City of Vacaville, California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

CITY OF VACAVILLE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2008

Prepared by: Department of Finance

The pictorial theme for this year's CAFR is City parks. The above picture was taken at Alamo Creek Park.
Cover pictures taken at (left to right,, top to bottom) Pheasant Country Park, Al Patch Park, and Andrews Park.

Andrews Park

CITY OF VACAVILLE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	Pages
INTRODUCTORY SECTION	
Letter of Transmittal	i
Organization Chart - City	iv
List of Elected and Appointed Officials	v
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	vi
Organization Chart - Department	vii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities	19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
Proprietary Funds:	
Statement of Net Assets	28
Statement of Revenues, Expenses, and Changes in Net Assets	30
Statement of Cash Flows	32
Fiduciary Funds:	
Statement of Fiduciary Net Assets	36
Notes to the Basic Financial Statements	37

TABLE OF CONTENTS

	Pages
FINANCIAL SECTION (continued)	
Required Supplementary Information:	
Budgetary Data	90
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	91
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Funds	92
Public Employees Retirement System Schedule of Funding Progress	94
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	99
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison	100
Internal Service Funds:	
Combining Statements of Net Assets	106
Combining Statements of Activities and Changes in Net Assets	107
Combining Statement of Cash Flows	108
Fiduciary Funds:	
Statement of Fiduciary Net Assets	110
Statement of Changes in Fiduciary Net Assets	111
STATISTICAL SECTION	
Schedule 1 - Net Assets by Component	114
Schedule 2 - Changes in Net Assets, Primary Government	115
Schedule 2a - Changes in Net Assets, Governmental Activities	116
Schedule 2b - Changes in Net Assets, Business-Type Activities	117
Schedule 3 - Fund Balances, Governmental Funds	118
Schedule 4 - Changes in Fund Balances, Governmental Funds	119
Schedule 5 - Assessed Value and Actual Value of Taxable Property	120
Schedule 6 - Direct and Overlapping Property Tax Rates	121
Schedule 7 - Principal Property Tax Payers	122
Schedule 8 - Property Tax Levies and Collections	123

TABLE OF CONTENTS

			Pages
STATISTICAL SECTION (continued)			
Schedule 9	-	Ratios of Outstanding Debt by Type	124
Schedule 10	-	Direct and Overlapping Debt	125
Schedule 11	-	Legal Debt Margin Information	126
Schedule 12	-	Pledged-Revenue Coverage	127
Schedule 13	-	Demographic and Economic Statistics	128
Schedule 14	-	Principal Employers	129
Schedule 15	-	Full-time Equivalent City Government Employees by Function/Program	130
Schedule 16	-	Operating Indicators by Function/Program	131
Schedule 17	-	Capital Asset Statistics by Function/Program	132

Andrews Park

CITY OF VACAVILLE

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

COUNCIL MEMBERS
LEN AUGUSTINE, Mayor
CHUCK DIMMICK, Vice Mayor
PAULINE CLANCY
CURTIS HUNT
STEVE WILKINS
www.cityofvacaville.com

November 4, 2008

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, 2008.

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, 2008. 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. The City is located in Solano County, which is part of the nine-county San Francisco Bay Area region. The City also lies in very close proximity to the Sacramento Valley region as well. These are two of California's top performing regions. The City's population is 96,905 (which include 8,768 prisoners housed in the California State Department of Corrections penal and medical facilities located in Vacaville).

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, and housing prices are one-third to one-half of prices found in other Bay Area communities. 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.

Genentech is wrapping up a major expansion of its biopharmaceutical manufacturing facilities in Vacaville that will add 1,500 jobs upon completion. State Compensation Insurance Fund has recently begun development of a 430,000 square foot office campus that will eventually provide 2,000 new jobs. Kaiser Permanente is nearing completion on a 150 bed, full service hospital and 230,000 square feet of additional office space that will add another 1,500 jobs.

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. Annually, the City updates a Capital Improvement Program (CIP) based upon 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 2008/2009 totaled $19 million. Funding comes from multiple sources, including existing funds; Redevelopment Agency bond funds; and regional, state and federal funds. The City has also returned to a two-year operating budget cycle; although the City Council only adopts one year at a time.

Cash management policies and practices. Cash is invested principally in federal agency securities, money market funds and medium term notes. The average maturity of investments was less than two (2) years. All securities are held in third party safekeeping by Bank of New York as agent for the City. All transactions originated and authorized by the City are transacted on a delivery versus payment (DVP) basis in order to perfect delivery. The average yield on investments was 4.56% for the fiscal year.

Risk management. Risk exposures to the assets of the City are managed through a combination of self-insured retention and insurance coverage. The City believes it has, to the extent deemed adequate, sufficient current assets to cover the near-term actuarially determined liabilities for general liability and workers' compensation claims, including claims incurred but not reported. The City maintains excess liability insurance to provide coverage beyond a self-insured retention of $500,000 per occurrence for general liability and $250,000 for workers' compensation.

Pension benefits. The City provides pension benefits for all employees through a statewide plan managed by the California Public Employees Retirement System (CalPERS). The City also offers supplemental retirement benefits through a plan managed by the Public Agency Retirement System Trust (PARS). The City has no connection with employee benefits offered through this plan beyond its annual contractual payment to CalPERS and PARS. Additional information on the plans can be found in Note 7 in the notes to the financial statements.

Awards and Acknowledgements

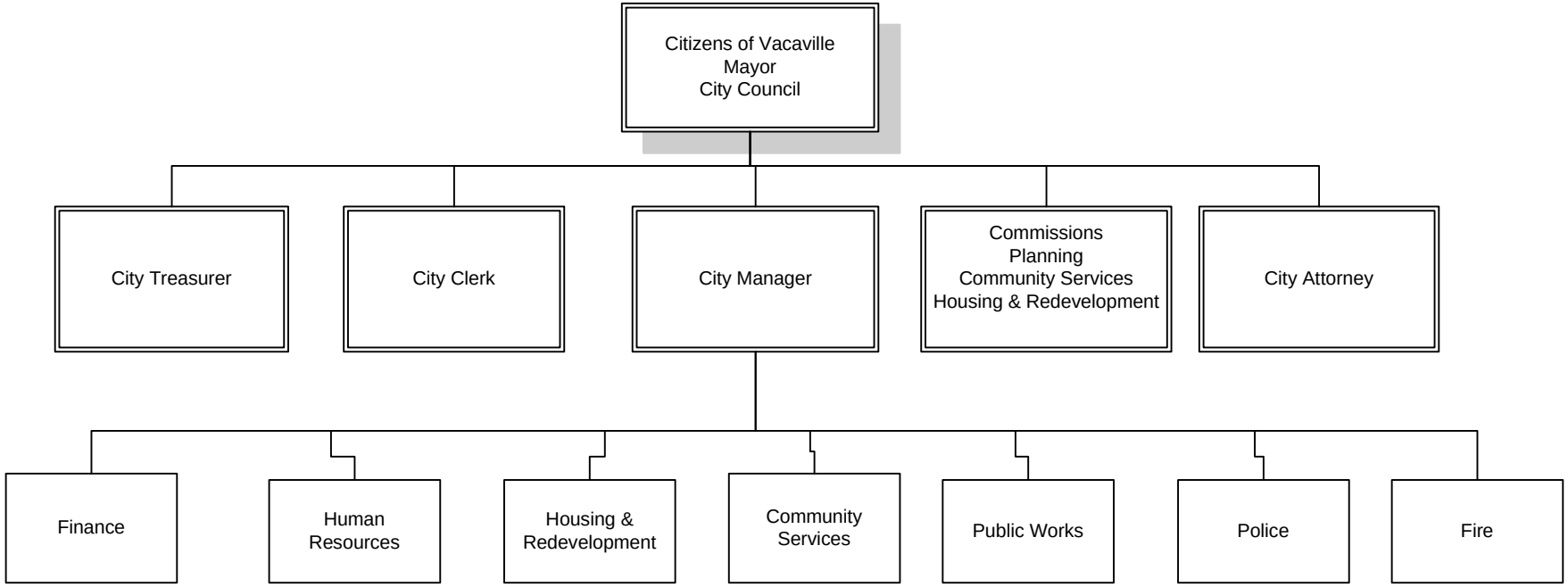
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the sixteenth (16th) consecutive year that the City has received 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 Julie Brown, Accounting Supervisor. 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,

Kenneth R. Campo, CPA
Director of Finance
City of Vacaville

City of Vacaville Organization Chart



City of Vacaville
List of Elected and Appointed Officials
June 30, 2008

Elected Officials

Mayor	Leonard J. Augustine
Vice Mayor	Chuck Dimmick
Council Member	Pauline I. Clancy
Council Member	Curtis Hunt
Council Member	Steve Wilkins
City Treasurer	Garland Porter
City Clerk	Michelle Thornbrugh

Appointed Officials

City Manager	David J. Van Kirk
City Attorney	Gerald Hobrecht
Assistant City Manager	Laura Kuhn
Director of Finance	Kenneth R. Campo, CPA
Fire Chief	Brian Preciado
Chief of Police	Richard Word
Director of Public Works	Dale Pfeiffer
Director of Community Development	Scott Sexton
Director of Housing & Redevelopment	Cynthia Johnston
Director of Community Services	Kerry Walker
Director of Human Resources	Dawn Villarreal

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, 2007

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.

President

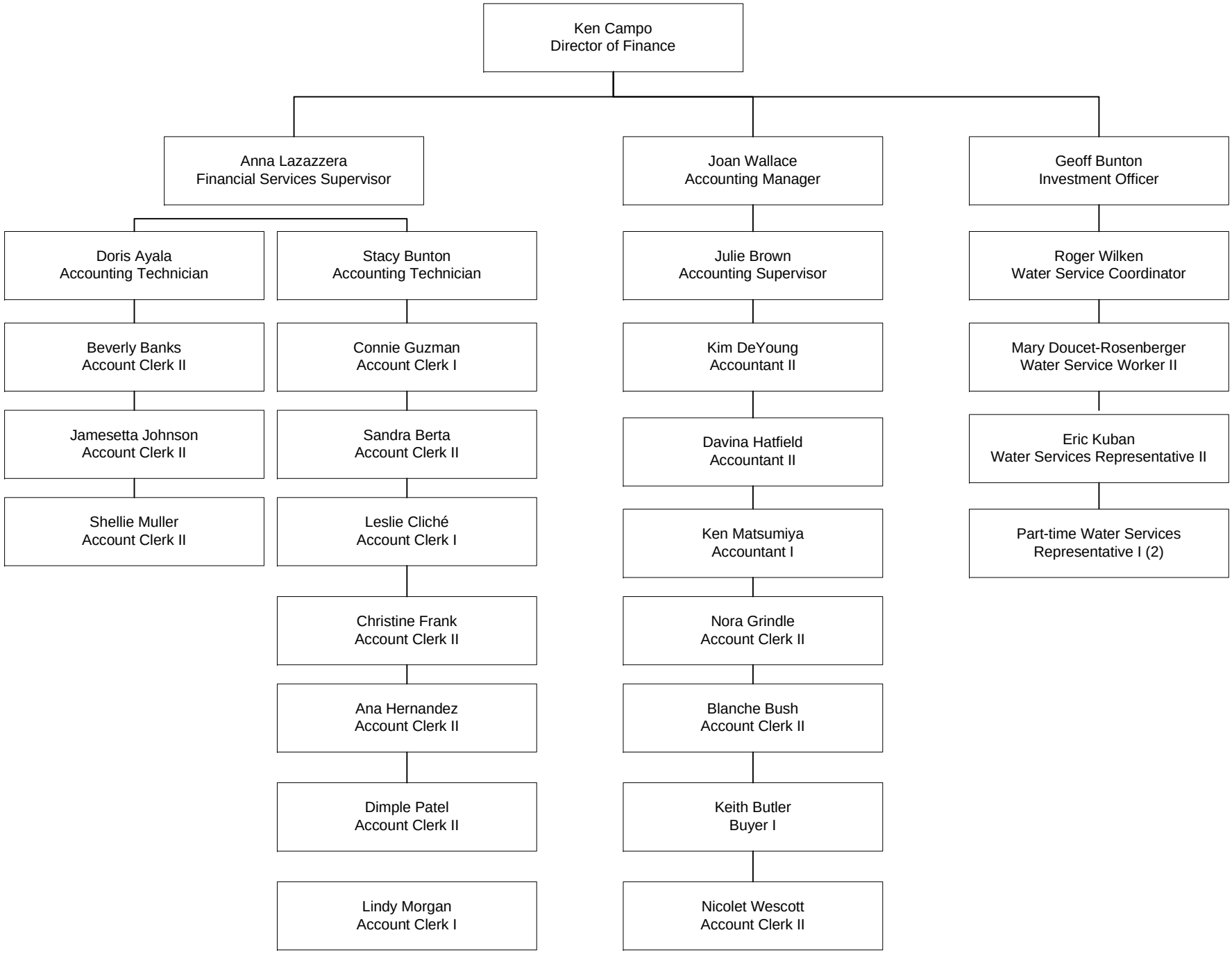
Executive Director

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, 2007. 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 sixteen consecutive fiscal years ended June 30, 2007. 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



Arlington Park

C&L
Caporicci & Larson
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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vacaville, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the basic financial statement date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions that, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the City has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

In our opinion, such basic financial statements referred to above present fairly, in all material respects, the 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with Government Auditing Standards, we have also issued a report dated November 4, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions, law, regulations, contracts, and grants. That report is an integral part of an audit performed is in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering results of our audit.

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9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento
777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
4858 Mercury, Suite 106
San Diego, California 92111

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplemental Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Caporicci & Larson

Oakland, California
November 4, 2008

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, 2008. 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-vii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Assets exceeded liabilities at June 30, 2008 by $786,137 (*net assets*). Of this amount, $171,669 (*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 increased by $21,783 from the previous year. The sale of certain securities pledged for the repayment of long term debt contributed roughly $8 million to net assets from governmental activities, while increased assessed value in the City's redevelopment project areas added another $6 million. A combination of water and sewer rate increases, combined with reduced operating costs, contributed to an increase in net assets for business-type activities.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of $118,472, an increase of $2,172 in comparison with the prior year. While 31% of the governmental funds balances, $36,302, are classified as *unreserved fund balance,* only the General Fund unreserved fund balance ($10,664) is available for spending at the City's discretion. The remaining unreserved fund balances are designated for spending on specific purposes such as debt service or capital projects.

- The $10,664 unreserved fund balance of the General Fund represents 16% of ongoing, operating expenditures of the General Fund.

- Total long-term obligations for governmental activities decreased by $6,909 and total long-term obligations for business-type activities increased by $893.

- Total liabilities decreased by $5,608 (3%) 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).

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 98-104 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.

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 be found on pages 106-108 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 37-87 of this report.

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.

	NET ASSETS					
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 150,960	$ 156,435	$ 102,369	$ 100,522	$ 253,329	$ 256,957
Capital assets	484,348	471,518	253,469	246,497	737,817	718,015
Total assets	635,308	627,953	355,838	347,019	991,146	974,972
Current and other liabilities	15,579	14,296	5,458	6,333	21,037	20,629
Long-term obligations	111,860	118,769	72,112	71,220	183,972	189,989
Total liabilities	127,439	133,065	77,570	77,553	205,009	210,618
Net assets:						
Invested in capital assets, net of related debt	388,546	375,201	187,090	180,813	575,636	556,014
Restricted	38,832	36,382	-	-	38,832	36,382
Unrestricted	80,491	83,305	91,178	88,653	171,669	171,958
Total Net Assets	$ 507,869	$ 494,888	$ 278,268	$ 269,466	$ 786,137	$ 764,354

As noted earlier, the City's assets exceeded liabilities by $786,137 at June 30, 2008, an increase of $21,783 from June 30, 2007. By far the largest portion of net assets (73%) reflects the City's investment in capital assets (i.e., land, buildings, machinery, equipment 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 5% of net assets represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets (22%) may be used to meet the City's ongoing obligations to its citizens and creditors.

Total net assets increased by $21,783 during the current fiscal year, which reflects growth in both governmental ($12,981) and business type ($8,802) activities. This is primarily due to continued investment by the City in its infrastructure (including utility plants), which is largely funded by grants and dedicated revenue sources.

Following is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2008, 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.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
REVENUES:						
Program Revenues:						
Charges for services	$ 15,120	$ 16,104	$ 31,003	$ 30,142	$ 46,123	$ 46,246
Operating grants & contributions	17,386	14,652	1,812	1,810	19,198	16,462
Capital grants & contributions	8,311	21,677	4,628	11,840	12,939	33,517
General Revenues:						
Taxes:						
Property taxes	63,793	55,145	89	89	63,882	55,234
Sales taxes	14,984	16,474	-	-	14,984	16,474
Franchise taxes	2,248	2,643	-	-	2,248	2,643
Transient lodging tax	1,005	1,048	-	-	1,005	1,048
Business license tax	306	319	-	-	306	319
Excise tax	2,234	2,217	-	-	2,234	2,217
Gasoline tax	1,719	1,772	-	-	1,719	1,772
Vehicle license taxes	417	595	-	-	417	595
Unrestricted capital contributions	2,861	6,863	1,769	5,887	4,630	12,750
Interest and other	15,288	8,068	5,219	3,411	20,507	11,479
Total revenues	145,672	147,577	44,520	53,179	190,192	200,756
Expenses:						
Governmental activities:						
General government	10,388	12,627	-	-	10,388	12,627
Public safety	45,705	40,606	-	-	45,705	40,606
Public works	21,328	22,432	-	-	21,328	22,432
Community services	12,856	12,128	-	-	12,856	12,128
Housing	13,795	13,013	-	-	13,795	13,013
Redevelopment	21,500	17,753	-	-	21,500	17,753
Interest on long-term debt	5,394	5,203	-	-	5,394	5,203
Business-type activities:						
Sewer	-	-	18,710	19,800	18,710	19,800
Water	-	-	14,976	15,059	14,976	15,059
Transit	-	-	2,565	2,501	2,565	2,501
Total expenses	130,966	123,762	36,251	37,360	167,217	161,122
Increase (decrease) in net assets before transfers	14,706	23,815	8,269	15,819	22,975	39,634
Transfers	(1,725)	43	1,725	(43)	-	-
Increase (decrease) in net assets	12,981	23,858	9,994	15,776	22,975	39,634
Net assets-July 1, 2007	494,888	471,030	268,274	253,690	763,162	724,720
Net assets-June 30, 2008	$ 507,869	$ 494,888	$ 278,268	$ 269,466	$ 786,137	$ 764,354

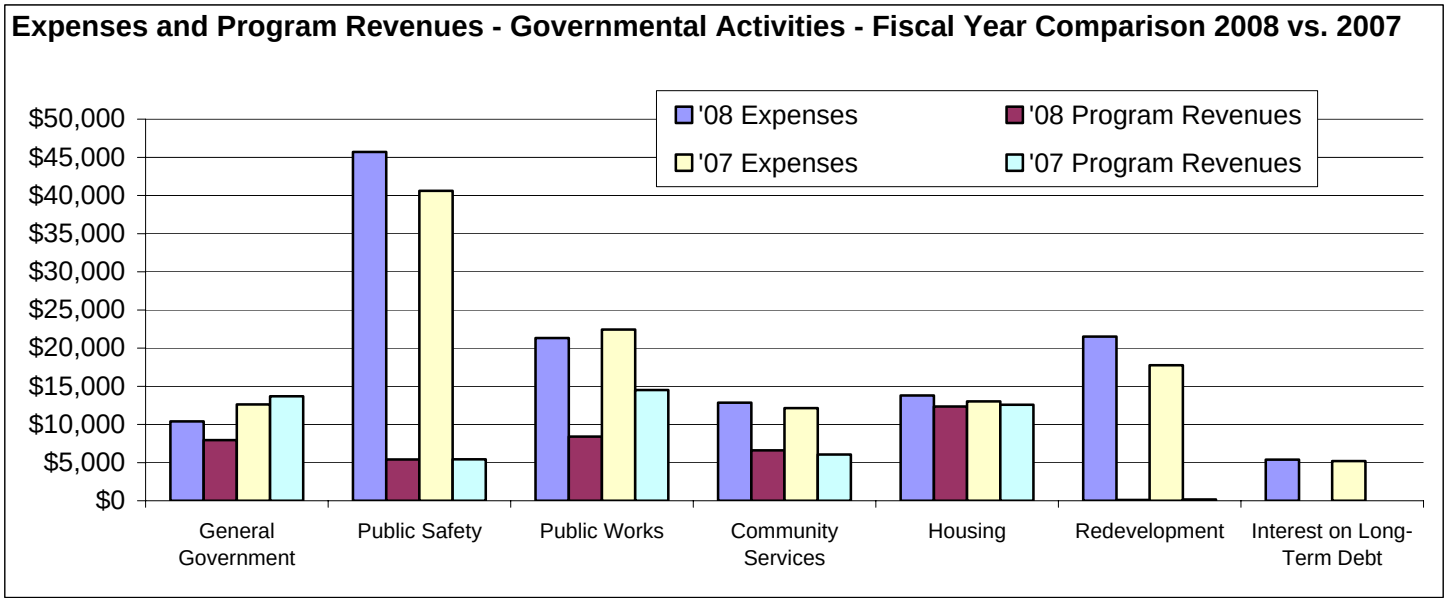
Governmental activities. Governmental activities increased the City's net assets by $12,981, accounting for 60% of the total growth in the net assets. Net assets increased by $24,221 during the previous fiscal year. Key elements of this year's activity in relation to the prior year are as follows:

Revenues:
Overall, revenues in 2008 were down $1,905 (1%) compared with 2008 primarily due to the downturn in the national, state and local economies.

- The City received a significant amount of capital grant funding in 2007 for the construction of several freeway overcrossings. Those projects are now complete, resulting in a decline in grant revenue for 2008.
- Property taxes increased $8,648 in 2008, principally due to growth in residential housing prices in the local region and expanded economic development activities within redevelopment project areas. (Note that property taxes collected in the current fiscal year reflect assessed values of the previous year.)
- Sales tax revenue was down 9% from the previous year. In particular, Vacaville experienced steep declines in sales tax revenue related to new auto sales and building and construction related activities. In addition, the City experienced a significant decline in one-time sales tax revenue related to a major corporate expansion project.
- Interest earnings increased by $7,679 with the bulk of the increase being attributable to realizing investment earnings on the sale of certain securities pledged for the repayment of long-term debt obligations.

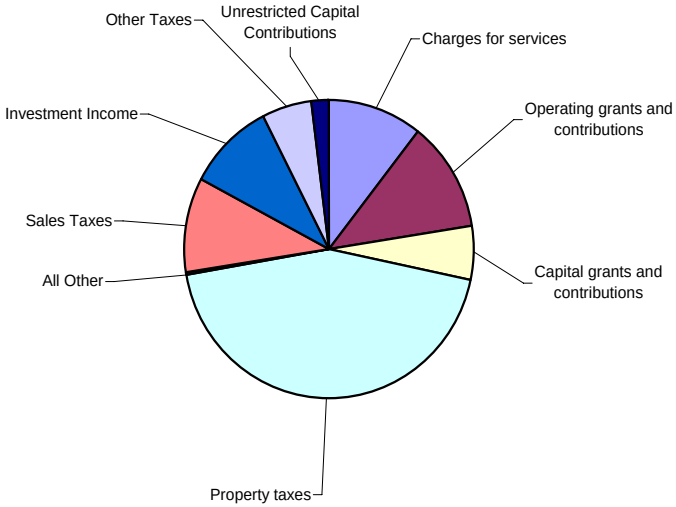
Expenditures:

- While significant variances between years exist for the various expense functions, the total net increase was approximately $7.2 million (6%). The more significant items are: (1) increased salaries and benefits, including additional sworn safety personnel and (2) increased costs associated with capital projects and development activities, particularly within redevelopment project areas.

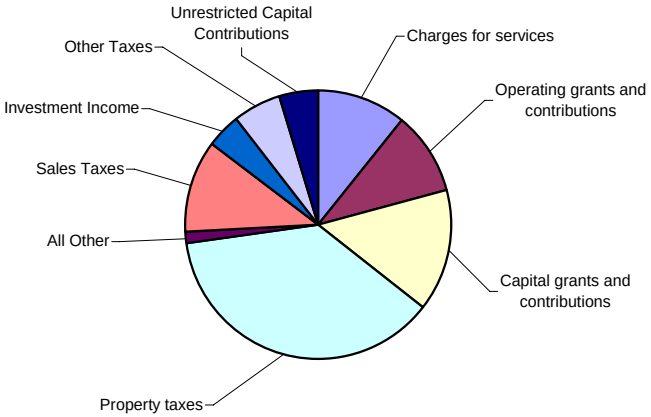


Revenues by Source – Governmental Activities – Fiscal Year Comparison

2008



2007

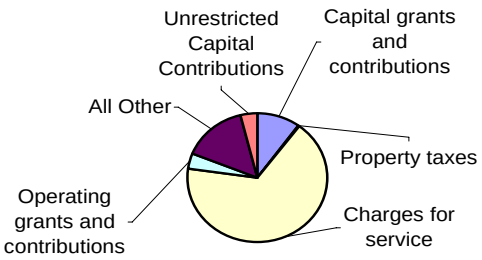


Business-type activities. Business-type activities increased the City's net assets by $8,802 accounting for 40% of the total growth in net assets. By way of comparison, the net assets of business type activities increased by $15,776 in 2007. Key elements of 2008 growth in net assets in relation to the prior year are as follows:

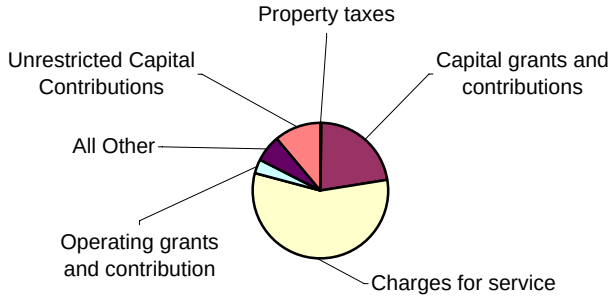
- Utility rate increases account for the increase in Charges for Services revenue.
- Capital grants and contributions (restricted and unrestricted) decreased $7,212 in the current year to $4,628. As a result of economic conditions, the City saw a decline in capital contributions from development activity and decreased capital grants from the federal government for transit related projects.
- The total net decrease in expenses for business-type activities was $1,108. Significant items include decreased customer services costs for both water and sewer. Wastewater treatment plant operational costs were higher than normal in 2007 due to costs associated with bringing this newly upgraded and expanded facility online; with operational costs returning to more normal levels in 2008.

Revenues by Source-Business Type Activities - Fiscal Year Comparison

2008



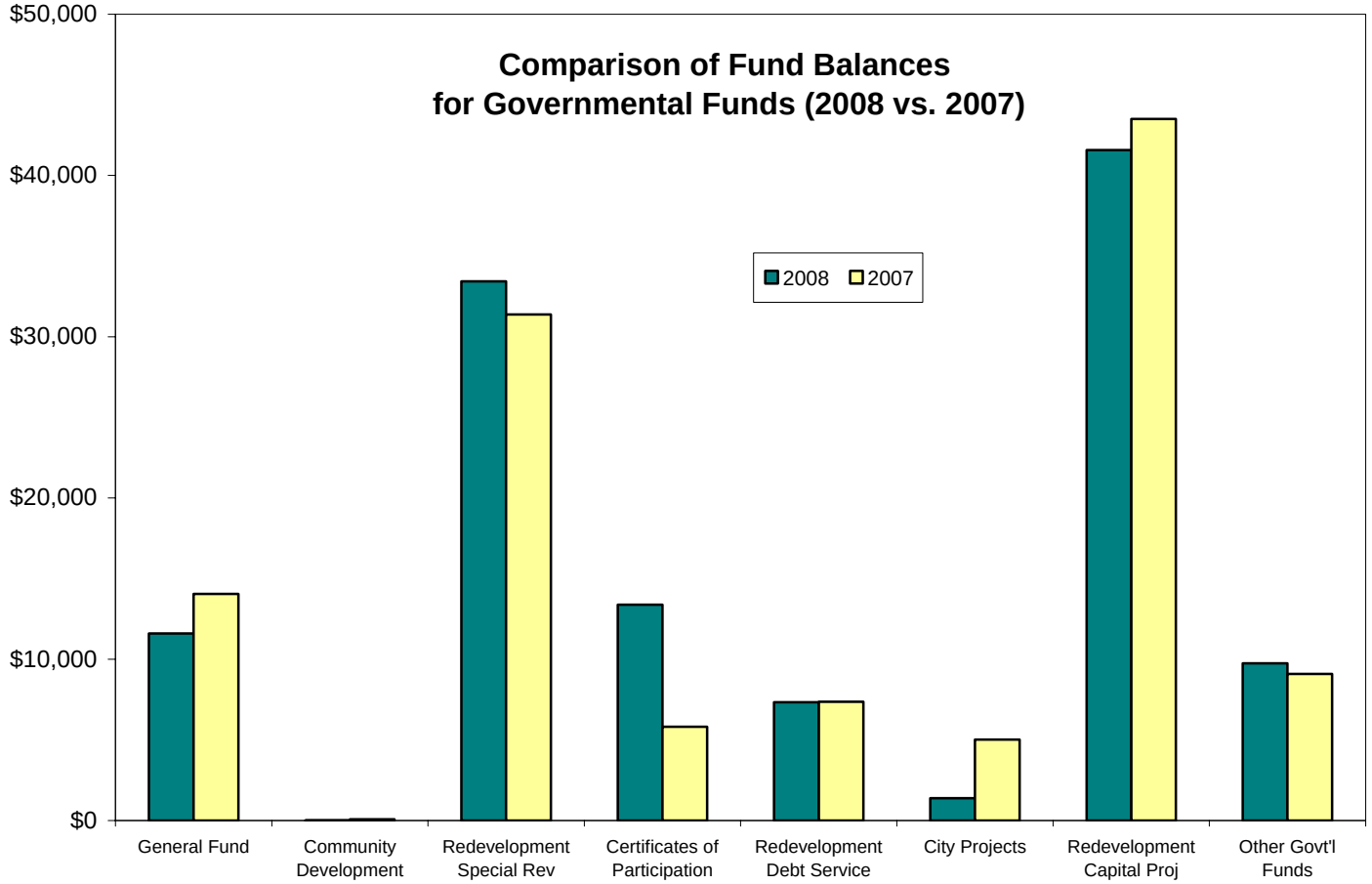
2007



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, *unreserved fund balance* 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 2008 and 2007 fund balances for the City's General, Community Development, Redevelopment Special Revenue, Certificates of Participation, 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.



As of June 30, 2008, the City's governmental funds reported combined ending fund balances of $118,472 an increase of $2,172 in comparison with the prior year. Approximately 31% of this total amount ($36,302) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for future spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($1,376), 2) to pay debt service ($21,367), 3) to pay for construction ($34,526), 4) for prepaid expenses ($856), 5) for loans receivable ($23,992) or 6) for a variety of other restricted purposes.

The decline 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 City Projects and Redevelopment Capital Projects fund balances reflect the use of funds collected in prior years for current capital projects. The increase in the Certificate of Participation fund balance reflects the gain on the sale of securities pledged for the repayment of long-term debt. (The Certificate of Participation fund balance will be used to extinguish the related debt in FY 2009.)

The General Fund is the primary operating fund of the City. At June 30, 2008, unreserved fund balance of the General Fund was $10,664, while total fund balance was $11,602. This amount can be viewed as the City's emergency operating reserve and is often measured as a percent of ongoing operating expenditures. Unreserved fund balance represents 16% of total General Fund operating expenditures. The fund balance of the City's General Fund decreased by $2,457 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 severely impacted sales tax and building-related revenues, and is expected to impact property tax revenue next year.

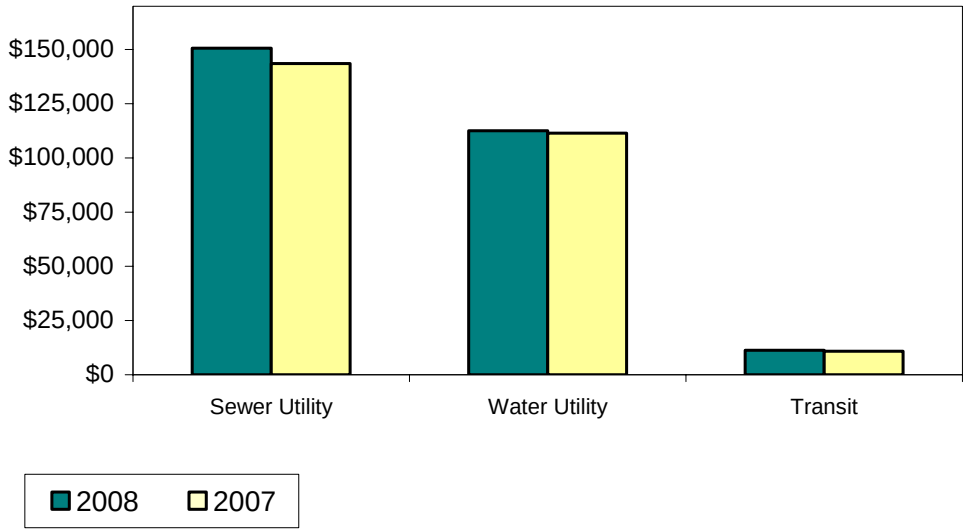
The Redevelopment Capital Projects fund decreased by $1,930, reflecting the use of bond proceeds and other funds accumulated in prior years on projects constructed in the current year.

The City Projects fund has a total fund balance of $ 1,381 which is reserved for capital projects. The fund balance decreased during the fiscal year by $3,635 as a result of reduced collections of development impact fees and projects constructed in the current year.

The Redevelopment Special Revenue fund increased by $2,062 primarily due to increased tax increment revenues and reduced housing expenditures.

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 2008 and 2007 net asset balances for the City's Sewer, Water and Transit Funds.

Comparison of Net Assets
for Proprietary Funds (2008 vs. 2007)



Unrestricted net assets at the end of the year amounted to $52,452 for the sewer utility and $36,685 for the water utility. Due to the subsidized nature of transportation, the transit operating funds have negative unrestricted net assets at year end. The increase in net assets for the sewer, water and transit operations was $8,269, $1,038, and $388, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance from Final Budget
Total revenues	$ 64,215	$ 64,215	$ 61,463	$ (2,752)
Expenditures:				
General government	6,011	6,767	5,585	1,182
Public safety	43,150	42,905	43,735	(830)
Public Works	6,156	6,578	5,795	783
Community services	9,244	9,300	8,996	304
Housing	-	-	-	-
Debt service	490	505	506	(1)
Total expenditures	65,051	66,055	64,617	1,438
Revenue over (under) expenditures	(836)	(1,840)	(3,154)	(1,314)
Other financing sources (uses)	(428)	919	697	(222)
Net change in fund balance	(1,264)	(921)	(2,457)	(1,536)
Beginning fund balance			14,059	
Ending fund balance			$ 11,602	

Final budgeted expenditures exceeded the original budget by $1,004. The reasons for this increase can be summarized as follows:

- The General Government budget was increased by $756 to fund the lease payments on new equipment purchases.
- $422 was added to the Public Works budget for equipment purchases and higher fuel costs.

Actual amounts differed from the Final budget as follows:

- Actual revenues were about 4% less than the budget. This was primarily due to lower than projected sales tax revenue and a general across-the-board decline in all building related revenue.

- Actual expenditures were $1,438 below budget for the year. This favorable variance was mainly in the area of public safety, in particular, overtime costs.
- The net effect of all of the above was an unfavorable variance from the amounts budgeted of $1,536.

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, 2008, amounted to $737,817 (net of accumulated depreciation). This investment includes land, buildings and improvements, park facilities, machinery, vehicles, roads and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was $19,802 ($12,830 for governmental activities including internal service funds and $6,972 for business type activities).

CAPITAL ASSETS
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 201,728	$ 188,967	$ 6,715	$ 6,718	$ 208,443	$ 195,685
Buildings and improvement	42,951	43,795	136,967	141,584	179,918	185,379
Equipment	1,405	1,477	982	1,224	2,387	2,701
Vehicles	3,888	3,782	1,432	967	5,320	4,749
Infrastructure	221,110	167,778	53,284	47,799	274,394	215,577
Intangibles	788	788	-	-	788	788
Construction in progress	12,478	64,931	54,089	48,205	66,567	113,136
Total	$ 484,348	$ 471,518	$ 253,469	$ 246,497	$ 737,817	$ 718,015

Major capital asset events during the current fiscal year included completion of the Nut Tree Road over crossing and for Elmira Road widening. Also in 2008, a number of major infrastructure projects were deemed complete and moved from Construction-in-Progress to Infrastructure for Governmental Activities. Construction-in-progress for business-type activities continues to reflect amounts spent on the upgrade and expansion of the City's wastewater treatment plant, which have yet to be deemed final.

Additional information on the City's capital assets can be found in Note 5 on pages 52-56.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $161,446. Of this amount, $93,350 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt, $68,096, represents debt secured solely by specified revenue sources (i.e., revenue type bonds).

OUTSTANDING DEBT
(expressed in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Bonds payable	$ 68,096	$ 69,573	$ -	$ -	$ 68,096	$ 69,573
Capital lease obligations	4,387	4,181	366	63	4,753	4,244
Certificates of participation	17,375	18,540	-	-	17,375	18,540
Loans payable	5,237	3,397	65,985	65,621	71,222	69,018
Total	$ 95,095	$ 95,691	$ 66,351	$ 65,684	$ 161,446	$ 161,375

The City's total debt increased by $71 during the current fiscal year, principally due to additional borrowings under the State Revolving Loan related to the City's wastewater treatment plant, less the scheduled debt service payments made throughout the fiscal year.

The City and Redevelopment Agency maintain an "A" rating from Standard & Poor's and Moody's for its debt.

Additional information on the City's long-term debt can be found in note 6 on pages 56-71 of this report.

Economic Factors and Next Year's Budget

When the fiscal year 2008-2009 budget was prepared, the economic outlook for the City was considered to be stable. The General Fund budget for fiscal year 2009 of approximately $69 million was balanced with the use of $1.3 million of reserve funds. The use of reserve funds is part of a longer-range plan to address capital needs and maintain adequate levels of service to the community. Projections at the time indicated the City should end fiscal year 2009 with an operating reserve of about thirteen percent (13%). The long-range budget projections indicated a balanced budget (no use of reserve funds) by fiscal year 2010.

However the economic downturn has proven to be more severe than previously anticipated and the negative impact on local City revenues is now expected to stretch out longer than was predicted when the budget was developed. The City will be monitoring the budget throughout the year and developing contingency plans in anticipation of worsening economic conditions. Key factors underlying the budget for next year include:

- The unemployment rate for the City is currently 7.4%, which is an increase of 2.3% from a year ago and comparable to the State's average unemployment rate of 7.0%.

- The required contribution rates as a percentage of payroll for the City's retirement program, including the supplemental retirement program for non-safety "miscellaneous" employees, will be changing effective July 1, 2008 as follows:
    - Miscellaneous Plan – 13.168% to 13.645%
    - Safety Plan – 22.809% to 23.243%

- The assessed value for taxable property in the City increased by 13% between fiscal year 2007 and fiscal year 2008. However, next year, the City expects little to no growth in assessed value outside of its two redevelopment project areas.

- While housing prices in Solano County are among the most affordable in the nine-county San Francisco Bay Area, Solano County experienced the Bay Area's largest year-over-year decline in home sales (-46%), along with the sharpest drop in median price (-6%) through June of 2008. Housing comprises the majority of assessed valuation for the City; so as noted above, the City expects little to no growth in property tax revenue next year. Redevelopment tax revenues, driven primarily by commercial development within the Redevelopment project areas, are projected to grow by 5%.

- New auto sales and residential building are not expected to recover for several years; meaning the City could experience further declines in sales tax revenues.

- In fiscal year 2006-2007, the City Council approved an eight-year utility rate plan designed to ensure the City's water and sewer utility operations have sufficient revenue to cover ongoing operating costs, repayment of long-term borrowings, and capital replacement. The rate plan was adopted pursuant to the requirements of Proposition 218, the "right to vote on taxes act."

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.

CITY OF VACAVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and investments	$ 78,921,149	$ 73,097,393	$ 152,018,542
Receivables, net of allowance for uncollectibles:			
Interest	1,621,363	-	1,621,363
Taxes	3,235,820	-	3,235,820
Accounts	5,317,124	6,012,501	11,329,625
Loans	42,499,911	2,996	42,502,907
Inventories	223,609	-	223,609
Prepaid Items	2,619,666	179,874	2,799,540
Deferred charges	907,119	-	907,119
Internal Balances	(4,364,707)	4,364,707	-
Total current assets	130,981,054	83,657,471	214,638,525
Noncurrent assets:			
Restricted cash and investments	19,689,589	-	19,689,589
Deposits	290,010	-	290,010
Investment in joint venture	-	18,711,424	18,711,424
Capital assets:			
Capital assets, non-depreciable	214,994,993	60,804,444	275,799,437
Capital assets, net of accumulated depreciation	269,352,915	192,664,529	462,017,444
Total capital assets	484,347,908	253,468,973	737,816,881
Total noncurrent assets	504,327,507	272,180,397	776,507,904
Total assets	635,308,561	355,837,868	991,146,429
LIABILITIES			
Current liabilities:			
Accounts payable and contract payable	2,408,037	1,686,919	4,094,956
Accrued payroll	2,892,372	447,181	3,339,553
Interest payable	1,614,399	28,354	1,642,753
Employee benefits payable	2,680,033	-	2,680,033
Compensated absences-due within one year	344,292	55,533	399,825
Claims payable - due within one year	2,000,125	-	2,000,125
Long-term debt - due within one year	3,639,933	3,239,803	6,879,736
Total current liabilities	15,579,191	5,457,790	21,036,981
Noncurrent liabilities:			
Deposits payable	7,630,248	7,718,443	15,348,691
Due to other governments	-	327,795	327,795
Unearned revenue	2,839,582	75,379	2,914,961
Compensated absences-due in more than a year	6,362,172	880,132	7,242,304
Claims payable-due in more than a year	3,572,875	-	3,572,875
Long-term liabilities-due in more than a year	91,454,910	63,110,753	154,565,663
Total noncurrent liabilities	111,859,787	72,112,502	183,972,289
Total liabilities	127,438,978	77,570,292	205,009,270
NET ASSETS			
Invested in capital assets, net of related debt	388,545,785	187,090,063	575,635,848
Restricted for:			
Capital projects	14,347,206	-	14,347,206
Debt service	19,011,337	-	19,011,337
Highway and streets	2,540,937	-	2,540,937
Housing	631,953	-	631,953
Special Programs	2,301,134	-	2,301,134
Total restricted	38,832,567	-	38,832,567
Unrestricted	80,491,231	91,177,513	171,668,744
Total net assets	$ 507,869,583	$ 278,267,576	$ 786,137,159

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

		PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTALS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
Governmental activities:								
General government	$ 10,387,515	$ 3,826,880	$ 171,045	$ 3,940,219	$ 7,938,144	$ (2,449,371)	$ -	$ (2,449,371)
Public safety	45,705,484	4,497,638	912,367	-	5,410,005	(40,295,479)	-	(40,295,479)
Public works	21,327,553	311,069	3,721,378	4,370,989	8,403,436	(12,924,117)	-	(12,924,117)
Community services	12,856,331	5,983,652	630,175	-	6,613,827	(6,242,504)	-	(6,242,504)
Housing	13,794,730	397,205	11,951,052	-	12,348,257	(1,446,473)	-	(1,446,473)
Redevelopment	21,500,315	103,427	-	-	103,427	(21,396,888)	-	(21,396,888)
Interest on long-term debt	5,394,305	-	-	-	-	(5,394,305)	-	(5,394,305)
Total governmental activities	130,966,233	15,119,871	17,386,017	8,311,208	40,817,096	(90,149,137)	-	(90,149,137)
Business-type activities:								
Sewer	18,710,372	18,269,278	-	3,300,741	21,570,019	-	2,859,647	2,859,647
Water	14,976,121	12,323,028	-	1,327,371	13,650,399	-	(1,325,722)	(1,325,722)
Transit	2,565,089	410,843	1,811,932	-	2,222,775	-	(342,314)	(342,314)
Total business-type activities	36,251,582	31,003,149	1,811,932	4,628,112	37,443,193	-	1,191,611	1,191,611
Total primary government	$ 167,217,815	$ 46,123,020	$ 19,197,949	$ 12,939,320	$ 78,260,289	(90,149,137)	1,191,611	(88,957,526)
		General revenues:						
		Taxes:						
		Property taxes				63,793,258	89,457	63,882,715
		Sales taxes				14,983,571	-	14,983,571
		Franchise taxes				2,247,743	-	2,247,743
		Transient lodging tax				1,005,432	-	1,005,432
		Business license tax				306,192	-	306,192
		Excise tax				2,234,024	-	2,234,024
		Gasoline tax				1,719,057	-	1,719,057
		Vehicle license taxes				416,945	-	416,945
		Subtotal taxes				86,706,222	89,457	86,795,679
		Investment income				13,957,402	2,237,290	16,194,692
		Unrestricted capital contributions				2,860,514	1,768,843	4,629,357
		Miscellaneous				1,331,235	2,981,025	4,312,260
		Transfers				(1,725,170)	1,725,170	-
		Total general revenues and transfers				103,130,203	8,801,785	111,931,988
		Change in net assets				12,981,066	9,993,396	22,974,462
		Net assets, beginning of year				494,888,517	269,465,864	764,354,381
		Prior period adjustment (Note 17)				-	(1,191,684)	(1,191,684)
		Net assets, beginning of year as restated				494,888,517	268,274,180	763,162,697
		Net assets, end of year				$ 507,869,583	$ 278,267,576	$ 786,137,159

See accompanying Notes to Basic Financial Statements.

Andrews Park

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.

CERTIFICATES OF PARTICIPATION

To account for interest earnings, reserves, and payment of debt service for debt issued to fund public facilities and a community park.

REDEVELOPMENT DEBT SERVICE

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

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 aggregrate of all the non-major governmental funds.

CITY OF VACAVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	MAJOR FUNDS								
ASSETS	GENERAL	COMMUNITY DEVELOPMENT	REDEVELOPMENT SPECIAL REVENUE	CERTIFICATES OF PARTICIPATION	REDEVELOPMENT DEBT SERVICE	CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and investments	$ 10,001,805	$ 852,441	$ 9,575,199	$ 13,383,831	$ 1,646,584	$ 10,109,011	$ 19,117,591	$ 10,490,813	$ 75,177,275
Receivables:									
Interest	1,556,669	-	-	-	19,215	-	35,910	9,569	1,621,363
Taxes	2,673,999	-	-	-	-	310,876	-	250,945	3,235,820
Accounts	982,084	168,278	42,429	-	-	3,614,120	16,039	441,082	5,264,032
Loans	8,258	9,802,628	23,992,387	-	2,364,740	-	6,331,898	-	42,499,911
Prepaid items	31,364	-	-	-	1,137	1,728,533	268	856,051	2,617,353
Restricted cash and investments held by fiscal agent	-	-	-	247	4,380,333	-	12,719,822	2,589,187	19,689,589
Deposits	160,010	-	-	-	-	-	-	-	160,010
Advances to other funds	-	-	-	-	-	2,196,699	10,539,452	-	12,736,151
Total assets	$ 15,414,189	$ 10,823,347	$ 33,610,015	$ 13,384,078	$ 8,412,009	$ 17,959,239	$ 48,760,980	$ 14,637,647	$ 163,001,504
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts and contract payable	$ 523,636	$ 1,703	$ 7,570	$ -	$ -	$ 1,262,620	$ 364,961	$ 115,474	$ 2,275,964
Accrued payroll	2,393,371	8,947	53,867	-	-	60,691	54,475	233,657	2,805,008
Deposits payable	622,555	898	107,494	-	1,074,184	2,455,970	133,302	3,215,845	7,610,248
Due to other funds	-	-	-	-	-	-	-	-	-
Deferred revenue	272,500	10,806,475	-	-	-	40,781	2,289,011	1,328,443	14,737,210
Advances from other funds	-	-	-	-	-	12,758,068	4,342,790	-	17,100,858
Total liabilities	3,812,062	10,818,023	168,931	-	1,074,184	16,578,130	7,184,539	4,893,419	44,529,288
Fund Balances:									
Reserved	938,519	17,607	24,003,109	13,384,078	6,746,210	5,403,532	27,771,994	3,904,804	82,169,853
Unreserved:									
Designated, General Fund	10,663,608	-	-	-	-	-	-	-	10,663,608
Designated, Capital Projects Funds	-	-	-	-	-	(4,022,423)	13,804,447	-	9,782,024
Undesignated, Special Revenue Funds	-	(12,283)	9,437,975	-	-	-	-	5,829,855	15,255,547
Undesignated, Debt Service Funds	-	-	-	-	591,615	-	-	9,569	601,184
Total fund balances	11,602,127	5,324	33,441,084	13,384,078	7,337,825	1,381,109	41,576,441	9,744,228	118,472,216
Total liabilities and fund balances	$ 15,414,189	$ 10,823,347	$ 33,610,015	$ 13,384,078	$ 8,412,009	$ 17,959,239	$ 48,760,980	$ 14,637,647	$ 163,001,504

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, 2008

TOTAL FUND BALANCES- TOTAL GOVERNMENTAL FUNDS	$ 118,472,216
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:	
CASH AND INVESTMENTS	
The City's portfolio holds an investment instrument for the Redevelopment Agency's purchase on the Nut Tree property. This is considered a financing mechanism between the City and the Redevelopment Agency; therefore, it is eliminated on the Government-Wide Statement of Net Assets.	(3,814,709)
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 $336,480.	484,011,428
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.	(403,899)
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:	
Deferred charges	907,119
Long-term debt	(95,094,843)
Compensated absences	(6,490,958)
Interest payable	(1,614,399)
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.	11,897,628
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 507,869,583

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, 2008

	GENERAL	COMMUNITY DEVELOPMENT	REDEVELOPMENT SPECIAL REVENUE	CERTIFICATES OF PARTICIPATION	REDEVELOPMENT DEBT SERVICE	CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:									
Taxes and fees	$ 48,978,632	$ -	$ 7,006,227	$ -	$ -	$ 3,940,219	$ 28,024,910	$ 3,101,896	$ 91,051,884
Licenses and permits	190,572	-	-	-	-	-	-	1,405,520	1,596,092
Investment income	2,600,488	2,315	542,805	8,933,567	216,227	730,200	1,505,821	494,906	15,026,329
Intergovernmental	1,231,328	601,497	-	-	-	8,555,642	-	13,876,851	24,265,318
Charges for services	7,885,682	-	-	-	-	-	-	1,778,247	9,663,929
Fines,forfeits and penalties	136,864	-	-	-	-	-	-	333,746	470,610
Other	439,745	-	51,156	-	-	243,526	137,688	119,399	991,514
Total revenues	61,463,311	603,812	7,600,188	8,933,567	216,227	13,469,587	29,668,419	21,110,565	143,065,676
EXPENDITURES:									
Current:									
General government	5,585,092	-	-	-	-	-	-	3,804,582	9,389,674
Public safety	43,735,349	-	-	-	-	-	-	824,841	44,560,190
Public works	5,795,482	-	-	-	-	148,586	-	1,621,310	7,565,378
Community services	8,996,441	680,819	-	-	-	-	-	2,481,907	12,159,167
Housing	-	-	2,134,369	-	-	-	-	11,652,656	13,787,025
Redevelopment	-	-	-	-	592,292	-	20,940,769	-	21,533,061
Capital outlay	-	-	-	-	-	20,613,475	4,999,365	142,398	25,755,238
Debt service:									
Principal	413,823	-	-	310,000	1,670,134	207,165	-	855,000	3,456,122
Interest and fiscal charges	91,540	-	-	625,418	3,841,065	415,640	-	339,510	5,313,173
Total expenditures	64,617,727	680,819	2,134,369	935,418	6,103,491	21,384,866	25,940,134	21,722,204	143,519,028
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,154,416)	(77,007)	5,465,819	7,998,149	(5,887,264)	(7,915,279)	3,728,285	(611,639)	(453,352)
OTHER FINANCING SOURCES (USES):									
Transfers in	2,952,131	-	-	-	5,858,214	2,063,604	1,629,900	2,666,988	15,170,837
Transfers out	(2,912,754)	-	(3,404,276)	(420,000)	-	(56,844)	(7,288,112)	(1,394,021)	(15,476,007)
Sale of capital assets	70,878	-	-	-	-	-	-	-	70,878
Issuance of debt and loans	587,036	-	-	-	-	2,273,055	-	-	2,860,091
Total other financing sources (uses)	697,291	-	(3,404,276)	(420,000)	5,858,214	4,279,815	(5,658,212)	1,272,967	2,625,799
NET CHANGES IN TOTAL FUND BALANCE	(2,457,125)	(77,007)	2,061,543	7,578,149	(29,050)	(3,635,464)	(1,929,927)	661,328	2,172,447
FUND BALANCES:									
Fund balances, beginning of year	14,059,252	82,331	31,379,541	5,805,929	7,366,875	5,016,573	43,506,368	9,082,900	116,299,769
Fund balances, end of year	$ 11,602,127	$ 5,324	$ 33,441,084	$ 13,384,078	$ 7,337,825	$ 1,381,109	$ 41,576,441	$ 9,744,228	$ 118,472,216

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, 2008

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS	$	2,172,447
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 $145,078, and there was a transfer of $47,707 between Governmental Activities and Business Type Activities. This is detail of the amount of capital assets recorded in the current period		
Capital outlay		25,755,238
Uncapitalized outlay costs		(6,313,421)
Departmental expenditures capitalized		1,203,894
Developer contributions		2,860,514
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 $46,949.		(10,734,718)
LONG TERM DEBT PROCEEDS AND PAYMENTS		
Issuance of debt proceeds provides current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets.		(2,860,091)
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.		3,456,122
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:		
Long-term compensated absences		(612,407)
Unearned revenue		(225,778)
Interest expense		(81,132)
Sale of capital assets		(70,878)
Gain on sale of property		376,807
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.		(1,945,531)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	12,981,066

See accompanying Notes to Basic Financial Statements.

Stonegate Park

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, 2008

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES-INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
ASSETS					
Current assets:					
Cash and investments	$ 49,319,807	$ 21,483,207	$ 26,051	$ 70,829,065	$ 9,826,911
Accounts receivable	3,302,882	2,412,395	297,224	6,012,501	53,092
Loans receivable	2,996	-	-	2,996	-
Inventories-supplies	-	-	-	-	223,609
Prepaid items	27,729	152,145	-	179,874	2,313
Total current assets	52,653,414	24,047,747	323,275	77,024,436	10,105,925
Noncurrent assets:					
Deposits	-	-	-	-	130,000
Advances to other funds	1,527,912	2,936,795	-	4,464,707	-
Investment in joint venture	-	18,711,424	-	18,711,424	-
Capital assets:					
Land	2,777,333	1,965,968	1,971,931	6,715,232	-
Construction in progress	30,616,843	18,950,298	4,522,071	54,089,212	-
Buildings and improvements	147,379,182	45,673,240	4,889,516	197,941,938	123,740
Machinery and equipment	1,347,346	407,754	3,519,701	5,274,801	5,031,196
Transmission and distribution system	31,315,435	38,897,794	-	70,213,229	-
Less: accumulated depreciation	(49,479,893)	(29,398,568)	(3,378,811)	(82,257,272)	(3,326,623)
Total capital assets	163,956,246	76,496,486	11,524,408	251,977,140	1,828,313
Total noncurrent assets	165,484,158	98,144,705	11,524,408	275,153,271	1,958,313
Total assets	218,137,572	122,192,452	11,847,683	352,177,707	12,064,238

CITY OF VACAVILLE

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES-INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
LIABILITIES					
Current liabilities:					
Accounts and contract payable	666,742	805,925	214,252	1,686,919	132,073
Accrued payroll	272,590	167,962	6,629	447,181	87,364
Interest payable	28,354	-	-	28,354	-
Employee benefits payable	-	-	-	-	2,680,033
Compensated absences-due within one year	33,633	21,900	-	55,533	215,506
Current portion of claims payable	-	-	-	-	2,000,125
Long-term debt - due within one year	3,116,558	123,245	-	3,239,803	-
Total current liabilities	4,117,877	1,119,032	220,881	5,457,790	5,115,101
Noncurrent liabilities:					
Deposits payable	-	7,715,738	2,705	7,718,443	20,000
Due to other governments	-	-	327,795	327,795	-
Advances from other funds	-	100,000	-	100,000	-
Unearned revenue	2,997	72,382	-	75,379	-
Compensated absences-due in more than a year	753,001	127,131	-	880,132	-
Long-term claims payable	-	-	-	-	3,572,875
Long-term debt - due in more than one year	62,581,829	528,924	-	63,110,753	-
Total noncurrent liabilities	63,337,827	8,544,175	330,500	72,212,502	3,592,875
Total liabilities	67,455,704	9,663,207	551,381	77,670,292	8,707,976
NET ASSETS					
Invested in capital assets, net of related debt	98,229,505	75,844,317	11,524,408	185,598,230	1,828,313
Unrestricted	52,452,363	36,684,928	(228,106)	88,909,185	1,527,949
Total net assets business-type activities	$ 150,681,868	$ 112,529,245	$ 11,296,302	274,507,415	$ 3,356,262
	Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			3,760,161	
	Net assets of business-type activities			$ 278,267,576	

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, 2008

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
OPERATING REVENUES:					
Charges for sales and services:					
Sewer charges	$ 21,558,283	$ -	$ -	$ 21,558,283	$ -
Water sales	-	13,650,400	-	13,650,400	-
Transit fares	-	-	410,843	410,843	-
Internal service charges	-	-	-	-	11,484,937
Total operating revenues	21,558,283	13,650,400	410,843	35,619,526	11,484,937
OPERATING EXPENSES:					
Treatment plant and sources of supply	6,706,038	7,080,781	-	13,786,819	-
Transmission and distribution	-	1,448,280	-	1,448,280	-
Maintenance	3,621,713	1,168,328	-	4,790,041	-
Customer services and administration	4,255,483	3,350,115	-	7,605,598	-
Transportation	-	-	2,214,671	2,214,671	-
Internal service expenses	-	-	-	-	11,820,420
Depreciation	4,092,949	1,897,309	350,418	6,340,676	403,005
Total operating expenses	18,676,183	14,944,813	2,565,089	36,186,085	12,223,425
OPERATING INCOME (LOSS)	2,882,100	(1,294,413)	(2,154,246)	(566,559)	(738,488)
NONOPERATING REVENUES (EXPENSES):					
Gain from joint venture	-	555,026	-	555,026	-
Interest revenue	3,069,362	1,072,635	-	4,141,997	-
Interest expense	(1,896,003)	-	(8,704)	(1,904,707)	(3,703)
Taxes and other	2,135,454	391,137	1,812,532	4,339,123	151,163
Total nonoperating revenues (expenses)	3,308,813	2,018,798	1,803,828	7,131,439	147,460
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTION	6,190,913	724,385	(350,418)	6,564,880	(591,028)
TRANSFER:					
Transfers in	1,839,750	132,868	-	1,972,618	503,104
Transfers out	(244,245)	(367,530)	-	(611,775)	(1,558,777)
Total transfers	1,595,505	(234,662)	-	1,360,843	(1,055,673)
CAPITAL CONTRIBUTIONS:					
Intergovernmental	-	-	738,035	738,035	-
Developers	482,479	548,329	-	1,030,808	-
Total capital contributions	482,479	548,329	738,035	1,768,843	-
Change in net assets	8,268,897	1,038,052	387,617	9,694,566	(1,646,701)
NET ASSETS:					
Net assets, beginning of year as previously reported	143,604,655	111,491,193	10,908,685		5,002,963
Prior period adjustment	(1,191,684)	-	-		-
Net assets, beginning of year	142,412,971	111,491,193	10,908,685		5,002,963
Net assets, end of year	$ 150,681,868	$ 112,529,245	$ 11,296,302		$ 3,356,262
	Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			298,830	
	Change in net assets of business-type activities			$ 9,993,396	

See accompanying Notes to Basic Financial Statements.

Pheasant Country Park

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES-INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	$ 21,521,699	$ 13,404,142	$ 69,852	$ 34,995,693	$ 11,774,763
Payments to suppliers	(9,124,514)	(8,732,872)	(2,016,789)	(19,874,175)	(10,749,546)
Payments to employees	(6,402,770)	(4,149,361)	(170,950)	(10,723,081)	(39,999)
Claims paid	-	-	-	-	528,000
Net cash provided (used) by operating activities	5,994,415	521,909	(2,117,887)	4,398,437	1,513,218
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances to/(from) other funds	(656,155)	385,633	-	(270,522)	-
Transfers in	1,839,750	132,868	-	1,972,618	503,104
Transfers out	(244,245)	(367,530)	-	(611,775)	(1,558,777)
Taxes and other	2,135,454	391,137	1,812,532	4,339,123	151,163
Net cash provided (used) by noncapital financing activities	3,074,804	542,108	1,812,532	5,429,444	(904,510)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(8,524,459)	(2,557,966)	-	(11,082,425)	(962,612)
Principal paid on capital debt	14,780	652,169	-	666,949	-
Interest paid	(3,080,510)	-	(8,704)	(3,089,214)	(3,703)
Net cash provided (used) by capital and related financing activities	(11,590,189)	(1,905,797)	(8,704)	(13,504,690)	(966,315)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	3,069,362	1,072,635	-	4,141,997	-
Net cash provided by investing activities	3,069,362	1,072,635	-	4,141,997	-
Net increase (decrease) in cash and cash equivalents	548,392	230,855	(314,059)	465,188	(357,607)
CASH AND CASH EQUIVALENTS:					
Beginning of year	48,771,415	21,252,352	340,110	70,363,877	10,184,518
End of year	$ 49,319,807	$ 21,483,207	$ 26,051	$ 70,829,065	$ 9,826,911
NONCASH TRANSACTIONS:					
Contribution and transfers of capital assets, net	$ 482,479	$ 548,329	$ 738,035	$ 1,768,843	$ -

CITY OF VACAVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES-INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 2,882,100	$ (1,294,413)	$ (2,154,246)	$ (566,559)	$ (738,488)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	4,092,949	1,897,309	350,418	6,340,676	403,005
Changes in assets and liabilities:					
(Increase) decrease in receivables	(28,117)	(268,514)	(246,236)	(542,867)	289,826
Increase in inventories-supplies	-	-	-	-	(7,433)
Increase in prepaid items	(24,085)	(151,916)	-	(176,001)	(2,188)
Increase in deposits	-	-	-	-	(80,000)
Increase (decrease) in accounts and contracts payable	(975,142)	(309,001)	26,933	(1,257,210)	(224,590)
Increase in accrued payroll	26,844	5,535	373	32,752	1,295
Increase in employee benefits payable	-	-	-	-	1,435,575
Increase (decrease) in compensated absences	29,219	22,508	-	51,727	(91,784)
Increase (decrease) in deposits payable	(886)	598,145	(374)	596,885	-
Decrease in due to other governments	-	-	(94,755)	(94,755)	-
Increase (decrease) in unearned revenue	(8,467)	22,256	-	13,789	-
Increase in insurance liability	-	-	-	-	528,000
Total adjustments	3,112,315	1,816,322	36,359	4,964,996	2,251,706
Net cash provided by (used for) operating activities	$ 5,994,415	$ 521,909	$ (2,117,887)	$ 4,398,437	$ 1,513,218

See accompanying Notes to Basic Financial Statements.

Andrews Park

FIDUCIARY FUND FINANCIAL STATEMENTS

AGENCY FUNDS

To account for payroll trust cash transferred from the various funds from which actual cash is remitted to the employees and various agencies. Additionally, used to account for other deposits received from outside parties including deposits from Solano Transportation Authority, refunding of permit monies and restituition 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, 2008

	TOTAL AGENCY FUNDS
ASSETS	
Cash and investments	$ 16,467,723
Receivables:	
Accounts	795,041
Deposits	9,800
Total assets	$ 17,272,564
LIABILITIES	
Accrued payroll	$ 144
Employee benefits payable	1,537,218
Deposits payable	5,199,951
Due to bondholders	10,501,462
Total liabilities	$ 17,272,564

See accompanying Notes to Basic Financial Statements.

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. Discretely presented component units, on the other hand, are reported in a separate column in the combined basic financial statements to emphasize their legal separateness from 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.

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

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 as prescribed by GASB Statement No. 34. 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.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

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

Certificates of Participation Debt Service Fund – to account for interest earnings, reserves, and payment of debt service for debt issued to fund public facilities and a community park.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fiduciary funds

Payroll trust fund – accounts for cash transferred from the various funds from which actual cash is remitted to the employees and various agencies.

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. 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.

In addition, other disclosures are specified 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.

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."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. 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.

G. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry current date or using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

H. 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 the implementation of GASB Statement No. 34, 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.

I. 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.

J. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	$ 152,018,542
Cash and Investments held by bond trustee	19,689,589
Fuduciary Funds:	
Cash and Investments	16,467,723
Total Cash and Investments	$ 188,175,854

Cash and Investments as of June 30, 2008 consist of the following:

Cash on hand	$ 13,335
Deposits with financial institutions	564,633
Certificates of Deposit	3,000,000
Investments	184,597,886
Total Cash and Investments	$ 188,175,854

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%
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%

NOTE 2 - CASH AND INVESTMENTS, continued

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, 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	$ 2,095,872
Interest income	14,098,820
Total investment income	$ 16,194,692

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, 2008 by maturity:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Local Agency Investment Fund	$ 82,473,713	$ 82,473,713	$ -	$ -	$ -
U.S. Agency Securities	34,175,429	7,560,469	26,614,960	-	-
Commercial Paper	12,778,958	12,778,958	-	-	-
Corporate Notes	37,582,361	7,299,050	30,283,311	-	-
Repurchase Agreements	13,864,316	13,864,316	-	-	-
Guarantee Investment Contract	1,889,333	-	-	1,236,688	652,645
Money Market Mutual Funds	4,833,776	4,833,776	-	-	-
Total	$ 187,597,886	$ 128,810,282	$ 56,898,271	$ 1,236,688	$ 652,645

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, 2008 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	AAA	AA	A	A1/P1	Not Rated
Local Agency Investment Fund	$ 82,473,713	N/A	$ -	$ -	$ -	$ -	$ 82,473,713
U.S. Agency Securities	34,175,429	N/A	34,175,429	-	-	-	-
Commercial Paper	12,778,958	A1/P1	-	-	-	12,778,958	-
Corporate Notes	37,582,361	A	10,144,960	17,612,461	9,824,940	-	-
Repurchase Agreements	13,864,316	N/A	-	-	-	-	13,864,316
Guarantee Investment Contract	1,889,333	N/A	1,889,333	-	-	-	-
Money Market Mutual Funds	4,833,776	AAA	4,833,776	-	-	-	-
Total	$ 187,597,886		$ 51,043,498	$ 17,612,461	$ 9,824,940	$ 12,778,958	$ 96,338,029

In September 2008, the City of Vacaville's pooled portfolio sustained investment losses as a result of the failure of certain investments held by the City. For more details, see Note 18 to the basic financial statements.

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, 2008, 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.

NOTE 2 - CASH AND INVESTMENTS, continued

As of June 30, 2008, the City had $82,473,713 invested in LAIF, which has invested 14.72% of the pool investments funds in Structured Notes and Asset-Backed Securities. The City valued its investment in LAIF as of June 30, 2008 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 .999950219.

As of June 30, 2008 the City had $13,864,316 in an overnight tri-party Repurchase Agreement with J. P. Morgan Chase 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, 2008, the City's outstanding loans receivables were as follows:

$ 8,258	City loans recorded in the General Fund are for the Computer Loan Program. The City offers a zero interest loan program to assist employees with purchasing personal computers. The intent of this program is to facilitate employees learning about personal computing so they can apply this knowledge in the work environment and enhance their productivity. The maximum loan amount is $1,650 ($1,500 if the computer system is not purchased from a business in Vacaville), and must be paid back through payroll deductions over a three year period. Due to budget constraints, this program is currently suspended.
$ 8,273,110	City loans recorded in the Special Revenue Fund, Community Development is 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.
$ 1,529,518	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.
$ 4,948,338	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. The amount of loans in arrears is $153,404.

NOTE 3 – LOANS RECEIVABLE, continued

$ 13,385,526	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.
$ 385,850	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 $5,000 deferred for five years, and repaid over ten years at an interest rate of 5%. The loan is not secured against the property. The second type has no other assistance for a maximum amount of $10,000 deferred for five years, and repaid over fifteen years at an interest rate of 5%.
$ 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.
$ 2,390,124	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 3% interest with a $15,000 maximum loan per standard building street frontage. Façade improvements may include a complete renovation, signage, exterior lighting, landscaping, painting and awnings. Historic district building loans are fully amortized for 25-year terms at 3% interest with a maximum loan amount of $105,000. Historic district building loans for tenant improvements and other non-seismic related costs require 50% matching funds contributed by the borrower, which may include private funds as well as loans made through the façade improvement loan program. Borrowers are not required to match funds on seismic upgrades. These loans may be assumable on a case by case basis.
$ 2,095,000	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 Vacaville Library District paid down $1.5 million in fiscal year 2006 to the Agency reducing the future annual debt service from the Library to the Agency. The loan will be repaid by Fiscal Year 2031/2032 with interest rates ranging from 4% to 7%.
$ 2,723,113	A loan receivable has been recorded in the Special Revenue Funds from Vacaville Community Housing, a non-profit corporation. The loan was secured against the property at 0% interest, with the total payment due August 2006. The loan was delinquent and to resolve the delinquency, in July of 2008, the loan was forgiven when the ownership of the property was transferred back to the Redevelopment Agency from Vacaville Community Housing.
$ -	A loan receivable was recorded in the Special Revenue Funds from Vacaville Community Housing, a non-profit corporation. The loan was a predevelopment loan and was at 0% interest. The loan was to be repaid within 24 months or at the time permanent financing was secured (whichever was earlier). The City might forgive the loan if the project was found to not be feasible due to no fault of the borrower (failure to obtain permanent financing does not constitute unfeasibility of the project). This loan was cancelled in fiscal year 2007-2008.

NOTE 3 – LOANS RECEIVABLE, continued

$ 2,527,705	The Redevelopment Shared Equity loans are recorded in the Special Revenue funds for expanding homeownership opportunities to low and moderate-income households. The amount borrowed is the minimum needed to close the gap between lender requirements and buyer's cash for down payment assistance and/or closing costs. Qualified homebuyers may receive up to $70,000 plus customary closing costs or 105% of loan to value (whichever is less) towards the purchase of a home located in Vacaville. The deferred loan terms are 45 years at zero interest with no payments required during that time as long as the homebuyer does not sell, transfer ownership, rent the property, refinance it with cash back, or prepay the loan with any other funds. The loan will be forgiven if the borrower remains in the home for the full 45 year loan term. There is a 45 year Resale Restriction Agreement that will be recorded against the property. The City will hold an option to purchase the home at a restricted sales price to keep the home affordable for another buyer.
$ 1,455,000	A loan receivable has been recorded in the Capital 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.
$ 391,774	Promissory note for $457,295 has been recorded in the I-505/80 Redevelopment fund from Bethany Lutheran Church to finance the acquisition of approximately 6.24 acres of land for the development of improvements (Bethany Lutheran School). The term of the note is 5 years and has an annual interest rate of 7%. Monthly payments of $7,920 began July 31, 2007.
$ 2,996	In 2005, the City entered into an agreement with the owner of Hollywood Nails for payment of a sewer impact fee. The loan receivable was recorded in the Sewer fund. The agreement is for a 5 year period, 0% interest, with payments of $103 due monthly, balance of $2,996 at June 30, 2008. In 2006, the City entered into an agreement with the owner of McKenna's Doghouse for payment of a sewer impact fee. The loan receivable was recorded in the Sewer Fund. The agreement was for a 2 year period, 0% interest, with payments of $328 due monthly. The business was closed and this loan was written-off in fiscal year 2007-08.
$ 12,815	Ten emergency interest-free loans were granted for purposes of paying the first month's rent and/or the security deposit required as a condition of renting certain temporary premises for individuals because of damages to their permanent residence by the January 2006 winter floods.
$ 9,040	Loans receivable recorded in the Special Revenue Funds for security deposits for low income families that have been Vacaville residents or working in Vacaville for at least twelve months who can afford the rent but not the lump sum of security deposit and initial rent. The loan amount cannot exceed $1,000 and repayment is due at $100 per month.
$ 42,502,907	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 will expire April 30, 2009. The lease may be renewed on a month-to-month basis upon termination of the lease. Annual minimum charge for the lease is $210,846.

NOTE 5 - CAPITAL ASSETS

Government-Wide Financial Statements

A. Summary

The following is a summary of capital assets as of June 30, 2008:

	Government Activities	Business-Type Activities	Total Primary Government
Non-Depreciable Assets:			
Land	$ 168,654,133	$ 6,715,232	$ 175,369,365
Land held for development	33,074,278	-	33,074,278
Intangibles (Nut Tree)	788,124	-	788,124
Construction in Progress	12,478,458	54,089,212	66,567,670
Total	214,994,993	60,804,444	275,799,437
Depreciable Assets:			
Buildings & Improvements	55,918,288	197,941,938	253,860,226
Equipment	5,361,621	5,381,430	10,743,051
Vehicles	9,804,744	4,550,154	14,354,898
Infrastructure	359,525,992	70,213,229	429,739,221
	430,610,645	278,086,751	708,697,396
Less accumulated depreciation	(161,257,730)	(85,422,222)	(246,679,952)
Total depreciable assets, net	269,352,915	192,664,529	462,017,444
Total capital assets, net	$ 484,347,908	$ 253,468,973	$ 737,816,881

NOTE 5 – CAPITAL ASSETS, continued

B. Governmental Activities

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

	Balance July 1, 2007	Additions	Disposals	Transfers	Balance June 30, 2008
Non-Depreciable Assets:					
Land	$ 160,399,002	$ 8,255,131	$ -	$ -	$ 168,654,133
Land held for development	28,568,225	4,506,053	-	-	33,074,278
Intangibles	788,124	-	-	-	788,124
Construction in Progress	64,930,663	3,507,624	(64,236)	(55,895,593)	12,478,458
Total	254,686,014	16,268,808	(64,236)	(55,895,593)	214,994,993
Depreciable Assets:					
Buildings & Improvements	55,370,809	500,206	-	47,273	55,918,288
Equipment	8,028,175	369,099	(3,035,653)	-	5,361,621
Vehicles	9,632,057	932,163	(807,183)	47,707	9,804,744
Infrastructure	298,147,580	5,533,320	(3,228)	55,848,320	359,525,992
Total	371,178,621	7,334,788	(3,846,064)	55,943,300	430,610,645
Less accumulated depreciation for:					
Buildings & Improvements	(11,575,513)	(1,391,786)	-	-	(12,967,299)
Equipment	(6,551,655)	(408,642)	3,003,357	-	(3,956,940)
Vehicles	(5,849,661)	(858,257)	790,835	-	(5,917,083)
Infrastructure	(130,369,920)	(8,122,982)	76,494	-	(138,416,408)
Total	(154,346,749)	(10,781,667)	3,870,686	-	(161,257,730)
Total depreciable assets, net	216,831,872	(3,446,879)	24,622	55,943,300	269,352,915
Governmental activities capital assets, net	$ 471,517,886	$ 12,821,929	$ (39,614)	$ 47,707	$ 484,347,908

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

General government	$ 480,299
Public safety	1,245,535
Public works	7,946,126
Community services	555,518
Housing	8,767
Redevelopment	545,422
Total Government activities depreciation expense	$ 10,781,667

Internal service fixed assets included in general governmental activities at June 30, 2008 were $498,153 with related depreciation expense of $46,949.

NOTE 5 – CAPITAL ASSETS, continued

C. Business-type Activities

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

	Balance July 1, 2007	Additions	Disposals	Transfers	Balance June 30, 2008
Non-Depreciable Assets:					
Land	$ 6,717,636	$ -	$ (2,404)	$ -	$ 6,715,232
Construction in Progress	48,205,453	10,415,135	(445,497)	(4,085,879)	54,089,212
Total	54,923,089	10,415,135	(447,901)	(4,085,879)	60,804,444
Depreciable Assets:					
Buildings & Improvements	197,856,617	286	-	85,035	197,941,938
Equipment	5,318,715	69,232	(6,516)	-	5,381,430
Vehicles	4,266,173	854,280	(272,660)	(297,639)	4,550,154
Infrastructure	63,382,053	2,830,335	(3)	4,000,844	70,213,229
Total	270,823,558	3,754,133	(279,179)	3,788,240	278,086,751
Less accumulated depreciation for:					
Buildings & Improvements	(56,273,092)	(4,702,145)	-	-	(60,975,237)
Equipment	(4,094,780)	(311,068)	6,516	-	(4,399,332)
Vehicles	(3,299,386)	(336,313)	267,805	249,932	(3,117,962)
Infrastructure	(15,582,484)	(1,347,207)	-	-	(16,929,691)
Total	(79,249,742)	(6,696,733)	274,321	249,932	(85,422,222)
Total depreciable assets, net	191,573,816	(2,942,600)	(4,858)	4,038,172	192,664,529
Business-type activities capital assets, net	$ 246,496,905	$ 7,472,535	$ (452,759)	$ (47,707)	$ 253,468,973

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

Sewer	$ 4,280,850
Water	2,065,465
Transit	350,418
Total Business-type activities depreciation expense	$ 6,696,733

Vehicle and equipment replacement assets in the amount of $4,656,782 are included in Business-type activities. At June 30, 2008 depreciation expense for these assets totaled $356,057.

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, 2008:

	Governmental Activities	Business Type Activities	Total
Long-term debt			
Loans Payable	$ 5,237,541	$ 404,956	$ 5,642,497
Certificates of Participation	17,375,000	-	17,375,000
Bonds Payable	68,095,560	-	68,095,560
Capital Lease Obligations	4,386,742	365,883	4,752,625
State Revolving Loan	-	65,579,717	65,579,717
Total	$ 95,094,843	$ 66,350,556	$ 161,445,399

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.

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, 2008:

Loans Payable:	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
City:					
Frank Gonzales	$ 49,870	$ -	$ 24,209	$ 25,661	$ 25,661
Nancy Gonzales	99,739	-	48,417	51,322	51,322
Robert Gonzales	99,739	-	48,417	51,322	51,322
Nancy Gonzales	28,159	-	25,927	2,232	2,232
Robert & Priscilla Gonzales	27,478	-	25,301	2,177	2,177
Brazelton Family Living Trust	607,500	-	67,500	540,000	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	-
Dorthy Brown	-	589,005	-	589,005	-
Charles Rogers	-	742,800	-	742,800	-
John Gonge	-	294,314	-	294,314	-
Sandra Merhoff	-	146,936	-	146,936	-
Redevelopment:					
Cernon Street Parking Lot	30,630	-	11,711	18,919	12,425
Beck & Clark Family Trust	375,692	-	18,506	357,186	19,824
Puerta, Frank & Betty	205,194	-	64,454	140,740	68,321
Klotz, Albert & Marita Family Trust	610,304	-	64,430	545,874	68,215
Babington, Richard & Carol	400,000	-	30,705	369,295	32,471
Dept. of Toxic Substances	187,776	-	3,018	184,758	3,196
Total Loans Payable	3,397,081	2,273,055	432,595	5,237,541	404,666

NOTE 6 – LONG-TERM LIABILITIES, continued

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Certificates of Participation:					
1994 Certificates of Participation	7,015,000	-	855,000	6,160,000	890,000
1997 Certificates of Participation	11,525,000	-	310,000	11,215,000	325,000
Total Certificates of Participation	18,540,000	-	1,165,000	17,375,000	1,215,000
Bonds Payable:					
1996 Tax Allocation Bonds	5,370,000	-	225,000	5,145,000	235,000
2000 Tax Allocation Bonds	11,060,000	-	215,000	10,845,000	225,000
2001 Tax Allocation Bonds	29,600,000	-	675,000	28,925,000	705,000
2000A Multifamily Mortgage	2,007,870	-	67,310	1,940,560	71,120
2006 Taxable Housing Bonds	18,875,000	-	205,000	18,670,000	315,000
2006 ABAG Tax Allocation Bonds	2,660,000	-	90,000	2,570,000	95,000
Total Bonds	69,572,870	-	1,477,310	68,095,560	1,646,120
Capital Lease Obligations:					
Vacaville Recreation Corporation	2,300,051	-	79,198	2,220,853	83,250
Westamerica Bank	119,788	-	58,966	60,822	60,822
Westamerica Bank	573,466	-	63,017	510,449	65,318
Banc of America Leasing	1,187,618	-	111,351	1,076,267	116,017
Westamerica Bank	-	587,036	68,685	518,351	48,740
Total Capital Lease Obligations	4,180,923	587,036	381,217	4,386,742	374,147
Total long-term debt	$ 95,690,874	$ 2,860,091	$ 3,456,122	$ 95,094,843	$ 3,639,933

NOTE 6 – LONG-TERM LIABILITIES, continued

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

Loans Payable:

Original Debt Amount	Outstanding June 30, 2008	
$ 200,200	$ 25,661	Long-term note for the purchase of a portion of 108.58 acres of open space land. Principal and interest were paid in annual installments of $27,201 including interest at 6%. The final payment of $25,661 is due August 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.
$ 400,400	$ 51,322	Long-term note for the purchase of a portion of 108.58 acres of open space land. Principal and interest were paid in annual installments of $54,402 including interest at 6%. The final payment of $51,322 is due August 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.
$ 400,400	$ 51,322	Long-term note for the purchase of a portion of 108.58 acres of open space land. Principal and interest are paid in annual installments of $54,402 including interest at 6%. The final payment of $51,322 is due August 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.
$ 202,000	$ 2,232	Long-term note for the purchase of 20.56 acres of open space land. Principal and interest are payable in monthly installments of $2,243 including interest at 6%. The final payment of $2,232 is due July 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.
$ 197,125	$ 2,177	Long-term note for the purchase of 20.17 acres of open space land. Principal and interest are payable in monthly installments of $2,188 including interest at 6%. The final payment of $2,177 is due July 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.
$ 675,000	$ 540,000	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.
$ 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.

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.
$ 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	$ 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 is 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.
$ 146,936	$ 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 is 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.

NOTE 6 – LONG-TERM LIABILITIES, continued

$ 99,500	$ 18,919	Long-term note for the Agency's purchase of a downtown parking lot. Principal and interest are paid in semi-annual installments of $6,688 each May and November including interest at 6% through November 1, 2009. Payments of principal and interest are funded by tax increment revenues of the Agency.
$ 475,000	$ 357,186	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.
$ 565,000	$ 140,740	Long-term note for the Agency's purchase of 1.56 acres for a future park and ride lot. Principal and interest are payable in installments of $76,765 each January, including interest at 6% through January, 2010. Payments of principal and interest are funded by tax increment revenues of the Agency.
$ 742,500	$ 545,874	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	$ 369,295	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	$ 184,758	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, 2008 for loans payable is as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 404,666	$ 283,874	$ 688,540
2010	277,592	260,109	537,701
2011	647,858	243,927	891,785
2012	385,827	199,890	585,717
2013	2,051,732	187,478	2,239,210
2014-2018	1,388,166	232,007	1,620,173
2019-2020	81,700	7,272	88,972
Total	$ 5,237,541	$ 1,414,557	$ 6,652,098

NOTE 6 – LONG-TERM LIABILITIES, continued

Certificates of Participation:

Original Debt Amount	Outstanding June 30, 2008	
$15,170,000	$ 6,160,000	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.
$13,660,000	$11,215,000	1997 Certificates of Participation issued by the Authority for acquisition of various City-owned facilities. Interest rates range from 5.4% to 5.5% and the certificates mature in 2028. The certificates are payable from and secured by the City and are funded by cash and investments held by the City in its debt service funds.

The annual requirement to amortize debt outstanding as of June 30, 2008 for certificates of participation is as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 1,215,000	$ 899,603	$ 2,114,603
2010	1,285,000	835,762	2,120,762
2011	1,350,000	767,990	2,117,990
2012	1,425,000	696,132	2,121,132
2013	1,505,000	619,510	2,124,510
2014-2018	3,505,000	2,315,273	5,820,273
2019-2023	3,055,000	1,548,389	4,603,389
2024-2028	4,035,000	579,561	4,614,561
Total	$ 17,375,000	$ 8,262,220	$ 25,637,220

NOTE 6 – LONG-TERM LIABILITIES, continued

Bonds Payable:

Original Debt Amount	Outstanding June 30, 2008	
$ 9,250,000	$ 5,145,000	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	$10,845,000	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	$28,925,000	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.
$ 2,364,740	$ 1,940,560	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.
$18,875,000	$18,670,000	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.
$ 2,660,000	$ 2,570,000	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.

NOTE 6 – LONG-TERM LIABILITIES, continued

The annual requirement to amortize debt outstanding as of June 30, 2008 for bonds payable is as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 1,646,120	$ 3,639,282	$ 5,285,402
2010	1,729,930	3,554,704	5,284,634
2011	1,813,740	3,466,390	5,280,130
2012	1,897,550	3,374,093	5,271,643
2013	1,997,630	3,275,316	5,272,946
2014-2018	11,658,160	14,650,748	26,308,908
2019-2023	15,119,610	11,077,082	26,196,692
2024-2028	16,167,820	6,774,120	22,941,940
2029-2033	16,065,000	2,030,185	18,095,185
Total	$ 68,095,560	$ 51,841,920	$ 119,937,480

Capital Lease Obligations:

Original Debt Amount	Outstanding June 30, 2008	
$ 2,626,700	$ 2,220,853	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.

NOTE 6 – LONG-TERM LIABILITIES, continued

$ 282,763	$ 60,822	Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for four (4) 2003 Ford E450 Superduty, Rescue LE Ultramedic Type III Ambulances at a total cost of $480,263. The City made a down payment of $200,000 and financed the remaining balance of $280,263 plus $2,500 in costs at an interest rate of 3.149% 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 November 2008. Lease payments are funded through the City's Governmental Vehicle Replacement Fund.
$ 703,100	$ 510,449	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	$ 1,076,267	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	$ 518,351	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 fund.

The annual requirement to amortize debt outstanding as of June 30, 2008 for capital lease obligations is as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 374,147	$ 196,149	$ 570,296
2010	326,838	180,722	507,560
2011	340,941	166,619	507,560
2012	355,662	151,897	507,559
2013	371,030	136,530	507,560
2014-2018	1,450,082	443,551	1,893,633
2019-2023	759,402	202,608	962,010
2024-2028	408,640	24,267	432,907
Total	$ 4,386,742	$ 1,502,343	$ 5,889,085

NOTE 6 – LONG-TERM LIABILITIES, continued

The assets acquired through capital leases are as follows:

Asset:	
Buildings & Improvements	$ 2,626,700
Equipment	2,853,657
Less: Accumulated depreciation	(850,757)
Total	$ 4,629,600

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, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
State Revolving Loans Payable:					
Easterly Wastewater Treatment Plant					
Interim Renovation	$ 832,756	$ -	$ 49,402	$ 783,354	$ 50,786
Plant Expansion	64,788,344	3,002,035	2,994,016	64,796,363	3,053,834
Total State Revolving Loans Payable	65,621,100	3,002,035	3,043,418	65,579,717	3,104,620
Capital Lease Obligations:					
Equipment-2006 Acquisition	62,507	-	5,861	56,646	6,106
Equipment-2007 Acquisition	-	350,214	40,977	309,237	29,077
Total Capital Lease Obligations	62,507	350,214	46,838	365,883	35,183
Note Payable:					
Meadow Woods/DDA	-	704,956	300,000	404,956	100,000
Total	$ 65,683,607	$ 4,057,205	$ 3,390,256	$ 66,350,556	$ 3,239,803

NOTE 6 – LONG-TERM LIABILITIES, continued

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.

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

Year Ending June 30	Proprietary Fund Principal	Interest	Total
2009	$ 50,786	$ 21,934	$ 72,720
2010	52,208	20,512	72,720
2011	53,669	19,050	72,719
2012	55,172	17,547	72,719
2013	56,717	16,003	72,720
2014-2018	308,315	55,283	363,598
2019-2021	206,487	11,670	218,157
Total	$ 783,354	$ 161,999	$ 945,353

NOTE 6 – LONG-TERM LIABILITIES, continued

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 Principal	Interest	Total
2009	$ 3,053,834	$ 1,749,502	$ 4,803,336
2010	3,136,287	1,667,048	4,803,335
2011	3,220,967	1,582,369	4,803,336
2012	3,307,933	1,495,402	4,803,335
2013	3,397,247	1,406,088	4,803,335
2014-2018	18,412,666	5,604,011	24,016,677
2019-2023	21,036,279	2,980,398	24,016,677
2024-2026	9,231,150	375,521	9,606,671
Total	$ 64,796,363	$ 16,860,339	$ 81,656,702

Capital Lease Obligations:

Original Debt Amount	Outstanding June 30, 2008	
$ 70,000	$ 56,646	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	$ 309,237	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.

NOTE 6 – LONG-TERM LIABILITIES, continued

The annual requirement to amortize debt outstanding as of June 30, 2008 for capital lease obligations is as follows:

Year Ending June 30	Principal	Interest	Total
2008	$ 35,183	$ 15,113	$ 50,296
2009	36,637	13,660	50,297
2010	38,152	12,146	50,298
2011	39,727	10,569	50,296
2012	41,369	8,928	50,297
2013-2016	174,815	17,899	192,714
Total	$ 365,883	$ 78,315	$ 444,198

The assets acquired through capital leases are as follows:

Asset:	
Equipment	$ 415,470
Less: Accumulated depreciation	(25,656)
Total	$ 389,814

Note Payable:

Original Debt Amount	Outstanding June 30, 2008	
$ 704,956	$ 404,956	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.

NOTE 6 – LONG-TERM LIABILITIES, continued

The annual requirement to amortize debt outstanding as of June 30, 2008 for loans payable is as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 100,000	$ -	$ 100,000
2010	100,000	-	100,000
2011	100,000	-	100,000
2012	104,956	-	104,956
Total	$ 404,956	$ -	$ 404,956

C. Compensated Absences

***Other Long-term Liabilities*:**

Compensated absences are due to employees for earned but unused compensated absence amounts, including vacation, sick, and compensated time off leave balances. The following is a summary of the compensated absences liability at the fiscal year ended June 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities	$ 6,185,841	$ 6,704,390	$ 6,000,199	$ 6,706,464	$ 344,292
Business Activities	883,938	965,633	913,906	935,665	55,533
Total	$ 7,069,779	$ 7,670,023	$ 6,914,105	$ 7,642,129	$ 399,825

NOTE 6 – LONG-TERM LIABILITIES, continued

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, 2008 is as follows:

Description	Original Bond Amount	June 30, 2008
1997 Green Tree	4,505,000	$ 2,060,000
1990 Eubanks Drive/Midway Road	3,660,000	1,970,000
1997 Allison/Ulatis Phase 2	1,140,739	640,000
1997 Northeast Sector	8,434,307	6,195,000
2002-A Consolidated Refunding	18,365,000	11,870,000
2005-Nut Tree Assessment Dist	7,275,000	7,150,000
Total 1915 Act Limited Obligation Bonds		$ 29,885,000

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, 2008 is $4,640,000.

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, 2008 is $4,385,000.

NOTE 7 – 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 P Street, Sacramento, CA 95814.

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 2007-2008 was 13.168% for miscellaneous employees and 22.809% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2008, the City's annual PERS pension cost of $8,207,450, was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005 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 that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. 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 four-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, 2005, was 20 years for prior service unfunded, and 20 years for remaining unfunded.)

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	$ 6,679,322	100%	$ -
6/30/2007	$ 7,329,030	100%	$ -
6/30/2008	$ 8,207,450	100%	$ -

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

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.

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 2008 was 4.53% of covered payroll during the year. See excess benefit plan funding policy for additional information.

Annual Pension Cost

For 2008, the City's annual pension cost of $1,522,141 was equal to the required and actual contributions. The required contribution was determined as part of a July 1, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were consistent with the PERS June 30, 1999 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
6/30/2006	$ 1,405,073	100%	$ -
6/30/2007	$ 1,498,161	100%	$ -
6/30/2008	$ 1,522,141	100%	$ -

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

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.

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 2008, the City's annual pension cost of $216,000 was equal to the required and actual contributions. The required contribution was determined as part of a July 1, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were consistent with the PERS June 30, 1999 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
6/30/2006	$ 123,000	100%	$ -
6/30/2007	$ 216,000	100%	$ -
6/30/2008	$ 216,000	100%	$ -

NOTE 8 – POST-EMPLOYMENT HEALTH BENEFITS

In addition to the pension benefits described in Note 7, the City provides post-retirement health care benefits, 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 2008, 236 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.

City contributions to PERS for post-retirement health care benefits are financed on a pay-as-you-go method and expenditures are recognized during the period that insurance coverage is in effect. During the year, expenditures of $2,274,476 were recognized for post-retirement health care.

NOTE 9 – FUND EQUITY

Deficit Fund Balances

The following fund had a deficit as of June 30, 2008:

Insurance Fund
The Insurance Internal Service fund has a deficit of ($1,102,297) at June 30, 2008. 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 is reconsidering the policy of funding the insurance liability at the 81.3% level and reducing the funding level to 70% in future years which would eliminate the deficit and which approximates the City's historical experience.

NOTE 10 – 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 $1,117,793 to the debt service fund to cover the City's Measure I debt obligation; 2) Vaca Community Low and Moderate Housing transferred $2,069,257 to RDA to cover the equity loans assistance program; 3) RDA capital project funds transferred $4,246,323 to the debt service fund to cover downtown redevelopment debt obligations and $1,040,144 to the City's capital project funds to cover funding for capital projects; 4) RDA housing and loans transferred $1,577,983 to the RDA capital project funds to cover RDA capital projects.

NOTE 10 – INTERFUND TRANSACTIONS, continued

The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2008:

Interfund Transfers:

	Transfers In (fund receiving transfer):								
		Debt Service Fund	Captial Projects Funds			Enterprise Funds			
Transfers Out (fund making transfer):	General Fund	Redevelopment	City Projects	Redevelopment	Other Governmental Funds	Sewer Utility	Water Utility	Internal Service Funds	Totals
General Fund	$ -	$ -	$ 1,020,474	$ -	$ 1,597,693	$ 171,884	$ 82,703	$ 40,000	$ 2,912,754
Special Revenue Funds:									
Redevelopment	50,000	1,620,376	-	1,577,938	155,962	-	-	-	3,404,276
Debt Service Funds:									
Issue 1 COP	420,000	-	-	-	-	-	-	-	420,000
Captial Projects Funds:									
City Projects	-	-	-	51,844	-	-	-	5,000	56,844
Redevelopment	150,000	4,237,838	1,013,382	-	845,003	1,021,889	-	20,000	7,288,112
Other Governmental Funds:	773,273	-	-	118	-	620,630	-	-	1,394,021
Enterprise Funds:									
Sewer Utility	58,858	-	18,019	-	-	-	16,735	150,633	244,245
Water Utility	-	-	11,729	-	68,330	-	-	287,471	367,530
Internal Service Funds:									
Vehicle Replacement	-	-	-	-	-	25,347	33,430	-	58,777
Insurance	1,500,000	-	-	-	-	-	-	-	1,500,000
Totals	$ 2,952,131	$ 5,858,214	$ 2,063,604	$ 1,629,900	$ 2,666,988	$ 1,839,750	$ 132,868	$ 503,104	$ 17,646,559

NOTE 10 – INTERFUND TRANSACTIONS, continued

Advances To/Advances From Other Funds:

	Advances From Other Funds (fund receiving loan):			
Advances To Other Funds (fund making loan):	**City Projects Capital Projects Fund:**	**Redevelopement Capital Projects Fund:**	**Utility Funds Water Fund:**	**Total**
Captial Projects Fund:				
City Projects	$ -	$ 2,196,699	$ -	$ 2,196,699
Redevelopment	10,539,452	-	-	10,539,452
Total City Projects	10,539,452	2,196,699	-	12,736,151
Enterprise Funds:				
Sewer Utility	739,539	688,373	100,000	1,527,912
Water Utility	1,479,077	1,457,718	-	2,936,795
Total Enterprise	2,218,616	2,146,091	100,000	4,464,707
Total	$ 12,758,068	$ 4,342,790	$ 100,000	$ 17,200,858

The advances to/from consists of City Development Impact Funds loan for 1) Nut Tree development in the amount of $161,129; 2) State Compensation Insurance Fund building in the amount of $1,035,570; and 3) Upper Alamo Creek Detention Basin construction in the amount of $1,000,000. 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. Water and Sewer Utility Enterprise loans were for: 1) Parks and Recreation infrastructure in the amount of $1,313,408; 2) Construction of a fire station in the amount of $905,208; 3) Redevelopment Agency for Nut Tree development in the amount of $1,435,601 and State Compensation Insurance Fund building in the amount of $710,490.

NOTE 11 – UNEARNED AND DEFERRED REVENUE

Unearned revenues in the government-wide financial statements as of June 30, 2008 were as follows:

	Governmental Activities	Business-Type Activities	Total
Community Development Block Grant	$ 1,003,847	$ -	$ 1,003,847
Public Works grant	40,781	-	40,781
Bethany note interest	57,295	-	57,295
General services and recreation revenue	272,500	-	272,500
Police grants	229,110	-	229,110
Building permit revenue	1,099,333	-	1,099,333
Buck & Eldridge Maintenance	136,716	-	136,716
Sewer payback agreement	-	2,997	2,997
Water utility revenue	-	72,382	72,382
	$ 2,839,582	$ 75,379	$ 2,914,961

Deferred and unearned revenues in the fund financial statements as of June 30, 2008 were as follows:

	Major Governmental Funds					Proprietary Funds	
	General	Community Development	City Projects	Redevelopment Capital Projects	Other Governmental Funds	Sewer Utility	Water Utility
General services and recreation revenue	$ 272,500	$ -	$ -	$ -	$ -	$ -	$ -
CDBG/HOME loans	-	10,715,184	-	-	-	-	-
CDBG maintenance reserve	-	91,291	-	-	-	-	-
Public Works grant	-	-	40,781	-	-	-	-
Vacaville Library District loan	-	-	-	2,095,000	-	-	-
Buck & Eldridge Maintenance	-	-	-	136,716	-	-	-
Bethany note interest	-	-	-	57,295	-	-	-
Building permit revenue	-	-	-	-	1,099,333	-	-
Police grants	-	-	-	-	229,110	-	-
Sewer payback agreement	-	-	-	-	-	2,997	-
Water utility revenue	-	-	-	-	-	-	72,382
	$ 272,500	$ 10,806,475	$ 40,781	$ 2,289,011	$ 1,328,443	$ 2,997	$ 72,382

NOTE 11 – UNEARNED AND DEFERRED REVENUE, continued

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

$ 10,806,475	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.
$ 2,095,000	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 $2,145,000 in the Redevelopment Capital Projects Fund.
$ 1,099,333	Building permit revenues in excess of expenses recorded in Other Governmental Special Revenue Fund.
$ 736,402	Various grants and fees for governmental and business type funds.

NOTE 12 – 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 reduces 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, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the City Council and management and can be increased, decreased or eliminated by similar actions. As of June 30, 2008, reservations of fund balance are shown on the next page. Additionally, the remaining unreserved, designated and undesignated fund balance are also shown on the next page:

NOTE 12 – CLASSIFICATION OF NET ASSETS AND FUND BALANCES, continued

	General	Community Development	Redevelopment Special Revenue	Certificates of Participation	Redevelopment Debt Service	City Projects	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Reserved Fund Balances:									
Encumbrances	$ 898,897	$ 17,607	$ 10,722	$ -	$ -	$ 1,478,300	$ 275,554	$ 459,566	$ 3,140,646
Loans and long-term receivables	8,258	-	23,992,387	-	2,364,740	-	4,236,898	-	30,602,283
Prepaid items	31,364	-	-	-	1,137	1,728,533	268	856,051	2,617,353
Advances to other funds	-	-	-	-	-	2,196,699	10,539,452	-	12,736,151
Debt service	-	-	-	13,384,078	4,380,333	-	12,719,822	1,237,357	31,721,590
Capital projects	-	-	-	-	-	-	-	1,351,830	1,351,830
Subtotal	938,519	17,607	24,003,109	13,384,078	6,746,210	5,403,532	27,771,994	3,904,804	82,169,853
Unreserved Fund Balances:									
Designated for capital projects									
General Fund	10,663,608	-	-	-	-	-	-	-	10,663,608
Capital Projects Funds	-	-	-	-	-	(4,022,423)	13,804,447	-	9,782,024
Subtotal	10,663,608	-	-	-	-	(4,022,423)	13,804,447	-	20,445,632
Undesignated Fund Balances									
Special Revenue Funds	-	(12,283)	9,437,975	-	-	-	-	5,829,855	15,255,547
Debt Service Funds	-	-	-	-	591,615	-	-	9,569	601,184
Subtotal	-	(12,283)	9,437,975	-	591,615	-	-	5,839,424	15,856,731
Total Fund Balances	$ 11,602,127	$ 5,324	$ 33,441,084	$ 13,384,078	$ 7,337,825	$ 1,381,109	$ 41,576,441	$ 9,744,228	$ 118,472,216

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The City maintains the Insurance Internal Service Fund to account for and finance its risks of loss. Under this program, the City is self-insured for the first $500,000 of each claim for general, auto liability, and public official liability and the first $350,000 of each claim for worker's compensation.

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA). Through CJPRMA, the City has an additional $39,500,000 in comprehensive general liability, auto liability, and public official liability over and above the self-insured retention of $500,000.

The City is also a member of the Local Agency Worker's Compensation Excess Insurance Authority (LAWCX) Joint Powers Authority, which provides excess workers compensation coverage up to $200,000,000 per occurrence.

The purpose of CJPRMA and LAWCX is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense. The City contributes its pro rata share of expected losses to pools administered by CJPRMA and LAWCX. Should actual losses among participants be greater than the anticipated losses, the City may be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City may be refunded its pro rata share of the excess. Settled claims have not exceeded excess coverage in any of the past three fiscal years.

All operating funds participate in the program and make payments to the Insurance Internal Service Fund based on historical cost and/or actuarial estimates of the amounts needed to pay prior and current year claims, loss of development and to allow accrual of estimated incurred but not reported claims. The total actuarial determined claims liability at June 30, 2008 is $5,573,000 consisting of $1,117,000 general liability and $4,456,000 worker's compensation liability and it includes allocated expenses and a provision for the incurred but not reported claims. Of this balance, $2,000,125 has been recorded as a current liability on the balance sheet.

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 Liability, Automobile Liability and Public Officials Errors & Omissions limits of $20,475,000 per occurrence, subject to a $25,000 self-insured retention. In addition, the City also participates in CalTIP's Physical Damage Program, protecting the transit vehicle fleet with a $10,000,000 per occurrence limit and $5,000 deductible per accident.

These claims 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, 2008.

Changes in the Insurance Fund claims liability during the fiscal year July 1, 2007 through June 30, 2008 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
2007-2008	$ 5,045,000	$ 1,329,171	$ (801,171)	$ 5,573,000	$ 2,000,125
2006-2007	5,310,000	(170,463)	(94,537)	5,045,000	1,797,316
2005-2006	7,378,000	(610,000)	(1,458,000)	5,310,000	1,874,850

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. COMMITMENTS

The City has a construction contract for the Vacaville Transit Plaza. The original contract amount was approximately $1.9 million and at June 30, 2008 equals approximately $221,000. The contract is expected to be completed by August 2008.

The City has a construction contract for Laurel Wood Storm Drain Improvements to increase the capacity of the storm drain system in that area. The original contract amount was approximately $288,000, and at June 30, 2008 equals approximately $147,000. The contract is expected to be completed by August 2008.

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, 2008 equals approximately $268,000. The contract is expected to be completed by July 2011.

The City has a contract to slurry seal over 20% of the City's residential streets. The original contract amount was approximately $1,063,000, and at June 30, 2008 equals approximately $1,063,000. The contract is expected to be completed by September 2008.

The City has a construction contract for the Dobbins/East Monte Vista intersection. The original contract amount was approximately $2.1 million, and at June 30, 2008 equals approximately $2.0 million. The contract is expected to be completed by January 2009.

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.

The City worked with the Department of Justice (DOJ) to determine the City's compliance with the Americans with Disabilities Act of 1990 (ADA). The DOJ provided a number of specific remedies including timelines, law specific solutions and reporting over the next ten years. The City was not able to provide a reasonable estimated balance. Therefore, no liability was recorded as of June 30, 2008.

NOTE 15 – 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.

NOTE 16 - 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.

NOTE 16 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

The following unaudited information for the Water Authority is presented as of, and for the year ended June 30, 2008:

Current assets	$ 378,887
Property, plant and equipment, net	954,067
Total assets	$ 1,332,954
Contributed capital	$ 2,170,931
Retained earnings	(837,977)
Total equity	$ 1,332,954
Other revenues (expenses), net	(3,266)
Decrease in retained earnings	$ (3,266)

As of June 30, 2008 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 $18,711,424 which represents a 37.7% equity interest. Complete financial statements may be obtained through the City of Fairfield Finance Department.

NOTE 16 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

Summarized unaudited financial information for the North Bay Treatment Plant as of June 30, 2008 is shown below.

NORTH BAY TREATMENT PLANT	
Current assets	$ 6,814,121
Property, plant and equipment, net	43,240,423
Total assets	50,054,544
Current liabilities	813,160
Noncurrent liabilities	18,711,424
Total liabilities	19,524,584
Invested in Capital Assets, net of related debt	32,417,464
Unrestricted	(1,887,504)
Total Net Assets	$ 30,529,960
Total operating revenues	$ 6,284,495
Total operating expenses	6,897,124
Operating loss	(612,629)
Total non-operating revenues	387,540
Income before Contributions and Transfers	(225,089)
Captial contributions	1,072,506
Transfers out	(75,689)
Total Contributions and Transfer	996,817
Increase in Net Assets	771,728
Net Assets	
Beginning of Year	47,914,630
Change in accounting principles	(18,156,398)
Restated Beginning of Year	29,758,232
End of Year	$ 30,529,960

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.

NOTE 16 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

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.

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 17 – PRIOR PERIOD ADJUSTMENT

Business-Type Activities long-term debt and net assets have been restated by ($1,191,684) to reflect interest accrued on the loan balance during the construction period of the State Revolving Loan Payable. This amount was not provided by the State of California on the interest accrual until this fiscal year; therefore, the loan balance was not adjusted in previous years.

NOTE 18 – SUBSEQUENT EVENTS

On July 1, 2008 the City participated in the California Communities Tax and Revenue Anticipation Note Program to provide moneys to meet anticipated cash flow needs for fiscal year 2008-2009. The City's portion of the program was $5,000,000. This money will be repaid from unrestricted revenues of the general fund received during the fiscal year.

On August 8, 2008 the City entered into a lease with option to purchase agreement with First Municipal Leasing Corporation in the amount of $472,950 to be repaid over a period of 10 years. Payments for the lease are funded from the City's gas tax and General Fund and the City's Water and Sewer funds.

On August 15, 2008 the 1997 Refunding Certificates of Participation were redeemed.

A loan receivable in the amount of $2,723,113 had been recorded in the Special Revenue Funds from Vacaville Community Housing, a non-profit corporation. The loan was secured against property at 0% interest with the total payment due August 2006. The loan was delinquent and to resolve the delinquency, in July of 2008, the loan was forgiven when the ownership of the property was transferred back to the Redevelopment Agency from Vacaville Community Housing.

On June 30, 2008 the City of Vacaville's Pooled Portfolio held $2,000,000 of Lehman Brothers bonds that mature on July 26, 2010. In September 2008, Lehman Brothers filed for bankruptcy protection. The Pooled Portfolio has retained these bonds and will be marking the value of the bonds down to 12.5 cents on the dollar based on current trades. This represents a loss of approximately 1.167% to the Pool, based on annual average assets. This write down will be off-set to interest earnings for fiscal year 2009.

In addition, the Pool also holds bonds that mature on September 1, 2010 in the amount of $2,000,000 in International Lease Finance, a subsidiary of AIG. These bonds are being monitored for potential impairment.

Andrews Park

REQUIRED SUPPLEMENTARY INFORMATION

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.

Increases to appropriations totaling $3,523,521 for the City and Redevelopment operating budget were made by the City Council/Redevelopment Agency action during the year. Additionally, the City operating budget had appropriations totalling $33,571 that were carried forward from the prior fiscal year. Appropriations were also increased due to grant carryovers of $270,882.

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, 2008

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

	BUDGETED AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
Revenues:				
Taxes and fees	$ 51,578,264	$ 51,578,264	$ 48,978,632	$ (2,599,632)
Licenses and permits	226,606	226,606	190,572	(36,034)
Investment income	2,422,318	2,422,318	2,600,488	178,170
Intergovernmental	934,469	934,469	1,231,328	296,859
Charges for services	8,707,018	8,707,018	7,885,682	(821,336)
Fines, forfeits and penalties	132,547	132,547	136,864	4,317
Other	213,839	213,839	439,745	225,906
Total revenues	64,215,061	64,215,061	61,463,311	(2,751,750)
Expenditures:				
Current:				
General government	6,010,714	6,766,604	5,585,092	1,181,512
Public safety	43,149,694	42,904,710	43,735,349	(830,639)
Public works	6,156,005	6,578,266	5,795,482	782,784
Community services	9,243,780	9,300,418	8,996,441	303,977
Debt service:				
Principal	401,419	413,823	413,823	-
Interest and fiscal charges	89,498	91,538	91,540	(2)
Total expenditures	65,051,110	66,055,359	64,617,727	1,437,632
Excess (deficiency) of revenues over (under) expenditures	(836,049)	(1,840,298)	(3,154,416)	(1,314,118)
Other financing sources (uses):				
Transfers in	1,195,118	3,173,976	2,952,131	(221,845)
Transfers out	(1,623,247)	(2,912,754)	(2,912,754)	-
Sale of capital assets	-	70,878	70,878	-
Proceeds debt and loans	-	587,036	587,036	-
Total other financing sources (uses)	(428,129)	919,136	697,291	(221,845)
Net change in total fund balance	$ (1,264,178)	$ (921,162)	(2,457,125)	$ (1,535,963)
Fund balances, beginning of year			14,059,252	
Fund balances, end of year			$ 11,602,127	

CITY OF VACAVILLE

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL -- SPECIAL REVENUE FUND-COMMUNITY DEVELOPMENT

	BUDGETED AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
Revenues:				
Use of money and property	$ -	$ -	$ 2,315	$ 2,315
Intergovernmental	575,973	575,973	601,497	25,524
Total revenues	575,973	575,973	603,812	27,839
Expenditures:				
Current:				
Community services	672,474	770,190	680,819	89,371
Total expenditures	672,474	770,190	680,819	89,371
Net change in total fund balance	$ (96,501)	$ (194,217)	(77,007)	$ 117,210
Fund balances, beginning of year			82,331	
Fund balances, end of year			$ 5,324	

CITY OF VACAVILLE

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

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

	BUDGETED AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	BUDGET
Revenues:				
Taxes and fees	$ 5,899,200	$ 5,899,200	$ 7,006,227	$ 1,107,027
Investment income	33,136	33,136	542,805	509,669
Other	11,637	11,637	51,156	39,519
Total revenues	5,943,973	5,943,973	7,600,188	1,656,215
Expenditures:				
Current:				
Housing	2,237,845	2,237,845	2,134,369	103,476
Total expenditures	2,237,845	2,237,845	2,134,369	103,476
Excess (deficiency) of revenues over (under) expenditures	3,706,128	3,706,128	5,465,819	1,759,691
Other financing sources (uses):				
Transfers in	3,442,000	-	-	-
Transfers out	(5,445,308)	(3,634,152)	(3,404,276)	(229,876)
Total other financing sources (uses)	(2,003,308)	(3,634,152)	(3,404,276)	(229,876)
Net change in total fund balance	$ 1,702,820	$ 71,976	2,061,543	$ 1,529,815
Fund balances, beginning of year			31,379,541	
Fund balances, end of year			$ 33,441,084	

CITY OF VACAVILLE

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

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						
6/30/2004	$ 94,092,723	$ 75,193,742	$ (18,898,981)	79.9%	$ 23,187,035	81.500%
6/30/2005	103,164,841	85,711,396	(17,453,445)	83.1%	23,283,722	75.000%
6/30/2006	113,210,994	96,973,858	(16,237,136)	85.7%	24,483,195	66.300%
Safety						
6/30/2004	86,229,863	72,463,636	(13,766,227)	84.0%	15,802,920	87.100%
6/30/2005	101,390,368	83,195,172	(18,195,196)	82.1%	16,481,093	110.400%
6/30/2006	112,820,389	94,400,708	(18,419,681)	83.7%	17,460,380	105.500%

SCHEDULE OF FUNDING PROGRESS- PARS

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UAL)	Funded Ratio	Valuation Payroll	UAL as % of Payroll
Miscellaneous						
7/1/2001	$ 7,959,932	$ -	$ (7,959,932)	0.00%	$ 19,608,378	40.59%
7/1/2004	12,985,251	3,360,055	(9,625,196)	25.88%	22,335,408	43.09%

SUPPLEMENTARY INFORMATION

Alamo Creek Park

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.

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.

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, 2008

	SPECIAL REVENUE					DEBT SERVICE	CAPITAL PROJECTS	
	BUILDING & STREET DEVELOPMENT	HOUSING ASSISTANCE	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	MEASURE I	ASSESSMENT & IMPROVEMENT DISTRICTS	TOTAL OTHER GOVERNMENTAL FUNDS
Assets								
Cash and investments	$ 3,573,152	$ 3,099,318	$ 3,266,985	$ 66,960	$ 484,398	$ -	$ -	$ 10,490,813
Receivables:								
Interest	-	-	-	-	-	9,569	-	9,569
Taxes	250,945	-	-	-	-	-	-	250,945
Accounts	217,024	103,497	-	-	120,561	-	-	441,082
Prepaid Items	-	831,843	-	-	24,208	-	-	856,051
Restricted cash and investments	-	-	-	-	-	1,237,357	1,351,830	2,589,187
Total assets	$ 4,041,121	$ 4,034,658	$ 3,266,985	$ 66,960	$ 629,167	$ 1,246,926	$ 1,351,830	$ 14,637,647
Liabilities and Fund Balances								
Liabilities:								
Accounts and contract payable	$ 51,587	$ 2,581	$ 12,398	$ -	$ 48,908	$ -	$ -	$ 115,474
Accrued payroll	135,694	42,140	44,830	-	10,993	-	-	233,657
Deposits payable	1,546,661	321,260	1,291,639	-	56,285	-	-	3,215,845
Deferred revenue	1,099,334	-	-	-	229,109	-	-	1,328,443
Total liabilities	2,833,276	365,981	1,348,867	-	345,295	-	-	4,893,419
Fund balances:								
Reserved for encumbrances	68,419	30,725	269,333	-	91,089	-	2,220	461,786
Reserved for prepaid items	-	831,843	-	-	24,208	-	-	856,051
Reserved for debt service	-	-	-	-	-	1,237,357	-	1,237,357
Reserved for capital projects	-	-	-	-	-	-	1,349,610	1,349,610
Unreserved:								
Undesignated	1,139,426	2,806,109	1,648,785	66,960	168,575	9,569	-	5,839,424
Total fund balances	1,207,845	3,668,677	1,918,118	66,960	283,872	1,246,926	1,351,830	9,744,228
Total liabilities and fund balances	$ 4,041,121	$ 4,034,658	$ 3,266,985	$ 66,960	$ 629,167	$ 1,246,926	$ 1,351,830	$ 14,637,647

CITY OF VACAILLVE

OTHER GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE					DEBT SERVICE	CAPITAL PROJECTS	
	BUILDING & STREET DEVELOPMENT	HOUSING ASSISTANCE	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	MEASURE I	ASSESSMENT & IMPROVEMENT DISTRICTS	TOTAL OTHER GOVERNMENTAL FUNDS
Revenues:								
Taxes and fees	$ -	$ -	$ 2,511,444	$ 590,452	$ -	$ -	$ -	$ 3,101,896
Licenses and permits	1,405,520	-	-	-	-	-	-	1,405,520
Investment income	252,323	102,518	-	-	5,329	77,178	57,558	494,906
Intergovernmental	772,151	12,326,915	-	-	777,785	-	-	13,876,851
Charges for services	1,531,503	24,895	-	-	221,849	-	-	1,778,247
Fines, forfeits and penalties	333,746	-	-	-	-	-	-	333,746
Other	5,538	68,561	37,800	-	7,500	-	-	119,399
Total revenues	4,300,781	12,522,889	2,549,244	590,452	1,012,463	77,178	57,558	21,110,565
Expenditures:								
Current:								
General government	3,804,582	-	-	-	-	-	-	3,804,582
Public safety	-	-	-	1,933	822,908	-	-	824,841
Public works	1,604,932	-	-	-	16,378	-	-	1,621,310
Community services	-	10,602	2,404,866	57,713	8,726	-	-	2,481,907
Housing	-	11,652,656	-	-	-	-	-	11,652,656
Capital Outlay	-	-	-	-	-	-	142,398	142,398
Debt service:								
Principal	-	-	-	-	-	855,000	-	855,000
Interest and fiscal charges	-	-	-	-	-	339,510	-	339,510
Total expenditures	5,409,514	11,663,258	2,404,866	59,646	848,012	1,194,510	142,398	21,722,204
Excess (deficiency) of revenues over (under) expenditures	(1,108,733)	859,631	144,378	530,806	164,451	(1,117,332)	(84,840)	(611,639)
Other financing sources (uses):								
Transfers in	988,330	2,962	459,900	-	-	1,117,793	98,003	2,666,988
Transfers out	(316,910)	-	-	(456,364)	-	-	(620,747)	(1,394,021)
Total other financing sources (uses)	671,420	2,962	459,900	(456,364)	-	1,117,793	(522,744)	1,272,967
Net change in total fund balance	(437,313)	862,593	604,278	74,442	164,451	461	(607,584)	661,328
Fund balances, beginning of year	1,645,158	2,806,084	1,313,840	(7,482)	119,421	1,246,465	1,959,414	9,082,900
Fund balances, end of year	$ 1,207,845	$ 3,668,677	$ 1,918,118	$ 66,960	$ 283,872	$ 1,246,926	$ 1,351,830	$ 9,744,228

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, 2008

	BUILDING & STREET DEVELOPMENT			
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Licenses and permits	$ 1,100,000	$ 1,100,000	$ 1,405,520	$ 305,520
Investment income	125,000	125,000	252,323	127,323
Intergovernmental	794,525	794,525	772,151	(22,374)
Charges for services	1,727,151	1,727,151	1,531,503	(195,648)
Fines, forfeits and penalties	-	-	333,746	333,746
Other	600,000	-	5,538	5,538
Total revenues	4,346,676	3,746,676	4,300,781	554,105
Expenditures:				
Current:				
General government	4,471,151	4,465,259	3,804,582	660,677
Public works	794,526	794,526	1,604,932	(810,406)
Total expenditures	5,265,677	5,259,785	5,409,514	(149,729)
Excess (deficiency) of revenues over (under) expenditures	(919,001)	(1,513,109)	(1,108,733)	703,834
Other financing sources (uses):				
Transfers in	920,000	988,330	988,330	-
Transfers out	(358,360)	(358,360)	(316,910)	41,450
Total other financing sources (uses)	561,640	629,970	671,420	41,450
Net change in total fund balance	$ (357,361)	$ (883,139)	(437,313)	$ 745,284
Fund balance, beginning of year			1,645,158	
Fund balance, end of year			$ 1,207,845	

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, 2008

	HOUSING ASSISTANCE			
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Investment income	$ -	$ -	$ 102,518	$ 102,518
Intergovernmental	13,217,341	13,217,341	12,326,915	(890,426)
Charges for services	-	-	24,895	24,895
Other	-	-	68,561	68,561
Total revenues	13,217,341	13,217,341	12,522,889	(694,452)
Expenditures:				
Current:				
Community services	31,233	31,233	10,602	20,631
Housing	14,239,061	14,242,563	11,652,656	2,589,907
Total expenditures	14,270,294	14,273,796	11,663,258	2,610,538
Excess (deficiency) of revenues over (under) expenditures	(1,052,953)	(1,056,455)	859,631	(3,304,990)
Other financing sources (uses):				
Transfers in	223,332	223,332	2,962	220,370
Total other financing sources (uses)	223,332	223,332	2,962	220,370
Net change in total fund balance	$ (829,621)	$ (833,123)	862,593	$ (3,084,620)
Fund balance, beginning of year			2,806,084	
Fund balance, end of year			$ 3,668,677	

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, 2008

	MAINTENANCE DISTRICTS			
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Taxes and fees	$ 2,532,649	$ 2,532,649	$ 2,511,444	$ (21,205)
Other	-	-	37,800	37,800
Total revenues	2,532,649	2,532,649	2,549,244	16,595
Expenditures:				
Current:				
Community services	3,170,644	3,208,444	2,404,866	803,578
Total expenditures	3,170,644	3,208,444	2,404,866	803,578
Excess (deficiency) of revenues over (under) expenditures	(637,995)	(675,795)	144,378	(786,983)
Other financing sources (uses):				
Transfers in	459,900	459,900	459,900	-
Total other financing sources (uses)	459,900	459,900	459,900	-
Net change in total fund balance	$ (178,095)	$ (215,895)	604,278	$ (786,983)
Fund balance, beginning of year			1,313,840	
Fund balance, end of year			$ 1,918,118	

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, 2008

	COMMUNITY FACILITIES			
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Taxes and fees	$ 742,343	$ 742,343	$ 590,452	$ (151,891)
Total revenues	742,343	742,343	590,452	(151,891)
Expenditures:				
Current:				
Public safety	-	-	1,933	(1,933)
Community services	-	-	57,713	(57,713)
Total expenditures	-	-	59,646	(59,646)
Excess (deficiency) of revenues over (under) expenditures	742,343	742,343	530,806	(92,245)
Other financing sources (uses):				
Transfers out	(636,758)	(636,758)	(456,364)	(180,394)
Total other financing sources (uses)	(636,758)	(636,758)	(456,364)	(180,394)
Net change in total fund balance	$ 105,585	$ 105,585	74,442	$ (272,639)
Fund balance, beginning of year			(7,482)	
Fund balance, end of year			$ 66,960	

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, 2008

	SPECIAL PROGRAMS			
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
Revenues:				
Investment income	$ -	$ -	$ 5,329	$ 5,329
Intergovernmental	-	1,268,556	777,785	(490,771)
Charges for services	-	-	221,849	221,849
Other	-	-	7,500	7,500
Total revenues	-	1,268,556	1,012,463	(256,093)
Expenditures:				
Current:				
Public safety	-	1,241,676	822,908	418,768
Public works	13,760	30,502	16,378	14,124
Community services	-	-	8,726	(8,726)
Total expenditures	13,760	1,272,178	848,012	424,166
Excess (deficiency) of revenues over (under) expenditures	(13,760)	(3,622)	164,451	(680,259)
Net change in total fund balance	$ (13,760)	$ (3,622)	164,451	$ (680,259)
Fund balance, beginning of year			119,421	
Fund balance, end of year			$ 283,872	

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.

TECHOLOGY REPLACEMENT

To account for the acquisition of techology 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 retiree health insurance premiums.

CITY OF VACAVILLE

INTERNAL SERVICE FUNDS

COMBINING STATEMENTS OF NET ASSETS

JUNE 30, 2008

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
Assets						
Current assets:						
Cash and investments	$ 47,511	$ 2,268,328	$ 213,393	$ 4,402,140	$ 2,895,539	$ 9,826,911
Receivables:						
Accounts	33,852	-	-	19,240	-	53,092
Inventories - supplies	223,609	-	-	-	-	223,609
Prepaid items	125	-	2,188	-	-	2,313
Total current assets	305,097	2,268,328	215,581	4,421,380	2,895,539	10,105,925
Non-current assets:						
Deposits	-	-	-	130,000	-	130,000
Capital assets - net of accumulated depreciation	96,186	1,491,833	240,294	-	-	1,828,313
Total non-current assets	96,186	1,491,833	240,294	130,000	-	1,958,313
Total assets	$ 401,283	$ 3,760,161	$ 455,875	$ 4,551,380	$ 2,895,539	$ 12,064,238
Liabilities						
Current liabilities:						
Accounts and contract payable	$ 54,090	$ -	$ 34,392	$ 43,591	$ -	$ 132,073
Accrued payroll	70,278	-	-	17,086	-	87,364
Employee benefits payable	-	-	-	-	2,680,033	2,680,033
Compensated absences	-	-	-	-	215,506	215,506
Claims payable - due within one year	-	-	-	2,000,125	-	2,000,125
Total current liabilities	124,368	-	34,392	2,060,802	2,895,539	5,115,101
Non-current liabilities:						
Deposits payable	-	-	-	20,000	-	20,000
Claims payable - due in more than a year	-	-	-	3,572,875	-	3,572,875
Total liabilities	124,368	-	34,392	5,653,677	2,895,539	8,707,976
Net Assets						
Invested in capital assets, net of related debt	96,186	1,491,833	240,294	-	-	1,828,313
Unrestricted	180,729	2,268,328	181,189	(1,102,297)	-	1,527,949
Total net assets	$ 276,915	$ 3,760,161	$ 421,483	$ (1,102,297)	$ -	$ 3,356,262

CITY OF VACAVILLE

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
Operating revenues:						
Internal service charges	$ 3,064,193	$ 292,895	$ 696,841	$ 3,634,362	$ 3,796,646	$ 11,484,937
Operating expenses:						
Internal service expenses	3,209,957	2,335	628,672	4,182,810	3,796,646	11,820,420
Depreciation	3,377	356,057	43,571	-	-	403,005
Total operating expenses	3,213,334	358,392	672,243	4,182,810	3,796,646	12,223,425
Operating income (loss)	(149,141)	(65,497)	24,598	(548,448)	-	(738,488)
Non-operating revenues (expenses):						
Interest expense	(3,703)	-	-	-	-	(3,703)
Other	149,319	-	-	1,844	-	151,163
Total non-operating revenues (expenses)	145,616	-	-	1,844	-	147,460
Income (loss) before operating transfers	(3,525)	(65,497)	24,598	(546,604)	-	(591,028)
Transfers:						
Transfers in	80,000	423,104	-	-	-	503,104
Transfers out	-	(58,777)	-	(1,500,000)	-	(1,558,777)
Total transfers	80,000	364,327	-	(1,500,000)	-	(1,055,673)
Net income (loss)	76,475	298,830	24,598	(2,046,604)	-	(1,646,701)
Net assets, beginning of year	200,440	3,461,331	396,885	944,307	-	5,002,963
Net assets, end of year	$ 276,915	$ 3,760,161	$ 421,483	$ (1,102,297)	$ -	$ 3,356,262

CITY OF VACAVILLE

INTERNAL SERVICE FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
Cash flows from operating activities:						
Receipts from customers and users	$3,082,801	$ 292,895	$ 696,841	$3,905,580	$ 3,796,646	$ 11,774,763
Payments to suppliers	(2,717,398)	(2,335)	(639,314)	(3,593,853)	(3,796,646)	(10,749,546)
Payments to employees	(647,110)	-	-	(735,487)	1,342,598	(39,999)
Claims paid	-	-	-	528,000	-	528,000
Net cash provided by (used for) operating activities	(281,707)	290,560	57,527	104,240	1,342,598	1,513,218
Cash flows from noncapital financing activities:						
Transfers in	80,000	423,104	-	-	-	503,104
Transfers out	-	(58,777)	-	(1,500,000)	-	(1,558,777)
Taxes and other received	149,319	-	-	1,844	-	151,163
Net cash provided by (used for) noncapital financing activities	229,319	364,327	-	(1,498,156)	-	(904,510)
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	(817,534)	(145,078)	-	-	(962,612)
Interest paid	(3,703)	-	-	-	-	(3,703)
Net cash used for capital and related financing activities	(3,703)	(817,534)	(145,078)	-	-	(966,315)
Net increase in cash and cash equivalents	(56,091)	(162,647)	(87,551)	(1,393,916)	1,342,598	(357,607)
Cash and cash equivalents, beginning of year	103,602	2,430,975	300,944	5,796,056	1,552,941	10,184,518
Cash and cash equivalents, end of year	$ 47,511	$ 2,268,328	$ 213,393	$4,402,140	$ 2,895,539	$ 9,826,911
Reconciliation of Operating Income to Net Cash Provided by (Used for) by Operating Activities:						
Operating income (loss)	$ (149,141)	$ (65,497)	$ 24,598	$ (548,448)	$ -	$ (738,488)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	3,377	356,057	43,571	-	-	403,005
Changes in assets and liabilities:						
Decrease in receivables	18,608	-	-	271,218	-	289,826
Increase in inventories-supplies	(7,433)	-	-	-	-	(7,433)
Increase in prepaid items	-	-	(2,188)	-	-	(2,188)
Increase in deposits	-	-	-	(80,000)	-	(80,000)
Decrease in accounts and contracts payable	(147,861)	-	(8,454)	(68,275)	-	(224,590)
Increase (decrease) in accrued payroll	743	-	-	1,745	(1,193)	1,295
Increase in employee benefits payable	-	-	-	-	1,435,575	1,435,575
Decrease in compensated absences	-	-	-	-	(91,784)	(91,784)
Increase in claims payable	-	-	-	528,000	-	528,000
Total adjustments	(132,566)	356,057	32,929	652,688	1,342,598	2,251,706
Net cash provided by (used for) operating activities	$ (281,707)	$ 290,560	$ 57,527	$ 104,240	$ 1,342,598	$ 1,513,218

FIDUCIARY FUND FINANCIAL STATEMENTS

PAYROLL TRUST

To account for cash transferred from the various funds from which actual cash is remitted to the employees and various agencies.

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, 2008

	AGENCY FUNDS			
	PAYROLL TRUST	OTHER DEPOSITS	SPECIAL ASSESSMENTS	TOTAL AGENCY
Assets				
Cash and investments	$ 781,658	$ 5,184,603	$ 10,501,462	$ 16,467,723
Receivables:				
Accounts	795,041	-	-	795,041
Deposits	9,800	-	-	9,800
Total Assets	$ 1,586,499	$ 5,184,603	$ 10,501,462	$ 17,272,564
Liabilities				
Liabilities:				
Accounts and contract payable	$ 20,626	$ 13,163	$ -	$ 33,789
Accrued payroll	144	-	-	144
Employee benefits payable	1,537,218	-	-	1,537,218
Deposits payable	28,511	5,171,440	-	5,199,951
Due to bondholders	-	-	10,501,462	10,501,462
Total Liabilities	$ 1,586,499	$ 5,184,603	$ 10,501,462	$ 17,272,564

CITY OF VACAVILLE

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	BALANCES JULY 1, 2007	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2008
PAYROLL TRUST				
Assets				
Cash and investments	$ 1,462,947	$ 80,262,762	$ 80,944,051	$ 781,658
Receivables:				
Accounts	5,914	807,309	18,182	795,041
Deposits	-	9,800	-	9,800
Total Assets	$ 1,468,861	$ 81,079,871	$ 80,962,233	$ 1,586,499
Liabilities				
Accounts and contract payable	$ -	$ 16,039,569	$ 16,018,943	$ 20,626
Accrued payroll	355	38,559,485	38,559,696	144
Employee benefits payable	1,435,480	35,548,671	35,446,933	1,537,218
Deposits payable	33,026	10,875	15,390	28,511
Total Liabilities	$ 1,468,861	$ 90,158,600	$ 90,040,962	$ 1,586,499
OTHER DEPOSITS				
Assets				
Cash and investments	$ 5,120,770	$ 3,561,083	$ 3,497,250	$ 5,184,603
Receivables:				
Accounts	-	1,115	1,115	-
Total Assets	$ 5,120,770	$ 3,562,198	$ 3,498,365	$ 5,184,603
Liabilities				
Accounts and contract payable	$ -	$ 3,018,443	$ 3,005,280	$ 13,163
Deposits payable	5,120,770	3,611,999	3,561,329	5,171,440
Total Liabilities	$ 5,120,770	$ 6,630,442	$ 6,566,609	$ 5,184,603

CITY OF VACAVILLE

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	BALANCES JULY 1, 2007	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2008
SPECIAL ASSESSMENTS				
Assets				
Cash and investments	$ 11,656,879	$ 8,091,518	$ 9,246,935	$ 10,501,462
Liabilities				
Due to bondholders	$ 11,656,879	$ 8,091,518	$ 9,246,935	$ 10,501,462
TOTAL AGENCY FUNDS				
Assets				
Cash and investments	$ 18,240,596	$ 91,915,363	$ 93,688,236	$ 16,467,723
Receivables:				
Accounts	5,914	808,424	19,297	795,041
Deposits	-	9,800	-	9,800
Total Assets	$ 18,246,510	$ 92,733,587	$ 93,707,533	$ 17,272,564
Liabilities				
Accounts and contract payable	$ -	$ 19,058,012	$ 19,024,223	$ 33,789
Accrued payroll	355	38,559,485	38,559,696	144
Employee benefits payable	1,435,480	35,548,671	35,446,933	1,537,218
Deposits payable	5,153,796	3,622,874	3,576,719	5,199,951
Due to bondholders	11,656,879	8,091,518	9,246,935	10,501,462
Total Liabilities	$ 18,246,510	$ 104,880,560	$ 105,854,506	$ 17,272,564

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 114

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 120

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 124

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 128

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 130

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 Six Fiscal Years
(accrual basis of accounting)
(expressed in thousands of dollars)

	Fiscal Year					
	2008	**2007**	**2006**	**2005**	**2004**	**2003**
Governmental activities						
Invested in capital assets, net of related debt	$ 388,546	$ 375,201	$ 362,498	$ 340,941	$ 310,054	$ 306,087
Restricted	38,832	36,382	33,683	43,971	55,790	42,619
Unrestricted	81,019	83,305	74,486	65,885	62,397	52,301
Total governmental activities net assets	508,397	494,888	470,666	450,798	428,240	401,006
Business-type activities						
Invested in capital assets, net of related debt	187,090	180,813	159,094	146,253	150,320	142,676
Unrestricted	91,178	88,653	94,960	100,600	95,617	77,227
Total business-type activities net assets	278,268	269,466	254,053	246,853	245,937	219,903
Primary government						
Invested in capital assets, net of related debt	575,636	556,014	521,591	487,194	460,374	448,763
Restricted	38,832	36,382	33,683	43,971	55,790	42,619
Unrestricted	172,197	171,958	169,446	166,485	158,014	129,528
Total primary government net assets	$ 786,665	$ 764,354	$ 724,720	$ 697,650	$ 674,177	$ 620,909

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 Six Fiscal Years
(accrual basis of accounting)
(expressed in thousands of dollars)

	Fiscal Year					
	2008	**2007**	**2006**	**2005**	**2004**	**2003**
Expenses						
Governmental activities	$ 130,439	$ 123,762	$ 106,922	$ 97,954	$ 96,879	$ 87,847
Business-type	36,251	37,360	34,338	28,151	26,528	23,458
Total primary government expenses	166,690	161,122	141,261	126,104	123,408	111,306
Program Revenues						
Governmental activities	40,817	52,432	46,169	36,647	35,877	42,126
Business-type	37,443	43,791	36,621	32,362	44,351	31,062
Total primary government program revenues	78,260	96,223	82,790	69,009	80,229	73,188
Net (Expense)/Revenue						
Governmental activities	(89,622)	(71,330)	(60,753)	(61,307)	(61,002)	(45,721)
Business-type	1,192	6,431	2,282	4,211	17,823	7,604
Total primary government net expense	(88,430)	(64,899)	(58,471)	(57,096)	(43,179)	(38,118)
General Revenues and Other Changes in Net Assets						
Governmental activities	103,130	95,189	80,620	84,847	68,072	62,058
Business-type	8,802	9,344	4,918	88	(1,285)	3,106
Total primary government	111,932	104,533	85,539	84,935	66,787	65,163
Changes in Net Assets						
Governmental activities	13,508	23,859	19,867	23,540	7,070	16,336
Business-type	9,994	15,775	7,201	4,299	16,538	10,709
Total primary government	$ 23,502	$ 39,634	$ 27,068	$ 27,840	$ 23,608	$ 27,046

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

Schedule 2a

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

	Fiscal Year					
	2008	**2007**	**2006**	**2005**	**2004**	**2003**
Expenses						
General Government	$ 10,325	$ 12,627	$ 11,034	$ 7,878	$ 9,488	$ 7,870
Public Safety	45,435	40,606	36,498	34,717	32,370	29,072
Public Works	21,221	22,432	18,313	14,585	16,810	11,372
Community Services	12,794	12,128	11,964	11,368	11,605	11,017
Housing	13,788	13,013	15,348	11,290	11,600	11,528
Redevelopment	21,482	17,753	8,684	13,666	10,718	11,086
Interest on long-term debt	5,394	5,203	5,082	4,451	4,290	5,903
Total governmental activities expenses	130,439	123,762	106,922	97,954	96,879	87,847
Program Revenues						
Charges for services:						
General Government	3,827	5,147	4,215	3,892	3,197	13,436
Public Safety	4,498	4,280	4,014	3,552	2,945	2,499
Public Works	311	545	2,531	441	693	911
Community Services	5,984	5,494	5,330	5,265	5,074	4,986
Housing	397	479	761	58	57	44
Redevelopment	103	159	245	380	217	346
Operating grants and contributions	17,386	14,651	16,011	14,161	13,227	12,183
Capital grants and contributions	8,311	21,677	13,063	8,897	10,469	7,720
Total governmental activities program revenues	40,817	52,432	46,169	36,647	35,877	42,126
Net (Expense)/Revenue	(89,622)	(71,330)	(60,753)	(61,307)	(61,002)	(45,721)
General Revenues and Other Changes in Net Assets						
Taxes						
Property taxes	63,793	55,145	48,450	40,044	32,370	29,557
Sales taxes	14,984	16,474	16,116	14,357	13,432	12,325
Franchise taxes	2,248	2,643	2,004	-	-	-
Transient lodging tax	1,005	1,048	942	-	-	-
Business license tax	306	319	290	-	-	-
Excise tax	2,234	2,217	2,251	-	-	-
Gasoline tax	1,719	1,772	1,776	-	-	-
Other taxes	-	-	-	6,241	7,574	7,183
Vehicle license taxes	417	595	596	2,105	4,278	-
Fines, penalties and forfeitures	-	-	-	-	452	442
Intergovernmental	-	-	-	-	-	6,087
Payments in lieu of services	-	-	-	-	967	-
Investment income	13,957	6,279	4,320	4,768	2,755	4,130
Unrestricted capital contributions	2,861	6,863	3,785	9,283	378	-
Loss on sale of property	-	-			-	(1,199)
Miscellaneous	1,331	1,791	58	5,347	2,294	527
Transfers	(1,725)	43	31	2,703	3,572	3,005
Total governmental activities	103,130	95,189	80,620	84,847	68,072	62,058
Changes in Net Assets	$ 13,508	$ 23,859	$ 19,867	$ 23,540	$ 7,070	$ 16,336

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 Six Fiscal Years
(accrual basis of accounting)
(expressed in thousands of dollars)

	Fiscal Year					
	2008	**2007**	**2006**	**2005**	**2004**	**2003**
Expenses						
Sewer	$ 18,710	$ 19,800	$ 18,230	$ 13,831	$ 12,683	$ 11,266
Water	14,976	15,059	13,135	11,672	11,267	9,905
Transit	2,565	2,501	2,974	2,648	2,578	2,288
Total business-type activities expenses	36,251	37,360	34,338	28,151	26,528	23,458
Program Revenues						
Charges for services:						
Sewer	18,269	18,322	17,193	16,285	15,026	13,312
Water	12,323	11,463	10,109	10,106	10,009	9,087
Transit	411	356	363	374	343	323
Operating grants and contributions	1,812	1,810	2,090	1,947	1,568	1,600
Capital grants and contributions	4,628	11,840	6,866	3,650	17,406	6,739
Total business-type activities program revenues	37,443	43,791	36,621	32,362	44,351	31,062
Net (Expense)/Revenue	1,192	6,431	2,282	4,211	17,823	7,604
General Revenues and Other Changes in Net Assets						
Taxes						
Property taxes	90	89	87	86	92	83
Investment income	2,237	1,795	(195)	965	624	2,012
Unrestricted capital contributions	1,769	5,887	2,234	1,332	1,301	3,703
Miscellaneous	2,981	1,616	2,823	408	270	312
Transfers	1,725	(43)	(31)	(2,703)	(3,572)	(3,005)
Total business-type activities	8,802	9,344	4,918	88	(1,285)	3,106
Changes in Net Assets	$ 9,994	$ 15,775	$ 7,201	$ 4,299	$ 16,538	$ 10,709

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									
	2008	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
General Fund										
Reserved	$ 938	$ 541	$ 899	$ 1,101	$ 815	$ 702	$ 542	$ 2,203	$ 823	$ 893
Unreserved	10,664	13,518	14,139	14,355	12,322	11,075	10,877	10,759	9,323	10,494
Total general fund	$ 11,602	$ 14,059	$ 15,038	$ 15,456	$ 13,137	$ 11,776	$ 11,419	$ 12,962	$ 10,146	$ 11,387
All Other Governmental Funds										
Reserved	$ 81,231	$ 71,750	$ 67,158	$ 88,567	$ 80,957	$ 76,397	$ 73,975	$ 47,959	$ 51,071	$ 40,254
Unreserved, reported in:										
Special revenue funds	15,256	17,108	16,977	2,079	3,055	2,477	1,736	2,242	2,557	2,380
Capital projects funds	9,782	12,674	1,343	2,918	16,193	23,646	15,042	17,749	6,464	8,057
Debt service funds	601	708	2,319	2,521	6,988	4,216	7,669	8,411	8,998	5,671
Total all other governmental funds	$ 106,870	$ 102,240	$ 87,797	$ 96,085	$ 107,192	$ 106,737	$ 98,422	$ 76,361	$ 69,089	$ 56,362

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									
	2008	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Revenues										
Taxes and fees	$ 91,052	$ 88,262	$ 80,627	$ 66,741	$ 59,541	$ 59,239	$ 53,765	$ 54,408	$ 46,459	$ 46,552
Licenses and permits	1,596	2,496	708	1,628	1,524	1,490	1,117	1,440	1,241	1,669
Investment income	15,026	7,058	5,104	5,433	3,246	4,692	4,916	6,713	4,235	3,919
Intergovernmental	24,265	30,958	23,487	22,337	23,700	27,147	21,648	17,340	16,408	12,434
Charges for services	9,664	9,906	12,566	9,041	9,290	8,897	7,500	7,447	6,506	5,640
Fines, penalties and forfeitures	471	491	460	503	452	442	425	429	497	387
Other	992	3,613	704	3,590	1,448	590	837	821	267	829
Total revenues	143,066	142,784	123,656	109,273	99,201	102,498	90,209	88,598	75,613	71,429
Expenditures										
General government	9,390	11,788	10,493	7,912	8,430	7,711	8,453	7,655	8,233	7,469
Public Safety	44,560	41,657	36,851	34,501	31,759	28,501	26,321	22,505	21,279	20,059
Public Works	7,566	7,076	6,224	6,040	5,080	4,679	4,451	4,510	3,547	3,881
Community Services	12,159	11,506	11,367	10,905	10,689	10,465	10,620	8,732	9,519	7,659
Housing	13,787	13,018	15,363	11,292	11,585	11,721	8,582	6,414	6,698	5,863
Redevelopment	21,533	17,531	18,042	13,354	10,270	9,209	3,932	3,198	5,170	5,086
Intergovernmental	-	-	-	-	-	300	272	300	273	259
Shared Revenues	-	-	-	-	-	300	5,656	5,368	4,555	4,271
Capital Outlay	25,755	35,607	38,123	35,542	18,673	21,615	17,606	24,309	19,105	17,488
Debt service										
Principal	3,456	4,932	2,816	2,622	2,448	1,708	1,430	1,667	2,169	2,080
Interest and fiscal charges	5,313	5,874	5,572	4,670	4,301	4,393	6,013	3,910	3,380	2,825
Total expenditures	143,519	148,989	144,850	126,837	103,235	100,602	93,334	88,568	83,927	76,941
Excess (deficiency) of revenues over (under) expenditures	(453)	(6,205)	(21,194)	(17,564)	(4,034)	1,895	(3,125)	30	(8,314)	(5,512)
Other Financing Sources (uses)										
Transfers in	15,171	18,144	23,976	12,288	17,096	11,531	10,098	8,496	7,425	8,522
Transfers out	(15,476)	(18,161)	(25,275)	(9,734)	(13,604)	(8,729)	(10,513)	(8,534)	(7,606)	(8,558)
Sale of capital assets	70	361	8,497	-	269	249	3,555	1,385	1,695	731
Issuance of debt and loans	2,860	19,325	5,290	1,475	449	3,099	230	9,011	12,570	1,662
Unrestricted capital contributions	-	-	-	5,800	-	-	-	-	-	-
Proceeds of refunding bonds and certificates of participation	-	-	-	-	-	-	31,807	2,301	-	-
Payment to refund bond escrow agent	-	-	-	-	-	-	(12,693)	(2,602)	-	-
Total other financing sources (uses)	2,625	19,669	12,488	9,829	4,210	6,150	22,484	10,058	14,083	2,357
Net change in fund balances	$ 2,172	$ 13,464	$ (8,706)	$ (7,735)	$ 176	$ 8,045	$ 19,359	$ 10,088	$ 5,769	$ (3,155)
Debt services as a percentage of noncapital expenditures	3.7%	6.4%	4.2%	4.8%	3.5%	3.0%	-	-	-	-

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementtion 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)

	City				Redevelopment Agency				
Fiscal Year Ended June 30,	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2008	$ 10,510,853	$ 283,351	$ (403,014)	$ 10,391,190	$ 2,960,637	$ 172,093	$ (13,243)	$ 3,119,487	0.473%
2007	9,011,573	259,110	(246,012)	9,024,671	2,514,697	167,430	(13,280)	2,668,847	0.472%
2006	7,862,985	241,095	(221,247)	7,882,833	2,360,718	149,711	(13,476)	2,496,952	0.462%
2005	7,086,380	219,210	(221,559)	7,084,031	2,230,342	149,188	(13,464)	2,366,066	0.425%
2004	6,462,026	206,005	(193,433)	6,474,598	2,041,732	137,780	(13,520)	2,165,993	0.376%
2003	5,991,020	193,142	(183,501)	6,000,661	1,925,870	130,812	(13,377)	2,043,305	0.368%
2002	5,395,925	143,025	(91,971)	5,446,979	1,830,265	115,299	(12,534)	1,933,030	-
2001	4,991,081	160,119	(92,031)	5,059,168	1,705,307	113,970	(12,206)	1,807,070	-
2000	4,457,237	156,279	(91,871)	4,521,645	1,465,911	103,916	(11,749)	1,558,079	-
1999	4,264,675	148,659	(92,642)	4,320,693	1,442,142	100,728	(11,449)	1,531,420	-

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
City Direct Rates:										
City basic rate	0.27352%	0.27362%	0.27370%	0.27381%	0.27395%	0.27402%	0.27413%	0.27424%	0.27513%	0.27524%
Redevelopment agency	1.03085%	1.03095%	1.03103%	1.03114%	1.03128%	1.03135%	1.03146%	1.04067%	1.04397%	1.04489%
Total City Direct Rate	0.49309%	0.46522%	0.45536%	0.45973%	0.47914%	0.47972%	0.47882%	0.47820%	0.47093%	0.47866%
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 Unfied School Bonds	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00450%	0.00667%	0.00737%
Dixon USD GOB Series 2005	0.01958%	0.02335%	0.02902%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Dixon USD GOB Series 2006	0.00898%	0.00829%	0.00000%	0.00000%	0.00000%	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%	0.00012%	0.00010%
DUSD GOB Series 2003	0.01808%	0.01760%	0.01440%	0.04387%	0.05227%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Fairfield/Suisun USD GOB 2002S	0.01852%	0.02066%	0.02252%	0.02351%	0.04918%	0.05732%	0.00000%	0.00000%	0.00000%	0.00000%
Fairfield/Suisun USD GOB 2004S	0.02005%	0.02097%	0.02345%	0.02770%	0.00000%	0.00000%	0.00000%	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	0.01189%	0.01211%	0.01643%	0.01532%	0.01432%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Solano Community College Gob Series 2006B	0.00269%	0.00336%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
City of Vacaville	0.03085%	0.03095%	0.03103%	0.03114%	0.03128%	0.03135%	0.03146%	0.03157%	0.03246%	0.03257%
Vacaville Unified School Bonds	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00910%	0.01151%	0.01232%
VV USD GOB Refunding Ser 2005	0.02256%	0.02293%	0.02388%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD GOB Series 2005	0.01095%	0.02617%	0.02602%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD Meas V GOB Series 2007	0.02055%	0.00000%	0.00000%	0.00000%	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%	0.02289%	0.02361%	0.05741%	0.00000%	0.00000%	0.00000%	0.00000%
VV USD Meas V GOB Series 2003	0.00000%	0.00000%	0.00000%	0.02379%	0.03001%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
	1.20470%	1.20639%	1.20675%	1.20822%	1.22067%	1.16608%	1.05146%	1.06517%	1.07076%	1.07236%

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) form 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.

Source: HDL & Cone, Solano County Assessor 1998/99 - 2007/08 Tax Rate Table

Schedule 7

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

	2008			1999		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**
Genentech Inc.	$ 1,040,559,661	1	10.014%	$ -		-
Alza Corporation	178,316,166	2	1.716%	93,063,248	2	2.108%
CPG Finance II, LLC	91,650,977	3	0.882%	-		-
Marvis L. Oates Trust	81,575,899	4	0.785%	-		-
Nut Tree Retail, LLC	79,529,574	5	0.765%	-		-
Chiron Corporation	49,962,081	6	0.481%	50,364,135	5	1.141%
SSR Western Multifamily LLC	47,493,731	7	0.457%	-		-
Lucky FLA Nocal Investor, LLC	43,019,089	8	0.414%	-		-
R M Vacaville Limited	33,213,501	9	0.320%	27,203,029	7	0.616%
Knickerbocker Properties Inc. XXXVIII	33,142,052	10	0.319%	-		-
Lucky Stores Inc.	-		-	35,373,774	6	0.801%
KTP Remic Loan, LLC	-		-	81,930,385	3	1.856%
Wal Mart Stores, Inc.	-		-	26,286,215	8	0.596%
Kaiser Foundation Hospitals	-		-	66,631,180	4	1.510%
BNP Leasing Corporation	-		-	200,650,598	1	4.546%
Mission Messenger Vacaville	-		-	38,142,179	9	0.864%
Dayton Hudson Corporation	-		-	17,175,561	10	0.389%

Source: HDL & Cone, Solano County 1998/1999 & 2007/2008 Combined Tax Rolls.

Schedule 8

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

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year Ended June 30,	**Taxes Levied for the Fiscal Year**	**Amount**	**Percentage of Levy**	**Supplemental/Prior Years Collections**	**Amount**	**Percentage of Levy**
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%
2001	7,202,562	7,202,562	100.00%	379,051	7,581,613	105.26%
2000	7,046,067	7,046,067	100.00%	192,212	7,238,279	102.73%
1999	6,612,628	6,612,628	100.00%	79,694	6,692,322	101.21%

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 Seven Fiscal Years

	Governmental Activities							Business-Type Activities						
Fiscal Year	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	Total Primary Government	Percentage of Personal Income	Per Capita
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

The City of Vacaville has elected to show only seven years of data for this schedule.

Schedule 10

CITY OF VACAVILLE
Direct and Overlapping Debt
As of June 30, 2008

City Assessed Valuation	$ 10,391,189,883
Redevelopment Agency Incremental Valuation	3,014,744,502
Adjusted Assessed Valuation	$ 7,376,445,381

	Percentage Applicable (1)	Outstanding Debt	Estimated Share of Overlapping Debt	
Overlapping Debt Repaid with Property Taxes:				
Solano County Community College District	20.142%	$ 119,175,090	$ 24,004,247	
Dixon Unified School District	0.735%	28,302,081	208,020	
Fairfield-Suisun Joint Unified School District	0.148%	90,460,000	133,881	
Vacaville Unified School District	86.084%	92,630,957	79,740,433	
Solano Irrigation District	8.720%	367,000	32,002	
City of Vacaville Community Facilities District No. 2	100.000%	4,530,000	4,530,000	
City of Vacaville 1915 Act Bonds	100.000%	34,270,000	34,270,000	
Total overlapping debt repaid with property taxes		369,735,128	142,918,583	
Overlapping Other Debt:				
Solano County Certificates of Participation	19.417%	137,955,000	26,786,722	
Solano County Pension Obligations	19.417%	121,020,000	23,498,453	
Solano County Board of Education Certificates of Participation	19.417%	3,220,000	625,227	
Dixon Unified School District Certificates of Participation	0.735%	13,810,000	101,504	
Travis Unified School District Certificates of Participation	58.894%	37,045,000	21,817,282	
Total Overlapping other debt		313,050,000	72,829,188	
Total Overlapping debt		$ 682,785,128	215,747,771	
City direct debt			17,375,000	(2)
Total direct and overlapping debt			$ 233,122,771	

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.

Source: California Municipal Statistics, Inc.

Schedule 11

CITY OF VACAVILLE
Legal Debt Margin Information
Last Ten Fiscal Years
(expressed in thousands of dollars)

	Fiscal Year									
	2008	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Assessed value	$ 10,391,190	$ 9,024,671	$ 7,882,834	$ 7,020,660	$ 6,246,103	$ 5,902,071	$ 5,446,979	$ 5,059,168	$ 4,521,645	$ 4,320,693
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,597,798	2,256,168	1,970,708	1,755,165	1,561,526	1,475,518	1,361,745	1,264,792	1,130,411	1,080,173
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	389,670	338,425	295,606	263,275	234,229	221,328	204,262	189,719	169,562	162,026
Total net debt applicable to limit:										
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$ 389,670	$ 338,425	$ 295,606	$ 263,275	$ 234,229	$ 221,328	$ 204,262	$ 189,719	$ 169,562	$ 162,026
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 & Cone, Solano County 1998/1999 & 2007/2008 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			
				Debt Service				Debt Service		
Fiscal Year	Water Revenue	Less Operating Expenses (1)	Net Available Revenue	Principal	Interest	Coverage	Tax Increment	Principal	Interest	Coverage
2008	$ 15,670	$ 13,048	$ 2,622	$ -	$ -	$ -	$ 30,339	$ 1,477	$ 3,715	5.84
2007	18,829	13,189	5,640	-	-	-	28,911	2,688	3,308	4.82
2006	15,539	10,879	4,660	-	-	-	24,817	1,136	2,614	6.62
2005	12,349	10,300	2,049	-	-	-	23,463	1,068	2,674	6.27
2004	12,908	9,488	3,421	-	-	-	21,794	1,011	2,736	5.82
2003	12,633	8,247	4,386	-	-	-	19,730	1,011	2,956	4.97
2002	14,338	9,571	4,767	-	-	-	18,758	448	2,776	5.82
2001	11,295	11,664	(370)	-	-	-	17,815	581	1,561	8.32
2000	9,437	8,119	1,318	-	-	-	15,191	535	2,106	5.75
1999	8,603	6,433	2,169	-	-	-	13,729	543	1,458	6.86

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 Eight Calendar Years

Year	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rate (3)
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%
2001	91,228	1,904,385	20,875	3.3%

The City of Vacaville has elected to show only eight years of data for this schedule.

Sources:
(1) State of California Department of Finance
(2) Claritas SiteReports
(3) State of California Employment Development Department

Schedule 14

CITY OF VACAVILLE
Principal Employers
Current Year and Ten Years Ago

	2008			1999		
Employer	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
California State Department of Corrections	2,885	1	6.62%	2,521	1	-
Vacaville Unified School District	1,276	2	2.93%	-		-
Alza Corporation	900	3	2.06%	582	3	-
Genentech	900	4	2.06%	400	4	-
City of Vacaville	822	5	1.89%	-		-
Kaiser Permanente	500	6	1.15%	317	6	-
NorthBay Vaca Valley Hospital	461	7	1.06%	212	9	-
Hines Nursery, Inc.	400	8	0.92%	400	5	-
Simpson Dura-Vent	350	9	0.80%	215	8	-
Mariani Packing Company	308	10	0.71%	-		-
Lucky Stores	-		-	595	2	-
Sam's Club	-		-	155	10	-
Wal-Mart Stores, Inc.	-		-	280	7	-

NOTES

For Fiscal Year 1998/1999 the City of Vacaville did not include Vacaville Unified School District or itself as a major employer.

The total employment number is unavailable for Fiscal Year 1998/1999, therefore the Percentage of Total Employment could not be completed.

Source: State of California Employment Development Department

Schedule 15

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

	Full-time Equivalent Employees as of June 30,							
Function/Program	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
General Government								
City Attorney	4	4	4	4	4	4	4	4
City Manager	11	12	11	5	5	5	5	7
Finance	27	26	26	24	27	28	28	29
Human Resources	11	10	9	14	14	13	13	15
Information Technology	14	14	16	15	16	15	14	9
Community Development	21	22	26	22	24	25	22	27
Police Department	171	171	158	156	159	158	157	153
Fire Department	82	84	73	76	77	78	75	68
Community Services	20	20	20	17	20	20	20	23
Housing and Redevelopment	31	28	30	28	30	30	30	28
Public Works	177	174	160	162	161	160	158	162
Total	569	565	533	523	537	536	526	525

The City of Vacaville has elected to show only eight years of data for this schedule.

Schedule 16

CITY OF VACAVILLE
Operating Indicators by Function/Program
Last Seven Fiscal Years

Function/Program	Fiscal Year 2008	2007	2006	2005	2004	2003	2002
Fire							
Emergency responses	8,155	7,812	7,554	6,677	6,445	6,434	*
Inspections	1,464	792	1,172	634	971	897	1,046
Parks and Recreation							
Number of recreation registrants	29,895	31,662	32,805	35,263	35,887	36,621	37,816
Number of facility rentals	910	852	733	759	677	648	707
Police Department							
Physical arrests	4,303	4,264	4,133	2,877	3,024	3,877	*
Parking citations issued	8,090	12,649	12,114	12,574	16,767	19,711	*
Public Works							
Street resurfacing (miles)	28.40	25.90	N/A	37.90	29.25	28.00	34.10
Potholes repaired	277	98	130	104	66	57	97
Transit							
Total revenue route miles	401,288	394,636	402,164	392,119	384,806	371,450	372,947
Passengers	280,691	222,367	211,280	211,609	241,522	260,055	214,102
Wastewater							
Average daily sewage treatment (million gallons per day)	8.45	8.25	9.97	9.20	8.70	8.10	8.60
Water							
New Connections (meter sets)	166	277	290	249	202	282	223
Average daily consumption (thousands gallons per day)	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

	Fiscal Year										
Function/Program	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
Fire											
Fire Stations	4	4	4	4	4	4	4	4	4	4	4
Fire Engines	11	9	8	8	8	8	6	6	6	6	6
Parks and Recreation											
Parks	30	30	30	33	33	33	33	33	33	33	33
Park Acres	513	513	513	568	568	568	568	568	568	568	568
Special Community Facilities	6	6	6	6	6	6	6	6	6	6	6
Neighborhood Centers	11	11	11	11	9	9	9	9	9	9	6
Police Department											
Police Stations	1	1	1	1	1	1	1	1	1	1	1
Police Vehicles	122	123	103	103	100	98	98	94	103	105	99
Police Motorcycles	9	9	9	9	9	6	6	6	6	6	6
Public Works											
Streets (centerline miles)	237	237	231	230	227	227	225	222	220	219	215
Traffic Signals	69	69	67	64	64	64	62	60	53	53	53
Transit Buses											
Fixed Route	12	12	12	12	12	12	12	7	7	7	7
Special Services	6	6	6	5	5	5	5	5	5	3	3
Wastewater											
Sewers (miles)	232	231	226	224	221	221	219	217	211	211	209
Storm Drain (miles)	134	132	128	127	125	124	123	121	119	118	117
Treatment Plants	1	1	3	2	2	2	2	2	2	2	1
Water											
Water Mains (miles)	277	276	269	267	265	264	260	257	252	251	245
Fire hydrants	3,338	3,320	3,231	3,207	3,166	3,146	3,076	3,019	2,936	2,927	2,887
Reservoirs	9	9	8	8	7	7	7	7	7	7	7
Wells	13	13	12	12	11	11	10	10	10	10	*

NOTES

* Data not available