

# ***City of Vacaville, California***



***Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2006***

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# CITY OF VACAVILLE

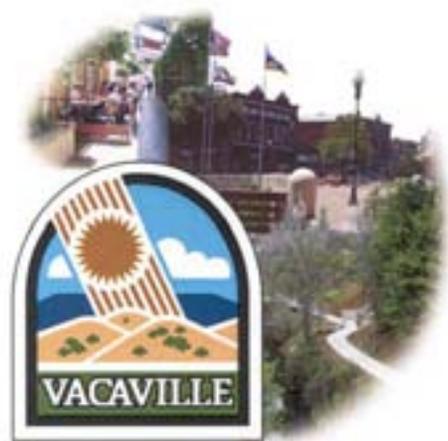
## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2006



Prepared by:

Department of Finance



**CITY OF VACAVILLE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**CITY OF VACAVILLE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**CITY OF VACAVILLE**  
650 MERCHANT STREET, VACAVILLE, CALIFORNIA 95688-6908  
ESTABLISHED 1850

COUNCIL MEMBERS  
LEN AUGUSTINE, Mayor  
PAULINE CLANCY, Vice Mayor  
CHUCK DIMMICK  
STEVE HARDY  
STEVE WILKINS  
[www.cityofvacaville.com](http://www.cityofvacaville.com)

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October 27, 2006

Honorable Mayor and City Council  
City of Vacaville  
Vacaville, CA

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Vacaville (City) for the fiscal year ended June 30, 2006. The CAFR represents a compilation of financial data that details the City's financial workings. Information contained in this report was prepared in strict accordance with guidelines set forth by the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO). The CAFR is intended to provide readers with a clearly articulated, user-friendly reporting of the City's financial affairs. As such, the City assumes responsibility for content accuracy, completeness, and objectivity of the presentation.

The CAFR is presented in three primary sections:

- 1) *Introductory Section* - includes this letter of transmittal, a citywide organization chart, a list of principal officials, prior year GFOA and CSMFO financial reporting awards, and an organization chart for the Finance Department.
- 2) *Financial Section* – consists of the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and required supplementary information.
- 3) *Statistical Section* – includes specific financial information on a multi-year basis and provides general demographic data.

Within the CAFR, readers will find reporting on all funds and account groups for the City of Vacaville. In accordance with the criteria established by Governmental Accounting Standards Board (GASB) Statement No. 14, financial data for the Vacaville Redevelopment Agency, Vacaville Housing Authority, and Vacaville Public Financing Authority has been included within the City's general purpose financial statements as "blended" component units because the primary government is financially accountable for these separate entities.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements, and should be read in conjunction with, this letter of transmittal.

*The Primary Government*

The City of Vacaville was incorporated in 1892. 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 councilmembers are elected to staggered four year terms through a general election process. The City Council serves as the primary governing body.

The Vacaville City Council retains authority over the management of the City. The City Manager oversees daily operations pursuant to policy direction established by the Council.

For financial reporting purposes, the primary government consists of all legally joined funds, organizations, agencies, boards, commissions, and authorities that are considered part of the City's legal domain. The City provides a full range of services, including police and fire protection; emergency medical and ambulance services; maintenance of streets and parks; recreational activities and cultural events; community planning and building inspection; water and wastewater treatment operations; housing assistance and neighborhood revitalization.

The City is also a participant in the following joint ventures and jointly governed organizations:

- The Solano Water Authority
- California Joint Powers Risk Management Authority
- California Transit Insurance Pool
- Solano Transportation Authority
- Solano Animal Control Authority
- North Bay Treatment Plant
- Local Agency Workers' Compensation Excess Insurance Authority
- Vacaville-Dixon Greenbelt Authority
- Employment Risk Management Authority

These joint ventures and jointly governed organizations are not considered part of the reporting entity because the city does not have primary responsibility for their operations.

### The City of Vacaville

Vacaville, California is located in northern Solano County, on the I-80 corridor, roughly midway between San Francisco and Sacramento, "*where the valley meets the bay.*" The City was incorporated in 1892 and encompasses just under 27 square miles. Vacaville enjoys a beautiful setting bordered by rolling hillsides, fruit orchards and fertile farmland. With an elevation ranging from 90 to 300 feet, Vacaville experiences warm summers and mild winters, with an average summer high of 94° and an average winter low of 37°. Annual rainfall averages 25 inches. The City has transformed from a small agricultural town into a thriving and progressive city. A diverse population of 96,395 residents call Vacaville home. (Note: This population figure includes 9,210 prisoners housed in the California State Department of Corrections Penal and Medical Facilities located in Vacaville.) Interstate 505 intersects Interstate 80 in Vacaville. Solano County's Nut Tree airport is located in Vacaville as well. While the City's population history may show rapid growth in recent decades, Vacaville remains "*a small town at heart,*" whose residents pride themselves on a high level of community involvement.

Vacaville was a Pony Express stop and was home to many large produce companies and local farms which flourished due to the Vaca Valley's rich soil, including the now defunct Basic Vegetable Products Co. (Onion Factory) and The Nut Tree. Today Vacaville is known for its retail shopping, its annual Fiesta Days, and as a growing Biotechnology/Pharmaceutical "hub" with facilities operated by Genentech, ALZA Corporation, Chiron Corporation, and Durect Corporation. Vacaville also has the highest concentration of electric cars in the world, giving it the nickname "*Voltageville.*"

### Accounting System and Budgetary Control

Accurate accounting of the City's assets is essential to safeguard against loss and misrepresentation. Vacaville's system of accounting establishes solid control of the City's financial assets and allows for reliable budget and performance reporting. The accounting system provides for the proper recording of financial transactions and the timely preparation of accurate financial statements.

The accounting system includes budgetary controls that ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. (The City's budgetary procedures are discussed later under the Required Supplementary Information section of the CAFR.) Also included in the accounting system is an encumbrance accounting system, which affords a further level of budgetary control.

### Capital Improvements

Vacaville' Capital Improvement Program (CIP) is a component of the budget process and addresses the City's short and long-term capital needs. The CIP includes a plan to effectively maintain existing infrastructure as well as provide for new facilities to support population growth and replace older assets that are no longer useful or are unsafe. Recently completed major capital projects include a new police headquarters facility (\$13 million) and the upgrade and expansion of the City's wastewater treatment facility (\$100 million). Among the City's ongoing capital projects is the rehabilitation of the historic Pena Adobe building (\$429,000), design and construction of the Vacaville Transit Plaza (\$3.1 million), completion of the widening of two freeway overcrossings (\$32 million), and development of a multi-use community park featuring an all-weather track and lighted fields for football and softball (\$3.9 million). Additionally, the City has identified and initiated numerous projects to improve the flow of transportation in and around Vacaville.

### Cash Management

The City makes investments in accordance with the provisions of Government Code Section 53600, et seq. and the City's Investment Policy. The standard of prudence used by investment officials of the City is the "prudent person" standard, which states that investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The criteria for selecting investments, in order of priority, are: 1) safety, 2) credit risk, 3) market risk, 4) liquidity, and 5) yield.

The City invests in certificates of deposit, obligations of the U.S. Treasury, mortgage-backed securities, corporate and municipal bonds, and the State Treasurer's investment pool. The average yield on investments for the year was 3.83%, with total earnings for the year of \$5.8 million. Additional information on the City's investment activity for the year can be found in the notes to the financial statements (Note 2).

### Risk Management

The City utilizes various risk management programs intended to reduce exposure to potential losses in a number of areas. In particular, the city administers mandatory safety training and workplace risk assessment surveys to minimize accident-related losses and mandatory employment practices liability prevention training to all managers and supervisors to curb losses relative to employment practices. The city makes extensive use of joint powers authority (risk) pools to spread the adverse effect of losses among the member agencies. As part of the overall risk management plan, resources are being accumulated in a separate reserve funds to meet potential worker's compensation and general liability losses. Additional information on the City's risk management activities can be found in the notes to the financial statements (Note 13).

### Local Economic Condition and Outlook

Vacaville's per capita income is \$27,900 and the average household income is \$79,600. The median age of Vacaville residents is 34 and the median sales price of a home in Vacaville from January through June 2006 was \$475,000.

Key strengths in the local economy include:

- Location between two of California's top performing economies; the San Francisco Bay Area and the Sacramento Region.
- Availability of Labor. Approximately one million highly educated and trained employed persons live within a one hour drive of Vacaville.
- Affordable/Available Housing. Housing in Vacaville costs one-third to one-half less than that found in Bay Area communities.
- Access to freeway system. The access and visibility provided by I-80 and I-505 supports the economic vitality of the community.
- Proximity to UC Davis. Vacaville is located less than 20 miles from the University of California at Davis, a world-class educational institution.
- Factory Stores. The Factory Stores at Vacaville are among the largest and best-known operations of its type in the nation.
- Excellent Infrastructure. Vacaville's infrastructure is in excellent condition and has excess capacity. The roadway, wastewater, drainage, and water systems are capable of providing services to a broad range of businesses.
- Water Supply. The City has three completely independent sources of water that provide a reliable supply even during drought conditions.
- Pro-business Climate. For the last two decades, the City Council has been highly supportive of efforts to attract and maintain businesses.
- Attractive Quality of Life. The City has several notable qualities that make it attractive, including an extraordinarily low crime rate, abundance of parks and open space and proximity to the Pacific Ocean and Sierra Nevada mountains.
- Available Commercial and Industrial Land. Commercial and industrial land prices are 50% lower than comparable land in the Bay Area.
- General Aviation Airport. The Nut Tree Airport is the only general aviation airport along the I-680/I-80 corridor from Concord to Sacramento. Capable of accommodating corporate jet traffic, the airport provides convenient service to Bay Area and local businesses.

Looking ahead, Vacaville is poised to take advantage of the following economic opportunities:

- Job Growth. The Bay Area is projected to add 1.2 million jobs by 2025. The Association of Bay Area Governments (ABAG) projects that Solano County will add more than 23,500 jobs by 2010, one quarter of which will be in Vacaville.
- Available Land. Within the Vacaville City limits, there are a total of about 2,100 vacant acres zoned for commercial, industrial and office uses.
- Room for Growth. There are hundreds of acres of land available for development just outside the City limits.
- Airport. The Nut Tree Airport has the potential to expand its facilities and to increase the amount of air traffic. A more robust airport could become a significant business attraction.
- City Property. The City owns over 200 acres of park land that could be developed for an active and revenue producing recreation use such as a golf course.
- Regional Shopping Center Sites. The two best upper end regional shopping center sites in northern Solano County are located in Vacaville. Both sites are located along I-80 and both are well suited and located for a large-scale shopping center.

### Independent Audit

For the fiscal year ended June 30, 2006, the City's financial statements were audited by the certified public accounting firm of Caporicci & Larson to ensure that the financial statements of the City were free of material misstatement. The audit: a) examined activities, documents, and disclosures used to create the financial statements, b) assessed the accounting principles used by management, and c) evaluated the overall financial statement presentation. The results of the audit are as follows:

- The City's financial statements are free of material misstatement and are presented in accordance with Generally Accepted Accounting Principles (GAAP).
- Internal control over financial reporting and its operation was considered free from material weaknesses.
- Financial statements fairly depict the respective financial position of governmental activities, business-type activities, and each major fund as of June 30, 2006.

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, 2005. This was the fourteenth (14<sup>th</sup>) 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 California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting to the City for the CAFR for the fiscal year ended June 30, 2005; our fourteenth (14<sup>th</sup>) consecutive year of receiving this award as well. We believe the current CAFR continues to conform to the CSMFO requirements, and we are submitting it to CSMFO for award consideration.

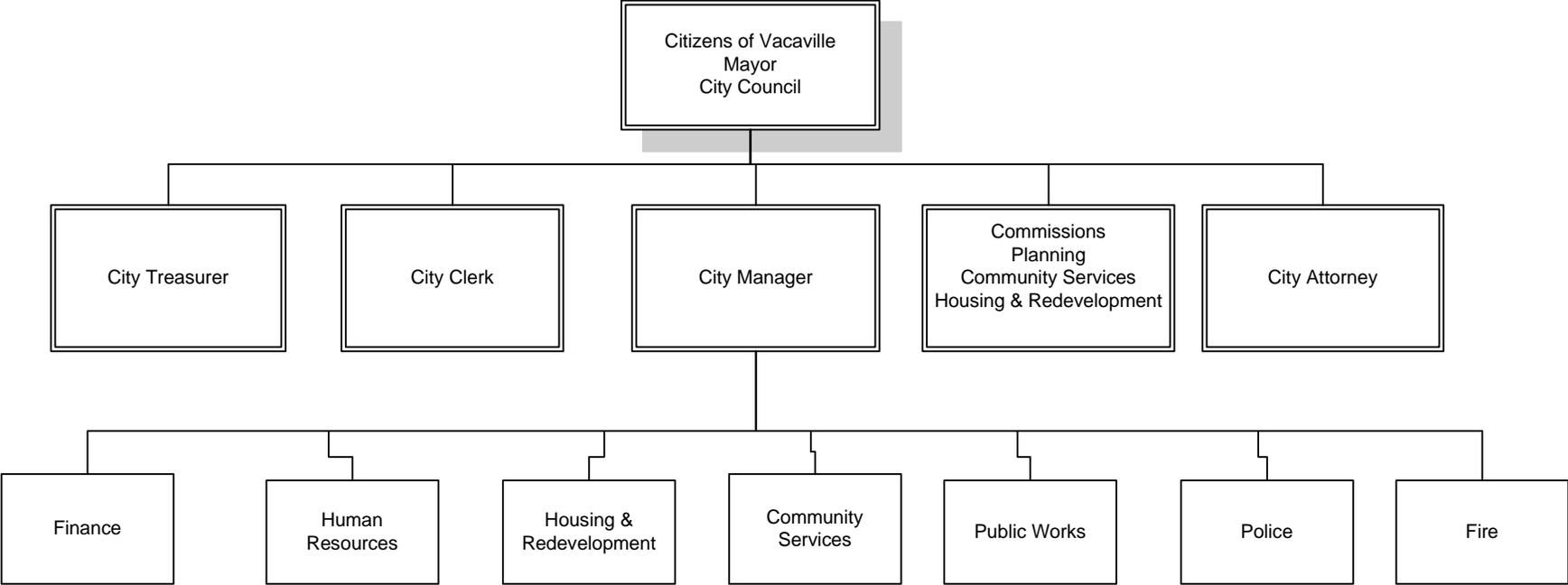
The preparation of this report would not have been possible without the truly dedicated services of the entire Accounting Division. I would like to express my appreciation to all members of the division who assisted and contributed to the preparation of this report. In particular, however, Joan Wallace, Accounting Manager, deserves special recognition for her diligence in the pursuit of excellence and professionalism in all aspects of financial reporting on behalf of the City. Credit must also be given to the Mayor, City Council, and City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Vacaville'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, 2006**

Elected Officials

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

Leonard J. Augustine  
Pauline I. Clancy  
Charles Dimmick  
Steve Hardy  
Steve Wilkins  
Garland Porter  
Michelle Thornbrugh

Appointed Officials

City Manager  
City Attorney  
Assistant City Manager/Director of Administrative Services  
Assistant City Manager  
Fire Chief  
Chief of Police  
Director of Public Works  
Director of Community Development  
Director of Housing & Redevelopment  
Director of Finance  
Acting Director of Community Services

David J. Van Kirk  
Gerald Hobrecht  
Patricia Moreno  
Laura Kuhn  
Brian Preciado  
Richard Word  
Dale Pfeiffer  
Scott Sexton  
Cynthia Johnston  
Kenneth R. Campo, CPA  
Kerry Walker

# 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, 2005

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.



*Carla E. Fudge*

President

*Jeffrey R. Emer*

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vacaville for its comprehensive annual financial report for the fiscal year ended June 30, 2005. 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 fourteen consecutive fiscal years ended June 30, 2005. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

# California Society of Municipal Finance Officers

Certificate of Award

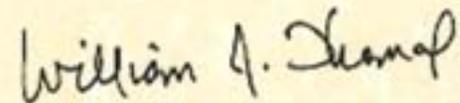
*Outstanding Financial Reporting 2004-05*

Presented to the

*City of Vacaville*

*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*February 24, 2006*

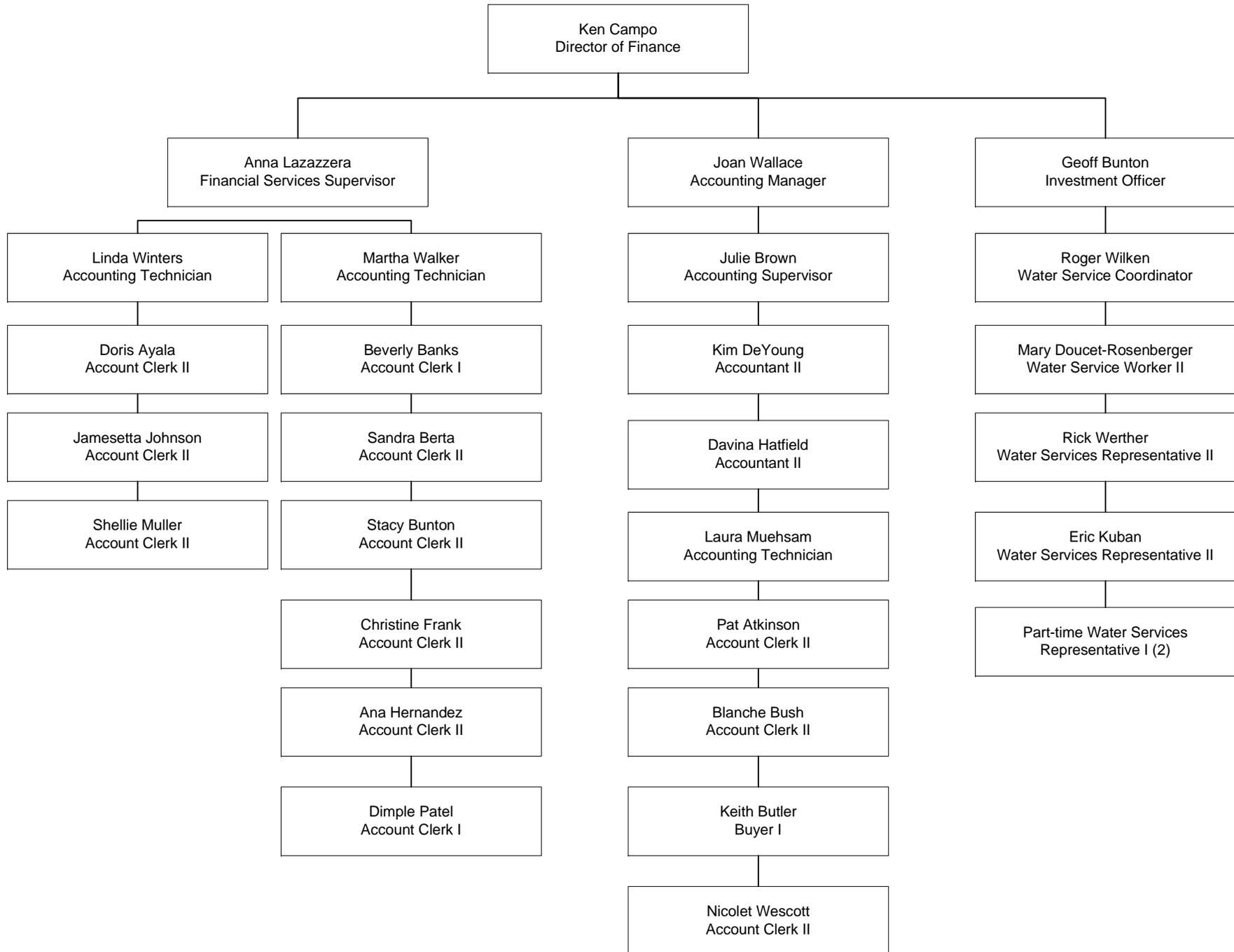


Bill Thomas, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*



# Department of Finance





## 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.

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.

As described in Note 1 to the basic financial statements, the City adopted Statement of the Governmental Accounting Standards Board No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

In accordance with Government Auditing Standards, we have also issued a report dated October 27, 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 in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering results of our audit.

Toll Free (877) 862-2200

Toll Free Fax (800) 466-0927

**Oakland**  
190 Grand Ave., Ste. 1905  
Oakland, California 94612

**Orange County**  
9700 Orange Park Blvd., Ste. 100  
Irvine, California 92618

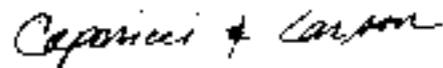
**Sacramento**  
777 E. 25th Street, Ste. 200  
Sacramento, CA 95833-5525

**San Diego**  
1540 Miramar State Univ.  
San Diego, California 92111

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

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 it.

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 is our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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.



Oakland, California  
October 27, 2006

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

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As management of the City of Vacaville (referred to hereinafter as the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-xi of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Financial Highlights**

- Assets exceeded liabilities at June 30, 2006 by \$724,720 (*net assets*). Of this amount, \$169,446 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$27,069 due mainly to the collection of development impact fees, contributions, and operating and capital grants.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$102,835, a decrease of \$8,706 in comparison with the prior year. Approximately 34% of the fund balance, \$34,778, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$14,139, or 25% of ongoing, operating revenues of the general fund.
- Total long-term obligations for governmental activities increased by \$9,255 and total long-term obligations for business-type activities decreased by \$1,979.
- Total liabilities increased by \$8,068 (4%) during the current fiscal year.

**Overview of the Financial Statements**

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

**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 difference between the two 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).

Both of 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*).

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

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*activities*). The governmental activities of the City include general administration, public safety (police and fire), public works, community development and community services (recreation). 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. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 21-22 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 one of the following three categories: governmental funds, proprietary funds, or fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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. Such information may be useful in evaluating a government's near-term financing capabilities and requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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 fund, community development fund, redevelopment agency special revenue, certificates of participation, redevelopment debt service, city projects fund and redevelopment capital projects, 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* elsewhere in 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 23-27 of this report.

**Proprietary funds.** The City maintains two different types of proprietary 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, insurance (general liability, property and workers' compensation) and employee benefits management. The central services, 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.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

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Proprietary funds provide the same type of information as contained in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, water, and transit operations, which are considered to be major funds of the City. Conversely, the 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* elsewhere in this report.

The proprietary fund financial statements can be found on pages 30-35 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 38 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 39-88 of this report.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$724,720 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (72%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. 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.

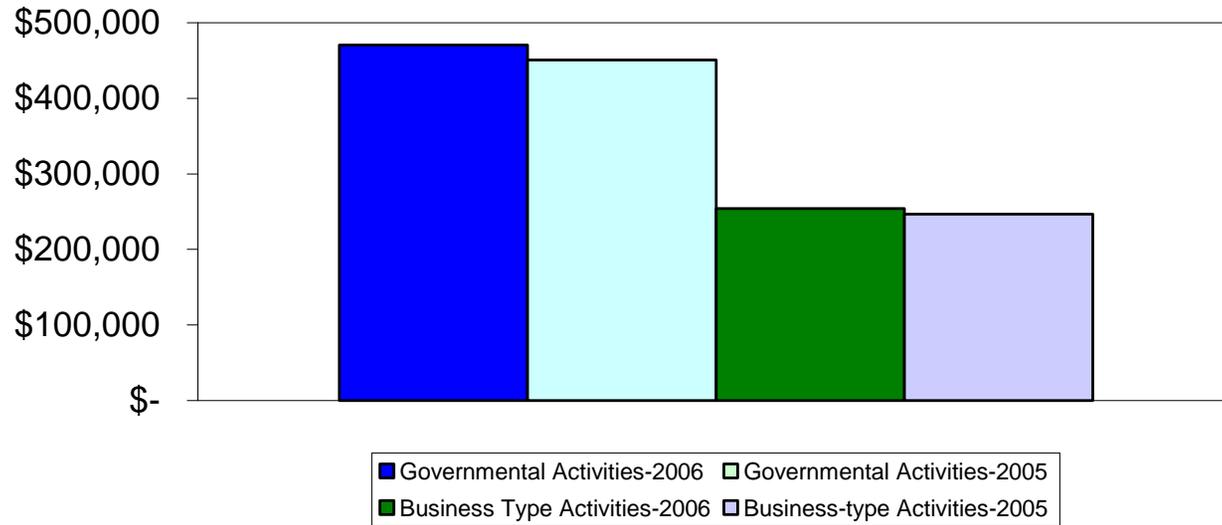
**NET ASSETS**  
(expressed in thousands of dollars)

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 147,044	\$ 143,799	\$ 105,626	\$ 111,797	\$ 252,670	\$ 255,596
Capital assets	<u>444,869</u>	<u>419,765</u>	<u>227,651</u>	<u>214,691</u>	<u>672,520</u>	<u>634,456</u>
Total assets	<u>591,913</u>	<u>563,564</u>	<u>333,277</u>	<u>326,488</u>	<u>925,190</u>	<u>890,052</u>
Current and other liabilities	12,342	13,117	6,833	5,266	19,175	18,383
Long-term obligations	<u>108,904</u>	<u>99,649</u>	<u>72,390</u>	<u>74,369</u>	<u>181,294</u>	<u>174,018</u>
Total liabilities	<u>121,246</u>	<u>112,766</u>	<u>79,223</u>	<u>79,635</u>	<u>200,469</u>	<u>192,401</u>
Net assets:						
Invested in capital assets, net of related debt	362,498	340,941	159,093	146,253	521,591	487,194
Restricted	33,683	43,972	-	-	33,683	43,972
Unrestricted	<u>74,486</u>	<u>65,885</u>	<u>94,960</u>	<u>100,600</u>	<u>169,446</u>	<u>166,485</u>
Total Net Assets	<u>\$ 470,667</u>	<u>\$ 450,798</u>	<u>\$ 254,053</u>	<u>\$ 246,853</u>	<u>\$ 724,720</u>	<u>\$ 697,651</u>

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

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**NET ASSETS**  
(expressed in thousands of dollars)



*Restricted net assets* represent resources that are subject to external restrictions on how they may be used. *Unrestricted net assets* represent resources that may be used to meet the government's ongoing obligations to citizens and creditors.

For both years reflected above, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its governmental and business-type activities.

*Net assets invested in capital assets, net of related debt*, increased by \$34,397 over the previous year for the City as a whole. Of this amount, approximately \$22 million can be attributed to freeway over-crossings and general roadway infrastructure improvements and approximately \$12 million can be attributed to utility operations reported in connection with the City's business-type activities.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

**Governmental and Business-Type Activities.** Governmental activities increased the City's net assets by \$19,869 and the business-type activities increased the City's net assets by \$7,200.

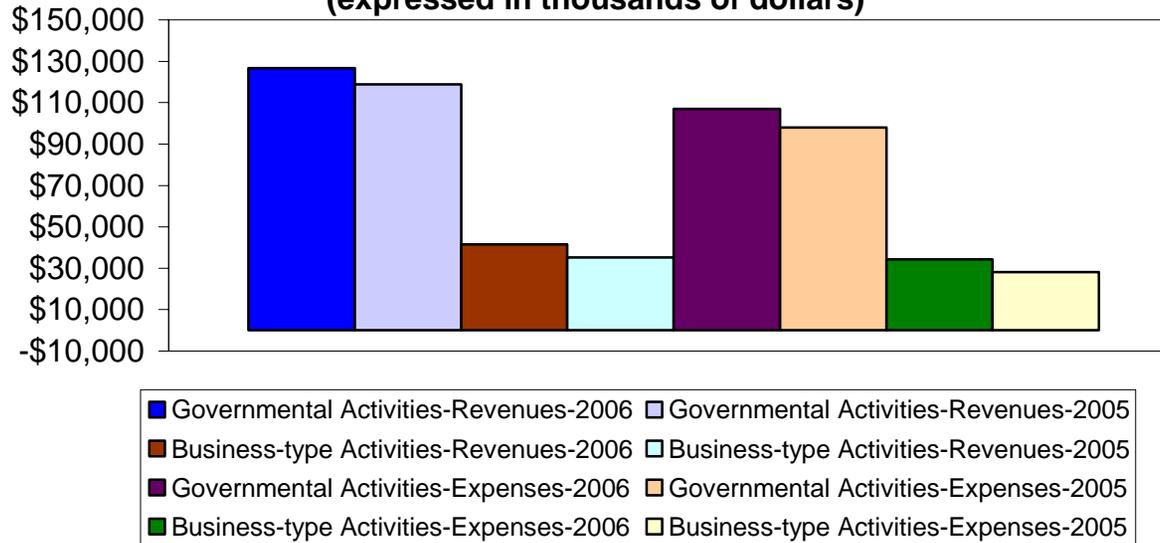
**CHANGES IN NET ASSETS**

(expressed in thousands of dollars)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
<b>REVENUES:</b>						
Program Revenues:						
Charges for services	\$ 17,095	\$ 13,589	\$ 27,664	\$ 26,765	\$ 44,759	\$ 40,354
Operating grants & contributions	16,011	14,161	2,090	1,947	18,101	16,108
Capital grants & contributions	13,063	8,897	6,866	3,650	19,929	12,547
General Revenues:						
Taxes:						
Property taxes	47,844	40,044	87	86	47,931	40,130
Sales taxes	16,116	14,357	-	-	16,116	14,357
Other taxes	7,871	6,240	-	-	7,871	6,240
Vehicle license taxes	596	2,105	-	-	596	2,105
Unrestricted capital contributions	3,785	9,283	2,234	1,332	6,019	10,615
Interest and other	4,379	10,115	2,629	1,373	7,008	11,488
Total revenues	<u>126,760</u>	<u>118,791</u>	<u>41,570</u>	<u>35,153</u>	<u>168,330</u>	<u>153,944</u>
Expenses:						
Governmental activities:						
General government	11,034	7,878	-	-	11,034	7,878
Public safety	36,497	34,717	-	-	36,497	34,717
Public works	18,313	14,585	-	-	18,313	14,585
Community services	11,964	11,368	-	-	11,964	11,368
Housing	15,348	11,289	-	-	15,348	11,289
Redevelopment	8,684	13,666	-	-	8,684	13,666
Interest on long-term debt	5,082	4,451	-	-	5,082	4,451
Business-type activities:						
Sewer	-	-	18,230	13,831	18,230	13,831
Water	-	-	13,135	11,672	13,135	11,672
Transit	-	-	2,974	2,648	2,974	2,648
Total expenses	<u>106,922</u>	<u>97,954</u>	<u>34,339</u>	<u>28,151</u>	<u>141,261</u>	<u>126,105</u>
Increase in net assets before transfers	19,838	20,837	7,231	7,002	27,069	27,839
Transfers	31	2,703	(31)	(2,703)	-	-
Increase (decrease) in net assets	19,869	23,540	7,200	4,299	27,069	27,839
Net assets-July 1, 2005	450,798	427,258	246,853	242,554	697,651	669,812
Net assets-June 30, 2006	<u>\$ 470,667</u>	<u>\$ 450,798</u>	<u>\$ 254,053</u>	<u>\$ 246,853</u>	<u>\$ 724,720</u>	<u>\$ 697,651</u>

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

**CHANGES IN NET ASSETS**  
**(2006 vs. 2005)**  
**(expressed in thousands of dollars)**



Net assets increased by \$27,069 during the fiscal year. Most of this increase represents the degree to which the City is attracting new residential and commercial development, as evidenced by the significant amount of program revenue reported as capital grants and contributions under program and general revenue. Contributions consist partly of roadway and utility infrastructure improvements installed by developers as part of new residential or commercial projects and subsequently dedicated to the City. Other program revenue and general revenue essentially offset the cost of providing general and business-type activity services.

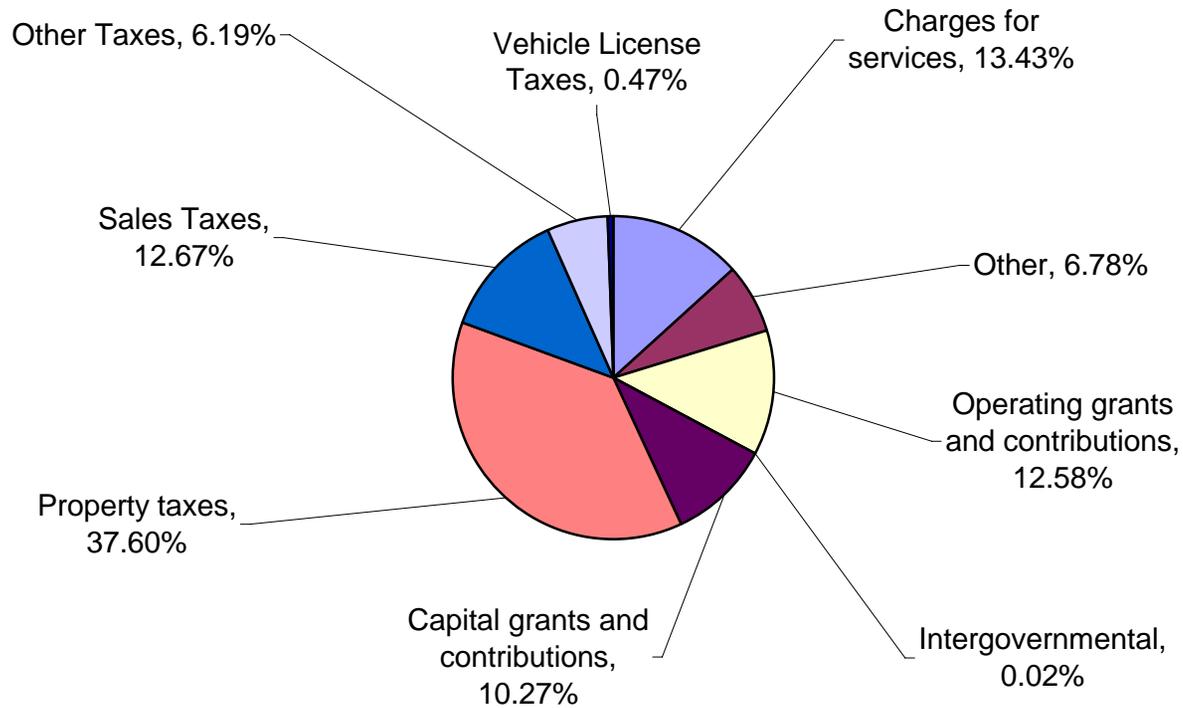
**Governmental activities.** Governmental activities increased the City's net assets by \$19,869, thereby accounting for 73% of the total growth in the net assets of the City. Key components of this increase are as follows:

- Charges for services increased by \$3,507 (26%) during the year, most of which is the result of revised fees for services and the addition of several new park maintenance districts.
- Operating and capital grants for governmental activities increased by \$6,016 (26%), which was mostly a result of the City's strategy to aggressively pursue grant funding when available.
- As mentioned previously, capital grants and contributions primarily reflect the level of development activity occurring within the City. This revenue source increased by \$4,166 (47%) during the year, primarily from the collection of impact fees associated with new developments.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

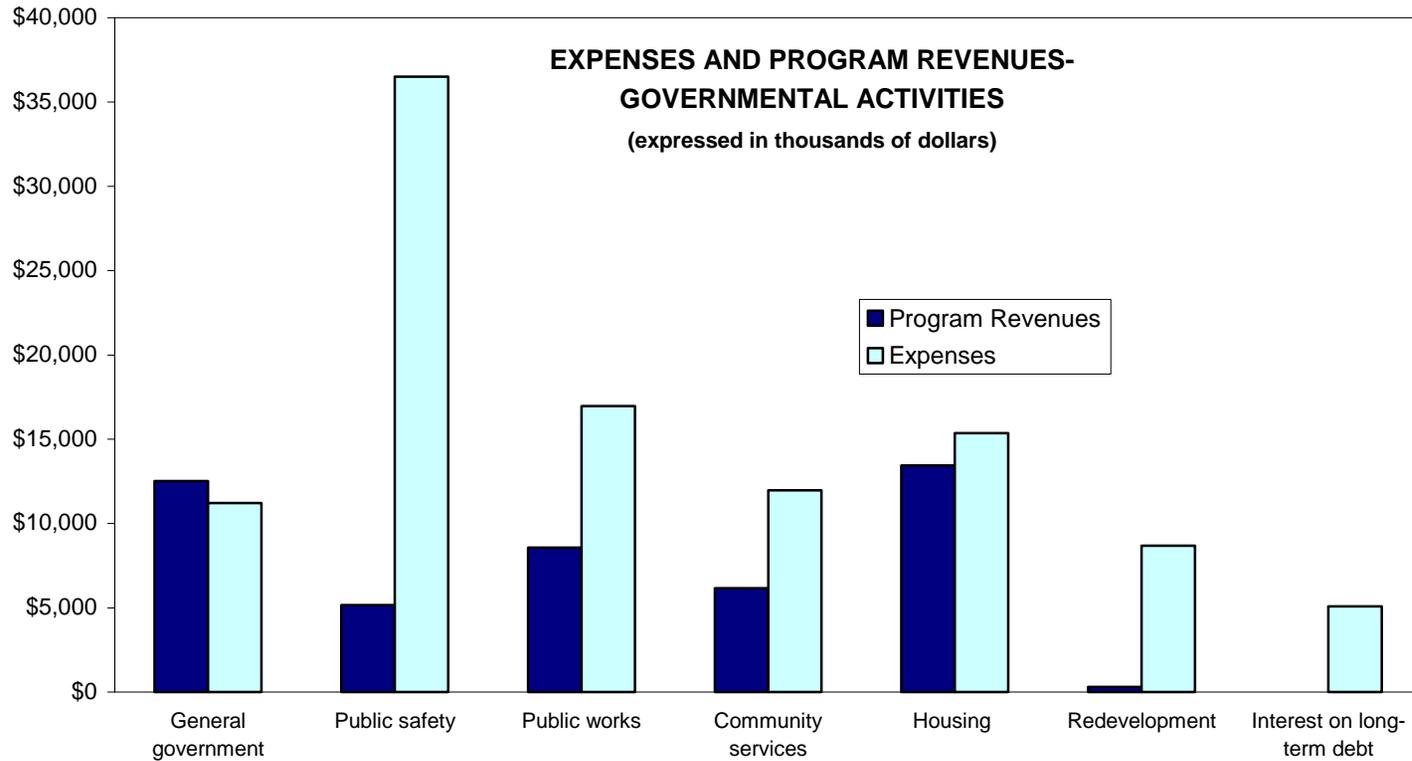
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**REVENUES BY SOURCE-  
GOVERNMENTAL ACTIVITIES**



As depicted in the accompanying chart, the majority of governmental activities rely on general revenues for funding. The growth in expenses for public safety of \$1,780 (5%) reflects both the high priority placed on public safety by the City Council as well as the ability of the police department to access grant funding. Expenses increased in General government, Public Works, Community Services and Housing due to the increased number of staff and the addition of the Solano County Housing Authority activity into the City's Comprehensive Annual Financial Report. Redevelopment expenses decreased by \$4,982 (36%) due to reduced capital project expenditures during the year.

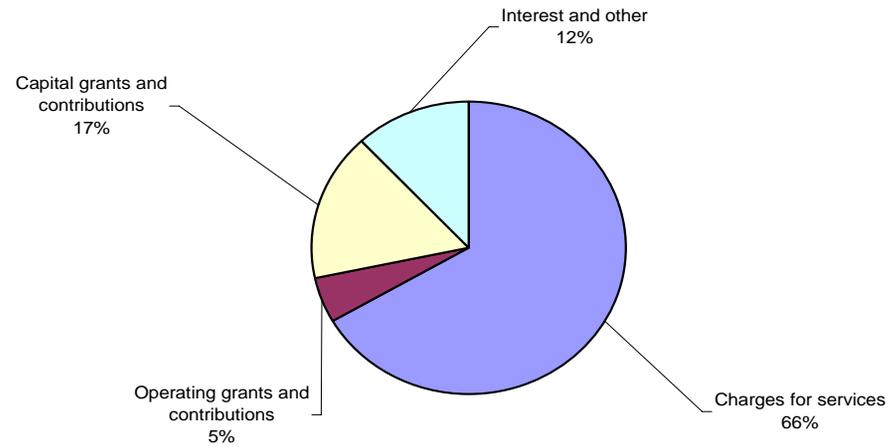
**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**



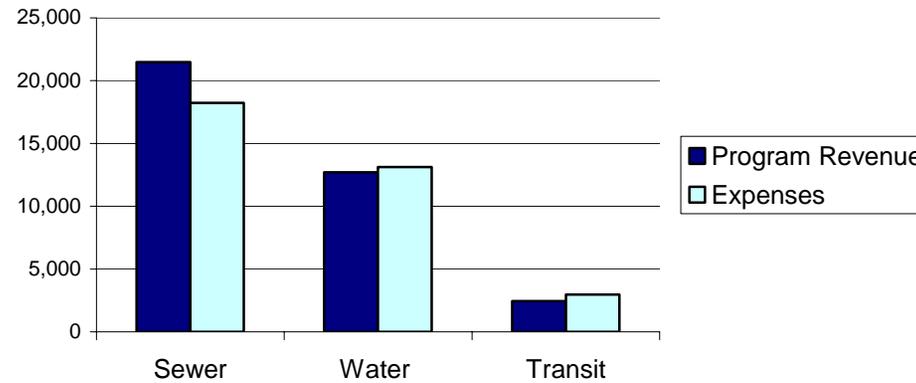
**Business-type activities.** Business-type activities increased the City's net assets by \$7,200, accounting for 27% of the total growth in net assets. For the most part, increases in operating expenses (\$6,188, or 22%) paralleled inflation and growth in the demand for services. Increases in operating revenues (\$6,417, or 18%) were attributed to an increase in the amount of development impact fees collected during the year. The growth in net assets was principally derived from the \$6,866 received in capital grants and contributions from developers and other governmental agencies.

**CITY OF VACAVILLE  
Management's Discussion and Analysis  
For the year ended June 30, 2006**

**REVENUES BY SOURCE-BUSINESS-TYPE ACTIVITIES**



**Expenses and Program Revenues -  
Business Type Activities  
(expressed in thousands of dollars)**



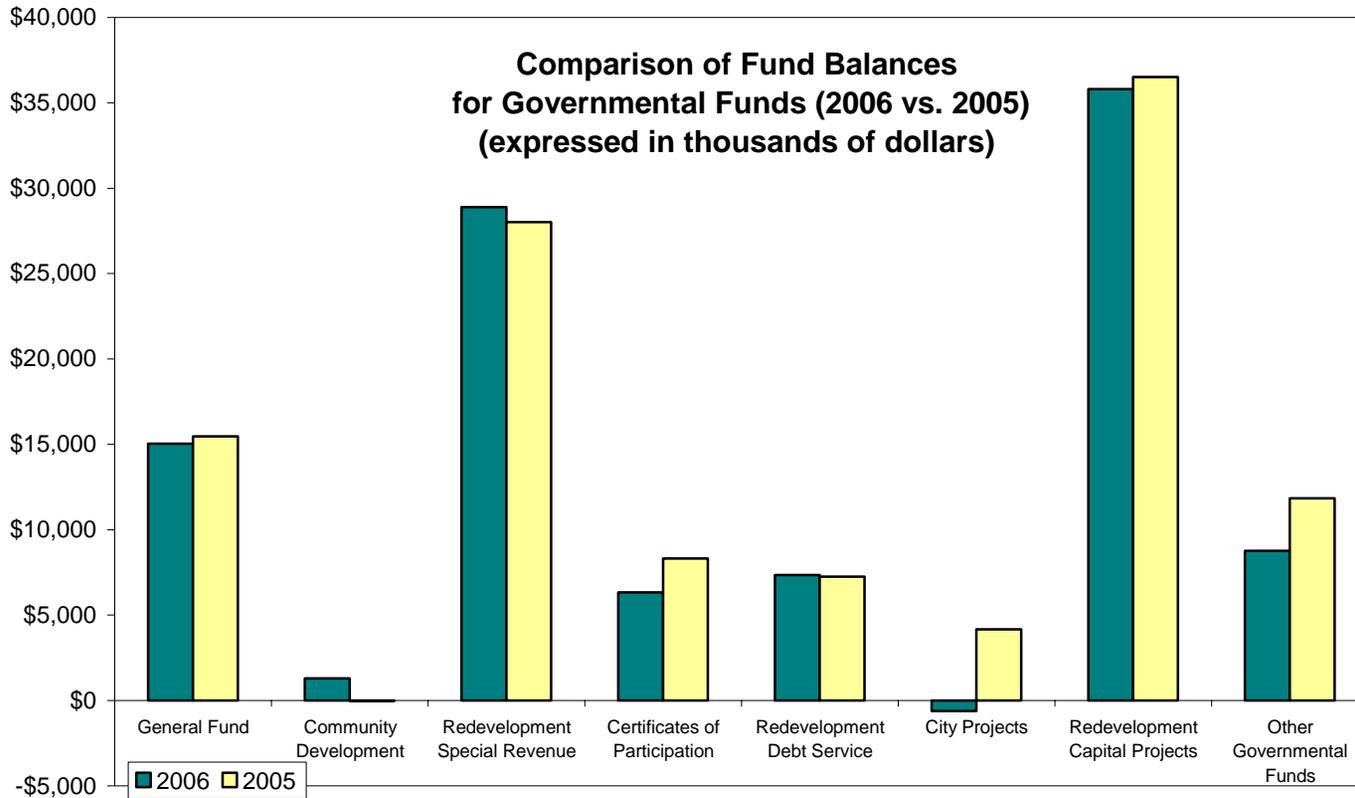
**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

**Financial Analysis of the Government's Funds**

As noted earlier, the City of Vacaville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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.

As of June 30, 2006, the City's governmental funds reported combined ending fund balances of \$102,835 a decrease of \$8,706 in comparison with the prior year. Approximately 34% of this total amount (\$34,778) 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 (\$6,000), 2) to pay debt service (\$11,765), 3) to pay for construction (\$16,724) or 4) for a variety of other restricted purposes.



**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

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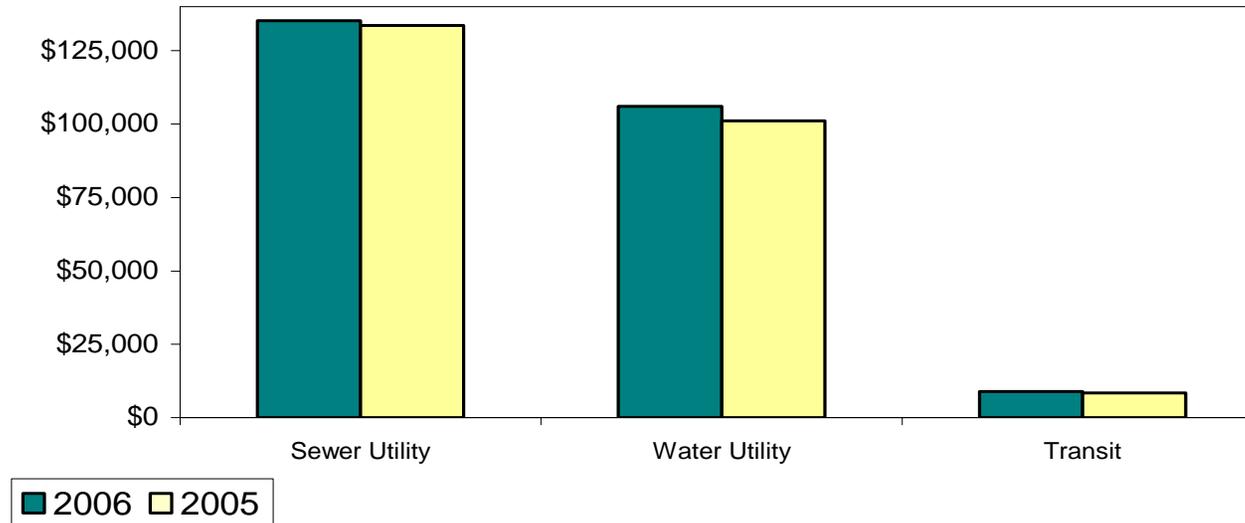
The General Fund is the primary operating fund of the City. At June 30, 2006, unreserved fund balance of the General Fund was \$14,139, while total fund balance was \$15,038. This amount can be viewed as the City's emergency operating reserve and is often measured as a percent of ongoing operating revenues. Unreserved fund balance represents 25% of total General Fund operating revenue.

The fund balance of the City's general fund decreased by \$418 during the current fiscal year. Key factors in this decrease are increased public safety expenses and costs associated with the January 2006 winter storms.

The City Projects fund has a total fund balance of \$(611) which is reserved for capital projects. The fund balance decreased during the fiscal year by \$4,780 as a result of several large construction projects such as the Leisure Town Road and Nut Tree Road overcrossing projects which is partially Federal grant reimbursable upon completion of construction which is anticipated to occur in fiscal year 2007.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**Comparison of Net Assets**  
**for Proprietary Funds**  
**(2006 vs. 2005)**  
**(expressed in thousands of dollars)**



**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

Unrestricted net assets at the end of the year amounted to \$59,554 for the sewer utility and \$32,994 for the water utility. Due to the subsidized nature of transportation, the transit operating funds have negative unrestricted net assets as year end. The increase in net assets for the sewer, water and transit operations was \$1,598, \$4,872, and \$480, 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**

Differences between the final amended budget and the actual results resulted in a \$555 negative variance from appropriations. Of this variance, \$418 was funded from existing balance. The remainder was funded from additional funding sources or increases to charges for services. If not for the unanticipated storm-related expenditures, the General Fund would have been on track with budget.

**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, 2006, amounts to \$672,519 (net of accumulated depreciation). Investment in capital assets includes amounts expended on land, buildings and improvements, park facilities, machinery, vehicles, roads and bridges. The total net increase in the City's investment in capital assets for the current fiscal year was \$38,063.

**CAPITAL ASSETS**

(net of depreciation, expressed in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 176,855	\$ 176,595	\$ 6,718	\$ 6,718	\$ 183,573	\$ 183,313
Buildings and improvements	42,400	29,348	144,580	149,427	186,980	178,775
Equipment	603	833	1,481	1,560	2,084	2,393
Vehicles	2,621	2,388	1,126	1,489	3,747	3,877
Infrastructure	163,293	165,015	46,418	45,942	209,711	210,957
Intangibles	788	788	-	-	788	788
Construction in progress	<u>58,308</u>	<u>44,798</u>	<u>27,328</u>	<u>9,555</u>	<u>85,636</u>	<u>54,353</u>
Total	<u>\$ 444,868</u>	<u>\$ 419,765</u>	<u>\$ 227,651</u>	<u>\$ 214,691</u>	<u>\$ 672,519</u>	<u>\$ 634,456</u>

Major capital asset events during the current fiscal year included the Nut Tree Road and the Leisure Town Road over crossings.

Additional information on the City's capital assets can be found in Note 5 on pages 54-58.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt and notes payable outstanding of \$149,855. Of this amount, \$96,469 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt, \$53,386, represents debt secured solely by specified revenue sources (i.e., revenue type bonds).

The City's total debt decreased by \$148 during the current fiscal year. The primary reason for this decrease was scheduled debt service payments.

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 59-72 of this report.

**OUTSTANDING DEBT**  
(expressed in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Bonds payable	\$ 53,386	\$ 51,862	\$ -	\$ -	\$ 53,386	\$ 51,862
Capital lease obligations	4,467	3,383	120	-	4,587	3,383
Certificates of participation	19,645	20,695	-	-	19,645	20,695
Loans payable	3,800	2,884	68,437	71,179	72,237	74,063
<b>Total</b>	<b>\$ 81,298</b>	<b>\$ 78,824</b>	<b>\$ 68,557</b>	<b>\$ 71,179</b>	<b>\$ 149,855</b>	<b>\$ 150,003</b>

**Economic Factors and Next Year's Budget**

- The unemployment rate for the City is currently 3.7%, which is a decrease of .3% from a year ago. This compares favorably to the state's average unemployment rate of 4.9% and the national average rate of 4.6%.
- The occupancy rates of the City's principal business districts have remained very high for several years and are expected to remain high into the foreseeable future.
- Inflationary trends in the region compare favorably to state and national indices.
- Housing prices in Solano County, and Vacaville in particular, are among the most affordable in the nine-county San Francisco Bay Area.
- Retail sales in Vacaville remain strong due to the addition of new auto dealers and changes to the tenants with the factory outlet stores and the rehabilitation of the Nut Tree as a regional retail destination point.
- Retirement and health benefit costs have stabilized and are beginning to decline.

**CITY OF VACAVILLE**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2006**

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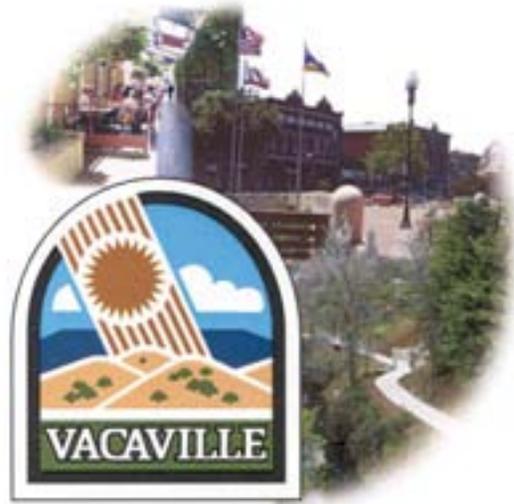
- Voters in California have limited the ability of the State Legislature to take revenues from the cities (Proposition 1A).
- Voters in Vacaville have approved a local general tax measure which will allow the City to continue imposing a property and franchise tax on local utilities.

All of these factors were considered in preparing the City of Vacaville's budget for the 2006-2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund is expected to decrease by \$5. It is expected that operating revenues will be sufficient to fund operating costs with no need to raise taxes or charges during the fiscal year (beyond normal inflationary increases).

**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](http://www.cityofvacaville.com) for contact information.



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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF VACAVILLE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

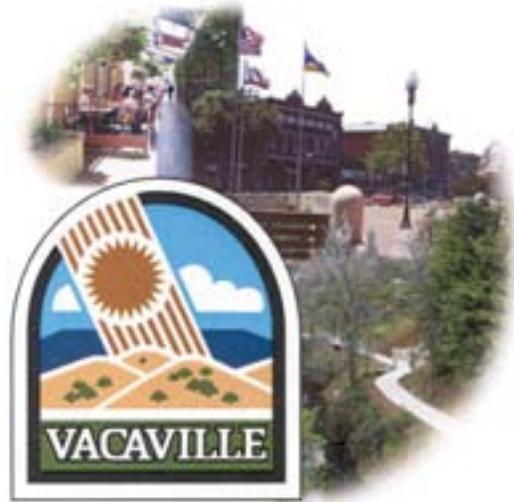
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 70,263,525	\$ 79,330,231	\$ 149,593,756
Receivables, net of allowance for uncollectibles:			
Interest	1,323,769	-	1,323,769
Taxes	3,200,523	-	3,200,523
Accounts	6,955,867	5,367,555	12,323,422
Loans	38,935,435	5,477	38,940,912
Inventories	416,485	-	416,485
Prepaid Items	2,719,395	-	2,719,395
Deferred charges	158,063	-	158,063
Internal Balances	(3,159,432)	3,159,432	-
Total current assets	<u>120,813,630</u>	<u>87,862,695</u>	<u>208,676,325</u>
Noncurrent assets:			
Restricted cash and investments	26,078,029	-	26,078,029
Deposits	152,571	-	152,571
Investment in joint venture	-	17,763,052	17,763,052
Capital assets:			
Capital assets, non-depreciable	235,951,103	34,045,267	269,996,370
Capital assets, net of accumulated depreciation	208,917,514	193,605,404	402,522,918
Total capital assets	<u>444,868,617</u>	<u>227,650,671</u>	<u>672,519,288</u>
Total noncurrent assets	<u>471,099,217</u>	<u>245,413,723</u>	<u>716,512,940</u>
<b>Total assets</b>	<u>591,912,847</u>	<u>333,276,418</u>	<u>925,189,265</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and contract payable	2,777,715	3,526,165	6,303,880
Accrued payroll	2,388,674	379,176	2,767,850
Interest payable	1,231,133	20,553	1,251,686
Employee benefits payable	375,843	-	375,843
Compensated absences-due within one year	267,218	78,400	345,618
Claims payable - due within one year	1,874,850	-	1,874,850
Long-term debt - due within one year	3,426,607	2,828,893	6,255,500
Total current liabilities	<u>12,342,040</u>	<u>6,833,187</u>	<u>19,175,227</u>
Noncurrent liabilities:			
Deposits payable	8,914,637	5,807,384	14,722,021
Due to other governments	-	75,550	75,550
Unearned revenue	13,661,364	59,636	13,721,000
Compensated absences-due in more than a year	5,022,057	718,970	5,741,027
Claims payable-due in more than a year	3,435,150	-	3,435,150
Long-term liabilities-due in more than a year	77,871,226	65,728,254	143,599,480
Total noncurrent liabilities	<u>108,904,434</u>	<u>72,389,794</u>	<u>181,294,228</u>
<b>Total liabilities</b>	<u>121,246,474</u>	<u>79,222,981</u>	<u>200,469,455</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	362,497,714	159,093,524	521,591,238
Restricted for:			
Capital projects	16,724,211	-	16,724,211
Debt service	11,765,444	-	11,765,444
Highway and streets	3,511,196	-	3,511,196
Housing	333,998	-	333,998
Special Programs	1,347,838	-	1,347,838
Total restricted	<u>33,682,687</u>	<u>-</u>	<u>33,682,687</u>
Unrestricted	74,485,972	94,959,913	169,445,885
<b>Total net assets</b>	<u>\$ 470,666,373</u>	<u>\$ 254,053,437</u>	<u>\$ 724,719,810</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			TOTALS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
Governmental activities:								
General government	\$ 11,033,903	\$ 4,214,707	\$ 141,927	\$ 8,155,389	\$ 12,512,023	\$ 1,478,120	\$ -	\$ 1,478,120
Public safety	36,497,504	4,013,885	1,149,776	-	5,163,661	(31,333,843)	-	(31,333,843)
Public works	18,312,936	2,530,805	1,132,156	4,907,841	8,570,802	(9,742,134)	-	(9,742,134)
Community services	11,964,241	5,330,082	828,244	-	6,158,326	(5,805,915)	-	(5,805,915)
Housing	15,348,313	760,802	12,692,261	-	13,453,063	(1,895,250)	-	(1,895,250)
Redevelopment	8,684,038	245,121	66,304	-	311,425	(8,372,613)	-	(8,372,613)
Interest on long-term debt	5,081,555	-	-	-	-	(5,081,555)	-	(5,081,555)
Total governmental activities	106,922,490	17,095,402	16,010,668	13,063,230	46,169,300	(60,753,190)	-	(60,753,190)
Business-type activities:								
Sewer	18,229,821	17,192,531	-	4,278,676	21,471,207	-	3,241,386	3,241,386
Water	13,134,845	10,108,771	-	2,587,585	12,696,356	-	(438,489)	(438,489)
Transit	2,973,789	363,001	2,090,327	-	2,453,328	-	(520,461)	(520,461)
Total business-type activities	34,338,455	27,664,303	2,090,327	6,866,261	36,620,891	-	2,282,436	2,282,436
<b>Total primary government</b>	<b>\$ 141,260,945</b>	<b>\$ 44,759,705</b>	<b>\$ 18,100,995</b>	<b>\$ 19,929,491</b>	<b>\$ 82,790,191</b>	<b>(60,753,190)</b>	<b>2,282,436</b>	<b>(58,470,754)</b>
<b>General revenues and transfers:</b>								
Taxes:								
						47,843,895	86,851	47,930,746
						16,116,371	-	16,116,371
						7,870,589	-	7,870,589
						596,444	-	596,444
						72,427,299	86,851	72,514,150
						4,320,423	(194,738)	4,125,685
						3,784,835	2,234,163	6,018,998
						58,072	2,823,441	2,881,513
						31,249	(31,249)	-
						80,621,878	4,918,468	85,540,346
						19,868,688	7,200,904	27,069,592
						450,797,685	246,852,533	697,650,218
						\$ 470,666,373	\$ 254,053,437	\$ 724,719,810

See accompanying Notes to Basic Financial Statements.



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# **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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## **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 aggregate of all the non-major governmental funds.

**CITY OF VACAVILLE**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2006**

ASSETS	MAJOR FUNDS				MAJOR FUNDS					TOTAL GOVERNMENTAL FUNDS
	GENERAL	COMMUNITY DEVELOPMENT	REDEVELOPMENT SPECIAL REVENUE	CERTIFICATES		CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS		
				OF PARTICIPATION	REDEVELOPMENT DEBT SERVICE					
Cash and investments	\$ 12,507,847	\$ 932,378	\$ 11,331,179	\$ 6,333,701	\$ 2,281,962	\$ 10,921,470	\$ 9,322,365	\$ 14,452,048	\$ 68,082,950	
Receivables:										
Interest	1,239,257	-	-	2	27,315	-	47,626	9,569	1,323,769	
Taxes	3,044,661	-	-	-	-	85,346	-	70,516	3,200,523	
Accounts	1,034,217	152,152	36,674	-	-	4,850,381	350,467	346,514	6,770,405	
Loans	75,891	11,240,913	17,676,667	-	2,364,740	333,053	7,244,171	-	38,935,435	
Due from other funds	197,129	-	-	-	-	-	-	-	197,129	
Prepaid items	-	-	-	-	-	1,812,500	-	906,895	2,719,395	
Restricted cash and investments held by fiscal agent	231,684	-	-	7,094,768	4,183,848	-	11,375,379	3,192,350	26,078,029	
Deposits	102,571	-	-	-	-	-	-	-	102,571	
Advances to other funds	-	-	-	-	-	-	10,761,505	-	10,761,505	
<b>Total assets</b>	<b>\$ 18,433,257</b>	<b>\$ 12,325,443</b>	<b>\$ 29,044,520</b>	<b>\$ 13,428,471</b>	<b>\$ 8,857,865</b>	<b>\$ 18,002,750</b>	<b>\$ 39,101,513</b>	<b>\$ 18,977,892</b>	<b>\$ 158,171,711</b>	
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts and contract payable	\$ 656,039	\$ 17,243	\$ 45,487	\$ -	\$ -	\$ 717,068	\$ 395,031	\$ 750,464	\$ 2,581,332	
Accrued payroll	1,949,787	8,645	35,560	-	-	35,269	40,330	249,668	2,319,259	
Compensated absences	-	-	-	-	-	-	-	-	-	
Deposits payable	473,815	898	71,751	-	-	1,419,294	133,302	6,795,577	8,894,637	
Due to other funds	-	-	-	-	-	-	-	13,927	13,927	
Deferred revenue	315,846	11,013,998	-	7,094,281	1,520,144	2,520,995	2,733,078	2,408,140	27,606,482	
Advances from other funds	-	-	-	-	-	13,920,937	-	-	13,920,937	
<b>Total liabilities</b>	<b>3,395,487</b>	<b>11,040,784</b>	<b>152,798</b>	<b>7,094,281</b>	<b>1,520,144</b>	<b>18,613,563</b>	<b>3,301,741</b>	<b>10,217,776</b>	<b>55,336,574</b>	
Fund Balances:										
Reserved	898,976	240,954	17,687,293	6,334,190	5,028,444	3,184,864	30,226,625	4,455,907	68,057,253	
Unreserved:										
Designated, General Fund	14,138,794	-	-	-	-	-	-	-	14,138,794	
Designated, Capital Projects Funds	-	-	-	-	-	(3,795,677)	5,573,147	-	1,777,470	
Undesignated, Special Revenue Funds	-	1,043,705	11,204,429	-	-	-	-	4,728,818	16,976,952	
Undesignated, Debt Service Funds	-	-	-	-	2,309,277	-	-	9,569	2,318,846	
Undesignated, Capital Projects Funds	-	-	-	-	-	-	-	(434,178)	(434,178)	
<b>Total fund balances</b>	<b>15,037,770</b>	<b>1,284,659</b>	<b>28,891,722</b>	<b>6,334,190</b>	<b>7,337,721</b>	<b>(610,813)</b>	<b>35,799,772</b>	<b>8,760,116</b>	<b>102,835,137</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 18,433,257</b>	<b>\$ 12,325,443</b>	<b>\$ 29,044,520</b>	<b>\$ 13,428,471</b>	<b>\$ 8,857,865</b>	<b>\$ 18,002,750</b>	<b>\$ 39,101,513</b>	<b>\$ 18,977,892</b>	<b>\$ 158,171,711</b>	

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, 2006**

**TOTAL FUND BALANCES- TOTAL GOVERNMENTAL FUNDS** \$ 102,835,137

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 asset reported in the Funds for the Nut Tree investment instrument is not an investment in the Government-Wide Statement of Net Assets. (4,160,253)

**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, internal service fund capital assets of \$102,940. 444,765,677

**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. 206,808

**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	158,063
Long-term debt	(81,297,833)
Employee benefits payable	469,819
Compensated absences	(5,025,030)
Interest payable	(1,231,133)

**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. 13,945,118

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 470,666,373

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, 2006**

	GENERAL	COMMUNITY DEVELOPMENT	REDEVELOPMENT SPECIAL REVENUE	CERTIFICATES OF PARTICIPATION	REDEVELOPMENT DEBT SERVICE	CITY PROJECTS	REDEVELOPMENT CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>									
Taxes and fees	\$ 44,963,528	\$ -	\$ 4,963,484	\$ -	\$ -	\$ 8,674,139	\$ 19,853,935	\$ 2,172,351	\$ 80,627,437
Licenses and permits	37,076	-	-	-	-	-	-	670,453	707,529
Investment income	2,046,994	1,400	589,894	-	252,569	525,996	1,302,313	384,726	5,103,892
Intergovernmental	1,513,242	806,837	-	-	-	5,906,969	66,304	15,193,364	23,486,716
Charges for services	7,816,113	-	-	-	-	-	-	4,750,192	12,566,305
Fines,forfeits and penalties	126,921	-	-	-	-	-	-	333,259	460,180
Other	229,311	8,277	71,521	-	-	147,998	28,532	218,695	704,334
<b>Total revenues</b>	<b>56,733,185</b>	<b>816,514</b>	<b>5,624,899</b>	<b>-</b>	<b>252,569</b>	<b>15,255,102</b>	<b>21,251,084</b>	<b>23,723,040</b>	<b>123,656,393</b>
<b>EXPENDITURES:</b>									
Current:									
General government	6,989,614	-	-	-	-	-	-	3,503,327	10,492,941
Public safety	35,887,338	-	-	-	-	-	-	963,897	36,851,235
Public works	4,350,514	-	-	-	-	137,689	-	1,735,509	6,223,712
Community services	8,068,888	740,307	-	-	-	-	-	2,557,914	11,367,109
Housing	3,853	-	3,036,036	-	-	-	-	12,323,383	15,363,272
Redevelopment	-	-	-	-	3,802,214	-	14,239,409	-	18,041,623
Capital outlay	-	-	-	-	-	27,037,495	2,214,242	8,870,875	38,122,612
Debt service:									
Principal	277,433	-	-	280,000	1,417,127	71,677	-	770,000	2,816,237
Interest and fiscal charges	58,431	-	-	1,697,662	2,978,389	420,190	-	417,048	5,571,720
<b>Total expenditures</b>	<b>55,636,071</b>	<b>740,307</b>	<b>3,036,036</b>	<b>1,977,662</b>	<b>8,197,730</b>	<b>27,667,051</b>	<b>16,453,651</b>	<b>31,141,953</b>	<b>144,850,461</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,097,114</b>	<b>76,207</b>	<b>2,588,863</b>	<b>(1,977,662)</b>	<b>(7,945,161)</b>	<b>(12,411,949)</b>	<b>4,797,433</b>	<b>(7,418,913)</b>	<b>(21,194,068)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers in	749,527	1,220,000	2,820,403	-	7,845,857	6,286,720	120,492	4,932,762	23,975,761
Transfers out	(3,545,130)	-	(4,535,755)	-	(19,579)	(5,000)	(16,569,278)	(600,450)	(25,275,192)
Sale of capital assets	-	-	-	-	-	-	8,497,323	-	8,497,323
Issuance of debt and loans	1,280,000	-	-	-	214,693	1,350,000	2,445,307	-	5,290,000
<b>Total other financing sources (uses)</b>	<b>(1,515,603)</b>	<b>1,220,000</b>	<b>(1,715,352)</b>	<b>-</b>	<b>8,040,971</b>	<b>7,631,720</b>	<b>(5,506,156)</b>	<b>4,332,312</b>	<b>12,487,892</b>
<b>REVENUES AND OTHER FINANCING SOURCES SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING OTHER FINANCING USES</b>	<b>(418,489)</b>	<b>1,296,207</b>	<b>873,511</b>	<b>(1,977,662)</b>	<b>95,810</b>	<b>(4,780,229)</b>	<b>(708,723)</b>	<b>(3,086,601)</b>	<b>(8,706,176)</b>
<b>FUND BALANCES:</b>									
Fund balances, beginning of year	15,456,259	(11,548)	28,018,211	8,311,852	7,241,911	4,169,416	36,508,495	11,846,717	111,541,313
Fund balances, end of year	\$ 15,037,770	\$ 1,284,659	\$ 28,891,722	\$ 6,334,190	\$ 7,337,721	\$ (610,813)	\$ 35,799,772	\$ 8,760,116	\$ 102,835,137

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, 2006**

**NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS** \$ (8,706,176)

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. This is the amount of capital assets recorded in the current period. 39,269,143

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. (11,271,842)

**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. (5,290,000)

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. 2,816,237

**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:

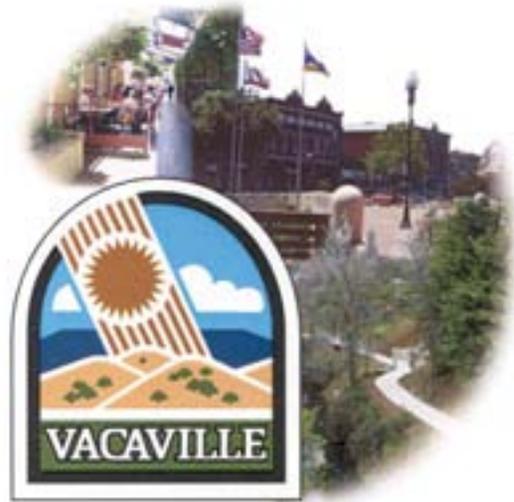
Long-term compensated absences	(288,876)
Unearned revenue	(458,597)
Interest expense	282,755
Sale of capital assets	(8,497,323)
Loss on sale of property	9,338,357

**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. 2,675,010

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 19,868,688

See accompanying Notes to Basic Financial Statements.



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## **PROPRIETARY FUND FINANCIAL STATEMENTS**

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### **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, 2006**

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT		
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 56,660,765	\$ 19,777,186	\$ 252,602	\$ 76,690,553	\$ 8,980,506
Accounts receivable	3,551,955	1,815,600	-	5,367,555	185,462
Loans receivable	5,477	-	-	5,477	-
Inventories-supplies	-	-	-	-	416,485
Total current assets	<u>60,218,197</u>	<u>21,592,786</u>	<u>252,602</u>	<u>82,063,585</u>	<u>9,582,453</u>
Noncurrent assets:					
Deposits	-	-	-	-	50,000
Advances to other funds	1,153,144	2,106,288	-	3,259,432	-
Investment in joint venture	-	17,763,052	-	17,763,052	-
Capital assets:					
Land	2,777,333	1,968,372	1,971,931	6,717,636	-
Construction in progress	8,818,942	16,956,108	1,552,581	27,327,631	-
Buildings and improvements	147,379,182	43,660,062	4,889,516	195,928,760	123,740
Machinery and equipment	1,319,538	415,763	3,472,534	5,207,835	4,327,565
Transmission and distribution system	25,029,597	35,710,112	-	60,739,709	-
Less: accumulated depreciation	<u>(41,124,544)</u>	<u>(25,663,088)</u>	<u>(2,696,615)</u>	<u>(69,484,247)</u>	<u>(3,135,018)</u>
Total capital assets	<u>144,200,048</u>	<u>73,047,329</u>	<u>9,189,947</u>	<u>226,437,324</u>	<u>1,316,287</u>
Total noncurrent assets	<u>145,353,192</u>	<u>92,916,669</u>	<u>9,189,947</u>	<u>247,459,808</u>	<u>1,366,287</u>
<b>Total assets</b>	<u>\$ 205,571,389</u>	<u>\$ 114,509,455</u>	<u>\$ 9,442,549</u>	<u>\$ 329,523,393</u>	<u>\$ 10,948,740</u>

**CITY OF VACAVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT		
<b>LIABILITIES</b>					
Current liabilities:					
Accounts and contract payable	\$ 886,578	\$ 2,242,283	\$ 397,304	\$ 3,526,165	\$ 196,383
Accrued payroll	226,931	146,677	5,568	379,176	69,415
Interest payable	20,553	-	-	20,553	-
Due to other funds	-	-	-	-	183,202
Employee benefits payable	-	-	-	-	845,662
Compensated absences-due within one year	66,577	11,823	-	78,400	264,245
Current portion of claims payable	-	-	-	-	1,874,850
Long-term debt - due within one year	2,828,893	-	-	2,828,893	-
Total current liabilities	<u>4,029,532</u>	<u>2,400,783</u>	<u>402,872</u>	<u>6,833,187</u>	<u>3,433,757</u>
Noncurrent liabilities:					
Deposits payable	652	5,804,446	2,286	5,807,384	20,000
Due to other governments	-	-	75,550	75,550	-
Advances from other funds	-	100,000	-	100,000	-
Unearned revenue	5,477	54,159	-	59,636	-
Compensated absences-due in more than a year	610,543	108,427	-	718,970	-
Long-term claims payable	-	-	-	-	3,435,150
Long-term debt - due in more than one year	65,728,254	-	-	65,728,254	-
Total noncurrent liabilities	<u>66,344,926</u>	<u>6,067,032</u>	<u>77,836</u>	<u>72,489,794</u>	<u>3,455,150</u>
<b>Total liabilities</b>	<u>70,374,458</u>	<u>8,467,815</u>	<u>480,708</u>	<u>79,322,981</u>	<u>6,888,907</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	75,642,901	73,047,329	9,189,947	157,880,177	1,316,287
Unrestricted	59,554,030	32,994,311	(228,106)	92,320,235	2,743,546
<b>Total net assets business-type activities</b>	<u>\$ 135,196,931</u>	<u>\$ 106,041,640</u>	<u>\$ 8,961,841</u>	250,200,412	<u>\$ 4,059,833</u>
				Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	3,853,025
				Net assets of business-type activities	<u>\$ 254,053,437</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	ACTIVITIES INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES:</b>					
Charges for sales and services:					
Sewer charges	\$ 21,458,837	\$ -	\$ -	\$ 21,458,837	\$ -
Water sales	-	12,696,356	-	12,696,356	-
Transit fares	-	-	363,001	363,001	-
Internal service charges	-	-	-	-	9,484,367
<b>Total operating revenues</b>	<b>21,458,837</b>	<b>12,696,356</b>	<b>363,001</b>	<b>34,518,194</b>	<b>9,484,367</b>
<b>OPERATING EXPENSES:</b>					
Treatment plant and sources of supply	6,124,680	6,288,882	-	12,413,562	-
Transmission and distribution	-	1,168,937	-	1,168,937	-
Maintenance	2,963,462	768,535	-	3,731,997	-
Customer services and administration	5,073,532	2,653,010	-	7,726,542	-
Transportation	-	-	2,455,220	2,455,220	-
Internal service expenses	-	-	-	-	7,354,297
Depreciation	4,198,802	2,375,129	518,569	7,092,500	520,145
<b>Total operating expenses</b>	<b>18,360,476</b>	<b>13,254,493</b>	<b>2,973,789</b>	<b>34,588,758</b>	<b>7,874,442</b>
<b>OPERATING INCOME (LOSS)</b>	<b>3,098,361</b>	<b>(558,137)</b>	<b>(2,610,788)</b>	<b>(70,564)</b>	<b>1,609,925</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Gain from joint venture	-	161,293	-	161,293	-
Interest revenue	1,262,660	450,679	9,268	1,722,607	-
Interest expense	(1,917,345)	-	-	(1,917,345)	(15,292)
Taxes and other	530,924	2,230,445	2,090,327	4,851,696	-
<b>Total nonoperating revenues (expenses)</b>	<b>(123,761)</b>	<b>2,842,417</b>	<b>2,099,595</b>	<b>4,818,251</b>	<b>(15,292)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTION</b>	<b>2,974,600</b>	<b>2,284,280</b>	<b>(511,193)</b>	<b>4,747,687</b>	<b>1,594,633</b>
<b>TRANSFER:</b>					
Transfers in	122,307	2,000,514	-	2,122,821	1,330,680
Transfers out	(2,046,570)	(107,500)	-	(2,154,070)	-
<b>Total transfers</b>	<b>(1,924,263)</b>	<b>1,893,014</b>	<b>-</b>	<b>(31,249)</b>	<b>1,330,680</b>
<b>CAPITAL CONTRIBUTIONS:</b>					
Intergovernmental	-	-	991,163	991,163	-
Developers	548,030	694,970	-	1,243,000	-
<b>Total capital contributions</b>	<b>548,030</b>	<b>694,970</b>	<b>991,163</b>	<b>2,234,163</b>	<b>-</b>
<b>Change in net assets</b>	<b>1,598,367</b>	<b>4,872,264</b>	<b>479,970</b>	<b>6,950,601</b>	<b>2,925,313</b>
<b>NET ASSETS:</b>					
Net assets, beginning of year	133,598,564	101,169,376	8,481,871		1,134,520
Net assets, end of year	<u>\$ 135,196,931</u>	<u>\$ 106,041,640</u>	<u>\$ 8,961,841</u>		<u>\$ 4,059,833</u>

Adjustment to reflect the consolidation of internal service  
fund activities related to enterprise funds 250,303

Change in net assets of business-type activities \$ 7,200,904

See accompanying Notes to Basic Financial Statements.



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**CITY OF VACAVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TRANSIT</u>	<u>TOTALS</u>	<u>ACTIVITIES- INTERNAL SERVICE FUNDS</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ 20,986,465	\$ 12,739,369	\$ 335,725	\$ 34,061,559	\$ 9,458,886
Payments to suppliers	(8,566,474)	(5,925,385)	(2,244,971)	(16,736,830)	(6,024,191)
Payments to employees	(5,291,913)	(3,081,756)	(132,075)	(8,505,744)	(851,029)
Claims paid	-	-	-	-	(2,068,000)
<b>Net cash provided (used) by operating activities</b>	<b>7,128,078</b>	<b>3,732,228</b>	<b>(2,041,321)</b>	<b>8,818,985</b>	<b>515,666</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Advances to/(from) other funds	369,138	1,038,277	-	1,407,415	-
Due to/(from) other funds	-	-	-	-	183,202
Transfers in	122,307	2,000,514	-	2,122,821	1,330,680
Transfers out	(2,046,570)	(107,500)	-	(2,154,070)	-
Taxes and other	530,924	2,230,445	2,090,327	4,851,696	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(1,024,201)</b>	<b>5,161,736</b>	<b>2,090,327</b>	<b>6,227,862</b>	<b>1,513,882</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from sale of capital assets	-	-	-	-	12
Acquisition and construction of capital assets	(5,097,021)	(12,807,957)	1	(17,904,977)	(230,164)
Principal paid on capital debt	(2,621,967)	-	-	(2,621,967)	-
Interest paid	(1,922,764)	-	-	(1,922,764)	(15,292)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(9,641,752)</b>	<b>(12,807,957)</b>	<b>1</b>	<b>(22,449,708)</b>	<b>(245,444)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	1,262,660	450,679	9,268	1,722,607	-
<b>Net cash provided by investing activities</b>	<b>1,262,660</b>	<b>450,679</b>	<b>9,268</b>	<b>1,722,607</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,275,215)</b>	<b>(3,463,314)</b>	<b>58,275</b>	<b>(5,680,254)</b>	<b>1,784,104</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	58,935,980	23,240,500	194,327	82,370,807	7,196,402
End of year	<u>\$ 56,660,765</u>	<u>\$ 19,777,186</u>	<u>\$ 252,602</u>	<u>\$ 76,690,553</u>	<u>\$ 8,980,506</u>
<b>NONCASH TRANSACTIONS:</b>					
Contribution and transfers of capital assets, net	\$ 548,030	\$ 694,970	\$ 991,163	\$ 2,234,163	\$ -

**CITY OF VACAVILLE**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TRANSIT</u>	<u>TOTALS</u>	<u>ACTIVITIES- INTERNAL SERVICE FUNDS</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 3,098,361	\$ (558,137)	\$ (2,610,788)	\$ (70,564)	\$ 1,609,925
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	4,198,802	2,375,129	518,569	7,092,500	520,145
Changes in assets and liabilities:					
(Increase) decrease in receivables	(477,849)	19,893	33,123	(424,833)	(25,481)
Increase in inventories-supplies	-	-	-	-	(200,402)
Increase (decrease) in accounts and contracts payable	212,982	1,063,669	71,584	1,348,235	(428,531)
Increase (decrease) in accrued payroll	36,775	23,449	4,405	64,629	(1,897)
Increase in employee benefits payable	-	-	-	-	845,662
Increase in compensated absences	53,439	16,901	-	70,340	264,245
Increase in deposits payable	91	768,204	2,185	770,480	-
Decrease in due to other governments	-	-	(60,399)	(60,399)	-
Increase in unearned revenue	5,477	23,120	-	28,597	-
Decrease in insurance liability	-	-	-	-	(2,068,000)
Total adjustments	4,029,717	4,290,365	569,467	8,889,549	(1,094,259)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 7,128,078</b>	<b>\$ 3,732,228</b>	<b>\$ (2,041,321)</b>	<b>\$ 8,818,985</b>	<b>\$ 515,666</b>

See accompanying Notes to Basic Financial Statements.



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## **FIDUCIARY FUND FINANCIAL STATEMENTS**

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### **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 restitution for crimes committed. Also used to account for monies received through property tax to pay debt service for the Special Assessment Districts.

**CITY OF VACAVILLE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2006**

	<u>TOTAL AGENCY FUNDS</u>
<b>ASSETS</b>	
<hr/>	
Cash and investments	\$ 17,911,130
Receivables:	
Accounts	614,779
	<hr/>
<b>Total Assets</b>	<b>\$ 18,525,909</b>
	<hr/> <hr/>
<b>LIABILITIES</b>	
<hr/>	
Accounts and contract payable	\$ 14,194
Accrued payroll	1,405
Employee benefits payable	1,330,298
Deposits payable	5,545,033
Due to bondholders	11,634,979
	<hr/>
<b>Total liabilities</b>	<b>\$ 18,525,909</b>
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See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**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. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. 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 (the Housing Authority) 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 the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through federal assistance programs.

Vacaville Redevelopment Agency

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

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Vacaville Public Financing Authority

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

Solano County Housing Authority

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

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

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

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

**Government-Wide Financial Statements**

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**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 reasonable 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, Insurance and Employee Benefits internal service funds assets and liabilities have been reported in the governmental activities column.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. 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 judgements, 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 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 principle 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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**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 – 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 – 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.

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.

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.

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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**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 the refunding of permit monies and funds held for Solano Transportation Authority.

Special assessments funds – agency funds to account for assets held by the City as an agent for bonded 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 accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for Deposits and Investment Risks are presented in Note 2.

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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

**E. Restricted/Unrestricted Net Assets**

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

**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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments’ basic financial statements. In accordance with GASB Statement No. 34, the City included all infrastructure beginning with the 2002-03 basic financial statements.

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

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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

All property taxes are collected and allocated by the County of Solano to the various taxing entities. Property taxes are determined annually as of January 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively.

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.

**L. New Pronouncements**

In 2006, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries – The Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 44, Economic Condition Reporting: The Statistical Section (Amendment of NCGA Statement 1) – The Statement establishes the objectives of the statistical section and the five categories of information it contains; financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – The Statement addresses selected issues and amends GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.

GASB Statement No. 47, Accounting for Termination Benefits – The Statement provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**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, 2006 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 149,593,756
Cash and Investments held by bond trustee	26,078,029
Fiduciary Funds:	
Cash and Investments	<u>17,911,130</u>
Total Cash and Investments	<u>\$ 193,582,915</u>

Cash and Investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 11,285
Deposits with financial institutions	1,063,093
Investments	<u>192,508,537</u>
Total Cash and Investments	<u>\$ 193,582,915</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**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%

**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%
Guaranteed Investment Contract	N/A	100%	100%

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**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 loss in changes in fair value of investments	\$ (2,610,874)
Interest income	<u>5,830,492</u>
Total investment income	<u>\$ 3,219,618</u>

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

**C. Disclosures Relating to Interest Rate Risk**

The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments as of June 30, 2006 by maturity:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Local Agency Investment Fund	\$ 24,502,600	\$ 24,502,600	\$ -	\$ -	\$ -
U.S. Government Securities	12,290,900	921,833	3,245,015	3,201,683	4,922,369
U.S. Agency Securities	69,584,318	22,181,339	44,524,853	2,878,126	-
Commercial Paper	19,953,486	19,953,486	-	-	-
Certificates of Deposit	3,000,000	3,000,000	-	-	-
Corporate Notes	17,916,435	1,467,360	16,449,075	-	-
U.S. Agency Discount Notes	24,817,500	24,817,500	-	-	-
Repurchase Agreements	13,844,193	13,844,193	-	-	-
Guaranteed Investment Contract	1,891,830	-	-	1,236,693	655,137
Money Market Mutual Funds	4,707,275	4,707,275	-	-	-
Total	<u>\$ 192,508,537</u>	<u>\$ 115,395,586</u>	<u>\$ 64,218,943</u>	<u>\$ 7,316,502</u>	<u>\$ 5,577,506</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 2 - CASH AND INVESTMENTS, continued**

**D. Disclosures Relating to Credit Risk**

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, 2006 for each investment type.

Investment Type		Minimum Legal Rating	AAA	AA	A	A1/P1	<u>Not Rated</u>
Local Agency Investment Fund	\$ 24,502,600	N/A	\$ -	\$ -	\$ -	\$ -	\$ 24,502,600
U.S. Government Securities	12,290,900	N/A	12,290,900	-	-	-	-
U.S. Agency Securities	69,584,318	N/A	69,584,318	-	-	-	-
Commercial Paper	19,953,486	A1/P1	-	-	-	19,953,486	-
Certificates of Deposit	3,000,000	N/A	-	-	-	-	3,000,000
Corporate Notes	17,916,435	A	5,761,120	8,750,195	3,405,120	-	-
U.S. Agency Discount Notes	24,817,500	AAA	24,817,500	-	-	-	-
Repurchase Agreements	13,844,193	N/A	-	-	-	-	13,844,193
Guaranteed Investment Contract	1,891,830	N/A	-	1,891,830	-	-	-
Money Market Mutual Funds	4,707,275	AAA	4,707,275	-	-	-	-
<b>Total</b>	<b><u>\$ 192,508,537</u></b>		<b><u>\$ 117,161,113</u></b>	<b><u>\$ 10,642,025</u></b>	<b><u>\$ 3,405,120</u></b>	<b><u>\$ 19,953,486</u></b>	<b><u>\$ 41,346,793</u></b>

**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 City's investments with LAIF at June 30, 2006, 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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 2 - CASH AND INVESTMENTS, continued**

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.

As of June 30, 2006, the City had \$24,502,600 invested in LAIF, which has invested 2.567% of the pool investments funds in Structured Notes and Asset-Backed Securities. The City valued its investment in LAIF as of June 30, 2006 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 participant's total aggregate fair value by total aggregate amortized cost resulting in a factor of .998185821.

**NOTE 3 – LOANS RECEIVABLE**

At June 30, 2006, the City's outstanding loans receivables were as follows:

\$ 75,891	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.
\$ 9,493,110	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.
\$ 1,597,803	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.
\$ 4,024,233	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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 3 – LOANS RECEIVABLE, continued**

- \$ 11,416,748      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.
- \$ 475,568      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.
- \$ 2,656,093      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.
- \$ 333,053      City loans recorded in the City Projects Capital Projects Fund are for the Vacaville/Dixon Greenbelt Authority extended to Raj Kumar Sharma and Suneel Sharma for \$1,402,875 for the purchase of 771 acres of land. The interest rate on the loan is 5.55%. The loan has been renegotiated several times and is currently expected to be repaid by December 31, 2006.
- \$ 511,205      In 2000, the Agency sold .70 acres of the former Basic Vegetable site to B. C. Stocking. The terms of the agreement state that the purchase price of the property is 1) \$470,000 for the building parcel and \$80,000 for the parking parcel and 2) \$340,000 for the vacant land adjacent to the Office Building. Both loans are payable in equal annual payments over ten years with interest at 3%. However, the Agency agreed to forgive the annual payment if, B. C. Stocking generated for the City at least \$300,000 in sales tax revenue during the year. If the conditions of the agreement are not met, the payment will be due on July 30 of each year for nine years beginning June 30, 2002. For the year ended June 30, 2006, the sales tax conditions were not met and the annual payment will be due.
- \$ 2,195,000      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%.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 3 – LOANS RECEIVABLE, continued**

\$ 1,741,320	A loan receivable has been recorded in the Special Revenue Funds from Vacaville Community Housing, a non-profit corporation. The loan is secured against the property at 0% interest, with the total payment due in 2006.
\$ 150,000	A loan receivable has been recorded in the Special Revenue Funds from Vacaville Community Housing, a non-profit corporation. The loan is a predevelopment loan and is at 0% interest. The loan is to be repaid within 24 months or at the time permanent financing is secured (whichever is earlier). The City may forgive the loan if the project is found to not be feasible due to no fault of the borrower (failure to obtain permanent financing does not constitute unfeasibility of the project).
\$ 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.
\$ 426,873	Promissory note for \$426,873 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 will begin July 31, 2007.
\$ 5,477	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.
\$ 18,798	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. Payments of \$100 per month are due beginning September 30, 2006.
<hr/> <u>\$ 38,940,912</u>	Total loans receivable

**NOTE 4 – OPERATING LEASES**

The City has entered into a five year lease for maintenance and related supplies for copiers, printers and fax machines used throughout the City. The lease began on May 1, 2004 and 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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 5 - CAPITAL ASSETS**

**Government-Wide Financial Statements**

**A. Summary**

The following is a summary of capital assets as of June 30, 2006:

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Non-Depreciable Assets:			
Land	\$ 160,383,406	\$ 6,717,636	\$ 167,101,042
Land held for development	16,471,301	-	16,471,301
Intangibles (Nut Tree)	788,124	-	788,124
Construction in Progress	<u>58,308,272</u>	<u>27,327,631</u>	<u>85,635,903</u>
Total	<u>235,951,103</u>	<u>34,045,267</u>	<u>269,996,370</u>
Depreciable Assets:			
Buildings & Improvements	52,627,886	195,928,760	248,556,646
Equipment	6,997,780	5,304,358	12,302,138
Vehicles	8,097,408	4,156,132	12,253,540
Infrastructure	<u>286,452,011</u>	<u>60,739,709</u>	<u>347,191,720</u>
	354,175,085	266,128,959	620,304,044
Less accumulated depreciation	<u>(145,257,571)</u>	<u>(72,523,555)</u>	<u>(217,781,126)</u>
Total depreciable assets, net	<u>208,917,514</u>	<u>193,605,404</u>	<u>402,522,918</u>
Total capital assets, net	<u>\$ 444,868,617</u>	<u>\$ 227,650,671</u>	<u>\$ 672,519,288</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 5 – CAPITAL ASSETS, continued**

**B. Governmental Activities**

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

	Balance July 1, 2005	Additions	Disposals	Transfers	Balance June 30, 2006
<b>Non-Depreciable Assets:</b>					
Land	\$ 158,471,070	\$ 1,965,417	\$ (342,813)	\$ 289,732	\$ 160,383,406
Land held for development	18,123,586	1,148,781	(2,511,334)	(289,732)	16,471,301
Intangibles	788,124	-	-	-	788,124
Construction in Progress	44,798,204	27,924,141	(6,760)	(14,407,313)	58,308,272
Total	<u>222,180,984</u>	<u>31,038,339</u>	<u>(2,860,907)</u>	<u>(14,407,313)</u>	<u>235,951,103</u>
<b>Depreciable Assets:</b>					
Buildings & Improvements	38,429,461	1,914,499	-	12,283,926	52,627,886
Equipment	6,162,548	1,311,071	(475,839)	-	6,997,780
Vehicles	7,009,804	1,097,867	(31,501)	21,238	8,097,408
Infrastructure	280,442,495	3,886,129	-	2,123,387	286,452,011
Total	<u>332,044,308</u>	<u>8,209,566</u>	<u>(507,340)</u>	<u>14,428,551</u>	<u>354,175,085</u>
<b>Less accumulated depreciation for:</b>					
Buildings & Improvements	(9,080,826)	(1,147,221)	-	-	(10,228,047)
Equipment	(5,329,994)	(1,521,310)	456,780	-	(6,394,524)
Vehicles	(4,622,021)	(885,577)	31,501	-	(5,476,097)
Infrastructure	(115,427,140)	(7,731,763)	-	-	(123,158,903)
Total	<u>(134,459,981)</u>	<u>(11,285,871)</u>	<u>488,281</u>	<u>-</u>	<u>(145,257,571)</u>
Total depreciable assets, net	<u>197,584,327</u>	<u>(3,076,305)</u>	<u>(19,059)</u>	<u>14,428,551</u>	<u>208,917,514</u>
Governmental activities capital assets, net	<u>\$ 419,765,311</u>	<u>\$ 27,962,034</u>	<u>\$ (2,879,966)</u>	<u>\$ 21,238</u>	<u>\$ 444,868,617</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 5 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 1,684,265
Public Safety	1,085,145
Public Works	7,782,417
Community Services	581,343
Housing	6,465
Redevelopment	<u>146,236</u>
Total Government activities depreciation expense	<u>\$ 11,285,871</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 5 – CAPITAL ASSETS, continued**

**C. Business-type Activities**

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

	Balance July 1, 2005	Additions	Disposals	Transfers	Balance June 30, 2006
<b>Non-Depreciable Assets:</b>					
Land	\$ 6,717,636	\$ -	\$ -	\$ -	\$ 6,717,636
Construction in Progress	9,555,407	18,749,994	-	(977,770)	27,327,631
Total	<u>16,273,043</u>	<u>18,749,994</u>	<u>-</u>	<u>(977,770)</u>	<u>34,045,267</u>
<b>Depreciable Assets:</b>					
Buildings & Improvements	195,928,760	-	-	-	195,928,760
Equipment	5,091,285	418,043	(174,235)	(30,735)	5,304,358
Vehicles	4,075,944	133,642	(38,526)	(14,928)	4,156,132
Infrastructure	58,505,281	1,256,658	-	977,770	60,739,709
Total	<u>263,601,270</u>	<u>1,808,343</u>	<u>(212,761)</u>	<u>932,107</u>	<u>266,128,959</u>
<b>Less accumulated depreciation for:</b>					
Buildings & Improvements	(46,502,101)	(4,846,916)	-	-	(51,349,017)
Equipment	(3,530,905)	(490,400)	174,235	23,359	(3,823,711)
Vehicles	(2,586,644)	(482,602)	38,526	1,066	(3,029,654)
Infrastructure	(12,563,709)	(1,757,464)	-	-	(14,321,173)
Total	<u>(65,183,359)</u>	<u>(7,577,382)</u>	<u>212,761</u>	<u>24,425</u>	<u>(72,523,555)</u>
Total depreciable assets, net	<u>198,417,911</u>	<u>(5,769,039)</u>	<u>-</u>	<u>956,532</u>	<u>193,605,404</u>
Business-type activities capital assets, net	<u>\$ 214,690,954</u>	<u>\$ 12,980,955</u>	<u>\$ -</u>	<u>\$ (21,238)</u>	<u>\$ 227,650,671</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 5 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions as follows:

Business-type activities:	
Sewer	\$ 4,444,930
Water	2,621,257
Transit	<u>511,195</u>
Total Business-type activities depreciation expense	<u>\$ 7,577,382</u>

**Fund Financial Statements**

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

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**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, 2006:

	Governmental Activities	Business-Type Activities	Total
Long-term debt			
Loans Payable	\$ 3,799,850	\$ -	\$ 3,799,850
Certificates of Participation	19,645,000	-	19,645,000
Bonds Payable	53,386,370	-	53,386,370
Capital Lease Obligations	4,466,613	120,000	4,586,613
State Revolving Loan	-	68,437,147	68,437,147
Total	\$ 81,297,833	\$ 68,557,147	\$ 149,854,980

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

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**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, 2006:

City	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Due within one year
Carmen Gonzales	\$ 471,268	\$ -	\$ 107,728	\$ (363,540)	\$ -	\$ -
Frank Gonzales	-	-	-	72,708	72,708	22,838
Nancy Gonzales	-	-	-	145,416	145,416	45,677
Robert Gonzales	-	-	-	145,416	145,416	45,677
Nancy Gonzales	75,582	-	23,002	-	52,580	24,421
Lee & Virginia Kloppenburg	190,000	-	-	-	190,000	190,000
Robert & Priscilla Gonzales	73,757	-	22,447	-	51,310	23,832
Brazelton Family Living Trust	-	675,000	-	-	675,000	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	-
Redevelopment						
Bryant, Meng (Buck Eldridge)	38,370	-	38,370	-	-	-
Cernon Street Parking Lot	52,074	-	10,405	-	41,669	11,039
Beck & Clark Family Trust	409,093	-	16,127	-	392,966	17,275
Puerta, Frank & Betty	323,363	-	57,364	-	265,999	60,805
Quinn/Flores	230,000	-	-	-	230,000	230,000
Heritage Inn of Duluth	98,729	-	98,729	-	-	-
Klotz, Albert & Marita Family Trust	728,636	-	57,478	-	671,158	60,854
Dept. of Toxic Substances	193,322	-	2,694	-	190,628	2,852
Total Loans Payable	<u>2,884,194</u>	<u>1,350,000</u>	<u>434,344</u>	<u>-</u>	<u>3,799,850</u>	<u>802,770</u>
Certificates of Participation:						
1994 Certificates of Participation	8,595,000	-	770,000	-	7,825,000	810,000
1997 Certificates of Participation	12,100,000	-	280,000	-	11,820,000	295,000
Total Certificates of Participation	<u>20,695,000</u>	<u>-</u>	<u>1,050,000</u>	<u>-</u>	<u>19,645,000</u>	<u>1,105,000</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
<b>Bonds Payable:</b>						
1996 Tax Allocation Bonds	7,405,000	-	260,000	-	7,145,000	275,000
2000 Tax Allocation Bonds	11,460,000	-	195,000	-	11,265,000	205,000
2001 Tax Allocation Bonds	30,865,000	-	620,000	-	30,245,000	645,000
2000A Multifamily Mortgage	2,132,330	-	60,960	-	2,071,370	63,500
2006 ABAG Tax Allocation Bonds	-	2,660,000	-	-	2,660,000	-
<b>Total Bonds</b>	<u>51,862,330</u>	<u>2,660,000</u>	<u>1,135,960</u>	<u>-</u>	<u>53,386,370</u>	<u>1,188,500</u>
<b>Capital Lease Obligations:</b>						
Vacaville Recreation Corporation	2,447,072	-	71,677	-	2,375,395	75,344
Westamerica Bank	232,374	-	55,420	-	176,954	57,166
Westamerica Bank	703,100	-	68,836	-	634,264	60,798
Banc of America Leasing	-	1,280,000	-	-	1,280,000	137,029
<b>Total Capital Lease Obligations</b>	<u>3,382,546</u>	<u>1,280,000</u>	<u>195,933</u>	<u>-</u>	<u>4,466,613</u>	<u>330,337</u>
<b>Total long-term debt</b>	<u>\$ 78,824,070</u>	<u>\$ 5,290,000</u>	<u>\$ 2,816,237</u>	<u>\$ -</u>	<u>\$ 81,297,833</u>	<u>\$ 3,426,607</u>

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

**Loans Payable:**

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2006</u>	
\$ 200,200	\$ 72,708	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 \$27,201 including interest at 6% through August 11, 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.
\$ 400,400	\$ 145,416	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% through August 11, 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.
\$ 400,400	\$ 145,416	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% through August 11, 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 6 – LONG-TERM LIABILITIES, continued**

\$ 202,000	\$ 52,580	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% through July 31, 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.
\$ 190,000	\$ 190,000	Long-term note for purchase of .04 acres downtown property. Interest on the note is payable in quarterly installments of \$2,850 based on an annual interest rate of 6.0%. Payments are funded through the Housing Assistance Rehabilitation Administration Fund, with the principal payment due in full in September 2006. This note is secured by real property.
\$ 197,125	\$ 51,310	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% through July 31, 2008. Payments of principal and interest are funded through the General Fund. This note is secured by real property.
\$ 675,000	\$ 675,000	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.
\$ 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.
\$ 99,500	\$ 41,669	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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

\$ 475,000	\$ 392,966	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	\$ 265,999	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.
\$ 230,000	\$ 230,000	Long-term note for the Agency's purchase of .26 acres of downtown property. Interest on the note is paid in annual installments of \$13,800 each June at an annual interest rate of 6.0% through June 2007. Principal payment due 2007. Payments of principal and interest are funded by tax increment revenues of the Agency.
\$ 742,500	\$ 671,158	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.
\$ 195,690	\$ 190,628	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 5.7% through July 2034. Payments of principal and interest are funded by tax increment revenues of the Agency.

The annual requirement to amortize debt outstanding as of June 30, 2006 for loans payable is as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 802,770	\$ 211,226	\$ 1,013,996
2008	401,890	171,743	573,633
2009	372,195	148,987	521,182
2010	243,254	127,089	370,343
2011	170,295	112,883	283,178
2012-2016	1,656,550	362,360	2,018,910
2017-2021	152,896	25,046	177,942
Total	<u>\$ 3,799,850</u>	<u>\$ 1,159,334</u>	<u>\$ 4,959,184</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

**Certificates of Participation:**

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2006</u>	
\$15,170,000	\$ 7,825,000	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	\$11,820,000	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, 2006 for certificates of participation is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,105,000	\$ 1,016,666	\$ 2,121,666
2008	1,165,000	959,944	2,124,944
2009	1,215,000	899,603	2,114,603
2010	1,285,000	835,763	2,120,763
2011	1,350,000	767,990	2,117,990
2012-2016	5,425,000	2,794,640	8,219,640
2017-2021	2,740,000	1,866,976	4,606,976
2022-2026	3,610,000	999,626	4,609,626
2027-2031	1,750,000	97,623	1,847,623
Total	<u>\$ 19,645,000</u>	<u>\$ 10,238,831</u>	<u>\$ 29,883,831</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 6 – LONG-TERM LIABILITIES, continued**

**Bonds Payable:**

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2006</u>	
\$ 9,250,000	\$ 7,145,000	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	\$11,265,000	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	\$30,245,000	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	\$ 2,071,370	Multifamily Mortgage Revenue Bonds were issued by the Agency to provide financing for Vacaville Community Housing (VCH), a non-profit corporation, to acquire and rehabilitate multifamily rental housing units. The bonds are limited obligations of the Agency and are payable solely from VCH project revenues, certain tax increment revenues, and certain other revenue and pledge funds. The Agency is committed to funding 25.4% of the debt service on the bonds from tax increment revenue during the 30 year life of the bonds, and as such 25.4% of the bond principal has been recorded in the financial statements as an obligation of the Agency. The Agency has an offsetting note receivable from VCH for \$1,455,000, with payments starting in 2025, to be amortized over the following 30 years, to reimburse the Agency for debt service payments advanced on behalf of VCH. Interest rates on the bonds range from 4.78% to 6.00% and the bonds mature in 2025.
\$ 2,660,000	\$ 2,660,000	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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

The annual requirement to amortize debt outstanding as of June 30, 2006 for bonds payable is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,188,500	\$ 2,653,609	\$ 3,842,109
2008	1,332,310	2,608,432	3,940,742
2009	1,396,120	2,546,841	3,942,961
2010	1,459,930	2,481,846	3,941,776
2011	1,523,740	2,414,532	3,938,272
2012-2016	8,723,550	10,922,965	19,646,515
2017-2021	11,108,410	8,464,178	19,572,588
2022-2026	12,118,810	5,326,331	17,445,141
2027-2031	12,410,000	2,234,890	14,644,890
2032-2036	2,125,000	56,665	2,181,665
Total	<u>\$ 53,386,370</u>	<u>\$ 39,710,289</u>	<u>\$ 93,096,659</u>

**Capital Lease Obligations:**

<u>Original Debt</u>	<u>Outstanding</u>
<u>Amount</u>	<u>June 30, 2006</u>

\$ 2,626,700	\$ 2,375,395
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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.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

\$ 282,763	\$ 176,954	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	\$ 634,264	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	\$ 1,280,000	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.

The annual requirement to amortize debt outstanding as of June 30, 2006 for capital lease obligations is as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 330,337	\$ 163,808	\$ 494,145
2008	308,346	185,797	494,143
2009	321,045	173,098	494,143
2010	271,545	159,862	431,407
2011	283,368	148,039	431,407
2012-2016	1,529,397	543,687	2,073,084
2017-2021	687,279	274,733	962,012
2022-2026	735,296	82,415	817,711
Total	<u>\$ 4,466,613</u>	<u>\$ 1,731,439</u>	<u>\$ 6,198,052</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

**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, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Compensated Absence	\$ 5,514,946	\$ 6,195,308	\$ 6,420,979	\$ 5,289,275	\$ 267,218

**Current-Year Defeasance**

There were no debt defeasances during fiscal year 2006.

**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, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Loans Payable:					
Easterly Wastewater Treatment Plant					
Interim Renovation	\$ 927,561	\$ -	\$ 46,748	\$ 880,813	\$ 48,057
Plant Expansion	<u>70,251,553</u>	<u>-</u>	<u>2,695,219</u>	<u>67,556,334</u>	<u>2,767,990</u>
Total Loans Payable	<u>71,179,114</u>	<u>-</u>	<u>2,741,967</u>	<u>68,437,147</u>	<u>2,816,047</u>
Capital Lease:					
Equipment	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>	<u>12,846</u>
Total Long-Term Debt	<u>\$ 71,179,114</u>	<u>\$ 120,000</u>	<u>\$ 2,741,967</u>	<u>\$ 68,557,147</u>	<u>\$ 2,828,893</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**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 are paid annually each September including interest at 2.8% through 2021.

The annual debt service requirements on this note were as follows:

Year Ending June 30	Proprietary Fund		Total
	Principal	Interest	
2007	\$ 48,057	\$ 24,663	\$ 72,720
2008	49,402	23,317	72,719
2009	50,786	21,934	72,720
2010	52,208	20,512	72,720
2011	53,669	19,050	72,719
2012-2016	291,748	71,850	363,598
2017-2021	334,943	28,653	363,596
Total	<u>\$ 880,813</u>	<u>\$ 209,979</u>	<u>\$ 1,090,792</u>

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

This loan is a State Revolving Loan Fund Program contract between the State Water Resources Control Board and the City with a maximum loan amount of \$67,786,401 to fund the Easterly Wastewater Treatment Plant Expansion. The project is still in the construction phase and the loan repayment amounts are anticipated to be due in installments of \$4,592,011 commencing 2006. Principal and interest will be paid annually each September including interest at 2.7% through 2024.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

The estimated annual debt service requirements on this note are as follows:

Year Ending June 30	Proprietary Fund		Total
	Principal	Interest	
2007	\$ 2,767,990	\$ 1,824,021	\$ 4,592,011
2008	2,842,725	1,749,285	4,592,010
2009	2,919,479	1,672,532	4,592,011
2010	2,998,305	1,593,706	4,592,011
2011	3,079,259	1,512,752	4,592,011
2012-2016	16,689,209	6,270,843	22,960,052
2017-2021	19,067,247	3,892,807	22,960,054
2022-2026	17,192,120	1,175,922	18,368,042
<b>Total</b>	<b>\$ 67,556,334</b>	<b>\$ 19,691,868</b>	<b>\$ 87,248,202</b>

***Capital Lease Obligations:***

Original Debt Amount	Outstanding June 30, 2006
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\$ 120,000	\$ 120,000
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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 \$120,000 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.

The annual requirement to amortize debt outstanding as of June 30, 2006 for capital lease obligations is as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 12,846	\$ 1,690	\$ 14,536
2008	10,047	4,490	14,537
2009	10,468	4,069	14,537
2010	10,906	3,630	14,536
2011	11,363	3,173	14,536
2012-2016	64,370	8,312	72,682
<b>Total</b>	<b>\$ 120,000</b>	<b>\$ 25,364</b>	<b>\$ 145,364</b>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 6 – LONG-TERM LIABILITIES, continued**

**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, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business Activities:					
Compensated Absence	\$ 727,030	\$ 789,053	\$ 718,713	\$ 797,370	\$ 78,400

**C. 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, 2006 is as follows:

<u>Description</u>	<u>Original Bond Amount</u>	<u>June 30, 2006</u>
1994 Alamo Corridor	\$ 976,129	\$ 175,000
1998 Water Rights	9,140,000	1,940,000
1997 Green Tree	4,505,000	2,505,000
1990 Eubanks Drive/Midway Road	3,660,000	2,250,000
1997 Allison/Ulatis Phase 2	1,140,739	745,000
1997 Northeast Sector	8,434,307	6,755,000
2002-A Consolidated Refunding	18,365,000	14,120,000
2005-Nut Tree Assessment Dist	7,275,000	<u>7,275,000</u>
Total 1915 Act Limited Obligation Bonds		<u>\$ 35,765,000</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 6 – LONG-TERM LIABILITIES, continued**

**Community Facilities District Bonds**

This \$10,365,000 bond issue was authorized pursuant to the Mello-Roos Community Facilities Act of 1982 as amended, and is payable from special taxes levied on property within the Community Facilities District according to a methodology approved by the voters within the District and by the City Council of the City of Vacaville. Neither the faith and credit nor taxing power of the City of Vacaville is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as an agent for those paying taxes levied and the bondholders. The amount of bonds outstanding at June 30, 2006 is \$5,530,000.

**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, 2006 is \$4,835,000.

**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 2005-2006 was 13.959% for miscellaneous employees and 19.453% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued**

**Annual Pension Cost**

For 2006, the City's annual PERS pension cost of \$6,679,322, was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 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, 2003, 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
6/30/2004	\$ 4,803,097	100%	\$ -
6/30/2005	4,660,719	100%	-
6/30/2006	6,679,322	100%	-

**SUPPLEMENTAL PENSION PLAN**

**Plan Description**

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

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

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued**

**Funding Policy**

Participants are required to contribute 2% of their annual covered salary. The City is required to make contributions at rates determined by an actuarial study performed every two years. The City's contribution rate was 4.53% of covered payroll during the year. See excess benefit plan funding policy for additional information.

**Annual Pension Cost**

For 2006, the City's annual pension cost of \$1,405,073 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%.

**Trend Information**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 1,258,242	100%	\$ -
6/30/2005	1,317,243	100%	-
6/30/2006	1,405,073	100%	-

**EXCESS BENEFIT PENSION PLAN**

**Plan Description**

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

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

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued**

**Funding Policy**

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

**Annual Pension Cost**

For 2006, the City's annual pension cost of \$123,000 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
6/30/2004	\$ 78,000	100%	\$ -
6/30/2005	78,000	100%	-
6/30/2006	123,000	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 2006, 216 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 \$1,489,217 were recognized for post-retirement health care.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 9 – FUND EQUITY**

***Deficit Fund Balances***

The following funds had a deficit as of June 30, 2006:

City Projects Fund

The City Projects Fund has a deficit of \$610,813 at June 30, 2006. This was due mainly to the Leisure Town and Nut Tree overcrossing projects that used federal funding and the eligible funding allocation may be higher if we wait to bill until project completion. These projects are anticipated to be completed in the 2006-2007 fiscal year at which time the deficit will be cured.

Community Facilities Fund

The Community Facilities Fund has a deficit of \$13,927 at June 30, 2006. This deficit consists of legal expenses incurred for the formation of the Community Facilities Districts. The Districts will begin billing fees through property taxes during fiscal year 2007.

**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 following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2006:

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 10 – INTERFUND TRANSACTIONS, continued**

**Interfund Transfers:**

	Transfers In (fund receiving transfer):										Totals
	Special Revenue Fund			Debt Service Fund	Capital Projects Funds	Capital Projects Funds	Enterprise Funds			Internal Service Fund	
	General Fund	Community Development	Redevelopment	Redevelopment	City Projects	Redevelopment	Other Governmental Funds	Sewer Utility	Water Utility	Central Services	
<b>Transfers Out (fund making transfer):</b>											
<b>General Fund</b>	\$ -	\$ -	\$ -	\$ -	\$ 680,573	\$ 5,049	\$ 1,568,828	\$ -	\$ -	\$ 1,290,680	\$ 3,545,130
<b>Special Revenue Funds:</b>											
Redevelopment	-	1,220,000	2,820,403	204,216	-	115,443	175,693	-	-	-	4,535,755
<b>Debt Service Funds:</b>											
Redevelopment	-	-	-	19,579	-	-	-	-	-	-	19,579
<b>Capital Projects Funds:</b>											
City Projects	-	-	-	-	-	-	-	-	-	5,000	5,000
Redevelopment	150,000	-	-	7,622,063	5,569,699	-	3,188,241	22,307	(3,032)	20,000	16,569,278
<b>Other Governmental Funds:</b>	599,526	-	-	-	924	-	-	-	-	-	600,450
<b>Enterprise Funds:</b>											
Sewer Utility	-	-	-	-	35,524	-	-	-	2,003,546	7,500	2,046,570
Water Utility	-	-	-	-	-	-	100,000	-	-	7,500	107,500
<b>Totals</b>	<u>\$ 749,527</u>	<u>\$ 1,220,000</u>	<u>\$ 2,820,403</u>	<u>\$ 7,845,857</u>	<u>\$ 6,286,720</u>	<u>\$ 120,492</u>	<u>\$ 4,932,762</u>	<u>\$ 122,307</u>	<u>\$ 2,000,514</u>	<u>\$ 1,330,680</u>	<u>\$ 27,429,262</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 10 – INTERFUND TRANSACTIONS, continued**

**Due to/Due From Other Funds:**

<b>Due From Other Funds (fund making loan):</b>	<b>Due to Other Funds (fund receiving loan):</b>		
	<b>Community Facilities</b>	<b>Central Services</b>	<b>Total</b>
General Fund	\$ 13,927	\$ 183,202	\$ 197,129

**Advances to/Advances From Other Funds:**

<b>Advances to Other Funds (fund making loan):</b>	<b>Advances From Other Funds (fund receiving loan):</b>		
	<b>City Projects Captial Projects Fund:</b>	<b>Utility Funds Water Fund:</b>	<b>Total</b>
<b>Captial Projects Fund:</b>			
Redevelopment	\$ 10,761,505	\$ -	10,761,505
<b>Enterprise Funds:</b>			
Sewer Utility	1,053,144	100,000	1,153,144
Water Utility	2,106,288	-	2,106,288
Total Enterprise	3,159,432	100,000	3,259,432
Total	\$ 13,920,937	\$ 100,000	\$ 14,020,937

The advances to/from consists of Water and Sewer Utility Enterprise loans for: 1) Parks and Recreation infrastructure in the amount of \$1,990,248; 2) Construction of a fire station in the amount of \$995,988; and 3) Construction of a new police facility in the amount of \$173,196. The Redevelopment Capital Projects Fund loan in the amount of \$10,761,505 is also for the construction of a new police facility. The Easterly Wastewater Treatment Plant Fund loan in the amount of \$100,000 is for the treatment plant expansion project.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 11 – UNEARNED AND DEFERRED REVENUE**

Unearned revenues in the government-wide financial statements as of June 30, 2006 were as follows:

	Governmental Activities	Business-Type Activities	Total
Accreted interest on			
Certificates of Participation	\$ 7,094,281	\$ -	\$ 7,094,281
ISTEA grant	2,520,995	-	2,520,995
Vacaville Library District	1,520,144	-	1,520,144
General services and			
recreation revenue	315,846	-	315,846
Police grants	111,596	-	111,596
Building permit revenue	2,098,502	-	2,098,502
Sewer payback agreement	-	5,477	5,477
Water utility revenue	-	54,159	54,159
	\$ 13,661,364	\$ 59,636	\$ 13,721,000

The following amounts and descriptions are included in unearned revenue in the government-wide statements:

- \$ 2,520,995 Recorded in City Projects Capital Projects fund for grant billings not billed within sixty days after year-end.
- \$ 7,094,281 Accreted interest on Certificates of Participation.
- \$ 2,525,944 Various grants and fees for governmental and business type funds.
- \$ 1,520,144 Vacaville Library District for an advance debt service payment, bonds will be called in fiscal year 2007.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**NOTE 11 – UNEARNED AND DEFERRED REVENUE, continued**

Deferred and unearned revenues in the fund financial statements as of June 30, 2006 were as follows:

	Major Governmental Funds					Proprietary Funds		
	General	Community Development	Certificates of Participation	Redevelopment Debt Service	City Projects	Redevelopment Capital Projects	Sewer Utility	Water Utility
General services and recreation revenue	\$ 315,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CDBG/HOME loans	-	10,997,605	-	-	-	-	-	-
CDBG maintenance reserve	-	16,393	-	-	-	-	-	-
Accreted interest	-	-	7,094,281	-	-	-	-	-
Vacaville Library District	-	-	-	1,520,144	-	-	-	-
ISTEA grant	-	-	-	-	2,520,995	-	-	-
Vacaville Library District loan	-	-	-	-	-	2,195,000	-	-
B. C. Stocking agreement	-	-	-	-	-	511,205	-	-
Bethany note interest	-	-	-	-	-	26,873	-	-
Sewer payback agreement	-	-	-	-	-	-	5,477	-
Water utility revenue	-	-	-	-	-	-	-	54,159
	<u>\$ 315,846</u>	<u>\$ 11,013,998</u>	<u>\$ 7,094,281</u>	<u>\$ 1,520,144</u>	<u>\$ 2,520,995</u>	<u>\$ 2,733,078</u>	<u>\$ 5,477</u>	<u>\$ 54,159</u>

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

- \$ 10,847,605 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.
- \$ 2,195,000 Recorded in the Redevelopment Capital Projects Fund 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 \$2,195,000 in the Redevelopment Capital Projects Fund.
- \$ 2,520,995 Recorded in City Projects Capital Projects fund are for grant billings not billed within sixty days after year-end.
- \$ 7,094,281 Accreted interest on Certificates of Participation.
- \$ 4,948,601 Various grants and fees for governmental and business type funds.



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**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**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 2006, the City adopted new accounting standards one of which is GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – The Statement addresses selected issues and amends GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.

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, 2006, 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:

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**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
<b>Reserved Fund Balances:</b>									
Encumbrances	\$ 667,292	\$ 14,039	\$ 10,626	\$ -	\$ -	\$ 1,372,364	\$ 3,578,649	\$ 356,663	\$ 5,999,633
Loans and long-term receivables	-	226,915	17,676,667	-	844,596	-	4,511,092	-	23,259,270
Prepaid items	-	-	-	-	-	1,812,500	-	906,894	2,719,394
Deposits	-	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	10,761,505	-	10,761,505
Low income housing	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	6,334,190	4,183,848	-	11,375,379	1,237,837	23,131,254
Capital projects	231,684	-	-	-	-	-	-	1,954,513	2,186,197
Subtotal	<u>898,976</u>	<u>240,954</u>	<u>17,687,293</u>	<u>6,334,190</u>	<u>5,028,444</u>	<u>3,184,864</u>	<u>30,226,625</u>	<u>4,455,907</u>	<u>68,057,253</u>
<b>Unreserved Fund Balances:</b>									
<b>Designated for capital projects</b>									
General Fund	14,138,794	-	-	-	-	-	-	-	14,138,794
Capital Projects Funds	-	-	-	-	-	(3,795,677)	5,573,147	-	1,777,470
Subtotal	<u>14,138,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,795,677)</u>	<u>5,573,147</u>	<u>-</u>	<u>15,916,264</u>
<b>Undesignated Fund Balances</b>									
Special Revenue Funds	-	1,043,705	11,204,429	-	-	-	-	4,728,818	16,976,952
Debt Service Funds	-	-	-	-	2,309,277	-	-	9,569	2,318,846
Capital Projects Funds	-	-	-	-	-	-	-	(434,178)	(434,178)
Subtotal	<u>-</u>	<u>1,043,705</u>	<u>11,204,429</u>	<u>-</u>	<u>2,309,277</u>	<u>-</u>	<u>-</u>	<u>4,304,209</u>	<u>18,861,620</u>
<b>Total Fund Balances</b>	<u>\$ 15,037,770</u>	<u>\$ 1,284,659</u>	<u>\$ 28,891,722</u>	<u>\$ 6,334,190</u>	<u>\$ 7,337,721</u>	<u>\$ (610,813)</u>	<u>\$ 35,799,772</u>	<u>\$ 8,760,116</u>	<u>\$ 102,835,137</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

**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 \$250,000 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, 2006 is \$5,310,000 consisting of \$735,000 general liability and \$4,575,000 worker's compensation liability and it includes allocated expenses and a provision for the incurred but not reported claims. Of this balance, \$1,874,850 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, 2006.

Changes in the Insurance Fund claims liability during the fiscal year July 1, 2005 through June 30, 2006 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
2005-2006	\$ 7,378,000	\$ (610,000)	\$ (1,458,000)	\$ 5,310,000	\$ 1,874,850
2004-2005	8,251,000	(131,829)	(741,171)	7,378,000	2,495,850
2003-2004	7,423,000	1,486,577	(658,581)	8,250,996	2,188,160

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

***A. COMMITMENTS***

The City has a construction contract for the access roads, site grading and construction of the key way drain of the McMurtry Reservoir. The original contract amount was \$7,980,100, and at June 30, 2006 equals approximately \$1,285,000. The contract is expected to be completed during fiscal year 2007.

The City also has two construction contracts for the upgrade of the Leisure Town Road Overcrossing at the I-80 Interchange and for the Nut Tree/I-80 Overcrossing. The contract amounts at June 30, 2006 equal approximately \$2,753,000 and \$2,152,000 million, respectively. The contracts are estimated to be completed during fiscal year 2007.

***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 had a construction contract for the Wastewater Treatment Plant. The final contract sum was estimated to exceed \$65 million. The City filed a complaint asserting claims for breach of contract and negligence against the contractor. The contractor filed a first amended cross-complaint asserting causes of action against the City for alleged breach of statutory duty, breach of contract and declaratory relief in the approximate sum of \$20 million. The Court has set this matter for a jury trial to commence in 2007. Per legal counsel, given the on-going status of discovery regarding the claims asserted in this litigation, they are not able to project, with any degree of certainty, whether liability of the City is either probable or remote.

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, 2006.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 15 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS**

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

The Solano Water Authority

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

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

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

The following unaudited information for the Water Authority is presented as of, and for the year ended June 30, 2006:

Current assets	\$ 364,178
Property, plant and equipment, net	<u>954,067</u>
Total assets	<u>\$ 1,318,245</u>
Contributed capital	\$ 2,170,931
Retained earnings	<u>(852,686)</u>
Total equity	<u>\$ 1,318,245</u>
Other revenues (expenses), net	<u>(43,078)</u>
Decrease in retained earnings	<u>\$ (43,078)</u>

As of June 30, 2006, the City of Vacaville is one of 11 member agencies of the Water Authority, and participates in 3 of the 4 major projects.

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 15 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued**

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 \$17,763,052 which represents a 37.7% equity interest. Complete financial statements may be obtained through the City of Fairfield Finance Department.

Summarized unaudited financial information for the North Bay Treatment Plant as of June 30, 2006 is shown below.

NORTH BAY TREATMENT PLANT

Current assets	\$ 5,098,314
Property, plant and equipment, net	<u>41,906,350</u>
Total assets	<u>\$ 47,004,664</u>
Current liabilities	\$ 209,710
Minority interest in joint venture	<u>17,763,052</u>
Total liabilities	<u>\$ 17,972,762</u>
Total fund equity	<u>29,031,902</u>
Total liabilities & fund equity	<u>\$ 47,004,664</u>
Total operating revenues	\$ 6,077,388
Total operating expenses	<u>6,476,534</u>
Operating loss	(399,146)
Total non-operating revenues	<u>409,877</u>
Income before Operating Transfers	10,731
Transfers:	
Transfers out	<u>(59,341)</u>
Increase in net assets	<u>(48,610)</u>
Net Assets	
Beginning of Year	<u>29,080,512</u>
End of Year	<u>\$ 29,031,902</u>

**CITY OF VACAVILLE**  
**Notes to the Basic Financial Statements**  
**For the year ended June 30, 2006**

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**NOTE 15 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued**

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. Acquisition and management of property is solely the responsibility of the cities. The cities share equally in VDGA operating and planning expenses and in any revenues, as well as in any assets. The City of Vacaville's interest in the VDGA at June 30, 2006 is recorded as a loans receivable in the amount of \$333,053.

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 16 – SUBSEQUENT EVENTS**

***Long-Term Liabilities***

In July 2006, the Redevelopment Agency issued \$18,875,000 in taxable housing bonds to finance redevelopment housing activities primarily by making loans to qualified 501(c)(3) non-profit corporations in connection with their development of multifamily rental housing in the City of Vacaville. Interest rates range from 5.75 to 7.0% and the bonds mature in 2032. Payments of principal and interest are funded by tax increment revenues.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF VACAVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the year ended June 30, 2006**

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**Budgetary Data**

The City adopts annual budgets for the General and all 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. However, the budget is approved by City Council through the passage of an ordinance. The legal level of budgetary control is the total amount of the general and special revenue funds' budget combined in total (i.e. total expenditures for the general and special revenue funds combined) which may not legally be exceeded.
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 (i.e. total expenditures for the general and special revenue funds combined) amount being exceeded.

Increases to appropriations totaling \$2,389,809 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 \$509,911 that were carried forward from the prior fiscal year. Appropriations were also increased due to grant carryovers of \$642,157.

**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, 2006**

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>Revenues:</b>				
Taxes and fees	\$ 42,484,090	\$ 42,484,090	\$ 44,963,528	\$ 2,479,438
Licenses and permits	65,746	99,579	37,076	(62,503)
Investment income	1,699,984	1,699,984	2,046,994	347,010
Intergovernmental	655,933	769,757	1,513,242	743,485
Charges for services	8,176,835	8,176,835	7,816,113	(360,722)
Fines, forfeits and penalties	118,961	118,961	126,921	7,960
Other	235,300	235,300	229,311	(5,989)
<b>Total revenues</b>	<b>53,436,849</b>	<b>53,584,506</b>	<b>56,733,185</b>	<b>3,148,679</b>
<b>Expenditures:</b>				
Current:				
General government	4,326,137	6,137,503	6,989,614	(852,111)
Public safety	36,125,013	35,212,183	35,887,338	(675,155)
Public works	5,283,475	4,719,640	4,350,514	369,126
Community services	8,740,797	8,675,968	8,068,888	607,080
Housing	-	-	3,853	(3,853)
Debt service:				
Principal	277,433	277,433	277,433	-
Interest and fiscal charges	58,430	58,430	58,431	(1)
<b>Total expenditures</b>	<b>54,811,285</b>	<b>55,081,157</b>	<b>55,636,071</b>	<b>(554,914)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,374,436)</b>	<b>(1,496,651)</b>	<b>1,097,114</b>	<b>2,593,765</b>
<b>Other financing sources (uses):</b>				
Transfers in	750,922	750,922	749,527	1,395
Transfers out	(1,229,438)	(2,937,632)	(3,545,130)	607,498
Proceeds debt and loans	-	-	1,280,000	(1,280,000)
<b>Total other financing sources (uses)</b>	<b>(478,516)</b>	<b>(2,186,710)</b>	<b>(1,515,603)</b>	<b>(671,107)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (1,852,952)</b>	<b>\$ (3,683,361)</b>	<b>(418,489)</b>	<b>\$ 1,922,658</b>
Fund balances, beginning of year			15,456,259	
Fund balances, end of year			<u>\$ 15,037,770</u>	

**CITY OF VACAVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Use of money and property	\$ 11,700	\$ 11,700	\$ 1,400	\$ (10,300)
Intergovernmental	1,264,512	1,264,512	806,837	(457,675)
Other	-	-	8,277	8,277
<b>Total revenues</b>	<b>1,276,212</b>	<b>1,276,212</b>	<b>816,514</b>	<b>(459,698)</b>
<b>Expenditures:</b>				
Current:				
Community services	1,663,341	1,579,219	740,307	838,912
<b>Total expenditures</b>	<b>1,663,341</b>	<b>1,579,219</b>	<b>740,307</b>	<b>838,912</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(387,129)</b>	<b>(303,007)</b>	<b>76,207</b>	<b>379,214</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	1,220,000	(1,220,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>1,220,000</b>	<b>(1,220,000)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (387,129)</b>	<b>\$ (303,007)</b>	<b>1,296,207</b>	<b>\$ (840,786)</b>
Fund balances, beginning of year			(11,548.00)	
Fund balances, end of year			<b>\$ 1,284,659.00</b>	

**CITY OF VACAVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Taxes and fees	\$ 4,926,400	\$ 4,926,400	\$ 4,963,484	\$ 37,084
Investment income	40,872	40,872	589,894	549,022
Other	11,637	11,637	71,521	59,884
<b>Total revenues</b>	<b>4,978,909</b>	<b>4,978,909</b>	<b>5,624,899</b>	<b>645,990</b>
<b>Expenditures:</b>				
Current:				
Housing	2,783,893	2,783,893	3,036,036	-
<b>Total expenditures</b>	<b>2,783,893</b>	<b>2,783,893</b>	<b>3,036,036</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,195,016</b>	<b>2,195,016</b>	<b>2,588,863</b>	<b>645,990</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	2,820,403	(2,820,403)
Transfers out	-	-	(4,535,755)	4,535,755
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(1,715,352)</b>	<b>1,715,352</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ 2,195,016</b>	<b>\$ 2,195,016</b>	<b>873,511</b>	<b>\$ 2,361,342</b>
Fund balances, beginning of year			28,018,211	
Fund balances, end of year			<b>\$ 28,891,722</b>	

**CITY OF VACAVILLE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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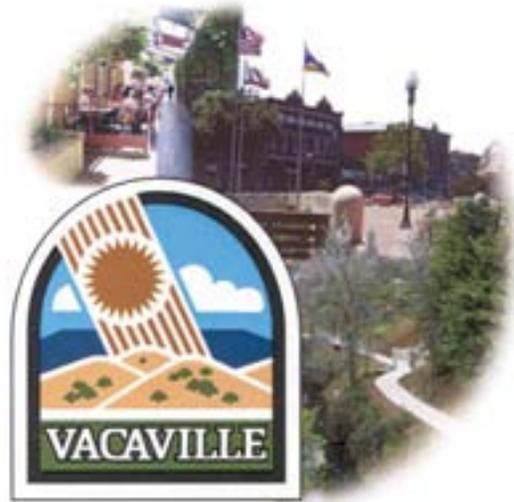
**SCHEDULE OF FUNDING PROGRESS- PERS**

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Excess Assets as a Percentage of Covered Payroll
<b>Miscellaneous</b>						
6/30/2003	\$ 85,867,517	\$ 71,584,596	\$ 14,282,921	83.4%	\$ 21,713,363	65.779%
6/30/2004	94,092,723	76,387,647	17,705,076	81.2%	23,187,035	76.358%
6/30/2005	103,164,841	83,349,309	19,815,532	80.8%	23,283,722	85.100%
<b>Safety</b>						
6/30/2003	77,650,018	68,159,730	9,490,288	87.8%	14,958,409	63.445%
6/30/2004	86,229,863	73,590,326	12,639,537	85.3%	15,802,920	79.982%
6/30/2005	101,390,368	80,896,597	20,493,771	79.8%	16,481,093	124.300%

**SCHEDULE OF FUNDING PROGRESS- PARS**

Valuation Date	Actuarial Liability	Value of Assets	Unfunded Liability (UAL)	Funded Ratio	Valuation Payroll	UAL as % of Payroll
<b>Miscellaneous</b>						
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%





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## **OTHER GOVERNMENTAL FUNDS**

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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, 2006**

	SPECIAL REVENUE					DEBT	CAPITAL	TOTAL OTHER & GOVERNMENTAL FUNDS
	BUILDING & STREET DEVELOPMENT	HOUSING ASSISTANCE	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	SERVICE MEASURE I	PROJECTS ASSESSMENT & IMPROVEMENT DISTRICTS	
<b>Assets</b>								
Cash and investments	\$ 9,814,332	\$ 1,552,626	\$ 2,425,264	\$ -	\$ 230,553	\$ -	\$ 429,273	\$ 14,452,048
Receivables:								
Interest	-	-	-	-	-	9,569	-	9,569
Taxes	70,516	-	-	-	-	-	-	70,516
Accounts	37,662	32,210	-	-	276,642	-	-	346,514
Prepaid Items	-	906,895	-	-	-	-	-	906,895
Restricted cash and investments	-	-	-	-	-	1,237,837	1,954,513	3,192,350
<b>Total Assets</b>	<b>\$ 9,922,510</b>	<b>\$ 2,491,731</b>	<b>\$ 2,425,264</b>	<b>\$ -</b>	<b>\$ 507,195</b>	<b>\$ 1,247,406</b>	<b>\$ 2,383,786</b>	<b>\$ 18,977,892</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts and contract payable	\$ 68,554	\$ 4,960	\$ 21,811	\$ -	\$ 43,302	\$ -	\$ 611,837	\$ 750,464
Accrued payroll	134,578	48,603	38,189	-	26,532	-	1,766	249,668
Deposits payable	5,165,282	292,203	1,294,607	-	43,485	-	-	6,795,577
Due to other funds	-	-	-	13,927	-	-	-	13,927
Deferred revenue	2,098,502	180,098	-	-	129,540	-	-	2,408,140
<b>Total liabilities</b>	<b>7,466,916</b>	<b>525,864</b>	<b>1,354,607</b>	<b>13,927</b>	<b>242,859</b>	<b>-</b>	<b>613,603</b>	<b>10,217,776</b>
<b>Fund balances:</b>								
Reserved for encumbrances	11,071	1,774	75,848	-	18,121	-	249,848	356,662
Reserved for prepaid items	-	906,895	-	-	-	-	-	906,895
Reserved for debt service	-	-	-	-	-	1,237,837	-	1,237,837
Reserved for capital projects	-	-	-	-	-	-	1,954,513	1,954,513
Unreserved:								
Undesignated	2,444,523	1,057,198	994,809	(13,927)	246,215	9,569	(434,178)	4,304,209
<b>Total Fund Balances</b>	<b>2,455,594</b>	<b>1,965,867</b>	<b>1,070,657</b>	<b>(13,927)</b>	<b>264,336</b>	<b>1,247,406</b>	<b>1,770,183</b>	<b>8,760,116</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,922,510</b>	<b>\$ 2,491,731</b>	<b>\$ 2,425,264</b>	<b>\$ -</b>	<b>\$ 507,195</b>	<b>\$ 1,247,406</b>	<b>\$ 2,383,786</b>	<b>\$ 18,977,892</b>

**CITY OF VACAILLVE**  
**OTHER GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	SPECIAL REVENUE					DEBT SERVICE	CAPITAL PROJECTS	TOTAL OTHER GOVERNMENTAL FUNDS
	BUILDING & STREET DEVELOPMENT	HOUSING ASSISTANCE	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	MEASURE I	ASSESSMENT & IMPROVEMENT DISTRICTS	
<b>Revenues:</b>								
Taxes and fees	\$ -	\$ -	\$ 1,900,887	\$ 271,464	\$ -	\$ -	\$ -	\$ 2,172,351
Licenses and permits	670,453	-	-	-	-	-	-	670,453
Investment income	154,642	16,080	-	-	4,228	76,855	132,921	384,726
Intergovernmental	794,525	13,266,755	-	-	1,132,084	-	-	15,193,364
Charges for services	4,649,634	34,926	-	-	65,632	-	-	4,750,192
Fines, forfeits and penalties	333,259	-	-	-	-	-	-	333,259
Other	1,541	203,359	-	-	-	-	13,795	218,695
<b>Total revenues</b>	<b>6,604,054</b>	<b>13,521,120</b>	<b>1,900,887</b>	<b>271,464</b>	<b>1,201,944</b>	<b>76,855</b>	<b>146,716</b>	<b>23,723,040</b>
<b>Expenditures:</b>								
Current:								
General government	3,503,327	-	-	-	-	-	-	3,503,327
Public safety	-	-	-	1,096	962,801	-	-	963,897
Public works	1,660,799	-	-	-	74,710	-	-	1,735,509
Community services	-	21,406	2,493,925	30,927	11,656	-	-	2,557,914
Housing	-	12,323,383	-	-	-	-	-	12,323,383
Capital Outlay	-	-	-	-	-	-	8,870,875	8,870,875
Debt service:								
Principal	-	-	-	-	-	770,000	-	770,000
Interest and fiscal charges	-	-	-	-	-	417,048	-	417,048
<b>Total expenditures</b>	<b>5,164,126</b>	<b>12,344,789</b>	<b>2,493,925</b>	<b>32,023</b>	<b>1,049,167</b>	<b>1,187,048</b>	<b>8,870,875</b>	<b>31,141,953</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,439,928</b>	<b>1,176,331</b>	<b>(593,038)</b>	<b>239,441</b>	<b>152,777</b>	<b>(1,110,193)</b>	<b>(8,724,159)</b>	<b>(7,418,913)</b>
<b>Other financing sources (uses):</b>								
Transfers in	451,612	102,319	439,886	-	-	1,108,942	2,830,003	4,932,762
Transfers out	(341,566)	-	(924)	(253,368)	(4,592)	-	-	(600,450)
<b>Total other financing sources (uses)</b>	<b>110,046</b>	<b>102,319</b>	<b>438,962</b>	<b>(253,368)</b>	<b>(4,592)</b>	<b>1,108,942</b>	<b>2,830,003</b>	<b>4,332,312</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>1,549,974</b>	<b>1,278,650</b>	<b>(154,076)</b>	<b>(13,927)</b>	<b>148,185</b>	<b>(1,251)</b>	<b>(5,894,156)</b>	<b>(3,086,601)</b>
Fund balances, beginning of year	905,620	687,217	1,224,733	-	116,151	1,248,657	7,664,339	11,846,717
Fund balances, end of year	\$ 2,455,594	\$ 1,965,867	\$ 1,070,657	\$ (13,927)	\$ 264,336	\$ 1,247,406	\$ 1,770,183	\$ 8,760,116

**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, 2006**

	BUILDING & STREET DEVELOPMENT			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Licenses and permits	\$ 1,139,000	\$ 1,139,000	\$ 670,453	\$ (468,547)
Investment income	25,000	25,000	154,642	129,642
Intergovernmental	-	-	794,525	794,525
Charges for services	2,486,000	2,486,000	4,649,634	2,163,634
Fines, forfeits and penalties	-	-	333,259	333,259
Other	-	-	1,541	1,541
<b>Total revenues</b>	<b>3,650,000</b>	<b>3,650,000</b>	<b>6,604,054</b>	<b>2,954,054</b>
<b>Expenditures:</b>				
Current:				
General government	4,155,111	4,155,111	3,503,327	651,784
Public works	724,827	724,827	1,660,799	(935,972)
<b>Total expenditures</b>	<b>4,879,938</b>	<b>4,879,938</b>	<b>5,164,126</b>	<b>(284,188)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,229,938)</b>	<b>(1,229,938)</b>	<b>1,439,928</b>	<b>3,238,242</b>
<b>Other financing sources (uses):</b>				
Transfers in	451,612	451,612	451,612	-
Transfers out	-	-	(341,566)	341,566
<b>Total other financing sources (uses)</b>	<b>451,612</b>	<b>451,612</b>	<b>110,046</b>	<b>341,566</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (778,326)</b>	<b>\$ (778,326)</b>	<b>1,549,974</b>	<b>\$ 3,579,808</b>
Fund balance, beginning of year			905,620	
Fund balance, end of year			<b>\$ 2,455,594</b>	

**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, 2006**

	HOUSING ASSISTANCE			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 16,080	\$ 16,080
Intergovernmental	13,262,474	13,262,474	13,266,755	4,281
Charges for services	-	-	34,926	34,926
Other	-	-	203,359	203,359
<b>Total revenues</b>	<u>13,262,474</u>	<u>13,262,474</u>	<u>13,521,120</u>	<u>258,646</u>
<b>Expenditures:</b>				
Current:				
Community services	-	-	21,406	(21,406)
Housing	13,033,176	13,033,176	12,323,383	709,793
<b>Total expenditures</b>	<u>13,033,176</u>	<u>13,033,176</u>	<u>12,344,789</u>	<u>688,387</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>229,298</u>	<u>229,298</u>	<u>1,176,331</u>	<u>(429,741)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	102,319	(102,319)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>102,319</u>	<u>(102,319)</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ 229,298</u>	<u>\$ 229,298</u>	<u>1,278,650</u>	<u>\$ (532,060)</u>
Fund balance, beginning of year			<u>687,217</u>	
Fund balance, end of year			<u>\$ 1,965,867</u>	

**CITY OF VACAVILLE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL--ALL SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	MAINTENANCE DISTRICTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Taxes and fees	\$ -	\$ 1,900,427	\$ 1,900,887	\$ 460
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ 1,900,427</b>	<b>\$ 1,900,887</b>	<b>\$ 460</b>
<b>Expenditures:</b>				
Current:				
Community services	1,071,445	2,719,786	2,493,925	225,861
<b>Total expenditures</b>	<b>1,071,445</b>	<b>2,719,786</b>	<b>2,493,925</b>	<b>225,861</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,071,445)</b>	<b>(819,359)</b>	<b>(593,038)</b>	<b>(225,401)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	439,886	(439,886)
Transfers out	-	-	(924)	924
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>438,962</b>	<b>(438,962)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (1,071,445)</b>	<b>\$ (819,359)</b>	<b>(154,076)</b>	<b>\$ (664,363)</b>
Fund balance, beginning of year			1,224,733	
Fund balance, end of year			<b>\$ 1,070,657</b>	

**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, 2006**

	COMMUNITY FACILITIES			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Taxes and fees	\$ -	\$ -	\$ 271,464	\$ 271,464
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 271,464</b>	<b>\$ 271,464</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	1,096	(1,096)
Community services	-	-	30,927	(30,927)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>32,023</b>	<b>(32,023)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>239,441</b>	<b>303,487</b>
<b>Other financing sources (uses):</b>				
Transfers out	-	-	(253,368)	253,368
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(253,368)</b>	<b>253,368</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(13,927)</b>	<b>\$ 556,855</b>
Fund balance, beginning of year			-	
Fund balance, end of year			<b>\$ (13,927)</b>	

**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, 2006**

	SPECIAL PROGRAMS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 4,228	\$ 4,228
Intergovernmental	-	-	1,132,084	1,132,084
Charges for services	-	-	65,632	65,632
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>1,201,944</b>	<b>1,201,944</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	962,801	(962,801)
Public works	-	-	74,710	(74,710)
Community services	-	-	11,656	(11,656)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>1,049,167</b>	<b>(1,049,167)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>152,777</b>	<b>2,251,111</b>
<b>Other financing sources (uses):</b>				
Transfers out			(4,592)	4,592
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(4,592)</b>	<b>4,592</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>148,185</b>	<b>\$ 2,255,703</b>
Fund balance, beginning of year			116,151	
Fund balance, end of year			<b>\$ 264,336</b>	

## **INTERNAL SERVICE FUNDS**

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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.

### **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, 2006**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
<b>Assets</b>					
Current assets:					
Cash and investments	\$ -	\$ 2,639,678	\$ 5,230,921	\$ 1,109,907	\$ 8,980,506
Receivables:					
Accounts	54,365	-	131,097	-	185,462
Inventories - supplies	416,485	-	-	-	416,485
<b>Total Current Assets</b>	<b>470,850</b>	<b>2,639,678</b>	<b>5,362,018</b>	<b>1,109,907</b>	<b>9,582,453</b>
Non-current assets:					
Deposits	-	-	50,000	-	50,000
Capital assets - net of accumulated depreciation	102,940	1,213,347	-	-	1,316,287
<b>Total Noncurrent Assets</b>	<b>102,940</b>	<b>1,213,347</b>	<b>50,000</b>	<b>-</b>	<b>1,366,287</b>
<b>Total assets</b>	<b>573,790</b>	<b>3,853,025</b>	<b>5,412,018</b>	<b>1,109,907</b>	<b>10,948,740</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts and contract payable	127,170	-	69,213	-	196,383
Accrued payroll	59,035	-	10,380	-	69,415
Due to other funds	183,202	-	-	-	183,202
Employee benefits payable	-	-	-	845,662	845,662
Compensated absences	-	-	-	264,245	264,245
Claims payable - due within one year	-	-	1,874,850	-	1,874,850
<b>Total Current Liabilities</b>	<b>369,407</b>	<b>-</b>	<b>1,954,443</b>	<b>1,109,907</b>	<b>3,433,757</b>
Non-current liabilities:					
Deposits payable	-	-	20,000	-	20,000
Claims payable - due in more than a year	-	-	3,435,150	-	3,435,150
<b>Total Liabilities</b>	<b>369,407</b>	<b>-</b>	<b>5,409,593</b>	<b>1,109,907</b>	<b>6,888,907</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	102,940	1,213,347	-	-	1,316,287
Unrestricted	101,443	2,639,678	2,425	-	2,743,546
<b>Total net assets</b>	<b>\$ 204,383</b>	<b>\$ 3,853,025</b>	<b>\$ 2,425</b>	<b>\$ -</b>	<b>\$ 4,059,833</b>

**CITY OF VACAVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
<b>Operating revenues:</b>					
Internal service charges	\$ 2,866,963	\$ 1,041,456	\$ 3,683,762	\$ 1,892,186	\$ 9,484,367
<b>Operating expenses:</b>					
Internal service expenses	3,121,969	285,037	804,425	3,142,866	7,354,297
Depreciation	14,029	506,116	-	-	520,145
<b>Total operating expenses</b>	<b>3,135,998</b>	<b>791,153</b>	<b>804,425</b>	<b>3,142,866</b>	<b>7,874,442</b>
<b>Operating income (loss)</b>	<b>(269,035)</b>	<b>250,303</b>	<b>2,879,337</b>	<b>(1,250,680)</b>	<b>1,609,925</b>
<b>Non-operating revenues (expenses):</b>					
Interest expense	(15,292)	-	-	-	(15,292)
<b>Total non-operating revenues (expenses)</b>	<b>(15,292)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,292)</b>
<b>Income (loss) before operating transfers</b>	<b>(284,327)</b>	<b>250,303</b>	<b>2,879,337</b>	<b>(1,250,680)</b>	<b>1,594,633</b>
<b>Transfers:</b>					
Transfers in	80,000	-	-	1,250,680	1,330,680
<b>Total transfers</b>	<b>80,000</b>	<b>-</b>	<b>-</b>	<b>1,250,680</b>	<b>1,330,680</b>
<b>Net income (loss)</b>	<b>(204,327)</b>	<b>250,303</b>	<b>2,879,337</b>	<b>-</b>	<b>2,925,313</b>
Net assets, beginning of year	408,710	3,602,722	(2,876,912)	-	1,134,520
Net assets, end of year	<b>\$ 204,383</b>	<b>\$ 3,853,025</b>	<b>\$ 2,425</b>	<b>\$ -</b>	<b>\$ 4,059,833</b>

**CITY OF VACAVILLE**  
**INTERNAL SERVICE FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$2,849,466	\$ 1,041,456	\$3,675,778	\$ 1,892,186	\$ 9,458,886
Payments to suppliers	(2,562,163)	(292,127)	(27,035)	(3,142,866)	(6,024,191)
Payments to employees	(743,741)	-	(1,217,195)	1,109,907	(851,029)
Claims paid	-	-	(2,068,000)	-	(2,068,000)
<b>Net cash provided by (used for) operating activities</b>	<b>(456,438)</b>	<b>749,329</b>	<b>363,548</b>	<b>(140,773)</b>	<b>515,666</b>
<b>Cash flows from noncapital financing activities:</b>					
Due to/(from) other funds	183,202	-	-	-	183,202
Transfers in	80,000	-	-	1,250,680	1,330,680
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>263,202</b>	<b>-</b>	<b>-</b>	<b>1,250,680</b>	<b>1,513,882</b>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	-	(230,164)	-	-	(230,164)
Proceeds from sale of capital assets	12	-	-	-	12
Interest paid	(15,292)	-	-	-	(15,292)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(15,280)</b>	<b>(230,164)</b>	<b>-</b>	<b>-</b>	<b>(245,444)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(208,516)</b>	<b>519,165</b>	<b>363,548</b>	<b>1,109,907</b>	<b>1,784,104</b>
Cash and cash equivalents, beginning of year	208,516	2,120,513	4,867,373	-	7,196,402
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 2,639,678</u>	<u>\$5,230,921</u>	<u>\$ 1,109,907</u>	<u>\$ 8,980,506</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) by Operating Activities:</b>					
Operating income (loss)	\$ (269,035)	\$ 250,303	\$2,879,337	\$(1,250,680)	\$ 1,609,925
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	14,029	506,116	-	-	520,145
Changes in assets and liabilities:					
(Increase) decrease in receivables	(17,497)	-	(7,984)	-	(25,481)
Decrease in inventories-supplies	(200,402)	-	-	-	(200,402)
Increase (decrease) in accounts and contracts payable	18,885	(7,090)	(440,326)	-	(428,531)
Increase in accrued payroll	(2,418)	-	521	-	(1,897)
Increase in employee benefits payable	-	-	-	845,662	845,662
Increase in compensated absences	-	-	-	264,245	264,245
Decrease in claims payable	-	-	(2,068,000)	-	(2,068,000)
Total adjustments	<b>(187,403)</b>	<b>499,026</b>	<b>(2,515,789)</b>	<b>1,109,907</b>	<b>(1,094,259)</b>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (456,438)</b>	<b>\$ 749,329</b>	<b>\$ 363,548</b>	<b>\$ (140,773)</b>	<b>\$ 515,666</b>

## **FIDUCIARY FUND FINANCIAL STATEMENTS**

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### **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 and amounts held for Solano County Housing Authority.

### **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, 2006**

	AGENCY FUNDS			
	PAYROLL TRUST	OTHER DEPOSITS	SPECIAL ASSESSMENTS	TOTAL AGENCY
<b>Assets</b>				
Cash and investments	\$ 738,147	\$ 5,538,004	\$ 11,634,979	\$ 17,911,130
Receivables:				
Accounts	608,779	6,000	-	614,779
<b>Total Assets</b>	<b>\$ 1,346,926</b>	<b>\$ 5,544,004</b>	<b>\$ 11,634,979</b>	<b>\$ 18,525,909</b>
<b>Liabilities</b>				
Liabilities:				
Accounts and contract payable	\$ -	\$ 14,194	\$ -	\$ 14,194
Accrued payroll	1,405	-	-	1,405
Employee benefits payable	1,330,298	-	-	1,330,298
Deposits payable	15,223	5,529,810	-	5,545,033
Due to bondholders	-	-	11,634,979	11,634,979
<b>Total Liabilities</b>	<b>\$ 1,346,926</b>	<b>\$ 5,544,004</b>	<b>\$ 11,634,979</b>	<b>\$ 18,525,909</b>

**CITY OF VACAVILLE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	BALANCES JULY 1, 2005	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2006
<b>PAYROLL TRUST</b>				
<b>Assets</b>				
Cash and investments	\$ 265,306	\$ 75,461,856	\$ 74,989,015	\$ 738,147
Receivables:				
Accounts	909,108	640,442	940,771	608,779
<b>Total Assets</b>	<b>\$ 1,174,414</b>	<b>\$ 76,102,298</b>	<b>\$ 75,929,786</b>	<b>\$ 1,346,926</b>
<b>Liabilities</b>				
Accounts and contract payable	\$ -	\$ 7,424,668	\$ 7,424,668	\$ -
Accrued payroll	122,845	35,299,302	35,420,742	1,405
Employee benefits payable	1,034,987	33,346,478	33,051,167	1,330,298
Deposits payable	16,582	31,850	33,209	15,223
<b>Total Liabilities</b>	<b>\$ 1,174,414</b>	<b>\$ 76,102,298</b>	<b>\$ 75,929,786</b>	<b>\$ 1,346,926</b>
<b>OTHER DEPOSITS</b>				
<b>Assets</b>				
Cash and investments	\$ 5,075,951	\$ 11,771,811	\$ 11,309,758	\$ 5,538,004
Receivables:				
Accounts	-	6,000	-	6,000
Due from other governments	81,785	-	81,785	-
<b>Total Assets</b>	<b>\$ 5,157,736</b>	<b>\$ 11,777,811</b>	<b>\$ 11,391,543</b>	<b>\$ 5,544,004</b>
<b>Liabilities</b>				
Accounts and contract payable	\$ 29,224	\$ 2,457,158	\$ 2,472,188	\$ 14,194
Deposits payable	5,128,512	11,791,635	11,390,337	5,529,810
<b>Total Liabilities</b>	<b>\$ 5,157,736</b>	<b>\$ 14,248,793</b>	<b>\$ 13,862,525</b>	<b>\$ 5,544,004</b>

**CITY OF VACAVILLE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	BALANCES JULY 1, 2005	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2006
<b>SPECIAL ASSESSMENTS</b>				
<b>Assets</b>				
Cash and investments	\$ 12,145,946	\$ 17,665,126	\$ 18,176,093	\$ 11,634,979
<b>Liabilities</b>				
Due to bondholders	\$ 12,145,946	\$ 17,665,126	\$ 18,176,093	\$ 11,634,979
<b>TOTAL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and investments	\$ 17,487,203	\$ 104,898,793	\$ 104,474,866	\$ 17,911,130
Receivables:				
Accounts	909,108	646,442	940,771	614,779
Due from other governments	81,785	-	81,785	-
<b>Total Assets</b>	<b>\$ 18,478,096</b>	<b>\$ 105,545,235</b>	<b>\$ 105,497,422</b>	<b>\$ 18,525,909</b>
<b>Liabilities</b>				
Accounts and contract payable	\$ 29,224	\$ 9,881,826	\$ 9,896,856	\$ 14,194
Accrued payroll	122,845	35,299,302	35,420,742	1,405
Employee benefits payable	1,034,987	33,346,478	33,051,167	1,330,298
Deposits payable	5,145,094	11,823,485	11,423,546	5,545,033
Due to bondholders	12,145,946	17,665,126	18,176,093	11,634,979
<b>Total Liabilities</b>	<b>\$ 18,478,096</b>	<b>\$ 108,016,217</b>	<b>\$ 107,968,404</b>	<b>\$ 18,525,909</b>

**Schedule 1**  
**CITY OF VACAVILLE**  
**Net Assets by Component,**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*  
*(expressed in thousands of dollars)*

	<b>Fiscal Year</b>			
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Governmental activities				
Invested in capital assets, net of related debt	\$ 362,498	\$ 340,941	\$ 310,054	\$ 306,087
Restricted	33,683	43,971	55,790	42,619
Unrestricted	74,486	65,885	62,397	52,301
Total governmental activities net assets	<u>470,666</u>	<u>450,798</u>	<u>428,240</u>	<u>401,006</u>
Business-type activities				
Invested in capital assets, net of related debt	159,094	146,253	150,320	142,676
Unrestricted	94,960	100,600	95,617	77,227
Total business-type activities net assets	<u>254,053</u>	<u>246,853</u>	<u>245,937</u>	<u>219,903</u>
Primary government				
Invested in capital assets, net of related debt	521,591	487,194	460,374	448,763
Restricted	33,683	43,971	55,790	42,619
Unrestricted	169,446	166,485	158,014	129,528
Total primary government net assets	<u>\$ 724,720</u>	<u>\$ 697,650</u>	<u>\$ 674,177</u>	<u>\$ 620,909</u>

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

**Schedule 2**  
**CITY OF VACAVILLE**  
**Changes in Net Assets, Primary Government**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*  
*(expressed in thousands of dollars)*

	Fiscal Year			
	2006	2005	2004	2003
<b>Expenses</b>				
Governmental activities	\$ 106,922	\$ 97,954	\$ 96,879	\$ 87,847
Business-type	34,338	28,151	26,528	23,458
Total primary government expenses	<u>141,261</u>	<u>126,104</u>	<u>123,408</u>	<u>111,306</u>
<b>Program Revenues</b>				
Governmental activities	46,169	36,647	35,877	42,126
Business-type	36,621	32,362	44,351	31,062
Total primary government program revenues	<u>82,790</u>	<u>69,009</u>	<u>80,229</u>	<u>73,188</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	(60,753)	(61,307)	(61,002)	(45,721)
Business-type	2,282	4,211	17,823	7,604
Total primary government net expense	<u>(58,471)</u>	<u>(57,096)</u>	<u>(43,179)</u>	<u>(38,118)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities	80,622	84,847	68,072	62,058
Business-type	4,918	88	(1,286)	3,106
Total primary government	<u>85,540</u>	<u>84,935</u>	<u>66,787</u>	<u>65,163</u>
<b>Changes in Net Assets</b>				
Governmental activities	19,869	23,540	7,070	16,336
Business-type	7,201	4,299	16,538	10,709
Total primary government	<u>\$ 27,070</u>	<u>\$ 27,840</u>	<u>\$ 23,608</u>	<u>\$ 27,046</u>

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

**Schedule 2a**  
**CITY OF VACAVILLE**  
**Changes in Net Assets, Governmental Activities**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*  
*(expressed in thousands of dollars)*

	Fiscal Year			
	2006	2005	2004	2003
<b>Expenses</b>				
General Government	\$ 11,034	\$ 7,878	\$ 9,488	\$ 7,870
Public Safety	36,498	34,717	32,370	29,072
Public Works	18,313	14,585	16,810	11,372
Community Services	11,964	11,368	11,605	11,017
Housing	15,348	11,290	11,600	11,528
Redevelopment	8,684	13,666	10,718	11,086
Interest on long-term debt	5,082	4,451	4,290	5,903
Total governmental activities expenses	<u>106,922</u>	<u>97,954</u>	<u>96,879</u>	<u>87,847</u>
<b>Program Revenues</b>				
Charges for services:				
General Government	4,215	3,892	3,197	13,436
Public Safety	4,014	3,552	2,945	2,499
Public Works	2,531	441	693	911
Community Services	5,330	5,265	5,074	4,986
Housing	761	58	57	44
Redevelopment	245	380	217	346
Operating grants and contributions	16,011	14,161	13,227	12,183
Capital grants and contributions	13,063	8,897	10,469	7,720
Total governmental activities program revenues	<u>46,169</u>	<u>36,647</u>	<u>35,877</u>	<u>42,126</u>
<b>Net (Expense)/Revenue</b>	<u>(60,753)</u>	<u>(61,307)</u>	<u>(61,002)</u>	<u>(45,721)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Taxes				
Property taxes	47,844	40,044	32,370	29,557
Sales taxes	16,116	14,357	13,432	12,325
Other taxes	7,871	6,241	7,574	7,183
Vehicle license fees	596	2,105	4,278	-
Fines, penalties and forfeitures	-	-	452	442
Intergovernmental	-	-	-	6,087
Use of money and property	-	-	-	4,130
Payments in lieu of services	-	-	967	-
Investment income	4,320	4,768	2,755	-
Developer contributions	-	-	378	-
Unrestricted capital contributions	3,785	9,283	-	-
Loss on sale of property	-	-	-	(1,199)
Miscellaneous	58	5,347	2,294	527
Transfers	31	2,703	3,572	3,005
Total governmental activities	<u>80,622</u>	<u>84,847</u>	<u>68,072</u>	<u>62,058</u>
<b>Changes in Net Assets</b>	<u>\$ 19,869</u>	<u>\$ 23,540</u>	<u>\$ 7,070</u>	<u>\$ 16,336</u>

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

**Schedule 2b**  
**CITY OF VACAVILLE**  
**Changes in Net Assets, Business-Type Activities**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*  
*(expressed in thousands of dollars)*

	Fiscal Year			
	2006	2005	2004	2003
<b>Expenses</b>				
Sewer	\$ 18,230	\$ 13,831	\$ 12,683	\$ 11,266
Water	13,135	11,672	11,267	9,905
Transit	2,974	2,648	2,578	2,288
Total business-type activities expenses	<u>34,338</u>	<u>28,151</u>	<u>26,528</u>	<u>23,458</u>
<b>Program Revenues</b>				
Charges for services:				
Sewer	17,193	16,285	15,026	13,312
Water	10,109	10,106	10,009	9,087
Transit	363	374	343	323
Operating grants and contributions	2,090	1,947	1,568	1,600
Capital grants and contributions	6,866	3,650	17,406	6,739
Total business-type activities program revenues	<u>36,621</u>	<u>32,362</u>	<u>44,351</u>	<u>31,062</u>
<b>Net (Expense)/Revenue</b>	<u>2,282</u>	<u>4,211</u>	<u>17,823</u>	<u>7,604</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Taxes				
Property taxes	87	86	92	83
Use of money and property	-	-	-	2,012
Investment income	(195)	965	624	-
Unrestricted capital contributions	2,234	1,332	-	-
Developer contributions	-	-	1,301	3,703
Miscellaneous	2,823	408	270	312
Transfers	(31)	(2,703)	(3,572)	(3,005)
Total business-type activities	<u>4,918</u>	<u>88</u>	<u>(1,286)</u>	<u>3,106</u>
<b>Changes in Net Assets</b>	<u>\$ 7,201</u>	<u>\$ 4,299</u>	<u>\$ 16,538</u>	<u>\$ 10,709</u>

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

**Schedule 3**  
**CITY OF VACAVILLE**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
*(expressed in thousands of dollars)*

	<b>Fiscal Year</b>									
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
General Fund										
Reserved	\$ 899	\$ 1,101	\$ 815	\$ 702	\$ 542	\$ 2,203	\$ 823	\$ 893	\$ 878	\$ 1,379
Unreserved	14,139	14,355	12,322	11,075	10,877	10,759	9,323	10,494	9,138	10,243
Total general fund	<u>15,038</u>	<u>15,456</u>	<u>13,137</u>	<u>11,776</u>	<u>11,419</u>	<u>12,962</u>	<u>10,146</u>	<u>11,387</u>	<u>10,017</u>	<u>11,622</u>
All Other Governmental Funds										
Reserved	67,158	88,567	80,957	76,397	73,975	47,959	51,071	40,254	57,757	58,831
Unreserved, reported in:										
Special revenue funds	16,977	2,079	3,055	2,477	1,736	2,242	2,557	2,380	1,105	1,442
Capital projects funds	1,343	2,918	16,193	23,646	15,042	17,749	6,464	8,057	7,020	3,093
Debt service funds	2,319	2,521	6,988	4,216	7,669	8,411	8,998	5,671	8,864	7,865
Total all other governmental funds	<u>\$87,797</u>	<u>\$96,085</u>	<u>\$107,192</u>	<u>\$106,737</u>	<u>\$98,422</u>	<u>\$76,361</u>	<u>\$69,089</u>	<u>\$56,362</u>	<u>\$74,746</u>	<u>\$71,231</u>

**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)*

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>Revenues</b>										
Taxes and fees	\$ 80,627	\$ 66,741	\$ 59,541	\$ 59,239	\$ 53,765	\$ 54,408	\$ 46,459	\$ 46,552	\$ 38,111	\$ 36,100
Licenses and permits	708	1,628	1,524	1,490	1,117	1,440	1,241	1,669	979	1,303
Special Assessments	-	-	-	-	-	-	-	-	10,111	8,564
Use of money and property	-	-	-	-	4,916	6,713	4,235	3,919	5,941	8,182
Investment income	5,104	5,433	3,246	4,692	-	-	-	-	-	-
Intergovernmental	23,487	22,337	23,700	27,147	21,648	17,340	16,408	12,434	13,877	12,509
Charges for services	12,566	9,041	9,290	8,897	7,500	7,447	6,506	5,640	4,885	4,887
Fines, penalties and forfeitures	460	503	452	442	425	429	497	387	207	196
Lease Revenue	-	-	-	-	-	-	-	-	-	1,434
Other	704	3,590	1,448	590	837	821	267	829	1,460	1,841
<b>Total revenues</b>	<b>123,656</b>	<b>109,273</b>	<b>99,201</b>	<b>102,498</b>	<b>90,209</b>	<b>88,598</b>	<b>75,613</b>	<b>71,429</b>	<b>75,571</b>	<b>75,016</b>
<b>Expenditures</b>										
General government	10,493	7,912	8,430	7,711	8,453	7,655	8,233	7,469	6,922	6,070
Public Safety	36,851	34,501	31,759	28,501	26,321	22,505	21,279	20,059	18,908	17,892
Public Works	6,224	6,040	5,080	4,679	4,451	4,510	3,547	3,881	3,212	2,803
Community Services	11,367	10,905	10,689	10,465	10,620	8,732	9,519	7,659	7,196	7,465
Housing	15,363	11,292	11,585	11,721	8,582	6,414	6,698	5,863	4,725	5,193
Redevelopment	18,042	13,354	10,270	9,209	3,932	3,198	5,170	5,086	2,283	2,108
Intergovernmental	-	-	-	300	272	300	273	259	255	251
Shared Revenues	-	-	-	300	5,656	5,368	4,555	4,271	3,826	3,369
Capital Outlay	38,123	35,542	18,673	21,615	17,606	24,309	19,105	17,488	13,684	18,225
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	2,816	2,622	2,448	1,708	1,430	1,667	2,169	2,080	5,155	5,161
Lease payments	-	-	-	-	-	-	-	-	-	1,434
Interest and fiscal charges	5,572	4,670	4,301	4,393	6,013	3,910	3,380	2,825	8,542	9,340
Advance funding escrow	-	-	-	-	-	-	-	-	2,351	2,343
<b>Total expenditures</b>	<b>144,850</b>	<b>126,837</b>	<b>103,235</b>	<b>100,602</b>	<b>93,334</b>	<b>88,568</b>	<b>83,927</b>	<b>76,941</b>	<b>77,061</b>	<b>81,654</b>
Excess (deficiency) of revenues over (under) expenditures	(21,194)	(17,564)	(4,034)	1,895	(3,125)	30	(8,314)	(5,512)	(1,490)	(6,639)
<b>Other Financing Sources (uses)</b>										
Transfers in	23,976	12,288	17,096	11,531	10,098	8,496	7,425	8,522	9,152	8,361
Transfers out	(25,275)	(9,734)	(13,604)	(8,729)	(10,513)	(8,534)	(7,606)	(8,558)	(9,164)	(8,592)
Proceeds from sales of capital assets	8,497	-	269	249	3,555	1,385	1,695	731	2,282	681
Issuance of debt and loans	5,290	1,475	449	3,099	230	9,011	12,570	1,662	655	10,056
Unrestricted capital contributions	-	5,800	-	-	-	-	-	-	-	-
Proceeds of refunding bonds and certificates of participation	-	-	-	-	31,807	2,301	-	-	19,469	11,060
Payment to refund bond escrow agent	-	-	-	-	(12,693)	(2,602)	-	-	(18,170)	(10,207)
Relief of debt obligation	-	-	-	-	-	-	-	-	-	(5,766)
Total other financing	12,488	9,829	4,210	6,150	22,484	10,058	14,083	2,357	4,224	5,594
<b>Net change in fund balances</b>	<b>\$ (8,706)</b>	<b>\$ (7,735)</b>	<b>\$ 176</b>	<b>\$ 8,045</b>	<b>\$ 19,359</b>	<b>\$ 10,088</b>	<b>\$ 5,769</b>	<b>\$ (3,155)</b>	<b>\$ 2,734</b>	<b>\$ (1,045)</b>
Debt services as a percentage of noncapital expenditures	2.6%	2.9%	2.9%	2.2%	1.9%	2.6%	3.3%	3.5%	11.8%	11.8%

**Schedule 5**  
**CITY OF VACAVILLE**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
*(expressed in thousands of dollars)*

Fiscal Year Ended June 30,	City				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	
2006	\$ 7,637,729	\$ 344,070	\$ (98,965)	\$ 7,882,834	\$ 2,360,718	\$ 149,711	\$ (13,476)	\$ 2,496,952	0.462%
2005	6,903,993	216,050	(99,383)	7,020,660	2,230,342	149,188	(13,464)	2,366,066	0.428%
2004	6,147,549	198,213	(99,658)	6,246,103	2,041,732	137,780	(13,520)	2,165,993	0.386%
2003	5,812,872	187,718	(98,519)	5,902,071	1,925,870	130,812	(13,377)	2,043,305	0.373%
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	-
1998	3,992,257	144,748	(92,625)	4,044,381	1,238,908	97,815	(11,218)	1,325,504	-
1997	3,859,573	123,095	(92,622)	3,890,045	1,135,583	620,889	(10,965)	1,745,507	-

Source: Solano County Auditor-Controller's Office

*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.*

**Schedule 6  
CITY OF VACAVILLE  
Direct and Overlapping Property Tax Rates  
Last Five Fiscal Years**

	Fiscal Year				
	2006	2005	2004	2003	2002
<b>City Direct Rates:</b>					
City basic rate	0.27370%	0.27381%	0.27395%	0.27402%	2.74130%
Redevelopment agency	1.03100%	1.03110%	1.03130%	1.03130%	1.03150%
Total City Direct Rate	0.45536%	0.45973%	0.47914%	0.47972%	0.47882%
<b>Overlapping Rates:</b>					
City of Vacaville	0.24267%	0.24267%	0.24267%	0.24267%	0.24267%
Acc Capital Outlay	0.00915%	0.00915%	0.00915%	0.00915%	0.00915%
Aviation	0.00135%	0.00135%	0.00135%	0.00135%	0.00135%
County General	0.35516%	0.35516%	0.35516%	0.35516%	0.35516%
County School Service Fund Support	0.01286%	0.01286%	0.01286%	0.01286%	0.01286%
County Support-Board of Education	0.00378%	0.00378%	0.00378%	0.00378%	0.00378%
Development Center	0.00246%	0.00246%	0.00246%	0.00246%	0.00246%
Mosquito Abatement	0.00666%	0.00666%	0.00666%	0.00666%	0.00666%
Recreation	0.00230%	0.00230%	0.00230%	0.00230%	0.00230%
S C C Voter Debt	0.03127%	0.03127%	0.03127%	0.03127%	0.03127%
Sc Fld State Water Project Zone 1	0.01002%	0.01002%	0.01002%	0.01002%	0.01002%
Solano County Water District	0.01732%	0.01732%	0.01732%	0.01732%	0.01732%
Vacaville Unified Library	0.02906%	0.02906%	0.02906%	0.02906%	0.02906%
Vacaville Unified School District M&O	0.26501%	0.26501%	0.26501%	0.26501%	0.26501%
Vacaville-Elmira Cemetery	0.00752%	0.00752%	0.00752%	0.00752%	0.00752%
Yolo-Solano A P C	0.00342%	0.00342%	0.00342%	0.00342%	0.00342%
Total Prop. 13 Rate	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
<b>Vacaville Debt Service</b>					
Sc Fld State Wtr Prj Zone Ben#1	0.03103%	0.03114%	0.03128%	0.03135%	0.03146%
Scc Gob Series 2003A	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%
VUSD Gob Refunding Ser 2005	0.01643%	0.01532%	0.01432%	0.00000%	0.00000%
VUSD Gob Series 2005	0.02388%	0.00000%	0.00000%	0.00000%	0.00000%
VUSD Gob Series 2005	0.02602%	0.00000%	0.00000%	0.00000%	0.00000%
VUSD Meas V Gob Series 2002	0.00000%	0.02289%	0.02361%	0.05741%	0.00000%
VUSD Meas V Gob Series 2003	0.00000%	0.02379%	0.03001%	0.00000%	0.00000%
Total Voter Approved Rate	0.11736%	0.11314%	0.11921%	0.10876%	0.05146%
Total Tax Rate	1.11736%	1.11314%	1.11921%	1.10876%	1.05146%

**NOTES:**

Total City Direct Rate is the weighted average of all individual direct rates applied. The percentages presented in the columns above do not sum down.

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

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

Source: HDL & Cone, Solano County Assessor 1996/97 - 2005/06 Tax Rate Table

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

**Schedule 7  
CITY OF VACAVILLE  
Principal Property Tax Payers  
Current Year and Nine Years Ago**

<b>Taxpayer</b>	<b>2006</b>			<b>1997</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Genentech Inc.	\$ 344,496,548	1	4.370%	\$ -		-
Alza Corporation	132,299,634	2	1.691%	84,221,493	1	2.114%
CPG Finance II LLC	53,646,599	3	0.686%	-		-
Chiron Corporation	49,994,066	4	0.634%	48,913,164	3	1.228%
SSR Western Multifamily LLC	45,689,320	5	0.580%	-		-
Buzz Oates Dev	35,849,326	6	0.455%	-		-
Knickerbocker Properties Inc. XXXVIII	31,931,647	7	0.405%	-		-
R & M Vacaville Limited	31,856,992	8	0.404%	26,218,152	6	0.658%
Wal Mart Real Estate Business Trust	31,196,219	9	0.396%	23,828,283	8	0.598%
Lucky Stores Inc.	30,933,322	10	0.392%	30,971,020	5	0.777%
FSA Properties Inc	-		-	78,760,900	2	1.977%
Kaiser Foundation Hospitals	-		-	42,125,665	4	1.057%
Mission Messenger Vacaville	-		-	36,890,630	7	0.926%
Dayton Hudson Corporation	-		-	19,126,635	9	0.480%
Jepson Parkway Associates Limited Partnership	-		-	14,881,922	10	0.373%

Source: HDL & Cone, Solano County 1996/1997 & 2005/2006 Combined Tax Rolls.

**Schedule 8  
CITY OF VACAVILLE  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Supplemental/P rior Years Collections</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
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%
1998	6,298,384	6,298,384	100.00%	3,858	6,302,242	100.06%
1997	6,311,033	6,311,003	100.00%	6,744	6,317,747	100.11%

**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 Five Fiscal Years**

Fiscal Year	Governmental Activities						Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	City Loans	Redevelopment Loans	Certificates of Participation	Redevelopment Bonds	Capital Leases	Special Assessment Bonds	Total Governmental Activities	State Revolving Loan	Capital Leases	Total Business-type Activities			
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	10.29%	\$ 2,148
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	8.21%	1,770
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	8.03%	2,013
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	7.47%	1,933
2002	1,065,806	9,428,644	23,575,000	54,389,970	-	54,740,000	143,199,420	-	-	-	143,199,420	5.70%	1,486

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

**Schedule 10  
CITY OF VACAVILLE  
Direct and Overlapping Debt  
As of June 30, 2006**

City Assessed Valuation	\$ 7,882,833,557
Redevelopment Agency Incremental Valuation	2,339,255,545
Total Assessed Valuation	<u>\$ 10,222,089,102</u>

	<u>Percentage Applicable</u> (1)	<u>Outstanding Debt</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Overlapping Debt Repaid with Property Taxes:</b>			
Solano County Community College District	19.195%	\$ 80,308,812	\$ 15,415,468
Dixon Unified School District	0.844%	25,680,686	216,745
Fairfield-Suisun Joint Unified School District	0.005%	92,865,000	43,647
Vacaville Unified School District	84.454%	60,490,957	51,087,033
Solano Irrigation District	14.199%	1,031,000	146,392
City of Vacaville Community Facilities District No. 2	100.000%	6,865,000	6,865,000
City of Vacaville 1915 Act Bonds	100.000%	<u>40,600,000</u>	<u>40,600,000</u>
Total overlapping debt repaid with property taxes		<u>307,841,455</u>	<u>114,374,285</u>
<b>Overlapping Other Debt:</b>			
Solano County Certificates of Participation	18.646%	142,905,000	26,646,066
Solano County Pension Obligations	18.646%	133,195,000	24,835,540
Solano County Board of Education Certificates of Participation	18.646%	3,650,000	680,579
Dixon Unified School District Certificates of Participation	0.844%	8,660,000	73,090
Fairfield-Suisun Joint Unified School District Certificates of Participation	0.047%	880,000	414
Travis Unified School District Certificates of Participation	61.370%	36,940,000	22,670,078
Vacaville Unified School District Certificates of Participation	84.454%	<u>4,335,000</u>	<u>3,661,081</u>
Total Overlapping other debt		<u>330,565,000</u>	<u>78,566,848</u>
Total Overlapping debt		<u>\$ 638,406,455</u>	192,941,133
City direct debt			<u>19,645,000</u> (2)
Total direct and overlapping debt			<u>\$ 212,586,133</u>

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									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Assessed value	\$ 7,882,834	\$ 7,020,660	\$ 6,246,103	\$ 5,902,071	\$ 5,446,979	\$ 5,059,168	\$ 4,521,645	\$ 4,320,693	\$ 4,044,381	\$ 3,890,045
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,970,708	1,755,165	1,561,526	1,475,518	1,361,745	1,264,792	1,130,411	1,080,173	1,011,095	972,511
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	295,606	263,275	234,229	221,328	204,262	189,719	169,562	162,026	151,664	145,877
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 295,606</u>	<u>\$ 263,275</u>	<u>\$ 234,229</u>	<u>\$ 221,328</u>	<u>\$ 204,262</u>	<u>\$ 189,719</u>	<u>\$ 169,562</u>	<u>\$ 162,026</u>	<u>\$ 151,664</u>	<u>\$ 145,877</u>
 Total net debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: HDL & Cone, Solano County 1996/1997 & 2005/2006 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**

<u>Fiscal Year</u>	<u>Water Revenue Bonds</u>			<u>Debt Service</u>			<u>Tax Allocation Bonds</u>				
	<u>Water Revenue</u>	<u>Less Operating Expenses (1)</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	<u>Tax Increment</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	
2006	\$ 15,539	\$ 10,879	\$ 4,659	\$ -	\$ -	-	\$ 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	1,129	11,664	(10,535)	-	-	-	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	
1998	8,962	6,597	2,365	-	-	-	12,698	526	1,486	6.31	
1997	9,073	6,258	2,815	-	-	-	11,398	500	1,513	5.66	

**NOTES:**

Water Revenue Bonds paid off 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 Six Calendar Years**

<b>Year</b>	<b>Population (1)</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income (2)</b>	<b>Unemployment Rate (3)</b>
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%

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

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

**Schedule 14  
CITY OF VACAVILLE  
Principal Employers  
Current Year and Nine Years Ago**

<b>Employer</b>	<b>2006</b>			<b>1997</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percent of Total Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percent of Total Employment</b>
California State Department of Corrections	2,576	1	5.87%	2,530	1	-
Vacaville Unified School District	1,218	2	2.77%	-		-
Alza Corporation	1,100	3	2.51%	700	2	-
Genentech	810	4	1.85%	350	5	-
City of Vacaville	770	5	1.75%	-		-
Kaiser Permanente	500	6	1.14%	250	8	-
Hines Nursery, Inc.	400	7	0.91%	340	6	-
NorthBay Vaca Valley Hospital	379	8	0.86%	-		-
Simpson Dura-Vent	375	9	0.85%	-		-
Albertson's Distribution Center	360	10	0.82%	-		-
Lucky Stores	-		0.00%	591	3	-
American Home Foods	-		0.00%	450	4	-
Wal-Mart Stores, Inc.	-		0.00%	284	7	-
SAMS	-		0.00%	165	9	-
Safeway, Inc.	-		0.00%	150	10	-

**NOTES:**

For Fiscal Year 1996/1997 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 1996/1997, 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 Six Fiscal Years**

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

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

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

<b><u>Function/Program</u></b>	<b>Fiscal Year</b>				
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Fire					
Emergency responses	27,596	26,495	25,607	*	*
Inspections	N/A	634	971	897	1,046
Parks and Recreation					
Number of recreation classes	N/A	34,422	36,119	35,573	37,816
Number of facility rentals	N/A	192	169	157	136
Police Department					
Physical arrests	4,133	2,877	3,024	3,877	*
Parking citations issued	12,114	12,574	16,767	19,711	*
Public Works					
Street resurfacing (miles)	N/A	37.90	29.25	28.00	34.10
Potholes repaired	130	104	66	57	97
Transit					
Total revenue route miles	402,164	392,119	384,806	371,450	372,947
Passengers	211,280	211,609	241,522	260,055	214,102
Wastewater					
Average daily sewage treatment (million gallons per day)	N/A	9.2	8.7	8.1	8.6
Water					
New Connections (meter sets)	290	249	202	282	223
Average daily consumption (million gallons per day)	21.1	20.4	21.3	20.0	20.5

NOTES:

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

\* Data not available

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Fire										
Fire Stations	4	4	4	4	4	4	4	4	4	4
Fire Engines	8	8	8	8	6	6	6	6	6	6
Parks and Recreation										
Parks	30	33	33	33	33	33	33	33	33	33
Park Acres	513	568	568	568	568	568	568	568	568	568
Special Community Facilities	6	6	6	6	6	6	6	6	6	6
Neighborhood Centers	11	11	9	9	9	9	9	9	6	6
Police Department										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	103	103	100	98	98	94	103	105	99	88
Police Motorcycles	9	9	9	6	6	6	6	6	6	4
Public Works										
Streets (miles)	231	230	227	227	225	222	220	219	215	212
Traffic Signals	67	64	64	64	62	60	53	53	53	50
Transit Buses										
Fixed Route	12	12	12	12	12	7	7	7	7	7
Special Services	6	5	5	5	5	5	5	3	3	3
Wastewater										
Sewers (miles)	226	224	221	221	219	217	211	211	209	207
Storm Drain (miles)	128	127	125	124	123	121	119	118	117	114
Treatment Plants	3	2	2	2	2	2	2	2	1	1
Water										
Water Mains (miles)	269	267	265	264	260	257	252	251	245	242
Fire hydrants	3,231	3,207	3,166	3,146	3,076	3,019	2,936	2,927	2,887	2,839
Reservoirs	8	8	7	7	7	7	7	7	7	6
Wells	12	12	11	11	10	10	10	10	*	*

NOTES:

\* Data not available



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