-	43	-	43	-
Grants	-	-	1,696,217	1,696,217	-
Net cash provided (used) by noncapital financing activities	<u>(254,481)</u>	<u>353,351</u>	<u>1,999,257</u>	<u>2,098,127</u>	<u>89,729</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of capital assets	-	-	-	-	-
Acquisition and construction of capital assets	(7,133,018)	(1,409,015)	-	(8,542,033)	(674,986)
Future funding of OPEB trust	301,890	195,719	10,563	508,172	-
Principal paid on capital debt	(3,305,014)	(128,013)	-	(3,433,027)	-
Interest paid	(1,612,220)	(992)	(1,841)	(1,615,053)	-
Net cash provided (used) by capital and related financing activities	<u>(11,748,362)</u>	<u>(1,342,301)</u>	<u>8,722</u>	<u>(13,081,941)</u>	<u>(674,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	618,528	327,077	-	945,605	-
Net cash provided by investing activities	<u>618,528</u>	<u>327,077</u>	<u>-</u>	<u>945,605</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,801,945)</u>	<u>174,803</u>	<u>(92,560)</u>	<u>(3,719,702)</u>	<u>748,067</u>
CASH AND CASH EQUIVALENTS:					
Beginning of year	40,623,312	22,216,729	92,560	62,932,601	6,811,920
End of year	<u>\$ 36,821,367</u>	<u>\$ 22,391,532</u>	<u>\$ -</u>	<u>\$ 59,212,899</u>	<u>\$ 7,559,987</u>
NONCASH TRANSACTIONS:					
Contribution and transfers of capital assets, net	\$ 631,511	\$ 479,475	\$ 6,327,653	\$ 7,438,639	\$ -

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TRANSIT</u>	<u>TOTALS</u>	<u>ACTIVITIES- INTERNAL SERVICE FUNDS</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 3,358,233	\$ (921,386)	\$ (2,711,052)	\$ (274,205)	\$ 644,551
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	4,260,905	2,168,816	969,855	7,399,576	483,265
Changes in assets and liabilities:					
Decrease in receivables	(881,899)	(431,353)	(259,648)	(1,572,900)	(6,545)
Decrease in inventories-supplies	-	-	-	-	6,193
Decrease in deposits	-	-	-	-	42,776
Increase (decrease) in accounts and contracts payable	461,705	(264,110)	44,762	242,357	(88,938)
Increase in accrued payroll	14,921	(3,275)	3,626	15,272	1,333
Decrease in employee benefits payable	-	-	-	-	(90,311)
Decrease in compensated absences	(28,177)	(1,505)	-	(29,682)	-
Increase (decrease) in deposits payable	(2,314)	955	(973)	(2,332)	-
Decrease in due to other governments	-	-	(147,109)	(147,109)	-
Increase in unearned revenue	398,996	288,534	-	687,530	-
Increase in insurance liability	-	-	-	-	341,000
Total adjustments	4,224,137	1,758,062	610,513	6,592,712	688,773
Net cash provided by (used for) operating activities	\$ 7,582,370	\$ 836,676	\$ (2,100,539)	\$ 6,318,507	\$ 1,333,324

See accompanying Notes to Basic Financial Statements.



FIDUCIARY FUND FINANCIAL STATEMENTS

AGENCY FUNDS

To account for other deposits received from outside parties including deposits from Solano Transportation Authority, refunding of permit monies and restitution for crimes committed. Also used to account for monies received through property tax to pay debt service for the Special Assessment Districts.

CITY OF VACAVILLE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	TOTAL AGENCY FUNDS
ASSETS	
Cash and investments	\$ 17,029,428
Total assets	\$ 17,029,428
LIABILITIES	
Deposits payable	7,149,124
Due to bondholders	9,880,304
Total liabilities	\$ 17,029,428

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Vacaville, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. *Reporting Entity*

The City of Vacaville was incorporated August 9, 1892 as a General Law City in the State of California. The City operates under the Council-Manager form of government. Services provided by the City include: public safety (police, fire and ambulance), public works (parks, streets and highways), community development (building regulation, planning and zoning), community services (culture and recreation), housing, redevelopment, public utilities (sewer and water), public improvements and general administrative services.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The City had no discretely presented component units. Each blended component unit has a June 30 year-end. The City Council serves as the governing board, or comprises a majority of the governing board of each of the blended component units. The City Council must represent a voting majority of the governing boards of the blended component units. The component units discussed in the following paragraphs are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The following entities are reported as blended component units:

Vacaville Housing Authority

The Vacaville Housing Authority (VHA) is organized under the California Health and Safety Code and was established pursuant to the laws of the State of California to provide housing subsidies on behalf of eligible participants, to transact business and to have those powers as defined by law. The Housing Authority has entered into an Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) pertaining to its Housing Choice Voucher Program. The objectives of VHA are to aid low-income families in obtaining decent, safe and sanitary housing through federal assistance programs.

Vacaville Redevelopment Agency

The Vacaville Redevelopment Agency (the Agency) is organized under the State of California Community Redevelopment Law. The Agency has established the Vacaville Community Redevelopment Project Area I (Project Area I) and the I-505/80 Redevelopment Project Area II (Project Area II). The construction projects within each area are financed through bonds which are repaid by property tax increment revenues. The Agency also has a low and moderate income housing program which is reported in a special revenue fund in these financial statements.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Vacaville Public Financing Authority

The Vacaville Public Financing Authority (the Authority) was established pursuant to a Joint Exercise of Powers Agreement dated April 12, 1988, by and between the City and the Agency in accordance with provisions of the Joint Powers Act (Act). The Authority was created for the purpose of assisting with the financing of public capital improvements. The Authority has the power to issue bonds to pay the cost of public capital improvements.

Solano County Housing Authority

The Solano County Housing Authority (SCHA), a component unit of Solano County, California, was established pursuant to the laws of the State of California to provide housing subsidies on behalf of eligible participants, to transact business and to have those powers as defined by law. The SCHA has entered into an Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) pertaining to its Housing Choice Voucher Program. The City is a sub-recipient of the SCHA and administers the program.

Financial statements for the Vacaville Housing Authority, Vacaville Redevelopment Agency and Solano County Housing Authority can be obtained by contacting the City's Finance Department. The Vacaville Public Financing Authority does not issue financial statements.

B. Basis of Accounting, Measurement Focus and Financial Statement Presentation

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

Government-Wide Financial Statements

The City 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 and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City'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 City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Research Bulletins (ARB) of the committee on Accounting Procedure. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the City has not elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The assets and liabilities of the internal services funds have been included in the Statement of Net Assets based on the predominant user of the services. The Vehicle Replacement internal service fund assets and liabilities have been reported in the business type activities column and the Central Services, Technology Replacement, Insurance and Employee Benefits internal service funds assets and liabilities have been reported in the governmental activities column.

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. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. 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 City has presented all major funds that met the applicable criteria.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds focus on total economic resources and employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds include both trust and agency funds. The City has only Agency funds. Agency funds do not have a measurement focus since they do not report equity – they report only assets and liabilities. They do, however, use the accrual basis of accounting to recognize receivables and payables.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The City reports the following major governmental funds:

General Fund – the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Development Special Revenue Fund – to account for restricted grant funds received from the Federal Government for the purpose of correcting sub-standard, unsafe residences and eliminating building code deficiencies.

Redevelopment Special Revenue Fund – to account for the restricted 20% set aside funds received from tax increments in the City's two Redevelopment areas; to be used for low and moderate housing purposes.

Housing Assistance Special Revenue Fund – to account for restricted grant funds received from the Federal Government to provide rental assistance payments to low-income, elderly, disabled, and handicapped people qualifying for the programs, as well as rehabilitation for rental property. Funds are received from the Housing and Urban Development's Section 8 Voucher Housing Programs and State Rehabilitation.

Redevelopment Debt Service Fund – to account for receipts and payments related to the City's two Redevelopment areas' bonds outstanding.

City Projects Capital Projects Fund – to account for proceeds used to fund the acquisition and construction of public improvements, proceeds from State Gas Tax, State and Federal transit programs, development, and proceeds from bonds issued to fund City public facilities and infrastructure.

Redevelopment Capital Projects Fund – to account for tax increments received in the two Redevelopment areas used to facilitate economic development through construction of public improvements.

The City reports the following major enterprise funds:

Sewer Utility Fund – to account for the operation and maintenance of the City's sewer system.

Water Utility Fund – to account for the operation and maintenance of the City's water treatment and water transmission and distribution system.

Transit Fund – to account for the operation and management of the City's transit operations including a fixed route bus system, taxi subsidy program and paratransit operations.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Additionally, the City reports the following fund types:

Internal Service funds

Internal service funds – account for centralized purchases, equipment replacement, sick and vacation leave payoffs related to employee retirements and retiree health insurance premiums, and self-insured services provided to other departments of the government, or to other governments, on a cost reimbursement basis.

Fiduciary funds

Other Deposits fund – to account for deposits received from outside parties. Some of the large items include refunding of permit monies, amounts seized from crimes committed, and amounts held for Solano Transportation Authority.

Special assessments funds – to account for monies received through property tax to pay debt service for the Special Assessment Districts.

C. Cash, Cash Equivalents and Investments

The City pools cash resources of its various funds to facilitate cash management. The cash pool functions as a demand deposit from the position of each individual fund. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to 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 City'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.

See further disclosures in Note 2 including use of certain methods to present deposits and investments, highly sensitive investments, and credit quality at year-end.

The City 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, therefore 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.

D. Receivables and Payables

Property, sales and use 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 collectible. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” or “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

E. Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City’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. In addition, funds have been restricted for capital projects, streets and highways, housing and special programs.

F. Fund Balance

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard has substantially changed the categories and terminology used to describe the components of fund balance. As of June 30, 2010, the City categorized fund balances in the Balance Sheet as reserved and unreserved. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2011 and classified fund balances into the following five categories:

Non-spendable – includes fund balance amounts that cannot be spent because they are either (a) not expected to be converted to cash or (b) legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the City Council. The City Council must take action to allow for removal or change to the constraint.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Director of Finance and Technology.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The city reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The City reduced committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amount in any of those unrestricted fund balance classifications could be used. Additional information concerning the nature of the City's fund balances pursuant to GASB Statement No. 54 is provided in Note 13 – Fund Balance.

G. Inventory and Prepaid Items

Inventory is valued at the lower of cost (weighted average) or market using the first-in first-out method. The cost is recorded as an expenditure or expense in the appropriate fund at the time individual inventory items are withdrawn for use (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Inventories and prepaid items, as reported in the fund financial statements, are offset by a reservation of fund balance for non-current assets in governmental funds to indicate that they do not constitute resources available for appropriation.

H. Capital Assets

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. City policy has set the capitalization threshold for reporting infrastructure at \$100,000, with all other non-enterprise capital assets at a \$5,000 threshold, and enterprise capital assets with a \$25,000 threshold. 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
Infrastructure	25-40 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, water and sewer systems, storm drains and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems. Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

I. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For bond issuances subsequent to June 30, 2003, 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 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 issuances 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.

J. Compensated Absences

Employees accrue vacation, sick, holiday, and compensatory time off benefits. In the government-wide financial statements, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

In the fund financial statements, governmental fund types record compensated absences as expenditures in the years paid as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

K. Property Tax Revenue

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property.

Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

All property taxes are collected and allocated by the County of Solano 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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The City participates in an alternative method of distribution of property tax levies and assessments known as the “Teeter Plan”. The State Revenue and Taxation Code allow counties to distribute secured real property, assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and related penalties and interest during a fiscal year will revert to Solano County. The Teeter Plan payment, which includes 95% of the outstanding accumulated delinquency, is included in property tax revenue. Under the Teeter Plan code, 5% of the delinquency must remain with the County as a reserve for Teeter Plan funding.

L. 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.

M. Implementation of New GASB Pronouncements

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 improves the financial reporting by providing fund balance categories and classifications that are more easily understood. The reserved components of fund balance are eliminated and replaced with restricted, committed, assigned, or unassigned classifications to enhance the consistency between the information reported in the government-wide and the governmental fund financial statements to avoid confusion about the relationship between reserved fund balance and restricted net assets. The fund balance disclosures seek to give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. Additional information on the fund balances of the City GASB Statement No. 54 is provided in Note 13.

GASB Statement No. 59, *Financial Instruments Omnibus*. GASB Statement No. 59, Financial Instruments Omnibus – This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS

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.

A. Deposits

The California Government Code requires California banks and savings and loans to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City has waived collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 126,959,363
Cash and Investments held by bond trustee	18,611,469
Fiduciary Funds:	
Cash and Investments	<u>17,029,428</u>
Total Cash and Investments	<u>\$ 162,600,260</u>

Cash and Investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 13,676
Deposits with financial institutions	(1,905,522)
Certificates of Deposit	3,000,000
Investments	<u>161,492,106</u>
Total Cash and Investments	<u>\$ 162,600,260</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS, continued

B. Investments Authorized by the California Government Code and Investment Policy

The table below identifies the investment types authorized under the provisions of the City's investment policy, and in accordance with the California Government Code. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund	N/A	100%	N/A
U.S. Government Securities	None	100%	100%
U.S. Agency Securities	None	100%	100%
Commercial Paper	270 days	25%	25%
Certificates of Deposit	N/A	N/A	N/A
Corporate Notes	5 years	30%	30%
U.S. Agency Discount Notes	None	100%	100%
Municipal Bonds	None	100%	100%
Money Market Mutual Funds	N/A	20%	10%
Repurchase Agreements	1 year	100%	100%
Bankers Acceptance	180 days	40%	30%

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee and the City.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Government Securities	N/A	100%	100%
U.S. Agency Securities	N/A	100%	100%
Repurchase Agreements	1 year	100%	100%
Money Market Mutual Funds	N/A	100%	100%
Guarantee Investment Contract	N/A	100%	100%

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS, continued

Investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income in all funds and component units:

Unrealized gain in changes in fair value of investments	\$	47,739
Interest income		<u>2,043,073</u>
Total investment income	\$	<u><u>2,090,812</u></u>

The City portfolio value fluctuates in an inverse relationship to any change in interest rates. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen. In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's practice is to buy and hold investments until their maturity dates.

C. Disclosures Relating to Interest Rate Risk

The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments as of June 30, 2011 by maturity:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Local Agency Investment Fund	\$ 80,284,491	\$ 80,284,491	\$ -	\$ -	\$ -
U.S. Agency Securities	40,675,584	-	40,675,584	-	-
Municipal Bonds	1,800,000	-	1,800,000	-	-
Corporate Notes	19,665,606	-	19,665,606	-	-
Repurchase Agreements	12,500,451	12,500,451	-	-	-
Guarantee Investment Contract	1,889,454	119	1,236,688	-	652,647
Money Market Mutual Funds	<u>4,676,520</u>	<u>4,676,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 161,492,106</u>	<u>\$ 97,461,581</u>	<u>\$ 63,377,878</u>	<u>\$ -</u>	<u>\$ 652,647</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS, continued

D. Disclosures Relating to Credit Risk

Credit Risk is the risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. Credit Risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of June 30, 2011 for each investment type. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments in commercial paper to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service.

Investment Type		Minimum Legal Rating	Minimum					Defaulted	Not Rated
			AAA	AA	A	BB			
Local Agency Investment Fund	\$ 80,284,491	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$80,284,491	
U.S. Agency Securities	40,675,584	N/A	40,675,584	-	-	-	-	-	
Municipal Bonds	1,800,000	A1/P1	-	1,800,000	-	-	-	-	
Corporate Notes	19,665,606	A	3,152,270	7,983,994	8,029,342	-	500,000	-	
Repurchase Agreements	12,500,451	N/A	-	-	-	-	-	12,500,451	
Guarantee Investment Contract	1,889,454	N/A	119	-	1,236,688	652,647	-	-	
Money Market Mutual Funds	4,676,520	AAA	4,676,520	-	-	-	-	-	
Total	<u>\$ 161,492,106</u>		<u>\$48,504,493</u>	<u>\$ 9,783,994</u>	<u>\$ 9,266,030</u>	<u>\$ 652,647</u>	<u>\$500,000</u>	<u>\$92,784,942</u>	

E. Investments in Local Agency Investment Funds

The Local Agency Investment Fund (LAIF), is a voluntary program created by state statute in 1977 as an investment alternative for California's local governments and special districts. Under the direction of the State Treasurer's Office and audited by the Bureau of State Audits, the program offers local agencies the opportunity to participate in a major portfolio. The fair value for the City's position in LAIF is the same as the value of the pooled shares.

The City's investments with LAIF at June 30, 2011, included a small portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes – debt securities (other than Asset-Backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or state maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities – generally mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS, continued

As of June 30, 2011, the City had \$80,284,491 invested in LAIF, which has invested 5.01% of the pool investments funds in medium and short-term Structured Notes and Asset-Backed Securities. The City valued its investment in LAIF as of June 30, 2011 by multiplying the City's account balance with a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.001576470.

As of June 30, 2011 the City had \$12,500,451 in an overnight tri-party Repurchase Agreement with Bank of New York Mellon as the custodian. There is a collateral requirement of 100% if cash is utilized or 102% if using obligations issued, or guaranteed by the U.S. government, or agencies instrumentalities, or establishments thereof.

NOTE 3 – LOANS RECEIVABLE

At June 30, 2011, the City's outstanding loans receivables were as follows:

- | | |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| \$ 8,273,110 | City loans recorded in the Special Revenue Fund, Community Development, are for the HOME Partnership Program (HOME). HOME is a U.S. Housing and Urban Development program administered by the California Department of Housing and Community Development (HCD). The City uses HOME funds to operate an acquisition and rehabilitation loan program. The loans are made to owners of rental properties that agree to restrict the rent of the HOME-assisted units to low and moderate income families. |
| \$ 1,500,052 | City loans recorded in the Special Revenue Fund, Community Development, are for the Community Development Block Grant (CDBG) and Rental Rehabilitation Program (RRP). In the past the City operated CDBG and RRP, even though the City no longer receives funding under these programs the borrowers are repaying the existing loan balances. Repayments are used to carry out CDBG and RRP eligible activities. |
| \$ 7,042,253 | Redevelopment loans recorded in the Special Revenue Funds are for the Neighborhood Conservation Program (NCP), the purpose of which is to provide a pool of loan funds to encourage investor-owners and owner-occupants to improve the lower income neighborhoods of the City and further equal opportunity in housing. Loans ranging in amounts from \$1,000 to \$45,000 per unit, are offered at 3% interest, and may be amortized over 15 years. The loans are secured by property. Loans to households with very low incomes may be deferred until such time that 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. |
| \$ 13,345,998 | The Redevelopment Agency Equity loans recorded in the Special Revenue Funds 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. The amount of loans in arrears is \$120,628. |
| \$ 2,364,740 | A loan receivable has been recorded in the Redevelopment Debt Service Fund from Vacaville Community Housing, a non-profit corporation. The loan is secured by multi-family housing units at 0% interest and the payment is deferred until the year 2025. |

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 3 – LOANS RECEIVABLE, continued

- \$ 1,104,378 The Redevelopment Down Payment loans recorded in the Special Revenue Funds are for assisting 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 \$15,000 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 amount of loans in arrears is \$18,913.
- \$ 1,883,938 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 Redevelopment Capital Projects Fund. The loan will be repaid by Fiscal Year 2031/2032 with interest rates ranging from 4% to 7%.
- \$ 98,808 City loans recorded in the Special Revenue Fund, Community Development, are for the Community Development Block Grant (CDBG). These funds are available to eligible participant families to close the gap between the amount they qualify for and the current average price for a modest two-or three bedroom condo or single family home.
- \$ 1,855,235 The Redevelopment Downtown Rehabilitation loans recorded in the Capital Projects Funds are for façade improvements and historic district building loans. Façade improvement loans are fully amortized for 15-year terms at 1% interest with a \$20,000 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 \$135,000. 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.
- \$ 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 \$50,000 or 20% of the purchase price (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 Projects Funds from Vacaville Community Housing, a non-profit corporation. The loan is secured by multi-family housing units at 0% interest and the total payment is deferred until the year 2025.
- \$ 257,935 A loan receivable has been recorded in the Parks and Recreation Fund from an agreement reached with the Vacaville Unified School District to eliminate the repayment of a facilities use fee owed to the City in the form of a credit applied to back payment and future pass-through payments to the Vacaville Unified School District. The loan balance remaining after \$1,742,065 was settled in fiscal year 2010/11 will be applied to future pass-through payments between fiscal years 2011/12 through 2013/14.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 3 – LOANS RECEIVABLE, continued

\$ 837,018	City loans recorded in the Special Revenue Fund, Neighborhood Stabilization Program (NSP), are for a first time homebuyer loan program. The program is designed to provide assistance to eligible homebuyers in purchasing foreclosed homes located within the program's eligible area. The program provides this assistance in the form of a shared equity, deferred payment, second priority loan to reduce the gap between the purchase price and closing costs of affordable housing units that will be occupied by the homebuyers. The term of each loan shall be for a maximum of 15 years. If the borrower remains in the home for the full term of the affordability period the loan is forgiven.
<u>\$ 977</u>	Repayment of excess payroll contribution to deferred compensation plan. Amount was paid subsequent to June 30, 2011.
<u>\$ 42,831,852</u>	Total loans receivable

NOTE 4 – OPERATING LEASES

The City has entered into a five year lease for maintenance and related supplies for copiers, printers and fax machines used throughout the City. The lease began on May 1, 2004 and has been extended to December 2015. The lease may be renewed on a month-to-month basis upon termination of the lease. Annual minimum payments under the lease are \$189,831.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 5 - CAPITAL ASSETS

Government-Wide Financial Statements

A. Summary

The following is a summary of capital assets as of June 30, 2011:

	Government Activities	Business-Type Activities	Total Primary Government
Non-Depreciable Assets:			
Land	\$ 198,024,739	\$ 9,672,088	\$ 207,696,827
Land held for development	6,014,742	-	6,014,742
Intangibles (Nut Tree)	788,124	-	788,124
Construction in Progress	9,182,791	49,145,234	58,328,025
Total	214,010,396	58,817,322	272,827,718
Depreciable Assets:			
Buildings & Improvements	57,056,366	213,147,905	270,204,271
Equipment	6,655,542	9,418,987	16,074,529
Vehicles	9,861,963	4,885,499	14,747,462
Infrastructure	386,365,450	89,987,207	476,352,657
	459,939,321	317,439,598	777,378,919
Less accumulated depreciation	(195,501,293)	(103,277,198)	(298,778,491)
Total depreciable assets, net	264,438,028	214,162,400	478,600,428
Total capital assets, net	\$ 478,448,424	\$ 272,979,722	\$ 751,428,146

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 5 – CAPITAL ASSETS, continued

B. Governmental Activities

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

	Balance July 1, 2010	Additions	Disposals	Transfers	Balance June 30, 2011
Non-Depreciable Assets:					
Land	\$ 171,099,124	\$ 2,617,648	\$ (1,410,787)	\$ 25,718,754	\$ 198,024,739
Land held for development	34,980,292	696,398	(3,943,194)	(25,718,754)	6,014,742
Intangibles	788,124	-	-	-	788,124
Construction in Progress	<u>9,786,835</u>	<u>1,321,995</u>	<u>(417,818)</u>	<u>(1,508,221)</u>	<u>9,182,791</u>
Total	<u>216,654,375</u>	<u>4,636,041</u>	<u>(5,771,799)</u>	<u>(1,508,221)</u>	<u>214,010,396</u>
Depreciable Assets:					
Buildings & Improvements	56,608,297	448,069	-	-	57,056,366
Equipment	6,331,969	598,500	(274,927)	-	6,655,542
Vehicles	10,110,103	197,814	(377,428)	(68,526)	9,861,963
Infrastructure	<u>380,217,055</u>	<u>4,663,609</u>	<u>(23,435)</u>	<u>1,508,221</u>	<u>386,365,450</u>
Total	<u>453,267,424</u>	<u>5,907,992</u>	<u>(675,790)</u>	<u>1,439,695</u>	<u>459,939,321</u>
Less accumulated depreciation for:					
Buildings & Improvements	(15,800,393)	(1,431,983)	-	-	(17,232,376)
Equipment	(4,797,117)	(570,688)	210,702	-	(5,157,103)
Vehicles	(6,854,505)	(588,150)	365,190	60,306	(7,017,159)
Infrastructure	<u>(156,669,858)</u>	<u>(9,424,797)</u>	<u>-</u>	<u>-</u>	<u>(166,094,655)</u>
Total	<u>(184,121,873)</u>	<u>(12,015,618)</u>	<u>575,892</u>	<u>60,306</u>	<u>(195,501,293)</u>
Total depreciable assets, net	<u>269,145,551</u>	<u>(6,107,626)</u>	<u>(99,898)</u>	<u>1,500,001</u>	<u>264,438,028</u>
Governmental activities capital assets, net	<u>\$ 485,799,926</u>	<u>\$ (1,471,585)</u>	<u>\$ (5,871,697)</u>	<u>\$ (8,220)</u>	<u>\$ 478,448,424</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 622,233
Community development	617
Public safety	969,829
Public works	9,028,049
Community services	549,144
Housing	7,778
Redevelopment	<u>837,968</u>
Total Government activities depreciation expense	<u>\$ 12,015,618</u>

Internal service fixed assets included in general governmental activities at June 30, 2011 were \$800,120 (net depreciable value) with related depreciation expense of \$194,869.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 5 – CAPITAL ASSETS, continued

C. Business-type Activities

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2010	Additions	Disposals	Transfers	Balance June 30, 2011
Non-Depreciable Assets:					
Land	\$ 9,672,088	\$ -	\$ -	\$ -	\$ 9,672,088
Construction in Progress	<u>59,137,043</u>	<u>7,540,780</u>	<u>(96,834)</u>	<u>(17,435,755)</u>	<u>49,145,234</u>
Total	<u>68,809,131</u>	<u>7,540,780</u>	<u>(96,834)</u>	<u>(17,435,755)</u>	<u>58,817,322</u>
Depreciable Assets:					
Buildings & Improvements	203,667,078	4,205,817	(919,284)	6,194,294	213,147,905
Equipment	9,810,870	2,530,708	(2,922,591)	-	9,418,987
Vehicles	4,523,260	458,201	(45,699)	(50,263)	4,885,499
Infrastructure	<u>77,254,776</u>	<u>1,490,970</u>	<u>-</u>	<u>11,241,461</u>	<u>89,987,207</u>
Total	<u>295,255,984</u>	<u>8,685,696</u>	<u>(3,887,574)</u>	<u>17,385,492</u>	<u>317,439,598</u>
Less accumulated depreciation for:					
Buildings & Improvements	(70,538,383)	(4,965,464)	-	-	(75,503,847)
Equipment	(4,702,443)	(728,454)	2,636,020	-	(2,794,877)
Vehicles	(3,282,400)	(268,611)	45,699	58,483	(3,446,829)
Infrastructure	<u>(19,841,683)</u>	<u>(1,689,962)</u>	<u>-</u>	<u>-</u>	<u>(21,531,645)</u>
Total	<u>(98,364,909)</u>	<u>(7,652,491)</u>	<u>2,681,719</u>	<u>58,483</u>	<u>(103,277,198)</u>
Total depreciable assets, net	<u>196,891,075</u>	<u>1,033,205</u>	<u>(1,205,855)</u>	<u>17,443,975</u>	<u>214,162,400</u>
Business-type activities capital assets, net	<u>\$ 265,700,206</u>	<u>\$ 8,573,985</u>	<u>\$ (1,302,689)</u>	<u>\$ 8,220</u>	<u>\$ 272,979,722</u>

* The July 1, 2010 balance for Construction in Progress has been restated to properly exclude maintenance expenses in the amount of \$8,229,620 capitalized as construction in progress costs in previous years. See footnote 19 – Prior Period Adjustment.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

Sewer	\$	4,387,363
Water		2,295,273
Transit		<u>969,855</u>
Total Business-type activities depreciation expense	\$	<u><u>7,652,491</u></u>

Vehicle and equipment replacement assets in the amount of \$1,135,105 (net depreciable value) are included in Business-type activities. At June 30, 2011 depreciation expense for these assets totaled \$254,790.

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.

NOTE 6 – LONG-TERM LIABILITIES

A. Long-Term Liabilities

The following is a summary of long-term liabilities for the fiscal year ended June 30, 2011:

	Governmental Activities	Business Type Activities	Total
Long-term debt			
Loans Payable	\$ 3,907,425	\$ 56,011,965	\$ 59,919,390
Note Payable	-	104,956	104,956
Certificates of Participation	3,335,000	-	3,335,000
Bonds Payable	60,630,770	-	60,630,770
Capital Lease Obligations	<u>3,680,096</u>	<u>423,841</u>	<u>4,103,937</u>
Total	<u><u>\$ 71,553,291</u></u>	<u><u>\$ 56,540,762</u></u>	<u><u>\$ 128,094,053</u></u>

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with the significant limitations and restrictions.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

Activity

The following is a summary of changes in long-term liabilities for governmental activities. Activity for the City's fiscal year ended June 30, 2011:

Loans Payable:	Beginning				Ending	Due within
City:	Balance	Additions	Reductions	Adjustments	Balance	one year
Brazelton Family Living Trust	\$ 405,000	\$ -	\$ 67,500	\$ -	\$ 337,500	\$ 67,500
Grindstaff Family Trust	168,750	-	-	-	168,750	-
Spencer Family Trust	168,750	-	-	-	168,750	-
Robert H. Power Trust	168,750	-	-	-	168,750	-
Michael/Jane Gonzalez Rev. Trust	168,750	-	-	-	168,750	-
Robert Rogers	500,000	-	-	-	500,000	-
Dorothy Brown	589,005	-	-	-	589,005	-
Charles Rogers	742,800	-	-	-	742,800	-
John Gonge	294,314	-	287,072	(7,242)	-	-
Sandra Merhoff	146,936	-	146,936	-	-	-
 Redevelopment:						
Beck & Clark Family Trust	316,126	-	22,749	-	293,377	24,369
Klotz, Albert & Marita Family Trust	405,436	-	76,466	-	328,970	80,959
Babington, Richard & Carol	302,486	-	36,312	-	266,174	38,400
Dept. of Toxic Substances	178,180	-	3,581	-	174,599	174,599
Total Loans Payable	4,555,283	-	640,616	(7,242)	3,907,425	385,827
 Certificates of Participation:						
1994 Certificates of Participation	4,330,000	-	995,000	-	3,335,000	1,050,000

The adjustment for John Gonge is a reduction in the loan amount as consideration for a domestic water line easement.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Due within one year
Bonds Payable:						
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
2001 Tax Allocation Bonds	27,485,000	-	765,000	-	26,720,000	790,000
2000A Multifamily Mortgage	1,794,510	-	78,740	-	1,715,770	82,550
2006 Taxable Housing Bonds	18,015,000	-	360,000	-	17,655,000	385,000
2006 ABAG Tax Allocation Bonds	2,375,000	-	100,000	-	2,275,000	105,000
Total Bonds	63,144,510	-	2,513,740	-	60,630,770	1,897,550
Capital Lease Obligations:						
Vacaville Recreation Corporation	2,050,093	-	91,987	-	1,958,106	96,693
Westamerica Bank	377,429	-	70,173	-	307,256	72,734
Banc of America Leasing	839,372	-	125,942	-	713,430	131,219
Westamerica Bank	418,863	-	52,839	-	366,024	55,016
Westamerica Bank	193,044	-	20,764	-	172,280	21,647
Westamerica Bank	-	163,000	-	-	163,000	38,701
Total Capital Lease Obligations	3,878,801	163,000	361,705	-	3,680,096	416,010
Total long-term debt	\$ 75,908,594	\$ 163,000	\$ 4,511,061	\$ (7,242)	\$ 71,553,291	\$ 3,749,387

The following is a description of long-term debt issues, along with the amount of original debt issuance:

Loans Payable:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2011</u>
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\$ 675,000	\$ 337,500
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Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Principal and interest payments are due annually at a rate of 5.50%, due May 2016. Each installment includes principal of \$67,500 plus applicable interest on the unpaid balance. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 168,750	\$ 168,750	Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Interest payments are due annually at a rate of 5.50% (\$9,281.25) through May 2016 and principal of \$168,750 is due May 2016. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.
\$ 168,750	\$ 168,750	Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Interest payments are due annually at a rate of 5.50% (\$9,281.25) through May 2016 and principal of \$168,750 is due May 2016. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.
\$ 168,750	\$ 168,750	Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Interest payments are due annually at a rate of 5.50% (\$9,281.25) through May 2016 and principal of \$168,750 is due May 2016. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.
\$ 168,750	\$ 168,750	Long-term note for a portion of the purchase of 60.39 acres of land at the northeast corner of Pleasants Valley Road and Foothill Road. Interest payments are due annually at a rate of 5.50% (\$9,281.25) through May 2016 and principal of \$168,750 is due May 2016. Payments of principal and interest are funded through the Drainage Detention Zone 2 Fund.
\$ 500,000	\$ 500,000	Long-term note for the purchase of real property (APN 0124-010-130) located west of Rogers Lane in an unincorporated portion of Solano County. Interest payments are due annually at a rate of 5.0% (\$25,000) through January 2013 and principal of \$500,000 is due January 2013. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.
\$ 589,005	\$ 589,005	Long-term note for the purchase of real property (APN 0124-010-120) located at 6536 Pleasants Valley Road in an unincorporated portion of Solano County. Interest payments are due annually at a rate of 5.0% (\$29,450) through January 2013 and principal of \$589,005 is due January 2013. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.
\$ 742,800	\$ 742,800	Long-term note for the purchase of real property (APN 0124-160-040 and APN 0124-160-050) consisting of approximately 30.95 acres, located west of Rogers Lane in an unincorporated portion of Solano County. Interest payments are due annually at a rate of 5.0% (\$37,140) through January 2013 and principal of \$742,800 is due January 2013. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.
\$ 294,314	\$ -	Long-term note for the purchase of real property (APN 0123-100-080) located east of Bucktown Lane in an unincorporated portion of Solano County. This note represents two-thirds interest of the purchase price. Interest payments are due annually at a rate of 5.0% (\$14,716) through April 2011 and principal of \$294,314 was due April 2011. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 146,936	\$ -	Long-term note for the purchase of real property (APN 0123-100-080) located east of Bucktown Lane in an unincorporated portion of Solano County. This note represents a one-third interest of the purchase price. Interest payments are due annually at a rate of 5.0% (\$7,347) through April 2011 and principal of \$146,936 was due April 2011. Payments of principal and interest are funded through the City's Drainage Detention Zone 2 Development Impact Fee Fund, Redevelopment Agency loans and other grants as received.
\$ 475,000	\$ 293,377	Long-term note for the Agency's 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 7.0% through March 1, 2020. Payments of principal and interest are funded by increment revenues of the Agency.
\$ 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 tax increment revenues of the Agency.
\$ 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 each January through January 2017. Payment of principal and interest are funded by tax increment revenues of the Agency.
\$ 195,690	\$ 174,599	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.

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	\$ 385,827	\$ 199,890	\$ 585,717
2013	2,051,732	187,477	2,239,209
2014	229,158	82,944	312,102
2015	214,413	69,440	283,853
2016	822,613	58,928	881,541
2017-2020	<u>203,682</u>	<u>27,968</u>	<u>231,650</u>
Total	<u>\$ 3,907,425</u>	<u>\$ 626,647</u>	<u>\$ 4,534,072</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

Certificates of Participation:

<u>Original Debt</u>	<u>Outstanding</u>
<u>Amount</u>	<u>June 30, 2011</u>

\$15,170,000	\$ 3,335,000
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1994 Certificates of Participation issued by the Authority for the acquisition, construction, and installation of a new community center, community theater, and public library complex within the City. Interest rates range from 3.00% to 5.25% and the certificates fully mature in 2013. Principal payments began December 1994 and payments of principal and interest are funded by excise tax assessments of city residents and businesses. Shortfalls in excise tax revenues are funded by other General Fund revenues. Annual principal and interest payments on the bonds are expected to require 55% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,602,576. For the current year, principal and interest paid were \$1,193,330.

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,050,000	\$ 146,182	\$ 1,196,182
2013	1,110,000	90,547	1,200,547
2014	1,175,000	30,847	1,205,847
Total	\$ 3,335,000	\$ 267,576	\$ 3,602,576

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

Bonds Payable:

There are six 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. Property tax increment net revenues were \$16,222,307. Series 2000A and 2006 Taxable are paid by the Low and Moderate Housing fund and therefore not included in the net revenue calculation.

	Principal and Interest	
	Paid	Remaining
1996 Tax Allocation	\$ 501,400	\$ 5,972,282
2000 Tax Allocation	2,194,277	12,620,883
2000A Multifamily Mortgage Revenue	182,048	2,527,565
2001 Tax Allocation	2,085,080	42,678,894
2006 ABAG Tax Allocation	196,425	3,139,788
2006 Taxable Housing	1,479,466	32,269,858
	\$ 6,638,696	\$ 99,209,270

Original Debt Amount	Outstanding June 30, 2011	
\$ 9,250,000	\$ 4,405,000	Tax Allocation Revenue Bonds issued by the Authority for financing various public improvements in the Agency's Vacaville Community Redevelopment area. Interest rates range from 4.0% to 5.40% and the bonds mature in September 2022. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$11,995,000	\$ 7,860,000	Tax Allocation Revenue Bonds issued by the Authority for financing various public improvements in the Agency's redevelopment project areas. 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.
\$31,980,000	\$26,720,000	Tax Allocation Revenue Bonds issued by the Authority for financing various public improvements in the Agency's redevelopment project areas. Interest rates range from 4.00% to 7.00% 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	Taxable Housing Tax Allocation Bonds issued by the Agency for financing redevelopment projects primarily by making loans to qualified 501(c)(3) non-profit corporations in connection with their development of multi-family 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 Agency.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 2,364,740	\$ 1,715,770	Multifamily Mortgage Revenue Bonds were 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.
\$ 2,660,000	\$ 2,275,000	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 Agency's I-505/80 project area. 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.

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,897,550	\$ 3,240,963	\$ 5,138,513
2013	1,997,630	3,142,184	5,139,814
2014	2,102,710	3,036,381	5,139,091
2015	2,207,790	2,924,246	5,132,036
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	\$ 60,630,770	\$ 38,578,500	\$ 99,209,270

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

Capital Lease Obligations:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2011</u>	
\$ 2,626,700	\$ 1,958,106	Sublease agreement with Vacaville Recreation Corporation (Corporation) and Agency. The Agency entered into an agreement, option to purchase and right of first refusal with the Corporation for the in-line/multi-purpose portion of the Vacaville Skating Center. Pursuant to a separate sublease agreement between the City and 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. The City also assumed the option to purchase the subleased premises for one dollar at the expiration of the term of the sublease or prepayment in full of the sublease payments. This sublease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid monthly through September 2025. Lease payments are funded through the Parks and Recreation Capital Projects Fund.
\$ 703,100	\$ 307,256	Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for two Type I Fire Engines at a total cost of \$703,100 with an interest rate of 3.65% with an option to purchase. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through July 2014. Lease payments are funded through the City's Government Vehicle Replacement Fund.
\$ 1,280,000	\$ 713,430	Lease agreement between the City and Banc of America Leasing & Capital and Deutsche Bank National Trust Company for the lease of a ladder truck, brush unit, and backhoe with an estimated cost of \$1,280,000 with an option to purchase. The lease qualifies as a capital lease for accounting purposes and has been recorded as a liability at the present value of the future minimum lease payments. Lease payments will be paid annually through November 2015. Lease payments are funded through the City's Government Vehicle Replacement Fund.
\$ 587,036	\$ 366,024	Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for a brush unit, a backhoe, an asphalt grinder, and a shared interest (1/3) in a four-yard loader at an estimated cost of \$587,036 with an interest rate of 4.12%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2016. Lease payments are funded through the City's gas tax and general funds.
\$ 239,500	\$ 172,280	Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for the purchase of a patch truck and chipper at an estimated cost of \$239,500 with an interest rate of 4.25%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2017. Lease payments are funded through the City's gas tax and general funds.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 163,000 \$ 163,000 Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for the purchase of 5 police patrol cars at an estimated cost of \$163,000 with an interest rate of 3.45%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through September 2014. Lease payments are funded through the City's Government Vehicle Replacement Fund.

The annual requirement to amortize debt outstanding as of June 30, 2011 for capital lease obligations is as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 416,010	\$ 164,843	\$ 580,853
2013	433,633	147,220	580,853
2014	452,013	128,839	580,852
2015	471,184	109,668	580,852
2016	362,913	89,668	452,581
2017-2021	809,045	281,003	1,090,048
2022-2026	735,298	82,414	817,712
Total	<u>\$ 3,680,096</u>	<u>\$ 1,003,655</u>	<u>\$ 4,683,751</u>

The assets acquired through capital leases are as follows:

Asset:	
Buildings & Improvements	\$ 2,626,700
Equipment	3,354,786
Less: Accumulated depreciation	<u>(1,817,567)</u>
Total	<u>\$ 4,163,919</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

B. Business-Type and Proprietary Fund Long-Term Debt

Activity

The following is a summary of changes in the business-type and proprietary fund long-term liabilities at June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
State Revolving Loans Payable:					
Easterly Wastewater Treatment Plant					
Interim Renovation	\$ 680,360	\$ -	\$ 53,669	\$ 626,691	\$ 55,172
Plant Expansion	<u>58,606,242</u>	<u>-</u>	<u>3,220,967</u>	<u>55,385,275</u>	<u>3,307,933</u>
Total State Revolving Loans Payable	<u>59,286,602</u>	<u>-</u>	<u>3,274,636</u>	<u>56,011,966</u>	<u>3,363,105</u>
Capital Lease Obligations:					
Equipment-2006 Acquisition	44,178	-	6,629	37,549	6,906
Equipment-2007 Acquisition	249,885	-	31,523	218,362	32,821
Equipment-2009 Acquisition	<u>188,168</u>	<u>-</u>	<u>20,239</u>	<u>167,929</u>	<u>21,100</u>
Total Capital Lease Obligations	<u>482,231</u>	<u>-</u>	<u>58,391</u>	<u>423,840</u>	<u>60,827</u>
Note Payable:					
Meadow Woods/DDA	<u>204,956</u>	<u>-</u>	<u>100,000</u>	<u>104,956</u>	<u>104,956</u>
Total	<u>\$ 59,973,789</u>	<u>\$ -</u>	<u>\$ 3,433,027</u>	<u>\$ 56,540,762</u>	<u>\$ 3,528,888</u>

Loans Payable:

State Water Resources Control Board Loan for the Easterly Wastewater Treatment Plant Interim Renovation – Original Issue \$1,104,315

This loan is a State Revolving Loan Fund Program contract between the State Water Resources Control Board and the City with a maximum loan amount of \$1,104,315 to fund the Easterly Wastewater Treatment Plant Interim Renovation. The loan is due in installments of \$72,719. Principal and interest at 2.8% are paid annually each September through 2021.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

The annual debt service requirement on this note is as follows:

Year Ending June 30	Proprietary Fund		Total
	Principal	Interest	
2012	\$ 55,172	\$ 17,547	\$ 72,719
2013	56,717	16,003	72,720
2014	58,305	14,414	72,719
2015	59,938	12,782	72,720
2016	61,616	11,104	72,720
2017-2021	334,943	28,653	363,596
Total	<u>\$ 626,691</u>	<u>\$ 100,503</u>	<u>\$ 727,194</u>

State Water Resources Control Board Loan for the Easterly Wastewater Treatment Plant Expansion– Original Issue \$67,786,401

This loan is a State Revolving Loan Fund Program contract between the State Water Resources Control Board and the City with a maximum loan amount of \$67,786,401 to fund the Easterly Wastewater Treatment Plant Expansion. The loan repayment amounts are due in installments of \$4,803,336 which began in 2006. Principal and interest at 2.7% are paid annually each July through 2026.

The estimated annual debt service requirement on this note is as follows:

Year Ending June 30	Proprietary Fund		Total
	Principal	Interest	
2012	\$ 3,307,933	\$ 1,495,403	\$ 4,803,336
2013	3,397,247	1,406,088	4,803,335
2014	3,488,973	1,314,363	4,803,336
2015	3,583,175	1,220,160	4,803,335
2016	3,679,921	1,123,415	4,803,336
2017-2021	19,944,723	4,071,953	24,016,676
2022-2025	17,983,303	1,230,039	19,213,342
Total	<u>\$ 55,385,275</u>	<u>\$ 11,861,421</u>	<u>\$ 67,246,696</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

Capital Lease Obligations:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2011</u>	
\$ 70,000	\$ 37,549	Lease agreement between the City and Banc of America Leasing & Capital and Deutsche Bank National Trust Company for a water truck with an estimated cost of \$70,000 with an option to purchase. The lease qualifies as a capital lease for accounting purposes and has been recorded as a liability at the present value of the future minimum lease payments. Lease payments will be paid annually through November 2015. Lease payments are funded through the City's Sewer Fund.
\$ 350,214	\$ 218,362	Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for a shared interest (2/3) of a four-yard loader, a dump truck and a 30 ton trailer at an estimated cost of \$350,214 with an interest rate of 4.12%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2016. Lease payments are funded through the City's sewer and water funds.
\$ 233,450	\$ 167,929	Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for the purchase of a utility vacuum and a flusher truck at an estimated cost of \$233,450 with an interest rate of 4.25%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2017. Lease payments are funded through the City's sewer and water funds.

The annual requirement to amortize debt outstanding as of June 30, 2011 for capital lease obligations is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 60,827	\$ 17,706	\$ 78,533
2013	63,367	15,168	78,535
2014	66,011	12,523	78,534
2015	68,766	9,770	78,536
2016	71,635	6,901	78,536
Thereafter	93,234	5,062	98,296
Total	<u>\$ 423,840</u>	<u>\$ 67,130</u>	<u>\$ 490,970</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	656,640
Less: Accumulated depreciation		<u>(148,228)</u>
Total	\$	<u><u>508,412</u></u>

Note Payable:

<u>Original Debt</u>	<u>Outstanding</u>	
<u>Amount</u>	<u>June 30, 2011</u>	

\$ 704,956	\$ 104,956	
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Agreement between the City and Fruitvale LLC to reimburse the developer for the construction of a water line in Gibson Canyon Road. The city is to reimburse the developer 50% of the design and engineering cost and 100% of the construction cost because the water line was not required for development of the Meadow Woods project. There was an initial payment of \$300,000. There are principal payments of \$100,000 per year for three years and then a final payment of \$104,956 in August 2011. Payments of principal are funded through the Water Capital Distribution Fund.

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	<u>104,956</u>	<u>-</u>	<u>104,956</u>
Total	<u><u>\$ 104,956</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 104,956</u></u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

C. Compensated Absences

Other Long-term Liabilities:

Compensated absences are due to employees for earned but unused leave balances, including vacation, sick, and compensated time off. Compensated absences are generally liquidated by the City's General Fund, internal service funds and enterprise funds in each fiscal year.. The following is a summary of the compensated absences liability at the fiscal year ended June 30, 2011:

	Beginning			Ending	Due within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental Activities	\$ 7,260,333	\$ 5,704,834	\$ 5,456,543	\$ 7,508,624	\$ 453,456
Business Activities	<u>1,003,211</u>	<u>731,787</u>	<u>761,469</u>	<u>973,529</u>	<u>93,686</u>
Total	<u>\$ 8,263,544</u>	<u>\$ 6,436,621</u>	<u>\$ 6,218,012</u>	<u>\$ 8,482,153</u>	<u>\$ 547,142</u>

D. Debt Without City Commitment

Special Assessment Debt

Payment of this debt is secured by valid assessment liens upon certain land within each district and, as such, is not a direct liability of the City. Reserves have been established from the bond proceeds to meet delinquencies should they occur. Neither the faith and credit nor taxing power of the City of Vacaville is pledged to the payment of the bonds; therefore, they are not included in the Financial Statements. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay those delinquencies out of any other available funds. The City acts solely as an agent for those paying assessments and the bondholders.

The amount of bonds outstanding at June 30, 2011 is as follows:

<u>Description</u>	<u>Original Bond Amount</u>	<u>June 30, 2011</u>
1997 Green Tree	4,505,000	\$ 1,060,000
1990 Eubanks Drive/Midway Road	3,660,000	1,205,000
1997 Allison/Ulatis Phase 2	1,140,739	450,000
1997 Northeast Sector	8,434,307	5,240,000
2002-A Consolidated Refunding	18,365,000	7,595,000
2005-Nut Tree Assessment Dist	7,275,000	<u>6,775,000</u>
Total 1915 Act Limited Obligation Bonds		<u>\$ 22,325,000</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 6 – LONG-TERM LIABILITIES, continued

Community Facilities District Bonds

This \$10,365,000 bond issue was authorized pursuant to the Mello-Roos Community Facilities Act of 1982 as amended, and is payable from special taxes levied on property within the Community Facilities District according to a methodology approved by the voters within the District and by the City Council of the City of Vacaville. Neither the faith and credit nor taxing power of the City of Vacaville is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as an agent for those paying taxes levied and the bondholders. The amount of bonds outstanding at June 30, 2011 is \$2,705,000.

Mark-Roos Local Bond Pooling Act Funds

This \$6,150,000 bond issue was authorized pursuant to the Mark-Roos Local Bond Pooling Act, and is payable from special taxes levied on property within the District according to a methodology approved by the voters within the District and by the City Council of the City of Vacaville. Neither the faith and credit nor taxing power of the City of Vacaville is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as an agent for those paying taxes levied and the bondholders. The amount of bonds outstanding at June 30, 2011 is \$3,555,000.

NOTE 7 – SALES OF REVENUE

The State of California borrowed 8% of the City's property taxes. The State is required to repay this borrowing plus interest by June 30, 2013. The amount of this borrowing pertaining to the City of Vacaville was \$1,846,191.

The City participated in the Securitization Program which, allowed local agencies to sell their eventual repayment from the State to investors to cover the property taxes and the State paid all issuance costs. Monies were received in two equal installments, on January 15, 2011 and May 3, 2011. The City has no obligation on the bonds and no credit exposure to the State. Property taxes have been recorded in the same manner as if the State had not borrowed these funds.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 8 – EMPLOYEE RETIREMENT PLANS

PENSION PLAN

Plan Description

The City of Vacaville contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 Q Street, Sacramento, CA 95811.

Funding Policy

Participants are required to contribute 9% of their annual covered salary for safety employees and 7% of their annual covered salary for employees in the miscellaneous category. Participant contributions are made on a pre-tax basis pursuant to Internal Revenue Code Section 414(h) (2). The City is required to contribute at an actuarially determined rate; the rate during 2010-2011 was 13.464% for miscellaneous employees and 27.970% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2011, the City's annual PERS pension cost of \$9,332,635, was equal to the City's required and actual contributions. Employees contributed \$2.7 million as part of bargaining union concessions on behalf of the City. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2008, was 20 years for prior and current service unfunded liability.

Three-Year Trend Information

Miscellaneous	Fiscal	Annual Pension Cost	Percentage of	Net Pension
Year	Year	(APC)	APC Contributed	Obligation
6/30/2009	\$	3,826,454	100%	\$ -
6/30/2010	\$	3,627,073	100%	\$ -
6/30/2011	\$	3,621,225	100%	\$ -

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Safety						
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation			
6/30/2009	\$ 4,972,908	100%	\$ -			
6/30/2010	\$ 5,701,628	100%	\$ -			
6/30/2011	\$ 5,711,410	100%	\$ -			

Funding Progress

Valuation Date	Actuarial Value of Assets	Entry Age Normal Accrued Liability	Unfunded Liability (UL)	Funded Status	Annual Covered Payroll	UL as a % of Payroll
Miscellaneous						
6/30/2009	\$ 117,724,505	\$ 148,895,881	\$ 31,171,376	79.1%	\$ 27,968,608	111.5%
Safety						
6/30/2009	\$ 118,633,806	\$ 160,692,199	\$ 42,058,393	73.8%	\$ 21,519,394	195.4%

SUPPLEMENTAL PENSION PLAN

Plan Description

The City of Vacaville entered into an agreement with the Public Agency Retirement System Trust (PARS Trust) and Phase II Systems as the Trust Administrator to contribute to a supplemental cost-sharing multiple-employer defined benefit pension plan (Supplemental Plan). The Supplemental Plan provides lifetime supplemental retirement benefits for participants that retire on or after age 50. Death and disability benefits are not covered under the plan. The amount of the supplement is determined based on: length of PERS service; final average compensation; and actuarially determined factors. The cost-of-living adjustment is 2% per year. The Supplemental Plan conforms to the requirements under Internal Revenue Code 401(a) and has received a favorable Letter of Determination from the Internal Revenue Service.

The Supplemental Program is a multiple-employer trust agreement established to provide administrative cost-sharing among public agencies (Member Agencies) and consists of Agency Trusts within the program. Phase II Systems issues a publicly available financial report that includes financial statements and required supplementary information for the program. That report may be obtained by writing to Phase II Systems, 3961 MacArthur Boulevard, Suite 200, Newport Beach, California 92660.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Funding Policy

Participants are required to contribute 2% of their annual covered salary. The City is required to make contributions at rates determined by an actuarial study performed every two years. The City's contribution rate for fiscal year 2011 was 6.86% of covered payroll during the year. See excess benefit plan funding policy for additional information.

Annual Pension Cost

For 2011, the City's annual pension cost of \$1,665,870 was equal to the required and actual contributions. The required contribution was determined as part of a July 1, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were consistent with the PERS actuarial valuation, with the exception of the interest assumption, and included (a) 7.5% investment rate of return (b) projected annual salary increases that vary by duration of service and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%.

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 1,489,287	100%	\$ -
6/30/2010	\$ 1,440,692	100%	\$ -
6/30/2011	\$ 1,665,870	100%	\$ -

EXCESS BENEFIT PENSION PLAN

Plan Description

The City of Vacaville entered into an agreement with the PARS Trust and Phase II Systems as the Trust Administrator to contribute to an excess benefit cost-sharing multiple-employer defined benefit pension plan (Excess Plan). The purpose of the Excess Plan is to supplement the benefits of certain employees under the City of Vacaville's PARS supplemental retirement plan, to the extent that such benefits are reduced by the limitations on benefits imposed by Internal Revenue Code 415 as amended. Death and disability benefits are not covered under the plan. The amount of the excess benefit is determined based on: length of PERS service; final average compensation; and actuarially determined factors. The amount of the benefit is equivalent to the difference between the actual benefits of the participant under the supplemental retirement plan and the actuarial equivalent of the benefits that would have been payable to the participant under such plan except for the limitations on benefits imposed by Internal Revenue Code 415. The cost-of-living adjustment is 2% per year. The Excess Plan complies with the requirements under Internal Revenue Code 415 as a qualified governmental excess benefit arrangement.

The Excess Plan is a multiple-employer trust agreement established to provide administrative cost-sharing among public agencies (Member Agencies) and consists of Agency Trusts within the program. Phase II Systems issues a publicly available financial report that includes financial statements and required supplementary information for the program. That report may be obtained by writing to Phase II Systems, 3961 MacArthur Boulevard, Suite 200, Newport Beach, California 92660.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 8 – EMPLOYEE RETIREMENT PLANS, continued

Funding Policy

Participants and the City’s contributions are based on the difference between the actual benefits under the Supplemental Plan and the actuarial equivalent of the benefits that would have been payable to the participant under the Supplemental Plan without limitations imposed by Internal Revenue Code 415.

Annual Pension Cost

For 2011, the City’s annual pension cost of \$598,290 was equal to the required and actual contributions. The required contribution was determined as part of a July 1, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were consistent with the PERS actuarial valuation, with the exception of the interest assumption, and included (a) 7.5% investment rate of return (b) projected annual salary increases that vary by duration of service and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial liabilities information included in the Supplemental Plan also includes Excess Plan information.

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 268,125	100%	\$ -
6/30/2010	\$ 518,535	100%	\$ -
6/30/2011	\$ 598,290	100%	\$ -

The PARS Supplemental and Excess plans funding progress is reported together in the actuary.

Funding Progress

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UL)	Funded Status	Valuation Payroll	UL as a % of Payroll
7/1/2010	\$ 35,685,109	\$ 8,120,448	\$ 27,564,661	22.8%	\$ 26,487,589	104.1%

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS

In addition to the pension benefits described in Note 8, the City provides other post-employment benefits (OPEB), in accordance with employee collective bargaining agreements, to all employees who retire from the City on or after attaining age 50 with at least five years of PERS service. For 2011, 241 retirees met those eligibility requirements.

The City contributes a monthly amount to PERS for each retiree, determined by the retiree's employment classification when employed by the City. If the retiree selects health coverage through PERS that has a higher premium than the City's contribution, the balance is deducted from the retiree's monthly PERS pension benefit. The post-retirement health care employer contributions range from \$282 to \$1,361 per month per participant, which covers between 77% and 100% of the benefit costs, depending on the choice of plan and number of dependents. The post employment health care contributions are defined by labor agreements and resolutions approved by the City Council.

In 2010, the City adopted new accounting standard GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions – This Statement establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplemental information (RSI) in the financial reports.

Funding Policy

In January 2010, the City joined the California Employer's Retiree Benefit Trust Program (CERBT) to pre-fund OPEB liabilities. The CERBT is an agent multiple employer plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions that are administered by PERS. A copy of the aggregated CERBT annual financial report may be obtained from the PERS office at 400 Q. Street, Sacramento, California 95811.

The City contributes an amount not less than the annual required contribution (ARC) of the employer. The ARC is an amount actuarially determined in accordance with the parameters of GASB statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC rate for the fiscal year ended June 30, 2011 was 13.62% of total payroll.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS, continued

Annual OPEB Cost and Net OPEB Asset

The City's annual OPEB cost, amount actually contributed to the plan, and changes in the City's net OPEB obligation/asset for the fiscal year ended June 30, 2011, are as follows:

Annual required contribution	\$	6,445,050
Interest on net OPEB obligation		44,184
Adjustment to annual required contribution		<u>(34,154)</u>
Annual OPEB expense (income)		6,455,080
Contribution made		<u>(4,039,824)</u>
Increase in net OPEB obligation		2,415,256
Net OPEB obligation - beginning of year		<u>570,119</u>
Net OPEB obligation - end of year	\$	<u><u>2,985,375</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, were as follows:

Year	(APC)	Contribution	APC Contributed	(Asset) Liability
6/30/2009	\$ 5,506,150	\$ 5,949,284	108.05%	\$ (443,134)
6/30/2010	\$ 5,685,100	\$ 4,637,504	81.57%	\$ 570,119
6/30/2011	\$ 6,445,050	\$ 4,039,824	62.68%	\$ 2,985,375

Funded Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information in subsequent years, that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS, continued

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UL)	Funded Status	Valuation Payroll	UL as a % of Payroll
7/1/2010	\$ 69,954,229	\$ 6,050,369	\$ 63,903,860	8.65%	\$ 46,819,164	136.5%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the October 27, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 7.75% investment rate of return, an annual healthcare cost trend rate of 9.0% initially and declining to 5.0% by 2018, and an inflation factor of 3.00%. The OPEB unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed 28-year period.

NOTE 10 – FUND EQUITY

Deficit Fund Balances

The following fund had a deficit as of June 30, 2011:

City Projects Fund

The City Projects Fund has a deficit of (\$133,305) at June 30, 2011. The City has delayed several capital improvement projects until the building-related revenue improves.

Deficit Net Assets

Insurance Fund

The Insurance Internal Service fund has a deficit of (\$1,254,469) at June 30, 2011. The City's policy has been to record the insurance liability at 100%. This has resulted in the fund going into deficit, because claims are paid out over several years. Management has decided to fund the insurance liability at a more historical experience rate of 72%, which still causes the fund to be in a deficit position.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 11 – INTERFUND TRANSACTIONS

Transfers report the nonreciprocal contribution of resources from one fund to another. The interfund transfers generally are made for the purpose of debt service payments made from a debt service fund but funded from an operating fund or subsidiary transfers, funding for capital projects and re-allocation of special revenues.

The major transfer activity consists of the following: 1) General Fund transferred excise tax revenue in the amount of \$1,120,092 to the Debt Service Fund to cover the City's Measure I debt obligation; 2) Vaca Community Low and Moderate Housing transferred \$1,483,587 to the Debt Service Fund to cover downtown redevelopment debt obligations; 3) RDA Capital Project Funds transferred \$7,429,004 to the Debt Service Fund to cover downtown redevelopment debt obligations; 4) Community Facility Districts transferred \$1,818,905 in property tax to the General Fund to cover costs to maintain the districts; 5) Capital Project Funds transferred \$1,500,000 to the General Fund to cover operating street maintenance costs.

The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2011:

Transfers Out (fund making transfer):	Transfers In (fund receiving transfer):										
	Special Revenue Fund		Debt Service Fund	Capital Projects Funds			Enterprise Funds			Internal Service Fund	Totals
	General Fund	Community Development	Redevelopment	City Projects	Redevelopment	Other Governmental Funds	Sewer Utility	Water Utility	Transit	Central Services	
General Fund	\$ -	\$ -	\$ -	\$ 239,634	\$ -	\$ 1,592,080	\$ -	\$ -	\$ -	\$ 60,900	\$ 1,892,614
Special Revenue Funds:											
Redevelopment	50,000	65	1,681,844	-	102,402	680,004	-	-	-	-	2,514,315
Capital Projects Funds:											
City Projects	1,500,000	-	-	33,154	142,577	-	15,027	30,054	46,821	7,700	1,775,333
Redevelopment	150,001	-	7,429,004	(17)	-	720,000	-	68,466	-	20,000	8,387,454
Other Governmental Funds:	2,252,716	-	-	294,087	-	-	-	-	-	68,739	2,615,542
Enterprise Funds:											
Sewer Utility	-	-	-	733,918	-	-	-	-	-	7,500	741,418
Water Utility	-	-	-	483	-	-	160,000	-	-	7,500	167,983
Internal Service Funds:											
Vehicle Replacement	-	-	-	-	-	-	41,179	33,431	-	-	74,610
Technology Replacement	8,000	-	-	-	-	-	-	-	-	-	8,000
Totals	<u>\$ 3,960,717</u>	<u>\$ 65</u>	<u>\$ 9,110,848</u>	<u>\$ 1,301,259</u>	<u>\$ 244,979</u>	<u>\$ 2,992,084</u>	<u>\$ 216,206</u>	<u>\$ 131,951</u>	<u>\$ 46,821</u>	<u>\$ 172,339</u>	<u>\$ 18,177,269</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 11 – INTERFUND TRANSACTIONS, continued

Due To/Due From Other Funds:

	Due to Other Funds (fund receiving loan):
Due From Other Funds (fund making loan):	Transit
Sewer Utility	\$ 256,219

Advances To/Advances From Other Funds:

	Advances From Other Funds (fund receiving loan):					
Advances To Other Funds (fund making loan):	General Fund Vehicle Replacement	City Projects Capital Projects Fund:	Redevelopment Capital Projects Fund:	Sewer Funds Sewer Fund:	Utility Funds Water Fund:	Total
General Fund:						
General Fund	\$ 990,532	\$ -	\$ -	\$ 330,000	\$ -	\$ 1,320,532
Total General Fund	990,532	-	-	330,000	-	1,320,532
Special Revenue Fund:						
Redevelopment	\$ -	\$ -	\$ 3,898,429	\$ -	\$ -	3,898,429
Total Special Revenue	-	-	3,898,429	-	-	3,898,429
Capital Projects Fund:						
Redevelopment	-	10,539,452	-	-	-	10,539,452
Total City Projects	-	10,539,452	-	-	-	10,539,452
Enterprise Funds:						
Sewer Utility	-	664,963	-	-	100,000	764,963
Water Utility	-	1,329,926	-	-	-	1,329,926
Total Enterprise	-	1,994,889	-	-	100,000	2,094,889
Total	\$ 990,532	\$ 12,534,341	\$ 3,898,429	\$ 330,000	\$ 100,000	\$ 17,853,302

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 11 – INTERFUND TRANSACTIONS, continued

The advances to/from consists of the following: The General Fund loaned the Vehicle Replacement Fund for the purchase of a Fire Engine and two Ambulances in the amount of \$990,532. The General fund loaned the Sewer Operating Fund for the purchase of a Water/Sewer Vacuum truck in the amount of \$330,000. The Redevelopment Capital Projects Funds loaned the City Capital Projects Fund for construction of a new police facility in the amount of \$10,539,452. The Vaca Community Low and Moderate Housing loaned Vaca Community Administrative Services for the Supplemental Revenue Augmentation Fund to help pay for the \$9,492,145 poroperty tax takeaway in 2009-10 by the State of California. The City Capital Projects Fund loaned Water and Sewer Utility Enterprise loans were for: 1) Parks and Recreation infrastructure in the amount of \$1,145,847; 2) Construction of a fire station in the amount of \$849,042.

NOTE 12 – UNEARNED AND DEFERRED REVENUE

Unearned revenues in the government-wide financial statements as of June 30, 2011 were as follows:

	Governmental Activities	Business-Type Activities	Total
Community Development Block Grant	\$ 988,080	\$ -	\$ 988,080
Public Works grant	49,909	-	49,909
Development impact fees	1,001,871	841,129	1,843,000
General services and recreation revenue	292,869	-	292,869
Police grants	115,255	-	115,255
Building permit revenue	911,638	-	911,638
Buck & Eldridge Maintenance	412,693	-	412,693
Unearned interest revenue	37,176	109,541	146,717
GWTP Closure	-	32,161	32,161
Water utility revenue	-	51,767	51,767
Total	<u>\$ 3,809,491</u>	<u>\$ 1,034,598</u>	<u>\$ 4,844,089</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 12 – UNEARNED AND DEFERRED REVENUE, continued

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

	Major Governmental Funds					Other Governmental Funds	Proprietary Funds	
	General	Community Development	Redevelopment Special Revenue	City Projects	Redevelopment Capital Projects		Sewer Utility	Water Utility
General services and recreation revenue	\$ 292,869	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CDBG/HOME loans	-	10,835,376	-	-	-	-	-	-
CDBG maintenance reserve	-	24,675	-	-	-	-	-	-
Development Impact Fees	-	-	-	1,259,804	-	-	478,237	362,892
Public Works grant	15,088	-	-	-	-	34,821	-	-
Vacaville Library District loan	-	-	-	-	1,883,938	-	-	-
Buck & Eldridge Maintenance	-	-	-	-	412,693	-	-	-
Unearned interest revenue	-	-	16,967	-	20,209	-	57,032	52,509
Building permit revenue	-	-	-	-	-	911,638	-	-
Police grants	-	-	-	-	-	115,255	-	-
Mariani GWTP closure	-	-	-	-	-	-	32,161	-
Water utility revenue	-	-	-	-	-	-	-	51,767
	<u>\$ 307,957</u>	<u>\$ 10,860,051</u>	<u>\$ 16,967</u>	<u>\$ 1,259,804</u>	<u>\$ 2,316,840</u>	<u>\$ 1,061,714</u>	<u>\$ 567,430</u>	<u>\$ 467,168</u>

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

- \$ 10,835,376 Recorded in the Community Development Special Revenue Fund for the HOME Partnership Program (HOME), the Community Development Block Grant (CDBG) and the Rental Rehabilitation Program (RRP). A long-term receivable and deferred revenue are recorded in the Community Development Special Revenue Fund.
- \$ 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 were recorded in the amount of \$1,991,313 in the Redevelopment Capital Projects Fund.
- \$ 911,638 Building permits revenues in excess of expenses recorded in Other Governmental Special Revenue Fund.
- \$ 2,100,933 Deferred Development Impact Fees for developers for single family residences to encourage continued growth in Vacaville.
- \$ 1,126,046 Various grants and fees for governmental and business type funds.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 13 – 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 City, which are not restricted or invested in capital assets net of related debt for any project or other purpose.

In the Fund Financial Statements, in accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because they are either (a) not expected to be converted to cash or (b) legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the City Council. The City Council must take action to allow for removal or change to the constraint.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Director of Finance and Technology.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

As of June 30, 2011, classifications of fund balance are shown on the next page.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 13 – CLASSIFICATION OF NET ASSETS AND FUND BALANCES, continued

Fund Balance:	General	Community Development	Redevelopment Special Revenue	Redevelopment Debt Service	Housing Assistance	City Projects	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Nonspendable									
Prepaid items	\$ 2,305,430	\$ -	\$ -	\$ -	\$ 977,579	\$ 1,578,534	\$ -	\$ -	\$ 4,861,543
Advances to other funds	330,000	-	-	-	-	-	-	-	330,000
Subtotal	<u>2,635,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>977,579</u>	<u>1,578,534</u>	<u>-</u>	<u>-</u>	<u>5,191,543</u>
Restricted									
Loans and long-term receivables	977	-	24,304,539	2,364,740	-	-	3,310,235	-	29,980,491
Prepaod items	-	-	-	1,137	-	-	-	-	1,137
Advances to other funds	-	-	3,898,429	-	-	-	10,539,452	-	14,437,881
Grants	-	852,514	-	-	-	-	-	149,397	1,001,911
Donations	114,282	-	-	-	-	-	-	-	114,282
Highway and streets	-	-	-	-	-	2,572,631	-	1,371,457	3,944,088
Park maintenance fees	-	-	-	-	-	-	-	1,406,691	1,406,691
Community facility district fees	-	-	-	-	-	-	-	93,524	93,524
Housing	-	-	11,868,673	-	1,903,306	-	-	-	13,771,979
Debt service	-	-	-	4,059,520	-	-	-	1,236,689	5,296,209
Capital Projects	-	-	-	-	-	-	11,954,359	1,158,425	13,112,784
Subtotal	<u>115,259</u>	<u>852,514</u>	<u>40,071,641</u>	<u>6,425,397</u>	<u>1,903,306</u>	<u>2,572,631</u>	<u>25,804,046</u>	<u>5,416,183</u>	<u>83,160,977</u>
Committed									
Technology	178,648	-	-	-	-	-	-	-	178,648
Vehicle replacement	229,411	-	-	-	-	-	-	-	229,411
Capital projects	604,130	-	-	-	-	-	12,658,250	-	13,262,380
Debt service	-	-	-	538,661	-	-	-	980	539,641
Subtotal	<u>1,012,189</u>	<u>-</u>	<u>-</u>	<u>538,661</u>	<u>-</u>	<u>-</u>	<u>12,658,250</u>	<u>980</u>	<u>14,210,080</u>
Assigned									
Department initiated encumbrances									
General government	40,019	-	-	-	-	-	-	-	40,019
Community services	29,889	-	-	-	-	-	-	-	29,889
Public safety	27,686	-	-	-	-	-	-	-	27,686
Public works	153,456	-	-	-	-	-	-	-	153,456
Redevelopment	-	-	22,438	-	-	-	71,347	-	93,785
Subtotal	<u>251,050</u>	<u>-</u>	<u>22,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,347</u>	<u>-</u>	<u>344,835</u>
Unassigned	<u>(89,517)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,284,470)</u>	<u>-</u>	<u>-</u>	<u>(4,373,987)</u>
Total Fund Balances	<u>\$ 3,924,411</u>	<u>\$ 852,514</u>	<u>\$ 40,094,079</u>	<u>\$ 6,964,058</u>	<u>\$ 2,880,885</u>	<u>\$ (133,305)</u>	<u>\$ 38,533,643</u>	<u>\$ 5,417,163</u>	<u>\$ 98,533,448</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss including government tort claims (general and automobile liability), employment practices liability, employee work related injuries and illnesses, public officials errors and omissions, natural disasters, and theft of or damage to property. The City protects its financial resources and assets through insurance programs managed and administered by the Risk Management Office within the Human Resources Department.

The Human Resources Department is responsible for managing the City's General Liability and Workers' Compensation Internal Service Funds to account for and finance the City's risk of loss. Under these programs, the City is self insured for the first \$500,000 per occurrence for general, auto, and employment liability and is self insured for the first \$350,000 for workers' compensation claims. All City operating funds and departments participate in the self insurance programs and make payments to the General Liability and Workers' Compensation Internal Service Funds based on size of payroll, risk, and actuarial estimates of the amounts needed to pay for both prior and current year claims. The total actuarial estimated claims liability at June 30, 2011 is \$6,039,000, consisting of \$930,000 general liability and \$5,109,000 worker's compensation liability. These amounts include allocated expenses and a provision for the incurred but not reported claims. Of this balance, \$1,716,000 has been recorded as a current liability on the City's balance sheet.

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) self insurance pool. Through CJPRMA, the City has an additional \$39,500,000 in comprehensive liability coverage over and above our self-insured retention of \$500,000 per occurrence. The City is also a member of the Local Agency Workers' Compensation Excess (LAWCX) Joint Powers Authority self insurance pool which provides excess workers compensation coverage up to \$200,000,000 per occurrence. The purpose of CJPRMA and LAWCX is to spread the adverse effects of losses among the member public agencies and to purchase excess insurance as a group, thereby reducing its expense. The City contributes its pro rata share of expected losses to these self insurance pools administered by CJPRMA and LAWCX. Should the pool's actual losses among participating agencies be greater than the anticipated losses, the City may be assessed its pro rata share of that deficiency. Conversely, if the actual losses for the pool are less than anticipated, the City may from time to time be refunded a pro rata share of the excess.

Additionally, the City participates in the California Transit Insurance Pool (CalTIP), a California Joint Powers Authority. The purpose of CalTIP is to provide coverage for the City's public transit system. The City maintains, through its membership in CalTIP, general, automobile, and public officials errors and omissions limits of \$20,000,000 per occurrence, subject to a \$25,000 self-insured retention. In addition, the City participates in CalTIP's Physical Damage Program, protecting the transit vehicle fleet with a \$5,000 deductible per accident.

The City also maintains separate policies for property coverage, boiler and machinery, automobile physical damage for vehicles valued over \$20,000 and employee crime and fidelity insurance.

The following claim estimates are based on the requirements of Governmental Accounting Standards Board Statement 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and include estimated claims incurred but not yet reported as of June 30, 2011. Changes in the Insurance Fund claims liability during the fiscal year July 1, 2010 through June 30, 2011 are as follows:

	Claims Liability July 1	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance June 30	Due Within One Year
2010-2011	\$ 5,698,000	\$ 1,226,363	\$ (885,363)	\$ 6,039,000	\$ 1,716,000
2009-2010	\$ 5,859,000	\$ 1,060,213	\$ (1,221,213)	\$ 5,698,000	\$ 2,083,168
2008-2009	\$ 5,573,000	\$ 1,664,380	\$ (1,378,380)	\$ 5,859,000	\$ 2,284,584

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 15 – 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.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 15 – 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.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

A. COMMITMENTS

The City has a landscaping contract for the Leisure Town/I-80 over crossing. The original contract amount was approximately \$935,000 and at June 30, 2011 equals approximately \$134,000. The contract is expected to be completed October 2011.

The City has a landscaping contract which is subject to a multi-year landscape maintenance contract. The original contract amount was approximately \$935,000 and the balance on the contract at June 30, 2011 equal approximately \$67,000. The contract is expected to be completed in November 2011.

The City has a contract for asphalt concrete overlay on various City and residential streets. The original contract amount was approximately \$1,400,000, and the balance on the contract at June 30, 2011 equals approximately \$387,000. The contract is expected to be completed in November 2011.

The City has a contract for replacement of a waterline along Vaca Valley Parkway. The original contract amount was approximately \$800,000, and the balance on the contract on June 30, 2011 equals approximately \$680,000.

The City has a contract for energy efficiency upgrades to two City buildings. The original contract amount was approximately \$650,000. As of June 30, 2011 no payments had been made on the contract so the balance is \$650,000.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 16 – COMMITMENTS AND CONTINGENCIES, continued

B. CONTINGENCIES

The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Such audits could lead to request for reimbursement for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's management, on advice of legal counsel, it is unlikely that they will have a material adverse effect on the accompanying financial statements.

NOTE 17 – POLLUTION REMEDIATION

Groundwater monitoring data collected since 1996 indicate that operations at the City's Gibson Canyon Wastewater Treatment Plant (WWTP) contributed to increased salinity in groundwater beneath the WWTP. The City determined that compliance with groundwater quality regulatory requirements would be cost prohibitive and agreed with users of the WWTP to a closure plan. As of December 2006, the WWTP has ceased operation. A Final Closure Plan has been developed to achieve a clean-closure. Once the groundwater remediation work is completed, the need for post-closure maintenance will be eliminated. However, corrective action will continue for up to 20 years with the operation of the groundwater remediation system. The Closure Plan consists of the demolition or renovation of existing structures, demolition or abandonment of existing piping systems and re-grading of the chlorination basin, the stabilization ponds and the aeration basins. At this time, the City has an engineering estimate of \$1,355,000 for the Closure Plan work with no estimated recoveries to reduce the liability.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 18 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS

The City of Vacaville participates in various joint ventures and jointly governed organizations. The City's financial interests are as follows:

The Solano Water Authority

In preparation of future water needs, the U.S. Bureau of Reclamation began a study of the environmental impact of marketing additional water from the Central Valley Project. The Solano County Water Policy Advisory Committee issued a report showing the Solano County water needs through the year 2015. Subsequent to these studies, a number of Solano County agencies formed a joint venture, the Solano Water Authority (the Water Authority).

The Water Authority is a public agency created under a joint exercise of powers agreement among the participating members for the purpose of acquiring water rights from several water sources such as the Central Valley Project, North Bay Aqueduct, Sacramento River, the Noonan Reservoir, and the Solano project (Lake Berryessa).

The governing body of the Water Authority consists of a representative from each participating agency. Completed financial statements may be obtained from the Solano Irrigation District.

The following unaudited information for the Water Authority is presented as of, and for the year ended June 30, 2011:

Property, plant and equipment, net	<u>954,067</u>
Total assets	<u>\$ 1,581,966</u>
Net assets	<u>\$ 1,581,966</u>
Other revenues (expenses), net	<u>(64,796)</u>
Decrease in retained earnings	<u>\$ (64,796)</u>

As of June 30, 2011 the City of Vacaville is one of 11 member agencies of the Water Authority, and participates in 3 of the 4 major projects.

North Bay Treatment Plant

The North Bay Treatment Plant was constructed through a joint exercise of powers agreement between the City of Fairfield and the City to operate and maintain facilities for supplying potable water to their respective service areas. A Joint Powers Policy Committee (JPPC) handles the organization and administration of the North Bay Treatment Plant. The JPPC is composed of the Director of Public Works from Fairfield and the Director of Public Works from the City or their designated alternates. The City's equity in the joint venture is shown as an investment in joint venture in the City's enterprise funds in the amount of \$20,706,281 which represents a 38.6% equity interest. Complete financial statements may be obtained through the City of Fairfield Finance Department.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 18 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

Summarized unaudited financial information for the North Bay Treatment Plant as of June 30, 2011 is shown below.

Current assets	\$ 7,057,177
Property, plant and equipment, net	<u>46,860,275</u>
Total assets	<u><u>53,917,452</u></u>
Current liabilities	236,367
Noncurrent liabilities - Minority Interest in Joint Agencies	<u>20,706,281</u>
Total liabilities	<u>20,942,648</u>
Invested in Capital Assets, net of related debt	39,699,539
Unrestricted	<u>(6,724,735)</u>
Total Net Assets	<u>\$ 32,974,804</u>
Total operating revenues	\$ 6,659,273
Total operating expenses	<u>6,962,855</u>
Operating loss	(303,582)
Total non-operating revenues	<u>277,039</u>
Income before Transfers	<u>(26,543)</u>
Transfers out	<u>(72,693)</u>
Total Transfers	<u>(72,693)</u>
Increase in Net Assets	<u>(99,236)</u>
Net Assets	
Beginning of Year	<u>33,074,040</u>
End of Year	<u><u>\$ 32,974,804</u></u>

Vacaville-Dixon Greenbelt Authority

In order to provide a distinct separation between the urban areas of Vacaville and Dixon, it was determined that a permanent greenbelt should be established. The Vacaville-Dixon Greenbelt Authority (VDGA) was created under a joint exercise of powers agreement between the two cities for the purpose of providing for the preservation and conservation of viable agricultural and open space land. The governing body consists of two members each from the City Councils of Vacaville and Dixon and one ex-officio member from the Solano County Board of Supervisors. The cities share equally in VDGA operations.

Solano Animal Control Authority

The Solano Animal Control Authority (SACA), a California Joint Powers Authority, provides animal control services to member cities in Solano County. The City, through its membership in SACA, receives animal control services including response for vicious, injured, dead, loose, unwanted and noisy animals. The City has no equity interest in SACA.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2011

NOTE 18 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

Solano Transportation Authority

The Solano Transportation Authority (STA), a California Joint Powers Authority, provides for coordinated, continuous and comprehensive transportation planning for Solano County and the cities within its boundaries. STA members refine and update the County transportation plan, coordinate planning and implementation of improvements and operate or contract for transit and paratransit services. The City has no equity interest in STA.

NOTE 19 – PRIOR PERIOD ADJUSTMENT

The beginning balance for capital assets business-type activities, as well as, financial data in the Management's Discussion and Analysis for 2010 have been restated to reflect the disposal of an accumulation of maintenance expenses capitalized as construction in progress costs in previous years that should not have been capitalized. The Construction in Progress balance in the Sewer Capital funds has been adjusted by \$4,347,523 to remove rehabilitation and replacement expenses. The Construction in Progress balance in the Water Capital funds has been adjusted by \$3,882,097 to remove water study, monitoring and rehabilitation expenses.

NOTE 20 – SUBSEQUENT EVENTS

The City entered into an agreement with Chase Bank on July 27, 2011 for a \$20,000,000 line of credit loan. The purpose of the loan is to bridge the funding gap between expenses on the Tertiary Project and disbursements from the State Revolving Fund loan, anticipated for December, 2011. The line of credit loan is for a term of three years with interest tied to the LIBOR rate.

The City received approval by the State Water Quality Control Board for a \$116,677,000 State Revolving Fund (SRF) loan committed to the City's Tertiary Project. The project consists of four construction phases. There are four separate financial agreements for each phase as follows:

- Phase 1 - Denitrification Improvements; financial agreement executed on August 23, 2011 for \$30,975,000
- Phase 2 – Laboratory Expansion Improvements; financial agreement executed on October 12, 2011 for \$3,497,000
- Phase 3 – Filtration Improvements; financial agreement executed on October 21, 2011 for \$68,125,000
- Phase 4 – Completion Improvements; financial agreement executed on October 12, 2011 for \$14,080,000

The terms of the SRF loan are 20 years with a 2.6% interest rate. Annual payments will begin following the agreed upon completion date for each individual phase. The City has a contract with C. Overaa & Construction Company for \$22,630,000 to construct the Denitrification Improvements, Phase 1 of the SFR loan. The Denitrification Improvements are required by the Central Valley Regional Water Quality Control Board of the City's National Pollutant Discharge Elimination System Discharge Permit for the Easterly Wastewater Treatment Plant, and by the Time Scheduled Order issued by the same board. The City's first annual payment on phase 1 is due December 15, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2011

Budgetary Data

The City adopts annual budgets for the General and Special Revenue Funds. The City 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 City uses the following procedures in establishing the annual budget:

1. The City Manager submits a recommended annual operating budget to the City Council for each fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council 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 City Council through the passage of an ordinance.
4. The City Manager has the ability to transfer amounts between funds and fund types without City Council 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, City Council authorization is required.

Reductions to appropriations totaling \$20,168 for the City and Redevelopment operating budget were made by the City Council/Redevelopment Agency action during the year. Appropriations were also increased due to grant and operating carryovers by \$792,052, and new grant awards of \$2,312,163. The net increase to appropriations is \$3,084,047.

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 City honors contracts represented by year-end encumbrances and the appropriations carried over provide authority to complete these transactions in the following year.

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL -- GENERAL FUND

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes and fees	\$ 47,335,984	\$ 47,251,093	\$ 47,381,977	\$ 130,884
Licenses and permits	200,946	200,946	202,455	1,509
Investment income	1,521,306	1,521,306	714,272	(807,034)
Intergovernmental	589,248	589,248	1,018,985	429,737
Charges for services	8,265,344	8,265,344	6,827,029	(1,438,315)
Fines, forfeits and penalties	150,000	150,000	119,884	(30,116)
Other	71,909	71,909	29,073	(42,836)
Total revenues	58,134,737	58,049,846	56,293,675	(1,756,171)
Expenditures:				
Current:				
General government	9,032,240	3,867,296	3,639,244	228,052
Public safety	43,173,902	42,582,556	42,885,675	(303,119)
Public works	4,589,456	4,474,370	4,480,996	(6,626)
Community services	8,119,037	8,030,792	7,779,604	251,188
Housing	-	479	479	-
Debt service:				
Principal	205,555	205,555	206,036	(481)
Interest and fiscal charges	53,184	53,184	67,320	(14,136)
Total expenditures	65,173,374	59,214,232	59,059,354	154,878
Excess (deficiency) of revenues over (under) expenditures	(7,038,637)	(1,164,386)	(2,765,679)	(1,601,293)
Other financing sources (uses):				
Transfers in	2,053,403	3,960,717	3,960,717	-
Transfers out	(1,605,330)	(1,892,614)	(1,892,614)	-
Sale of capital assets	-	31,805	31,805	-
Issuance of debt and loans	-	163,000	163,000	-
Total other financing sources (uses)	448,073	2,262,908	2,262,908	-
Net change in total fund balance	\$ (6,590,564)	\$ 1,098,522	(502,771)	\$ (1,601,293)
Fund balances, beginning of year			4,427,182	
Fund balances, end of year			<u>\$ 3,924,411</u>	

CITY OF VACAVILLE
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-COMMUNITY DEVELOPMENT**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Use of money and property	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Intergovernmental	3,715,967	3,715,967	1,681,843	(2,034,124)
Total revenues	3,730,967	3,730,967	1,681,843	(2,049,124)
Expenditures:				
Current:				
Community services	3,708,679	3,853,902	806,024	3,047,878
Total expenditures	3,708,679	3,853,902	806,024	3,047,878
Net change in total fund balance	\$ 22,288	\$ (122,935)	875,819	\$ 998,754
Fund balances, beginning of year			(23,305)	
Fund balances, end of year			\$ 852,514	

CITY OF VACAVILLE
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-REDEVELOPMENT**

	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	211,156	155,148
Other	11,637	11,637	57,412	45,775
Total revenues	7,526,045	7,526,045	7,033,451	(492,594)
Expenditures:				
Current:				
Housing	2,839,806	2,834,885	2,097,162	737,723
Total expenditures	2,839,806	2,834,885	2,097,162	737,723
Excess (deficiency) of revenues over (under) expenditures	4,686,239	4,691,160	4,936,289	245,129
Other financing sources (uses):				
Transfers out	(2,447,508)	(2,543,154)	(2,514,315)	28,839
Total other financing sources (uses)	(2,447,508)	(2,543,154)	(2,514,315)	28,839
Net change in total fund balance	\$ 2,238,731	\$ 2,148,006	2,421,974	\$ 273,968
Fund balances, beginning of year			37,672,105	
Fund balances, end of year			\$ 40,094,079	

CITY OF VACAVILLE
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 ASSISTANCE

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Investment income	\$ -	\$ -	\$ 17,838	\$ 17,838
Intergovernmental	11,473,448	11,473,448	13,339,764	1,866,316
Charges for services	30,578	30,578	56,533	25,955
Other	-	-	21,822	21,822
Total revenues	<u>11,504,026</u>	<u>11,504,026</u>	<u>13,435,957</u>	<u>1,931,931</u>
Expenditures:				
Current:				
Community services	46,413	45,662	50,888	(5,226)
Housing	11,663,923	11,645,989	13,054,510	(1,408,521)
Total expenditures	<u>11,710,336</u>	<u>11,691,651</u>	<u>13,105,398</u>	<u>(1,413,747)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(206,310)</u>	<u>(187,625)</u>	<u>330,559</u>	<u>518,184</u>
Other financing sources (uses):				
Transfers in	-	65	65	-
Total other financing sources (uses)	<u>-</u>	<u>65</u>	<u>65</u>	<u>-</u>
Net change in total fund balance	<u>\$ (206,310)</u>	<u>\$ (187,560)</u>	<u>330,624</u>	<u>\$ 518,184</u>
Fund balance, beginning of year			<u>2,550,261</u>	
Fund balance, end of year			<u>\$ 2,880,885</u>	

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

EMPLOYEE RETIREMENT PLANS

SCHEDULE OF FUNDING PROGRESS- PERS

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAL)	Funded Status	Annual Covered Payroll	AUL as % of Payroll
Miscellaneous						
6/30/2008	\$ 134,102,308	\$ 110,077,223	\$ (24,025,085)	82.1%	\$ 27,798,022	86.4%
6/30/2009	148,895,881	117,724,505	(31,171,376)	79.1%	27,968,608	111.5%
6/30/2010	160,884,879	125,418,311	(35,466,568)	78.0%	26,304,950	134.8%
Safety						
6/30/2008	\$ 143,365,134	\$ 109,638,638	\$ (33,726,496)	76.5%	\$ 20,463,640	164.8%
6/30/2009	160,692,199	118,633,806	(42,058,393)	73.8%	21,519,394	195.4%
6/30/2010	183,828,966	128,282,450	(55,546,516)	69.8%	20,159,546	275.5%

SCHEDULE OF FUNDING PROGRESS- PARS

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UAL)	Funded Ratio	Valuation Payroll	UAL as % of Payroll
Miscellaneous						
7/1/2006	\$ 20,018,276	\$ 5,807,551	\$ (14,210,725)	29.0%	\$ 23,680,706	60.0%
7/1/2008	24,481,039	7,593,684	(16,887,355)	31.0%	27,602,940	61.2%
7/1/2010	35,685,109	8,120,448	(27,564,661)	22.8%	26,487,589	104.1%

SCHEDULE OF FUNDING PROGRESS- OPEB

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UAL)	Funded Ratio	Valuation Payroll	UAL as % of Payroll
7/1/2008	\$ 57,555,169	\$ 2,489,911	\$ (55,065,258)	4.33%	\$ 45,670,482	120.6%
7/1/2010	69,954,229	6,050,369	(63,903,860)	8.65%	46,819,164	136.5%





OTHER GOVERNMENTAL FUNDS

Other governmental funds are nonmajor governmental funds reported in the other governmental funds column of the governmental funds financial statements and include:

SPECIAL REVENUE FUNDS:

BUILDING & STREET DEVELOPMENT

To account for funds received to provide for building and street maintenance. A portion of the funds is received from the Highway Users Tax Fund as provided in Section 2107.

MAINTENANCE DISTRICTS

Funds established to account for park maintenance, setback maintenance, and maintenance of median strips for which no taxes have been levied.

COMMUNITY FACILITIES

To account for funds received for the administration of the Community Facilities Districts.

SPECIAL PROGRAMS

To account for monies received and expended from Federal, State and Local grants earmarked for public safety services, diversionary youth education, after school programs and recycling programs.

DEBT SERVICE FUNDS:

MEASURE I

To account for interest earnings, reserves, and payment of debt service for the bonds issued to fund the Cultural Center.

CAPITAL PROJECTS FUNDS:

ASSESSMENT AND IMPROVEMENT DISTRICTS

To account for proceeds from taxes and bonds used to construct public improvements benefiting specific property.

CITY OF VACAVILLE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2011

	SPECIAL REVENUE				DEBT	CAPITAL	TOTAL OTHER GOVERNMENTAL FUNDS
	BUILDING & STREET DEVELOPMENT	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	SERVICE MEASURE I	ASSESSMENT & IMPROVEMENT DISTRICTS	
Assets							
Cash and investments	\$ 3,075,026	\$ 3,902,143	\$ 93,524	\$ 314,593	\$ -	\$ -	\$ 7,385,286
Receivables:							
Interest	-	-	-	-	978	-	978
Taxes	61,003	-	-	-	-	-	61,003
Accounts	139,171	-	-	173,815	-	-	312,986
Restricted cash and investments	-	-	-	-	1,236,691	1,158,425	2,395,116
Total assets	\$ 3,275,200	\$ 3,902,143	\$ 93,524	\$ 488,408	\$ 1,237,669	\$ 1,158,425	\$ 10,155,369
Liabilities and Fund Balances							
Liabilities:							
Accounts and contract payable	\$ 1,005	\$ 15,876	\$ -	\$ 33,185	\$ -	\$ -	\$ 50,066
Accrued payroll	88,963	54,338	-	20,171	-	-	163,472
Deposits payable	902,138	2,425,238	-	135,578	-	-	3,462,954
Deferred revenue	911,637	-	-	150,077	-	-	1,061,714
Total liabilities	1,903,743	2,495,452	-	339,011	-	-	4,738,206
Fund balances:							
Restricted	1,371,457	1,406,691	93,524	149,397	1,236,689	1,158,425	5,416,183
Committed	-	-	-	-	980	-	980
Total fund balances	1,371,457	1,406,691	93,524	149,397	1,237,669	1,158,425	5,417,163
Total liabilities and fund balances	\$ 3,275,200	\$ 3,902,143	\$ 93,524	\$ 488,408	\$ 1,237,669	\$ 1,158,425	\$ 10,155,369

CITY OF VACAILLVE
OTHER GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE				DEBT	CAPITAL	TOTAL OTHER
	BUILDING & STREET DEVELOPMENT	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	SERVICE MEASURE I	PROJECTS ASSESSMENT & IMPROVEMENT DISTRICTS	
Revenues:							
Taxes and fees	\$ -	\$ 2,512,492	\$ 1,344,293	\$ -	\$ -	\$ -	\$ 3,856,785
Licenses and permits	819,083	-	-	-	-	-	819,083
Investment income	22,917	-	-	1,889	76,597	-	101,403
Intergovernmental	674,231	-	-	896,662	-	-	1,570,893
Charges for services	955,779	-	-	68,573	-	-	1,024,352
Fines, forfeits and penalties	289,212	-	-	-	-	-	289,212
Other	971	-	-	-	-	422	1,393
Total revenues	2,762,193	2,512,492	1,344,293	967,124	76,597	422	7,663,121
Expenditures:							
Current:							
General government	2,447,307	-	-	-	-	-	2,447,307
Public safety	-	-	1,627	962,018	-	-	963,645
Public works	1,271,670	-	-	12,816	-	-	1,284,486
Community services	-	3,107,824	23,765	19,187	-	-	3,150,776
Debt service:							
Principal	-	-	-	-	995,000	-	995,000
Interest and fiscal charges	-	-	-	-	201,690	-	201,690
Total expenditures	3,718,977	3,107,824	25,392	994,021	1,196,690	-	9,042,904
Excess (deficiency) of revenues over (under) expenditures	(956,784)	(595,332)	1,318,901	(26,897)	(1,120,093)	422	(1,379,783)
Other financing sources (uses):							
Transfers in	930,000	441,988	500,004	-	1,120,092	-	2,992,084
Transfers out	(428,650)	-	(1,818,905)	(5,161)	-	(362,826)	(2,615,542)
Total other financing sources (uses)	501,350	441,988	(1,318,901)	(5,161)	1,120,092	(362,826)	376,542
Net change in total fund balance	(455,434)	(153,344)	-	(32,058)	(1)	(362,404)	(1,003,241)
Fund balances, beginning of year	1,826,891	1,560,035	93,524	181,455	1,237,670	1,520,829	6,420,404
Fund balances, end of year	\$ 1,371,457	\$ 1,406,691	\$ 93,524	\$ 149,397	\$ 1,237,669	\$ 1,158,425	\$ 5,417,163

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -- ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BUILDING & STREET DEVELOPMENT			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Licenses and permits	\$ 550,000	\$ 550,000	\$ 819,083	\$ 269,083
Investment income	25,000	25,000	22,917	(2,083)
Intergovernmental	692,729	692,729	674,231	(18,498)
Charges for services	668,756	668,756	955,779	287,023
Fines, forfeits and penalties	-	-	289,212	289,212
Other	-	-	971	971
Total revenues	<u>1,936,485</u>	<u>1,936,485</u>	<u>2,762,193</u>	<u>825,708</u>
Expenditures:				
Current:				
General government	2,713,950	2,699,330	2,447,307	252,023
Public works	1,017,383	1,012,317	1,271,670	(259,353)
Total expenditures	<u>3,731,333</u>	<u>3,711,647</u>	<u>3,718,977</u>	<u>(7,330)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,794,848)</u>	<u>(1,775,162)</u>	<u>(956,784)</u>	<u>818,378</u>
Other financing sources (uses):				
Transfers in	930,000	930,000	930,000	-
Transfers out	(359,159)	(428,650)	(428,650)	-
Total other financing sources (uses)	<u>570,841</u>	<u>501,350</u>	<u>501,350</u>	<u>-</u>
Net change in total fund balance	<u>\$ (1,224,007)</u>	<u>\$ (1,273,812)</u>	<u>(455,434)</u>	<u>\$ 818,378</u>
Fund balance, beginning of year			1,826,891	
Fund balance, end of year			<u>\$ 1,371,457</u>	

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL--ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	MAINTENANCE DISTRICTS			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes and fees	\$ 2,511,540	\$ 2,511,540	\$ 2,512,492	\$ 952
Total revenues	<u>2,511,540</u>	<u>2,511,540</u>	<u>2,512,492</u>	<u>952</u>
Expenditures:				
Current:				
Community services	3,153,492	3,146,889	3,107,824	39,065
Total expenditures	<u>3,153,492</u>	<u>3,146,889</u>	<u>3,107,824</u>	<u>39,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(641,952)</u>	<u>(635,349)</u>	<u>(595,332)</u>	<u>40,017</u>
Other financing sources (uses):				
Transfers in	439,984	441,988	441,988	-
Total other financing sources (uses)	<u>439,984</u>	<u>441,988</u>	<u>441,988</u>	<u>-</u>
Net change in total fund balance	<u>\$ (201,968)</u>	<u>\$ (193,361)</u>	<u>(153,344)</u>	<u>\$ 40,017</u>
Fund balance, beginning of year			<u>1,560,035</u>	
Fund balance, end of year			<u>\$ 1,406,691</u>	

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL--ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	COMMUNITY FACILITIES			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes and fees	\$ 994,244	\$ 994,244	\$ 1,344,293	\$ 350,049
Total revenues	<u>994,244</u>	<u>994,244</u>	<u>1,344,293</u>	<u>350,049</u>
Expenditures:				
Current:				
Public safety	-	-	1,627	(1,627)
Community services	-	-	23,765	(23,765)
Total expenditures	<u>-</u>	<u>-</u>	<u>25,392</u>	<u>(25,392)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>994,244</u>	<u>994,244</u>	<u>1,318,901</u>	<u>324,657</u>
Other financing sources (uses):				
Transfers in	500,000	500,004	500,004	-
Transfers out	-	(1,818,905)	(1,818,905)	-
Total other financing sources (uses)	<u>500,000</u>	<u>(1,318,901)</u>	<u>(1,318,901)</u>	<u>-</u>
Net change in total fund balance	<u>\$ 1,494,244</u>	<u>\$ (324,657)</u>	<u>-</u>	<u>\$ 324,657</u>
Fund balance, beginning of year			<u>93,524</u>	
Fund balance, end of year			<u>\$ 93,524</u>	

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL--ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL PROGRAMS			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Investment income	\$ -	\$ -	\$ 1,889	\$ 1,889
Intergovernmental	-	1,209,937	896,662	(313,275)
Charges for services	-	-	68,573	68,573
Total revenues	-	1,209,937	967,124	(242,813)
Expenditures:				
Current:				
Public safety	314,789	1,154,053	962,018	192,035
Public works	-	55,884	12,816	43,068
Community services	-	-	19,187	(19,187)
Total expenditures	314,789	1,209,937	994,021	215,916
Excess (deficiency) of revenues over (under) expenditures	(314,789)	-	(26,897)	(26,897)
Other financing sources (uses):				
Transfers out	-	(5,161)	(5,161)	-
Total other financing sources (uses)	-	(5,161)	(5,161)	-
Net change in total fund balance	\$ (314,789)	\$ (5,161)	(32,058)	\$ (26,897)
Fund balance, beginning of year			181,455	
Fund balance, end of year			\$ 149,397	



INTERNAL SERVICE FUNDS

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

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are presented separately in the Fund financial statements, including the funds below.

CENTRAL SERVICES

To account for all the centralized purchases which are in turn charged back to the operating department upon usage. The activity includes Central Stores, Fuel Station and Garage.

VEHICLE REPLACEMENT

To account for the acquisition of replacement equipment. Charges are levied to departments on a straight line replacement basis in order to ensure funds are available when the equipment becomes obsolete.

TECHNOLOGY REPLACEMENT

To account for the acquisition of technology equipment. Charges are levied to departments on a straight line replacement basis in order to ensure funds are available when the equipment becomes obsolete.

INSURANCE

To account for premium costs and self-insured claim losses for the following risks: property-related, workers' compensation, unemployment, vehicle-related, and general liability.

EMPLOYEE BENEFITS

To account for sick and vacation leave payoffs related to employee retirements, and other postemployment benefits (OPEB) that are held by California Employers' Retiree Benefit Trust (CERBT) Fund in an irrevocable trust established by PERS to pre-fund OPEB.

CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2011

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
Assets						
Current assets:						
Cash and investments	\$ 28,465	\$ 2,482,338	\$ 276,580	\$ 4,678,645	\$ 93,959	\$ 7,559,987
Receivables:						
Accounts	30,598	-	-	18,165	-	48,763
Inventories - supplies	171,508	-	-	-	-	171,508
Total current assets	<u>230,571</u>	<u>2,482,338</u>	<u>276,580</u>	<u>4,696,810</u>	<u>93,959</u>	<u>7,780,258</u>
Non-current assets:						
Deposits	-	-	-	131,890	-	131,890
Capital assets - net of accumulated depreciation	86,856	1,135,105	713,264	-	-	1,935,225
Total non-current assets	<u>86,856</u>	<u>1,135,105</u>	<u>713,264</u>	<u>131,890</u>	<u>-</u>	<u>2,067,115</u>
Total assets	<u><u>\$ 317,427</u></u>	<u><u>\$ 3,617,443</u></u>	<u><u>\$ 989,844</u></u>	<u><u>\$ 4,828,700</u></u>	<u><u>\$ 93,959</u></u>	<u><u>\$ 9,847,373</u></u>
Liabilities						
Current liabilities:						
Accounts and contract payable	\$ 147,192	\$ -	\$ 8,556	\$ 5,458	\$ -	\$ 161,206
Accrued payroll	78,418	-	-	18,711	957	98,086
Employee benefits payable	-	-	-	-	93,002	93,002
Claims payable - due within one year	-	-	-	1,716,000	-	1,716,000
Total current liabilities	<u>225,610</u>	<u>-</u>	<u>8,556</u>	<u>1,740,169</u>	<u>93,959</u>	<u>2,068,294</u>
Non-current liabilities:						
Deposits payable	-	-	-	20,000	-	20,000
Claims payable - due in more than a year	-	-	-	4,323,000	-	4,323,000
Total liabilities	<u>225,610</u>	<u>-</u>	<u>8,556</u>	<u>6,083,169</u>	<u>93,959</u>	<u>6,411,294</u>
Net Assets						
Invested in capital assets, net of related debt	86,856	1,135,105	713,264	-	-	1,935,225
Unrestricted	4,961	2,482,338	268,024	(1,254,469)	-	1,500,854
Total net assets	<u><u>\$ 91,817</u></u>	<u><u>\$ 3,617,443</u></u>	<u><u>\$ 981,288</u></u>	<u><u>\$ (1,254,469)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,436,079</u></u>

CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
Operating revenues:						
Internal service charges	\$ 2,814,461	\$ 322,827	\$ 1,017,943	\$ 3,448,424	\$ 3,785,041	\$ 11,388,696
Operating expenses:						
Internal service expenses	2,508,909	(581)	696,582	3,270,929	3,785,041	10,260,880
Depreciation	3,047	256,086	224,132	-	-	483,265
Total operating expenses	2,511,956	255,505	920,714	3,270,929	3,785,041	10,744,145
Income (loss) before operating transfers	302,505	67,322	97,229	177,495	-	644,551
Transfers:						
Transfers in	141,439	-	30,900	-	-	172,339
Transfers out	-	(74,610)	(8,000)	-	-	(82,610)
Total transfers	141,439	(74,610)	22,900	-	-	89,729
Net income (loss)	443,944	(7,288)	120,129	177,495	-	734,280
Net assets, beginning of year	(352,127)	3,624,731	861,159	(1,431,964)	-	2,701,799
Net assets, end of year	<u>\$ 91,817</u>	<u>\$ 3,617,443</u>	<u>\$ 981,288</u>	<u>\$ (1,254,469)</u>	<u>\$ -</u>	<u>\$ 3,436,079</u>

CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
Cash flows from operating activities:						
Receipts from customers and users	\$2,807,916	\$ 322,827	\$ 1,017,943	\$3,448,424	\$ 3,785,041	\$ 11,382,151
Payments to suppliers	(1,662,240)	(37,166)	(688,776)	(2,142,063)	(3,785,041)	(8,315,286)
Payments to employees	(894,691)	-	-	(1,090,105)	(89,745)	(2,074,541)
Claims paid	-	-	-	341,000	-	341,000
Net cash provided by (used for) operating activities	<u>250,985</u>	<u>285,661</u>	<u>329,167</u>	<u>557,256</u>	<u>(89,745)</u>	<u>1,333,324</u>
Cash flows from noncapital financing activities:						
Due to/(from) other funds	(363,958)	-	363,958	-	-	-
Transfers in	141,439	-	30,900	-	-	172,339
Transfers out	-	(74,610)	(8,000)	-	-	(82,610)
Net cash provided by (used for) noncapital financing activities	<u>(222,519)</u>	<u>(74,610)</u>	<u>386,858</u>	<u>-</u>	<u>-</u>	<u>89,729</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(1)	(158,485)	(516,500)	-	-	(674,986)
Net cash used for capital and related financing activities	<u>(1)</u>	<u>(158,485)</u>	<u>(516,500)</u>	<u>-</u>	<u>-</u>	<u>(674,986)</u>
Net increase in cash and cash equivalents	<u>28,465</u>	<u>52,566</u>	<u>199,525</u>	<u>557,256</u>	<u>(89,745)</u>	<u>748,067</u>
Cash and cash equivalents, beginning of year	-	2,429,772	77,055	4,121,389	183,704	6,811,920
Cash and cash equivalents, end of year	<u>\$ 28,465</u>	<u>\$ 2,482,338</u>	<u>\$ 276,580</u>	<u>\$4,678,645</u>	<u>\$ 93,959</u>	<u>\$ 7,559,987</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) by Operating Activities:						
Operating income (loss)	\$ 302,505	\$ 67,322	\$ 97,229	\$ 177,495	\$ -	\$ 644,551
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	3,047	256,086	224,132	-	-	483,265
Changes in assets and liabilities:						
Increase in receivables	(6,545)	-	-	-	-	(6,545)
Decrease in inventories-supplies	6,193	-	-	-	-	6,193
Decrease in deposits	-	-	-	42,776	-	42,776
Increase (decrease) in accounts and contracts payable	(55,989)	(37,747)	7,806	(3,008)	-	(88,938)
Increase (decrease) in accrued payroll	1,774	-	-	(1,007)	566	1,333
Decrease in employee benefits payable	-	-	-	-	(90,311)	(90,311)
Increase in claims payable	-	-	-	341,000	-	341,000
Total adjustments	<u>(51,520)</u>	<u>218,339</u>	<u>231,938</u>	<u>379,761</u>	<u>(89,745)</u>	<u>688,773</u>
Net cash provided by (used for) operating activities	<u>\$ 250,985</u>	<u>\$ 285,661</u>	<u>\$ 329,167</u>	<u>\$ 557,256</u>	<u>\$ (89,745)</u>	<u>\$ 1,333,324</u>

FIDUCIARY FUND FINANCIAL STATEMENTS

OTHER DEPOSITS

To account for deposits received from outside parties. Some of the large items include amounts on deposit from Solano Transportation Authority, refunding of permit monies, and restitution for crimes committed.

SPECIAL ASSESSMENTS

To account for monies received through property tax to pay debt service for the Special Assessment Districts.

CITY OF VACAVILLE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	AGENCY FUNDS		
	OTHER DEPOSITS	SPECIAL ASSESSMENTS	TOTAL AGENCY
Assets			
Cash and investments	\$ 7,149,124	\$ 9,880,304	\$ 17,029,428
Total Assets	\$ 7,149,124	\$ 9,880,304	\$ 17,029,428
Liabilities			
Liabilities:			
Deposits payable	\$ 7,149,124	\$ -	\$ 7,149,124
Due to bondholders	-	9,880,304	9,880,304
Total Liabilities	\$ 7,149,124	\$ 9,880,304	\$ 17,029,428

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BALANCES JULY 1, 2010	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2011
OTHER DEPOSITS				
Assets				
Cash and investments	\$ 7,831,469	\$ 1,163,598	\$ 1,845,943	\$ 7,149,124
Liabilities				
Accounts and contract payable	\$ -	\$ 996,757	\$ 996,757	\$ -
Deposits payable	7,831,469	799,826	1,482,171	7,149,124
Total Liabilities	\$ 7,831,469	\$ 1,796,583	\$ 2,478,928	\$ 7,149,124

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	BALANCES JULY 1, 2010	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2011
SPECIAL ASSESSMENTS				
Assets				
Cash and investments	\$ 9,995,046	\$ 6,834,994	\$ 6,949,736	\$ 9,880,304
Liabilities				
Due to bondholders	\$ 9,995,046	\$ 6,834,994	\$ 6,949,736	\$ 9,880,304
TOTAL AGENCY FUNDS				
Assets				
Cash and investments	\$ 17,826,515	\$ 7,998,592	\$ 8,795,679	\$ 17,029,428
Total Assets	\$ 17,826,515	\$ 7,998,592	\$ 8,795,679	\$ 17,029,428
Liabilities				
Accounts and contract payable	\$ -	\$ 996,757	\$ 996,757	\$ -
Deposits payable	7,831,469	799,826	1,482,171	7,149,124
Due to bondholders	9,995,046	6,834,994	6,949,736	9,880,304
Total Liabilities	\$ 17,826,515	\$ 8,631,577	\$ 9,428,664	\$ 17,029,428

STATISTICAL SECTION

information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents	Page
Financial Trends	120
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	126
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	130
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	134
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	136
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Schedule 1

**CITY OF VACAVILLE
Net Assets by Component,
Last Nine Fiscal Years**
(accrual basis of accounting)
(expressed in thousands of dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Fiscal Year 2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities									
Invested in capital assets, net of related debt	\$ 407,621	\$ 422,965	\$ 406,869	\$ 388,546	\$ 375,201	\$ 362,498	\$ 340,941	\$ 310,054	\$ 306,087
Restricted	27,685	15,519	28,588	38,832	36,382	33,683	43,971	55,790	42,619
Unrestricted	<u>70,762</u>	<u>68,304</u>	<u>71,554</u>	<u>80,491</u>	<u>83,305</u>	<u>74,486</u>	<u>65,885</u>	<u>62,397</u>	<u>52,301</u>
Total governmental activities net assets	<u>506,068</u>	<u>506,788</u>	<u>507,011</u>	<u>507,869</u>	<u>494,888</u>	<u>470,666</u>	<u>450,798</u>	<u>428,240</u>	<u>401,006</u>
Business-type activities									
Invested in capital assets, net of related debt	216,439	213,956	194,484	187,090	180,813	159,094	146,253	150,320	142,676
Unrestricted	<u>75,025</u>	<u>78,818</u>	<u>88,016</u>	<u>91,178</u>	<u>88,653</u>	<u>94,960</u>	<u>100,600</u>	<u>95,617</u>	<u>77,227</u>
Total business-type activities net assets	<u>291,464</u>	<u>292,774</u>	<u>282,500</u>	<u>278,268</u>	<u>269,466</u>	<u>254,053</u>	<u>246,853</u>	<u>245,937</u>	<u>219,903</u>
Primary government									
Invested in capital assets, net of related debt	624,060	636,921	601,353	575,636	556,014	521,591	487,194	460,374	448,763
Restricted	27,685	15,519	28,588	38,832	36,382	33,683	43,971	55,790	42,619
Unrestricted	<u>145,787</u>	<u>147,122</u>	<u>159,570</u>	<u>171,669</u>	<u>171,958</u>	<u>169,446</u>	<u>166,485</u>	<u>158,014</u>	<u>129,528</u>
Total primary government net assets	<u>\$ 797,532</u>	<u>\$ 799,562</u>	<u>\$ 789,511</u>	<u>\$ 786,137</u>	<u>\$ 764,354</u>	<u>\$ 724,720</u>	<u>\$ 697,650</u>	<u>\$ 674,177</u>	<u>\$ 620,909</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Schedule 2

CITY OF VACAVILLE
Changes in Net Assets, Primary Government
Last Nine Fiscal Years
 (accrual basis of accounting)
 (expressed in thousands of dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Fiscal Year 2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses									
Governmental activities	\$ 133,834	\$ 143,389	\$ 134,012	\$ 130,966	\$ 123,762	\$ 106,922	\$ 97,954	\$ 96,879	\$ 87,847
Business-type	<u>44,388</u>	<u>41,401</u>	<u>38,950</u>	<u>36,251</u>	<u>37,360</u>	<u>34,338</u>	<u>28,151</u>	<u>26,528</u>	<u>23,458</u>
Total primary government expenses	<u>178,222</u>	<u>184,790</u>	<u>172,962</u>	<u>167,217</u>	<u>161,122</u>	<u>141,261</u>	<u>126,104</u>	<u>123,408</u>	<u>111,306</u>
Program Revenues									
Governmental activities	41,311	45,251	39,990	40,817	52,432	46,169	36,647	35,877	42,126
Business-type	<u>43,063</u>	<u>40,443</u>	<u>37,150</u>	<u>37,443</u>	<u>43,791</u>	<u>36,621</u>	<u>32,362</u>	<u>44,351</u>	<u>31,062</u>
Total primary government program revenues	<u>84,374</u>	<u>85,694</u>	<u>77,140</u>	<u>78,260</u>	<u>96,223</u>	<u>82,790</u>	<u>69,009</u>	<u>80,229</u>	<u>73,188</u>
Net (Expense)/Revenue									
Governmental activities	(92,523)	(98,138)	(94,022)	(90,149)	(71,330)	(60,753)	(61,307)	(61,002)	(45,721)
Business-type	<u>(1,325)</u>	<u>(958)</u>	<u>(1,800)</u>	<u>1,192</u>	<u>6,431</u>	<u>2,282</u>	<u>4,211</u>	<u>17,823</u>	<u>7,604</u>
Total primary government net expense	<u>(93,848)</u>	<u>(99,096)</u>	<u>(95,822)</u>	<u>(88,957)</u>	<u>(64,899)</u>	<u>(58,471)</u>	<u>(57,096)</u>	<u>(43,179)</u>	<u>(38,118)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities	91,803	97,915	93,164	103,130	95,189	80,620	84,847	68,072	62,058
Business-type	<u>8,245</u>	<u>11,232</u>	<u>6,032</u>	<u>8,802</u>	<u>9,344</u>	<u>4,918</u>	<u>88</u>	<u>(1,285)</u>	<u>3,106</u>
Total primary government	<u>100,048</u>	<u>109,147</u>	<u>99,196</u>	<u>111,932</u>	<u>104,533</u>	<u>85,539</u>	<u>84,935</u>	<u>66,787</u>	<u>65,163</u>
Changes in Net Assets									
Governmental activities	(720)	(223)	(858)	12,981	23,859	19,867	23,540	7,070	16,336
Business-type	<u>6,920</u>	<u>10,274</u>	<u>4,232</u>	<u>9,994</u>	<u>15,775</u>	<u>7,201</u>	<u>4,299</u>	<u>16,538</u>	<u>10,709</u>
Total primary government	<u>\$ 6,200</u>	<u>\$ 10,051</u>	<u>\$ 3,374</u>	<u>\$ 22,975</u>	<u>\$ 39,634</u>	<u>\$ 27,068</u>	<u>\$ 27,840</u>	<u>\$ 23,608</u>	<u>\$ 27,046</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Schedule 2a

CITY OF VACAVILLE
Changes in Net Assets, Governmental Activities
Last Nine Fiscal Years
 (accrual basis of accounting)
 (expressed in thousands of dollars)

	2011	2010	2009	2008	Fiscal Year 2007	2006	2005	2004	2003
Expenses									
General Government	\$ 4,633	\$ 7,540	\$ 8,594	\$ 10,388	\$ 12,627	\$ 11,034	\$ 7,878	\$ 9,488	\$ 7,870
Public Safety	45,563	46,573	46,837	45,705	40,606	36,498	34,717	32,370	29,072
Public Works	26,091	25,464	25,069	21,328	22,432	18,313	14,585	16,810	11,372
Community Services	12,467	13,490	12,578	12,856	12,128	11,964	11,368	11,605	11,017
Housing	15,209	14,567	16,189	13,795	13,013	15,348	11,290	11,600	11,528
Redevelopment	25,720	31,596	19,671	21,500	17,753	8,684	13,666	10,718	11,086
Interest on long-term debt	4,151	4,159	5,074	5,394	5,203	5,082	4,451	4,290	5,903
Total governmental activities expenses	<u>133,834</u>	<u>143,389</u>	<u>134,012</u>	<u>130,966</u>	<u>123,762</u>	<u>106,922</u>	<u>97,954</u>	<u>96,879</u>	<u>87,847</u>
Program Revenues									
Charges for services:									
General Government	4,359	2,737	3,266	3,827	5,147	4,215	3,892	3,197	13,436
Public Safety	3,457	4,204	4,658	4,498	4,280	4,014	3,552	2,945	2,499
Public Works	288	594	870	311	545	2,531	441	693	911
Community Services	5,863	5,829	5,687	5,984	5,494	5,330	5,265	5,074	4,986
Housing	855	661	387	397	479	761	58	57	44
Redevelopment	103	103	103	103	159	245	380	217	346
Operating grants and contributions	16,360	15,718	14,338	17,386	14,651	16,011	14,161	13,227	12,183
Capital grants and contributions	10,026	15,405	10,681	8,311	21,677	13,063	8,897	10,469	7,720
Total governmental activities program revenues	<u>41,311</u>	<u>45,251</u>	<u>39,990</u>	<u>40,817</u>	<u>52,432</u>	<u>46,169</u>	<u>36,647</u>	<u>35,877</u>	<u>42,126</u>
Net (Expense)/Revenue	<u>(92,523)</u>	<u>(98,138)</u>	<u>(94,022)</u>	<u>(90,149)</u>	<u>(71,330)</u>	<u>(60,753)</u>	<u>(61,307)</u>	<u>(61,002)</u>	<u>(45,721)</u>
General Revenues and Other Changes in Net Assets									
Taxes									
Property taxes	61,385	64,348	65,731	63,793	55,145	48,450	40,044	32,370	29,557
Sales taxes	15,218	13,787	14,077	14,984	16,474	16,116	14,357	13,432	12,325
Franchise taxes	2,441	2,383	2,352	2,248	2,643	2,004	-	-	-
Transient lodging tax	955	929	930	1,005	1,048	942	-	-	-
Business license tax	290	281	298	306	319	290	-	-	-
Excise tax	2,262	2,258	2,169	2,234	2,217	2,251	-	-	-
Gasoline tax	2,426	1,596	1,564	1,719	1,772	1,776	-	-	-
Other taxes	-	-	-	-	-	-	6,241	7,574	7,183
Vehicle license taxes	569	290	283	417	595	596	2,105	4,278	-
Fines, penalties and forfeitures	-	-	-	-	-	-	-	452	442
Intergovernmental	-	-	-	-	-	-	-	-	6,087
Payments in lieu of services	-	-	-	-	-	-	-	967	-
Investment income	1,145	2,112	2,998	13,957	6,279	4,320	4,768	2,755	4,130
Unrestricted capital contributions	3,856	7,592	431	2,861	6,863	3,785	9,283	378	-
Loss on sale of property	-	-	-	-	-	-	-	-	(1,199)
Miscellaneous	667	1,724	1,990	1,331	1,791	58	5,347	2,294	527
Transfers	589	615	341	(1,725)	43	31	2,703	3,572	3,005
Total governmental activities	<u>91,803</u>	<u>97,915</u>	<u>93,164</u>	<u>103,130</u>	<u>95,189</u>	<u>80,620</u>	<u>84,847</u>	<u>68,072</u>	<u>62,058</u>
Changes in Net Assets	<u>\$ (720)</u>	<u>\$ (223)</u>	<u>\$ (858)</u>	<u>\$ 12,981</u>	<u>\$ 23,859</u>	<u>\$ 19,867</u>	<u>\$ 23,540</u>	<u>\$ 7,070</u>	<u>\$ 16,336</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Schedule 2b

CITY OF VACAVILLE
Changes in Net Assets, Business-Type Activities
Last Nine Fiscal Years
 (accrual basis of accounting)
 (expressed in thousands of dollars)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Sewer	\$ 23,464	\$ 22,611	\$ 21,284	\$ 18,710	\$ 19,800	\$ 18,230	\$ 13,831	\$ 12,683	\$ 11,266
Water	16,601	16,124	15,282	14,976	15,059	13,135	11,672	11,267	9,905
Transit	4,323	2,666	2,384	2,565	2,501	2,974	2,648	2,578	2,288
Total business-type activities expenses	<u>44,388</u>	<u>41,401</u>	<u>38,950</u>	<u>36,251</u>	<u>37,360</u>	<u>34,338</u>	<u>28,151</u>	<u>26,528</u>	<u>23,458</u>
Program Revenues									
Charges for services:									
Sewer	22,793	19,478	18,071	18,269	18,322	17,193	16,285	15,026	13,312
Water	14,071	13,412	12,608	12,323	11,463	10,109	10,106	10,009	9,087
Transit	406	377	359	411	356	363	374	343	323
Operating grants and contributions	1,696	1,674	1,675	1,812	1,810	2,090	1,947	1,568	1,600
Capital grants and contributions	4,097	5,502	4,437	4,628	11,840	6,866	3,650	17,406	6,739
Total business-type activities program revenues	<u>43,063</u>	<u>40,443</u>	<u>37,150</u>	<u>37,443</u>	<u>43,791</u>	<u>36,621</u>	<u>32,362</u>	<u>44,351</u>	<u>31,062</u>
Net (Expense)/Revenue	<u>(1,325)</u>	<u>(958)</u>	<u>(1,800)</u>	<u>1,192</u>	<u>6,431</u>	<u>2,282</u>	<u>4,211</u>	<u>17,823</u>	<u>7,604</u>
General Revenues and Other Changes in Net Assets									
Taxes									
Property taxes	84	83	81	90	89	87	86	92	83
Investment income	946	517	(85)	2,237	1,795	(195)	965	624	2,012
Unrestricted capital contributions	7,439	10,070	4,700	1,769	5,887	2,234	1,332	1,301	3,703
Miscellaneous	365	1,177	3,032	2,981	1,616	2,823	408	270	312
Special item	-	-	(1,355)						
Transfers	(589)	(615)	(341)	1,725	(43)	(31)	(2,703)	(3,572)	(3,005)
Total business-type activities	<u>8,245</u>	<u>11,232</u>	<u>6,032</u>	<u>8,802</u>	<u>9,344</u>	<u>4,918</u>	<u>88</u>	<u>(1,285)</u>	<u>3,106</u>
Changes in Net Assets	<u>\$ 6,920</u>	<u>\$ 10,274</u>	<u>\$ 4,232</u>	<u>\$ 9,994</u>	<u>\$ 15,775</u>	<u>\$ 7,201</u>	<u>\$ 4,299</u>	<u>\$ 16,538</u>	<u>\$ 10,709</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Schedule 3

CITY OF VACAVILLE
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands of dollars)

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund										
Reserved	\$ -	\$ 1,278	\$ 513	\$ 938	\$ 541	\$ 899	\$ 1,101	\$ 815	\$ 702	\$ 542
Unreserved	-	3,149	5,370	10,664	13,518	14,139	14,355	12,322	11,075	10,877
Nonspendable	2,635	-	-	-	-	-	-	-	-	-
Restricted	115	-	-	-	-	-	-	-	-	-
Committed	1,012	-	-	-	-	-	-	-	-	-
Assigned	251	-	-	-	-	-	-	-	-	-
Unassigned	(89)	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 3,924</u>	<u>\$ 4,427</u>	<u>\$ 5,883</u>	<u>\$ 11,602</u>	<u>\$ 14,059</u>	<u>\$ 15,038</u>	<u>\$ 15,456</u>	<u>\$ 13,137</u>	<u>\$ 11,776</u>	<u>\$ 11,419</u>
All Other Governmental Funds										
Reserved	\$ -	\$ 66,921	\$ 77,773	\$ 81,231	\$ 71,750	\$ 67,158	\$ 88,567	\$ 80,957	\$ 76,397	\$ 73,975
Unreserved, reported in:										
Special revenue funds	-	16,898	17,388	15,256	17,108	16,977	2,079	3,055	2,477	1,736
Capital projects funds	-	9,452	(1,931)	9,782	12,674	1,343	2,918	16,193	23,646	15,042
Debt service funds	-	353	498	601	708	2,319	2,521	6,988	4,216	7,669
Nonspendable	2,556	-	-	-	-	-	-	-	-	-
Restricted	83,046	-	-	-	-	-	-	-	-	-
Committed	13,198	-	-	-	-	-	-	-	-	-
Assigned	94	-	-	-	-	-	-	-	-	-
Unassigned	(4,285)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 94,609</u>	<u>\$ 93,624</u>	<u>\$ 93,728</u>	<u>\$ 106,870</u>	<u>\$ 102,240</u>	<u>\$ 87,797</u>	<u>\$ 96,085</u>	<u>\$ 107,192</u>	<u>\$ 106,737</u>	<u>\$ 98,422</u>

The City of Vacaville implemented GASB 54 for the fiscal year ended June 30, 2011, which has revised classifications of fund balances.

Schedule 4

CITY OF VACAVILLE
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
 (expressed in thousands of dollars)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Taxes and fees	\$ 87,292	\$ 90,971	\$ 91,125	\$ 91,052	\$ 88,262	\$ 80,627	\$ 66,741	\$ 59,541	\$ 59,239	\$ 53,765
Licenses and permits	1,022	877	1,498	1,596	2,496	708	1,628	1,524	1,490	1,117
Investment income	3,464	2,955	3,499	15,026	7,058	5,104	5,433	3,246	4,692	4,916
Intergovernmental	27,950	29,010	24,052	24,265	30,958	23,487	22,337	23,700	27,147	21,648
Charges for services	7,908	9,200	9,733	9,664	9,906	12,566	9,041	9,290	8,897	7,500
Fines, penalties and forfeitures	409	514	494	471	491	460	503	452	442	425
Other	977	966	2,047	992	3,613	704	3,590	1,448	590	837
Total revenues	129,022	134,493	132,448	143,066	142,784	123,656	109,273	99,201	102,498	90,209
Expenditures										
General government	6,087	6,321	8,333	9,390	11,788	10,493	7,912	8,430	7,711	8,453
Public Safety	43,849	45,130	46,224	44,560	41,657	36,851	34,501	31,759	28,501	26,321
Public Works	6,020	6,136	6,786	7,566	7,076	6,224	6,040	5,080	4,679	4,451
Community Services	11,787	12,889	11,974	12,159	11,506	11,367	10,905	10,689	10,465	10,620
Housing	15,152	14,545	16,215	13,787	13,018	15,363	11,292	11,585	11,721	8,582
Redevelopment	24,598	30,789	23,868	21,533	17,531	18,042	13,354	10,270	9,209	3,932
Intergovernmental	-	-	-	-	-	-	-	-	300	272
Shared Revenues	-	-	-	-	-	-	-	-	300	5,656
Capital Outlay	13,012	13,378	21,071	25,755	35,607	38,123	35,542	18,673	21,615	17,606
Debt service										
Principal	4,511	3,749	15,677	3,456	4,932	2,816	2,622	2,448	1,708	1,430
Interest and fiscal charges	4,142	4,365	5,088	5,313	5,874	5,572	4,670	4,301	4,393	6,013
Total expenditures	129,158	137,302	155,236	143,519	148,989	144,850	126,837	103,235	100,602	93,334
Excess (deficiency) of revenues over (under) expenditures	(136)	(2,809)	(22,788)	(453)	(6,205)	(21,194)	(17,564)	(4,034)	1,895	(3,125)
Other Financing Sources (uses)										
Transfers in	17,610	15,008	13,888	15,171	18,144	23,976	12,288	17,096	11,531	10,098
Transfers out	(17,185)	(13,963)	(13,224)	(15,476)	(18,161)	(25,275)	(9,734)	(13,604)	(8,729)	(10,513)
Sale of capital assets	31	203	3,024	70	361	8,497	-	269	249	3,555
Issuance of debt and loans	163	-	239	2,860	19,325	5,290	1,475	449	3,099	230
Unrestricted capital contributions	-	-	-	-	-	-	5,800	-	-	-
Proceeds of refunding bonds and certificates of participation	-	-	-	-	-	-	-	-	-	31,807
Payment to refund bond escrow agent	-	-	-	-	-	-	-	-	-	(12,693)
Total other financing sources (uses)	619	1,248	3,927	2,625	19,669	12,488	9,829	4,210	6,150	22,484
Net change in fund balances	\$ 483	\$ (1,561)	\$ (18,861)	\$ 2,172	\$ 13,464	\$ (8,706)	\$ (7,735)	\$ 176	\$ 8,045	\$ 19,359
Debt services as a percentage of noncapital expenditures	7.0%	6.0%	14.8%	9.3%	14.0%	12.4%	13.2%	9.7%	10.5%	-

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Schedule 5

CITY OF VACAVILLE
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(expressed in thousands of dollars)

Fiscal Year Ended June 30,	City				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	
2011	\$ 9,926,144	\$ 383,112	\$ (718,975)	\$ 9,590,281	\$ 3,509,267	\$ 228,673	\$ (13,111)	3,724,829	0.526%
2010	10,289,975	363,728	(715,811)	9,937,892	3,631,032	230,204	(13,071)	3,848,165	0.527%
2009	10,812,770	290,993	(508,057)	10,595,706	3,597,849	178,363	(13,122)	3,763,090	0.513%
2008	10,510,853	283,351	(403,014)	10,391,190	2,960,637	172,093	(13,243)	3,119,487	0.493%
2007	9,011,573	259,110	(246,012)	9,024,671	2,514,697	167,430	(13,280)	2,668,847	0.465%
2006	7,862,985	241,095	(221,247)	7,882,833	2,360,718	149,711	(13,476)	2,496,952	0.455%
2005	7,086,380	219,210	(221,559)	7,084,031	2,230,342	149,188	(13,464)	2,366,066	0.460%
2004	6,462,026	206,005	(193,433)	6,474,598	2,041,732	137,780	(13,520)	2,165,993	0.479%
2003	5,991,020	193,142	(183,501)	6,000,661	1,925,870	130,812	(13,377)	2,043,305	0.480%
2002	5,395,925	143,025	(91,971)	5,446,979	1,830,265	115,299	(12,534)	1,933,030	0.479%

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information to complete the total direct tax rate calculation prior to the implementation of GASB 34 is not available.

Source: Solano County Auditor-Controller's Office

Note: The assessed value is 100 percent of actual value for all types of secured and unsecured property. Tax rates are per \$1,000 of assessed value.

Schedule 6

**CITY OF VACAVILLE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
City Direct Rates:										
City basic rate	0.27350%	0.27350%	0.27343%	0.27352%	0.27362%	0.27370%	0.27381%	0.27395%	0.27402%	0.27413%
Redevelopment agency	1.03084%	1.03083%	1.03076%	1.03085%	1.03095%	1.03103%	1.03114%	1.03128%	1.03135%	1.03146%
Total City Direct Rate	0.52590%	0.52677%	0.51289%	0.49309%	0.46522%	0.45536%	0.45973%	0.47914%	0.47972%	0.47882%
Overlapping Rates:										
Basic Levy*	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Dixon Unified School Bonds			0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Dixon USD GOB Series 2005			0.02131%	0.01958%	0.02335%	0.02902%	0.00000%	0.00000%	0.00000%	0.00000%
Dixon USD GOB Series 2006	0.05170%	0.05456%	0.00844%	0.00898%	0.00829%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Dixon USD State Repay			0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
DUSD GOB Series 2003			0.01724%	0.01808%	0.01760%	0.01440%	0.04387%	0.05227%	0.00000%	0.00000%
Fairfield/Suisun USD GOB 2002S			0.01894%	0.01852%	0.02066%	0.02252%	0.02351%	0.04918%	0.05732%	0.00000%
Fairfield/Suisun USD GOB 2004S	0.05206%	0.05071%	0.02152%	0.02005%	0.02097%	0.02345%	0.02770%	0.00000%	0.00000%	0.00000%
Sc Fld State Wtr Prj Zone Ben#1	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%
Scc Gob Series 2003A	0.01945%	0.01846%	0.01240%	0.01189%	0.01211%	0.01643%	0.01532%	0.01432%	0.00000%	0.00000%
Solano Community College Gob Series 2006B			0.00258%	0.00269%	0.00336%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
City of Vacaville	0.03084%	0.03083%	0.03076%	0.03085%	0.03095%	0.03103%	0.03114%	0.03128%	0.03135%	0.03146%
Vacaville Unified School Bonds			0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD GOB Refunding Ser 2005			0.02109%	0.02256%	0.02293%	0.02388%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD GOB Series 2005			0.01107%	0.01095%	0.02617%	0.02602%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD Meas V GOB Series 2007	0.06315%	0.05906%	0.01590%	0.02055%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD Meas V GOB Series 2002			0.00000%	0.00000%	0.00000%	0.00000%	0.02289%	0.02361%	0.05741%	0.00000%
VV USD Meas V GOB Series 2003			0.00000%	0.00000%	0.00000%	0.00000%	0.02379%	0.03001%	0.00000%	0.00000%
	<u>1.23720%</u>	<u>1.23362%</u>	<u>1.20125%</u>	<u>1.20470%</u>	<u>1.20639%</u>	<u>1.20675%</u>	<u>1.20822%</u>	<u>1.22067%</u>	<u>1.16608%</u>	<u>1.05146%</u>

NOTES

Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

RDA rate is based on the largest RDA tax rate areas (TRA) and includes only the rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

*In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property value for the payment of any voter approved bonds.

Starting 2010, tax rates are reported by agency not by bond.

Source: HDL Coren & Cone, Solano County Assessor 2001/02 - 2010/11 Tax Rate Table

Schedule 7

**CITY OF VACAVILLE
Principal Property Tax Payers
Current Year and Ten Years Ago**

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable	Taxable Assessed Value	Rank	Percentage of Total City Taxable
			Assessed Value			Assessed Value
Genentech Inc.	\$ 1,111,824,264	1	11.593%			
Alza Corporation	150,020,337	2	1.564%	93,399,390	2	1.679%
Novartis Pharmaceuticals Corporation	113,968,280	3	1.188%			
Nut Tree Holdings	100,838,196	4	1.051%			
CPG Finance II LLC	95,102,122	5	0.992%			
State Compensation Insurance Fund	56,101,863	6	0.585%			
North Pointe Vacaville Inc	52,395,926	7	0.546%			
Irving and Varda Rabin Trust	51,973,842	8	0.542%			
Lucky Fla NoCal Investor LLC	44,523,660	9	0.464%	31,463,534	6	0.566%
Kaiser Foundation Hospitals	44,116,851	10	0.460%			
BNP Leasing Corporation				326,590,840	1	5.871%
KPT Remic Loan LLC				68,027,500	3	1.223%
Chiron Corporation				33,914,360	4	0.610%
Glacier River Oaks Corporation				33,553,200	5	0.603%
Travis Credit Union				29,414,568	7	0.529%
RM Vacaville Limited				29,082,327	8	0.523%
Wal Mart Stores Inc				28,241,435	9	0.508%
Spinnaker Cove LLC				20,657,074	10	0.371%

Source: HDL Coren & Cone, Solano County 2001/02 & 2010/2011 Combined Tax Rolls.

Schedule 8

**CITY OF VACAVILLE
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percentage of Levy	Supplemental/Prior Years Collections	Amount	Percentage of Levy	
2011	\$ 10,140,845	\$ 10,140,845	100.00%	\$ 215,790	\$ 10,356,635	102.13%	
2010	10,344,568	10,344,568	100.00%	(50,956)	10,293,612	99.51%	
2009	11,436,989	11,436,990	100.00%	54,823	11,491,812	100.48%	
2008	11,789,745	11,789,745	100.00%	597,191	12,386,936	105.07%	
2007	10,858,100	10,858,100	100.00%	945,990	11,804,090	108.71%	
2006	9,763,689	9,763,689	100.00%	1,681,759	11,445,448	117.22%	
2005	9,117,083	9,117,083	100.00%	1,266,370	10,383,453	113.89%	
2004	9,171,388	9,171,388	100.00%	624,167	9,795,555	106.81%	
2003	8,598,358	8,598,358	100.00%	528,975	9,127,333	106.15%	
2002	7,905,041	7,905,041	100.00%	445,665	8,350,706	105.64%	

NOTES

Article XIII A of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also establishes the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the article from imposing new ad valorem, sales or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 to \$100 of assessed valuation for county, cities, schools and special districts operating expenses. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of the taxes levied. This method was placed in effect by Solano County in the 1965/1966 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

Source: Solano County Auditor Controller's Office.

Schedule 9

CITY OF VACAVILLE
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities							Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	City Loans	Redevelopment Loans	Certificates of Participation	Redevelopment Bonds	Capital Leases	Special Assessment Bonds	Total Governmental Activities	State Revolving Loan	Capital Leases	City Loans	Total Business-type Activities				
2011	\$2,844,305	\$ 1,063,120	\$ 3,335,000	\$ 60,630,770	\$3,680,095	\$22,325,000	\$ 93,878,290	\$56,011,966	\$423,840	\$104,956	\$ 56,540,762	\$ 150,419,052	6.11%	1,617	
2010	3,353,055	1,202,228	4,330,000	63,144,510	3,878,801	31,740,000	107,648,594	59,286,601	482,232	204,956	59,973,789	167,622,383	5.98%	1,723	
2009	3,420,555	1,412,320	5,270,000	65,329,440	4,225,557	36,440,000	116,097,872	62,475,097	538,283	304,956	63,318,336	179,416,208	6.66%	1,860	
2008	3,620,769	1,616,772	17,375,000	68,095,560	4,386,742	38,910,000	134,004,843	65,579,716	365,883	404,956	66,350,555	200,355,398	7.62%	2,068	
2007	1,587,485	1,809,596	18,540,000	69,572,870	4,180,923	42,625,000	138,315,874	65,621,100	62,507	-	65,683,607	203,999,481	7.82%	2,114	
2006	2,007,430	1,792,420	19,645,000	53,386,370	4,466,613	46,130,000	127,427,833	68,437,147	120,000	-	68,557,147	195,984,980	7.68%	2,033	
2005	810,607	2,073,587	20,695,000	51,862,330	3,382,546	11,913,650	90,737,720	71,179,114	-	-	71,179,114	161,916,834	6.44%	1,680	
2004	955,046	1,586,616	21,700,000	52,930,750	2,798,023	47,145,000	127,115,435	61,980,796	-	-	61,980,796	189,096,231	7.68%	1,989	
2003	1,337,052	1,450,328	22,026,539	50,669,473	2,580,129	51,450,000	129,513,521	54,307,953	-	-	54,307,953	183,821,474	7.81%	1,957	
2002	1,065,806	9,428,644	23,575,000	54,389,970	-	54,740,000	143,199,420	-	-	-	-	143,199,420	7.26%	1,566	

Schedule 10

**CITY OF VACAVILLE
Direct and Overlapping Debt
As of June 30, 2011**

City Assessed Valuation	\$ 9,590,281,229
Redevelopment Agency Incremental Valuation	<u>3,724,829,516</u>
Adjusted Assessed Valuation	<u><u>\$ 5,865,451,713</u></u>

	Percentage Applicable	Outstanding Debt	Estimated Share of Overlapping Debt
	(1)		
Overlapping Debt Repaid with Property Taxes:			
Solano County Community College District	19.938%	\$ 108,605,090	\$ 21,653,683
Dixon Unified School District	0.474%	27,061,151	128,270
Fairfield-Suisun Joint Unified School District	0.141%	85,490,000	120,541
Vacaville Unified School District	84.202%	88,580,957	74,586,937
City of Vacaville Community Facilities District No. 2	100.000%	2,705,000	2,705,000
City of Vacaville 1915 Act Bonds	100.000%	<u>22,325,000</u>	<u>22,325,000</u>
Total overlapping debt repaid with property taxes		<u>334,767,198</u>	<u>121,519,431</u>
Overlapping Other Debt:			
Solano County Certificates of Participation	18.961%	122,375,000	23,203,524
Solano County Pension Obligations	18.961%	82,805,000	15,700,656
Solano County Board of Education Certificates of Participation	18.961%	2,495,000	473,077
Dixon Unified School District Certificates of Participation	0.474%	11,230,000	53,230
Travis Unified School District Certificates of Participation	61.718%	35,750,000	22,064,185
Vacaville Unified School District Certificates of Participation	84.202%	<u>12,832,173</u>	<u>10,804,946</u>
Total Overlapping other debt		<u>267,487,173</u>	<u>72,299,618</u>
Total Overlapping debt		<u>\$ 602,254,371</u>	193,819,049
City direct debt			<u>3,335,000</u>
Total direct and overlapping debt			<u>\$ 197,154,049</u> (2)

NOTES

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

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

Schedule 11

**CITY OF VACAVILLE
Legal Debt Margin Information
Last Ten Fiscal Years**

(expressed in thousands of dollars)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Fiscal Year 2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Assessed value	\$ 9,590,281	\$ 9,937,892	\$10,595,706	\$10,391,190	\$9,024,671	\$7,882,834	\$7,020,660	\$6,246,103	\$5,902,071	\$5,446,979
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,397,570	2,484,473	2,648,927	2,597,798	2,256,168	1,970,708	1,755,165	1,561,526	1,475,518	1,361,745
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	359,636	372,671	397,339	389,670	338,425	295,606	263,275	234,229	221,328	204,262
Total net debt applicable to limit:	-	-	-	-	-	-	-	-	-	-
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 359,636</u>	<u>\$ 372,671</u>	<u>\$ 397,339</u>	<u>\$ 389,670</u>	<u>\$ 338,425</u>	<u>\$ 295,606</u>	<u>\$ 263,275</u>	<u>\$ 234,229</u>	<u>\$ 221,328</u>	<u>\$ 204,262</u>
 Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: HDL Coren & Cone, Solano County 2001/2002 - 2010/2011 Combined Tax Rolls.

Schedule 12

**CITY OF VACAVILLE
Pledged-Revenue Coverage
Last Ten Fiscal Years
(expressed in thousands of dollars)**

Water Revenue Bonds

Tax Allocation Bonds

Fiscal Year	Water Revenue	Less Operating Expenses (1)	Net Available Revenue	Debt Service			Tax Increment	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2011	\$ 15,712	\$ 14,464	1,248	-	-	-	\$ 33,824	\$ 2,514	\$ 4,125	5.09
2010	15,386	14,127	1,259	-	-	-	37,108	2,185	3,475	6.56
2009	14,797	13,327	1,470	-	-	-	37,083	2,766	3,337	6.08
2008	13,650	13,048	602	-	-	-	30,339	1,477	3,715	5.84
2007	16,975	13,189	3,786	-	-	-	28,911	2,688	3,308	4.82
2006	12,696	10,879	1,817	-	-	-	24,817	1,136	2,614	6.62
2005	11,503	10,300	1,203	-	-	-	23,463	1,068	2,674	6.27
2004	12,424	9,488	2,936	-	-	-	21,794	1,011	2,736	5.82
2003	11,515	8,247	3,268	-	-	-	19,730	1,011	2,956	4.97
2002	12,639	9,563	3,076	-	-	-	18,758	448	2,776	5.82

NOTE

Water Revenue Bonds paid in full fiscal year 1994/95--no outstanding revenue bond indebtedness

(1) Expenses-exclude depreciation and debt service.

Schedule 13

**CITY OF VACAVILLE
Demographic and Economic Statistics
Last Ten Calendar Years**

<u>Year</u>	<u>Population</u> ⁽¹⁾	<u>Personal Income</u> <u>(thousands of dollars)</u>	<u>Per Capita</u> <u>Personal Income</u> ⁽²⁾	<u>Unemployment</u> <u>Rate</u> ⁽³⁾
2011	93,011	2,460,792	\$ 26,457	9.2%
2010	97,305	2,800,924	28,785	9.1%
2009	96,450	2,695,199	27,944	8.5%
2008	96,905	2,628,354	27,123	5.1%
2007	96,489	2,607,808	27,027	3.8%
2006	96,395	2,552,347	26,478	3.7%
2005	96,371	2,512,777	26,074	4.0%
2004	95,082	2,461,958	25,893	4.4%
2003	93,927	2,353,717	25,059	4.9%
2002	91,461	1,971,625	21,557	4.3%

Sources: (1) State of California Department of Finance
(2) HDL Coren & Cone
(3) State of California Employment Development Department

Schedule 14

**CITY OF VACAVILLE
Principal Employers
Current Year and Ten Years Ago**

Employer	2011			2002		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
California State Department of Corrections	4,008	1	9.85%	2,521	1	6.16%
Vacaville Unified School District	1,100	2	2.70%			
Kaiser Permanente	1,075	3	2.64%	500	3	1.22%
Genentech	850	4	2.09%	500	3	1.22%
City of Vacaville	723	5	1.78%			
State Compensation Insurance Co.	640	6	1.57%			
Alza Corporation	535	7	1.31%	700	2	1.71%
NorthBay VacaValley Hospital	501	8	1.23%	260	8	0.64%
Mariani Packing Company	327	9	0.80%	200	10	0.49%
Wal-Mart Stores, Inc.	301	10	0.74%	300	6	0.73%
Albertsons				700	2	1.71%
Hines Nursery, Inc.				400	4	0.98%
Travis Credit Union				350	5	0.86%
Simpson Dura-Vent				275	7	0.67%
Sam's Club				210	9	0.51%

NOTES

For Fiscal Year 2001/2002 the City of Vacaville did not include Vacaville Unified School District or itself as a major employer.

Source: State of California Employment Development Department

Schedule 15

**CITY OF VACAVILLE
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years**

Full-time Equivalent Employees as of June 30,										
Function/Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
City Attorney	4	4	4	4	4	4	4	4	4	4
City Manager	9	9	10	11	12	11	5	5	5	5
Finance	22	23	27	27	26	26	24	27	28	28
Human Resources	8	10	10	11	10	9	14	14	13	13
Information Technology	7	7	12	14	14	16	15	16	15	14
Community Development	15	14	14	21	22	26	22	24	25	22
Police Department	151	161	170	171	171	158	156	159	158	157
Fire Department	74	75	85	82	84	73	76	77	78	75
Community Services	16	16	16	20	20	20	17	20	20	20
Housing and Redevelopment	29	29	35	31	28	30	28	30	30	30
Public Works	<u>168</u>	<u>161</u>	<u>174</u>	<u>177</u>	<u>174</u>	<u>160</u>	<u>162</u>	<u>161</u>	<u>160</u>	<u>158</u>
Total	<u>503</u>	<u>509</u>	<u>557</u>	<u>569</u>	<u>565</u>	<u>533</u>	<u>523</u>	<u>537</u>	<u>536</u>	<u>526</u>

Sewer and Water Operations employees included in Public Works total.

Schedule 16
CITY OF VACAVILLE
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Fire										
Emergency responses	7,874	8,020	8,360	8,155	7,812	7,554	6,677	6,445	6,434	*
Inspections	1,035	1,296	1,698	1,464	792	1,172	634	971	897	1,046
Parks and Recreation										
Number of recreation registrants	34,915	33,884	32,706	29,895	31,662	32,805	35,263	35,887	36,621	37,816
Number of facility rentals	609	611	780	910	852	733	759	677	648	707
Police Department										
Physical arrests	3,504	3,874	4,051	4,303	4,264	4,133	2,877	3,024	3,877	*
Parking citations issued	5,193	6,582	6,359	8,090	12,649	12,114	12,574	16,767	19,711	*
Public Works										
Street resurfacing (miles)	-	-	31.20	28.40	25.90	N/A	37.90	29.25	28.00	34.10
Potholes repaired	758	420	336	277	98	130	104	66	57	97
Transit										
Total revenue route miles	353,354	423,357	406,916	401,288	394,636	402,164	392,119	384,806	371,450	372,947
Passengers	386,624	350,410	302,461	280,691	222,367	211,280	211,609	241,522	260,055	214,102
Wastewater										
Average daily sewage treatment (million gallons per day)	8.52	8.29	8.45	8.45	8.25	9.97	9.20	8.70	8.10	8.60
Water										
New Connections (meter sets)	214	325	188	166	277	290	249	202	282	223
Average daily consumption (thousands gallons per day)	13,847	13,913	15,571	16,385.6	16,494.7	15,318.9	13,879.2	17,840.5	12,727.6	13,444.2

NOTES

N/A-Not available, this statistic is kept on calendar rather than a fiscal year basis.

* Data not available

**Schedule 17
CITY OF VACAVILLE
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire Engines	11	11	11	11	9	8	8	8	8	6
Parks and Recreation										
Parks	30	30	30	30	30	30	33	33	33	33
Park Acres	513	513	513	513	513	513	568	568	568	568
Special Community Facilities	6	6	6	6	6	6	6	6	6	6
Neighborhood Centers	11	11	11	11	11	11	11	9	9	9
Police Department										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	111	104	114	122	123	103	103	100	98	98
Police Motorcycles	9	9	9	9	9	9	9	9	6	6
Public Works										
Streets (centerline miles)	264	238	238	237	237	231	230	227	227	225
Traffic Signals	69	69	69	69	69	67	64	64	64	62
Transit Buses										
Fixed Route	15	12	12	12	12	12	12	12	12	12
Special Services	6	6	6	6	6	6	5	5	5	5
Wastewater										
Sewers (miles)	241	238	233	232	231	226	224	221	221	219
Storm Drain (miles)	143	140	134	134	132	128	127	125	124	123
Treatment Plants	1	1	1	1	1	3	2	2	2	2
Water										
Water Mains (miles)	286	283	278	277	276	269	267	265	264	260
Fire hydrants	3,453	3,413	3,348	3,338	3,320	3,231	3,207	3,166	3,146	3,076
Reservoirs	9	8	8	8	8	8	8	7	7	7
Wells	13	13	13	13	13	12	12	11	11	10



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

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 Mayor and Members of the City Council
of the City of Vacaville
Vacaville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City Vacaville, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City'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 City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and response, as item FS2011-01 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and Members of the City Council
of the City of Vacaville
Vacaville, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City'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*.

City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City's response and, accordingly, we express no opinion on it.

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

City of Vacaville

Schedule of Findings and Responses

For the year ended June 30, 2011

FS2011-01 Restatement of Previously Issued Financials (Significant Deficiency)

Criteria: The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Condition: The City has restated its previously issued financial statements to reflect the disposal of maintenance expenses capitalized as construction in progress in previous years. The effect of the restatement was \$8,229,620 decrease to the net asset in the 2010 Government-Wide Financial Statements.

Cause: The City's internal controls over financial reporting did not identify the misstatements in a timely manner resulting in the restatements.

Effect: The previous financial statements were not fairly stated in conformity with accounting principles generally accepted in the United States of America.

Recommendation: We recommend that the City enhance its review process over financial reporting to ensure that financial transactions are properly presented in the financial statements.

View of Responsible Officials and Planned Corrective Action:

The City has established additional training in capital asset reporting for the analyst responsible for capital asset reporting. In addition, the accounting department has established additional procedures to review construction in progress expenditures quarterly to ensure their accuracy and appropriate classification.