



# **City of Vallejo, California**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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For The Fiscal Year Ended June 30, 2004

**CITY OF VALLEJO, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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For the Year Ended June 30, 2004

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# CITY OF VALLEJO

OFFICE OF THE FINANCE DIRECTOR

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March 29, 2005

## **To the Honorable Mayor, Members of the City Council And Citizens of the City of Vallejo, California**

It is our pleasure to present to you the 2004 Comprehensive Annual Financial Report (CAFR) of the City of Vallejo, California. This CAFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). The Finance Department has prepared this report to present the financial position of the City of Vallejo at June 30, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in accordance with Generally Accepted Accounting Principles.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, we believe the data, as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position, and changes in financial position, of the City as measured by the financial activity of its governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The City's basic financial statements have been audited by Maze & Associates CPA, a public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with generally accepted accounting principles within the United States. The independent auditors' report is presented as the first component of the financial section of this report.

This is the third year the City prepared the CAFR using the new financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). This new GASB Statement was established in June 1999 and requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

## **FINANCIAL REPORTING FORMAT**

The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The report is presented in three sections and includes the following information:

1. **The Introductory Section** includes the Letter of Transmittal with comments on the operations of the City, the City's organizational chart, a list of the City's elected and appointed principal officials, the Government Finance Officers Association of the United States (GFOA) Certificate of Achievement for Excellence in Financial Reporting to the City of Vallejo for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2003.
2. **The Financial Section** includes the audited Basic Financial Statements and Required Supplementary Information. The Basic financial statements include Management's Discussion and Analysis, independent Auditor's report, Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements and Required Supplementary Information, and supporting statements and schedules necessary to fairly present the financial position and the changes in financial position of the City in conformity with accounting principles generally accepted in the United States. The City of Vallejo also includes an additional Supplementary Section that includes the Combining Fund Financial Statements which is not a required section of the report.
3. **The Statistical Section** presents selected, unaudited financial and demographic information, generally presented on a multi-year basis. Includes tables containing historical financial data, debt statistics, and miscellaneous social and economic data of the City. Statistical tables reflect social and economic data, financial trends, and the fiscal capacity of the government.

In addition to this, the CAFR presents a "fund perspective," and also presents an "entity wide" perspective. The "entity wide" perspective combines all governmental and business activities in a Statement of Net Assets and a Statement of Activities, presenting all functions on a full accrual basis of accounting. All fixed assets, including road and bridge infrastructure, are added to the statements as are long-term liabilities such as outstanding debt.

In the "entity wide" perspective, the balance sheet has been organized into a "net assets format." This format classifies assets and liabilities as short and long-term and then subtracts those liabilities from assets to arrive at net assets. The Statement of Net Assets includes capital assets on the City's balance sheet, including the historical cost of infrastructure including roads and bridges owned by the City, net of accumulated depreciation. It also includes the long-term debt and commitments of the City in the calculation of fund balance.

In the "entity wide" perspective, the City's Statement of Revenues, Expenditures and Changes in Fund Balances has been reorganized into a Statement of Activities. The expenses of the City, organized by activity, are netted against fees, fines, grant revenues and assessments generated to fund each activity in an attempt to derive the net cost to the taxpayer of each activity. The reader of the financial statements can now discern the net cost of a particular function of government funded by taxation and other general revenues by a review of this statement.

## THE REPORTING ENTITY AND ITS SERVICES

The City of Vallejo, a municipal corporation incorporated in March 1868, under the laws of the State of California is a Charter City located within Solano County in Northern California. Vallejo is the forty-fifth largest City in population in the State of California. The City operates under a City Charter originally adopted in 1911 and last amended in November 2000. The Charter provides for a Council-Manager form of government. Under the Charter, the City Manager recommends policy, program and budget priorities to the City Council, which in turn develops legislation and policies to direct the City. The City Manager is appointed by the Council and serves as the chief administrative officer of the City and is responsible for implementation of Council policies, administration of City affairs, day-to-day operations, and for appointing the Assistant City Manager and the Directors of the City's departments and overseeing all City personnel and all municipal operations. The Mayor, elected by the community at-large to a four-year term, acts as the formal representative of the City and presides over Council meetings. The City Council is elected on a nonpartisan basis and has six members elected by the community at-large to four-year, staggered terms, with three Councilmembers elected every two years.

The City organizes its financial activities in a variety of funds and account groups. The accompanying CAFR complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No.

14, *The Financial Reporting Entity*, in that the CAFR includes all the organizations, activities, functions and the component units for which the City of Vallejo (the reporting entity) is financially accountable.

The City of Vallejo is a Primary Government for financial reporting purposes, as its governing body is elected by the citizens in a general, popular election. This report includes all organizations and activities for which elected City officials exercise financial accountability. Certain organizations created by or related to the City, for which the City is not financially accountable, have been excluded from this report. Organizations that are legally separate from the City are included if the City's elected officials appoint a voting majority of the organization's governing body and (1) the City has the ability to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The notes to the financial statements further discuss the City as a financial reporting entity.

Accordingly, the following entities, although legally separate, are component units and are incorporated in the accompanying financial statements:

- Redevelopment Agency of the City of Vallejo (the Agency),
- Parking Authority of the City of Vallejo (the Parking Authority),
- Housing Authority of the City of Vallejo (the Housing Authority),
- Public Financing Authority of the City of Vallejo (the Financing Authority),
- Vallejo Sanitation and Flood Control District (VSFCD),
- Marine World Joint Powers Authority (the Marine World JPA).

Other major governmental agencies that provide services within the City are the County of Solano, the Solano Community College District, the Vallejo City Unified School District, and the Greater Vallejo Recreation District (GVRD). Financial information for these agencies is not included in the accompanying financial statements because they have independently elected governing boards and their operations are separate from those of the City. In July 1995, the Governor of California approved Assembly Bill 1388, which specified that the governing board of the VSFCD be the Vallejo City Council plus one at large member. As a result, the financial information of VSFCD has been included in the accompanying combined financial statements of the City. Effective July 1, 1999, VSFCD became a separate District, distinct from the City Of Vallejo, but still a component unit of the City. The City does not operate schools or hospitals, nor is it responsible for public assistance programs.

The City provides a wide range of municipal services, including public safety (police and fire protection), a municipal water system, a mass transit bus and ferry-boat system, street maintenance and other public works infrastructure functions, housing assistance, golf courses, planning, building inspection, public marina, and general administration. The GVRD noted above, however, provides for Parks and Recreation.

## **ECONOMIC CONDITION AND OUTLOOK**

The City of Vallejo has been fortunate to experience a growing economic environment with commercial, light industrial, housing and retail development this year. In addition to strong development trends, property values continue to increase.

As the City continues to attract population growth and economic expansion, its municipal services are constantly being improved to serve residential and business needs. This growth in demand for City services presents the City with significant challenges, and if the current level of service is to be maintained, the City will need to continue to explore new methods of obtaining financial resources and/or improve methods for the delivery of services.

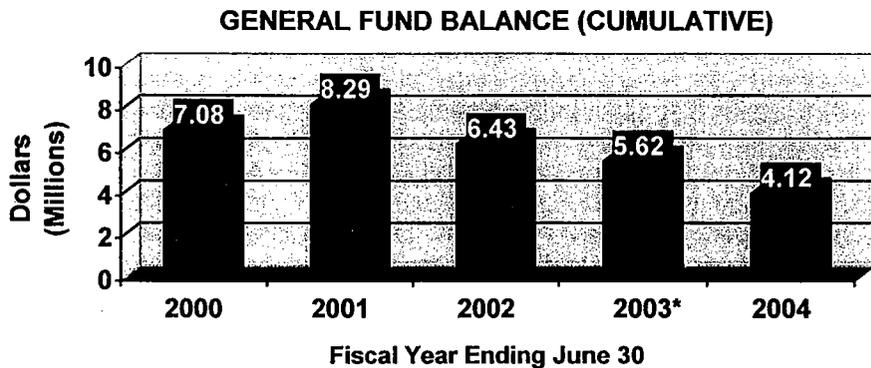
The economic outlook will continue to be a primary focus for the City. The slowdown of the local economy, namely: increased unemployment, decreased travel and entertainment, and a decrease in general consumer spending, impacted City revenues and resulted in lower than anticipated revenues, with actual collections below budget. The City took steps at mid-year to make expenditure reductions to offset the revenue shortfall. In addition the City is taking measures to reduce ongoing operating costs.

The City's conservative approach to financial management positioned Vallejo well to respond as the scope of the economic downturn became clear. Early in the fiscal year cost and position management plans were established to reduce expenditures and hold vacant positions vacant for redeployments. As a result, the City was able to preserve its workforce and maintain all priority services to the community.

The City adopted a balanced General Fund budget for Fiscal Year 2004-05. The Fiscal Year 2005-2006 budget may require further expenditure reductions in order to balance revenues and expenditures if revenue projections reflect further recessionary conditions or if the State of California makes additional reductions in local government funding. The City has used conservative revenue estimates in preparing the budget for Fiscal Year 2004-05.

The City is being negatively impacted by primarily three factors substantially beyond the control of the City: 1) increases in retirement system contributions due to employee benefit increases and investment losses by the California Public Employees' Retirement System (CalPERS); 2) increases in health insurance premiums due to accelerating cost pressures in the health care industry; and 3) increases in workers' compensation costs due to State legislative changes. As the State of California takes action to mitigate its own projected budget deficits, the impact to the City may increase.

The graph below presents the changes in fund balance for the General Fund for the fiscal year ending June 30, 2004, as compared with the four prior years. The graph illustrates a five-year trend for this same information:



\* In fiscal 2004, the City reviewed and restated Fiscal Year 2003.

In summary, some downward adjustment of the local economy was to be expected given the recessionary climate nationwide, and more specifically, regionally, and its particular effects on the longstanding structural imbalance in the State of California's fiscal situation. The economic outlook is for slower but still stable economic growth. However, despite guarded favorable projected economics, very significant fiscal policy matters, which could impair the continuation of the rate of economic growth in an important way, have yet to be resolved at both the national and state levels.

### Factors Affecting Financial Condition

While the City continues to build its budgets on conservative estimates, the outcome of the State's budget crisis has left Vallejo with reduced funding sources. To address this, the City took the following steps to insure the Fiscal Year 2004-05 budget was balanced:

- The City received employee salary "give-back" on a permanent or temporary basis. This means a combination of employee layoffs and a salary "give-back".
- Use of the \$2 million in Reserve for Economic Uncertainty.
- Certain Capital Projects were reduced, postponed or eliminated entirely.

The City's management reviewed its budget for Fiscal Year 2004-05 to determine what operating and capital expenditures can be reduced and/or deferred. Certain capital projects and some programs and

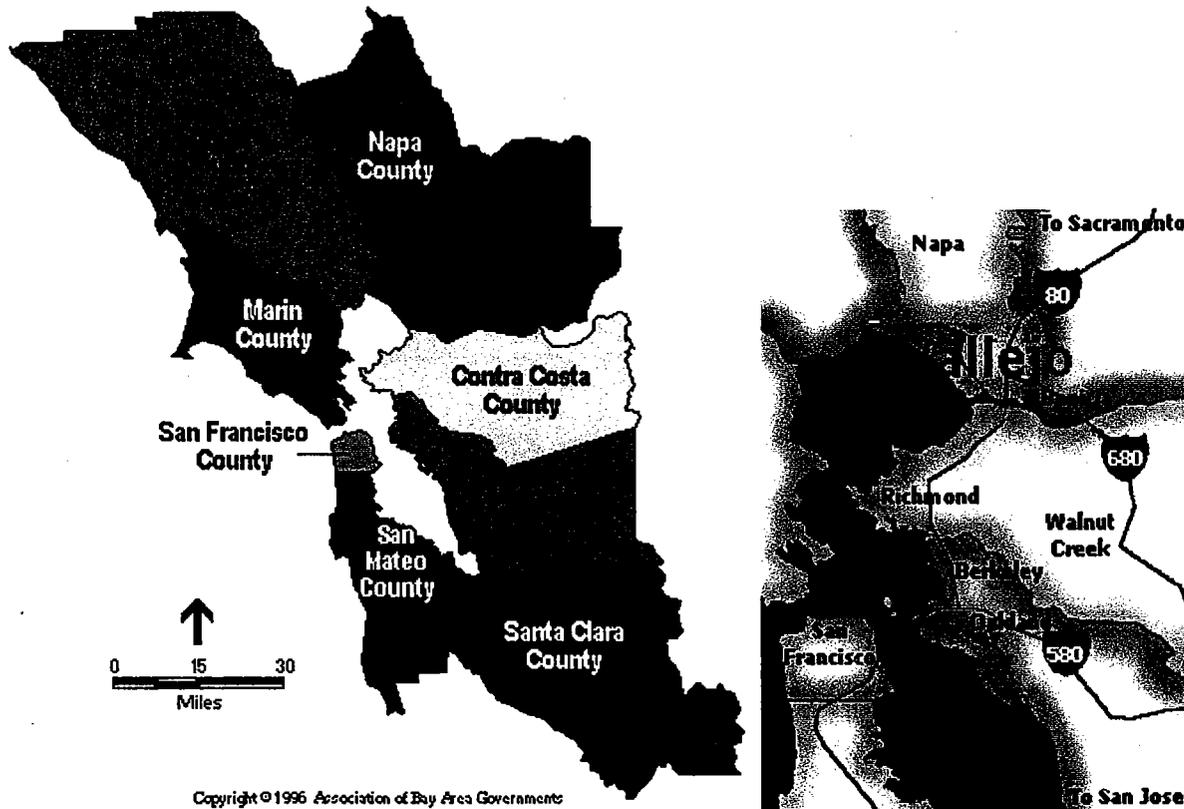
expenditures were reduced, postponed or eliminated. However, such reductions are not expected to adversely affect current operations of the City. The City will continue to make timely payments of principal and interest on all of its outstanding bonds and other obligations and will be able to satisfy its covenants with respect to such bonds and obligations.

The City's continued control over expenditure growth has been and will continue to be a key factor in maintaining the City's strong financial position. The City Council has wisely taken advantage of past years' financial prosperity to secure the future stability of the City. A fifteen (15) percent General Fund undesignated reserve policy was approved and the City is working towards achieving that goal.

On a long-term basis, the City continues to make great strides in economic development and business retention, which has developed a strong and diverse retail base along with a strong job producing industrial base.

## GENERAL INFORMATION

Vallejo, California is located in southern Solano County, the fastest growing County in the San Francisco Bay Area. With a current population of 121,100 Vallejo is the largest City in Solano County and the 45<sup>th</sup> largest City in population among California's 477 cities. Vallejo is located approximately 30 miles northeast of San Francisco and 50 miles southwest of Sacramento on Interstate 80. The Sacramento, Napa and San Joaquin Rivers all flow into the San Francisco Bay at Vallejo. Rolling hills surround the City, protecting it from fogs and wind typical of many coastal towns. The climate is mild Mediterranean. It is connected to the Greater Bay Area, the Pacific Rim, and the rest of the world by ship, rail, car and air.



The City's unemployment rate at June 30, 2004, was 5.9% which was less than the average state-wide rate of 6.3% and comparable to the nationwide rate of 5.6%. Vallejo's workforce, which is both sizable and multi-skilled, had a median household income of \$54,800 for calendar year 2003.

Vallejo is proud of its 160-year heritage. General Mariano G. Vallejo founded the City in 1844. Twice the State capital in the 1850's, Vallejo grew into an important shipping and naval center. Today, Vallejo's past is very much a part of its present. Beautifully restored Victorian homes and business fronts are some of the

most interesting examples of that era's architecture in the Bay Area. Vallejo is home to Touro University and also to the California Maritime Academy, a four-year California State University that provides career preparation for marine industries and related fields. It is one of only five such public institutions in the United States, and the only one on the West Coast.

Mare Island Naval Shipyard, established in 1853, was the West Coast's first shipyard and remained an important industry for the city. The Defense Base Closure and Realignment Commission formally closed Mare Island Shipyard in 1996. Faced with the inevitability of Mare Island's closure, the City of Vallejo hit the ground running in the preparation of a re-use plan that federal officials have termed a "model conversion". Mare Island will provide Vallejo with industrial and commercial opportunities for the next twenty years. As part of its plan, Vallejo applied for and received federal grants to support worker retraining, infrastructure repair and attract new employment opportunities. The re-use plan envisions the emergence of Mare Island as a new Vallejo neighborhood, consisting of a number of pedestrian-scaled districts with specialized uses: heavy industrial, light industrial, an office park, a consolidated educational campus with satellite teaching and vocational training facilities for several institutions throughout the region, recreational facilities, residential villages, and community and civic facilities. The official turnover of Mare Island from the US Navy to the City of Vallejo occurred in November 1999.

Tourism plays an increasingly important role in Vallejo's economic picture. Vallejo is home to Six Flags Marine World, an animal theme park with amusement rides. Marine World generated about \$54 million in revenue and attracted over 1.5 million visitors in 2004. More than 650 hotel rooms have been added to Vallejo's inventory, largely in support of Six Flags Marine World. Spillover from Six Flags Marine World brings Vallejo's businesses about \$100 million in revenues. Vallejo's location lends heavily to tourism, by its proximity to the Napa Valley "wine country" and by being on the route to San Francisco, Sacramento, Lake Tahoe and Reno, Nevada.

The I-80 corridor between San Francisco and Sacramento continues to be one of the fastest growing areas in the state. Vallejo is a focal point for new development in Northern California, owing to low housing costs, good transportation, and plentiful development sites. Solano County leads the nine-county San Francisco Bay Area in developable acres, and ranks second lowest in percent of land presently developed.

During the past 15 years Vallejo experienced substantial residential and commercial (primarily retail, food and lodging) development. The City's tourism industry also experienced significant growth during this period. Vallejo provides ferry service to San Francisco, comfortable lodging, an open-air Farmer's Market and one of the San Francisco Bay's oldest and most active yacht clubs. Housing costs in Vallejo remain among the lowest in the region. According to Bay Area Real Estate Information Services the median home price in Vallejo in 2003 was \$310,500. Most other cities in the immediate area have housing prices that are at least \$20,000 higher. This should allow developers to attract buyers and sell homes as they are being built.

## **LONG-TERM DEMOGRAPHIC TRENDS**

Vallejo is a culturally diverse City that is focused on the future and committed to enhancing the quality of life for its citizens. Current projections by the Association of Bay Area Governments (ABAG) indicate that Solano County will have a 63% increase in new jobs between 2000 and 2020. This rate of increase will continue to lead the rest of the Bay Area. ABAG's projections state that "Solano County will have the highest rate of population growth between 2000 and 2020, increasing by about 37%". The opportunities that lie ahead for Vallejo in the conversion of Mare Island Naval Shipyard from a military use to a civilian use will add considerably to the projected job growth through the year 2020. Vallejo's projected job growth between 2000 and 2020 increases significantly, and is expected to provide 11,400 new jobs, a 34% increase. Most of the increase comes from projected employment on Mare Island.

During the mid to late 1980's, Vallejo averaged 1,500 new housing units per year. For the years 1991 through 1996 this number had dropped to 130 per year, reflecting the severity of the recession which hit California during this time. For the year ended June 30, 2004, the City issued 367 permits for new housing units, reflecting a strong turnaround in the local housing market. The Hiddenbrooke development area, located along Interstate 80 at the city's eastern border, has long-awaited housing under construction next to the championship Arnold Palmer Golf course, with projected hotel and retail area to follow. The long-range outlook for housing growth looks strong through the year 2006, at which time the City will reach a projected build-out population of about 135,000.

## MAJOR INITIATIVES

Each year provides the City an opportunity to identify, address and resolve issues facing the community and its citizens. The City's major challenge is to provide the services needed to maintain the quality of life that has attracted considerable growth to the Vallejo community. The City is positioning itself so that despite all the immediate economic challenges, new investments and development will continue to take place.

This year Vallejo focused its city services to:

- Promote public safety and continue its neighborhood development by developing and supporting housing choices citywide through preservation of existing housing and new construction.
- Increase safety and confidence in the City of Vallejo through effective and efficient law enforcement and prosecution.
- Improve public transportation to get people to jobs, school and fun.
- Market downtown as a place to live, work, play and do business.
- Strengthen the City through infrastructure investments.
- The City continues to focus on public outreach and information. The City completed implementation of its Government Access TV Channel.
- Automobile and other vehicle retailers are continuing to expand in Vallejo. Vallejo Ford and Chevrolet dealers have negotiated with the developer of the Northgate Business Park and the City and have acquired parcels to expand their retail and service operations. All of these projects are part of the City's continued commitment to the creation of an "auto row".

As important as the City's overall fiscal condition, jobs base, housing prices, and tax structure are to all citizens of Vallejo, City government is just as much about the quality and delivery of basic municipal services. Whether the focus is on streets, clean water, public safety, or timely trash collection, City services play a critical role in establishing a community's quality of life.

Despite the challenges presented by the budget, Vallejo continues to make impressive gains in its economic infrastructure. Residential, retail and commercial developments are underway downtown and in other areas of the City.

The City anticipates approximately \$250 million of public expenditures funded through various urban development projects and programs over the next ten years. These projects are varied in type and size and are located in the Downtown and Waterfront development areas, and in low and moderate-income areas throughout the City.

The City's involvement will vary depending upon the project and could likely include property acquisition, relocation and demolition; housing rehabilitation and development; commercial development; and construction of public facilities including parking, sidewalks, infrastructure and streetscapes.

### **Public Safety**

One of the City Council's top priorities continues to be public safety. This is demonstrated by the City's goal to increase the actual and perceived level of public safety and to make our neighborhoods, businesses, and parks safer for all citizens. The City's continued growth and prosperity is assisted by the realization of these goals. The City's Fiscal Year 2004-05 Budget allocated Public Safety 71.8% of the total General Fund expenditures and transfers out.

### **Mare Island**

Mare Island continues to be one of the primary catalysts for the future strength and development of the City. The Mare Island Naval Shipyard transfer to the City Of Vallejo is one of the City's primary projects. Since the closing of the Naval Shipyard in 1996, the City has actively pursued the conversion of this 100 year old Naval base to civilian use. The Mare Island conversion to the City Of Vallejo is cited as a model for military base reuse. The City and the Navy continue to cooperate in the cleanup of the former shipyard. Long-term leases of buildings are now possible.

Redevelopment of the former military site is currently underway, which when completed, is expected to positively impact the City's tax revenues and employment base.

### ***Hiddenbrooke***

This year, too, saw continuation of the Hiddenbrooke area development. With its Arnold Palmer designed golf course already in use and the completion of a \$12 million lodge, 718 dwelling units have been built or are in the process of being built and about 150 more units are currently authorized to begin construction. These high-end homes and townhouses should attract buyers from around the Bay Area. Home construction began in 1999 and will continue over the next few years.

### ***Six Flags Marine World***

Premier Parks' Park Management subsidiary operates the City owned Six Flags Marine World. An infusion of more than \$103 million in capital improvements by Premier Parks over the last 7 years was used to construct new theme ride attractions. Six Flags Marine World had an attendance of over 1.5 million visitors during the season ending October 31, 2004, and continues as a true success story. Financial difficulties in 1996 had prompted the City to take over ownership of the theme park. The City selected Park Management to operate the park in April 1997. The enthusiastic acceptance of park ride additions by the public culminated in a successful 2004 season.

### ***Technology Infrastructure***

The City has recently implemented new systems to support the work of a number of departments and will continue the effort to effectively utilize these tools to support and enhance the City's services to the community. Major initiatives nearing completion or beginning development include:

- Computer Aided Dispatch and Records Management Systems in Police and Fire.
- Information Technology Strategic Plan.
- Internet access to the Building Permit Center that will enable citizens and businesses to apply for permits, monitor the status of the permit applications and schedule inspections on-line.
- Geographical Information System (GIS) to centralize mapping to support related data layers throughout the City including Public Safety and Public Works. The GIS is designed to enhance the City's ability to manage infrastructure, respond to emergencies, plan for growth and deliver City services more effectively. The City staff and the general public will have access through the Internet to GIS data such as aerial maps, land parcels, utilities, zoning, and parks.
- Citywide Optical Records Management System

### ***City Facilities***

Upgrading City facilities is a continual process. The City continues to consider options for the future construction of new public safety facilities to replace existing police and fire buildings that are outdated and limited in space. These projects are projected to cost about \$35 million and are still in the conceptual design stage.

During 2002-03 the City completed re-roofing City Hall and then completed the installation of state-of-the-art energy efficient solar power panels on top of City Hall. These solar panels provide sufficient electricity to provide all of the power needs of City Hall. The solar panels should reduce energy costs by 100% and help recoup the cost of the solar panel system.

### ***Redevelopment in Downtown and Waterfront Areas***

The City of Vallejo's Redevelopment Agency ("Agency") continues to make progress toward Downtown revitalization as the City commenced renovation activities on the Empress Theater.

In an effort to kick-start the Waterfront district redevelopment activities, construction has been completed on the State Farm office building and planning efforts are underway for other Waterfront housing and a mixed-use, master planned area. Discussions continued with other private entities for various Waterfront development projects.

In addition, the Agency continued its planning efforts to provide affordable single and multifamily housing in the Downtown and Waterfront neighborhoods. Finally, the Agency continued its progress towards merging some of the City's existing redevelopment project areas.

### ***For the Future***

Economic development is still a major focal point for the future of the City of Vallejo. The aggressive work

of the Vallejo Community Development Department and the Vallejo Redevelopment Agency (Agency) and the City have provided the following possible development for fiscal years 2005-2010:

- Achieve development that maintains and improves the city's fiscal viability and reflects economic demands while maintaining and improving quality of life for current and future residents.
- The City and Agency are working to develop the underutilized downtown area of the City of Vallejo. The plan entails the Waterfront, Wilson Avenue and Downtown areas. An Exclusive Right to Negotiate (ERN) has been signed with Triad Development to develop the downtown core. Construction of the Georgia Street extension to the Waterfront has been completed.
- A Specific Plan amendment is in process to provide further development of the Northgate area for an auto mall, residential, commercial and community college elements.
- A Performing Arts Center could be part of the downtown project. Various designs have been considered, with a projected cost of about \$10 million.

## FINANCIAL INFORMATION

The Management Discussion and Analysis (MD&A) summarizes the Statement of Net Assets and Statement of Activities and reviews the changes. The actual statements (in detail) are presented in the Financial Section. These Government-wide statements are intended to present the City in a more corporate-style basis and provide a view of the City as a whole. Additionally, the Fund Financial Statements are designed to address the Major (or more significant) individual funds by category (governmental and proprietary, as well as the fiduciary fund and the component units). An explanation of these complementary presentations can be found in the MD&A and in the Notes to Basic Financial Statements.

The City's financial picture is more readily understood with a general introduction to our accounting and budgeting systems. These systems provide the means for allocation of available resources and for the proper control and recording of revenues and expenditures.

### ***Internal Control Structure***

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of general purpose financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, although not necessarily absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management of the City.

### ***Single Audit***

In addition to the financial audit, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended in 1996 and the United States Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. The information related to the single audit, including the Schedule of Expenditures of Federal Awards, schedule of findings and recommendations, and auditors' reports on internal control and compliance, is not included with this report and is issued as a separate document.

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by City management.

As a part of the City's single audit, the City's independent auditors made a study and evaluation of internal and administrative controls used in administering the federal financial assistance programs and the preparation of the City's financial statements to the extent they felt necessary to evaluate the systems as required by generally accepted auditing standards.

**Budgeting Controls**

The City of Vallejo operates on a fiscal year basis, beginning July 1<sup>st</sup> and ending on June 30<sup>th</sup>. The budget is prepared under the supervision of the City Manager and transmitted to the City Council for deliberation and adoption in June, prior to the beginning of the City's fiscal year. The City uses an extensive budget control system to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The budget may be amended or supplemented per the City Charter at any time during the year. Activities of the General Fund and selected Special Revenue Funds are included in the annual appropriated budget. A five-year Capital Improvement Program is adopted for the Capital Project Funds. Budgetary control is maintained at the department level for personnel and operating expenditure categories and at the project level for capital improvements. The budget is prepared by fund and department. The City Manager may transfer appropriations within the departments or within a given fund, without City Council approval, provided that the total appropriations at the fund level and at the department level do not change. Transfers of appropriation between funds or departments require City Council approval. For the personnel and operating budgets, the line-item budget authority is delegated to department managers for transfers within each category. Only the City Council has the Charter authority to increase total appropriations within any department, subject to the appropriations limitations established by State law. The City also utilizes an encumbrance accounting system as one technique of accomplishing budgetary control. Generally, unencumbered appropriations lapse at the end of each fiscal year.

Budgetary control is maintained at the object level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors and by the encumbrance of contracts. Open encumbrances are reported as a reservation of fund balance at the end of a fiscal year for all governmental type funds. An encumbrance reserves a portion of an appropriation at the time a commitment is made to acquire goods or services. Prior to being released to vendors, all requests for the payment of City funds and purchase orders are also verified to ensure funds are available and the requests are within appropriation authority limits approved by the City Council.

The integration of the financial activities of the various agencies is accomplished through the budget process, pooling of cash for investment purposes, centralized cash receipting, cash disbursement, centralized purchasing and the preparation of audited financial statements. As demonstrated by the statements and schedules included in the financial section of this report, the City has sound financial management controls in place at all levels of the budget process.

**General Governmental Fund Balances**

Fund balances represent the City's reserves for designated uses, and undesignated and unforeseen uses. The magnitude of these reserves are a measure of the City's ability to withstand revenue declines resulting from unanticipated downturns in the economy or fund unforeseen emergency expenditures.

**General Fund – Fund Balance**

The General Fund is the primary operating fund of the City and encompasses the general governmental functions of the City not required to be accounted for in other funds.

The fund balance of the General Fund stood at \$4,125,934 as of June 30, 2004, compared to the restated \$5,629,712 at the end of the prior fiscal year. This is a decrease of \$1,503,778. Each year brings new demands upon the General Fund. The City Council has formalized a policy of maintaining an undesignated reserve of at least 15% of General Fund expenditures. This policy is a consideration in determining the annual budgeted expenditures.

The June 30, 2004, General Fund balance of \$4,125,934 is broken down as follows:

General Fund:	
Reserved	\$2,692,874
Unreserved:	
Designated	326,010
Undesignated	<u>1,107,050</u>
Total	<u>\$4,125,934</u>

## ENTERPRISE OPERATIONS

Enterprise Funds are used to finance and account for the acquisition, operation and maintenance of City facilities and business-type services. These enterprises are intended to be entirely or predominantly self-supporting from user charges. Operations are accounted for in such a manner to show revenues and expenses on a basis comparable with similar industries in the private sector where possible. The City's enterprise operations comprise the following separate and distinct activities:

- Water Utility
- Marina
- Mass-Transit Public Transportation
- Golf Course
- Parking

Also included in enterprise operations for the year ended June 30, 2004, are the activities of the Marine World JPA. Amounts included for the Marine World JPA are for operations through the JPA year-end of December 31, 2003, the last audited period for the JPA.

### ***Water***

Subsequent to year-end, the City increased water rates by approximately 8.8% effective February 24, 2005. Ten funds make up the combined water enterprise. Collectively these funds relied on interfund borrowings of \$4,491,774 at June 30, 2004, to meet operating needs. The cash balance is expected to improve during Fiscal Year 2004-05 as a result of the completion of a five-year water rate study and financial plan for the water system. The new rates have been calculated to provide sufficient revenues to operate and maintain the water system in compliance with all regulatory requirements, and to fund a five-year capital improvement program for infrastructure.

### ***Marina***

Operating revenues of the Marina Enterprise are intended to cover operating expenses and debt service on a Year 2000 Certificate of Participation (COP) loan. Repayment of \$14,324,589 of California State Department of Boating and Waterways loans for the Marina was completed in 2000 through the COP funding. Capital improvements were also funded by the COP. Dredging was funded beginning in Fiscal 2001-02, as well as seawall repairs and fuel tank replacement projects. With dredging and capital improvements, the Marina occupancy rates are expected to increase in the next two years. Also, a new berthing rate structure has been established. Consequently, the combination of new customers and higher rates should lead to an increase in operating revenues.

### ***Transportation***

The Transportation Enterprise operates bus, ferry and subsidized taxi services. Transit fares cover roughly 51% of operating costs of the ferry operation and 30% of bus transit operations, with the remainder funded through state and federal transit subsidies. Vallejo contracts with private operators for the service, but owns all the capital facilities, including ferryboats and vehicle rolling stock. All capital facilities are funded from state and federal sources. Operations are expanding with a new ferryboat put in service in 2004 to join the three currently providing day trips to San Francisco and other destinations on the San Francisco Bay.

### ***Golf Course***

The City owns two municipal golf courses and a driving range. The golf courses are operated by a non-profit, third party under separate lease and management agreements. Under the Management Agreement, the City retains all net revenues above operating expenses and uses it to pay the debt issued to construct new facilities and provide for future improvements.

### ***Parking***

The City's Parking enterprise is used to account for parking lease revenues and parking fines, and the payment of principal and interest on debt used to construct parking facilities in the downtown area of Vallejo.

### ***VSFCD***

On January 1, 1996, the City Council of the City of Vallejo plus one member of the County Board of Supervisors became the Board of Directors for the Vallejo Sanitation and Flood Control District. From that time VSFCD has been considered a component unit of the City of Vallejo. Effective July 1, 1999, VSFCD became a separate District, distinct from the City of Vallejo, but still a component unit of the City.

### **Marine World**

The primary source of revenue for the Marine World JPA is from admissions to Six Flags Marine World amusement park. Other major contributing revenue sources are parking fees, sales of merchandise and food to visitors. Therefore, revenue is almost entirely a function of attendance and per capita spending by visitors. Operating expenses of Marine World JPA are characterized as either fixed or variable. Variable expenses fluctuate with the level of attendance and are correspondingly lower in the winter season and higher in the summer season, while fixed expenses remain relatively constant throughout the year. The most significant element of fixed costs is debt service on the bond obligations associated with construction of the park facilities. Under the previous owner, the inability of the park to sustain sufficient revenues to cover operating costs and debt service and set aside enough capital for new attractions resulted in the park being taken over by the City in 1996. The City's new park manager was able to achieve certain cost savings beginning in 1997 because of its ability to operate the park more efficiently and because of its group purchasing power and administrative economies of scale. The park manager has invested approximately \$103 million in new attractions in the last seven seasons. In the 2004 operating season, the park drew over 1.5 million visitors and produced about \$54 million in gross revenue.

## **APPROPRIATIONS LIMIT**

Proposition 4, the "Gann" initiative, was passed by the California voters in 1978 and is intended to limit government appropriations (or spending) by capping the total proceeds of taxes that may be appropriated in a fiscal year. When a city exceeds the limit, excess tax revenue must be returned to the citizens through refunds, rebates, or other means. The appropriations limit is calculated each year based upon fiscal year 1978/79 appropriations, modified by the composite consumer price index and population changes which have occurred in subsequent years. The City's *appropriations limit* and the estimated *appropriations subject to the limit* for Fiscal Year 2003-04 amounted to \$77,522,576 and \$52,407,041 respectively. City appropriations subject to the limit have consistently remained well below the limit, and are not expected to deviate from this trend in the foreseeable future. The Redevelopment Agency and Housing Authority appropriations are not subject to the above limitations.

## **CASH MANAGEMENT POLICIES AND PRACTICES**

The City Treasurer invests temporarily idle funds in accordance with the State Government Code and a formal Investment Policy approved by the City Council. The City manages the cash and investments of the City and its affiliated agencies on a pooled basis. Under the City's pooling concept, all available cash is invested daily in various securities, while maintaining reasonable liquidity to meet maturing obligations. The investment portfolio balance averaged approximately \$62 million during the year. Investments are reported at fair value and consisted primarily of medium-term corporate notes, U.S. Government Treasury and U.S. Government Agency securities and the Local Agency Investment Fund (LAIF) managed by the Treasurer of the State of California. These investments are allowed under an Investment Policy adopted by the City Council, which defines eligible investments and maturities of the City's investment portfolio, and requires securities to be held by the City or by a qualified custodial institution and registered in the name of the City. The City's Investment Policy prohibits investment in instruments that derive their value from the movement in value of some other investment instrument or commodity (i.e., derivative investments), and no such investments were entered into during the year.

The weighted average maturity of the portfolio at June 30, 2004, was 496 days. Interest earnings for the fiscal year were approximately \$2.2 million with an average earned yield of about 3.5%. Bond proceeds are not commingled with the portfolio but are invested pursuant to the bond indentures. Consequently, earnings and yield on bond proceeds are not reflected in the previously stated figures.

## **DEBT ADMINISTRATION**

At June 30, 2004, the City had a number of debt issues outstanding, as shown in detail in the notes to the financial statements.

As a growing City, Vallejo has been active in the financial markets and had approximately \$295 million of

indebtedness, for which the City is directly or contingently liable, outstanding at June 30, 2004, comprised primarily of long-term bonds. In addition, the City had approximately \$53 million of indebtedness, for which the City is not directly or contingently liable, outstanding at June 30, 2004.

During Fiscal Year 2003-04, the City and its agencies issued \$8 million in 2003 Certificates of Participation.

More detailed information about the debt position of the City is reported in the notes to the Basic Financial Statements in the accompanying Financial Section of this report.

## **RISK MANAGEMENT**

The Risk Management Division is responsible for the administration of the City's self-insurance programs that include general liability, workers' compensation and fleet liability. Risk Management is also charged with administering the City's employee safety programs, which include training, accident monitoring and safety equipment approval.

Through the cost-effective utilization of the professional risk management techniques of risk identification, risk control, risk transfer, and risk financing, the City operates a comprehensive risk management program designed to protect the City's assets and resources from accidental loss. In the risk financing area, the City utilizes a combination of funded, actuarially based self-insurance programs, a governmental risk-sharing excess pool, an industry-captive excess insurer, and commercial insurers.

The City has initiated self-insurance programs to provide for the General Liability and Workers' Compensation claims. These activities are accounted for in an Internal Service Fund that is a Proprietary Fund Type. The fund revenues are primarily premium charges to other funds and are planned to match estimated expenses resulting from self-insurance programs, operating expenses and reinsurance Workers' Compensation premiums. As part of the overall comprehensive evaluation of risk management, resources are being accumulated in the Insurance Fund to meet potential losses.

The City's Worker's Compensation program is self-insured to \$350,000 per claim with excess insurance to statutory limits provided through a Workers' Compensation excess insurance pool. The Risk Management Program includes complete general liability coverage excess of \$1 million to \$25 million per occurrence. The City also actively pursues subrogation, should any third party be the cause of an accident involving City employees or property.

The City's accounting method for reporting claims liabilities is in accordance with Generally Accepted Accounting Principles and the Governmental Accounting Standards Board Statement No. 10. The general claims liability of \$3,391,000 and the Workers' Compensation claims liability of \$6,874,000 includes estimated reserves for losses incurred but not reported. Despite efforts on the part of the City by way of aggressive training programs designed to heighten employee awareness, enhancement of City historical data, and implementation of stronger safety controls, general claims and Workers' Compensation liabilities increased by \$1,936,000 during the year.

## **PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

The City provides pension benefits for full-time employees through the California Public Employees' Retirement System (CalPERS), an agent, multiple-employer, public employee defined benefit pension plan, administered by the State of California. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Covered Miscellaneous and Public Safety employees are required to contribute 9% of their salary to the System. The City is required by State statute to contribute the remaining amounts necessary to pay benefits when due, based on an actuarially determined contribution requirement. Funding policies provide for employer contributions at actuarially determined rates, expressed in percentages of annual covered payroll, to accrue sufficient assets to pay benefits when due. For Fiscal Year 2003-04 the City's employer contribution was

approximately \$5 million. The future rates that the City will pay are expected to rise dramatically in the near future primarily due to the stock market losses incurred by PERS. The City of Vallejo has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to CalPERS. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California 95814.

In addition to contributing to the California Public Employees' Retirement System (CalPERS), the City also contributes to the Federal Social Security System. The City's Fiscal Year 2003-04 total employer cost for social security and medicare coverage was approximately \$2.2 million.

The City of Vallejo also provides postemployment health care benefits for qualifying retirees. As of the end of the current fiscal year, there were 348 retirees receiving these benefits, which are financed on a pay-as-you-go basis. The City's Fiscal Year 2003-04 total employer cost for postemployment health care benefits was approximately \$1.7 million. For Fiscal Year 2003-04, generally accepted accounting principles do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. However, as a result of the issuance of GASB Statement No. 45, which is a new accounting and reporting standard governing these benefits, the City will begin the process of conducting an actuarial study of these postemployment benefits in order to quantify costs and liabilities for subsequent disclosure. The City is required to implement GASB Statement No. 45 no later than Fiscal Year 2007-08.

The City also provides its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457 (Deferred Compensation Plan). The Plan allows employees to defer a portion of their salary until future years. The deferred compensation is only available to employees upon termination, retirement, death, or certain other cases.

Additional information on the City of Vallejo's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

## INDEPENDENT AUDIT

The City Charter requires an annual audit of the records and accounts of the City by an independent certified public accountant. This requirement has been complied with. Maze & Associates CPA, a public accounting firm, has examined the financial statements of the City and its affiliated agencies for the fiscal year ended June 30, 2004. Their opinion on the City's financial statements and supplemental information is included within the Financial Section of this report.

## AWARDS

### **GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

We are pleased to report that the Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Vallejo for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This is the third year in a row that the City received this certificate. Previously, the GFOA awarded a certificate of Achievement for Excellence in Financial Reporting to the City of Vallejo for its Comprehensive Annual Financial Report for the three fiscal years ended June 30, 1995, 1996 and 1997. Fiscal Years 1998, 1999 and 2000 were not submitted. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year.

**ASSOCIATION OF PUBLIC TREASURERS' OF THE UNITED STATES AND CANADA (APT US&C)  
INVESTMENT POLICY CERTIFICATION OF EXCELLENCE AWARD**

The City's Statement of Investment Policy was awarded the *Certification of Excellence Award* by the Association of Public Treasurers' of the United States and Canada (APT US&C) in 2001. The award is issued in recognition of written investment policies that meet specific criteria set forth by the Association such as selection of suitable investment instruments, custody and safekeeping, internal controls, and reporting. Additionally, the certification demonstrates an organization's willingness to adhere to standards and guidelines for public sector agencies that national rating agencies use to gauge the general credit worthiness and investment practices of rated organizations.

**ACKNOWLEDGEMENTS**

The preparation and publication of this Comprehensive Annual Financial Report on a timely basis was made possible by the outstanding efforts, dedication, and teamwork throughout the year of the entire Finance Department who prepared and compiled this report with the cooperation and assistance of all City departments. We would like to express our appreciation to all members of the Finance Department, particularly our Accounting Staff members: Tina McKenney, George Untal, and Richard Sanders for their efforts.

We would like to express special thanks to William Miller, Assistant Finance Director, Abigail Urrutia, Accounting Manager, Connie Valentine, Budget Analyst and Jon R. Oiler, Auditor Controller, as they have worked closely with the auditors in finalizing this report. Additionally, we would like to thank the City's audit firm of Maze & Associates CPA for the professional support and guidance they have given us.

We would also like to thank the Mayor and the members of the City Council for their support and commitment to the fiscal integrity and financial leadership of the City in a responsible and progressive manner to protect, preserve and enhance the quality of life for present and future generations.

Through the team effort of the City Council, City Manager, Department Managers, and employees, the City expects to continue the high level of service, which is currently provided to the citizens of our community.

Respectively submitted,



Robert V. Stout  
Finance Director

# City of Vallejo, California

## Principal City Officials

February 1, 2005

### MAYOR

Anthony J. Intintoli, Jr.

Term Expires December 2007

### CITY COUNCIL

Term Expires

Joanne Schivley, Vice Mayor.....	December 2005
Pamela Pitts, Councilmember.....	December 2005
Pete Rey, Councilmember.....	December 2005
Gary Cloutier, Councilmember.....	December 2007
Gerald Davis, Councilmember.....	December 2007
Anthony Pearsall, Councilmember.....	December 2007

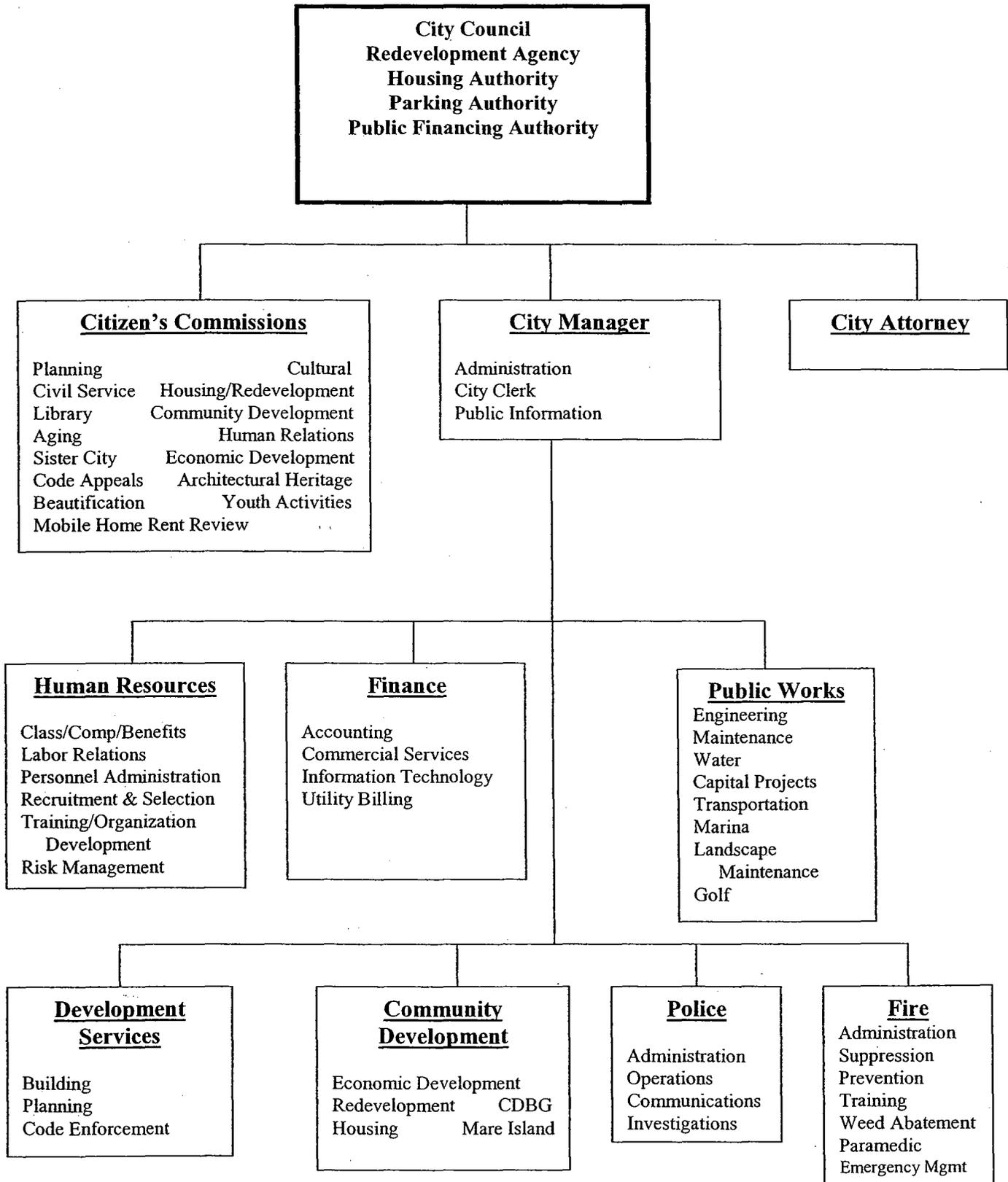
### City Manager

Roger L. Kemp

### Executive Management Team

Assistant City Manager.....	Mary Hill
Finance Director.....	Robert V. Stout
City Attorney.....	Frederick G. Soley
Police Chief.....	Robert Nichelini
Fire Chief.....	Don Parker
Public Works Director.....	Mark Akaba
Development Services Director.....	John Bunch
Community Development Director.....	Craig Whittom

# Fiscal Year 2004-2005 City Of Vallejo Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Vallejo,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

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



President

Executive Director

**ACCOUNTANCY CORPORATION**  
1931 San Miguel Drive - Suite 100  
Walnut Creek, California 94596  
(925) 930-0902 • FAX (925) 930-0135  
E-Mail: [maze@mazeassociates.com](mailto:maze@mazeassociates.com)  
Website: [www.mazeassociates.com](http://www.mazeassociates.com)

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of City Council, and City Auditor  
City of Vallejo, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vallejo, California as of and for the year ended June 30, 2004, 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 financial statements based on our audit. We did not audit the financial statements of the Vallejo Sanitation and Flood Control District (VSFCD), which represents 46.3% of assets, 17.2% of revenues, 21.7% of liabilities, and 16.6% of expenses of the business-type activities. We did not audit the financial statements of the Marine World JPA as of and for the year ended December 31, 2003 which represents 8.1% of assets, 47% of revenues, 24.5% of liabilities, and 40.7% of expenses of the business-type activities. These component unit financial statements were audited by other auditors, whose reports thereon have been furnished to us. Our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of these other auditors.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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 financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the 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 of Vallejo, California at June 30, 2004, and the respective changes in the financial position and cash flows where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government 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 this information and we express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic statements of the City of Vallejo. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the table of contents were not audited by us and we do not express an opinion on this information.



January 11, 2005

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2004

This discussion and analysis of the City of Vallejo's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (which is an indication of its ability to address the next and subsequent year financial challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the accompanying Transmittal Letter, the basic financial statements and the accompanying notes to those financial statements.

During Fiscal 2004, the City reviewed and restated its June 30, 2003, fund balances and net assets as fully explained in Note 11. The major changes were to decrease General Fund balance by \$1.9 million, and increase Redevelopment Agency fund balance by \$9.2 million to recognize changes in deferred revenues. Debt Service fund balances were decreased and Governmental Long-term obligations were decreased due to reclassification of debt for which the City had no commitment. Finally, the Transportation Fund net assets were increased by \$1.1 million to reflect the results of asset inventories. All comparisons to the prior fiscal year are based upon June 30, 2003, as restated.

## HIGHLIGHTS

### Financial Highlights

- The City's total net assets decreased by \$1.45 million (or 0.2%). The governmental net assets increased by \$3.8 million (or 1%) and the business-type net assets decreased by \$5.25 million (or 1.9%).
- The governmental activities revenue decreased \$2.2 million (or 1.3%), as shown on the Statement of Activities.
- The business-type activities revenues decreased by \$12.9 million (or 8.8%), as shown on the Statement of Activities.
- The total expenditures of all City programs increased by \$21.2 million (or 7.8%), as shown on the Statement of Activities.
- The City's total long-term liabilities increased by \$5.5 million (or 1.7%) during the current fiscal year.
- As of June 30, 2004, the unreserved, undesignated Fund Balance for the General Fund was \$1.1 million or about 1.5% of total annual General Fund expenditures and operating transfers out.

## City Highlights

- For the fifth consecutive year, completed the update of the City's Five-Year Capital Improvement Plan (CIP).
- Adopted the Wilson Avenue Specific Plan, which provides the foundation for the redevelopment of the Wilson Avenue Street Area.
- Obtained about \$900,000 in grant funding for Police-related projects and programs.

## THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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.

The financial statements presented herein include all of the activities of the City of Vallejo (the City) and its component units using the integrated approach as prescribed by GASB Statement No. 34.

**The Government-Wide Financial Statements** present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

**The Fund Financial Statements** include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## REPORTING THE CITY AS A WHOLE

### **The Statement of Net Assets and the Statement of Activities and Changes in Net Assets**

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's tax base and the condition of the City's infrastructure.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, the City's activities are separated as follows:

**Governmental activities**—Most of the City's basic services are reported in this category, including the General Government, Fire, Police, Public Works, and Community Development. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants are some of the revenue sources that finance these activities.

**Business-type activities**—The City charges fees to customers to cover all or most of the cost of certain business-type services it provides. The City's Marina, Water, Golf, Parking, Sanitation and Flood Control, Marine World JPA and Local Transportation systems are reported in this category.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

**Fund Financial Statements** - The Fund Financial Statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for using certain taxes, grants, and other money.

**Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent or reserved in the near future to finance the City's programs.

The differences of results in the Governmental Fund Financial Statements to those in the Government-Wide Financial Statements are explained in a reconciliation following Governmental Fund Financial Statements.

**Proprietary funds** —When the City charges customers for the services it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's Proprietary Funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for Proprietary Funds.

*Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City of Vallejo's various functions. The City of Vallejo uses internal service funds to account for its fleet of vehicles and major equipment, insurance and employee leave liability. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

## THE CITY AS TRUSTEE

### Reporting the City's Fiduciary Responsibilities

The City is the Trustee, or *Fiduciary*, for certain funds held on behalf of others. The City's fiduciary activities are reported in separate Agency Funds section. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE CITY AS A WHOLE

The City has provided both current and prior fiscal years data for the purposes of providing a comparative analysis of government-wide data for the Management's Discussion and Analysis.

**Analysis of Net Assets:** As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$646.5 million at the close of the June 30, 2004, fiscal year.

The following table is a condensed summary of the City's net assets for governmental and business type activities:

**Statement of Net Assets**  
June 30  
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Assets:</b>						
Current and other assets.....	\$181.1	\$167.9	\$106.1	\$129.1	\$287.2	\$297.0
Capital assets.....	296.3	294.8	428.8	425.2	725.1	720.0
Total assets.....	477.4	462.7	534.9	554.3	1,012.3	1,017.0
<b>Liabilities:</b>						
Current and other liabilities.....	21.1	20.9	27.1	36.1	48.2	57.0
Long-term liabilities.....	76.4	65.7	241.1	246.2	317.5	311.9
Total liabilities.....	97.5	86.6	268.2	282.3	365.7	368.9
<b>Net assets:</b>						
Invested in capital assets, net of related debt.....	266.5	182.0	184.1	177.0	450.5	359.0
Restricted net assets.....	144.4	127.8	52.1	68.3	196.5	196.1
Unrestricted net assets.....	-31.0	66.2	30.5	26.6	-0.50	92.8
Total net assets.....	\$379.9	\$376.0	\$266.7	\$271.9	\$646.5	\$647.9

The following provides additional detail of the City's total Net Assets at June 30:

<b>Net Assets</b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b>2004 vs. 2003 Increase (Decrease)</b>
Invested in Capital Assets, Net of Related Debt	\$450,500,873	\$359,058,456	\$91,442,417
Restricted for:			
Debt Service	134,350,031	44,669,040	89,680,991
Capital Projects	35,991,774	63,384,685	(27,392,911)
Special Projects and Programs	26,183,306	88,003,946	(61,820,640)
Unrestricted	<u>(493,908)</u>	<u>92,868,697</u>	<u>(93,362,605)</u>
<b>Total Net Assets</b>	<b><u>\$646,532,076</u></b>	<b><u>\$647,984,824</u></b>	<b><u>\$( 1,452,748)</u></b>

The largest portion of the City's net assets at June 30, 2004, at \$450.5 million (69.7% of total) reflects its investment in capital assets (e.g. infrastructure, land, buildings, improvements other than buildings, and vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; 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.

An additional portion of the City's net assets of \$196.5 million (30.3% of total) represents resources that are subject to external restrictions on how they may be used.

The net assets for the City as a whole decreased 0.3% from \$647.9 million at June 30, 2003, to \$646.5 million at June 30, 2004. This decrease of \$1.45 million comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets.

## GOVERNMENTAL ACTIVITIES

Net Assets of Governmental Activities at June 30 were:

<b>Net Assets</b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b>2004 vs. 2003 Increase (Decrease)</b>
Invested in Capital Assets, Net of Related Debt	\$266,448,146	\$182,045,916	\$ 84,402,230
Restricted for:			
Debt Service	114,792,413	(355,478)	115,147,891
Capital Projects	3,491,003	40,118,912	(36,627,909)
Specific Projects and Programs	26,183,306	88,003,946	(61,820,640)
Unrestricted	<u>(31,040,505)</u>	<u>66,244,502</u>	<u>(97,285,007)</u>
<b>Total Net Assets</b>	<b><u>\$379,874,363</u></b>	<b><u>\$376,057,798</u></b>	<b><u>\$ 3,816,565</u></b>

The City's net assets from Governmental Activities increased 1% from \$376.0 million to \$379.9 million.

**Analysis of Activities:** The following table indicates the changes in net assets for governmental and business-type activities:

**Statement of Activities  
For the Year Ended June 30, 2004  
(in thousands)**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services.....	\$19,337	\$109,134	\$128,471
Operating grants and contributions.....	33,810	9,542	43,352
Capital grants and contributions.....	20,492	12,242	32,734
General revenues:			
Property taxes.....	12,612	717	13,329
Incremental property taxes.....	19,429	-	19,429
Special assessments.....	2,878	-	2,878
Sales taxes.....	13,337	-	13,337
Other taxes.....	25,802	-	25,802
Motor Vehicles taxes.....	5,689	-	5,689
Use of Money.....	1,927	1,601	3,528
Gain or (Loss) on sale of assets.....	250	-	250
Miscellaneous.....	2,688	(674)	2,014
Transfers.....	(796)	796	0
Contributions.....	157,455	133,358	290,813
Total revenues and transfers.....			
<b>Expenses:</b>			
Governmental Activities:			
Legislative and advisory.....	374	-	374
Executive.....	1,369	-	1,369
Finance.....	1,824	-	1,824
Human Resources.....	920	-	920
Law.....	757	-	757
Development services.....	3,273	-	3,273
Community development.....	21,600	-	21,600
Redevelopment & Housing.....	36,610	-	36,610
Fire Services.....	23,696	-	23,696
Police Services.....	34,288	-	34,288
Public Works.....	13,940	-	13,940
Nondepartmental.....	12,151	-	12,151
Interest on long-term debt.....	2,836	-	2,836
Business-type Activities:			
Water.....	-	31,696	31,696
Local Transportation.....	-	20,883	20,883
Waterstone Development.....	-	2,747	2,747
Sanitation & Flood Control.....	-	22,240	22,240
Marine World JPA.....	-	57,942	57,942
Marina.....	-	2,141	2,141
Golf.....	-	978	978
Parking.....	-	-	-
Total expenses.....	153,638	138,627	292,265
Change in net assets.....	3,817	(5,269)	(1,452)
Net assets at beginning of year.....	332,923	270,858	603,781
Prior Period Adjustments.....	43,134	1,069	44,203
Net assets at end of year.....	\$379,874	\$266,658	\$646,532

The City's programs include General Government, Fire, Police, Public Works, Development Services, Community Development and Redevelopment and Housing. Each program's Net Revenue (Expense) (total expenses less program revenues generated by the activities) is presented below. The Net Revenue (Expense) shows the financial burden that was placed on the City's taxpayers by each of these functions.

The following table shows the Net Revenue (Expense) of each of the City's major programs for the Fiscal Year ended June 30, 2004:

### NET REVENUE (EXPENSE) OF GOVERNMENTAL ACTIVITIES IN FY 2004

<b>Governmental Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net Revenue (Expense) of Activities</b>
General Government	\$(20,231,350)	\$ 1,969,730	\$(18,261,620)
Fire Services	(23,696,187)	2,484,126	(21,212,061)
Police Services	(34,287,574)	3,588,253	(30,699,321)
Public Works	(13,939,915)	15,560,862	1,620,947
Development Services	(3,273,016)	3,982,389	709,373
Community Development	(21,599,810)	16,296,302	(5,303,508)
Redevelopment & Housing	(36,610,407)	29,758,047	(6,852,360)
<b>Total Governmental Activities</b>	<b><u>\$(153,638,259)</u></b>	<b><u>\$73,639,709</u></b>	<b><u>\$(79,998,550)</u></b>

### BUSINESS TYPE ACTIVITIES

Net Assets of Business-Type Activities (Proprietary Funds), for Fiscal Year ended June 30, 2004 were:

<b>Net Assets</b>	<b>2004</b>	<b>2003</b>	<b>2004 vs. 2003 Increase (Decrease)</b>
Invested in Capital Assets, Net of Related Debt	\$184,052,727	\$177,012,540	\$ 7,040,187
Restricted For:			
Debt Service	19,557,618	45,024,518	(25,466,900)
Capital Projects	32,500,771	23,265,773	9,234,998
Unrestricted	<u>30,546,597</u>	<u>26,624,195</u>	<u>3,922,402</u>
<b>Total Net Assets</b>	<b><u>\$266,657,713</u></b>	<b><u>\$271,927,026</u></b>	<b><u>\$(5,269,313)</u></b>

The City's net assets from business-type activities decreased 1.9% from \$271.9 million to \$266.7 million. Invested in Capital Assets, Net of Related Debt increased \$7 million due primarily to completed projects. The unrestricted Net Assets increased by \$3.9 million.

As shown on the Statement of Activities, the cost of all Proprietary (Business-Type) activities this year was \$138,627,414. and the amount paid by users of the systems was \$110,766,331, and grants and contributions were \$20,152,065 .

The Business-Type Activities (Proprietary Funds) include: the Water Utility, Local Transportation, Golf, Marina, Waterstone Apartment Complex, Sanitation and Flood Control and

Marine World JPA. As shown in the Statement of Activities each Activity's FY 2003-04 Net Revenue (Expense) (total expenses less revenues generated by the activities) is presented below.

### NET REVENUE (EXPENSE) OF BUSINESS-TYPE ACTIVITIES IN FY 2004

<b>Proprietary Fund Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net Revenue (Expense) of Activities</b>
Water Utility	\$(31,696,161)	\$27,042,088	\$ (4,654,073)
Local Transportation	(20,882,570)	26,371,135	5,488,565
Waterstone Development	(2,747,357)	1,795,167	(952,190)
Sanitation & Flood Control	(22,240,114)	21,918,031	(322,083)
Marine World JPA	(57,942,325)	51,416,649	(6,525,676)
Other Proprietary Funds	(3,118,887)	2,375,326	(743,561)
<b>Total Business-Type Activities</b>	<b><u>\$(138,627,414)</u></b>	<b><u>\$130,918,396</u></b>	<b><u>\$ (7,709,018)</u></b>

### DEBT ADMINISTRATION

#### Debt Management Policy

Generally speaking, the City establishes the following equally important objectives in its Debt Management policies:

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve the highest practical credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with applicable State and Federal laws

Long-term debt increased in FY 2003-04 by \$1.46 million. Per capita debt outstanding decreased to \$2,438 from \$2,446 per capita compared to the prior fiscal year due primarily to issuance of additional debt, changes in population and normal amortization of debt.

The percentage of net bonded debt to taxable property valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. A comparison of these indicators follows:

	<b><u>FY June 30, 2004</u></b>	<b><u>FY June 30, 2003</u></b>
Net Debt	\$295,270,031	\$293,805,022
Net Debt per Capita	\$2,438	\$2,446
Net Debt per Capita as a Percentage of Per Capita Income	10.9%	10.9%
Net Debt as a Percentage of Net Assessed Value	4.49%	4.92%

Additional information about the City's long-term debt obligations can be found in the Notes to the financial statements.

## **CAPITAL ASSETS**

The Capital Assets of the City are those assets that are used in the performance of the City's functions, including infrastructure assets. This investment in capital assets includes land and easements, infrastructure, buildings and improvements, equipment, intangible assets, and construction in progress. The City's decision to depreciate infrastructure capital assets results in recording a large non-cash depreciation amount each year that offsets additions to capital assets.

The City chose to retroactively report major general infrastructure assets and related accumulated depreciation in the prior year due to the implementation of GASB 34. Infrastructure assets are assets that are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. These assets are classified by the City in major categories which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

At June 30, 2004, the City's total Net Capital Assets were \$725,159,742. Net Capital Assets of the Governmental Activities totaled \$296,323,958 and the Net Capital Assets of the Business-Type Activities totaled \$428,835,784. Depreciation on capital assets is recognized in the Government-Wide Financial Statements. The City has elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its streets. Under GASB Statement No. 34, eligible infrastructure capital assets are depreciated.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair.

## **GENERAL FUND BUDGET VARIANCES**

The City's final Fiscal Year 2003-2004 budget differs from the original budget in that it contains carry-forward appropriations (encumbrances) for various programs and projects, and supplemental appropriations approved during the fiscal year.

Comparing the FY 2003-04 General Fund original (or adopted) budget amount of \$73,367,100, to the final budget amount of \$72,407,352 shows a net decrease of \$959,748.

Included in the final budget is \$1,103,900 in committed purchase orders (encumbrances) from the prior June 30, 2003, balance, carried forward.

Original Budget +	Encumbrances	= Beg. Balance	+/-	Supplemental Changes	= Final Budget
\$73,367,100	+ 1,103,900	= 74,471,000	-	(2,063,648)	= \$72,407,352

The \$2,063,648 reduction in appropriations was the result of City-wide reductions in personnel and other costs made in recognition of the drastically reduced revenue estimates for the fiscal year. These reductions, while not intended to be permanent, were continued in the budget for Fiscal 2005.

## REDEVELOPMENT AGENCY

### Redevelopment Agency

The Redevelopment Agency (RDA) Funds account for the activities of the Redevelopment Agency of the City of Vallejo which was created to redevelop and upgrade blighted areas of the City.

### Housing Authority

The Housing Authority Funds account for the City's commitment to ensure that lower and moderate income residents are provided with a diverse range of safe, decent, and affordable housing opportunities. In order to achieve this goal, the City works to preserve the existing affordable housing stock, continue to increase the supply of affordable housing, and provide services to homeless and at-risk populations in the City of Vallejo. The fund's primary source of funding is 20% of the gross property tax increment from the Redevelopment Agency. As required by California State law, these 20% tax increment funds are used solely for affordable housing purposes.

### Special Assessment Districts

Special Assessment Districts Fund's account for the activities related to the issuance of debt by special assessment districts in different parts of the City to finance infrastructure construction. The proceeds of this debt were used in constructing infrastructure improvements within each district.

At June 30, 2004, a total of \$52.7 million in special assessment debt was outstanding, issued by five special assessment districts. The debt is secured only by special assessments or special taxes on real property in the district issuing the debt, and the City is not obligated to cure any deficiency in redeeming the debt. However, the City is not prevented, in its sole discretion, from curing any deficiency.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Annual Budget assures the efficient, effective and economic uses of the City's resources, as well as establishing that the highest priority objectives are accomplished. Through the Budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

Positive economic indicators such as low unemployment, continual housing starts and construction valuation continue to indicate a sustaining economy in Vallejo. However, caution was exercised in developing the budget for fiscal year 2004-05.

The "sustainable budget" concept adopted by the City Council was used in developing the budget for Fiscal Year 2004-05. A sustainable budget uses one-time revenues to fund one-time expenditures and uses on-going revenue sources to support on-going expenditures. This sustainable budget strategy provides stewardship of current activity levels, addresses critical

issues, and continues efforts to enhance services and facilities. This approach thoughtfully positions the City for a sustainable future consistent with the City's strategic plan.

The original approved (or adopted) General Fund budget for Fiscal Year 2004-05 appropriates total expenditures and transfers out of \$71,916,300, a decrease of \$491,052 or 0.6% over the prior year's final budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Office of the Finance Director at 555 Santa Clara Street, Vallejo, California, 94590, phone 707-648-4592.

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**GOVERNMENT WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS  
AND STATEMENT OF ACTIVITIES**

**CITY OF VALLEJO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2004**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and investments (Note 2)	\$69,316,362	\$44,322,540	\$113,638,902
Accounts receivable	3,741,134	10,301,016	14,042,150
Interfund balances (Note 3D)	4,769,839	(4,769,839)	
Due from other governments	5,449,507		5,449,507
Material, parts, and supplies	187,880	4,076,640	4,264,520
Prepays	14,869		14,869
<b>Total Current Assets</b>	<b>83,479,591</b>	<b>53,930,357</b>	<b>137,409,948</b>
Restricted cash and investments (Note 2)	84,484,954	36,360,172	120,845,126
Land held for redevelopment	1,843,279		1,843,279
Notes and loans receivable (Note 4)	11,225,073	591,381	11,816,454
Goodwill (Note 13)		12,025,908	12,025,908
Issuance cost		3,141,950	3,141,950
Capital assets (Note 5):			
Nondepreciable	150,588,317	42,512,532	193,100,849
Depreciable, net of accumulated depreciation	145,735,641	386,323,252	532,058,893
<b>Total Noncurrent Assets</b>	<b>393,877,264</b>	<b>480,955,195</b>	<b>874,832,459</b>
<b>Total Assets</b>	<b>477,356,855</b>	<b>534,885,552</b>	<b>1,012,242,407</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	9,235,090	13,306,757	22,541,847
Salaries and wages payable	3,518,751	1,966,359	5,485,110
Due to other governments	2,614,560	464,088	3,078,648
Unearned revenues	1,531,755	197,053	1,728,808
Deposits payable	2,594,716	2,400,268	4,994,984
Employee benefits payable (Note 9)		145,202	145,202
Long-term debt, due within one year (Note 6)	1,637,146	5,740,040	7,377,186
Revenue-sharing payable to Park Management Corp. (Note 13)		2,901,352	2,901,352
<b>Total Current Liabilities</b>	<b>21,132,018</b>	<b>27,121,119</b>	<b>48,253,137</b>
<b>Noncurrent liabilities:</b>			
Claims liability (Note 12)	10,265,000		10,265,000
Employee benefits payable (Note 9)	17,973,966	1,325,383	19,299,349
Long-term debt (Note 6)	48,111,508	239,781,337	287,892,845
<b>Total Noncurrent Liabilities</b>	<b>76,350,474</b>	<b>241,106,720</b>	<b>317,457,194</b>
<b>Total Liabilities</b>	<b>97,482,492</b>	<b>268,227,839</b>	<b>365,710,331</b>
<b>NET ASSETS (Note 11)</b>			
Invested in capital assets, net of related debt	266,448,146	184,052,727	450,500,873
<b>Restricted for:</b>			
Debt service	114,792,413	19,557,618	134,350,031
Capital projects	3,491,003	32,500,771	35,991,774
Special projects and programs	26,183,306		26,183,306
<b>Total Restricted Net Assets</b>	<b>144,466,722</b>	<b>52,058,389</b>	<b>196,525,111</b>
Unrestricted	(31,040,505)	30,546,597	(493,908)
<b>Total Net Assets</b>	<b>\$379,874,363</b>	<b>\$266,657,713</b>	<b>\$646,532,076</b>

See accompanying notes to financial statements

**CITY OF VALLEJO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>						
Legislative and advisory	\$374,331				(\$374,331)	(\$374,331)
Executive	1,368,798	\$326,010			(1,042,788)	(1,042,788)
Finance	1,824,278				(1,824,278)	(1,824,278)
Human resources	919,935	192,474			(727,461)	(727,461)
Law	756,854				(756,854)	(756,854)
Development services	3,273,016	3,982,389			709,373	709,373
Community development	21,599,810	2,952,107	\$858,195	\$12,486,000	(5,303,508)	(5,303,508)
Redevelopment and housing	36,610,407	608,271	29,149,776		(6,852,360)	(6,852,360)
Fire services	23,696,187	2,274,126		210,000	(21,212,061)	(21,212,061)
Police services	34,287,574	2,693,709	894,244	300	(30,699,321)	(30,699,321)
Public works	13,939,915	4,876,302	2,888,591	7,795,969	1,620,947	1,620,947
Nondepartmental	12,151,426	1,431,975	19,271		(10,700,180)	(10,700,180)
Interest on long term debt	2,835,728				(2,835,728)	(2,835,728)
<b>Total Governmental Activities</b>	<b>153,638,259</b>	<b>19,337,363</b>	<b>33,810,077</b>	<b>20,492,269</b>	<b>(79,998,550)</b>	<b>(79,998,550)</b>
<b>Business-type Activities:</b>						
Water	31,696,161	27,042,088			(\$4,654,073)	(4,654,073)
Local Transportation	20,882,570	7,708,671	9,542,098	9,120,366	5,488,565	5,488,565
Waterstone Development	2,747,357	1,795,167			(952,190)	(952,190)
Sanitation and Flood Control	22,240,114	18,796,498		3,121,533	(322,083)	(322,083)
Marine World JPA	57,942,325	51,416,649			(6,525,676)	(6,525,676)
Marina	2,140,767	1,577,411			(563,356)	(563,356)
Golf	978,114	780,001			(198,113)	(198,113)
Parking	6	17,914			17,908	17,908
<b>Total Business-type Activities</b>	<b>138,627,414</b>	<b>109,134,399</b>	<b>9,542,098</b>	<b>12,241,899</b>	<b>(7,709,018)</b>	<b>(7,709,018)</b>
<b>Total</b>	<b>\$292,265,673</b>	<b>\$128,471,762</b>	<b>\$43,352,175</b>	<b>\$32,734,168</b>	<b>(79,998,550)</b>	<b>(87,707,568)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes					12,612,335	13,328,687
Incremental property taxes					19,428,752	19,428,752
Special assessments					2,877,767	2,877,767
Sales taxes					13,336,714	13,336,714
Other taxes					25,802,162	25,802,162
Motor vehicle in lieu					5,688,734	5,688,734
Investment earnings					1,927,541	3,528,411
Gain on disposal of capital assets					250,000	250,000
Miscellaneous					2,687,677	2,013,593
Transfers (Note 3A)					(796,567)	796,567
<b>Total general revenues and transfers</b>					<b>83,815,115</b>	<b>86,254,820</b>
<b>Change in Net Assets</b>					<b>3,816,565</b>	<b>(1,452,748)</b>
<b>Net Assets-Beginning</b>					<b>332,923,254</b>	<b>603,781,611</b>
<b>Prior period adjustments (Note 11)</b>					<b>43,134,544</b>	<b>44,203,213</b>
<b>Net Assets-Ending</b>					<b>\$379,874,363</b>	<b>\$646,532,076</b>

See accompanying notes to financial statements

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## FUND FINANCIAL STATEMENTS

### MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Governmental Funds by the City in fiscal 2004. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND** is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

**HOUSING AUTHORITY SPECIAL REVENUE FUND** is used to account for monies received and expended in housing assistance to low and moderate income families. Funds are provided by receipts from the Federal Section 8 HUD programs.

**MARE ISLAND CONVERSION SPECIAL REVENUE FUND** is used to account for monies received from various sources (federal, state and local) which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

**AFFORDABLE HOUSING SPECIAL REVENUE FUND** is used to account for tax increment monies received and expended by the Redevelopment Agency for financing development and rehabilitation of low and moderate income housing projects, including related loan programs.

**REDEVELOPMENT AGENCY DEBT SERVICE FUND** is to account for the accumulation of resources, most importantly property tax increment receipts, necessary for the payment of long term debt and other obligations incurred by the Redevelopment Project Areas.

**REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND** is to account for monies intended for redevelopment projects of the Redevelopment Project Areas. These include property tax increment monies in excess of amounts needed to fulfill the debt service obligations of the areas and bond receipts.

CITY OF VALLEJO  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2004

	General	Housing Authority	Mare Island Conversion	Affordable Housing
<b>ASSETS</b>				
Cash and investments (Note 2)	\$3,350,946	\$1,680,021	\$2,517,844	\$4,832,305
Restricted cash and investments held with fiscal agent (Note 2)			56,575,644	
Accounts receivable	3,254,199	7,776	2,362	6,200
Notes and loans receivable (Note 4)	1,197,537	203,398		6,029,307
Due from other governments	3,397,184	521,290		
Due from other funds (Note 3B)				
Advance to other funds (Note 3C)				
Material, parts, and supplies	18,677			
Prepays	14,869			
Land held for redevelopment	499,684			
<b>Total Assets</b>	<b>\$11,733,096</b>	<b>\$2,412,485</b>	<b>\$59,095,850</b>	<b>\$10,867,812</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$1,795,923	\$149,882	\$3,578,289	\$65,306
Salaries and wages payable	3,232,322	68,885	3,824	22,678
Due to other funds (Note 3B)	155,717			
Due to other governments	146,833			
Deferred revenues	1,171,110			344,618
Advances from other funds (Note 3C)				
Deposits payable	1,105,257	602,217		
<b>Total Liabilities</b>	<b>7,607,162</b>	<b>820,984</b>	<b>3,582,113</b>	<b>432,602</b>
<b>FUND BALANCES (Note 11)</b>				
<b>Fund balance</b>				
Reserved for:				
Encumbrances	976,976			\$69,738
Materials, parts, and supplies	18,677			
Debt service				
Capital projects				
Notes and loans	1,197,537	203,398		5,684,689
Advances to other funds				
Land held for redevelopment	499,684			
Housing programs		1,388,103		1,561,681
Unreserved:				
Designated for public access TV	326,010			
Undesignated, Reported in:				
General Fund	1,107,050			
Special Revenue Funds			55,513,737	3,119,102
Capital Projects Funds				
<b>Total Fund Balances</b>	<b>4,125,934</b>	<b>1,591,501</b>	<b>55,513,737</b>	<b>10,435,210</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$11,733,096</b>	<b>\$2,412,485</b>	<b>\$59,095,850</b>	<b>\$10,867,812</b>

See accompanying notes to financial statements

<u>Redevelopment Agency Debt Service</u>	<u>Redevelopment Agency Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$5,625,847	\$6,923,061	\$34,649,212	\$59,579,236
1,120,736	1,526,321	25,262,253	84,484,954
	10,503	447,321	3,728,361
	405,000	3,389,831	11,225,073
	200,000	1,331,033	5,449,507
		7,509,041	7,509,041
		3,328,000	3,328,000
	8,508		27,185
			14,869
	1,343,595		1,843,279
<u>\$6,746,583</u>	<u>\$10,416,988</u>	<u>\$75,916,691</u>	<u>\$177,189,505</u>
	\$418,049	\$2,799,151	\$8,806,600
		99,571	3,427,280
		2,583,485	2,739,202
\$2,287,593		180,134	2,614,560
		3,232,199	4,747,927
3,328,000			3,328,000
	120,780	766,462	2,594,716
<u>5,615,593</u>	<u>538,829</u>	<u>9,661,002</u>	<u>28,258,285</u>
	2,001,014	1,466,696	4,514,424
			18,677
130,990		2,698,577	2,829,567
	1,868,078	6,373,350	8,241,428
	405,000		7,490,624
1,000,000		3,328,000	4,328,000
	1,343,595		1,843,279
			2,949,784
			326,010
			1,107,050
		14,104,731	72,737,570
	4,260,472	38,284,335	42,544,807
<u>1,130,990</u>	<u>9,878,159</u>	<u>66,255,689</u>	<u>148,931,220</u>
<u>\$6,746,583</u>	<u>\$10,416,988</u>	<u>\$75,916,691</u>	<u>\$177,189,505</u>

CITY OF VALLEJO  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004

	General	Housing Authority	Mare Island Conversion	Affordable Housing	Redevelopment Agency Debt Service
<b>REVENUES</b>					
Taxes	\$49,559,146			\$3,886,080	\$15,542,672
Less: Educational Revenue Augmentation Fund payment (Note 10)					
Licenses, permits, and fees	5,689,129				
Fines and forfeitures	1,388,309				
Intergovernmental	6,296,608	\$27,121,618	\$12,486,000	82,333	
Use of money and property	224,778	44,742	577,748	205,263	456,551
Charges for services	3,311,872			8	
Contributions from property owners					
Other	1,049,884	61,980		1,103	
<b>Total Revenues</b>	<b>67,519,726</b>	<b>27,228,340</b>	<b>13,063,748</b>	<b>4,174,787</b>	<b>15,999,223</b>
<b>EXPENDITURES</b>					
Current:					
Legislative and advisory	368,718				
Executive	1,316,730				
Finance	1,620,253				
Human resources	890,623				
Law	733,749				
Development services	2,384,226				
Community development		808,976	17,066,893		
Fire services	20,579,122				
Police services	31,401,799				
Public works	4,801,544				
Redevelopment and housing		26,167,827		2,552,958	
Nondepartmental	5,202,407				
Capital outlay	31,951	20,711			
Debt Service					
Principal	156,127				225,000
Interest and fiscal agent fees	95,945			2,100	3,188,507
<b>Total Expenditures</b>	<b>69,583,194</b>	<b>26,997,514</b>	<b>17,066,893</b>	<b>2,555,058</b>	<b>3,413,507</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,063,468)</b>	<b>230,826</b>	<b>(4,003,145)</b>	<b>1,619,729</b>	<b>12,585,716</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Gain (loss) on sale of assets					
Transfers in (Note 3A)	2,670,338	77,800		729,100	1,537,878
Transfers out (Note 3A)	(2,110,648)	(796,567)		(532,378)	(20,326,439)
Proceeds from long-term debt issuance					2,617,597
<b>Total Other Financing Sources (Uses)</b>	<b>559,690</b>	<b>(718,767)</b>		<b>196,722</b>	<b>(16,170,964)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,503,778)</b>	<b>(487,941)</b>	<b>(4,003,145)</b>	<b>1,816,451</b>	<b>(3,585,248)</b>
<b>BEGINNING FUND BALANCES</b>	<b>7,846,315</b>	<b>2,079,442</b>	<b>59,516,882</b>	<b>8,618,759</b>	<b>(3,121,481)</b>
Prior period adjustments (Note 11)	(2,216,603)				7,837,719
<b>ENDING FUND BALANCES</b>	<b>\$4,125,934</b>	<b>\$1,591,501</b>	<b>\$55,513,737</b>	<b>\$10,435,210</b>	<b>\$1,130,990</b>

See accompanying notes to financial statements

<u>Redevelopment Agency Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$671,097	\$69,658,995
(\$124,293)		(124,293)
	3,444,629	9,133,758
	46,110	1,434,419
	7,878,286	53,864,845
109,902	2,283,360	3,902,344
104	6,173,802	9,485,786
	6,201,378	6,201,378
1,725,336	2,879,342	5,717,645
<u>1,711,049</u>	<u>29,578,004</u>	<u>159,274,877</u>
		368,718
		1,316,730
		1,620,253
		890,623
		733,749
	840,295	3,224,521
	3,690,773	21,566,642
	1,918,532	22,497,654
	741,737	32,143,536
	8,200,424	13,001,968
7,739,415		36,460,200
	329,014	5,531,421
4,454,337	7,472,003	11,979,002
	1,069,026	1,450,153
117,597	765,500	4,169,649
<u>12,311,349</u>	<u>25,027,304</u>	<u>156,954,819</u>
(10,600,300)	4,550,700	2,320,058
1,161,000	250,000	1,411,000
20,326,439	1,939,599	27,281,154
(3,747,838)	(524,234)	(28,038,104)
	4,125,602	6,743,199
<u>17,739,601</u>	<u>5,790,967</u>	<u>7,397,249</u>
7,139,301	10,341,667	9,717,307
1,395,263	70,786,158	147,121,338
1,343,595	(14,872,136)	(7,907,425)
<u>\$9,878,159</u>	<u>\$66,255,689</u>	<u>\$148,931,220</u>

CITY OF VALLEJO  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2004

Total fund balances reported on the governmental funds balance sheet \$148,931,220

Amounts reported for Governmental Activities in the Statement of Net Assets  
 are different from those reported in the Governmental Funds above because of the following:

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and  
 therefore are not reported in the Governmental Funds. 291,967,595

**ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS**

Internal service funds are not governmental funds. However, they are used by management to  
 charge the costs of certain activities, such as insurance and central services and maintenance  
 to individual governmental funds. The net current assets of the Internal Service Funds are therefore  
 included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	9,737,126
Accounts receivable	12,773
Materials, parts, and supplies	160,695
Capital assets	4,356,363
Accounts payable	(89,926)
Salaries and wages payable	(91,471)
Claims payable	(10,265,000)
Employee benefits payable, current	(242,141)

**ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES**

Revenues which are deferred on the Fund Balance Sheets because they are not available currently  
 are taken into revenue in the Statement of Activities. 3,216,172

**LONG TERM ASSETS AND LIABILITIES**

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

Long-term debt	(50,087,218)
Non-current portion of compensated absences	(17,731,825)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$379,874,363

See accompanying notes to financial statements

CITY OF VALLEJO  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2004

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$9,717,307

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance 13,199,055

Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,385,789 which has already been allocated to serviced funds) (8,495,808)

Sale of capital assets (1,161,000)

Retirements of capital assets (1,289,118)

Contributions of infrastructure and improvements by developers are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands.

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Proceeds from the issuance of debt are deducted from fund balance (6,743,199)

Repayment of debt principal is added back to fund balance 1,450,153

ACCRUAL OF NON-CURRENT ITEMS

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

Interest payable 1,333,921

Deferred revenue (148,321)

Compensated absences (1,433,096)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in Net Assets - All Internal Service Funds (2,613,329)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$3,816,565

See accompanying notes to financial statements

CITY OF VALLEJO  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$50,870,300	\$50,870,300	\$49,559,146	(\$1,311,154)
Licenses, permits and fees	4,681,600	4,681,600	5,689,129	1,007,529
Fines and forfeitures	2,194,900	2,194,900	1,388,309	(806,591)
Intergovernmental	11,024,200	7,471,100	6,296,608	(1,174,492)
Use of money and property	1,136,000	1,136,000	224,778	(911,222)
Charges for services	3,353,500	2,993,500	3,311,872	318,372
Other	348,900	250,294	1,049,884	799,590
<b>Total Revenues</b>	<u>73,609,400</u>	<u>69,597,694</u>	<u>67,519,726</u>	<u>(2,077,968)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Legislative and advisory	\$395,300	\$383,588	\$368,718	14,870
Executive	1,503,300	1,625,830	1,316,730	309,100
Finance	1,586,900	1,665,024	1,620,253	44,771
Human resources	1,116,600	1,134,205	890,623	243,582
Law	876,700	829,035	733,749	95,286
Development services	2,499,500	2,428,902	2,384,226	44,676
Fire services	20,199,100	20,457,571	20,579,122	(121,551)
Police services	31,171,300	31,017,607	31,401,799	(384,192)
Public works	5,733,500	5,527,684	4,801,544	726,140
Nondepartmental	5,423,020	5,092,938	5,202,407	(109,469)
Capital Outlay	709,300	26,840	31,951	(5,111)
Debt Service				
Principal	41,833	41,833	156,127	(114,294)
Interest	65,647	65,647	95,945	(30,298)
<b>Total Expenditures</b>	<u>71,322,000</u>	<u>70,296,704</u>	<u>69,583,194</u>	<u>713,510</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,287,400</u>	<u>(699,010)</u>	<u>(2,063,468)</u>	<u>(1,364,458)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 3A)	335,000	3,005,338	2,670,338	(335,000)
Transfers (out) (Note 3A)	(2,045,100)	(2,110,648)	(2,110,648)	
<b>Total other financing sources (uses)</b>	<u>(1,710,100)</u>	<u>894,690</u>	<u>559,690</u>	<u>(335,000)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$577,300</u>	<u>\$195,680</u>	<u>(1,503,778)</u>	<u>(\$1,699,458)</u>
Fund balance, July 1			7,846,315	
Prior period adjustments (Note 11)			(2,216,603)	
Fund balance, June 30			<u>\$4,125,934</u>	

See accompanying notes to financial statements

CITY OF VALLEJO  
HOUSING AUTHORITY FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$23,912,212	\$23,912,212	\$27,121,618	\$3,209,406
Use of money and property	25,000	25,000	44,742	19,742
Other	10,000	10,000	61,980	51,980
<b>Total Revenues</b>	<u>23,947,212</u>	<u>23,947,212</u>	<u>27,228,340</u>	<u>3,281,128</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Community development	1,009,900	1,009,900	808,976	200,924
Redevelopment and Housing	22,874,262	23,040,148	26,167,827	(3,127,679)
Capital outlay	28,750	33,750	20,711	13,039
<b>Total Expenditures</b>	<u>23,912,912</u>	<u>24,083,798</u>	<u>26,997,514</u>	<u>(2,913,716)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>34,300</u>	<u>(136,586)</u>	<u>230,826</u>	<u>367,412</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 3A)	87,700	87,700	77,800	(9,900)
Transfers (out) (Note 3A)		41,766	(796,567)	(838,333)
<b>Total other financing sources (uses)</b>	<u>87,700</u>	<u>129,466</u>	<u>(718,767)</u>	<u>(848,233)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$122,000</u>	<u>(\$7,120)</u>	<u>(487,941)</u>	<u>(\$480,821)</u>
<b>Fund balance, July 1</b>			<u>2,079,442</u>	
<b>Fund balance, June 30</b>			<u>\$1,591,501</u>	

See accompanying notes to financial statements

CITY OF VALLEJO  
MARE ISLAND CONVERSION FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$12,486,000	\$12,486,000	\$12,486,000	
Use of money and property	300,000	300,000	577,748	\$277,748
Other	250,000	250,000		(250,000)
<b>Total Revenues</b>	<u>13,036,000</u>	<u>13,036,000</u>	<u>13,063,748</u>	<u>27,748</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	12,416,800	12,429,800	17,066,893	(4,637,093)
<b>Total Expenditures</b>	<u>12,416,800</u>	<u>12,429,800</u>	<u>17,066,893</u>	<u>(4,637,093)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>619,200</u>	<u>606,200</u>	<u>(4,003,145)</u>	<u>(4,609,345)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$619,200</u>	<u>\$606,200</u>	<u>(4,003,145)</u>	<u>(\$4,609,345)</u>
Fund balance, July 1			<u>59,516,882</u>	
Fund balance, June 30			<u>\$55,513,737</u>	

See accompanying notes to financial statements

CITY OF VALLEJO  
AFFORDABLE HOUSING FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$536,200	\$536,200	\$3,886,080	\$3,349,880
Intergovernmental			82,333	82,333
Use of money and property	129,000	129,000	205,263	76,263
Other	9,600	9,600	1,111	(8,489)
<b>Total Revenues</b>	<u>674,800</u>	<u>674,800</u>	<u>4,174,787</u>	<u>3,499,987</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Redevelopment and housing	1,606,400	1,491,097	2,552,958	(1,061,861)
Debt Service				
Principal	35,000	35,000		35,000
Interest and fiscal agent fees	382,700	382,700	2,100	380,600
<b>Total Expenditures</b>	<u>2,024,100</u>	<u>1,908,797</u>	<u>2,555,058</u>	<u>(646,261)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,349,300)</u>	<u>(1,233,997)</u>	<u>1,619,729</u>	<u>2,853,726</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 3A)	729,100	729,100	729,100	
Transfers (out) (Note 3A)	(72,000)	(72,000)	(532,378)	(460,378)
<b>Total other financing sources (uses)</b>	<u>657,100</u>	<u>657,100</u>	<u>196,722</u>	<u>(460,378)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>(\$692,200)</u>	<u>(\$576,897)</u>	<u>1,816,451</u>	<u>\$2,393,348</u>
Fund balance, July 1			<u>8,618,759</u>	
Fund balance, June 30			<u>\$10,435,210</u>	

See accompanying notes to financial statements

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**CITY OF VALLEJO, CALIFORNIA**

**MAJOR PROPRIETARY FUNDS**

The City reported all enterprise funds as major funds in fiscal 2004.

**WATER FUND** is used to account for the production and distribution of water to residents and businesses located within the City.

**LOCAL TRANSPORTATION FUND** is used to account for the operations and management of the City transit operations, which includes bus, ferry, paratransit and taxi subsidy operations.

**WATERSTONE DEVELOPMENT FUND** is used to account for the operation and management of the Waterstone Apartment complex, a 180 unit development.

**SANITATION AND FLOOD CONTROL FUND** is used to account for the collections and treatment of wastewater and storm drain run-off.

**MARINE WORLD JOINT POWERS AGREEMENT FUND** is used to account for the operations, improvement and management of the Marine World operations.

**MARINA FUND** is used to account for the operations, improvement and management of the City marina operations.

**GOLF FUND** is used to account for the construction and operation of the municipal golf course facility of the City.

**PARKING FUND** is used to account for the collection of parking fees and fines and to make lease payments to service lease revenue bonds.

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Waterstone Development	Sanitation and Flood Control
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments (Note 2)				\$42,211,592
Accounts receivable (net of allowance for uncollectibles)	5,800,805	\$1,376,887	36,176	2,003,264
Material, parts and supplies	550,641	2,100,484		369,827
Due from other funds (Note 3B)				49,983
<b>Total current assets</b>	<b>6,351,446</b>	<b>3,477,371</b>	<b>36,176</b>	<b>44,634,666</b>
<b>Noncurrent assets:</b>				
Restricted cash and investments (Note 2)	\$13,632,770		\$3,186,231	7,942,581
Goodwill (Note 13)				
Issuance costs	1,065,949		492,063	872,622
Notes receivable (Note 4)	58,668			460,740
Capital assets (Note 5):				
Nondepreciable	3,291,464	2,994,332	3,633,845	20,364,821
Depreciable, net	118,437,432	39,646,255	12,885,334	175,800,301
<b>Total noncurrent assets</b>	<b>136,486,283</b>	<b>42,640,587</b>	<b>20,197,473</b>	<b>205,441,065</b>
<b>Total assets</b>	<b>142,837,729</b>	<b>46,117,958</b>	<b>20,233,649</b>	<b>250,075,731</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	2,798,899	1,036,822	776,052	3,934,448
Salaries and wages payable	446,300	26,512		1,475,897
Due to other funds (Note 3B)	4,491,774	328,048		
Due to other governments		464,088		
Deferred revenue			10,208	
Deposits payable	1,231,366	1,125	83,972	1,008,436
Revenue-sharing payable to Park Management Corp (Note 13)				
Employee benefits payable, current (Note 9)	107,499	37,703		
Long-term debt, due within one year (Note 6)	2,026,742		225,794	2,051,852
<b>Total current liabilities</b>	<b>11,102,580</b>	<b>1,894,298</b>	<b>1,096,026</b>	<b>8,470,633</b>
<b>Long-term liabilities:</b>				
Certificates of participation (Note 6)				50,754,837
Bonds payable, net (Note 6)	69,815,091			
Loans payable (Note 6)	7,017,245		20,021,363	60,649
Claims liabilities (Note 12)				
Employee benefits payable, noncurrent (Note 9)	1,262,526	13,885		
<b>Total Liabilities</b>	<b>89,197,442</b>	<b>1,908,183</b>	<b>21,117,389</b>	<b>59,286,119</b>
<b>NET ASSETS (Note 11)</b>				
Invested in capital assets, net of related debt	42,869,818	42,640,587	(3,727,978)	144,036,104
Restricted for capital improvements				32,500,771
Restricted for debt service	5,776,128		1,829,966	6,645,298
Unrestricted	4,994,341	1,569,188	1,014,272	7,607,439
<b>Total Net Assets</b>	<b>\$53,640,287</b>	<b>\$44,209,775</b>	<b>(\$883,740)</b>	<b>\$190,789,612</b>

See accompanying notes to financial statements

**Business-type Activities-Enterprise Funds**

**Governmental  
Activities-  
Internal Service  
Funds**

Marine World JPA as of December 31, 2003	Marina	Golf	Parking	Totals	
\$980,010	\$15,183	\$871,658	\$244,097	\$44,322,540	\$9,737,126
941,537	77,347	65,000		10,301,016	12,773
1,044,967	10,721			4,076,640	160,695
				49,983	
2,966,514	103,251	936,658	244,097	58,750,179	9,910,594
5,176,575	129,651	6,292,364		36,360,172	
12,025,908				12,025,908	
	294,898	416,418		3,141,950	
	71,973			591,381	
	10,736,670	1,491,400		42,512,532	
23,430,630	9,127,235	6,996,065		386,323,252	4,356,363
40,633,113	20,360,427	15,196,247		480,955,195	4,356,363
43,599,627	20,463,678	16,132,905	244,097	539,705,374	14,266,957
4,428,339	329,197	3,000		13,306,757	89,926
	17,650			1,966,359	91,471
				4,819,822	
	186,845			464,088	
	75,369			197,053	
2,901,352				2,400,268	
				2,901,352	
				145,202	
945,000	255,652	235,000		5,740,040	
8,274,691	864,713	238,000		31,940,941	181,397
58,505,000	17,997,723	15,609,429		50,754,837	
				161,927,243	
				27,099,257	
	48,972			1,325,383	10,265,000
					242,141
66,779,691	18,911,408	15,847,429		273,047,661	10,688,538
(36,019,370)	1,610,530	(7,356,964)		184,052,727	4,356,363
				32,500,771	
5,176,575	129,651			19,557,618	
7,662,731	(187,911)	7,642,440	244,097	30,546,597	(777,944)
(\$23,180,064)	\$1,552,270	\$285,476	\$244,097	\$266,657,713	\$3,578,419

**CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Business-type Activities-Enterprise Funds</u>			
	<u>Water</u>	<u>Local Transportation</u>	<u>Waterstone Development</u>	<u>Sanitation and Flood Control</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$27,041,071	\$7,708,671	\$1,737,713	\$18,661,223
Other	1,017		57,454	135,275
<b>Total operating revenues</b>	<u>27,042,088</u>	<u>7,708,671</u>	<u>1,795,167</u>	<u>18,796,498</u>
<b>OPERATING EXPENSES</b>				
Operations expenses	14,255,217	16,515,527	893,950	10,755,524
Revenue-sharing				
Salaries, wages, and employee benefits				
General and administrative	8,268,759	433,755		3,030,512
Insurance				
Depreciation and amortization	5,492,136	3,933,288	343,609	6,622,758
<b>Total operating expenses</b>	<u>28,016,112</u>	<u>20,882,570</u>	<u>1,237,559</u>	<u>20,408,794</u>
<b>Operating income (loss)</b>	<u>(974,024)</u>	<u>(13,173,899)</u>	<u>557,608</u>	<u>(1,612,296)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	(57,056)		13,785	1,568,446
Intergovernmental revenue		18,662,464		
Taxes				716,352
Distribution to the City of Vallejo				
Interest expense and fiscal charges	(3,680,049)		(1,509,798)	(1,831,320)
Contributions and sponsorships, net				3,121,533
Other revenues (expenses)	269,710			(943,794)
<b>Total nonoperating revenues (expenses)</b>	<u>(3,467,395)</u>	<u>18,662,464</u>	<u>(1,496,013)</u>	<u>2,631,217</u>
Transfers in (Note 3A)			796,567	
Transfers (out) (Note 3A)				
<b>Change in net assets</b>	<u>(4,441,419)</u>	<u>5,488,565</u>	<u>(141,838)</u>	<u>1,018,921</u>
<b>BEGINNING NET ASSETS</b>	<u>58,081,706</u>	<u>37,652,541</u>	<u>(741,902)</u>	<u>189,770,691</u>
Prior period adjustments (Note 11)		1,068,669		
<b>ENDING NET ASSETS</b>	<u>\$53,640,287</u>	<u>\$44,209,775</u>	<u>(\$883,740)</u>	<u>\$190,789,612</u>

See accompanying notes to financial statements

**Business-type Activities-Enterprise Funds**

Marine World JPA as of December 31, 2003	Marina	Golf	Parking	Totals	Governmental Activities- Internal Service Funds
\$51,046,603	\$227,232	\$780,001	\$17,914	\$107,220,428	\$6,803,737
370,046	1,350,179			1,913,971	191,953
51,416,649	1,577,411	780,001	17,914	109,134,399	6,995,690
39,544,982	920,162	58,370	6	82,943,738	
6,901,352				6,901,352	131,602
	144,078			144,078	1,871,234
583,324	16,764			12,333,114	
					6,210,959
2,807,197	654,191	414,117		20,267,296	1,385,789
49,836,855	1,735,195	472,487	6	122,589,578	9,599,584
1,579,794	(157,784)	307,514	17,908	(13,455,179)	(2,603,894)
54,211	(6,871)	30,587	(2,232)	1,600,870	30,182
				18,662,464	
				716,352	
(2,831,728)				(2,831,728)	
(5,273,742)	(405,572)	(505,627)		(13,206,108)	
				3,121,533	
				(674,084)	
(8,051,259)	(412,443)	(475,040)	(2,232)	7,389,299	30,182
				796,567	1,320,930
					(1,360,547)
(6,471,465)	(570,227)	(167,526)	15,676	(5,269,313)	(2,613,329)
(16,708,599)	2,122,497	453,002	228,421	270,858,357	8,595,993
				1,068,669	(2,404,245)
<b>(\$23,180,064)</b>	<b>\$1,552,270</b>	<b>\$285,476</b>	<b>\$244,097</b>	<b>\$266,657,713</b>	<b>\$3,578,419</b>

CITY OF VALLEJO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities-Enterprise Funds			
	Water	Local Transportation	Waterstone Development	Sanitation and Flood Control
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$26,616,325	\$11,485,383	\$1,759,742	\$18,377,796
Payments to suppliers	(13,877,706)	(19,378,296)	756,396	(9,090,544)
Payments to employees	(8,290,428)	(430,782)	(893,950)	(2,920,405)
Claims paid				
<b>Cash Flows from Operating Activities</b>	<b>4,448,191</b>	<b>(8,323,695)</b>	<b>1,622,188</b>	<b>6,366,847</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental receipts		18,662,463		
Interfund receipts	3,224,670		796,567	(49,983)
Interfund payments		(4,458,416)		
Other revenues (expenses)	299,710			(227,442)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>3,524,380</b>	<b>14,204,047</b>	<b>796,567</b>	<b>(277,425)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(5,369,976)	(5,880,352)		(9,636,336)
Sale of capital assets				
Proceeds from long term debt				
Principal payments on capital debt	(1,624,705)		(205,267)	(1,778,967)
Issuance cost	(134,126)			
Interest paid	(4,174,618)		(2,247,989)	(1,831,320)
Capital contributions				3,169,176
Distribution to City of Vallejo				
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(11,303,425)</b>	<b>(5,880,352)</b>	<b>(2,453,256)</b>	<b>(10,077,447)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	(57,056)		13,785	1,568,446
<b>Cash Flows from Investing Activities</b>	<b>(57,056)</b>		<b>13,785</b>	<b>1,568,446</b>
<b>Net Cash Flows</b>	<b>(3,387,910)</b>		<b>(20,716)</b>	<b>(2,419,579)</b>
Cash and investments at beginning of period	17,020,680		3,206,947	52,573,752
Cash and investments at end of period	<u>\$13,632,770</u>		<u>\$3,186,231</u>	<u>\$50,154,173</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>				
Operating income (loss)	(\$974,024)	(\$13,173,899)	\$557,608	(\$1,612,296)
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation	5,492,136	3,933,288	343,609	6,622,758
Change in assets and liabilities:				
Receivables, net	(205,604)	3,776,712	(14,167)	1,354,762
Inventory	(79,495)	(2,056,028)		(1,156)
Other assets	(58,668)			
Accounts payable and other accrued expenses	515,674	(1,176,592)	756,396	1,666,136
Salaries and wages payable	132,340	10,722		110,107
Employee benefits payable	(154,009)	(7,749)		
Due to other governments		369,851		
Other accrued expenses				
Deposits payable	196,841		(24,335)	(1,773,464)
Deferred revenue	(417,000)		3,077	
Claims payable				
Revenue-sharing payable to Park Management Corporation				
Payable to Park Management Corporation				
<b>Cash Flows from Operating Activities</b>	<b>\$4,448,191</b>	<b>(\$8,323,695)</b>	<b>\$1,622,188</b>	<b>\$6,366,847</b>

See accompanying notes to financial statements

Marine World JPA as of December 31, 2003	Marina	Golf	Paking	Totals	Governmental Activities- Internal Service Funds
\$53,283,207 (56,862,371)	\$1,254,876 136,985 (1,025,153)	\$780,001 (26,536) (58,370)	\$17,914  (6)	\$113,575,244 (98,342,072) (13,619,094)	\$2,628,399 (1,802,009) (1,820,274) (2,649,919)
(3,579,164)	366,708	695,095	17,908	1,614,078	(3,643,803)
				18,662,463	
				3,971,254	8,081,761
				(4,458,416)	2,288,310
				72,268	
				18,247,569	10,370,071
14,473	(1,542,684)	(37,557)		(22,452,432)	(164,115) (475,612)
	1,256,801			1,256,801	
(890,000)	(208,476)	(290,571)		(4,997,986)	
	(46,021)	103,128		(77,019)	
	(405,572)	(505,627)		(9,165,126)	
				3,169,176	
(2,831,728)				(2,831,728)	
(3,707,255)	(945,952)	(730,627)		(35,098,314)	(639,727)
54,211	(6,871)	30,587	(2,232)	1,600,870	30,182
54,211	(6,871)	30,587	(2,232)	1,600,870	30,182
(7,232,208)	(586,115)	(4,945)	15,676	(13,635,797)	6,116,723
13,388,793	730,949	7,168,967	228,421	94,318,509	3,620,403
\$6,156,585	\$144,834	\$7,164,022	\$244,097	\$80,682,712	\$9,737,126
\$1,579,794	(\$157,784)	\$307,514	\$17,908	(\$13,455,179)	(\$2,603,894)
2,807,197	654,191	414,117		20,267,296	1,385,789
1,866,558 (557,252)	2,088 (2,573)	2,500		6,780,349 (2,694,004)	(11,171)
(745,042)	57,602			(1,066)	12,128
	226,034 (48,509) (39,718)	(29,036)		1,213,570 204,660 (201,476) 369,851	(57,495)
	(283,230) (41,393)			(1,884,188) (455,316)	50,960 (4,356,120)
(4,425,555) (4,104,864)				(4,425,555) (4,104,864)	1,936,000
(\$3,579,164)	\$366,708	\$695,095	\$17,908	\$1,614,078	(\$3,643,803)

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**CITY OF VALLEJO, CALIFORNIA**

**FIDUCIARY FUNDS**

Trust funds are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**Agency Funds** are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

CITY OF VALLEJO  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2004

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$8,532,972
Restricted cash and investments (Note 2)	<u>5,025,462</u>
Total Assets	<u><u>\$13,558,434</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$1,356
Due to bondholders	<u>13,557,078</u>
Total Liabilities	<u><u>\$13,558,434</u></u>

See accompanying notes to financial statements

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City was incorporated in 1868 as a charter City, with a Council-Manager form of Government and provides all municipal services, excluding garbage disposal and electricity.

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units, which are described below, are all blended.

- Housing Authority of the City of Vallejo
- Marine World Joint Powers Authority
- Parking Authority of the City of Vallejo
- Public Financing Authority of the City of Vallejo
- Redevelopment Agency of the City of Vallejo
- Vallejo Sanitation and Flood Control District
- Vallejo Sanitation and Flood Control District Financing Corporation

Additional financial information for each of these entities can be obtained from the Finance Department, City of Vallejo, 555 Santa Clara Street, Vallejo, CA 94590.

**The Housing Authority of the City of Vallejo**--was formed in June 1942 and is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through federal assistance programs and mortgage revenue bond program. The Housing Authority is governed by a Board of Commissioners composed of the City Council members and two tenants of the Housing Authority. The operations of the Housing Authority are reported as a governmental fund and an enterprise fund of the City.

**The Marine World Joint Powers Authority**-- was formed in October 1996, pursuant to the Joint Exercise of Powers Act of the Government Code of the State of California for the purpose of assuming ownership of the Marine World Africa USA theme park from the Marine World Foundation. The City Council is a government body of the Marine World JPA. The operations of the Marine World JPA are reported as a proprietary fund of the City. The Marine World JPA's financial information is for the year ended December 31, 2003.

**The Parking Authority of the City of Vallejo**--was formed in May 1975, pursuant to the provisions of California statutes. Operations of the Parking Authority began in May 1977, with the execution of a joint powers agreement with the City. The purpose of this agreement was to provide the acquisition, construction, financing and operation of parking facilities in the downtown area of the City. The City Council is the governing board of the Parking Authority.

**The Public Financing Authority**--of the City of Vallejo was formed in July 1990. The primary purpose of the PFA is to provide financing for City projects. The City Council is the governing board of the PFA. The PFA is reported as governmental fund of the City.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**The Redevelopment Agency of the City of Vallejo** --was formed in July 1956 and is organized under the State of California Community Redevelopment Law. The Agency has established the 1) Flosden Acres Project, 2) Waterfront Development Project, 3) Marina Vista Project, 4) Vallejo Central Project, 5) Southeast Vallejo Project, and 6) a Special Revenue (Affordable Housing) Fund. The projects within each area are financed with debt, which will be paid with property tax increment revenue and proceeds from the sale and/or lease of real property. The City Council is the governing board of the Agency. The Agency is reported as governmental funds of the City.

**Vallejo Sanitation and Flood Control District** was created by an act of the California legislature and began operations in May 1952. The purpose of the Act was to give autonomous authority to VSFCDD to provide for the collection, treatment and disposal of wastewater and to control and dispose of storm waters. From 1993 to 1999 VSFCDD was part of the City's operations. Commencing July 1, 1999 the VSFCDD became a separate district from the City. The Board now consists of seven elected City Council members and one member appointed by the Solano County Board of Supervisors. The VSFCDD is reported as a proprietary fund of the City.

**Vallejo Sanitation and Flood Control District Financing Corporation** is a non-profit public benefit corporation organized in July 1993, under the laws of the State of California for the purpose of assisting the VSFCDD in funding certain projects and other matters relating to the purpose of VSFCDD. Members of the Board for VSFCDD serve as Directors of the VSFCDDFC. The VSFCDDFC is reported as a proprietary fund of the City.

**B. Basis of Presentation**

The Basic Financial Statements of the City of Vallejo, California have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

**Government-wide Statements:** The City's 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, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

These basic financial statements are presented on an “*economic resources*” measurement focus, utilizing the accrual basis of accounting. Accordingly, all the City’s assets and liabilities, including capital assets and related 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 liability is incurred.

Certain types of transactions are reported as program revenue for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Eliminations have been made to minimize the double counting of internal activities. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities.

The City applies all applicable Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those conflict with or contradict GASB pronouncements.

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

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances, presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and the revenue is recognized.

***Proprietary Fund Financial Statements*** -- Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total 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.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

*Fiduciary Funds Financial Statements* -- Fiduciary fund financial statements include a Statement of Fiduciary Net Assets. The City’s fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting as are the governmental funds explained above.

**C. Major Funds**

Major funds are defined as funds which have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total of governmental and enterprise funds. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund, and the City may select other funds it believes should be presented as major funds. The City selected the Redevelopment Agency Capital Projects Fund for presentation as a major fund because of its importance.

The City reports the following major governmental funds in the accompanying financial statements:

**General Fund** - This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Housing Authority Special Revenue Fund** - is used to account for monies received and expended in housing assistance to low and moderate income families. Funds are provided by receipts from the Federal Section 8 HUD programs.

**Mare Island Conversion Special Revenue Fund** - is used to account for monies received from various sources (federal, state and local) which are used for activities relating to the conversion of the Mare Island Naval Shipyard to civilian use.

**Affordable Housing Special Revenue Fund** - is used to account for tax increment monies received and expended by the Redevelopment Agency for financing development and rehabilitation of low and moderate income housing projects, including related loan programs.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Redevelopment Agency Debt Service Fund* - is to account for the accumulation of resources, most importantly property tax increment receipts, necessary for the payment of long term debt and other obligations incurred by the Redevelopment Project Areas.

*Redevelopment Agency Capital Projects Fund* - is to account for monies intended for redevelopment projects of the Redevelopment Project Areas. These include property tax increment monies in excess of amounts needed to fulfill the debt service obligations of the areas and bond receipts.

The City reports all its enterprise funds as major funds in the accompanying financial statements:

*Water Fund* - is used to account for the production and distribution of water to residents and businesses located within the City.

*Local Transportation Fund* - is used to account for the operations and management of the City transit operations, which includes bus, ferry, paratransit and taxi subsidy operations.

*Waterstone Development Fund* - is used to account for the operation and management of the Waterstone Apartment complex, a 180 unit development.

*Sanitation and Flood Control Fund* - is used to account for the collections and treatment of wastewater and storm drain run-off.

*Marine World JPA* - is used to account for the operations, improvement and management of the Marine World operations.

*Marina Fund* - is used to account for the operations, improvement and management of the City marina operations.

*Golf Fund* - is used to account for the construction and operation of the municipal golf course facility of the City.

*Parking Fund* - is used to account for the collection of parking fees and fines and to make lease payments to service lease revenue bonds.

The City also reports the following fund types:

*Internal Service funds.* These funds account for equipment maintenance and replacement; retirees' health and employee benefits plans; and for workers' compensation, unemployment self-insurance, general liability self-insurance, and property insurance coverage; all of which are provided to other departments on a cost-reimbursement basis.

*Fiduciary funds.* These Agency funds account for assets held by the City as an agent for individual, private organizations, and other governments.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. *Encumbrance Accounting***

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end do not lapse and are included as part of the following year budget.

**E. *Property Tax Revenues***

Solano County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables in the fiscal year of levy, provided they are collected within the fiscal year or within sixty five days of the year end.

**F. *Materials, Parts, and Supplies***

Materials, parts and supplies are held for consumption and are valued at average cost. Enterprise fund supplies consist of materials and supplies which are held for resale to the public. General fund supplies are recorded as expenditure at the time individual supply items are purchased.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

**G. *Use of Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**H. *New Fund***

The N.E. Quadrant Improvement District 03-1 was established as of July 1, 2003.

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**NOTE 2 - CASH AND INVESTMENTS**

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

Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds. Investments are carried at fair value.

**A. *Categorization of Credit Risk of Securities Instruments***

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

The City categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk.

The three levels of risk prescribed by generally accepted accounting principles are described below:

***Category 1*** - The City is the registered owner of securities held in book entry form by the bank's Trust Department. Securities instruments in this category are in the City's name and are in the possession of the Trust Department of the bank employed by the City solely for this purpose. This category includes insured certificates of deposit.

***Category 2*** - Securities instruments and book entry form securities in this category are in the bank's name of the bank which purchases the investments as the City's agent, but are held by its Trust Department in the City's name.

***Category 3*** - None of the City's investments are in this category, which would include only City-owned securities instruments or book entry form securities which were not in the City's name and not held by the bank's Trust Department.

***Pooled Investments*** - Pooled investments are not categorized because of their pooled, rather than individual, nature.

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Investments are carried at fair value and are categorized as follows at June 30:

	Available for Operations	Restricted	Total
<i>Category 1:</i>			
U.S. Government Agency Issues	\$45,331,647	\$1,580,133	\$46,911,780
Corporate Notes	24,673,067		24,673,067
U.S. Treasury Notes	10,923,620	3,324,738	14,248,358
Time Certificates of Deposit	8,000		8,000
<i>Category 2:</i>			
Investment Repurchase Agreement	200,000		200,000
<i>Category 3:</i>			
Guaranteed Investment Contracts		2,056,995	2,056,995
Demand Deposits		59,500	59,500
<i>Pooled investments (non Categorized):</i>			
Mutual Funds (U.S. Securities)	3,645,144	118,849,222	122,494,366
California Local Agency Investment Fund	29,702,679		29,702,679
<i>Demand Deposits</i>	<u>7,687,717</u>		<u>7,687,717</u>
Total Cash and Investments	<u>\$122,171,874</u>	<u>\$125,870,588</u>	<u>\$248,042,462</u>

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

Cash and investments	\$113,638,902
Restricted cash and investments	<u>120,845,126</u>
Total City cash and investments	234,484,028
Cash and investments in Fiduciary Funds (separate statement)	<u>13,558,434</u>
Total cash and investments	<u>\$248,042,462</u>

Cash and cash equivalents are considered to be liquid assets for purposes of measuring cash flows.

**C. Cash Deposits**

Cash in banks is classified as insured (Category 1) or collateralized by the trust department or agent of the institution holding the deposit with collateral held in the City's name (Category 2), or as uncollateralized (Category 3).

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the City's cash on deposit as collateral for these deposits. Under California Law collateral is held in the City's name and places the City ahead of general creditors of the institution. The City has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

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**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The carrying amount of the City's cash deposits was a balance of \$6,707,707 at June 30, 2004. Bank balances before reconciling items were \$3,825,083 of which \$342,958 was insured (Category 1), \$3,482,125 was collateralized (Category 2) at June 30, 2004.

The carrying amount of the Marine World JPA's cash deposits was a balance of \$980,010 at December 31, 2003. Bank balances before reconciling items were \$1,548,396 of which \$100,000 was insured, and \$1,448,396 was collateralized at December 31, 2003.

**D. *Authorized City Investments***

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

- United States Treasury Bills, Notes or Bonds
- Banker's Acceptances
- Securities of the U.S. Government or its agencies
- Certificates of Deposit
- Negotiable Certificates of Deposit
- Commercial Paper
- Repurchase Agreements
- Bonds of the State of California or Local Agencies
- Corporate Notes
- Mutual Funds
- State of California Local Agency Investment Fund
- Local Government Investment Pools
- Asset Backed Securities
- Mortgage-Backed Securities

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

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. At June 30, 2004 the fair value was \$41,850 less than the City's cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

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**NOTE 3 - INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2004 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
<b>General Fund</b>	Affordable Housing Special Revenue Fund	\$729,100
<b>General Fund</b>	R.W. Johnson Foundation Grant Special Revenue Fund	90,000
<b>General Fund</b>	Certificates of Participation (COPS) Debt Service Fund	1,091,270
<b>General Fund</b>	Capital Outlay Capital Projects Fund	200,000
<b>General Fund</b>	Bridge Construction Capital Projects Fund	278
<b>Special Revenue Funds:</b>		
Housing Authority	Waterstone Development Enterprise Fund	796,567
Affordable Housing	Housing Authority Special Revenue Fund	72,000
Affordable Housing	Redevelopment Agency Debt Service	460,378
Community Development Block Grant	Housing Authority Special Revenue Fund	5,800
Supplemental Law Enforcement Grant	Local Law Enforcement Grant Special Revenue Fund	386,126
Mare Island Leasing	Capital Outlay Capital Projects Fund	12,000
Mare Island Leasing	Certificates of Participation (COPS) Debt Service Fund	48,486
<b>Debt Service Fund:</b>		
Redevelopment Agency	Redevelopment Agency Capital Projects Fund	20,326,439
<b>Capital Projects Funds:</b>		
Redevelopment Project	General Fund	2,670,338
Redevelopment Agency	Redevelopment Agency Debt Service Fund	1,077,500
COPS	Certificates of Participation (COPS) Debt Service Fund	71,822
<b>Internal Service Funds:</b>		
Insurance	Landscape Maintenance District Special Revenue Fund	39,617
Equipment Replacement	Corporation Shop Internal Service Fund	1,320,930
	Total Interfund Transfers	<u>\$29,398,651</u>

The reasons for these transfers are set forth below:

- (A) To fund city operations
- (B) To transfer amounts required for debt service
- (C) To fund capital projects
- (D) To subsidize Waterstone housing Activities
- (E) To pay for administrative fees
- (F) To pay rent charges
- (G) Transfer grant share of CAD system
- (H) To transfer Marine World revenue to Fund City operations as approved Council approval

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**NOTE 3 – INTERFUND TRANSACTIONS (Continued)**

**B. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Current interfund balances between funds during the fiscal year ended June 30, 2004 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund		\$155,717
Special Revenue Funds		
Mare Island Leasing		2,390,353
Community Development Block Grant		156,939
R.W. Johnson Foundation Grant		216
Debt Service Fund		
COPS Debt Service	\$2,390,353	173
Capital Projects Funds		
Transportation Impact Mitigation	5,012,954	
Bridge Construction	105,734	
Solano Bike Project		11,366
COPS Capital Projects		24,438
Enterprise Funds		
Water		4,491,774
Sanitation and Flood Control District	49,983	
Local Transportation		328,048
Total	<u>\$7,559,024</u>	<u>\$7,559,024</u>

**C. Long-Term Advances**

Advances payable to the Redevelopment Agency represents loans to fund project costs. These advances accrue interest and are subordinated to bonded indebtedness of the project areas. The obligations are expected to be repaid from property tax increments of the project areas when available.

	<u>Advances from Other Funds</u>	<u>Advances to Other Funds</u>
<b>Redevelopment Agency Debt Service Fund</b>	\$3,328,000	
<b>Capital Project Funds:</b>		
Bridge Construction		\$500,000
Arts & Convention Center		2,828,000
Total	<u>\$3,328,000</u>	<u>\$3,328,000</u>

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**NOTE 3 – INTERFUND TRANSACTIONS (Continued)**

**D. Internal Balances**

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

**NOTE 4 – NOTES & LOANS RECEIVABLE**

**A. Summary of Notes and Loans Receivable as of June 30, 2004**

Sereno Village Apartments	\$1,405,442
Affordable Housing	6,029,307
HOME Program	2,209,105
CDBG Program	972,821
Meyer Cookware Industries, Inc	405,000
Housing Authority	203,398
Coast Guard Lease	71,973
Water Division Fees	58,668
Sanitation and Flood Control District:	
Sereno Village Association	351,635
MIT Academy	109,105
	<u>\$11,816,454</u>

**B. Sereno Village Apartments**

In May 2003, the City entered into a \$1,400,000 loan agreement with Sereno Village Associates for the development of a 125 unit very low income rental housing project. The note bears 3% simple interest and will be due in full to the City in 15 years. The loan is secured by a deed of trust. To the extent there is excess cash flow from the project, the developer is required to repay all accrued interest and principal annually. At June 30, 2004 the outstanding balance of this loan, including accrued interest, was \$1,405,442.

**C. Affordable Housing**

Various residential purchase and rehabilitation loan programs are offered to qualifying low- to moderate-income individuals by the Agency through the Affordable Housing Special Revenue Fund. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans were ranged from 3.0% to 8.0% and the principal maturity dates were ranged from 5 years to 30 years. Deferred interest loans are offered as well as below-market-rate 30-year loans. Interest income is recorded in the Affordable Housing Special Revenue Fund as payments are received. In addition, the Agency has entered into agreements with developers to assist in the development of affordable housing. The notes receivable are secured by deeds of trust and bear varying interest rates. The outstanding balances at June 30, 2004 is \$6,029,307.

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**NOTE 4 – NOTES & LOANS RECEIVABLE (Continued)**

**D. HOME Program, CDBG Program, and Housing Authority**

Various residential purchase and rehabilitation loan programs are offered to qualifying low- to moderate-income individuals by the City through the CDBG, HOME Program and Housing Authority funds. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans were ranged from 3.0% to 5.0% and the principal maturity dates were ranged from 5 years to 30 years. The outstanding balances at June 30, 2004 are \$1,209,676, \$2,316,090 and \$203,398 in the CDBG, HOME Program, and Housing Authority funds respectively.

**E. Meyer Cookware Industries, Inc**

Pursuant to a Disposition and Development Agreement between the Agency and Meyer Cookware Industries, Inc., the Agency paid certain development fees on behalf of Meyer totaling \$1,500,000. Meyer agreed to repay \$500,000 of these fees to the Agency over a 24-year period commencing in 1998. This loan to Meyer is secured by a corporate guarantee and non-interest bearing. As of June 30, 2004 the outstanding balance of the loan was \$405,000. The terms of the agreement call for Meyer to repay the note in increasing annual installments, as follows:

Fiscal 1999-2003	\$15,000 per year
Fiscal 2004-2008	\$20,000 per year
Fiscal 2009-2013	\$25,000 per year
Fiscal 2014-2018	\$40,000 per year

**F. Coast Guard Lease**

During fiscal 2002, the City upgraded certain improvements leased to the Coast Guard. The cost of the improvements amounted to \$216,243. The Coast Guard agreed to reimburse the costs of the improvements to the City over fifty months at a 5% interest rate. The outstanding balance at June 30, 2004 is \$71,973.

**G. Sereno Village Association**

During fiscal 2002, the Vallejo Sanitation and Flood Control District loaned \$351,635 to Sereno Village Association. The loan is secured by deed of trust, bearing simple interest at 3% and it is due in 15 years.

**H. MIT Academy**

During fiscal 2003, the Vallejo Sanitation and Flood Control District loaned \$109,105 to MIT Academy for connection fees. The loan is unsecured, bearing interest at 2.103% in five installments of \$23,349 commencing January 1, 2004.

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**NOTE 5 – CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years.

Depreciation is provided using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets.

Buildings and improvements	25 to 50 years
Improvements	5 to 50 years
Machinery and equipment	3 to 10 years
Marine Mammals and land animals	5 years
Traffic signals	20 years
Street lights	50 years
Bridges and culverts	60 years
Sidewalks, curbs and gutters	40 years
Streets and roads	40 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

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**NOTE 5 – CAPITAL ASSETS (Continued)**

**A. Government-Wide Financial Statement**

	Balance at June 30, 2003, as restated	Additions and Adjustments	Retirements and Adjustments	Transfers	Balance at June 30, 2004
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$135,598,412	\$894,818	(\$1,289,118)		\$135,204,112
Construction in progress	8,510,207	6,873,998			15,384,205
Total capital assets not being depreciated	<u>144,108,619</u>	<u>7,768,816</u>	<u>(1,289,118)</u>		<u>150,588,317</u>
Capital assets being depreciated:					
Building and improvement	52,257,425	765,598			53,023,023
Machinery and equipment	21,838,648	2,297,253			24,135,901
Infrastructure	180,210,959	1,846,115			182,057,074
Total capital assets being depreciated	<u>254,307,032</u>	<u>4,908,966</u>			<u>259,215,998</u>
Less accumulated depreciation for:					
Building and improvement	(9,584,839)	(1,701,419)			(11,286,258)
Machinery and equipment	(9,648,043)	(2,246,125)			(11,894,168)
Infrastructure	(84,365,878)	(5,934,053)			(90,299,931)
Total accumulated depreciation	<u>(103,598,760)</u>	<u>(9,881,597)</u>			<u>(113,480,357)</u>
Net capital assets being depreciated	<u>150,708,272</u>	<u>(4,972,631)</u>			<u>145,735,641</u>
Governmental activity capital assets, net	<u>\$294,816,891</u>	<u>\$2,796,185</u>	<u>(\$1,289,118)</u>		<u>\$296,323,958</u>
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$18,726,038			(\$390,189)	\$18,335,849
Construction in progress	53,799,642	19,455,358	(\$7,552,837)	(\$41,525,480)	24,176,683
Total capital assets not being depreciated	<u>72,525,680</u>	<u>19,455,358</u>	<u>(7,552,837)</u>	<u>(41,915,669)</u>	<u>42,512,532</u>
Capital assets, being depreciated:					
Building and improvement	376,348,740	4,544,322	(5,846,404)	22,199,174	397,245,832
Machinery and equipment	57,287,268	12,030,342	(4,882,026)	2,063,516	66,499,100
Marine mammals and land animals	2,536,284				2,536,284
Infrastructure	104,312,435	1,129,077	(32,487)	17,652,979	123,062,004
Total capital assets being depreciated	<u>540,484,727</u>	<u>17,703,741</u>	<u>(10,760,917)</u>	<u>41,915,669</u>	<u>589,343,220</u>
Less accumulated depreciation for:					
Building and improvement	(95,847,673)	(11,310,217)	53,769		(107,104,121)
Machinery and equipment	(34,966,008)	(4,774,160)	4,831,431		(34,908,737)
Marine mammals and land animals	(2,521,408)	(668)			(2,522,076)
Infrastructure	(54,453,934)	(4,031,100)			(58,485,034)
Total accumulated depreciation	<u>(187,789,023)</u>	<u>(20,116,145)</u>	<u>4,885,200</u>		<u>(203,019,968)</u>
Net capital assets being depreciated	<u>352,695,704</u>	<u>(2,412,404)</u>	<u>(5,875,717)</u>	<u>41,915,669</u>	<u>386,323,252</u>
Business-type activity capital assets, net	<u>\$425,221,384</u>	<u>\$17,042,954</u>	<u>(\$13,428,554)</u>		<u>\$428,835,784</u>

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**NOTE 5 – CAPITAL ASSETS (Continued)**

**B. Depreciation Allocation**

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function were as follows:

***Governmental Activities***

Executive	\$15,160
Finance	125,826
Redevelopment and housing	6,116
Fire services	44,187
Police services	452,621
Public works	16,375
Nondepartmental	7,835,523
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,385,789
<b>Total Governmental Activities</b>	<u><u>\$9,881,597</u></u>

***Business-Type Activities***

Water	\$5,436,683
Local Transportation	3,933,288
Waterstone Development	343,609
Sanitation and Flood Control	6,575,115
Marine World JPA	2,807,197
Marina	643,692
Golf	376,561
Parking	
<b>Total Business-Type Activities</b>	<u><u>\$20,116,145</u></u>

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**NOTE 6 - LONG-TERM DEBT**

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Bond discounts and issuance costs of long-term debt issues are amortized over the life of the related debt, if material.

**A. Current Year Transactions and Balances**

The City's long-term debt issues and transactions were as follows:

	Original Issue Amount	Balance June 30, 2003 (as restated)	Additions	Retirements	Balance June 30, 2004	Current Portion
<b>Governmental Activity Debt:</b>						
<b>Tax Allocation Bonds:</b>						
Waterfront Development Project 7.9%, due 5/1/19	\$2,485,000	\$2,355,000		\$45,000	\$2,310,000	\$55,000
Marina Vista Project 6.0-7.5%, due 9/1/20	3,335,000	2,650,000		70,000	2,580,000	80,000
Vallejo Central Project 6.0-7.5%, due 9/1/20	1,900,000	1,770,000		20,000	1,750,000	25,000
Vallejo Housing Set Aside 7.0%, due 10/1/31	5,410,000	5,375,000		90,000	5,285,000	100,000
<b>Total Tax Allocation Bonds</b>	<b>13,130,000</b>	<b>12,150,000</b>		<b>225,000</b>	<b>11,925,000</b>	<b>260,000</b>
<b>Certificates of Participation:</b>						
1999 COPs 3.60-5.25%, due 7/15/29	4,815,000	4,580,000		85,000	4,495,000	90,000
2000 COPs variable rate, due 9/1/40	12,786,942	12,504,949		151,523	12,353,426	157,838
2002 COPs variable rate, due 12/1/23	11,497,776	11,497,776		353,718	11,144,058	356,048
2003 COPs variable rate, due 12/1/23	6,743,199		\$6,743,199		6,743,199	206,510
<b>Total Certificates of Participation</b>	<b>35,842,917</b>	<b>28,582,725</b>	<b>6,743,199</b>	<b>590,241</b>	<b>34,735,683</b>	<b>810,396</b>
<b>Capital Lease Obligations:</b>						
2001 Site & Facility Lease 6%, due 6/1/21	1,150,000	1,102,942		35,384	1,067,558	37,539
HTE Computer System 1.9%, due 12/1/03	722,371	75,529		75,529		
Police Computer System Supplement 2.108%, due 12/23/03	207,397	28,490		28,490		
Police CAD/RMS 4.85%, due 9/1/07	1,881,919	1,599,023		324,652	1,274,371	370,987
Police Mobile Computers 3.9%, due 11/11/06	416,163	363,949		103,343	260,606	104,796
Police Handheld Computers 4%, due 11/30/04	57,318	41,071		28,749	12,322	12,322
Police Holding Cell 2.97%, due 1/30/13	675,000	511,879		38,765	473,114	41,106
<b>Total Capital Leases Obligations</b>	<b>5,110,168</b>	<b>3,722,883</b>		<b>634,912</b>	<b>3,087,971</b>	<b>566,750</b>
<b>Total Governmental Activity Debt</b>	<b>\$54,083,085</b>	<b>\$44,455,608</b>	<b>\$6,743,199</b>	<b>\$1,450,153</b>	<b>\$49,748,654</b>	<b>\$1,637,146</b>

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**NOTE 6 - LONG-TERM DEBT (Continued)**

	Original Issue Amount	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004	Current Portion
<b>Business-type Activity Debt:</b>						
<b>Revenue Bonds:</b>						
1996 Water Revenue Bonds, 4.8-5.9%, due 5/1/26	\$55,615,000	\$49,250,000		\$1,105,000	\$48,145,000	\$1,165,000
Less: Unamortized bond discount		(399,390)		(17,491)	(381,899)	
1999 Water Parity Refunding, 5.25%, due 5/1/29	7,890,000	525,000			525,000	
2001 Water Revenue Bonds, variable rate, due 6/1/31	23,075,000	22,675,000		420,000	22,255,000	440,000
<b>Total Revenue Bonds</b>	<b>86,580,000</b>	<b>72,050,610</b>		<b>1,507,509</b>	<b>70,543,101</b>	<b>1,605,000</b>
<b>Certificates of Participation:</b>						
Marine World JPA 1997 COPs 5.25-7.4%, due 2/1/28	63,465,000	60,340,000		890,000	59,450,000	945,000
2002 COPs, variable rate, due 12/1/23	917,224	917,224		11,282	905,942	28,952
2003 COPs, variable rate, due 12/1/23	1,256,801		1,256,801		1,256,801	38,490
2000 COPs, variable rate, due 9/1/40	17,593,058	17,205,050		208,476	16,996,574	217,162
2001 COP Golf Course Facilities, variable rate, due 6/1/40	16,350,000	16,135,000		225,000	15,910,000	235,000
Less: Unamortized bond discount		(70,680)		(5,109)	(65,571)	
Vallejo Sanitation and Flood Control District 1993 Sanitation and Flood Control	38,905,000	31,195,000		1,200,000	29,995,000	1,260,000
2001 Sanitation and Flood Control, variable rate, due 5/1/28	25,645,000	24,405,000		655,000	23,750,000	675,000
Less: Unamortized bond discount		(1,125,508)		(70,345)	(1,055,163)	
<b>Total Certificates of Participation</b>	<b>164,132,083</b>	<b>149,001,086</b>	<b>1,256,801</b>	<b>3,114,304</b>	<b>147,143,583</b>	<b>3,399,604</b>
<b>Loans &amp; Notes Payable:</b>						
Vallejo Sanitation and Flood Control, 5%, due 12/05	1,108,896	288,665		111,163	177,501	116,852
Water System, 5%, due 7/1/17	2,560,923	1,550,931			1,550,931	108,035
State Safe Drinking Water 2.32%, due 1/2/21	6,675,000	5,965,018		105,914	5,859,104	284,755
Affordable Housing Agency, 7.5%, due 7/1/31	20,420,000	20,169,573		205,267	19,964,306	225,794
Housing Solutions, LLC 7%	282,851	282,851			282,851	
<b>Total Loans &amp; Notes Payable</b>	<b>31,047,670</b>	<b>28,257,038</b>		<b>422,344</b>	<b>27,834,693</b>	<b>735,436</b>
<b>Total Business-type Activity Debt</b>	<b>\$281,759,753</b>	<b>\$249,308,734</b>	<b>\$1,256,801</b>	<b>\$5,044,157</b>	<b>\$245,521,377</b>	<b>\$5,740,040</b>

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**B. Debt Service Requirements**

Annual debt service requirements to maturity are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$1,637,146	\$1,599,552	\$5,740,040	\$11,116,800
2006	1,723,927	1,540,018	5,964,743	10,874,028
2007	1,753,804	1,476,973	6,189,263	10,621,833
2008	1,477,269	1,418,146	6,490,359	10,354,334
2009	1,455,109	1,370,507	6,826,809	10,070,748
2010-2014	8,629,062	6,006,691	39,772,826	45,421,620
2015-2019	11,022,951	4,239,568	50,638,285	35,779,347
2020-2024	10,731,403	2,244,600	52,605,439	23,139,816
2025-2029	4,200,139	1,181,150	50,338,526	9,958,458
2030-2034	3,323,428	405,462	13,112,136	1,333,145
2035-2039	2,607,477	166,039	6,967,523	386,254
2040-2044	1,186,939		2,378,061	37,666
Total		<u>\$21,648,706</u>	247,024,010	<u>\$169,094,049</u>
<b>Reconciliation of long-term debt</b>				
Less: Unamortized bond discount			<u>(1,502,633)</u>	
Net long-term debt	<u>\$49,748,654</u>		<u>\$245,521,377</u>	

**C. Tax Allocation Bonds**

**Waterfront Redevelopment Project** – In January 1989, Tax Allocation Refunding Bonds in the amount of \$2,485,000 were issued to repay certain advances made to the Agency from the City. The bonds mature in May 2019. Semi-annual interest payments are due on May 1 and November 1 and annual principal payments are due May 1. Bonds became eligible to be redeemed, in whole or in part, at the option of the Agency on May 1, 1996, or on any Interest Payment Date thereafter. The bonds are subject to mandatory sinking fund redemption and are secured by amounts in the related Debt Service Fund and by incremental property tax revenues. The debt is serviced through the Waterfront Development Debt Service Fund.

**Marina Vista and Vallejo Central Projects** – In August 1990, the Vallejo Public Financing Authority (PFA) issued in the amount of \$5,235,000 to provide funds to the Agency for use in the Marina Vista Project (\$3,335,000) and in the Vallejo Central Project (\$1,900,000). Net proceeds allocated to the Marina Vista Project were used to defease all future debt service payments on certain lease revenue bonds used to finance the construction of City Hall. Net proceeds allocated to the Vallejo Central Project were used to fund infrastructure improvements in the project area.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

The bonds are secured by loan agreements between the Agency and the PFA. The semi-annual loan payments by the Agency are expected to meet all debt service requirements of the bonds. Semi-annual interest payments are due on March 1 and September 1 and annual principal payments are due September 1. The loan payments are made solely from the tax increment revenues within the redevelopment project areas, and the bonds are reflected as a liability of the Agency. The debt is serviced through the Marina Vista Debt Service Fund.

**Vallejo Housing Set Aside** – In August 2001, the Agency issued Tax Allocation Bonds in the amount of \$5,410,000 to finance housing activities of the Agency and to repay a loan from the PFA. Semi-annual interest payments are due on April 1 and October 1 and annual principal payments are due October 1. The bonds are subject to mandatory sinking fund redemption and payment is made solely from, and secured by, housing set-aside tax increment revenues within the redevelopment project areas.

**D. *Certificates of Participation (COP)***

**1999 COPs** – In July 1999, the City issued \$4,815,000 of Certificates of Participation (1999 Capital Improvements Project) to finance City capital improvements. Principal payments are payable annually on July 15. Interest payments are due semiannually on January 15 and July 15. Since the lease is in essence a financing arrangement with ownership of the financed assets reverting to the City, the debt evidenced by the Certificates of Participation has been included in the City's financial statements.

**2000 COPs** – In September 2000, the City issued \$30,380,000 of Certificates of Participation (2000 Capital Improvement Project) to finance City Capital Improvements, Marina Capital Improvements and repay the Marina Fund loan from the State. The 2000 COPS Capital Projects Fund received \$12,786,942 and the Marina Enterprise Fund \$17,593,058. Principal payments are payable annually on September 1. Interest is payable at the beginning of each month at a variable rate. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 1.190%. The City has the option of converting the COPs to a fixed interest rate, which interest is payable on March 1 and September 1. The Marina Enterprise portion of the debt is secured and serviced through the marina operations. On September 1, 2004, the City exercised its optional prepayment rights and retired \$2,420,000 of the outstanding principal on this debt.

**2002 COPs** – In November 2003, the City issued \$12,415,000 of Certificates of Participation (2002 Capital Improvements Project) to finance the construction, installation and equipping of various capital improvements through out the geographic boundaries of the City. The 2002 COPs Capital Projects Fund received \$11,497,776 and the Water Enterprise Fund \$917,224. Principal payments are payable annually on December 1. Interest is payable at the beginning of each month at a variable rate. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 1.120%. The City has the option of converting the COPs to a fixed interest rate, after which interest is payable on June 1 and December 1. The Water Enterprise portion of the debt is served and serviced by the water system operations. On September 1, 2004, the City exercised its optional redemption rights and retired \$1,000,000 of the outstanding principal on this debt.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**2003 COPs** – In December 2003, the City issued \$8,000,000 of Certificates of Participation (2003 Capital Improvement Project) to provide funding Springstowne Library improvements, solar energy projects and various public works projects. The COPS Capital Projects Fund received \$4,125,602, the Marina Vista Capital Projects Fund received \$2,617,597, and the Marina Enterprise Fund received \$1,256,801. Principal payments are payable annually on December 1. Interest is payable at the beginning of each month at a variable rate. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 1.120%. The City has the option of converting the COPs to a fixed interest rate, after which interest is payable on June 1 and December 1.

**Marine World JPA 1997 COPs** – In January 1997, the JPA issued \$63,465,000 of COPs to refund the 1990 COPs, issued to refund the 1985 and 1986 COPs, which were issued to finance the construction and acquisition of the Marine World facilities; and the 1991 Community Facilities District Bonds issued to fund new attractions and capital improvements to the facilities.

To the extent the Marine World JPA fails to make timely debt payments, the City is required to make payments necessary to assure timely payment of principal and interest on the 1997 COPs. The Marine World JPA may prepay the 1997 COPs without penalty at which time Marine World is sold, otherwise the 1997 COPs mature February 2028. Principal payments are payable annually on February 1. Interest is payable semiannually on February 1 and August 1. The bonds are subject to mandatory sinking fund redemption through 2007. The 1997 COPs debt service is funded through a series of leases and subleases among the City, the Agency and Marine World JPA.

**2001 COP Golf Course Facilities** – In May 2001 the City issued \$16,350,000 a Certificate of Participation to refund Golf Course Revenue Bonds issued in 1992 and to finance golf course facility improvements. The amount of principal defeased was \$8,235,000. Interest is payable at the beginning of each month at a variable rate. The future interest payment is an estimate based on the interest rate as of the basic financial statements date which is approximately 1.120%. The City has the option of converting the COPs to a fixed interest rate, after which interest is payable on December 1 and June 1. Annual principal payments are due June 1. The COPS are secured by and serviced by golf operations.

**1993 Sanitation and Flood Control District (VSFCD)** – In July 1993, the VSFCD Financing Corporation issued \$38,905,000 of certificates of participation, the net proceeds of which were used to finance the construction of sewage collection and treatment and flood control facilities and, to defease VSFCD's 1988 COP's. Certificates maturing on or before July 2008 are not callable prior to maturity. Certificates maturing on or after July 2009 are callable at VSFCD's option on any interest date. Annual principal payments are due July 1.

**2001 Sanitation and Flood Control** – In fiscal year ended 2001, VSFCD issued \$25,645,000 of COPs through California Water Reuse Finance Authority (CWFA), at a variable rate of interest calculated weekly. Interest shall not exceed the statutory rate of 12%. The interest rate at June 30, 2004 was 1.05% Annual principal payments are due May 1. The COPs are secured and serviced by VSFCD operations.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**E. Revenue Bonds**

**1996 Water Revenue Bonds** – In May 1996 the City issued \$55,615,000 of Refunding Revenue Bonds 1996 Series A to advance refund and defease \$52,590,000 of outstanding 1992 Revenue Bonds which were used to finance improvements to the City's water system. Interest is payable semiannually on May 1 and November 1. Annual principal payments are due May 1. The debt is secured and serviced by water system operations.

**1999 Water Parity Refunding Revenue Bonds** – In June 1999, the City issued \$7,890,000 of Parity Refunding Revenue Bonds, 1999 Series A to refund outstanding 1997 Bond Anticipation Notes (Water Improvement Project) which were used to finance improvements of the City's water system. In June 1999, the City prepaid all but \$525,000 of the principal balance. Interest payments are due semiannually on May 1 and November 1. Principal payments are deferred until May 2021, and are due annually thereafter on May 1. The bonds are secured and serviced by Water System operations.

**2001 Water Revenue Bonds** – In December 2000 the City issued \$23,075,000 of Water Revenue Bonds, 2001 Series A to finance improvements to the City's water system. Interest is payable at the beginning of each month at a variable rate. The City has the option to convert the Bonds to a fixed interest rate, which interest is payable on December 1 and June 1. The debt is secured and serviced from the water system operations. The future interest payment is an estimate based on the interest rate as of the basic financial statements date, which was approximately 1.170%. Principal on the bonds is due annually.

**F. Notes and Loans Payable**

**Vallejo Sanitation and Flood Control** – In January 1994, the VSFCDC issued a note payable secured by a deed of trust on land at Tubbs Island. The note is payable from operations of the VSFCDC in monthly installments of \$10,256, including interest of 5.0%, until maturity in December 2005.

**Water System** – The loan is due to the U.S. Department of Commerce/Economic Development Administration and accrues interest at 5%. Principal and interest payments are due annually July 1, through 2015.

**State Safe Drinking Water** – The loan from the State of California, Department of Water Resources was used to partially refund the 1999 Water Parity Refunding Revenue Bonds. The amount of outstanding principal defeased was \$7,270,000. The interest rate is 2.32%. Semiannual principal and interest payments are due on July 1 and January 2.

**Affordable Housing Agency** – In August 2001, the Vallejo Housing Authority issued a note payable of \$20,420,000 to the Affordable Housing Agency, a California Joint Powers Authority, for the purchase of Waterstone Apartment Complex. The interest rate is 7.50%. Interest is payable semiannually on July 1 and January 1. Annual principal payments are due July 1. Subsequent to year-end, on July 30, 2004, the City sold the Waterstone property and repaid the entire balance of this loan.

**Housing Solutions, LLC** – In August 2002, the Vallejo Housing Authority issued a \$282,851 note payable to Housing Solutions, LLC. Loan proceeds were used to fund the purchase of Waterstone Apartment Complex. Debt service payments are deferred to when Housing Solutions, LLC. meets certain cash flow criteria.

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**NOTE 6 - LONG-TERM DEBT (Continued)**

**G. Capital Lease Obligations**

The City entered into a long-term contract for the lease of the John F. Kennedy Library, part of the Vallejo Public Library System, and certain parcels of real property within the City. The City has also entered into contracts for the capital lease/purchase of computer software and various public safety equipment.

**NOTE 7 - DEBT WITHOUT CITY COMMITMENT**

**A. Special Assessment and Communities Facilities Districts**

Special Assessment and Communities Facilities Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2004 is as follows:

<i>Special Assessment Bonds</i>	
Fairgrounds Drive #65	\$4,025,000
Glen Cove 2003-1	10,800,000
 <i>Improvement Bonds</i>	
1998 Hiddenbrooke Improvement District Series A	24,645,000
Northeast Improvement District 2003-1	8,170,000
 <i>Revenue Bonds</i>	
2003 Series B (Northeast Quadrant)	5,100,000
Total	\$52,740,000

Subsequent to year end, on September 1, 2004, \$22,400,000 of Vallejo Public Financing Authority Local Agency Revenue Bonds (Hiddenbrooke Improvement District) were issued to refund the 1998 Hiddenbrooke Improvement District Improvement Bonds.

**NOTE 8 - CONDUIT DEBT**

The following bonds do not constitute or create a debt or pledge of the general credit or taxing power of the City, and, accordingly, are not recorded in the accompanying basic financial statements.

***Mortgage Revenue Bonds***

Mortgage Revenue Refunding Bonds, Series 1993A and 1993B (FHA Insured Mortgage Loan – Sea Breeze Apartment Project) in the amount of \$6,340,000. Interest rates range from 5.0% to 6.0%. Principal payments are due semiannually through March 2027. The bonds are dated September 1993, and were issued to refund a \$6,430,000 prior issuance of multifamily housing revenue bonds. On June 30, 2004, \$5,590,000 of these bonds remained outstanding.

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**NOTE 8 – CONDUIT DEBT (Continued)**

Variable Rate Demand Multifamily Mortgage Revenue Refunding Bonds, Series 1992A (Fountain Plaza Hills Apartments) in the amount of \$5,585,000. The bonds bear interest at a variable rate determined weekly by a remarketing agent, and mature in June 2002. The bonds are dated May 1992, and were issued to refund \$8,775,000 prior issuance of multifamily housing revenue bonds. On June 30, 2004, \$5,585,000 of these bonds remained outstanding.

Weekly Rate Demand Multifamily Housing Revenue Bonds, Series 1985C (Cross-Western Project Phase II) in the amount of \$14,500,000. The bonds bear interest at a variable rate determined weekly by a remarketing agent, and mature in January 2008. The bonds were issued in December 1985 as fixed rate bonds and were converted to weekly rate bonds in December 1993. On June 30, 2004 \$14,500,000 of these bonds remained outstanding.

*Variable Rate Demand Industrial Development Revenue Bonds*

In December 1993, the Vallejo Industrial Development Authority issued \$9,700,000 of variable rate demand industrial development revenue bonds to finance the construction of the Meyer Cookware industries, Inc. manufacturing facility. The bonds bear interest at a variable rate determined periodically by a remarketing agent and are due in June 2022. On June 30, 2004, \$9,700,000 of these bonds remained outstanding.

**NOTE 9 - EMPLOYEE BENEFITS PAYABLE**

Employee benefits payable consist of vested vacation and sick leave. For proprietary funds, earned but unpaid employee benefits are recorded as an expense and a liability, in the appropriate fund, in the year in which it is earned.

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$16,739,980	\$1,623,089	\$18,363,069
Additions	9,953,109	1,228,757	11,181,866
Payments	(8,719,123)	(1,381,261)	(10,100,384)
Ending Balance	<u>\$17,973,966</u>	<u>\$1,470,585</u>	<u>\$19,444,551</u>
Current Portion		<u>\$145,202</u>	<u>\$145,202</u>

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**NOTE 10 – RETIREMENT BENEFITS**

**California Public Employees' Retirement System**

**A. *Plan Description***

The City contributed to the California Public Employees retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, annual cost of living adjustments, and death benefits to plan member 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 its executive office at 400 "P" Street, Sacramento, California 95814.

**B. *Funding Policy***

Active plan members are required by State statute to contribute 9% of their annual covered salary which amounted to \$4,189,600 for the year ended June 30, 2004. The City employer is required to contribute for fiscal year 2004 at an actuarially determined rate of 5.5% and 13.962% of annual covered payroll for miscellaneous and safety employees respectively.

**C. *Annual Pension Cost***

For fiscal year 2004, the City's annual pension cost of \$5,029,548 for PERS 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 with contributions determined as a percentage of pay. Actuarial assumptions included (1) 7.75% investment rate of return (net of administrative expenses), (2) projected salary increases range from 3.25% to 14.45% for miscellaneous employees and 3.25% to 10.45% for safety employees, depending on age, service and type of employment, and (3) 2% per year cost-of-living adjustments. Both (1) and (2) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of the short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis over twenty years.

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**NOTE 10 - RETIREMENT BENEFITS (Continued)**

**D. Three Year Trend Information and Funding Progress**

The following schedule of funding progress is presented for the most recent actuarial valuations as of June 30, 2003:

*Safety Plan:*

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2001	\$189,103,550	\$182,231,698	(\$6,871,852)	103.8%	\$21,603,818	(31.809%)
2002	177,855,569	202,694,830	24,839,261	87.7%	24,489,048	101.430%
2003	179,792,449	216,236,452	36,444,003	83.1%	26,753,078	136.224%

*Miscellaneous Plan:*

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2001	\$105,984,031	\$98,976,227	(\$7,007,804)	107.1%	\$21,255,699	(32.969%)
2002	99,122,899	108,338,967	9,216,068	91.5%	23,848,653	38.644%
2003	100,758,969	123,225,689	22,466,720	81.8%	24,382,386	92.143%

**E. Post Retirement Health Benefits - City**

In addition to providing the retirement benefits described above, the City provides post retirement health care benefits, in accordance with City ordinances, to all employees who retire from the City at or after age 50. As of June 30, 2004, 348 retirees meet those eligibility requirements. The City pays the employer's share of the medical premiums incurred by retirees and their dependents. These costs for fiscal year 2004 were \$1,658,339.

Expenditures for post retirement health care benefits are incurred monthly and are paid as part of the overall health care benefits program. The City does not provide dental or vision benefits to retirees.

**F. Post Retirement Health Benefits - VSFC**

VSFC provides post-retirement health and life insurance in accordance with union contracts and Board policy. Employees covered by union agreement, who retire from VSFC on or after attaining age 55, with at least five years of creditable service, are eligible for post-retirement health insurance. Management employees, covered by Board policy, who retire from VSFC on or after attaining age 55, with at least five years of creditable service are eligible for post-retirement health insurance. Currently, 35 retirees meet those eligibility requirements. The insurance provides approximately 100% coverage. Certain health coverage options involve deductibles and co-pays.

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**NOTE 11 – NET ASSETS AND FUND BALANCES**

**A. Net Assets**

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

*Unrestricted* describes the portion of Net Assets which is not restricted to use.

**B. Fund Balance**

Fund balance consists of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance, which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

A portion of unreserved fund balance may be designated to indicate plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans are subject to change and may never be legally authorized or result in expenditures.

The funds below had fund deficits or net asset deficits at June 30, 2004:

Waterstone Development Enterprise Fund	\$883,740
Marine World JPA Enterprise Fund (as of December 31, 2003)	23,180,064
R.W. Johnson Foundation Grant Special Revenue Fund	926
Solano Bike Capital Project Fund	11,366
Insurance Internal Service Fund	2,765,775

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**NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)**

**C. Expenditures in Excess of Budget**

The funds below incurred expenditures in excess of their budgets in the amounts indicated. Although the City Council had approved the transactions, either no formal budget adjustments were made or, budgets approved in prior years were not carried forward. Sufficient monies were available in the funds for all expenditures.

Special Revenue Funds:	
Housing Authority	\$2,913,716
Affordable Housing	646,261
Mare Island Conversion	4,637,093
Downtown Business Improvement	67,892
Redevelopment Agency Debt Service Fund	2,706,007

**D. Prior Period Adjustments**

In fiscal 2004, the City reviewed and restated June 30, 2003 fund balances and net assets as follows:

*Governmental Activities:*

General Fund balance was adjusted to write-off previously recorded revenue from fines, parking citations, sales tax and business licenses of \$2,716,287 and to record land held for redevelopment of \$499,684. The net effect of these adjustments was to reduce General Fund balance \$2,216,603 from that previously reported.

Capital Assets amounting to \$1,843,279 were written off, reflecting adjustments to land held for redevelopment, while \$1,077,354 in Internal Service Fund adjustments were added to capital assets.

Revenues of \$3,364,493 previously deferred at the Entity-wide level were recognized as of July 1, 2003, adding that amount to Entity-wide governmental Net Assets.

Debt of Special Assessment Districts and Community Facility Districts in the amount of \$51,925,000 was eliminated from Entity-wide governmental liabilities because this debt is secured only by assessments in those Districts, not by the City itself. As part of this adjustment, at the fund level, Debt Service Funds with balances of \$7,608,075 (Community Facilities Districts) and \$7,264,061 (Special Assessment Districts) were re-categorized as Agency Funds, reducing Debt Service Funds Fund balance by \$14,872,136.

Long-term Advances from the Intra-governmental Loan Internal Service Fund to the Redevelopment Agency Debt Service Fund in the amount of \$7,837,719, net of \$4,356,120 deferred revenue, made in prior years were written off.

The net effect of the above adjustments was to increase Net Assets of Governmental Activities in the amount of \$43,134,544.

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**NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)**

*Business Activities*

Local Transportation Fund capital assets amounting to \$267,702 were written off and inventory balances were adjusted upward by \$1,336,371 as of June 30, 2003. The net effect of these adjustments was to increase Net Assets of Business Activities in the amount of \$1,068,669.

**NOTE 12 – SELF-INSURANCE PROGRAM**

The City of Vallejo manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

**A. Risk Coverage**

The City of Vallejo is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims in excess of \$1,000,000 up to \$25,000,000 per occurrence. The City has a self-insured retention or deductible of \$1,000,000 per claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2004, the City contributed \$364,839 for coverage during the current year and received a refund of \$212,350 of prior year excess contributions.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to statutory limits. The City has self-insured retention of up to \$350,000 per claim up to \$2,000,000 covered by local agency workers' compensation excess insurance (LAWXC). Losses above \$2,000,000 up to \$100,000,000 are insured with California Public Entity Insurance Authority. During the fiscal year ended June 30, 2004, the City contributed \$332,839, for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

**Vallejo Sanitation and Flood Control District**—VSFCD is a member of the California Sanitation Risk Management Authority which provides coverage up to \$300,000. Excess public entity general liability insurance is obtained for coverage up to \$10,000,000 associated with either sanitary sewer or storm drain operations. Liability coverage for employment practices is subject to a deductible of \$25,000. Auto liability is subject to a deductible of \$1,000.

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**NOTE 12 – SELF-INSURANCE PROGRAM (Continued)**

CSRMA also provides coverage for the first \$300,000 of worker's compensation claims filed against VSFCD. Excess insurance provides coverage up to \$12,000,000.

The following types of loss risks are covered by the above authorities under the terms of their respective joint-powers agreements and through commercial insurance policies as follows:

Beginning balance	\$8,329,000
Increase (decrease) in current year claims and changes in estimates	(713,919)
Claims paid	<u>2,649,919</u>
Ending balance	<u><u>\$10,265,000</u></u>

The City has not significantly reduced its insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

**NOTE 13 – MARINE WORLD JOINT POWERS AUTHORITY**

In 1985, through a series of lease and sublease agreements, the Marine World park facilities were subleased by the City to the Agency, and by the Agency to the Marine World Foundation (Foundation), a California non-profit public benefit corporation.

During 1996, the Foundation defaulted on debt owed to the Agency and City. As a result, the City and the Agency formed the Marine World Joint Powers Authority (JPA), a component unit of the City. The JPA took over the ownership of Marine World on November 1, 1996. The Foundation conveyed all of its rights, title and interest in its permits, policies and assets to the JPA, and the JPA assumed all the obligations and liabilities of the Foundation.

In January 1997, the JPA issued \$63,465,000 of COPs under similar lease and sublease agreements. The proceeds were used to refund the 1990 COPs, issued to refund the 1985 and 1986 COPs, which were issued to finance the construction and acquisition of the Marine World facilities; and the 1991 Community Facilities District Bonds issued to fund new attractions and capital improvements to the facilities. The 1997 COPs are due through 2028 and may be prepaid without penalty after 2002. During 2004, principal payments in the amount of \$890,000 were made.

The various leases and subleases described above expire when the 1997 COPs have been retired, at which time title to the facilities passes from the JPA to the City. Lease payments are equal to the annual principal and semi-annual interest payments related to the 1997 COPs and continue through February 1, 2028, unless the COPs are paid earlier. To the extent the JPA fails to make timely lease payments, the City is required to make payments necessary to assure timely payment of principal and interest on the 1997 COPs. The Agency is responsible for sublease payments only to the extent it receives lease payments from the JPA.

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**NOTE 13 – MARINE WORLD JOINT POWERS AUTHORITY (Continued)**

Marine World provides regularly scheduled programs and amusement rides to members of the public, who are required to pay an admission charge for admission to Marine World. Marine World includes various stadiums, exhibits, and arena designed for the presentation of programs related to specific marine mammals (including whales, dolphins and sea lions), exotic land animals (including lions, tigers, chimpanzees and elephants) and birds, in addition to thrill rides. Marine World also includes various incidental commercial establishments (food and gift shops) to service both operating staff and the members of the public.

**A. *Agreements with the Corporation***

The Marine World JPA and the Corporation entered into a management agreement commencing April 1, 1997. The amended agreement expires December 18, 2006, although it is subject to certain termination clauses. The management fee of \$250,000, plus 20% of gross revenue in excess of \$35 million up to a maximum of \$250,000, is payable annually. Under this agreement, the Marine World JPA paid the City \$583,324 for the fourteen months ended December 31, 2003, of which \$250,000 relates to the contingent fee. In addition, the Corporation provides Marine World with general and workers' compensation liability insurance coverage for a fee. Revenue sharing payable to Park Management Corporation represents an accumulation of unpaid management and insurance fees.

**B. *Commitments and Contingencies***

**Minimum Rent**-The Marine World JPA has an agreement with the City for use of the Parking Facilities by patrons of Marine World. In consideration for the use of the Parking Facilities, the Marine World JPA makes minimum rent payments through the year 2011. The minimum rent payable for the Parking Facilities corresponds to a portion of the debt service due annually on the fairgrounds Drive Assessment District No. 65 Assessment Bonds. In addition, under the agreement, a percentage of net parking revenues in excess of the minimum rent payments is to be paid quarterly to Solano County. Future minimum rental payments due to the City through 2011 approximate \$41.4 million as of December 31, 2003.

**C. *Management Option Agreements***

On February 1, 1997, the JPA entered into a management agreement with Park Management Corp., a wholly owned subsidiary of Six Flags, Inc. The JPA has provided the Manager an option agreement, which if exercised, will result in a sale of the park to the Manager. The option can be exercised through February 1, 2007.

**D. *Revenue-sharing Agreement***

In November 1997, the Marine World JPA, the Agency and the Corporation entered into a revenue-sharing agreement. This agreement directs the disposition of revenues generated from the Public and Private Parcels' operations. The agreement states that revenues are to be applied to operating expenses of the Public and Private Parcels, working capital borrowings, and the annual payment of the obligations under the 1997 COPs and any other tax exempt notes or obligations under the Parking Facilities Lease. Any amount of revenue remaining after meeting the above requirements (the net revenue) is shared 80% to the Corporation and 20% to the Marine World JPA. The sharing of net revenues was negotiated between the parties based upon the anticipated respective improvement investments and the willingness of the Corporation to forego any return on its investment until operating costs and debt service requirements have been met.

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**NOTE 13 - DESCRIPTION OF MARINE JOINT POWERS AUTHORITY (Continued)**

In accordance with the revenue-sharing agreement, the accompanying financial information reflects a payable to the Corporation in the amount of \$6,901,352 reflecting the Corporation's 80% share at October 31, 2003.

The following is a reconciliation of the revenue-sharing calculation to net income at October 31, 2003:

Net Loss	(\$1,732,016)
Distribution to the City of Vallejo	2,198,310
Depreciation and amortization	2,149,044
Revenue-sharing due to the Corporation	6,901,352
1997 COPs principal payment	<u>(890,000)</u>
Operating income per revenue-sharing agreement	8,626,690
Percentage of revenue-sharing	<u>80%</u>
Revenue-sharing due to the Corporation	<u><u>\$6,901,352</u></u>

**E. *Marine Mammals and Land Animals***

At the date of acquisition, animals were recorded at their estimated fair value based on market prices subject to age and availability of a particular species. All animals have been depreciated over a five-year life. At December 31, 2003 the Marine World financial statements presented the carrying value of animals of \$2,522,076, net of depreciation of \$2,522,076.

**F. *Contributed Goods and Services***

The Marine World JPA receives contributed goods and services that support Marine World's operations. Contributed goods and services are accounted for at their fair market value as revenue and expenses if the services meet the following criteria:

1. the service creates or enhances non-financial assets, or
2. the service requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers have made significant contributions of their time to support the Marine World JPA. The value of this contributed time is not reflected in the accompanying financial statements because the services do not meet the above criteria.

**G. *Goodwill***

Goodwill, arising from the acquisition of Marine World by the Marine World JPA was being amortized over a period of 25 years on a straight-line basis through October 31, 2002. For the fiscal year ended December 31, 2003, the Marine World JPA adopted FASB 142 and no longer amortizes its goodwill investments.

**CITY OF VALLEJO**  
**Comprehensive Annual Financial Report**  
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**NOTE 14 - COMMITMENT AND CONTINGENCY**

**Waterfront Development Project Area** – The Agency has identified contaminants on certain property located within the Waterfront Development Project area for which the Agency may be responsible for a portion of the remediation. An independent soils' engineering firm has developed four alternatives for remediation of the contaminants, depending upon future land use. The alternatives range from "No Action" with an estimated cost of \$1.2 million for basic containment and highly restricted land use to complete removal of contaminants for unrestricted land use with an estimated cost of \$33 million. Discussions are ongoing with the previous owner and the regional water quality control board having jurisdiction over the property as to the preferred remedial approach based on anticipated future land uses. The Agency believes that the previous owner may be responsible for part or all of such costs and therefore has not recorded a liability.

The Agency incurred \$617,745 of legal, investigative and remediation costs through June 30, 2004, and believes it may be entitled to recover some of this cost from a previous owner. The Agency paid approximately \$2.4 million for this property in 1988. Given the uncertainty over remediation costs, however, the property is carried at no value in the accompanying Government-Wide Statement of Net Assets.

***Vallejo Sanitation and Flood Control District***

The Vallejo Sanitation and Flood Control District has numerous ongoing capital projects that involve long-term construction contracts with payments billed and paid on a percentage-of-completion basis. Construction commitments related to these contracts at June 30, 2004 amounted to approximately \$6,982,000.

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**MAJOR BUDGETED GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND  
SPECIAL REVENUE FUNDS**

**Redevelopment Agency Debt Service Fund** - is to account for the accumulation of resources, most importantly property tax increment receipts, necessary for the payment of long term debt and other obligations incurred by the Redevelopment Project Areas.

CITY OF VALLEJO  
REDEVELOPMENT AGENCY DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Taxes	\$2,384,000	\$15,542,672	\$13,158,672
Use of money and property	<u>6,800</u>	<u>456,551</u>	<u>449,751</u>
<b>Total Revenues</b>	<u>2,390,800</u>	<u>15,999,223</u>	<u>13,608,423</u>
<b>EXPENDITURES:</b>			
Debt Service			
Principal	135,000	225,000	(90,000)
Interest and fiscal agent fees	<u>572,500</u>	<u>3,188,507</u>	<u>(2,616,007)</u>
<b>Total Expenditures</b>	<u>707,500</u>	<u>3,413,507</u>	<u>(2,706,007)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,683,300</u>	<u>12,585,716</u>	<u>10,902,416</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		1,537,878	1,537,878
Transfers out		(20,326,439)	(20,326,439)
Proceeds from long-term debt issuance		<u>2,617,597</u>	<u>2,617,597</u>
<b>Total other financing sources (uses)</b>		<u>(16,170,964)</u>	<u>(16,170,964)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$1,683,300</u>	<u>(3,585,248)</u>	<u>(\$5,268,548)</u>
Fund balance, July 1		(3,121,481)	
Prior period adjustments		<u>7,837,719</u>	
Fund balance, June 30		<u>\$1,130,990</u>	

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**Library Fund** accounts for the City's John F. Kennedy and Springtown libraries that are operated by Solano County through a contractual agreement.

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

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

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

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

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

**Repair & Demolition Revolving Fund** accounts for monies that are expended and received to repair or demolish blighted buildings in the City.

**R. W. Johnson Foundation Grant Fund** accounts for funds provided by a private foundation to the City. The City subcontracts with the Vallejo Community Consortium, a nonprofit organization, to carry out the purpose of this grant, which is to address social needs and concerns of the community.

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

**Downtown Business Improvement Fund** accounts for monies received for downtown business owners and to provide assistance in preserving and improving the downtown business area.

**Mare Island Leasing Fund** accounts for monies received from tenants placed on Mare Island Naval Shipyard during conversion process.

**Mare Island Cooperative Agreement Fund** accounts for monies received from the U.S. Navy which are used for activities of the City of Vallejo relating to caretaker activities during the conversion of the Mare Island Naval Shipyard during the conversion process.

**Mare Island Improvement District Fund** accounts for monies received for the improvement and preservation of Mare Island.

**Mare Island CFD Fund** accounts for monies received as a result of assessments to property owners for maintenance and repair of infrastructure and facilities on the former Mare Island Naval Shipyard.

**Neighborhood Parks Fund** accounts for monies received from developers and expended on parks within the City.

## NON-MAJOR GOVERNMENTAL FUNDS (Continued)

**School Ground Improvements Fund** accounts for monies that are transferred from the water system equal to the amount of water payments made by the School District. Expenditures from this fund are restricted to projects that enhance the landscaping of school grounds.

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

**Local Law Enforcement Grant Fund** accounts for revenues received from the Local Law Enforcement Block Grant.

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

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

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

**FEMA Grant Fund** accounts for monies received and expended under the Federal Emergency Management Agency Grant program

### DEBT SERVICE FUNDS

**Financing Authority Fund** accounts for the issuance of revenue anticipation notes, borrowing from the Agency and loans made to Marine World Foundation. It also accounts for the accumulation of revenues and payment of the annual debt service requirements of revenue anticipation notes.

**Certificates of Participation Fund** accounts for the accumulation of lease revenue and the payments of annual debt service requirements.

**Improvement District Funds** accounts for the accumulation of 1984 Mello Roos Act revenues and payments at annual debt service requirements. This fund will close at fiscal year 2004.

**Assessment District Funds** accounts for the accumulation of 1915 Assessment Act revenues and payments at annual debt service requirements. This fund will close at fiscal year 2004.

### CAPITAL PROJECTS FUNDS

**Capital Outlay Fund** accounts for monies received from the Real Property Development Tax Ordinance and expended on acquisitions and improvements of public property, public works projects, facilities, equipment and systems. The source of these funds were replaced with specific mitigation impact fees.

**Fire Station #7 Fund** accounts for development fees that are to be used for the construction of a fire station to service area #7.

**Transportation Impact Mitigation Fund** accounts for monies received from the Transportation Impact fee imposed on commercial and residential development and expended on transportation improvements necessitated by such development.

## NON-MAJOR GOVERNMENTAL FUNDS (Continued)

**Hiddenbrooke Overpass Fund** accounts for monies received from the Hiddenbrooke Overpass fee imposed on commercial and residential development within the Hiddenbrooke development area. These funds will be used to renovate the existing Hiddenbrooke overpass.

**Bridge Construction Fund** accounts for monies received from the Bridge Construction Development Tax Ordinance and expended to provide new bridges and other traffic improvements within the City.

**Northgate Fee & Benefit District #93-1 Fund** accounts for monies received from the development of the Northgate District #93-1 and expended for public improvements within that development area.

**Northgate Fee & Benefit District #94-1 Fund** accounts for monies received from the development of the Northgate District #94-1 and expended for public improvements within that development area.

**Traffic Signal Interconnection Fund** accounts for monies received from State sources to be expended on the renovation of the traffic signals within the City.

**Citywide Traffic Signal II Fund** accounts for monies received for upgrading and interconnecting all signals within the City.

**Solano Bike Project Fund** accounts for monies received for the County Bikeway System to connect the bike lane from Vallejo to Fairfield.

**Arts and Convention Center Fund** accounts for monies set aside for the design and construction of an Arts and Convention Center within the City.

**Certificates of Participations Fund** The proceeds of the Certificates will be used to provide for the acquisition, construction, installation and equipping of certain capital improvements of the city and was used to retire certain loans with the State of California incurred by the Marina.

**Mare Island Benefit District Fund** accounts for monies received from the development of Mare Island and expended for public improvements within that development area.

### **PERMANENT FUND**

**McCune Collection Fund** accounts for monies held for the Library which consists of donations and sales of rare books to maintain the McCune book collection.

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2004

SPECIAL REVENUE FUNDS

	Library	Solid Waste Disposal	Assets Seizure	State Gas Tax	Community Development Block Grant
<b>ASSETS</b>					
Cash and investments	\$57,408	\$756,695	\$287,478	\$539,018	
Restricted cash and investments					
Accounts receivable		71,294	251	165,577	\$18,065
Due from other funds					
Due from other governments	9,216			211,819	332,443
Advance to other funds					
Mortgage notes					972,821
<b>Total assets</b>	<b>\$66,624</b>	<b>\$827,989</b>	<b>\$287,729</b>	<b>\$916,414</b>	<b>\$1,323,329</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities		\$286,996		\$123,571	\$229,417
Salaries and wages payable		6,911			8,197
Due to other funds					156,939
Due to other governments			\$32,704		
Deferred revenues					928,776
Deposits payable			151,781		
<b>Total liabilities</b>		<b>293,907</b>	<b>184,485</b>	<b>123,571</b>	<b>1,323,329</b>
<b>FUND EQUITY</b>					
Fund balances					
Reserved for:					
Encumbrances		109,837		340,466	
Debt service					
Capital projects					
Advance to other funds					
Unreserved, undesignated	66,624	424,245	103,244	452,377	
<b>Total fund balances</b>	<b>66,624</b>	<b>534,082</b>	<b>103,244</b>	<b>792,843</b>	
<b>Total liabilities and fund balances</b>	<b>\$66,624</b>	<b>\$827,989</b>	<b>\$287,729</b>	<b>\$916,414</b>	<b>\$1,323,329</b>

**SPECIAL REVENUE FUNDS**

<u>HOME Program</u>	<u>Repair &amp; Demolition Revolving</u>	<u>R. W. Johnson Foundation Grant</u>	<u>Community Services District</u>	<u>Downtown Business Improvements</u>	<u>Mare Island Leasing</u>	<u>Mare Island Cooperative Agreement</u>
\$108,198	\$173,678		\$1,265,427 12,507		\$4,066,644	\$87,476
98,283		\$1	1,244		4,025	
2,209,105						
<u>\$2,415,586</u>	<u>\$173,678</u>	<u>\$1</u>	<u>\$1,279,178</u>		<u>\$4,070,669</u>	<u>\$87,476</u>
\$53,215 3,462		\$711	\$35,510		\$12,177 11,980	
60,928 2,297,981		216			2,390,353	\$85,705
			100,000		253,098	
<u>2,415,586</u>		<u>927</u>	<u>135,510</u>		<u>2,667,608</u>	<u>85,705</u>
			\$34,924			
	173,678	(926)	1,108,744		1,403,061	1,771
	173,678	(926)	1,143,668		1,403,061	1,771
<u>\$2,415,586</u>	<u>\$173,678</u>	<u>\$1</u>	<u>\$1,279,178</u>		<u>\$4,070,669</u>	<u>\$87,476</u>

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2004

SPECIAL REVENUE FUNDS

	Mare Island Improvement District	Mare Island CFD	Neighborhood Parks	School Ground Improvement	Hazmat Revolving Fund
<b>ASSETS</b>					
Cash and investments	\$81,380	\$1,396,710	\$5,323,983	\$613,347	\$286,302
Restricted cash and investments					
Accounts receivable		17,259		573	10,268
Due from other funds					
Due from other governments					
Advance to other funds					
Mortgage notes			207,905		
<b>Total assets</b>	<u>\$81,380</u>	<u>\$1,413,969</u>	<u>\$5,531,888</u>	<u>\$613,920</u>	<u>\$296,570</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities		\$55,555			\$2,082
Salaries and wages payable		51,152			
Due to other funds					
Due to other governments					
Deferred revenues			\$5,442		
Deposits payable			37,000		
<b>Total liabilities</b>		<u>106,707</u>	<u>42,442</u>		<u>2,082</u>
<b>FUND EQUITY</b>					
Fund balances					
Reserved for:					
Encumbrances		\$15,033			\$1,000
Debt service					
Capital projects					
Advance to other funds					
Unreserved, undesignated	\$81,380	1,292,229	5,489,446	\$613,920	293,488
<b>Total fund balances</b>	<u>81,380</u>	<u>1,307,262</u>	<u>5,489,446</u>	<u>613,920</u>	<u>294,488</u>
<b>Total liabilities and fund balances</b>	<u>\$81,380</u>	<u>\$1,413,969</u>	<u>\$5,531,888</u>	<u>\$613,920</u>	<u>\$296,570</u>

SPECIAL REVENUE FUNDS

DEBT SERVICE FUNDS

Local Law Enforcement Grant	Supplemental Law Enforcement Grant	Traffic Offender/ Vehicle Impound Program	Landscape Maintenance District	FEMA Grant	Improvements Districts	Assessment Districts
\$222,446		\$508,081	\$2,303,381	\$244,828		
	\$361	15,225	4,857	229		
<u>\$222,446</u>	<u>\$361</u>	<u>\$523,306</u>	<u>\$2,308,238</u>	<u>\$245,057</u>		
\$118,055		\$2,766	\$215,024 17,869 797			
<u>118,055</u>		<u>2,766</u>	<u>233,690</u>			
\$319,337	\$18,959		\$5,151			
(214,946)	(18,598)	520,540	2,069,397	245,057		
<u>104,391</u>	<u>361</u>	<u>520,540</u>	<u>2,074,548</u>	<u>245,057</u>		
<u>\$222,446</u>	<u>\$361</u>	<u>\$523,306</u>	<u>\$2,308,238</u>	<u>\$245,057</u>		

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2004

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECTS FUNDS</u>		
	<u>Financing Authority</u>	<u>Certificates of Participation</u>	<u>Capital Outlay</u>	<u>Fire Station #7</u>	<u>Transportation Impact Mitigation</u>
<b>ASSETS</b>					
Cash and investments	\$95,457	\$283	\$875,920	\$128,797	\$1,317,912
Restricted cash and investments		212,569	16,534		
Accounts receivable	89		20,680	114	5,861
Due from other funds		2,390,353			5,012,954
Due from other governments			777,555		
Advance to other funds					
Mortgage notes					
Total assets	<u>\$95,546</u>	<u>\$2,603,205</u>	<u>\$1,690,689</u>	<u>\$128,911</u>	<u>\$6,336,727</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities		\$1	\$387,351		\$16,597
Salaries and wages payable					
Due to other funds		173			
Due to other governments					
Deferred revenues					
Deposits payable					
Total liabilities		<u>174</u>	<u>387,351</u>		<u>16,597</u>
<b>FUND EQUITY</b>					
Fund balances					
Reserved for:					
Encumbrances			\$173,867		\$120,140
Debt service	\$95,546	2,603,031			
Capital projects					
Advance to other funds					
Unreserved, undesignated			1,129,471	\$128,911	6,199,990
Total fund balances	<u>95,546</u>	<u>2,603,031</u>	<u>1,303,338</u>	<u>128,911</u>	<u>6,320,130</u>
Total liabilities and fund balances	<u>\$95,546</u>	<u>\$2,603,205</u>	<u>\$1,690,689</u>	<u>\$128,911</u>	<u>\$6,336,727</u>

**CAPITAL PROJECTS FUNDS**

<u>Hiddenbrooke Overpass</u>	<u>Bridge Construction</u>	<u>Northgate Fee &amp; Benefit District #93-1</u>	<u>Northgate Fee &amp; Benefit District #94-1</u>	<u>Traffic Signal Interconnection</u>	<u>Citywide Traffic Signal II</u>	<u>Solano Bike Project</u>
\$4,896,593	\$3,699,588	\$1,530,063	\$739,186	\$279,627	\$12,796	
4,576	3,585	256,156	332,709	251		
	105,734	1,448	537			
	500,000					
<u>\$4,901,169</u>	<u>\$4,308,907</u>	<u>\$1,787,667</u>	<u>\$1,072,432</u>	<u>\$279,878</u>	<u>\$12,796</u>	
	\$98,367	\$145,627	\$70,599	\$144,964		\$11,366
		109,435				
	98,367	255,062	70,599	144,964		11,366
\$22,001	\$38,265	\$15,489				
	500,000					
<u>4,879,168</u>	<u>3,672,275</u>	<u>1,517,116</u>	<u>1,001,833</u>	<u>134,914</u>	<u>\$12,796</u>	<u>(\$11,366)</u>
<u>4,901,169</u>	<u>4,210,540</u>	<u>1,532,605</u>	<u>1,001,833</u>	<u>134,914</u>	<u>12,796</u>	<u>(11,366)</u>
<u>\$4,901,169</u>	<u>\$4,308,907</u>	<u>\$1,787,667</u>	<u>\$1,072,432</u>	<u>\$279,878</u>	<u>\$12,796</u>	

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2004

	CAPITAL PROJECTS FUNDS			PERMANENT FUND	Total Nonmajor Governmental Funds
	Art and Convention Center	Certificates of Participation	Mare Island Benefit District	N.E. Quadrant Improvement District 03-1	
<b>ASSETS</b>					
Cash and investments	\$1,086,497	\$1,548,972			\$34,649,212
Restricted cash and investments		18,058,428		\$6,373,350	25,262,253
Accounts receivable	1,012	1,549			447,321
Due from other funds					7,509,041
Due from other governments					1,331,033
Advance to other funds	2,828,000				3,328,000
Mortgage notes					3,389,831
<b>Total assets</b>	<b>\$3,915,509</b>	<b>\$19,608,949</b>		<b>\$6,373,350</b>	<b>\$75,916,691</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities		\$800,566			\$2,799,151
Salaries and wages payable					99,571
Due to other funds		24,438			2,583,485
Due to other governments					180,134
Deferred revenues					3,232,199
Deposits payable				115,148	766,462
<b>Total liabilities</b>		<b>825,004</b>		<b>115,148</b>	<b>\$9,661,002</b>
<b>FUND EQUITY</b>					
Fund balances					
Reserved for:					
Encumbrances		\$252,227			\$1,466,696
Debt service					2,698,577
Capital projects				\$6,373,350	6,373,350
Advance to other funds	\$2,828,000				3,328,000
Unreserved, undesignated	1,087,509	18,531,718			52,389,066
<b>Total fund balances</b>	<b>3,915,509</b>	<b>18,783,945</b>		<b>6,373,350</b>	<b>66,255,689</b>
<b>Total liabilities and fund balances</b>	<b>\$3,915,509</b>	<b>\$19,608,949</b>		<b>\$115,148</b>	<b>\$75,916,691</b>

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CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2004

SPECIAL REVENUE FUNDS

	Library	Solid Waste Disposal	Asset Seizure	State Gas Tax	Community Development Block Grant
<b>REVENUES</b>					
Taxes					
Licenses, permits and fees		\$372,031			
Fines and forfeitures			\$46,110		
Intergovernmental	\$16,722	78,122		\$2,258,755	\$1,074,752
Use of money and property	42,996	15,864	2,550	5,309	419,297
Charges for services		84,796		132,141	
Contributions from property owners					
Other		572,282		239,678	31,730
<b>Total Revenues</b>	<b>59,718</b>	<b>1,123,095</b>	<b>48,660</b>	<b>2,635,883</b>	<b>1,525,779</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
Development services		840,295			
Community development					1,519,979
Fire services					
Police services			106,342		
Public works	10,020	787,127		2,513,121	
Nondepartmental					
Capital outlay					
Debt Service					
Principal					
Interest and fiscal agent fees					
<b>Total Expenditures</b>	<b>10,020</b>	<b>1,627,422</b>	<b>106,342</b>	<b>2,513,121</b>	<b>1,519,979</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>49,698</b>	<b>(504,327)</b>	<b>(57,682)</b>	<b>122,762</b>	<b>5,800</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Gain (loss) on sale of assets					
Transfers in					
Transfers (out)					(5,800)
Proceeds from long term debt issuance					
<b>Total Other Financing Sources (Uses)</b>					<b>(5,800)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>49,698</b>	<b>(504,327)</b>	<b>(57,682)</b>	<b>122,762</b>	
<b>BEGINNING FUND BALANCES</b>	<b>16,926</b>	<b>1,038,409</b>	<b>160,926</b>	<b>670,081</b>	
Prior period adjustments					
<b>ENDING FUND BALANCES</b>	<b>\$66,624</b>	<b>\$534,082</b>	<b>\$103,244</b>	<b>\$792,843</b>	

**SPECIAL REVENUE FUNDS**

<u>HOME Program</u>	<u>Repair &amp; Demolition Revolving</u>	<u>R.W. Johnson Foundation Grant</u>	<u>Community Services District</u>	<u>Downtown Business Improvement</u>	<u>Mare Island Leasing</u>	<u>Mare Island Cooperative Agreement</u>
				\$137,372		
\$369,428						
900,480	(\$1,714)	(\$184)	\$16,323		\$379,855	\$1,771
			516,243		781,216	
2,785		19,272	27,207			
<u>1,272,693</u>	<u>(1,714)</u>	<u>19,088</u>	<u>559,773</u>	<u>137,372</u>	<u>1,161,071</u>	<u>1,771</u>
1,272,693					898,101	
		110,014	667,177	137,837		
<u>1,272,693</u>		<u>110,014</u>	<u>667,177</u>	<u>137,837</u>	<u>898,101</u>	
	(1,714)	(90,926)	(107,404)	(465)	262,970	1,771
		90,000			250,000	
					(60,486)	
		90,000			189,514	
	(1,714)	(926)	(107,404)	(465)	452,484	1,771
	175,392		1,251,072	465	950,577	
	\$173,678	(\$926)	\$1,143,668		\$1,403,061	\$1,771

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2004

SPECIAL REVENUE FUNDS					
	Mare Island Improvement District	Mare Island CFD	Neighborhood Parks	School Ground Improvement	Hazmat Revolving Fund
<b>REVENUES</b>					
Taxes		\$96,148			
Licenses, permits and fees		218,486	\$844,266		\$40,000
Fines and forfeitures					
Intergovernmental		789,178			
Use of money and property		7,866	46,359	\$814	(5,258)
Charges for services		2,608,578			
Contributions from property owners					
Other				423,123	
<b>Total Revenues</b>		<u>3,720,256</u>	<u>890,625</u>	<u>423,937</u>	<u>34,742</u>
<b>EXPENDITURES</b>					
Current					
Development services					
Community development					
Fire services		1,915,300			3,232
Police services		531,900			
Public works		1,643,976		170	
Nondepartmental			81,163		
Capital outlay					
Debt Service					
Principal					
Interest and fiscal agent fees					
<b>Total Expenditures</b>		<u>4,091,176</u>	<u>81,163</u>	<u>170</u>	<u>3,232</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		<u>(370,920)</u>	<u>809,462</u>	<u>423,767</u>	<u>31,510</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Gain (loss) on sale of assets					
Transfers in					
Transfers (out)					
Proceeds from long term debt issuance					
<b>Total Other Financing Sources (Uses)</b>					
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>		<u>(370,920)</u>	<u>809,462</u>	<u>423,767</u>	<u>31,510</u>
<b>BEGINNING FUND BALANCES</b>	<u>\$81,380</u>	<u>1,678,182</u>	<u>4,679,984</u>	<u>190,153</u>	<u>262,978</u>
Prior period adjustments					
<b>ENDING FUND BALANCES</b>	<u>\$81,380</u>	<u>\$1,307,262</u>	<u>\$5,489,446</u>	<u>\$613,920</u>	<u>\$294,488</u>

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
Local Law Enforcement Grant	Supplemental Law Enforcement Grant	Traffic Offender/ Vehicle Impound Program	Landscape Maintenance Districts	FEMA Grant	Improvements Districts	Assessment Districts
		\$171,114	\$45,292			
\$460,911	\$178,905 3,769	(4,170)	22,764 1,979,208	\$3,007		
		30,296	86,178			
460,911	182,674	197,240	2,133,442	3,007		
		103,495	2,268,072	2		
415,152						
456,744 74,333	22,041					
946,229	22,041	103,495	2,268,072	2		
(485,318)	160,633	93,745	(134,630)	3,005		
386,126	(386,126)		39,617			
386,126	(386,126)		39,617			
(99,192)	(225,493)	93,745	(95,013)	3,005		
203,583	225,854	426,795	2,169,561	242,052	\$7,608,075	\$7,264,061
					(7,608,075)	(7,264,061)
\$104,391	\$361	\$520,540	\$2,074,548	\$245,057		

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2004

	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS		
	Financing Authority	Certificates of Participation	Capital Outlay	Fire Station #7	Transportation Impact Mitigation
<b>REVENUES</b>					
Taxes					
Licenses, permits and fees				\$31,331	\$982,154
Fines and forfeitures					
Intergovernmental			\$2,538,838		
Use of money and property	\$1,156	\$1,248	633	316	67,181
Charges for services					
Contributions from property owners					
Other			407,220		
<b>Total Revenues</b>	<b>1,156</b>	<b>1,248</b>	<b>2,946,691</b>	<b>31,647</b>	<b>1,049,335</b>
<b>EXPENDITURES</b>					
Current					
Development services					
Community development					
Fire services					
Police services					
Public works					
Nondepartmental					
Capital outlay			3,187,106	13	63,625
Debt Service					
Principal		590,241			
Interest and fiscal agent fees		691,167			
<b>Total Expenditures</b>		<b>1,281,408</b>	<b>3,187,106</b>	<b>13</b>	<b>63,625</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,156</b>	<b>(1,280,160)</b>	<b>(240,415)</b>	<b>31,634</b>	<b>985,710</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Gain (loss) on sale of assets					
Transfers in		1,211,578	212,000		
Transfers (out)					
Proceeds from long term debt issuance					
<b>Total Other Financing Sources (Uses)</b>		<b>1,211,578</b>	<b>212,000</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>1,156</b>	<b>(68,582)</b>	<b>(28,415)</b>	<b>31,634</b>	<b>985,710</b>
<b>BEGINNING FUND BALANCES</b>	<b>94,390</b>	<b>2,671,613</b>	<b>1,331,753</b>	<b>97,277</b>	<b>5,334,420</b>
Prior period adjustments					
<b>ENDING FUND BALANCES</b>	<b>\$95,546</b>	<b>\$2,603,031</b>	<b>\$1,303,338</b>	<b>\$128,911</b>	<b>\$6,320,130</b>

**CAPITAL PROJECTS FUNDS**

<u>Hiddenbrooke Overpass</u>	<u>Bridge Construction</u>	<u>Northgate Fee &amp; Benefit District #93-1</u>	<u>Northgate Fee &amp; Benefit District #94-1</u>	<u>Traffic Signal Interconnection</u>	<u>Citywide Traffic Signal II</u>	<u>Solano Bike Project</u>
\$392,285			\$440,533			
344,714				\$112,675		
56,020	\$52,378	\$19,818	(2,695)	2,633		
			61,120			
		256,156	332,709	(14,474)		
793,019	52,378	275,974	831,667	100,834		
41,896	115,052	226,087	111,777	211,085		
41,896	115,052	226,087	111,777	211,085		
751,123	(62,674)	49,887	719,890	(110,251)		
	278					
	278					
751,123	(62,396)	49,887	719,890	(110,251)		
4,150,046	4,272,936	1,482,718	281,943	245,165	\$12,796	(\$11,366)
\$4,901,169	\$4,210,540	\$1,532,605	\$1,001,833	\$134,914	\$12,796	(\$11,366)

(Continued)

CITY OF VALLEJO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2004

	CAPITAL PROJECTS FUNDS				PERMANENT FUND	Total Nonmajor Governmental Funds
	Arts and Convention Center	Certificates of Participation	Mare Island Benefit District	N.E. Quadrant Improvement District 03-1	McCune Collection	
<b>REVENUES</b>						
Taxes						\$671,097
Licenses, permits and fees						3,444,629
Fines and forfeitures						46,110
Intergovernmental						7,878,286
Use of money and property	\$73,516	\$135,907		\$17,551		2,283,360
Charges for services			\$10,500			6,173,802
Charges for services				6,201,378		6,201,378
Other				465,180		2,879,342
<b>Total Revenues</b>	<b>73,516</b>	<b>135,907</b>	<b>10,500</b>	<b>6,684,109</b>		<b>29,578,004</b>
<b>EXPENDITURES</b>						
Current						
Development services						840,295
Community development						3,690,773
Fire services						1,918,532
Police services						741,737
Public works				310,759		8,200,424
Nondepartmental						329,014
Capital outlay	33	3,077,284	22,893			7,472,003
Debt Service						
Principal						1,069,026
Interest and fiscal agent fees						765,500
<b>Total Expenditures</b>	<b>33</b>	<b>3,077,284</b>	<b>22,893</b>	<b>310,759</b>		<b>25,027,304</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>73,483</b>	<b>(2,941,377)</b>	<b>(12,393)</b>	<b>6,373,350</b>		<b>4,550,700</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Gain (loss) on sale of assets						250,000
Transfers in						1,939,599
Transfers (out)		(71,822)				(524,234)
Proceeds from long term debt issuance		4,125,602				4,125,602
<b>Total Other Financing Sources (Uses)</b>		<b>4,053,780</b>				<b>5,790,967</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>73,483</b>	<b>1,112,403</b>	<b>(12,393)</b>	<b>6,373,350</b>		<b>10,341,667</b>
<b>BEGINNING FUND BALANCES</b>	<b>3,842,026</b>	<b>17,671,542</b>	<b>12,393</b>			<b>70,786,158</b>
Prior period adjustments						(14,872,136)
<b>ENDING FUND BALANCES</b>	<b>\$3,915,509</b>	<b>\$18,783,945</b>		<b>\$6,373,350</b>		<b>\$66,255,689</b>

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CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	SOLID WASTE DISPOSAL			ASSET SEIZURE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees	\$640,000	\$372,031	(\$267,969)			
Fines and forfeitures				\$120,000	\$46,110	(\$73,890)
Intergovernmental	69,540	78,122	8,582			
Use of money and property		15,864	15,864	2,000	2,550	550
Charges for services	90,700	84,796	(5,904)			
Other	1,246,100	572,282	(673,818)			
<b>Total Revenues</b>	<b>2,046,340</b>	<b>1,123,095</b>	<b>(923,245)</b>	<b>122,000</b>	<b>48,660</b>	<b>(73,340)</b>
<b>EXPENDITURES</b>						
Current						
Development services	841,764	840,295	1,469			
Community development						
Fire services						
Police services				148,000	106,342	41,658
Public works	1,015,041	787,127	227,914			
Nondepartmental						
Capital Outlay	3,000		3,000			
Debt service						
Principal						
Interest and fiscal agent fees						
<b>Total Expenditures</b>	<b>1,859,805</b>	<b>1,627,422</b>	<b>232,383</b>	<b>148,000</b>	<b>106,342</b>	<b>41,658</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>186,535</b>	<b>(504,327)</b>	<b>(690,862)</b>	<b>(26,000)</b>	<b>(57,682)</b>	<b>(31,682)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Gain (loss) on sale of assets						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>\$186,535</b>	<b>(504,327)</b>	<b>(\$690,862)</b>	<b>(\$26,000)</b>	<b>(57,682)</b>	<b>(\$31,682)</b>
<b>BEGINNING FUND BALANCES</b>		<b>1,038,409</b>			<b>160,926</b>	
<b>ENDING FUND BALANCES</b>		<b>\$534,082</b>			<b>\$103,244</b>	

COMMUNITY  
DEVELOPMENT  
BLOCK GRANT

STATE GAS TAX			COMMUNITY DEVELOPMENT BLOCK GRANT			HOME PROGRAM		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$2,345,000	\$2,258,755	(\$86,245)	\$1,493,000	\$1,074,752	(\$418,248)	\$703,400	\$369,428	(\$333,972)
15,000	5,309	(9,691)	84,730	419,297	334,567	487,935	900,480	412,545
	132,141	132,141						
160,000	239,678	79,678		31,730	31,730		2,785	2,785
<u>2,520,000</u>	<u>2,635,883</u>	<u>115,883</u>	<u>1,577,730</u>	<u>1,525,779</u>	<u>(51,951)</u>	<u>1,191,335</u>	<u>1,272,693</u>	<u>81,358</u>
			2,717,359	1,519,979	1,197,380	1,566,513	1,272,693	293,820
2,951,805	2,513,121	438,684						
			15,000		15,000			
<u>2,951,805</u>	<u>2,513,121</u>	<u>438,684</u>	<u>2,732,359</u>	<u>1,519,979</u>	<u>1,212,380</u>	<u>1,566,513</u>	<u>1,272,693</u>	<u>293,820</u>
<u>(431,805)</u>	<u>122,762</u>	<u>554,567</u>	<u>(1,154,629)</u>	<u>5,800</u>	<u>1,160,429</u>	<u>(375,178)</u>		<u>375,178</u>
				(5,800)	(5,800)			
				(5,800)	(5,800)			
<u>(431,805)</u>	<u>122,762</u>	<u>554,567</u>	<u>(1,154,629)</u>		<u>\$1,154,629</u>	<u>(375,178)</u>		<u>\$375,178</u>
	670,081							
	<u>\$792,843</u>							

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	COMMUNITY SERVICES DISTRICT			DOWNTOWN BUSINESS IMPROVEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes					\$137,372	\$137,372
Licenses, permits and fees						
Fines and forfeitures						
Intergovernmental						
Use of money and property		\$16,323	\$16,323			
Charges for services		516,243	516,243			
Other		27,207	27,207			
<b>Total Revenues</b>		<u>559,773</u>	<u>559,773</u>		<u>137,372</u>	<u>137,372</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Development services						
Community development						
Fire services						
Police services						
Public works	\$868,487	667,177	201,310			
Nondepartmental				\$69,945	137,837	(67,892)
Capital Outlay						
Debt service						
Principal						
Interest and fiscal agent fees						
<b>Total Expenditures</b>	<u>868,487</u>	<u>667,177</u>	<u>201,310</u>	<u>69,945</u>	<u>137,837</u>	<u>(67,892)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(868,487)</u>	<u>(107,404)</u>	<u>761,083</u>	<u>(69,945)</u>	<u>(465)</u>	<u>69,480</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>						
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u><u>(\$868,487)</u></u>	<u><u>(107,404)</u></u>	<u><u>\$761,083</u></u>	<u><u>(\$69,945)</u></u>	<u><u>(465)</u></u>	<u><u>\$69,480</u></u>
<b>BEGINNING FUND BALANCES</b>		<u>1,251,072</u>			<u>465</u>	
<b>ENDING FUND BALANCES</b>		<u><u>\$1,143,668</u></u>			<u><u>          </u></u>	

MARE ISLAND LEASING			MARE ISLAND CFD			NEIGHBORHOOD PARKS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$30,000	\$96,148	\$66,148			
			85,000	218,486	133,486	\$500,000	\$844,266	\$344,266
\$202,000	\$379,855	\$177,855	600,000	789,178	189,178			
10,000	781,216	771,216	4,325,000	2,608,743	(1,716,257)	30,000	46,359	16,359
				(165)	(165)			
212,000	1,161,071	949,071	5,040,000	3,720,256	(1,319,744)	530,000	890,625	360,625
1,196,597	898,101	298,496	1,915,300	1,915,300				
			531,900	531,900				
			2,543,728	1,643,976	899,752	1,065,800	81,163	984,637
			15,033		15,033			
1,196,597	898,101	298,496	5,005,961	4,091,176	914,785	1,065,800	81,163	984,637
(984,597)	262,970	1,247,567	34,039	(370,920)	(404,959)	(535,800)	809,462	1,345,262
	250,000	250,000						
(132,500)	(60,486)	72,014						
(132,500)	189,514	322,014						
(\$1,117,097)	452,484	\$1,569,581	\$34,039	(370,920)	(\$404,959)	(\$535,800)	809,462	\$1,345,262
	950,577			1,678,182			4,679,984	
	\$1,403,061			\$1,307,262			\$5,489,446	

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	HAZMAT REVOLVING FUND			LOCAL LAW ENFORCEMENT GRANT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes						
Licenses, permits and fees	\$40,000	\$40,000				
Fines and forfeitures						
Intergovernmental				\$197,016	\$460,911	\$263,895
Use of money and property	500	(5,258)	(\$5,758)			
Charges for services						
Other						
<b>Total Revenues</b>	<u>40,500</u>	<u>34,742</u>	<u>(5,758)</u>	<u>197,016</u>	<u>460,911</u>	<u>263,895</u>
<b>EXPENDITURES</b>						
Current						
Development services						
Community development						
Fire services	40,000	3,232	36,768			
Police services						
Public works						
Nondepartmental						
Capital Outlay				686,998	415,152	271,846
Debt service						
Principal				453,839	456,744	(2,905)
Interest and fiscal agent fees				74,333	74,333	
<b>Total Expenditures</b>	<u>40,000</u>	<u>3,232</u>	<u>36,768</u>	<u>1,215,170</u>	<u>946,229</u>	<u>268,941</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>500</u>	<u>31,510</u>	<u>31,010</u>	<u>(1,018,154)</u>	<u>(485,318)</u>	<u>532,836</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in					386,126	386,126
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>					<u>386,126</u>	<u>386,126</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$500</u>	<u>31,510</u>	<u>\$31,010</u>	<u>(\$1,018,154)</u>	<u>(99,192)</u>	<u>\$918,962</u>
<b>BEGINNING FUND BALANCES</b>		<u>262,978</u>			<u>203,583</u>	
<b>ENDING FUND BALANCES</b>		<u>\$294,488</u>			<u>\$104,391</u>	

SUPPLEMENTAL LAW ENFORCEMENT GRANT			TRAFFIC OFFENDER/VEHICLE IMPOUND PROGRAM			LANDSCAPE MAINTENANCE DISTRICTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
							\$45,292	\$45,292
			\$160,000	\$171,114	\$11,114			
	\$178,905	\$178,905					22,764	22,764
	3,769	3,769		(4,170)	(4,170)		1,979,208	1,979,208
			22,400	30,296	7,896		86,178	86,178
	182,674	182,674	182,400	197,240	14,840		2,133,442	2,133,442
			387,260	103,495	283,765			
						\$3,729,283	2,268,072	1,461,211
\$45,000	22,041	22,959						
45,000	22,041	22,959	387,260	103,495	283,765	3,729,283	2,268,072	1,461,211
(45,000)	160,633	205,633	(204,860)	93,745	298,605	(3,729,283)	(134,630)	3,594,653
							39,617	39,617
	-386,126	(386,126)						
	(386,126)	(386,126)					39,617	39,617
<u>(\$45,000)</u>	<u>(225,493)</u>	<u>(\$180,493)</u>	<u>(\$204,860)</u>	93,745	<u>\$298,605</u>	<u>(\$3,729,283)</u>	(95,013)	<u>\$3,634,270</u>
	225,854			426,795			2,169,561	
	<u>\$361</u>			<u>\$520,540</u>			<u>\$2,074,548</u>	

(Continued)

CITY OF VALLEJO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	FEMA GRANT		
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes			
Licenses, permits and fees			
Fines and forfeitures			
Intergovernmental			
Use of money and property		\$3,007	\$3,007
Charges for services			
Other			
Total Revenues		3,007	3,007
<b>EXPENDITURES</b>			
Current			
Development services			
Community development			
Fire services			
Police services			
Public works	\$242,800	2	242,798
Nondepartmental			
Capital Outlay			
Debt service			
Principal			
Interest and fiscal agent fees			
Total Expenditures	242,800	2	242,798
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(242,800)	3,005	245,805
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			
Transfers (out)			
Total Other Financing Sources (Uses)			
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(242,800)	3,005	245,805
<b>BEGINNING FUND BALANCES</b>		242,052	
<b>ENDING FUND BALANCES</b>		245,057	

## INTERNAL SERVICE FUNDS

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

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.

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Total
<b>ASSETS</b>					
Cash and investments	\$677,782	\$1,407,993	\$7,552,316	\$99,035	\$9,737,126
Accounts receivable	4,976	7,797			12,773
Materials, parts, and supplies	160,695				160,695
Capital assets, net	2,274,061	2,082,302			4,356,363
<b>Total Assets</b>	<b>3,117,514</b>	<b>3,498,092</b>	<b>7,552,316</b>	<b>99,035</b>	<b>14,266,957</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	64,433		25,493		89,926
Salaries and wages payable	79,874		11,597		91,471
Claims payable			10,265,000		10,265,000
Employee benefits payable, long term	226,140		16,001		242,141
<b>Total Liabilities</b>	<b>370,447</b>		<b>10,318,091</b>		<b>10,688,538</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,274,061	2,082,302			4,356,363
Unrestricted	473,006	1,415,790	(2,765,775)	99,035	(777,944)
<b>Total Net Assets</b>	<b>\$2,747,067</b>	<b>\$3,498,092</b>	<b>(\$2,765,775)</b>	<b>\$99,035</b>	<b>\$3,578,419</b>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
JUNE 30, 2004

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$1,570,367	\$440,852	\$4,792,518		\$6,803,737
Other	180,435	11,518			191,953
<b>Total Operating revenues</b>	<b>1,750,802</b>	<b>452,370</b>	<b>4,792,518</b>		<b>6,995,690</b>
<b>OPERATING EXPENSES</b>					
Salaries, wages and employee benefits	1,568,056		303,178		1,871,234
Materials, supplies and services		131,602			131,602
Insurance			6,210,959		6,210,959
Depreciation	938,662	447,127			1,385,789
<b>Total Operating expenses</b>	<b>2,506,718</b>	<b>578,729</b>	<b>6,514,137</b>		<b>9,599,584</b>
<b>Operating income (loss)</b>	<b>(755,916)</b>	<b>(126,359)</b>	<b>(1,721,619)</b>		<b>(2,603,894)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income (expense)	(5,264)	36,423		(\$977)	30,182
<b>Total nonoperating revenues (expenses)</b>	<b>(5,264)</b>	<b>36,423</b>		<b>(977)</b>	<b>30,182</b>
<b>Income (loss) before transfers</b>	<b>(761,180)</b>	<b>(89,936)</b>	<b>(1,721,619)</b>	<b>(977)</b>	<b>(2,573,712)</b>
Transfers in	1,320,930				1,320,930
Transfers (out)		(1,320,930)	(39,617)		(1,360,547)
<b>Change in net assets</b>	<b>559,750</b>	<b>(1,410,866)</b>	<b>(1,761,236)</b>	<b>(977)</b>	<b>(2,613,329)</b>
<b>BEGINNING NET ASSETS</b>	<b>108,624</b>	<b>5,910,297</b>	<b>(1,004,539)</b>	<b>3,581,611</b>	<b>8,595,993</b>
Prior period adjustments	2,078,693	(1,001,339)		(3,481,599)	(2,404,245)
<b>ENDING NET ASSETS</b>	<b>\$2,747,067</b>	<b>\$3,498,092</b>	<b>(\$2,765,775)</b>	<b>\$99,035</b>	<b>\$3,578,419</b>

CITY OF VALLEJO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004

	Corporation Shop	Equipment Replacement	Insurance	Intra- Governmental Loans	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$1,747,428	\$444,573	\$4,792,518	(\$4,356,120)	\$2,628,399
Payments to suppliers	5,569	(148,529)	(1,659,049)		(1,802,009)
Payments to employees	(1,519,503)		(300,771)		(1,820,274)
Claims paid			(2,649,919)		(2,649,919)
<b>Cash Flows from Operating Activities</b>	<b>233,494</b>	<b>296,044</b>	<b>182,779</b>	<b>(4,356,120)</b>	<b>(3,643,803)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund receipts	1,320,930	707,263	6,053,568		8,081,761
Interfund payments	(707,263)	(1,320,930)	(39,617)	4,356,120	2,288,310
<b>Cash Flows from Noncapital Financing Activities</b>	<b>613,667</b>	<b>(613,667)</b>	<b>6,013,951</b>	<b>4,356,120</b>	<b>10,370,071</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(164,115)				(164,115)
Proceeds from sale of capital assets		(475,612)			(475,612)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(164,115)</b>	<b>(475,612)</b>			<b>(639,727)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	(5,264)	36,423		(977)	30,182
<b>Cash Flows from Investing Activities</b>	<b>(5,264)</b>	<b>36,423</b>		<b>(977)</b>	<b>30,182</b>
<b>Net Cash Flows</b>	<b>677,782</b>	<b>(756,812)</b>	<b>6,196,730</b>	<b>(977)</b>	<b>6,116,723</b>
Cash and investments at beginning of period		2,164,805	1,355,586	100,012	3,620,403
Cash and investments at end of period	\$677,782	\$1,407,993	\$7,552,316	\$99,035	\$9,737,126
<b>Reconciliation of operating income (loss) to net cash flows</b>					
from operating activities:					
Operating income (loss)	(\$755,916)	(\$126,359)	(\$1,721,619)		(\$2,603,894)
Adjustments to reconcile operating income to net cash flows					
from operating activities:					
Depreciation	938,662	447,127			1,385,789
Change in assets and liabilities:					
Receivables, net	(3,374)	(7,797)			(11,171)
Other assets	12,128				12,128
Accounts and other payables	(6,559)	(16,927)	(34,009)		(57,495)
Deferred revenue				(4,356,120)	(4,356,120)
Claims payable			1,936,000		1,936,000
Salaries and wages payable	48,553		2,407		50,960
<b>Cash Flows from Operating Activities</b>	<b>\$233,494</b>	<b>\$296,044</b>	<b>\$182,779</b>	<b>(4,356,120)</b>	<b>(3,643,803)</b>

## AGENCY FUNDS

GASB Statement 34 requires that Agency Funds, the only fiduciary funds the City has, be presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations.

CITY OF VALLEJO  
 AGENCY FUNDS  
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<hr/> <b>Administrative Fund</b> <hr/>				
<u>Assets</u>				
Cash and investments available for operations	\$489,009		\$489,009	
<b>Total Assets</b>	<b>\$489,009</b>		<b>\$489,009</b>	
<u>Liabilities</u>				
Salaries and wages payable	\$876		\$876	
Deposits held in trust/payable	488,133		488,133	
<b>Total Liabilities</b>	<b>\$489,009</b>		<b>\$489,009</b>	
<hr/> <b>Payroll Benefits</b> <hr/>				
<u>Assets</u>				
Cash and investments available for operations	\$181,943		\$181,943	
Accounts receivable, net	45,816		45,816	
<b>Total Assets</b>	<b>\$227,759</b>		<b>\$227,759</b>	
<u>Liabilities</u>				
Accounts payable	\$264		\$264	
Due to other governments	21,109		21,109	
Employee benefits payable	206,386		206,386	
<b>Total Liabilities</b>	<b>\$227,759</b>		<b>\$227,759</b>	
<hr/> <b>McCune Collection Fund</b> <hr/>				
<u>Assets</u>				
Cash and investments available for operations	\$113,645		\$113,645	
Accounts receivable, net	116		116	
<b>Total Assets</b>	<b>\$113,761</b>		<b>\$113,761</b>	
<u>Liabilities</u>				
Deposits held in trust/payable	\$113,761		\$113,761	
<b>Total Liabilities</b>	<b>\$113,761</b>		<b>\$113,761</b>	

Ernie Wichel Fund

Assets

Cash and investments available for operations	\$3,064		\$3,064	
Accounts receivable, net	3		3	
Total Assets	<u>\$3,067</u>		<u>\$3,067</u>	

Liabilities

Deposits held in trust/payable	<u>\$3,067</u>		<u>\$3,067</u>	
Total Liabilities	<u>\$3,067</u>		<u>\$3,067</u>	

Sanitation Utility Fund

Assets

Cash and investments available for operations	\$1,219,199		\$1,219,199	
Accounts receivable, net	1,569,771		1,569,771	
Total Assets	<u>\$2,788,970</u>		<u>\$2,788,970</u>	

Liabilities

Accounts payable	\$1,530,984		\$1,530,984	
Due to other governments	1,257,986		1,257,986	
Total Liabilities	<u>\$2,788,970</u>		<u>\$2,788,970</u>	

Improvement Districts

Assets

Cash and investments available for operations	\$3,624,129		\$3,624,129	
Restricted cash and investments	10,593,922	\$7,420,774	3,173,148	
Total Assets	<u>\$14,218,051</u>	<u>\$7,420,774</u>	<u>\$6,797,277</u>	

Liabilities

Accounts payable	\$1,235		\$1,235	
Due to bondholders	14,216,816	7,420,774	6,796,042	
Total Liabilities	<u>\$14,218,051</u>	<u>\$7,420,774</u>	<u>\$6,797,277</u>	

Assessment Districts

Assets

Cash and investments available for operations	\$4,908,843		\$4,908,843	
Restricted cash and investments	1,852,314		1,852,314	
Total Assets	<u>\$6,761,157</u>		<u>\$6,761,157</u>	

Liabilities

Accounts payable	\$121		\$121	
Due to bondholders	6,761,036		6,761,036	
Total Liabilities	<u>\$6,761,157</u>		<u>\$6,761,157</u>	

(Continued)

CITY OF VALLEJO  
 AGENCY FUNDS  
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments available for operations	\$2,006,860	\$8,532,972	\$2,006,860	\$8,532,972
Restricted cash and investments		12,446,236	7,420,774	5,025,462
Accounts receivable	1,615,706		1,615,706	
	<u>1,615,706</u>		<u>1,615,706</u>	
Total Assets	<u>\$3,622,566</u>	<u>\$20,979,208</u>	<u>\$11,043,340</u>	<u>\$13,558,434</u>
<u>Liabilities</u>				
Accounts payable	\$1,531,248	\$1,356	\$1,531,248	\$1,356
Salaries and wages payable	876		876	
Due to bondholders		20,977,852	7,420,774	13,557,078
Due to other governments	1,279,095		1,279,095	
Employee benefits payable	206,386		206,386	
Deposits held in trust/payable	604,961		604,961	
	<u>604,961</u>		<u>604,961</u>	
Total Liabilities	<u>\$3,622,566</u>	<u>\$20,979,208</u>	<u>\$11,043,340</u>	<u>\$13,558,434</u>

## STATISTICAL SECTION

The statistical section is unchanged by GASB Statement 34. It contains comprehensive statistical data which relates to physical, economic, social and political characteristics of the City. It is intended to provide users with a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section.

In this section, readers will find comparative information related to the City's revenue sources, expenditures, property tax valuations, levies and collections, general obligation bonded debt, sewer revenue debt service, demographics and pension plan funding. Where available, the comparative information is presented for the last ten fiscal years.

In addition, this section presents information related to the City's legal debt margin computation, principal taxpayers, notary and security bond coverages, and other miscellaneous statistics pertaining to services provided by the City.

In contrast to the financial section, the statistical section information is not subject to independent audit.

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**CITY OF VALLEJO**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**

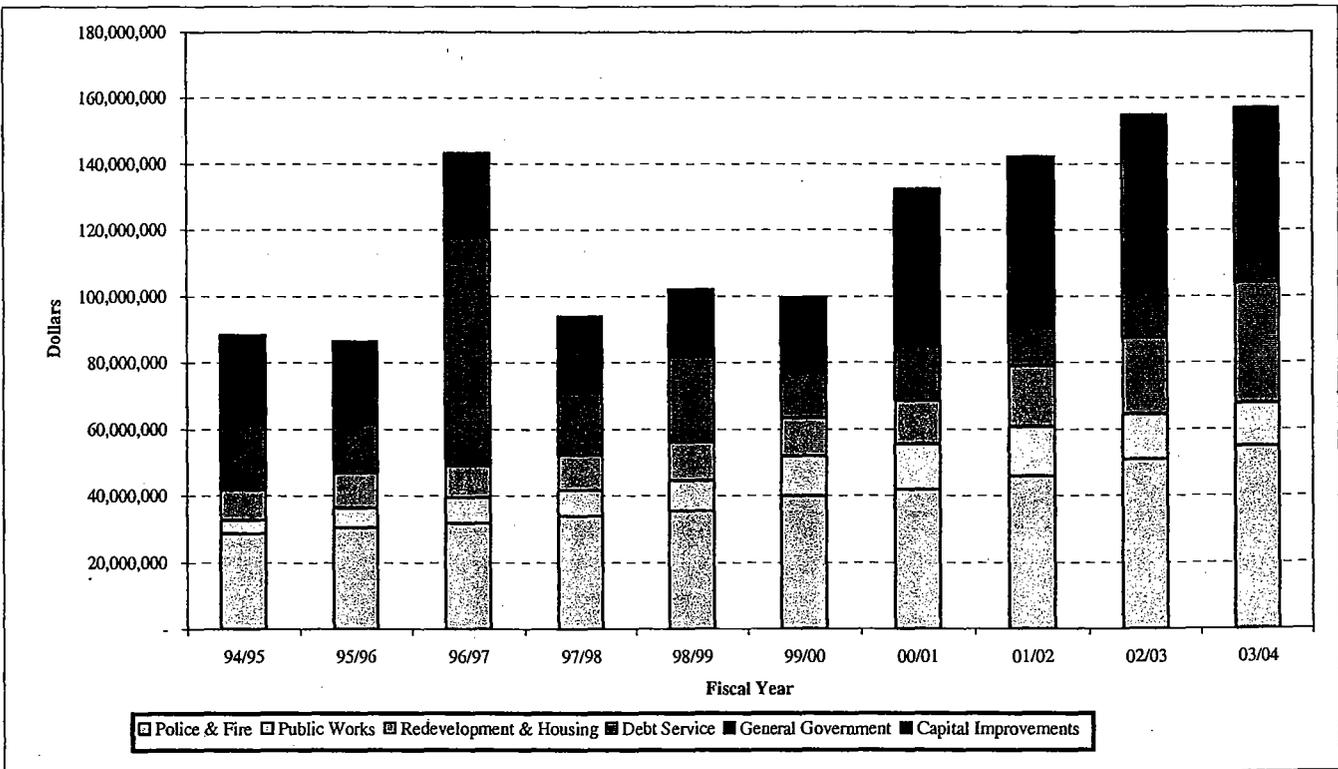
Last Ten Fiscal Years

Table 1

Fiscal Year	Total	General			Redevelopment & Housing		Debt Service	Capital Improvements
		Government	Police & Fire	Public Works	Housing			
94/95	88,268,511	12,108,229	28,658,454	3,976,954	9,202,786	19,381,584	14,940,504	
95/96	86,515,435	19,984,533	30,269,265	6,124,565	10,463,178	14,692,155	4,981,739	
96/97	143,315,471	11,774,049	31,740,714	7,630,781	9,627,044	68,584,272	13,958,611	
97/98	93,948,280	12,445,951	33,790,697	7,822,150	10,496,021	18,588,263	10,805,198	
98/99	102,110,995	12,019,983	35,330,094	9,147,016	11,632,663	25,490,890	8,490,349	
99/00	99,735,541	14,852,831	39,735,152	12,040,918	11,456,108	13,425,173	-8,225,359	
00/01	132,411,133	17,035,621	41,672,844	13,784,289	12,992,564	16,220,585	30,705,230	
01/02	142,250,510	21,812,256	45,851,950	14,763,760	18,342,999	11,399,593	30,079,952	
02/03	154,776,818	40,018,119	50,848,005	13,466,028	23,015,880	14,177,864	13,250,922	
03/04	156,954,819	35,252,657	54,641,190	13,001,968	36,460,200	5,619,802	11,979,002	

This table includes all Governmental Fund Types, which includes the General, Special Revenue, Debt Service and Capital Projects Funds.

Source: City of Vallejo Comprehensive Annual Financial Report



**CITY OF VALLEJO**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE**

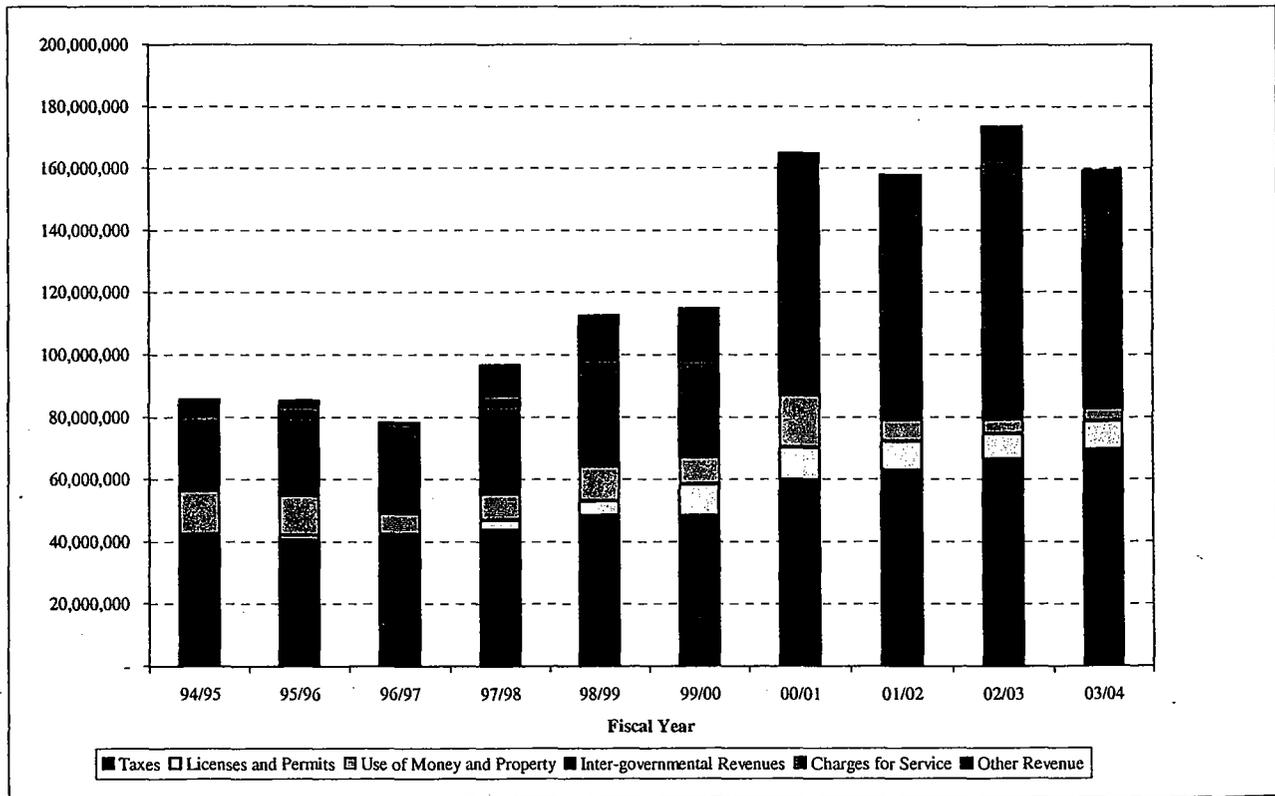
Last Ten Fiscal Years

Table 2

Fiscal Year	Total	Taxes	Licenses and Permits	Use of Money and Property	Inter-governmental Revenues	Charges for Service	Other Revenue
94/95	85,706,565	41,485,437	891,212	14,039,134	20,330,490	2,019,681	6,940,611
95/96	85,292,391	40,504,739	1,472,096	12,768,742	23,660,834	3,132,062	3,753,918
96/97	78,328,631	41,200,013	996,913	6,757,247	24,193,262	3,223,154	1,958,042
97/98	96,682,827	43,719,818	2,978,155	8,291,953	26,897,492	3,471,786	11,323,623
98/99	112,554,665	48,434,099	4,621,444	10,853,019	28,595,120	4,086,788	15,964,196
99/00	115,009,877	48,149,015	10,267,388	8,530,690	26,915,283	2,652,311	18,495,190
00/01	164,887,582	59,771,020	10,514,520	16,518,279	68,612,201	523,177	8,948,385
01/02	157,839,221	62,897,176	9,112,455	6,952,531	63,743,346	1,052,154	14,081,559
02/03	173,497,192	66,537,857	7,900,520	4,663,955	78,159,185	5,159,696	11,075,979
03/04	159,274,877	69,534,702	9,133,758	3,902,344	53,864,845	9,485,786	13,353,442

This table includes all Governmental Fund Types, which include the General, Special Revenue, Debt Service and Capital Projects Funds.

Source: City of Vallejo Comprehensive Annual Financial Report



## **CITY OF VALLEJO**

### **PROPERTY TAX LEVIES AND COLLECTIONS FOR GENERAL OBLIGATION DEBT**

Table 3

---

There was no outstanding general obligation debt at June 30, 2004.

The general obligation debt of the City of Vallejo was paid off in FY89-90.

Source: Solano County Auditor Controller's Office

Article XIII A of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to 1 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 2 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 2/3 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 per \$100 of assessed valuation for county, city, school and special district 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 1965/66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

**CITY OF VALLEJO**  
**ASSESSED VALUE OF ALL TAXABLE PROPERTY**

Last Ten Fiscal Years

Does not include RDA or LMD Values

Table 4

Fiscal Year	Secured Roll	Utility Roll	Unsecured Roll	Gross Assessed Value	Less Exemptions	Net Assessed Value
94/95	4,031,643,344	2,030,369	152,807,068	4,186,480,781	128,156,413	4,058,324,368
95/96	4,061,668,685	2,273,324	157,326,601	4,221,268,610	129,567,479	4,091,701,131
96/97	4,065,224,066	2,580,941	158,352,772	4,226,157,779	128,698,250	4,097,459,529
97/98	4,021,270,112	2,298,518	154,456,789	4,178,025,419	127,578,747	4,050,446,672
98/99	4,197,241,057	2,924,003	157,537,663	4,357,702,723	126,152,653	4,231,550,070
99/00	4,396,364,222	2,110,061	163,809,686	4,562,283,969	124,336,600	4,437,947,369
00/01	4,868,040,960	2,224,273	183,026,773	5,053,292,006	123,746,012	4,929,545,994
01/02	5,384,307,753	2,235,628	186,281,216	5,572,824,597	123,119,884	5,449,704,713
02/03	5,888,208,944	2,503,152	198,977,943	6,089,690,039	129,851,918	5,959,838,121
03/04	6,521,039,710	2,772,151	183,220,538	6,707,032,399	131,336,678	6,575,695,721

Source: Solano County Auditor-Controllers Office  
Solano County Integrated Property System Report

**CITY OF VALLEJO  
PROPERTY TAX RATES AND TAX LEVIES  
DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Fiscal Years

Table 5

**TAX RATES**

Fiscal Year	City	County	School	Other	Total
94/95	-	1.0028	0.0144	0.0200	1.0372
95/96	-	1.0027	0.0183	0.0200	1.0410
96/97	-	1.0024	0.0100	0.0200	1.0324
97/98	-	1.0024	0.0100	0.0200	1.0324
98/99	-	1.0000	0.1353	0.0200	1.1553
99/00	-	1.0000	0.1330	0.0200	1.1530
00/01	-	1.0000	0.1295	0.0200	1.1495
01/02	-	1.0000	0.0717	0.0200	1.0917
02/03	-	1.0000	0.1246	0.0200	1.1446
03/04	-	1.0000	0.1239	0.0200	1.1439

**TAX LEVIES**

Fiscal Year	City	County	School	Other	Total
94/95	-	40,697,932	584,399	811,665	42,093,996
95/96	-	41,027,487	748,781	818,340	42,594,609
96/97	-	41,072,197	409,541	819,492	42,301,230
97/98	-	40,601,677	405,045	810,089	41,816,811
98/99	-	42,315,500	5,728,207	846,310	48,890,017
99/00	-	44,379,474	5,904,556	887,589	51,171,619
00/01	-	49,295,460	6,382,924	985,909	56,664,293
01/02	-	54,497,047	3,905,803	1,089,941	59,492,791
02/03	-	59,598,381	7,425,958	1,191,968	68,216,307
03/04	-	65,756,957	11,417,488	1,315,139	78,489,584

Source: Tax Rates. Solano County Auditor Controller's Office (City Tax Rates - Area 7000)  
: Tax Levies. Solano County Auditor Controller's Office (SCIPS Report - R720102B)

The tax rates and levies for all governments are for voter-approved indebtedness only, except that the county figures include a \$1.00 levy for general operations. That levy is imposed countywide and the proceeds are allocated to all other taxing entities in accordance with a formula established by State law pursuant to AB8 of 1979.

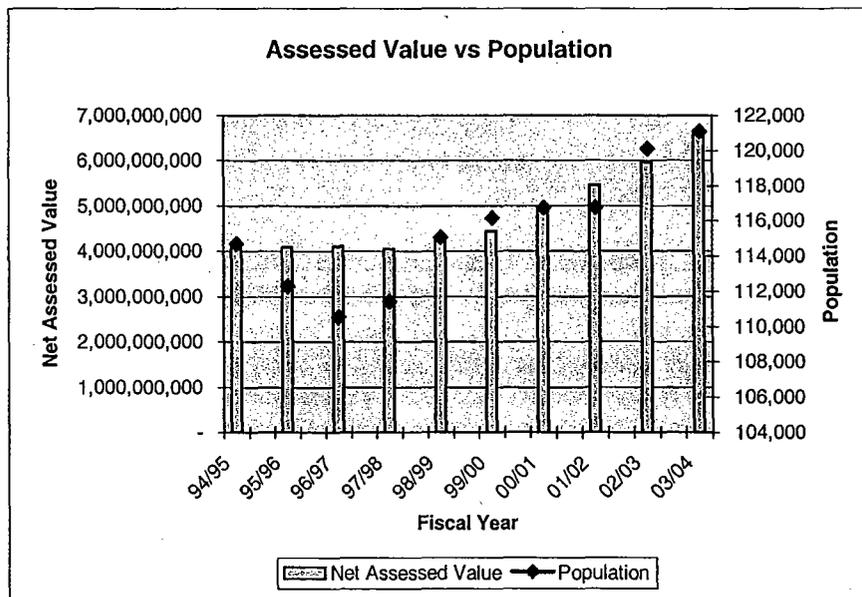
**CITY OF VALLEJO**  
**PERCENT OF NET GENERAL BONDED DEBT TO**  
**ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years  
 Table 6

Fiscal Year	Net Bonded Debt	Net Assessed Value	Net Bonded Debt to Assessed Value	Population	Net Bonded Debt Per Capita
94/95	-	4,058,324,368	0.00%	114,700	-
95/96	-	4,091,701,131	0.00%	112,302	-
96/97	-	4,097,459,529	0.00%	110,519	-
97/98	-	4,050,446,672	0.00%	111,400	-
98/99	-	4,231,550,070	0.00%	115,068	-
99/00	-	4,437,947,369	0.00%	116,148	-
00/01	-	4,929,545,994	0.00%	116,760	-
01/02	-	5,449,704,713	0.00%	116,760	-
02/03	-	5,959,838,121	0.00%	120,100	-
03/04	-	6,575,695,721	0.00%	121,100	-

Source: Solano County Assessor's Office, State Department of Finance and the City of Vallejo  
 Population: California Department of Finance (Jan. 1, 2004)

The general obligation debt of the City of Vallejo was paid off in FY 89-90.



**CITY OF VALLEJO  
COMPUTATION OF LEGAL DEBT MARGIN**

**June 30, 2004**

**Table 7**

---

Net Assessed Value	<u>\$ 6,575,695,721</u>
Debt Limit (Fifteen Percent of Assessed Value)	<u>986,354,358</u>
Amount of Bonded Debt Applicable to Debt Limit*	-
Less: Exempt from Legal Limit	-
Assets Available in Debt Service Fund	<u>-</u>
Net Amount of Bonded Debt Applicable to Debt Limit	<u>-</u>
Legal Debt Margin	<u>\$ 986,354,358</u>

Source: Solano County Auditor Controller's Office

\*Note: Section 43605 of the California Government Code  
for General Obligation Bonds

**CITY OF VALLEJO  
DIRECT AND OVERLAPPING BONDED DEBT  
JUNE 30, 2004**

Table 8

2003-04 Gross Assessed Valuation:	\$5,572,824,597
2003-04 Redevelopment Incremental Valuation:	<u>(980,708,498)</u>
2003-04 Adjusted Assessed Valuation:	\$4,592,116,099

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/04</u>
Solano County Community College District	25.265%	20,212,000
Vallejo Unified School District	98.688%	\$85,034,515
Vallejo Unified School District Community Facilities District #2	100.000%	18,770,000
City of Vallejo Hiddenbrooke Improvement District	100.000%	27,035,000
City of Vallejo 1915 Act Bonds	100.000%	<u>17,295,000</u>
<b>Total</b>		<b>\$ 168,346,515</b>

<u>DIRECT &amp; OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Solano County Certificate of Participation	24.692%	\$ 39,051,633
Solano County Board of Education COP	24.692%	998,791
Vallejo Unified School District COP	98.688%	24,943,392
City of Vallejo General Fund Obligations	100.000%	<u>128,310,000</u>
<b>Total</b>		<b>\$ 193,303,816</b>

**Combined Total Debt** **\$ 361,650,331** (1)

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

**Ratios to 2003/04 Assessed Valuation:**

Total Overlapping Tax and Assessment Debt 2.51%

**Ratios to Adjusted Assessed Valuation:**

Combined Direct Debt (\$128,310,000) 2.24%  
 Combined Total Debt 6.32%

State school building aid repayable as of 6/30/04: \$8,281

Source: California Municipal Statistics, Inc.

**CITY OF VALLEJO  
PERCENT OF ANNUAL DEBT SERVICE FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**

**Table 9**

---

There was no outstanding general obligation debt at June 30, 2004.

The general obligation debt of the City of Vallejo was paid off in FY89-90.

**CITY OF VALLEJO**  
**REVENUE BOND COVERAGE**  
**WATER BONDS**

Last Ten Fiscal Years  
 Table 10

Fiscal Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Coverage
94/95	\$23,206,590	\$14,556,896	\$8,649,694	\$7,204,298	1.20%
95/96	22,396,901	11,836,735	10,560,166	5,678,053	1.86%
96/97	22,807,575	15,666,599	7,140,976	3,780,359	1.89%
97/98	20,572,855	15,146,768	5,426,087	4,451,756	1.22%
98/99	22,474,567	16,193,012	6,281,555	3,239,662	1.94%
99/00	24,469,817	16,126,853	8,342,964	3,648,075	2.29%
00/01	25,290,587	18,126,505	7,164,082	5,451,667	1.31%
01/02	25,576,686	15,215,813	10,360,873	5,850,133	1.77%
02/03	24,742,554	19,967,110	4,775,444	5,850,133	0.82%
03/04	27,042,088	22,523,976	4,518,112	5,274,754	0.86%

- (a) Includes connection fees which are accounted for as contributed capital.  
 Effective 2001/02 connection fees are no longer applicable due to GASB 34.  
 (b) Operating expenses exclude depreciation and debt service payments.

Source: City of Vallejo, Comprehensive Annual Financial Report

**CITY OF VALLEJO  
SPECIAL ASSESSMENTS BILLED AND COLLECTED**

Last Ten Fiscal Years

Table 11

<u>Fiscal Year</u>	<u>Assessments Billed</u>	<u>Assessments Collected</u>	<u>Total Outstanding Assessments</u>	<u>Ratio of Outstanding Assessments to Amount Billed</u>
94/95	9,638,350	8,765,762	872,588	9.05%
95/96	8,643,494	8,042,328	601,166	6.96%
96/97	8,986,038	8,299,404	686,634	7.64%
97/98	9,183,024	8,418,989	764,035	8.32%
98/99	5,539,189	5,004,918	534,271	9.65%
99/00	8,912,220	8,673,659	238,561	2.68%
00/01	9,572,075	9,240,006	332,069	3.47%
01/02	9,373,261	9,025,485	347,776	3.71%
02/03	9,045,362	8,687,461	357,901	3.96%
03/04	8,541,507	8,126,578	414,929	4.86%

Source: Solano County Auditor Controller's Office

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, city, school and special district 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 1965-66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

**CITY OF VALLEJO  
DEMOGRAPHIC STATISTICS**

Table 12  
(dollars in thousands)

Year	Population (a)	Square Miles (b)	Bank Deposits (c)	Public Schools K-12 (d)		
				Teachers	Enrollment	Average Daily Attendance
1995	114,700	51.588	876,273	779	18,798	18,000
1996	112,320	51.588	883,920	786	19,083	18,241
1997	110,519	51.588	N.A.	N.A.	N.A.	N.A.
1998	111,400	51.588	N.A.	N.A.	N.A.	N.A.
1999	115,068	51.588	N.A.	821	20,424	19,403
2000*	116,760	51.588	N.A.	1,049	20,270	19,862
2001	117,200	51.588	N.A.	1,157	20,878	20,457
2002	118,600	51.588	N.A.	1,135	19,872	19,229
2003	120,100	51.588	N.A.	1,123	19,670	19,138
2004	121,100	51.588	N.A.	1,116	20,023	19,482

(a) State of California Department of Finance, Demographic Research Unit

(b) City of Vallejo Department of Public Works

(c) The Findley Report Savings Deposits only as of December 31

(d) Vallejo City Unified School District

\* Per US 2000 Census

**CITY OF VALLEJO**  
**BUILDING PERMITS AND TAXABLE TRANSACTIONS**

Last Ten Fiscal Years

Table 13

(dollars in thousands)

Fiscal Year	Building Permit Valuation (a) (dollars in thousands)			Total	Number Of Building Permits (a)	Sales Tax Taxable Transactions (b) (dollars in thousands)	Number Of Sales Tax Permits (b)
	New Single-Family	New Multi-Family Residential	Commercial Industrial Other				
94/95	18,722	-	18,267	36,989	1,692	645,642	2,348
95/96	14,382	7,361	16,462	38,205	2,362	637,138	2,235
96/97	10,436	-	13,670	24,106	2,272	625,164	2,197
97/98	38,542	-	12,500	51,042	2,499	678,400	2,250
98/99	42,605	-	38,115	80,720	2,747	755,398	2,058
99/00	109,751	5,751	30,355	145,857	3,274	898,879	2,135
00/01	99,823	-	24,928	124,751	3,634	967,914	2,245
01/02	79,220	8,978	37,486	125,684	3,381	1,007,713	2,279
02/03	63,696	-	24,515	88,211	3,772	1,117,346	2,253
03/04	62,434	-	18,238	80,672	3,702	1,195,560	2,428

Sources: (a) City of Vallejo Building Division (building permit data)

(b) State Board of Equalization (sales tax data)

**CITY OF VALLEJO**  
**PRINCIPAL TAXPAYERS**  
 Table 14

<u>Taxpayers</u>	<u>2003/04 Assessed Value</u>	<u>Percent of 2003/04 Total City Net Assessed Value</u>	<u>Type of Business</u>
California Northern Railroad	\$108,745,277	1.65%	Commercial
Park Management Corp.	68,196,998	1.04%	Amusement Park
Centro Watt Property Owner II	46,215,263	0.70%	Multiple residential
Sundance-Vallejo	28,655,915	0.44%	Commercial Sales
Pan Pacific Retail Partners	17,478,720	0.27%	Multiple residential
Misawa Homes	16,440,098	0.25%	Multiple residential
General Mills	16,270,568	0.25%	Manufacturing/warehousing
Ron & Maureen Ashley	15,013,644	0.23%	Multiple residential
Vallejo Somerset Limited Partners	14,876,109	0.23%	Multiple residential
Vallejo Highlands Associates	14,181,243	0.22%	Multiple residential
Wal-Mart Stores, Inc.	13,173,506	0.20%	Commercial sales
Bruce Conzelman	12,975,785	0.20%	Multiple residential
Meyer Cookware	12,938,429	0.20%	Commercial Sales
H&W Enterprises Bay Village	12,291,483	0.19%	Multiple residential
Westlake Development Co.	12,248,510	0.19%	Multiple residential
<b>Top 15 Taxpayers Total</b>	<b><u>\$409,701,548</u></b>	<b><u>6.23%</u></b>	
<b>City Net Total Assessed Value</b>	<b><u>\$ 6,575,695,721</u></b>	<b><u>100.00%</u></b>	

Source: Solano County Assessor, 2003/04 Assessment Roll

**CITY OF VALLEJO  
PRINCIPAL EMPLOYERS  
(EXCLUDING RETAIL)**

Table 15

<u>Largest Employers</u>	<u>Number of Employees</u>	<u>Type of Business</u>
Kaiser Permanente	2,735	Health care
Vallejo Unified School District	2,160	Education
Six Flags Marine World (seasonal)	1,660	Theme park
Kaiser Permanente Advice & Call Center	830	Health Care
Sutter Solano Medical Center	600	Health Care
City of Vallejo	598	Government
U.S. Forest Service	400	Government
California Highway Patrol	300	Public Service
U.S. Postal Service	215	Postal service
California Maritime Academy	208	Education
Vallejo Care Center	170	Health Care
Touro University	130	Education
XKT Corp.	126	Metal Products
Jeffco ABC	125	Painting
Vallejo Times Herald	100	Newspaper Publishing

Source: City of Vallejo Economic Development Division (May 2004)

**CITY OF VALLEJO**  
**MISCELLANEOUS STATISTICAL DATA**

Table 16

<b>Incorporated:</b>	March 26, 1868	<b>Number Households</b>	42,000
<b>Square Miles (includes waterways and Mare Island):</b>	51.49	<b>Average Household Income</b>	\$64,950
<b>Form of Government:</b>	Council-Manager	<b>Average/Persons/Household</b>	2.90
<b>Elections:</b>	November of odd-numbered years; Mayor and 6 Councilmembers elected at large	<b>Elevation - Feet Above Sea Level</b>	60
<b>Fire Protection</b>		<b>Public Works:</b>	
Fire Stations (current/proposed)	8/0	Miles of Streets	315
Fire Engines	14	Number of Intersections	2,100
Other Fire Vehicles	32	Total Traffic Signals	131
Fire Personnel	114	Miles of Storm Drains	206
ISO Fire Rating Class	3	Miles of Sanitary Sewers*	430
		* Source: Vallejo Sanitation & Flood Control District	
<b>Police Protection</b>		<b>Water Utility:</b>	
Police Vehicles	122	Customers	38,500
Motorcycles	12	Average Daily Use (gallons)	22,600,000
Sworn Personnel	158	Miles of Water Mains	600
Non-sworn Personnel	56	Fire Hydrants	4,500
Part-time Personnel	30	Treatment Plants	3
		Reservoirs (current/proposed)	25/0
<b>Leisure Services:</b>		<b>Total City Employees:</b>	560
Parks and Park Trails	34		
Park Acreage	377		
Open Space Acreage	715		
Community Centers	4		
Swimming Pools	2		

Sources: City of Vallejo Departmental Data