



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

City of Vacaville, California

CITY OF VACAVILLE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017



Prepared by: Administrative Services Department
Finance Division

CITY OF VACAVILLE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

COUNCIL MEMBERS:
LEN AUGUSTINE, Mayor
MITCH MASHBURN, Vice Mayor
CURTIS HUNT
DILENNA HARRIS
RON ROWLETT
www.cityofvacaville.com

February 12, 2018

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Vacaville (the City) for the fiscal year ended June 30, 2017.

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

The City's financial statements have been audited by Badawi & Associates, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is presented as the first component of the financial section of this CAFR.

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

Management has provided a narrative introduction, overview, and overall analysis of the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). The MD&A should be read in conjunction with this letter of transmittal. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City of Vacaville, incorporated in 1892, is located in northern Solano County, on the I-80 corridor, roughly midway between San Francisco and Sacramento and occupies a land area of roughly 28 square miles. The Napa wine country lies an hour to the west and Lake Tahoe two hours to the east. Vacaville is the third largest city in Solano County with the State of California Department of Finance estimating the population on January 1, 2017 at 98,456.

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

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

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department directors may make transfers of appropriations within a department. The City Manager has certain authority to transfer appropriations between departments and funds, as long as overall appropriations remain within the amounts adopted by the City Council. (The City's budgetary procedures are more fully discussed later under the Required Supplementary Information section of the CAFR.) Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted. This comparison is also presented as part of the Required Supplementary Information beginning on page 115 of this CAFR.

Local economy. Originally founded as an agricultural and rail shipping area, Vacaville has developed substantial retail and commercial activity matched with solid, well-considered residential growth. Vacaville is strategically located in Solano County midway between Sacramento and San Francisco and is home to a little over 98,400 residents (including 6,200 prisoners housed in the California State Department of Corrections and Rehabilitation penal and medical facilities located in Vacaville) with a median household income of over \$76,000. Vacaville's population is well educated with approximately 90% of the population over the age of 25 having at least a high school degree and over 22% of the same demographic having at least a bachelor's degree. Similar to most cities in the region, Vacaville continues to recover from the Great Recession. The unemployment rate in Vacaville, one of the lowest in Solano County, fell from 4.6% at the end of fiscal year 2016 to 4.5% at the end of fiscal year 2017. Health care and social services remain the top industry in the City with the California State Department of Corrections and Kaiser Permanente being two of the largest principal employers. Retail, food services, and banking and financial institutions are also among the top industries. The City is home to the world's largest bio-manufacturing plant, Genentech, as well as several other life sciences and biotech companies. Vacaville is also home to many retail opportunities, from the Nut Tree, California's Legendary Road Stop, to the Vacaville Premium Outlets, which features stores such as Gucci, Coach, Nike, and many others.

The long-range economic outlook for the City remains strong. The City has excess capacity for continued commercial and residential development. Approximately one million highly educated and trained employed persons live in and around the vicinity of Vacaville. The City has excellent freeway access and is home to the Nut Tree Airport, which is the only general aviation airport on the I-80 corridor between the Bay Area and Sacramento. The housing market in Vacaville is diverse, with a nice mix of single family homes, apartments, and other forms of housing. Vacaville has an area of the City designated for seniors 55 and over and continues to expand development. The housing stock remains affordable, which is part of what makes this City so attractive to people raising a family.

Priorities for the future. A citywide strategic plan has been developed through a series of public meetings, workshops and retreats with the City Council and City management. The 2015-2017 Strategic Plan, as adopted by City Council in April 2015, set forth the following major goals:

- **Public Safety**
 - Public Safety Training/Combined Fire Station Facility with Solano Community College
 - Replacement of the Public Safety Radio System
 - Homelessness Roundtable
 - Replacement of 60 Self-Contained Breathing Apparatus Utilized by the Fire Department
 - Crime Suppression, Prevention and Community Engagement
- **Strengthen the Local Economy**
 - Develop and Implement Strategies to Strengthen Downtown Vacaville
 - Complete the Nut Tree Development
 - Implement Economic Development Initiatives
 - Financing Plan for Completion of Jepson Parkway Project
- **Promote Community Viability**
 - Collaboration Between Travis Air Force Base and Vacaville Community Services Department
 - Focus on Improving and Enhancing the Quality of Life for Youth, Teens, and the Growing Boomer Population
 - Update the Comprehensive Parks, Recreation, and Open Space Master Plan
 - Secure Funding for the Lagoon Valley and Centennial Park Master Plans
 - General Plan Implementation
 - Citywide Infrastructure and Facilities Planning
 - Development of Recycled Water Master Plan for Treated Wastewater
- **Maintain Effective and Efficient City Services**
 - Detention Basins and Stormwater Conveyance Improvements
 - Evaluate Funding for Stormwater Maintenance, Monitoring, and Reporting
 - Recovery Plan Implementation/Maintaining Fiscal Sustainability
 - Develop and Implement a Succession and Leadership Planning Strategy
 - Implementation of a Centralized Geographical Information System
 - Implementation of a Comprehensive Records Management Plan
 - Implementation of a Financial and Budget Transparency Program
 - Develop and Maintain Collaborative Relationships with Regional Stakeholders

Long-term financial planning. To ensure the City can continue to provide in the future the same high quality infrastructure enjoyed by existing residents, the City annually updates its Capital Improvement Program (CIP) based upon the future capital and infrastructure needs as contained in the City's long-range development impact fee (DIF) analysis, along with other capital and technology planning documents. The proposed CIP budget for the upcoming fiscal year is a little over \$27.5 million with planned improvements to the City's community centers and facilities. Funding comes from multiple sources, including existing funds; Successor Agency bond funds; utility operating and loan funds; and regional, state and federal grant funds. Water, wastewater and transportation infrastructure and funding plans are projected out over five to ten-year horizons.

Relevant financial policies. In November 2015, the City Council adopted a financial policy for the funding of Other Post-Employment Benefits (OPEB). The City offers OPEB to its employees in the form of retiree health care. In the past, the City paid the cost of the benefit each year as the premiums came due. Beginning with fiscal year 2016, the financial policy established a goal of increasingly funding a percentage of the actuarially determined annual required contribution (ARC) in each successive year until full ARC funding is reached in fiscal year 2020. The policy includes a hardship exemption which allows the

ARC funding goal to be suspended if the General Fund reserve is projected to reach below 10%. For fiscal year 2017, the funding goal was 70% of the ARC.

In 2011, the City Council established a policy of maintaining an operating reserve in the General Fund equal to at least 20% of ongoing operating expenditures. Improving property and sales tax revenues, including Measure M, have enabled the City to meet its reserve target the last several fiscal years. The General Fund ended fiscal year 2016/2017 with a reserve level over 35%.

As noted above, it is the policy of the City to fund ongoing municipal services with ongoing revenues, without relying on the use of reserves or other one-time sources of funding. City voters approved a five-year ¼-cent sales tax measure to help address the economic downturn and maintain service levels in November 2012, and the receipt of funds began in April 2013. This additional stabilizing revenue source has assisted the City in maintaining current service levels and meet its reserve requirements the last several fiscal years. It should be noted that absent the additional revenue from the new sales tax, the City would still be in an operating deficit. City Council has worked to bring that structural balance back in place as the economy continues to recover. In November 2016, voters approved to extend the measure at ¾-cent sales tax for the next twenty years to protect City services, prepare for emergencies and alleviate the City's operating deficit. With the approval of the extension of the Measure M sales tax, the City Council will be conducting study sessions to determine spending priorities.

Major initiatives. The City had taken significant and unprecedented steps to reduce General Fund spending, including: across the board departmental budget reductions; workforce reductions from layoffs and attrition; and working with employee groups to achieve significant savings from salary and benefit concessions since The Great Recession. As the economy has continued to improve, the City has eliminated employee concessions and added a number of full-time positions during the last two fiscal years to meet service needs.

While revenues have improved, the City continues to carefully prioritize spending going forward to meet critical needs over the long-term. The City's management team continues to look for ways to develop a more sustainable fiscal framework and implement long-term solutions to address the City's financial challenges.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-sixth (26th) consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In 2016, the City was awarded its third consecutive GFOA award for its Popular Annual Financial Report (PAFR). We will continue to produce the PAFR each year and believe it will again be eligible for the GFOA PAFR award for fiscal year 2017.

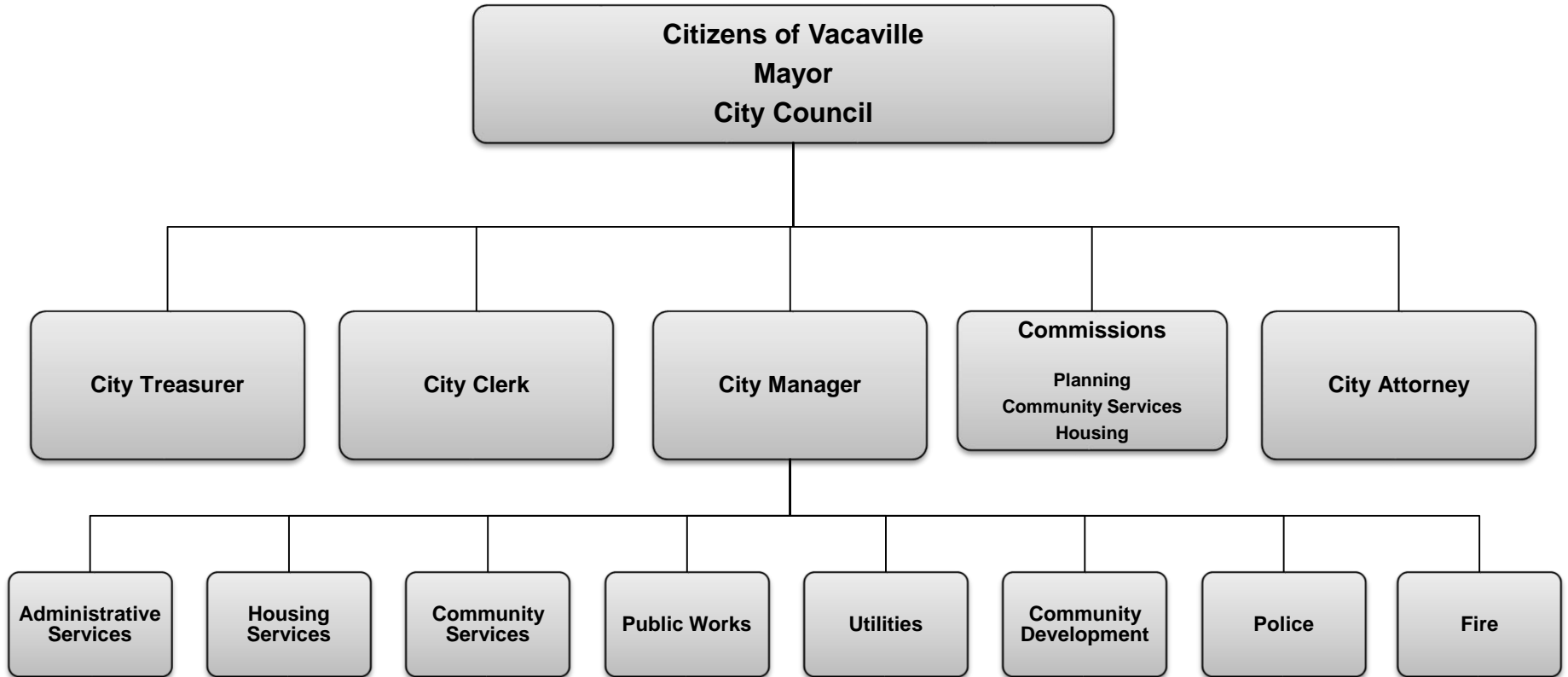
The preparation of this report would not have been possible without the highly professional and dedicated services of the entire staff of the Accounting Division. The commitment and effort of each employee made this report possible. Credit must also be given to the Mayor, City Council, and City Manager for their unfailing support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Dawn Leonardini
Director of Administrative Services

City of Vacaville Organizational Chart



**City of Vacaville
List of Elected and Appointed Officials
June 30, 2017**

Elected Officials

Mayor	Len Augustine
Vice Mayor	Dilenna Harris
Council Member	Curtis Hunt
Council Member	Mitch Mashburn
Council Member	Ron Rowlett
City Treasurer	Jay Yerkes
City Clerk	Michelle Thornbrugh

Appointed Officials

City Manager	Jeremy Craig
City Attorney	Melinda Stewart
Assistant City Manager	Aaron Busch
Fire Chief	Kristian Concepcion
Chief of Police	John Carli
Director of Public Works	Shawn Cunningham
Director of Community Development	Barton Brierley
Director of Housing	Emily Cantu
Director of Community Services	Kerry Walker
Director of Administrative Services	Dawn Leonardini
Director of Utilities	Royce Cunningham



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Vacaville
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

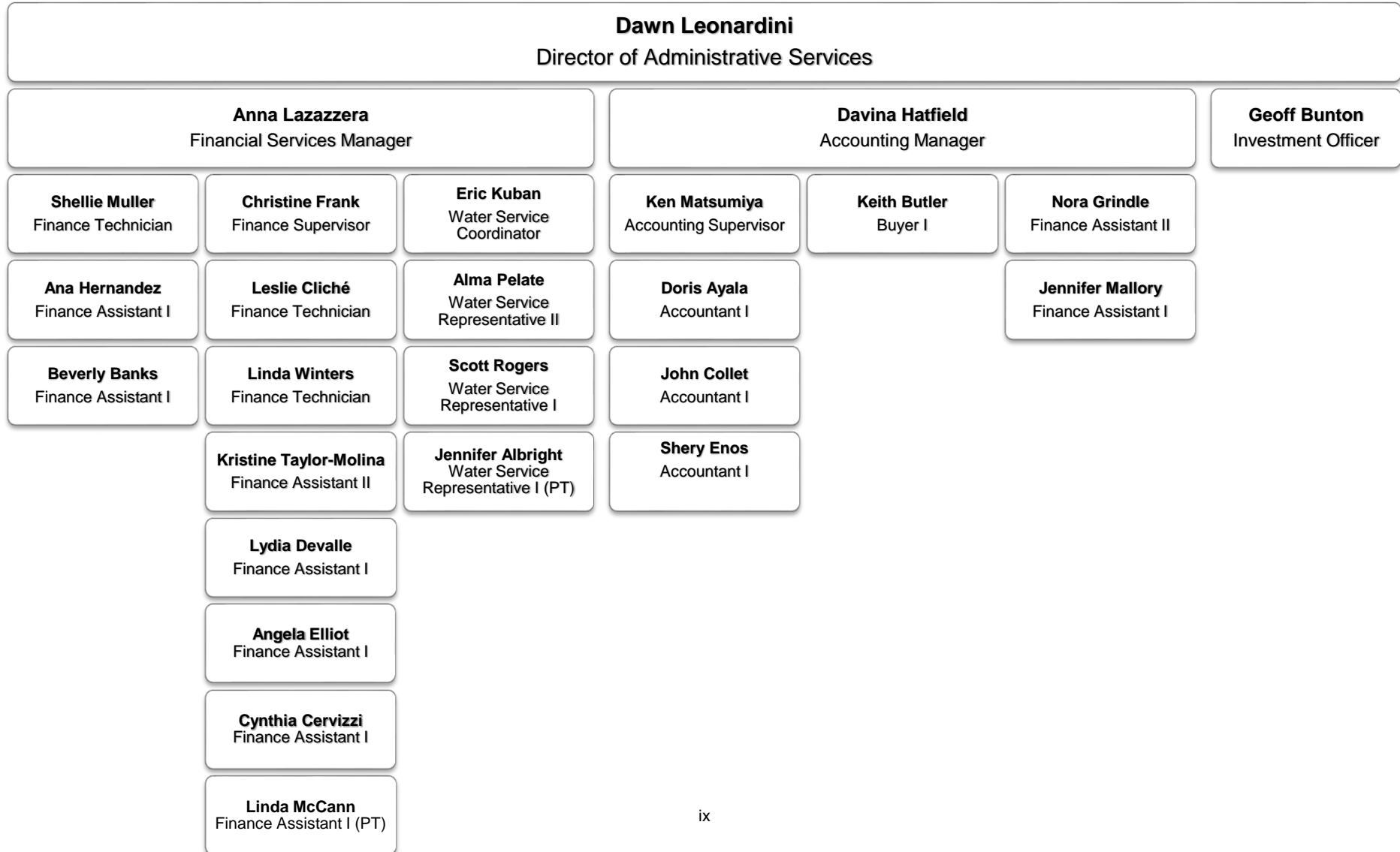
Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Vacaville for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City of Vacaville has received a Certificate of Achievement for the last twenty-six consecutive fiscal years ended June 30, 2016. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Administrative Services Department Finance Division





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vacaville, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's equity in the North Bay Regional Water Treatment Plant, which represent 15.3 percent, 18.1 percent, and 2.9 percent, respectively, of the assets, net position, and revenues of the Water Utility Fund, and 3.5 percent, 6.7 percent, and 1.3 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City's equity in the North Bay Regional Water Treatment Plant, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

To the Honorable Mayor and Members of the City Council
of the City of Vacaville
Vacaville, California
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, and schedule of funding progress for OPEB on pages 5-19 and 114-123 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information on pages 129-133 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

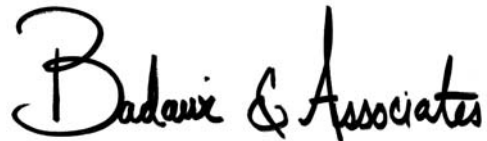
The combining and individual nonmajor fund financial statements, and budgetary comparison information on pages 129-133 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements, budgetary comparison information on pages 129-133 are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Vacaville
Vacaville, California
Page 4

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Oakland, California
February 12, 2018

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2017
(Amounts expressed in thousands)

As management of the City of Vacaville (the City), we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages i-v of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Assets exceeded liabilities at June 30, 2017 by \$692,773 (*net position*). Of this amount, the negative (\$20,323) (*unrestricted net position*) includes the City's net pension liability of \$201,115. The remaining net position is *restricted* for specified purposes.
- Total net position increased by \$25,261 from the previous year. There was an increase in net position in governmental activities of \$11,276 related to increased property tax revenues. There was also an increase in net position in business-type activities of \$13,985 mainly from an increase in water related revenue. Water consumption increased from the previous fiscal year, surplus land was sold, and development impact fee revenue increased.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$111,661, an increase of \$3,755 in comparison with the prior year. This increase in fund balance was mainly due to the increase in the General Fund and City Projects fund. In the General Fund, the increase can be attributed primarily to an increase in property tax revenues due to rising property values. The City Projects fund saw an increase in fund balance mainly due to a transfer of sewer and water development impact fees for the Jepson Parkway Project. In accordance with the implementation of Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, fund balances are composed of three primary categories to increase the understanding of the availability of resources. The classifications establish a hierarchy based on the extent to which the City must observe constraints imposed upon the use of the resources that are reported. Applying governmental fund balances to the three primary categories, the City has 2% categorized as Nonspendable, 70% as Restricted, and 28% as Unrestricted (Committed, Assigned and Unassigned) fund balance.
- Total obligations for governmental activities increased by \$32,837 with the increase in the City's net pension liability accounting for a majority of the change and total obligations for business-type activities decreased by \$12,803 primarily due to loan repayments to the state for the Easterly Wastewater Treatment Plant Tertiary Project.

Overview of the Financial Statements

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

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

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

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2017
(Amounts expressed in thousands)

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

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

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

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

The government-wide financial statements can be found on pages 21-24 of this report.

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

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

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

The City maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Successor Housing, Housing Assistance, and City Projects funds, all of which are considered to be major funds. Data for the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 127-128 of this report.

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

The governmental fund financial statements can be found on pages 25-32 of this report.

Proprietary funds. The City maintains two different types of proprietary funds, enterprise and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sewer, Water and Transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central services, vehicle replacement, technology replacement, self-insured insurance programs and employee benefits management. These internal service funds benefit predominantly governmental rather than business-type functions, so they have been included within *governmental activities* in the government-wide financial statements. In previous fiscal years, the vehicle replacement fund was reported within the *business-type activities* due to the sewer and water functions being the primary users of the fund. A restatement has been reported on the *statement of activities* to reclassify the net position of the vehicle replacement fund within the governmental activities. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business-type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, and Transit operations, all of which are considered to be major funds of the City. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* and can be found on pages 135-138 of this report.

The basic proprietary fund financial statements can be found on pages 33-39 of this report.

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

The fiduciary fund financial statements can be found on page 41-43 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-112 of this report.

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Government-wide Financial Analysis

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

	GOVERNMENTAL ACTIVITIES		NET POSITION BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 161,891	\$ 146,085	\$ 157,218	\$ 153,123	\$ 319,109	\$ 299,208
Capital assets	443,103	432,513	349,758	356,519	792,861	789,032
Total assets	604,994	578,598	506,976	509,642	1,111,970	1,088,240
Deferred outflows of resources	31,475	16,191	6,524	3,270	37,999	19,461
Total liabilities	253,933	221,096	195,451	208,254	449,384	429,350
Deferred inflows of resources	6,387	8,820	1,425	2,019	7,812	10,839
Total liabilities and deferred inflows of resources	260,320	229,916	196,876	210,273	457,196	440,189
Net position:						
Net investment in capital assets	428,611	419,177	205,549	202,700	634,160	621,877
Restricted	78,936	76,780	-	-	78,936	76,780
Unrestricted	(131,398)	(131,084)	111,075	99,939	(20,323)	(31,145)
Total Net Position	\$ 376,149	\$ 364,873	\$ 316,624	\$ 302,639	\$ 692,773	\$ 667,512

As noted earlier, the City's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$692,773 at June 30, 2017, an increase of \$25,261 from June 30, 2016. By far the largest portion of net position, 92%, reflects the City's investment in capital assets (i.e., land, buildings, equipment, vehicles and infrastructure), less any related debt used to acquire those assets still outstanding and net of any unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide municipal services to the community; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 11% of net position represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position (3%) may be used to meet the City's ongoing obligations to its citizens and creditors. Unrestricted net position for the City has been negative since the implementation of GASB Statement No. 68 – reporting of the long-term obligation for pension benefits as a liability - in fiscal year 2015.

Total net position increased by \$25,261 during the current fiscal year, which reflects an increase of \$11,276 in governmental activities and a \$13,985 increase in business-type activities mainly from increases in property tax revenues, water development impact fees and water consumption.

CITY OF VACAVILLE
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Following is a condensed summary of activities of the City's governmental and business-type operations for the period ended June 30, 2017, with the prior fiscal year presented for comparative purposes. Also included are revenue and expense graphs to aid in understanding the results of the current year's activities.

CITY OF VACAVILLE'S CHANGES IN NET POSITION

(Expressed in Thousands of Dollars)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Program Revenues:						
Charges for services	\$ 17,432	\$ 16,592	\$ 52,735	\$ 50,112	\$ 70,167	\$ 66,704
Operating grants & contributions	15,828	18,784	1,903	1,856	17,731	20,640
Capital grants & contributions	21,442	34,107	19,099	15,228	40,541	49,335
General Revenues:						
Taxes:						
Property taxes	41,210	37,868	98	97	41,308	37,965
Sales taxes	24,855	26,632	-	-	24,855	26,632
Franchise taxes	4,366	4,045	-	-	4,366	4,045
Transient lodging tax	1,678	1,688	-	-	1,678	1,688
Business license tax	291	300	-	-	291	300
Excise tax	2,572	2,617	-	-	2,572	2,617
Interest and other	1,320	1,826	792	3,870	2,112	5,696
Total revenues	<u>130,994</u>	<u>144,459</u>	<u>74,627</u>	<u>71,163</u>	<u>205,621</u>	<u>215,622</u>

CITY OF VACAVILLE
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For the year ended June 30, 2017
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CITY OF VACAVILLE'S CHANGES IN NET POSITION
(Expressed in Thousands of Dollars)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2017	2016	2017	2016	2017	2016
EXPENSES:						
Governmental activities:						
General government	14,849	11,350	-	-	14,849	11,350
Public safety	61,505	58,052	-	-	61,505	58,052
Public works	22,247	19,989	-	-	22,247	19,989
Community services	13,567	12,507	-	-	13,567	12,507
Housing	13,019	13,303	-	-	13,019	13,303
Interest on long-term debt	577	663	-	-	577	663
Business-type activities:						
Sewer	-	-	32,908	29,548	32,908	29,548
Water	-	-	18,021	18,318	18,021	18,318
Transit	-	-	3,667	3,553	3,667	3,553
Total expenses	<u>125,764</u>	<u>115,864</u>	<u>54,596</u>	<u>51,419</u>	<u>180,360</u>	<u>167,283</u>
Increase in net position before transfers	5,230	28,595	20,031	19,744	25,261	48,339
Transfers	<u>2,063</u>	<u>(341)</u>	<u>(2,063)</u>	<u>341</u>	<u>-</u>	<u>-</u>
Increase in net position	7,293	28,254	17,968	20,085	25,261	48,339
Restatement	3,983	-	(3,983)	(2,895)	-	(2,895)
Extraordinary item	-	1,582	-	-	-	1,582
Net position - July 1, 2016	<u>364,873</u>	<u>335,037</u>	<u>302,639</u>	<u>285,449</u>	<u>667,512</u>	<u>620,486</u>
Net position - June 30, 2017	<u>\$ 376,149</u>	<u>\$ 364,873</u>	<u>\$ 316,624</u>	<u>\$ 302,639</u>	<u>\$ 692,773</u>	<u>\$ 667,512</u>

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Governmental activities: Net position increased by \$11,276 during the fiscal year; this amount includes the \$3,983 restatement of the net position as of June 30, 2016. Although revenues exceeded expenses for the year, revenues decreased and expenses increased from the previous fiscal year. Key elements of this year's activity in relation to the prior year are as follows:

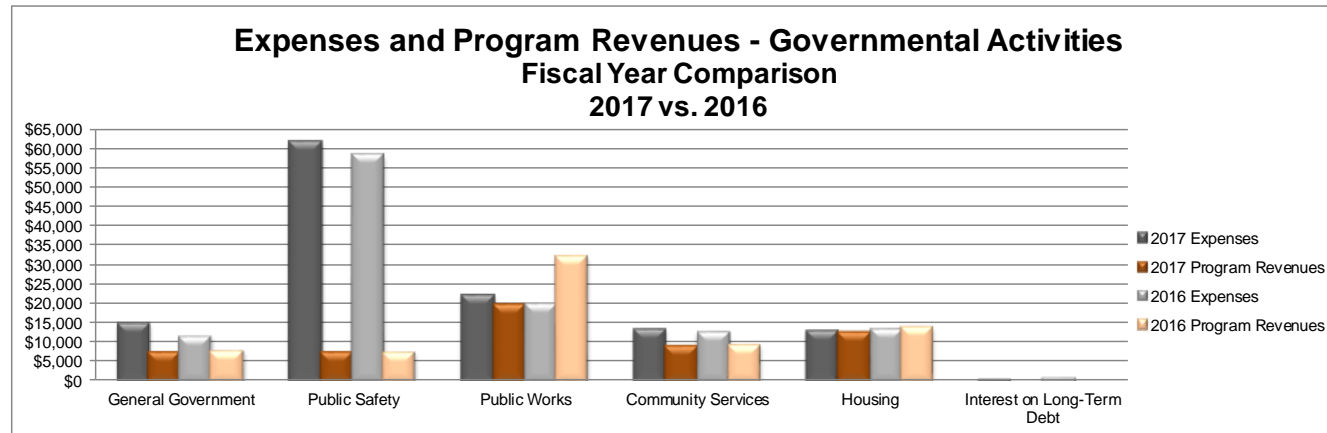
Revenues:

The decrease in revenues, \$13,465 or 9.3%, compared with 2016 was primarily due to the following reasons.

- The largest decrease in revenue is in capital grants & contributions, which includes development impact fees, developer contributed infrastructure, and other proceeds used for capital purposes. In fiscal year 2016, there was over \$13 million in developer contributed infrastructure due to the completion of several units/phases of the Southtown subdivision. In comparison, there was less than \$1 million in developer contributed infrastructure during the current fiscal year.
- Operating grants & contributions decreased from 2016 mainly due to a reduction in funding from HUD for the housing choice voucher/section 8 programs.
- Sales tax revenue also decreased by almost \$2 million in 2017 primarily due to the one-time \$2.3 million payment received in 2016 as part of the triple-flip tax swap unwinding.

Expenses:

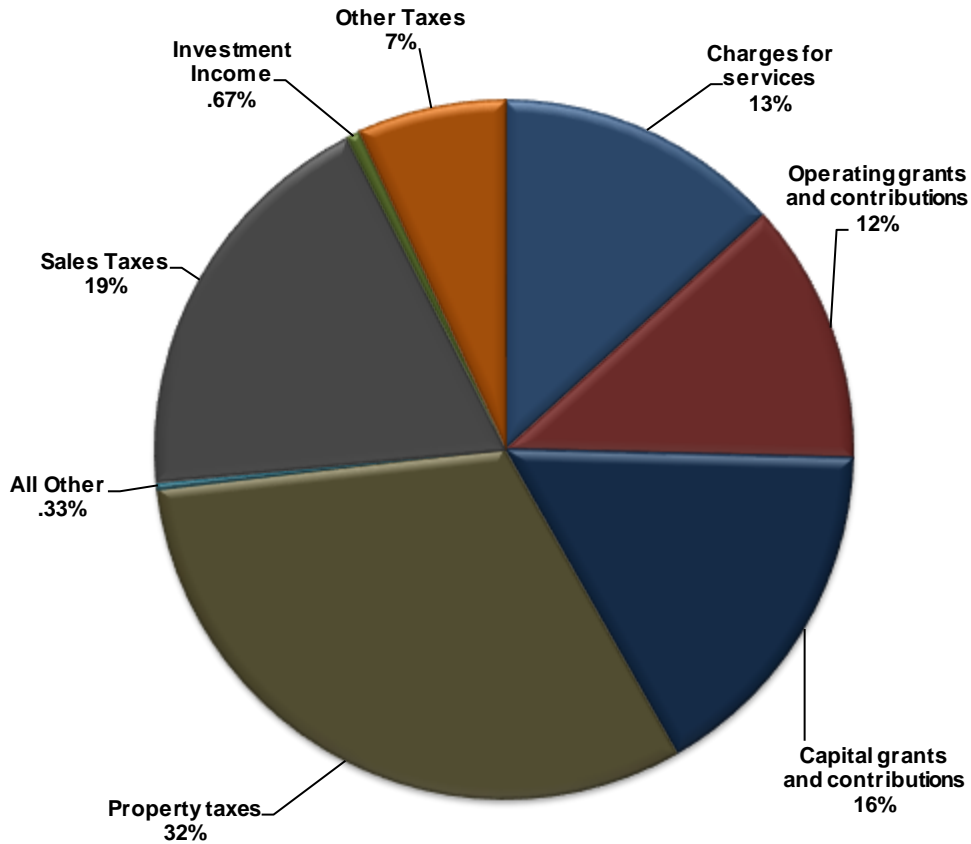
While variances between years exist for the various functions, total expenses increased by \$9,900 or 8.5% across almost all functions from 2016 due mainly to salary and benefit costs. The filling of vacant positions and addition of several new positions – public safety dispatchers, recreation coordinator - contributed to the rise in salary costs, while the continual increase in healthcare and pension costs resulted in higher benefit expenses. Additionally, street maintenance costs rose in Public Works due to a slurry seal project.



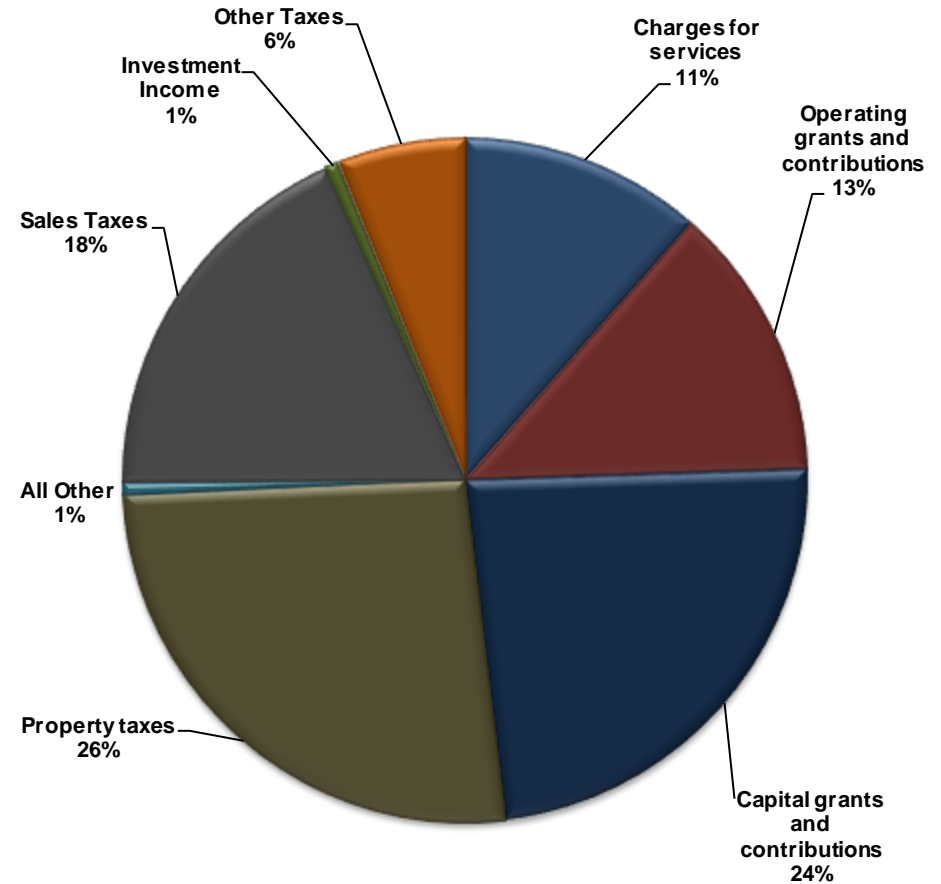
CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2017
(Amounts expressed in thousands)

Revenues by Source – Governmental Activities – Fiscal Year Comparison

2017



2016

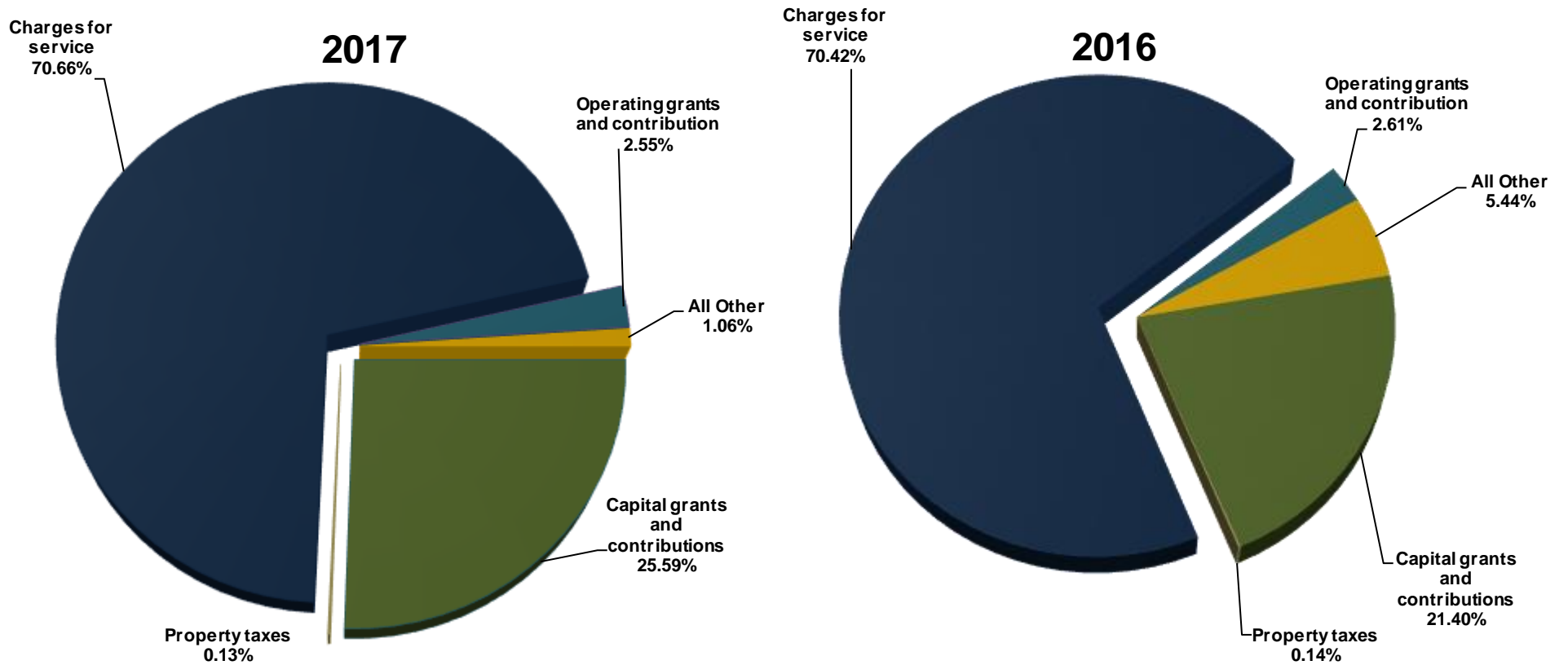


CITY OF VACAVILLE
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Business-type activities. Business-type activities increased the City's net position by \$13,985; this amount includes the (\$3,983) restatement of the net position as of June 30, 2016. For comparison purposes, the net position of business-type activities increased by \$17,190 in 2016. Key elements of the 2017 increase in net position are as follows:

- Increase in water sale revenue due to an increase in water service rates and an increase in water consumption.
- The cities of Vacaville and Fairfield sold a 19.83-acre jointly owned parcel to the developer of the Fairfield Train Station Project.
- Capital grants and contributions rose due to an increase in water connection fee revenue.

Revenues by Source-Business Type Activities - Fiscal Year Comparison

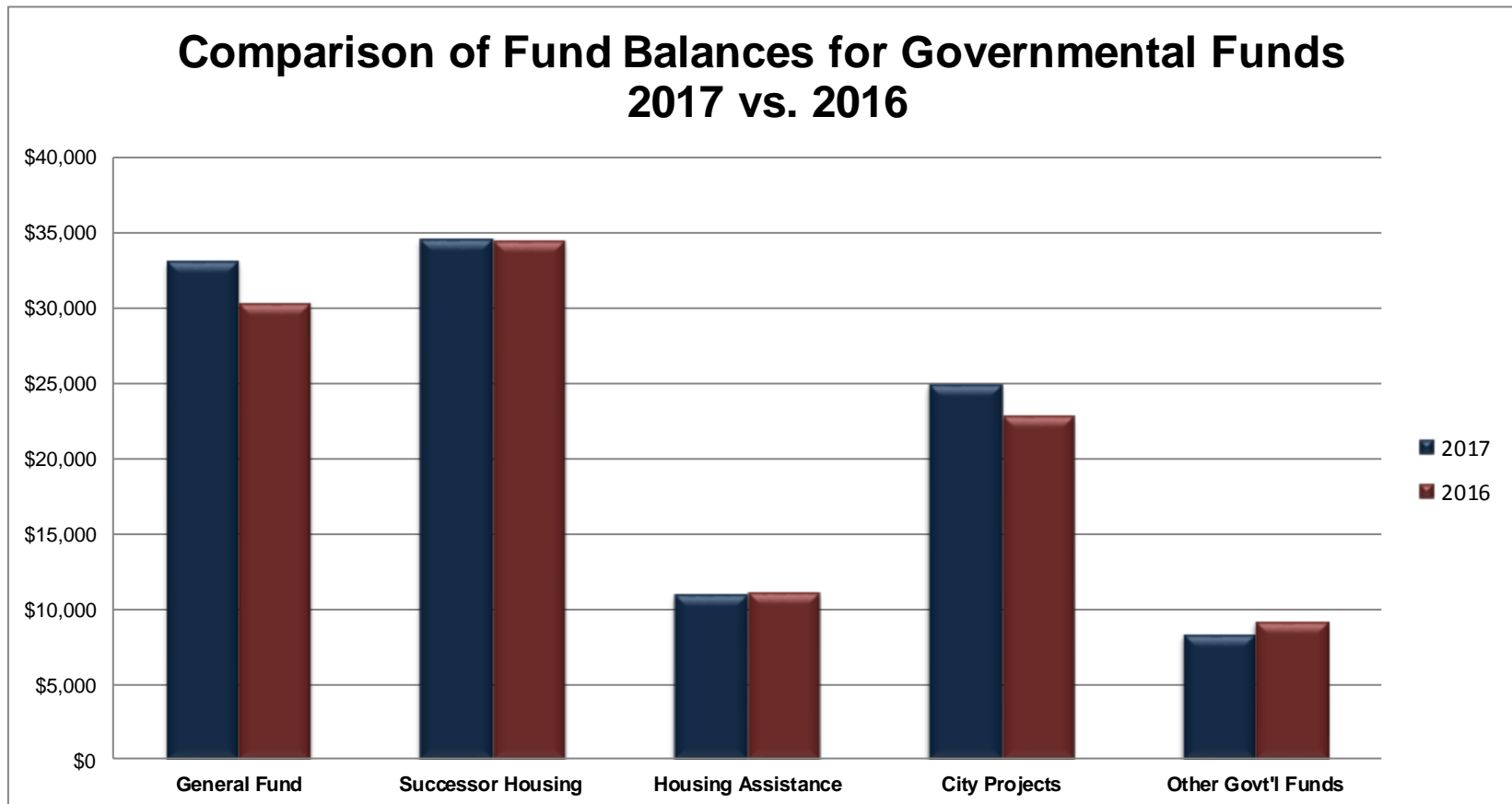


CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2017
(Amounts expressed in thousands)

Financial Analysis of the City's Funds

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

The following chart compares the 2017 and 2016 fund balances for the City's General, Successor Housing, Housing Assistance, City Projects, and Other Governmental Funds. As noted earlier, the City of Vacaville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



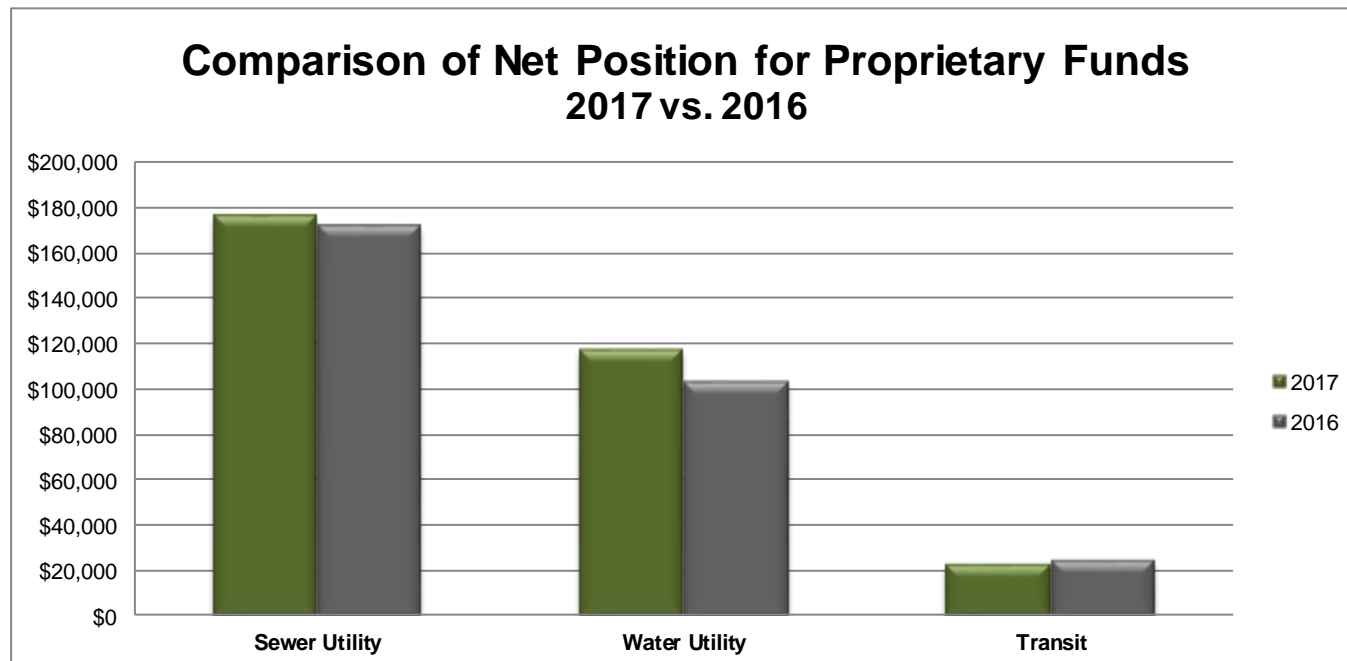
CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2017
(Amounts expressed in thousands)

As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$111,661 an increase of \$3,755 in comparison with the prior year. The majority of fund balance, 72%, is either *Non-spendable* to indicate that it is not available for future spending because it is not in spendable form or is legally required to be maintained, or *Restricted* to indicate there are spending constraints externally imposed on the city for specific purposes.

The General Fund is the primary operating fund of the City. At June 30, 2017, the Assigned and Unassigned fund balance of the General Fund was \$31,096 or 94% of the total General Fund fund balance. This amount can be viewed as the City's emergency operating reserve and is often measured as a percent of ongoing operating expenditures. The fund balance of the City's General Fund increased by \$2,722 during the current fiscal year. The increase in fund balance was related primarily to increased property tax revenues, which has been discussed in previous sections.

The City Projects fund has a total fund balance of \$24,883 and saw the second largest increase of fund balance from 2016 amongst the governmental funds. As previously discussed, transfers of sewer and water development impact fees for the Jepson Parkway Project was the main reason for the increase.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following chart compares the 2017 and 2016 net position balances for the City's Sewer, Water and Transit Funds.



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Unrestricted net position at the end of the year amounted to \$60,821 for the Sewer Utility fund and \$50,493 for the Water Utility fund. Due to the subsidized nature of transportation, the Transit fund had negative unrestricted net position at year end. The increase in net position for sewer operations was \$4,724 and the increase in water operations was \$14,170. The net position for the Transit fund decreased by \$925. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance from Final Budget
Total revenues	\$ 80,672	\$ 80,672	\$ 83,790	\$ 3,118
Expenditures:				
General government	12,282	12,710	9,937	2,773
Public safety	55,947	57,433	56,136	1,297
Public works	6,029	6,094	6,060	34
Community services	9,245	9,342	8,883	459
Debt service	58	58	58	-
Total expenditures	83,561	85,637	81,074	4,563
Revenue over (under)				
expenditures	(2,889)	(4,965)	2,716	7,681
Other financing sources (uses)	(4,970)	(5,434)	6	5,440
Net change in fund balance	<u>\$ (7,859)</u>	<u>\$ (10,399)</u>	2,722	<u>\$ 13,121</u>
Beginning fund balance			<u>30,302</u>	
Ending fund balance			<u>\$ 33,024</u>	

Final budgeted expenditures were more than the original budgeted expenditures by \$2,076 and other financing uses increased by \$464. The reasons for the increase are as follows:

- Grant related budgets are recorded when grants are awarded and approved by council, therefore not included in the original budget.
- Mid-year budget augmentation was approved by council for the addition of several positions, including public safety dispatchers, junior engineer, and recreation coordinator; funding for the OPEB annual required contribution; and repairs to the Walt Graham Aquatic Center.

Actual amounts differed from the Final budget as follows:

- Actual revenues were about 4% more than the budget. This was primarily due to higher than anticipated property tax revenues from increased property values and police department revenue for fines and violations exceeding budgeted amounts.

CITY OF VACAVILLE
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(Amounts expressed in thousands)

- Actual expenditures were \$4,563 or 5% below budget for the year. Despite increased salary and benefit costs compared to 2016, the City remained under budget in these expenditure categories. The 2017 budget also included plans to remodel City Hall which were placed on hold.
- The net effect of all of the above was a favorable variance from the amounts budgeted of \$13,121.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounted to \$792,861 (net of accumulated depreciation). This investment includes land, buildings and improvements, park facilities, equipment, vehicles, roads and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was \$3,829 (\$10,590 for governmental activities, including internal service funds and a decrease of \$6,761 for business-type activities).

	CAPITAL ASSETS					
	(net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 188,829	\$ 190,140	\$ 10,835	\$ 10,857	\$ 199,664	\$ 200,997
Land improvements	15,773	16,504	-	-	15,773	16,504
Buildings and improvements	38,496	38,709	236,308	237,089	274,804	275,798
Equipment	1,865	1,979	4,821	5,657	6,686	7,636
Vehicles	9,473	4,130	32	2,659	9,505	6,789
Infrastructure	164,420	169,205	75,389	77,188	239,809	246,393
Software	444	278	-	-	444	278
Construction in progress	<u>23,803</u>	<u>11,568</u>	<u>22,373</u>	<u>23,069</u>	<u>46,176</u>	<u>34,637</u>
Total	<u>\$ 443,103</u>	<u>\$ 432,513</u>	<u>\$ 349,758</u>	<u>\$ 356,519</u>	<u>\$ 792,861</u>	<u>\$ 789,032</u>

Major capital asset events during the current fiscal year included completion of the lab expansion phase of the Tertiary Project and surface parking lot project at the Vacaville Intermodal Station in the business-type activities and completion of the Merchant Street Sidewalk ADA Improvements Project; the Safe Routes to Schools Improvement Project, which consisted of infrastructure improvements in the vicinity of Vacaville High School, Vacaville Christian High School and Foxboro Elementary School; and completion of the Rocky Hill Trail. The Jepson Parkway Project and the completion phase of the Tertiary Project are significant projects currently recorded in the construction in progress total.

Additional information on the City's capital assets can be found in Note 5 on pages 64-68.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$158,701, which is backed by the full faith and credit of the government.

CITY OF VACAVILLE
Management's Discussion and Analysis
For the year ended June 30, 2017
(Amounts expressed in thousands)

OUTSTANDING DEBT
(expressed in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital lease obligations	\$ 14,492	\$ 13,336	\$ 5,542	\$ 8,045	\$ 20,034	\$ 21,381
Loans payable	-	-	138,667	145,774	138,667	145,774
Total	\$ 14,492	\$ 13,336	\$ 144,209	\$ 153,819	\$ 158,701	\$ 167,155

The City's total debt decreased by \$8,454 primarily due to loan repayments made to the State Water Resource Control Board for the Sewer Easterly and Tertiary Projects. With the Tertiary Project now being in its final phase, the City is no longer borrowing as much funding as it had been in previous years.

Additional information on the City's long-term debt can be found in Note 6 on pages 69-83 of this report.

Economic Factors and Next Year's Budget

The economic environment continues to look more favorable than in previous years. Bright spots in the City's finances include:

- The passage of Measure M in the last election at a higher percentage (3/4 cent versus current 1/4 cent) and longer term (20 years). Actual revenue from the increase will not be realized until fiscal year 2019.
- Continued growth in sales and property tax revenue and economic development activity
- Growth in the City's local economy through ACX Global, Acorn Paper Products, and expansion of several businesses.
- Staffing of the browned out medic unit through a reorganization of staff deployment rather than hiring of additional firefighter paramedics.

The City's operating budget for the coming year is \$180 million, of which \$90 million is in the General Fund. Similar to the fiscal year 2017 budget, the fiscal year 2018 budget will continue to make one-time investments in capital and equipment items which were deferred during the recession.

The two largest sources of revenue for the General Fund are property tax and sales tax, accounting for over half of operating revenues. Property tax revenue, including property tax in lieu of vehicle license fee revenue, is projected to increase 10.9% in FY 2017-2018, while sales tax (including Measure M) is projected to increase by a modest 1.4% in FY 2017-2018. Emergency medical fees are also projected to increase under a newly negotiated agreement with the billing contractor. While the City's General Fund reserve has been able to recover to a healthy level and steps continue to be taken to address infrastructure maintenance issues in City facilities and replace the City's aging equipment inventory, there remains much to be addressed. Impacts to the budget and reserve include continuing increases in healthcare and retiree costs for City employees and retirees and the unfunded liability for Other Post-Employment Benefits (OPEB).

CITY OF VACAVILLE
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(Amounts expressed in thousands)

The impact of the recent reduction of the PERS discount rate will result in the City spending an average additional 11% per year on PERS costs for the next three years and over an additional \$98 million over the next ten years.

Utilities:

In January 2016, the City Council approved a five-year water service rate increase designated to increase overall revenues by 5.5% annually in order to address issues in the Water Fund, including the existing cumulative deficit in the operating fund, the revenue impacts from drought-related water conservation, and other structural fund issues. Expenses are projected to increase in the upcoming year to address the hexavalent chromium concerns.

Successor Agency and Housing Services:

The State of California took legislative action to dissolve all Redevelopment Agencies in the State effective February 1, 2012. In addition to the loss of funding for critical economic development, public safety and infrastructure programs, twenty percent of all Redevelopment revenues were dedicated to Housing programs. While City staff has been overwhelmed with the work required to comply with the dissolution actions, there are currently no programs in place to provide funding for economic or housing programs outside of grant programs. The lack of these vital programs could negatively impact the City in future years if the State Legislature does not create alternative programs to address these community needs.

Capital Improvement Program:

The proposed CIP budget is \$28 million, which includes \$1.7 million in General Fund monies. The proposed program includes funding for 10 new projects in addition to previously approved and funded projects that have not been completed. New projects include renovation of Fire Station # 71, phase two master planning of AI Patch Park, and funding for the extension of the water main from Crocker to Eubanks Drive.

Requests for Information

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



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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF VACAVILLE
STATEMENT OF NET POSITION
JUNE 30, 2017**

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 87,589,024	\$ 125,237,434	\$ 212,826,458
Receivables, net of allowance for uncollectibles:			
Interest	375,659	129,522	505,181
Taxes	6,431,079	-	6,431,079
Accounts	11,655,763	8,638,011	20,293,774
Loans	45,836,705	-	45,836,705
Inventories	138,249	-	138,249
Prepaid Items	660,163	40,092	700,255
Internal balances	(1,603,773)	1,603,773	-
Restricted cash and investments	8,022,325	-	8,022,325
Deposits	346,948	-	346,948
Investment in joint venture	-	21,568,723	21,568,723
Due from RDA Successor Agency	2,376,006	-	2,376,006
Due from other governments	61,842	-	61,842
Capital assets:			
Capital assets, non-depreciable	212,631,421	33,208,071	245,839,492
Capital assets, net of accumulated depreciation	230,471,601	316,550,352	547,021,953
Total capital assets	443,103,022	349,758,423	792,861,445
Total assets	604,993,012	506,975,978	1,111,968,990
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	31,475,477	6,524,229	37,999,706
Total deferred outflows	31,475,477	6,524,229	37,999,706

CITY OF VACAVILLE
STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
LIABILITIES			
Accounts payable and contract payable	9,061,051	3,689,213	12,750,264
Accrued payroll	3,096,681	567,325	3,664,006
Interest payable	126,792	1,813,202	1,939,994
Employee benefits payable	1,856,557	-	1,856,557
Deposits payable	10,580,270	751,209	11,331,479
Due to other governments	1,159	-	1,159
Unearned revenue	2,112,419	162,686	2,275,105
Long-term payable to trust fund	7,212,790	-	7,212,790
Remediation liability - due in more than a year	-	1,355,000	1,355,000
Net OPEB obligation - due in more than a year	25,229,863	5,257,361	30,487,224
Net Pension liability - due in more than a year	164,439,690	36,674,425	201,114,115
Compensated absences			
Due within one year	814,532	165,163	979,695
Due in more than one year	8,857,925	805,954	9,663,879
Claims payable			
Due within one year	1,971,000	-	1,971,000
Due in more than one year	4,080,000	-	4,080,000
Long-term liabilities			
Due within one year	1,151,659	8,768,061	9,919,720
Due in more than one year	13,340,526	135,440,969	148,781,495
Total liabilities	<u>253,932,914</u>	<u>195,450,568</u>	<u>449,383,482</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	6,386,925	1,425,129	7,812,054
Total deferred inflows	<u>6,386,925</u>	<u>1,425,129</u>	<u>7,812,054</u>
NET POSITION			
Net investment in capital assets	<u>428,610,837</u>	<u>205,549,393</u>	<u>634,160,230</u>
Restricted for:			
Capital projects	21,490,777	-	21,490,777
Highway and streets	8,419,027	-	8,419,027
Housing	45,507,804	-	45,507,804
Special programs	3,518,002	-	3,518,002
Total restricted	<u>78,935,610</u>	<u>-</u>	<u>78,935,610</u>
Unrestricted	<u>(131,397,797)</u>	<u>111,075,117</u>	<u>(20,322,680)</u>
Total net position	<u>\$ 376,148,650</u>	<u>\$ 316,624,510</u>	<u>\$ 692,773,160</u>

**CITY OF VACAVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTALS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
Governmental activities:								
General government	\$ 14,848,755	\$ 4,441,833	\$ 317,432	\$ 2,357,448	\$ 7,116,713	\$ (7,732,042)	\$ -	\$ (7,732,042)
Public safety	61,504,924	4,977,860	1,887,056	589,603	7,454,519	(54,050,405)	-	(54,050,405)
Public works	22,247,349	1,383,035	755,461	16,945,167	19,083,663	(3,163,686)	-	(3,163,686)
Community services	13,566,558	6,606,872	665,221	1,549,748	8,821,841	(4,744,717)	-	(4,744,717)
Housing	13,019,369	21,897	12,203,198	-	12,225,095	(794,274)	-	(794,274)
Interest on long-term debt	576,814	-	-	-	-	(576,814)	-	(576,814)
Total governmental activities	125,763,770	17,431,497	15,828,368	21,441,966	54,701,831	(71,061,939)	-	(71,061,939)
Business-type activities:								
Sewer	32,908,146	33,806,925	-	5,172,088	38,979,013	-	6,070,867	6,070,867
Water	18,020,813	18,487,435	-	13,530,747	32,018,182	-	13,997,369	13,997,369
Transit	3,666,492	440,695	1,903,114	396,975	2,740,784	-	(925,708)	(925,708)
Total business-type activities	54,595,451	52,735,055	1,903,114	19,099,810	73,737,979	-	19,142,528	19,142,528
Total primary government	\$ 180,359,221	\$ 70,166,552	\$ 17,731,482	\$ 40,541,776	\$ 128,439,810	(71,061,939)	19,142,528	(51,919,411)
General revenues:								
Taxes:								
Property taxes						41,209,712	98,001	41,307,713
Sales taxes						24,854,532	-	24,854,532
Franchise taxes						4,365,574	-	4,365,574
Transient lodging tax						1,678,364	-	1,678,364
Business license tax						291,459	-	291,459
Excise tax						2,572,285	-	2,572,285
Subtotal taxes						74,971,926	98,001	75,069,927
Investment income						886,522	90,595	977,117
Miscellaneous						433,070	700,915	1,133,985
Transfers						2,063,062	(2,063,062)	-
Total general revenues and transfers						78,354,580	(1,173,551)	77,181,029
Change in net position						7,292,641	17,968,977	25,261,618
Net position, beginning of year						364,872,800	302,638,742	667,511,542
Restatement of Vehicle Replacement ISF (Note 19)						3,983,209	(3,983,209)	-
Net position, beginning of year as restated						368,856,009	298,655,533	667,511,542
Net position, end of year						\$ 376,148,650	\$ 316,624,510	\$ 692,773,160

See accompanying Notes to Basic Financial Statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

GENERAL FUND

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

SUCCESSOR HOUSING

Formerly accounted for the 20% set aside funds received from tax increments in the City's two Redevelopment areas; to be used for low and moderate housing purposes. Upon dissolution of the Redevelopment Agency, the City will continue to use these funds for low and moderate housing purposes.

HOUSING ASSISTANCE

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

CITY PROJECTS

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

OTHER GOVERNMENTAL FUNDS

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

**CITY OF VACAVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	MAJOR FUNDS				OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS		
ASSETS						
Cash and investments	\$ 29,782,075	\$ 6,410,285	\$ 1,628,829	\$ 26,995,702	\$ 12,145,288	\$ 76,962,179
Receivables:						
Interest	361,791	-	-	13,868	-	375,659
Taxes	6,259,120	-	-	114,876	57,083	6,431,079
Accounts	2,275,443	11,035	129,771	8,781,236	438,569	11,636,054
Loans	-	34,065,358	9,510,278	-	2,261,069	45,836,705
Restricted cash and investments held by fiscal agent	-	367,695	-	6,384,224	954,396	7,706,315
Due from other funds	611,969	-	-	-	-	611,969
Due from other governments	-	61,842	-	-	-	61,842
Deposits	219,098	-	-	-	-	219,098
Advances to other funds	27,437	-	-	-	-	27,437
Due from RDA Successor Agency	1,900,805	475,201	-	-	-	2,376,006
Total assets	<u>\$ 41,437,738</u>	<u>\$ 41,391,416</u>	<u>\$ 11,268,878</u>	<u>\$ 42,289,906</u>	<u>\$ 15,856,405</u>	<u>\$ 152,244,343</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	MAJOR FUNDS				OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and contract payable	\$ 1,857,531	\$ 8,137	\$ 37,937	\$ 6,275,037	\$ 235,879	\$ 8,414,521
Accrued payroll	2,635,472	15,172	46,976	52,536	239,838	2,989,994
Due to other funds	-	-	-	-	302,216	302,216
Deposits payable	3,362,042	38,217	194,213	1,938,827	5,045,136	10,578,435
Unearned revenue	460,950	-	34,825	-	1,616,644	2,112,419
Due to RDA Successor Agency	-	-	-	7,212,790	-	7,212,790
Due to other governments	-	-	1,159	-	-	1,159
Advances from other funds	69,392	-	-	1,594,272	-	1,663,664
Total liabilities	<u>8,385,387</u>	<u>61,526</u>	<u>315,110</u>	<u>17,073,462</u>	<u>7,439,713</u>	<u>33,275,198</u>
Deferred Inflows of Resources:						
Deferred development impact fees	-	-	-	311,322	-	311,322
Unavailable revenue under modified accrual	28,283	6,775,519	4,076	22,296	166,293	6,996,467
Total deferred inflows	<u>28,283</u>	<u>6,775,519</u>	<u>4,076</u>	<u>333,618</u>	<u>166,293</u>	<u>7,307,789</u>
Fund Balances:						
Nonspendable	1,928,242	-	-	-	-	1,928,242
Restricted	-	34,554,371	10,949,692	24,382,268	8,552,615	78,438,946
Assigned	8,282,365	-	-	500,558	-	8,782,923
Unassigned	22,813,461	-	-	-	(302,216)	22,511,245
Total fund balances	<u>33,024,068</u>	<u>34,554,371</u>	<u>10,949,692</u>	<u>24,882,826</u>	<u>8,250,399</u>	<u>111,661,356</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 41,437,738</u>	<u>\$ 41,391,416</u>	<u>\$ 11,268,878</u>	<u>\$ 42,289,906</u>	<u>\$ 15,856,405</u>	<u>\$ 152,244,343</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET WITH THE STATEMENT OF NET POSITION
JUNE 30, 2017

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 111,661,356

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Capital assets net of internal service funds (Central Services, Technology Replacement and Vehicle Replacement) capital assets of \$7,277,823 were adjusted as follows: 435,825,199

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in Governmental Activities in the Government-Wide Statement of Net Position. 524,498

PREPAID ITEMS

The City applies the purchases method for prepaid items in the governmental funds and recognizes the entire amount of the prepayment as an expenditure of the period payment is made. 366,377

LONG TERM ASSETS AND LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES

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

OPEB trust liability	(25,229,863)
Deferred employer pension contributions	13,657,775
Deferred outflows of resources - pension	16,367,873
Net pension liability	(156,289,819)
Deferred inflows of resources - pension	(6,070,235)
Long-term debt	(12,212,177)
Compensated absences	(9,672,457)
Interest payable	(87,666)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are not recognized in the Fund Financial Statements because they are not currently available are taken into revenue in the Statement of Activities. 7,307,789

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 376,148,650

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes and fees	\$ 71,942,073	\$ -	\$ -	\$ 9,949,486	\$ 6,040,391	\$ 87,931,950
Licenses and permits	204,123	-	-	-	1,559,883	1,764,006
Investment income	800,537	100,195	7,523	13,449	32,504	954,208
Intergovernmental	855,286	-	12,203,198	10,716,352	2,482,981	26,257,817
Charges for services	9,066,669	-	15,889	-	3,036,593	12,119,151
Rents and royalties	384,194	6,008	-	-	-	390,202
Fines, forfeitures, and penalties	392,688	-	-	-	4,756	397,444
Other	144,913	97,155	168,259	7,699	24,528	442,554
Total revenues	83,790,483	203,358	12,394,869	20,686,986	13,181,636	130,257,332
EXPENDITURES:						
Current:						
General government	9,937,290	-	-	-	3,576,261	13,513,551
Public safety	56,135,977	-	-	-	1,135,630	57,271,607
Public works	6,059,850	-	-	-	2,082,234	8,142,084
Community services	8,883,472	-	-	-	4,238,078	13,121,550
Housing	-	652,391	12,594,216	-	-	13,246,607
Capital outlay	-	-	-	21,996,035	-	21,996,035
Debt service:						
Principal	53,204	-	-	205,396	652,176	910,776
Interest and fiscal charges	4,676	-	-	173,697	406,644	585,017
Total expenditures	81,074,469	652,391	12,594,216	22,375,128	12,091,023	128,787,227
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,716,014	(449,033)	(199,347)	(1,688,142)	1,090,613	1,470,105

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL	SUCCESSOR HOUSING	HOUSING ASSISTANCE	CITY PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):						
Transfers in	3,062,149	9,009	-	4,250,011	1,734,796	9,055,965
Transfers out	(3,102,536)	-	(9,009)	(597,458)	(3,755,876)	(7,464,879)
Sale of capital assets	46,303	528,124	-	118,000	2,000	694,427
Total other financing sources (uses)	5,916	537,133	(9,009)	3,770,553	(2,019,080)	2,285,513
NET CHANGES IN TOTAL FUND BALANCE	2,721,930	88,100	(208,356)	2,082,411	(928,467)	3,755,618
Fund balances, beginning of year	30,302,138	34,466,271	11,158,048	22,800,415	9,178,866	107,905,738
Fund balances, end of year	<u>\$ 33,024,068</u>	<u>\$ 34,554,371</u>	<u>\$ 10,949,692</u>	<u>\$ 24,882,826</u>	<u>\$ 8,250,399</u>	<u>\$ 111,661,356</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,755,618

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds reported capital asset expenditures as part of capital outlay and other departmental expenditures. However, in the Government-Wide Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. Internal service fund capital asset additions were \$4,392,884. This is detail of the amount of capital assets recorded in the current period.

Capital outlay	21,996,035
Uncapitalized outlay costs	(5,386,182)
Departmental expenditures capitalized	18,000
Developer contributions	776,129

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. Internal service funds depreciation is \$974,971. (11,310,547)

Capital assets transferred from business-type activities to governmental activities are reported as transfers in the Government-Wide Statement of Activities. The transfers are not reported in the governmental funds as the amount did not involve the transfer of financial resources. 11,953

LONG TERM DEBT PROCEEDS AND PAYMENTS

Repayment of principal is an expenditure in Governmental Funds, but the repayment is a reduction in long-term liabilities in the Government-Wide Statement of Net Position. 910,776

PREPAID ITEMS

The City applies the purchases method for prepaid items in the governmental funds and recognizes the entire amount of the prepayment as an expenditure of the period payment is made. 240,201

ACCRUAL OF NON-CURRENT ITEMS

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

Unavailable Revenue	1,196,812
Compensated absences	(263,992)
OPEB expense	(5,012,865)
Interest expense	8,203
Proceeds from sale of capital assets	(694,427)
Loss from disposal of capital assets	(827,449)

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

PENSION ACTIVITY

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred. 13,657,775

In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet.

Pension expense related to the net pension liability does not require the use of current financial resources and therefore was not included in the Governmental Funds but should be recognized in the Statement of Net Position for full accrual. (14,768,990)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal service funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with the governmental activities. 2,985,591

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 7,292,641

PROPRIETARY FUND FINANCIAL STATEMENTS

SEWER UTILITY

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

WATER UTILITY

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

TRANSIT

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

**CITY OF VACAVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	
ASSETS					
Current assets:					
Cash and investments	\$ 84,947,067	\$ 40,290,367	\$ -	\$ 125,237,434	\$ 10,626,845
Interest receivable	90,613	38,909	-	129,522	-
Accounts receivable	5,124,333	3,093,750	419,928	8,638,011	19,709
Prepaid items	22,917	17,175	-	40,092	293,786
Inventories-supplies	-	-	-	-	138,249
Total current assets	<u>90,184,930</u>	<u>43,440,201</u>	<u>419,928</u>	<u>134,045,059</u>	<u>11,394,599</u>
Noncurrent assets:					
Deposits	-	-	-	-	127,850
Advances to other funds	700,816	1,062,848	-	1,763,664	-
Investment in joint venture	-	21,568,723	-	21,568,723	-
Total noncurrent assets	<u>700,816</u>	<u>22,631,571</u>	<u>-</u>	<u>23,332,387</u>	<u>127,850</u>
Capital assets:					
Land	2,847,722	3,058,292	4,928,788	10,834,802	-
Construction in progress	17,952,511	4,420,758	-	22,373,269	-
Buildings and improvements	282,118,182	53,159,919	17,787,281	353,065,382	145,369
Machinery and equipment	1,098,696	118,026	10,138,282	11,355,004	12,778,101
Transmission and distribution system	47,381,067	60,714,171	-	108,095,238	-
Less: accumulated depreciation	<u>(97,629,231)</u>	<u>(49,025,182)</u>	<u>(9,310,859)</u>	<u>(155,965,272)</u>	<u>(5,645,647)</u>
Total capital assets	<u>253,768,947</u>	<u>72,445,984</u>	<u>23,543,492</u>	<u>349,758,423</u>	<u>7,277,823</u>
Total assets	<u>344,654,693</u>	<u>138,517,756</u>	<u>23,963,420</u>	<u>507,135,869</u>	<u>18,800,272</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension	<u>4,168,257</u>	<u>2,355,972</u>	<u>-</u>	<u>6,524,229</u>	<u>1,449,829</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS			TOTALS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SEWER UTILITY	WATER UTILITY	TRANSIT		
LIABILITIES					
Current liabilities:					
Accounts and contract payable	2,310,446	1,208,787	169,980	3,689,213	646,530
Accrued payroll	348,760	214,476	4,089	567,325	106,687
Interest payable	1,758,051	55,151	-	1,813,202	39,126
Due to other funds	-	-	32,454	32,454	277,299
Employee benefits payable	-	-	-	-	1,856,557
Deposits payable	4,557	391,730	354,922	751,209	1,835
Due to other governments	-	-	-	-	-
Compensated absences - due within one year	101,620	63,543	-	165,163	-
Claims payable - due within one year	-	-	-	-	1,971,000
Long-term debt - due within one year	8,369,799	398,262	-	8,768,061	267,311
Total current liabilities	<u>12,893,233</u>	<u>2,331,949</u>	<u>561,445</u>	<u>15,786,627</u>	<u>5,166,345</u>
Noncurrent liabilities:					
Advances from other funds	27,437	100,000	-	127,437	-
Unearned revenue	36,995	125,691	-	162,686	-
Compensated absences - due in more than a year	711,482	94,472	-	805,954	-
Remediation liability	1,355,000	-	-	1,355,000	-
OPEB trust liability	3,237,287	1,923,043	97,031	5,257,361	-
Pension liability	23,430,881	13,243,544	-	36,674,425	8,149,871
Claims payable - due in more than one year	-	-	-	-	4,080,000
Long-term debt - due in more than one year	130,320,320	5,120,649	-	135,440,969	2,012,697
Total noncurrent liabilities	<u>159,119,402</u>	<u>20,607,399</u>	<u>97,031</u>	<u>179,823,832</u>	<u>14,242,568</u>
Total liabilities	<u>172,012,635</u>	<u>22,939,348</u>	<u>658,476</u>	<u>195,610,459</u>	<u>19,408,913</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension	910,499	514,630	-	1,425,129	316,690
NET POSITION					
Net investment in capital assets	115,078,828	66,927,073	23,543,492	205,549,393	4,997,815
Restricted for capital projects	-	-	-	-	316,010
Unrestricted	60,820,988	50,492,677	(238,548)	111,075,117	(4,789,327)
Total net position business-type activities	<u>\$ 175,899,816</u>	<u>\$ 117,419,750</u>	<u>\$ 23,304,944</u>	<u>\$ 316,624,510</u>	<u>\$ 524,498</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</u>
	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TRANSIT</u>	<u>TOTALS</u>	
OPERATING REVENUES:					
Charges for sales and services:					
Sewer charges	\$ 33,803,884	\$ -	\$ -	\$ 33,803,884	\$ -
Water sales	-	18,357,393	-	18,357,393	-
Transit fares	-	-	440,695	440,695	-
Internal service charges	-	-	-	-	17,791,304
Total operating revenues	33,803,884	18,357,393	440,695	52,601,972	17,791,304
OPERATING EXPENSES:					
Treatment plant and sources of supply	6,611,017	6,580,125	-	13,191,142	-
Transmission and distribution	-	1,834,023	-	1,834,023	-
Maintenance	6,280,096	2,833,602	-	9,113,698	-
Customer services and administration	8,667,670	5,969,633	-	14,637,303	-
Transportation	-	-	2,362,364	2,362,364	-
Internal service expenses	-	-	-	-	14,250,654
Depreciation	7,649,310	2,549,569	1,307,319	11,506,198	974,970
Total operating expenses	29,208,093	19,766,952	3,669,683	52,644,728	15,225,624
OPERATING INCOME (LOSS)	4,595,791	(1,409,559)	(3,228,988)	(42,756)	2,565,680
NONOPERATING REVENUES (EXPENSES):					
Gain from joint venture	-	1,017,501	-	1,017,501	-
Gain on disposal of capital assets	-	881,043	3,191	884,234	27,571
Interest revenue	50,479	40,620	(504)	90,595	-
Interest expense	(3,700,053)	(164,358)	-	(3,864,411)	(67,684)
Rents and royalties	-	130,042	-	130,042	-
Taxes and other	3,041	797,867	1,904,163	2,705,071	-
Total nonoperating revenues (expenses)	(3,646,533)	2,702,715	1,906,850	963,032	(40,113)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	949,258	1,293,156	(1,322,138)	920,276	2,525,567

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	<u>SEWER UTILITY</u>	<u>WATER UTILITY</u>	<u>TRANSIT</u>	<u>TOTALS</u>	
TRANSFER:					
Transfers in	300,700	1,106,312	-	1,407,012	529,030
Transfers out	(1,697,895)	(1,760,226)	-	(3,458,121)	(69,007)
Total transfers	<u>(1,397,195)</u>	<u>(653,914)</u>	<u>-</u>	<u>(2,051,109)</u>	<u>460,023</u>
CAPITAL CONTRIBUTIONS:					
Connection fees	4,994,298	13,277,281	-	18,271,579	-
Intergovernmental	-	72,882	396,975	469,857	-
Developers	177,790	180,584	-	358,374	-
Total capital contributions	<u>5,172,088</u>	<u>13,530,747</u>	<u>396,975</u>	<u>19,099,810</u>	<u>-</u>
Change in net position	<u>4,724,151</u>	<u>14,169,989</u>	<u>(925,163)</u>	<u>17,968,977</u>	<u>2,985,590</u>
NET POSITION:					
Net position, beginning of year	171,175,665	103,249,761	24,230,107	298,655,533	(2,461,092)
Net position, end of year	<u>\$ 175,899,816</u>	<u>\$ 117,419,750</u>	<u>\$ 23,304,944</u>	<u>\$ 316,624,510</u>	<u>\$ 524,498</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	ACTIVITIES- SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 34,024,556	\$ 18,267,322	\$ 267,218	\$ 52,559,096	\$ 17,793,493
Payments to suppliers	(12,218,852)	(22,536,034)	(1,954,711)	(36,709,597)	(9,115,931)
Payments to employees	(7,000,125)	(4,218,900)	(116,506)	(11,335,531)	(2,833,000)
Claims paid	-	-	-	-	(1,530,422)
Net cash provided by (used in) operating activities	14,805,579	(8,487,612)	(1,803,999)	4,513,968	4,314,140
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Advances to/(from) other funds	57,055	86,539	-	143,594	-
Due to/(from) other funds	-	-	(102,851)	(102,851)	(176,095)
Transfers in	300,700	1,106,312	-	1,407,012	529,030
Transfers out	(1,697,895)	(1,760,226)	-	(3,458,121)	(69,007)
Taxes	3,041	797,867	-	800,908	-
Ground lease	-	-	-	-	-
Annexation fees	-	-	-	-	-
Industry permit fees	-	-	-	-	-
Water transfer charge credit	-	-	-	-	-
Power plant revenue	-	-	-	-	-
Rents and royalties	-	130,042	-	130,042	-
Grants	-	-	1,904,163	1,904,163	-
Net cash provided by noncapital financing activities	(1,337,099)	360,534	1,801,312	824,747	283,928
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Net proceeds from issuance of long-term debt	725,950	-	-	725,950	323,009
Proceeds from sale of capital assets	-	915,285	3,191	918,476	4,429
Connection fees	4,994,298	13,277,281	-	18,271,579	-
Acquisition and construction of capital assets	(5,850,996)	(712,750)	-	(6,563,746)	(2,975,756)
Principal paid on capital debt	(7,977,048)	(367,741)	-	(8,344,789)	(360,448)
Interest paid	(3,702,666)	(168,673)	-	(3,871,339)	(70,287)
Net cash used in capital and related financing activities	(11,810,462)	12,943,402	3,191	1,136,131	(3,079,053)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	50,479	40,620	(504)	90,595	-
Net cash provided by investing activities	50,479	40,620	(504)	90,595	-
Net increase (decrease) in cash and cash equivalents	1,708,497	4,856,944	-	6,565,441	1,519,015
CASH AND CASH EQUIVALENTS:					
Beginning of year	83,238,570	35,433,423	-	118,671,993	9,423,840
Cash and investments	84,947,067	40,290,367	-	125,237,434	10,626,845
Restricted cash and investments	-	-	-	-	316,010
Total cash and investments end of year	\$ 84,947,067	\$ 40,290,367	\$ -	\$ 125,237,434	\$ 10,942,855

See accompanying Notes to Basic Financial Statements.

**CITY OF VACAVILLE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				GOVERNMENTAL
	SEWER UTILITY	WATER UTILITY	TRANSIT	TOTALS	ACTIVITIES- SERVICE FUNDS
NONCASH TRANSACTIONS:					
Contribution and transfer of capital assets, net	\$ 177,790	\$ 253,466	\$ 396,975	\$ 828,231	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 4,595,791	\$ (1,409,559)	\$ (3,228,988)	\$ (42,756)	\$ 2,565,680
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	7,649,310	2,549,569	1,307,319	11,506,198	974,970
Gain (Loss) on disposal of assets	-	-	-	-	-
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable	270,046	(85,642)	(165,281)	19,123	2,189
Decrease (increase) in interest receivable	(49,374)	(22,305)	-	(71,679)	-
Decrease (increase) in prepaid expenses	(18,971)	(9,891)	-	(28,862)	(22,882)
Decrease (increase) in inventories - supplies	-	-	-	-	(9,693)
Decrease (increase) in deposits	-	-	-	-	44,825
Decrease (increase) in deferred outflow of resources - pension	(2,078,927)	(1,175,045)	-	(3,253,972)	(723,107)
Increase (decrease) in accounts and contracts payable	1,641,456	1,980	25,985	1,669,421	482,389
Increase (decrease) in accrued payroll	76,716	59,781	(2,048)	134,449	17,729
Increase (decrease) in employee benefits payable	-	-	-	-	785,809
Increase (decrease) in compensated absences	23,296	(8,552)	-	14,744	-
Increase (decrease) in deposits payable	(55,023)	(9,979,416)	247,929	(9,786,510)	-
Increase in interest payable	-	-	-	-	-
Increase (decrease) in due to other governments	-	-	(8,196)	(8,196)	-
Increase (decrease) in unearned revenue	-	17,876	-	17,876	-
Increase (decrease) in OPEB trust liability	643,208	382,084	19,281	1,044,573	-
Increase (decrease) in pension liability	2,487,702	1,406,093	-	3,893,795	865,288
Increase (decrease) in deferred inflow of resources - pension	(379,651)	(214,585)	-	(594,236)	(132,057)
Increase (decrease) in insurance liability	-	-	-	-	(537,000)
Total adjustments	10,209,788	(7,078,053)	1,424,989	4,556,724	1,748,460
Net cash provided by (used in) operating activities	\$ 14,805,579	\$ (8,487,612)	\$ (1,803,999)	\$ 4,513,968	\$ 4,314,140

See accompanying Notes to Basic Financial Statements.



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FIDUCIARY FUND FINANCIAL STATEMENTS

AGENCY FUNDS

To account for other deposits received from outside parties including deposits from Solano Transportation Authority, Solano County Transit, Community Action Partnership of Solano, refunding of permit monies and restitution for crimes committed. Also used to account for monies received through property tax to pay debt service payments for the Special Assessment Districts and to account for bond proceeds and repayment of debt service held in trust.

PRIVATE PURPOSE TRUST FUND

To account for the proceeds of the dissolution of the Redevelopment Agency.

CITY OF VACAVILLE
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Agency Funds	Private Purpose Trust Fund Successor Agency
ASSETS		
<u>Current assets:</u>		
Cash and investments	\$ 25,829,052	\$ 12,410,307
<u>Receivables:</u>		
Interest	-	42,411
Loans	-	4,506,001
Prepaid expenses	-	111,279
Total current assets	25,829,052	17,069,998
<u>Noncurrent assets:</u>		
Restricted cash and investments	-	2,888,654
Long-term receivable from City of Vacaville	-	7,212,790
Capital assets, non-depreciable	-	788,124
Capital assets, net of accumulated depreciation	-	23,814,444
Total noncurrent assets	-	34,704,012
Total assets	\$ 25,829,052	51,774,010
 DEFERRED OUTFLOWS OF RESOURCES		
<u>Deferred charge on refunding</u>		
Deferred charge on refunding	-	479,597
Total deferred outflows of resources	-	479,597
 LIABILITIES		
<u>Current liabilities:</u>		
Accounts payable and contracts payable	\$ 3,400	739,337
Accrued payroll	-	6,972
Deposits payable	18,651,493	133,302
Unearned revenue	-	19,946
Interest payable	-	609,840
Long-Term note payable to City of Vacaville - due within one year	-	1,171,047
Long-term liabilities - due within one year	-	2,688,726
Total current liabilities	18,654,893	5,369,170
<u>Noncurrent liabilities:</u>		
Long-Term note payable to City of Vacaville - due in more than a year	-	1,204,959
Long-Term liabilities - due in more than a year	-	41,077,789
Due to bondholders	7,174,159	-
Total liabilities	\$ 25,829,052	47,651,918
 NET POSITION		
Held in trust for dissolution of the Redevelopment Agency		\$ 4,601,689

See accompanying Notes to Basic Financial Statements.

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND - SUCCESSOR AGENCY
FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS:

Investment income	\$ 189,284
Revelopment Agency (RDA) property tax trust fund distribution	7,471,830
Other	193,581
	7,854,695
Total additions:	7,854,695

DEDUCTIONS:

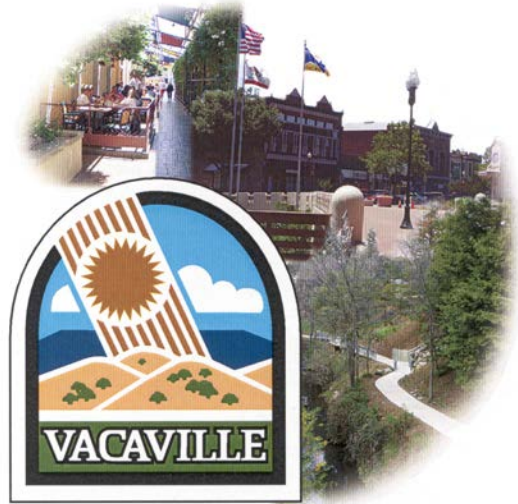
Program expenses of former RDA	479,369
DDA agreements	1,514,268
Professional fees	52,358
Depreciation expense	805,294
Fiscal fines and other fees	129,084
Interest expense	1,082,968
Sale of property	76,276
	4,139,617
Total deductions	4,139,617

Change in net position	3,715,078
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NET POSITION:

Beginning of year	886,611
End of year	\$ 4,601,689

See accompanying Notes to Basic Financial Statements.



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CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Reporting Entity*

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

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

Vacaville Housing Authority

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

Vacaville Public Financing Authority

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

Financial statements for the Vacaville Housing Authority can be obtained by contacting the City's Administrative Services Department. The Vacaville Public Financing Authority does not issue financial statements.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The City is no longer reporting the Solano County Housing Authority as a component unit. Solano County includes the Solano County Housing Authority as a component unit in their Comprehensive Annual Financial Report. The Solano County Board of Supervisors is the governing body of the Solano County Housing Authority.

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for sales tax and grant revenues, to be available if they are collected within 60 days of the end of the current fiscal period. Sales tax and grant revenues are considered available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The City reports the following major governmental funds:

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

Successor Housing Special Revenue Fund – to account for the proceeds and dissolution of Redevelopment due to AB26x1. See further description at footnote 14.

Housing Assistance Special Revenue Fund – to account for restricted grant funds received from the Federal Government to provide rental assistance payments to low-income, elderly, disabled, and handicapped people qualifying for the programs, the rehabilitation for rental property, and first-time homebuyer programs. Funds are received from the U.S. Department of Housing and Urban Development’s Section 8 Voucher Housing Programs, State Rehabilitation Programs, and both federal and state first-time homebuyer programs.

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

Internal Service funds

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

Fiduciary funds

Agency Funds

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

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

Multifamily Housing Revenue Bonds – to account for bond proceeds and repayment of debt service held in trust. The City participated in the issuance of the Multifamily Housing Revenue and Refunding Bonds Series 2000A and 1999 Series A. The bond proceeds were loaned to Vacaville Community Housing and WLP Sycamores Apartments, LLC, respectively.

Private-Purpose Trust Fund

Successor Agency fund – to account for the proceeds and dissolution of the Redevelopment Agency due to AB26x1. See further description at footnote 14.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. *Cash, Cash Equivalents and Investments*

The City pools cash resources of its various funds to facilitate cash management. The cash pool functions as a demand deposit from the position of each individual fund. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balances.

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

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

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

D. *Receivables and Payables*

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

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Net Position

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

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

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

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

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

F. Fund Balance

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2017 and classified fund balances into the following five categories:

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

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

Committed – includes fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the City Council. The City Council must approve an amendment to the Annual Appropriation resolution to allow for removal or change to the constraint. As of June 30, 2017 the City does not have any fund balances that have been committed.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council assigns fund balance.

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

The city reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The City reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amount in any of those unrestricted fund balance classifications could be used. Additional information concerning the nature of the City's fund balances pursuant to GASB Statement No. 54 is provided in Note 12 – Fund Balance.

G. Inventory and Prepaid Items

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

The City applies the purchases method for prepaid items in the governmental funds and recognizes the entire amount of the prepayment as an expenditure of the period payment is made.

H. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their acquisition value, the price that would have been paid to acquire the asset, on the date donated. City policy has set the capitalization threshold for reporting infrastructure at \$100,000 with the exception of water and sewer/wastewater system networks, which have a \$25,000 threshold. All other non-infrastructure capital assets have a capitalization threshold of \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and Improvements	10-40 years
Machinery and Equipment	5-20 years
Infrastructure	25-50 years
Land Improvements	25-40 years
Software	10 years

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

I. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds issued prior to the implementation of GASB Statement No. 34 have been presented at the gross issuance amount.

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

J. Compensated Absences

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. Property Tax Revenue

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

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

M. Use of Estimates

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

N. Implementation of New GASB Pronouncements

In 2017, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement were not applicable to the City.

GASB Statement No. 77, Tax Abatement Disclosure - This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. There was no impact on net position as a result of implementation of this statement. Tax abatements of the City are further discussed in Note 18.

GASB Statement No. 78, Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans– The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement were not applicable to the City.

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this statement were not applicable to the City.

NOTE 2 - CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City's Investment Officer, and overseen by the City's Treasurer, to enhance interest earnings. The pooled interest earned is allocated to the funds based on cash and investment balances in these funds at the end of each accounting period.

A. Deposits

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

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS, continued

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 212,826,458
Cash and Investments held by bond trustee	8,022,325
Fiduciary Funds:	
Cash and Investments	38,239,359
Cash and Investments held by bond trustee	2,888,654
Total Cash and Investments	<u>\$ 261,976,796</u>

Cash and Investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 30,975
Deposits with financial institutions	4,100,471
Investments	257,845,350
Total Cash and Investments	<u>\$ 261,976,796</u>

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

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

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS, continued

Investments Authorized by Debt Agreements

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

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

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

Unrealized loss in changes in fair value of investments	\$ (1,306,481)
Interest income	<u>2,472,882</u>
Total investment income - Governmental and Proprietary Funds	<u>\$ 977,117</u>
Total investment income - Fiduciary Funds	<u>\$ 189,284</u>

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS, continued

C. Disclosures Relating to Interest Rate Risk

The City manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments as of June 30, 2017 by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Local Agency Investment Fund	\$ 53,384,048	\$ 53,384,048	\$ -
U.S. Agency Securities	86,486,720	14,979,630	71,507,090
U.S. Government Securities	12,951,210	1,993,900	10,957,310
Municipal Bonds	2,739,677	2,739,677	-
Corporate Notes	35,779,133	21,986,160	13,792,973
Commercial Paper	55,056,304	55,056,304	-
Negotiable Certificates of Deposit	3,367,677	1,498,096	1,869,581
Money Market Mutual Funds	8,080,581	8,080,581	-
Total	<u>\$ 257,845,350</u>	<u>\$ 159,718,396</u>	<u>\$ 98,126,954</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS, continued

D. Disclosures Relating to Credit Risk

Credit Risk is the risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. Credit Risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of June 30, 2017 for each investment type. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments in commercial paper to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service. The U.S. Agency Securities and Treasuries have a split rating. As of June 30, 2017 the securities were rated AAA by Moody's and AA by Standard & Poor's Rating Services. All negotiable certificates of deposit held by the City are under \$250,000 and fully insured by the Federal Deposit Insurance Corporation.

Investment Type		Minimum Legal Rating	Minimum				Not Rated
			AAA	AA	A	A1/P1	
Local Agency Investment Fund	\$ 53,384,048	N/A	\$ -	\$ -	\$ -	\$ -	\$ 53,384,048
U.S. Agency Securities	86,486,720	N/A	86,486,720	-	-	-	-
U.S. Government Securities	12,951,210	N/A	12,951,210	-	-	-	-
Municipal Bonds	2,739,677	N/A	-	740,037	1,999,640	-	-
Corporate Notes	35,779,133	A	3,324,173	20,468,180	11,986,780	-	-
Commercial Paper	55,056,304	A1/P1	-	-	-	55,056,304	-
Negotiable Certificates of Deposit	3,367,677	N/A	-	-	-	-	3,367,677
Money Market Mutual Funds	8,080,581	AAA	8,080,581	-	-	-	-
Total	\$ 257,845,350		\$ 110,842,684	\$ 21,208,217	\$ 13,986,420	\$ 55,056,304	\$ 56,751,725

E. Investments in Local Agency Investment Funds

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

The City's investments with LAIF at June 30, 2017, included a small portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS, continued

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

As of June 30, 2017, the City had \$53,384,048 invested in LAIF, which has invested 2.89% of the pool investments funds in medium-term and short-term Structured Notes and Asset-Backed Securities. The City valued its investment in LAIF as of June 30, 2017 by multiplying the City's account balance with a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.998940671.

F. Fair Value of Investments

The City of Vacaville measures and records its investments using the fair value measurement framework established with GASB Statement No. 72. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are (unadjusted) quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk).

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS, continued

The City had the following recurring fair value measurements as of June 30, 2017:

Investments by fair value level	6/30/2017	Fair Value Measurement Using			Total
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Agency Securities	\$ 86,486,720	\$ -	\$ 86,486,720	\$ -	\$ 86,486,720
U.S. Government Securities	12,951,210	12,951,210	-	-	12,951,210
Municipal Bonds	2,739,677	-	2,739,677	-	2,739,677
Corporate Notes	35,779,133	-	35,779,133	-	35,779,133
Commercial Paper	55,056,304	-	55,056,304	-	55,056,304
Negotiable Certificates of Deposit	3,367,677	-	3,367,677	-	3,367,677
Total	\$ 196,380,721	\$ 12,951,210	\$ 183,429,511	\$ -	\$ 196,380,721
			Local Agency Investment Fund	\$	53,384,048
			Money Market	\$	8,080,581
			Investment portfolio total	\$	257,845,350

The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments. When available, quoted prices were used to determine fair value. When quoted prices in active markets were not available, fair values were based on information received from the City's custodians of investments. There have been no changes in the methods and assumptions used at June 30, 2017. Debt securities classified in Level 1 were valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 were valued accordingly:

U.S. Agency Securities, Municipal Bonds, Corporate Notes, Commercial Paper – Quoted prices for similar securities in active markets.

Negotiable Certificates of Deposit – Matrix pricing based on the securities' relationship to benchmark quoted prices.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 3 – LOANS RECEIVABLE

At June 30, 2017, the City's outstanding loans receivables net of allowances were as follows:

\$ 8,307,242	City loans recorded in the Special Revenue Fund, Housing Assistance, are for the HOME Partnership Program (HOME). HOME is a U.S. Housing and Urban Development program administered by the California Department of Housing and Community Development (HCD). The City uses HOME funds to operate an acquisition and rehabilitation loan program. The loans are made to owners of rental properties that agree to restrict the rent of the HOME-assisted units to low and moderate income families and to provide assistance to first-time homebuyers.
\$ 1,477,304	City loans recorded in the Special Revenue Fund, Community Development, are for the Community Development Block Grant (CDBG) and Rental Rehabilitation Program (RRP). In the past, the City operated CDBG and RRP, even though the City no longer receives funding under these programs the borrowers are repaying the existing loan balances. Repayments are used to carry out CDBG and RRP eligible activities.
\$ 6,542,308	Successor Housing loans recorded in the Special Revenue Funds are for the Neighborhood Conservation Program (NCP), the purpose of which is to provide a pool of loan funds to encourage investor-owners and owner-occupants to improve the lower income neighborhoods of the City and further equal opportunity in housing. Loans ranging in amounts from \$1,000 to \$45,000 per unit, are offered at 3% interest, and may be amortized over 15 years. The loans are secured by property. Loans to households with very low incomes may be deferred until such time that household income becomes sufficient to repay the loan; the deferred loan will become fully amortized at 3% interest. Deferred loans may also be made to low-income households on fixed incomes. The amount of loans in arrears is \$52,896.
\$ 12,521,198	The Successor Housing Equity loans recorded in the Special Revenue Funds are for primary financing to obtain blighted property. The loan amounts and terms may vary depending on the amounts needed to acquire and improve the property. The loans are offered at 0% interest, with the total payment deferred until the end of the term and are secured by the property.
\$ 253,724	The Successor Housing Down Payment loans recorded in the Special Revenue Funds are for assisting low income families with their down payment and closing costs. There are two types of loans. The first type is given in coordination with a Mortgage Credit Certificate (MCC) for a maximum amount of \$15,000 deferred for five years, and repaid over ten years at an interest rate of 5%. The loan is not secured against the property. The second type has no other assistance for a maximum amount of \$10,000 deferred for five years, and repaid over fifteen years at an interest rate of 5%. The amount of loans in arrears is \$25,631.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 3 – LOANS RECEIVABLE, continued

- \$ 917,610 The Successor Housing Shared Equity loans are recorded in the Special Revenue funds for expanding homeownership opportunities to low and moderate-income households. The amount borrowed is the minimum needed to close the gap between lender requirements and buyer's cash for down payment assistance and/or closing costs. Qualified homebuyers may receive up to \$50,000 or 20% of the purchase price (whichever is less) towards the purchase of a home located in Vacaville. The deferred loan terms are 45 years at zero interest with no payments required during that time as long as the homebuyer does not sell, transfer ownership, rent the property, refinance it with cash back, or prepay the loan with any other funds. The loan will be forgiven if the borrower remains in the home for the full 45-year loan term. There is a 45-year Resale Restriction Agreement that will be recorded against the property. The City will hold an option to purchase the home at a restricted sales price to keep the home affordable for another buyer.
- \$ 934,036 A loan receivable was recorded in the Special Revenue Fund, Housing Assistance, for the CalHome Program. The purpose of the program is to provide assistance in the form of a deferred payment loan to eligible households in purchasing their first home. Qualified homebuyers may receive a maximum loan amount of \$50,000. The loan term is a minimum 30-year deferred payment loan at 0% interest with the principal due and payable at year 30.
- \$ 4,357,518 A loan receivable was recorded in the Successor Housing Special Revenue Fund from Rocky Hill Investors, L.P. for phase one of the Callen Street/Bennett Hill Court Housing Project. Phase one of the project involves the acquisition and rehabilitation of sixty-four affordable rental units on Bennett Hill Court and Rocky Hill Road. The term of the promissory note is fifty-five years at 1% interest. The developer shall make annual payments of principal and interest in the amount of fifty percent of residual receipts.
- \$ 783,765 City loans recorded in the Special Revenue Fund, Neighborhood Stabilization Program (NSP), are for a first time homebuyer loan program. The program is designed to provide assistance to eligible homebuyers in purchasing foreclosed homes located within the program's eligible area. The program provides this assistance in the form of a shared equity, deferred payment, second priority loan to reduce the gap between the purchase price and closing costs of affordable housing units that will be occupied by the homebuyers. The term of each loan shall be for a maximum of 15 years. If the borrower remains in the home for the full term of the affordability period the loan is forgiven.
- \$ 6,905,000 A loan receivable was recorded in the Successor Housing Special Revenue Fund from Callen Street Investors, L.P. for phase two of the Callen Street/Bennett Hill Court Housing Project. Phase two includes the acquisition and rehabilitation/new construction of 66 rental units on Callen Street. The term of the promissory note is fifty-five years at 1% interest. The developer shall make annual payments of principal and interest in the amount of fifty percent of residual receipts with the first payment due and payable on May 1, 2018.
- \$ 269,000 A loan receivable has been recorded in the Special Revenue Fund, Housing Assistance, for a loan provided to Vacaville Social Services Corporation, a nonprofit corporation, which operates the Opportunity House homeless shelter in Vacaville. The original \$300,000 loan was used for construction improvements at the site where the shelter was relocated and expanded. Monthly payments of \$1,000 began in January 2017, will increase to \$2,000 beginning January 2018, and then increase to monthly payments of \$2,845 beginning January 2019. Final payment is due in December 2025.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 3 – LOANS RECEIVABLE, continued

\$ 1,455,000	A loan receivable was recorded in the Successor Housing Special Revenue Funds from Vacaville Community Housing, a non-profit corporation. The loan is secured by multi-family housing units at 0% interest and the total payment is deferred until the year 2025.
<u>\$ 1,113,000</u>	A loan receivable was recorded in the Successor Housing Special Revenue Fund from Trower Housing Partners, L.P. for the acquisition of land for Veterans housing on Rocky Hill Road. The term of the promissory note is fifty-seven years at 1% interest. The developer shall make annual payments of principal and interest in the amount of fifty percent of residual receipts.
<u>\$ 45,836,705</u>	Total City loans receivable

For governmental activities, the City recorded an allowance for delinquent and forgivable loans of \$2,319,176.

At June 30, 2017, the Private Purpose Trust Fund Successor Agency's outstanding loans receivables were as follows:

\$ 2,364,740	A loan receivable was recorded in the former Redevelopment Agency Debt Service Fund from Vacaville Community Housing, a non-profit corporation. The loan is secured by multi-family housing units at 0% interest and the payment is deferred until the year 2025.
\$ 1,488,604	In 2002, the former Vacaville Redevelopment Agency entered into an agreement with the Vacaville Library District to loan \$3,895,000 to finance the construction of a new Vacaville Library branch located in the Downtown Project Area. A loan receivable was recorded in the amount of \$3,895,000 in the former Redevelopment Agency Capital Projects Fund. Upon dissolution of the Redevelopment Agency, the loan was transferred into the Successor Agency. The loan will be repaid by Fiscal Year 2031/2032 with interest rates ranging from 4% to 7%.
<u>\$ 652,657</u>	The former Redevelopment Agency Downtown Rehabilitation loans recorded in the Capital Projects Funds are for façade improvements and historic district building loans made to business tenants in the downtown area. Façade improvement loans are fully amortized for 15-year terms at 1% interest with a \$20,000 maximum loan per standard building street frontage. Façade improvements may include a complete renovation, signage, exterior lighting, landscaping, painting and awnings. Historic district building loans are fully amortized for 25-year terms at 3% interest with a maximum loan amount of \$135,000. Historic district building loans for tenant improvements and other non-seismic related costs require 50% matching funds contributed by the borrower, which may include private funds as well as loans made through the façade improvement loan program. Borrowers are not required to match funds on seismic upgrades. These loans may be assumable on a case by case basis.
<u>\$ 4,506,001</u>	Total Private Purpose Trust Fund Successor Agency loans receivable

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 4 – OPERATING LEASES

The City had entered into a five-year lease for maintenance and related supplies for copiers, printers and fax machines used throughout the City. The lease began on May 1, 2004 and had been extended to December 2015. The lease has been renewed on a month-to-month basis since the termination of the five-year lease.

NOTE 5 - CAPITAL ASSETS

Government-Wide Financial Statements

A. Summary

The following is a summary of capital assets as of June 30, 2017:

	Governmental Activities	Business-Type Activities	Total Primary Government
Non-Depreciable Assets:			
Land	\$ 188,828,759	\$ 10,834,802	\$ 199,663,561
Construction in progress	23,802,662	22,373,268	46,175,930
Total	212,631,421	33,208,071	245,839,492
Depreciable Assets:			
Buildings & improvements	61,924,224	353,065,382	414,989,606
Land improvements	55,056,043	-	55,056,043
Equipment	8,196,661	10,951,285	19,147,946
Vehicles	21,378,364	403,720	21,782,084
Software	599,905	-	599,905
Infrastructure	340,860,990	108,095,238	448,956,228
	488,016,187	472,515,624	960,531,811
Less accumulated depreciation	(257,544,586)	(155,965,272)	(413,509,858)
Total depreciable assets, net	230,471,601	316,550,352	547,021,953
Total capital assets, net	\$ 443,103,022	\$ 349,758,423	\$ 792,861,445

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 5 – CAPITAL ASSETS, continued

B. Governmental Activities

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

	Balance July 1, 2016	Additions	Disposals	Transfers	Reclassification	Balance June 30, 2017
Non-Depreciable Assets:						
Land	\$ 190,139,722	\$ -	\$ (1,310,963)	\$ -	\$ -	\$ 188,828,759
Construction in progress	11,568,487	14,297,762	(36,827)	(2,026,760)	-	23,802,662
Total	<u>201,708,209</u>	<u>14,297,762</u>	<u>(1,347,790)</u>	<u>(2,026,760)</u>	<u>-</u>	<u>212,631,421</u>
Depreciable Assets:						
Buildings & improvements	60,663,992	69,647	(261,821)	1,452,406	-	61,924,224
Land improvements	54,736,157	249,209	-	70,677	-	55,056,043
Equipment	7,665,300	477,801	(198,786)	31,874	220,472	8,196,661
Vehicles	12,078,004	4,062,321	(1,015,939)	-	6,253,978	21,378,364
Software	383,098	216,807	-	-	-	599,905
Infrastructure	337,933,995	2,423,318	-	503,677	-	340,860,990
Total	<u>473,460,546</u>	<u>7,499,103</u>	<u>(1,476,546)</u>	<u>2,058,634</u>	<u>6,474,450</u>	<u>488,016,187</u>
Less accumulated depreciation for:						
Buildings & improvements	(21,954,914)	(1,593,996)	121,092	-	-	(23,427,818)
Land improvements	(38,232,107)	(1,050,387)	-	-	-	(39,282,494)
Equipment	(5,685,873)	(616,111)	175,643	(19,921)	(185,784)	(6,332,046)
Vehicles	(7,947,463)	(1,263,741)	982,583	-	(3,676,729)	(11,905,350)
Software	(106,206)	(49,390)	-	-	-	(155,596)
Infrastructure	(168,729,389)	(7,711,893)	-	-	-	(176,441,282)
Total	<u>(242,655,952)</u>	<u>(12,285,518)</u>	<u>1,279,318</u>	<u>(19,921)</u>	<u>(3,862,513)</u>	<u>(257,544,586)</u>
Total depreciable assets, net	<u>230,804,594</u>	<u>(4,786,415)</u>	<u>(197,228)</u>	<u>2,038,713</u>	<u>2,611,937</u>	<u>230,471,601</u>
Governmental activities capital assets, net	<u>\$ 432,512,803</u>	<u>\$ 9,511,347</u>	<u>\$ (1,545,018)</u>	<u>\$ 11,953</u>	<u>\$ 2,611,937</u>	<u>\$ 443,103,022</u>

Capital assets of the vehicle replacement internal service fund were previously reported with the business-type activities since the enterprise funds were the predominant participants of the internal service fund. The internal service fund is now reported with the governmental activities since the governmental funds are now the predominant user of the fund. The reclassification column represents the capital asset total of the vehicle replacement fund at the beginning of the fiscal year.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 291,034
Public safety	1,432,006
Public works	8,924,132
Community services	604,608
Housing	58,769
Capital assets held by the government's internal service funds are charged to the various functions based on usage of the assets	974,969
Total Government activities depreciation expense	\$ 12,285,518

Internal service capital assets included in general governmental activities at June 30, 2017 were \$7,277,823 (net depreciable value) with related depreciation expense of \$974,971.

Fund Financial Statements

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 5 – CAPITAL ASSETS, continued

C. Business-type Activities

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

	Balance July 1, 2016	Additions	Disposals	Transfers	Reclassification	Balance June 30, 2017
Non-Depreciable Assets:						
Land	\$ 10,857,091	\$ -	\$ (22,289)	\$ -	\$ -	\$ 10,834,802
Construction in progress	23,069,314	6,468,171	-	(7,164,217)	-	22,373,268
Total	<u>33,926,405</u>	<u>6,468,171</u>	<u>(22,289)</u>	<u>(7,164,217)</u>	<u>-</u>	<u>33,208,071</u>
Depreciable Assets:						
Buildings & improvements	345,430,279	470,886	-	7,164,217	-	353,065,382
Equipment	11,100,891	102,740	-	(31,874)	(220,472)	10,951,285
Vehicles	6,657,698	-	-	-	(6,253,978)	403,720
Infrastructure	107,745,058	350,180	-	-	-	108,095,238
Total	<u>470,933,926</u>	<u>923,806</u>	<u>-</u>	<u>7,132,342</u>	<u>(6,474,450)</u>	<u>472,515,624</u>
Less accumulated depreciation for:						
Buildings & improvements	(108,341,020)	(8,415,913)	-	-	-	(116,756,933)
Equipment	(5,444,330)	(891,744)	-	19,921	185,784	(6,130,369)
Vehicles	(3,998,869)	(49,119)	-	-	3,676,729	(371,259)
Infrastructure	(30,557,288)	(2,149,422)	-	-	-	(32,706,710)
Total	<u>(148,341,509)</u>	<u>(11,506,198)</u>	<u>-</u>	<u>19,921</u>	<u>3,862,513</u>	<u>(155,965,272)</u>
Total depreciable assets, net	<u>322,592,417</u>	<u>(10,582,392)</u>	<u>-</u>	<u>7,152,263</u>	<u>(2,611,937)</u>	<u>316,550,352</u>
Business-type activities capital assets, net	<u>\$ 356,518,822</u>	<u>\$ (4,114,221)</u>	<u>\$ (22,289)</u>	<u>\$ (11,953)</u>	<u>\$ (2,611,937)</u>	<u>\$ 349,758,423</u>

During fiscal year ended June 30, 2017, capitalized interest of \$20,424 was included in Construction in Progress.

The reclassification column represents the capital asset total of the vehicle replacement fund at the beginning of the fiscal year which were moved to governmental activities.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 5 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions as follows:

Business-type activities:	
Sewer	\$ 7,649,310
Water	2,549,569
Transit	<u>1,307,319</u>
Total Business-type activities depreciation expense	<u>\$ 11,506,198</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES

A. Long-Term Liabilities

The following is a summary of long-term liabilities for the fiscal year ended June 30, 2017:

	Balance 6/30/2016	Additions	Reductions	Reclassification	Balance 6/30/2017	Due Within One Year
Governmental Activities:						
Capital Lease Obligations	\$ 13,336,137	\$ 323,010	\$ 1,271,227	\$ 2,104,265	\$ 14,492,185	\$ 1,151,659
Compensated Absences	9,408,465	6,388,065	6,124,073	-	9,672,457	814,532
Net Pension Liability	145,600,287	40,555,443	21,716,040	-	164,439,690	-
Net OPEB Obligation	20,216,998	12,523,113	7,510,248	-	25,229,863	-
Governmental activities long-term liabilities	<u>\$ 188,561,887</u>	<u>\$ 59,789,631</u>	<u>\$ 36,621,588</u>	<u>\$ 2,104,265</u>	<u>\$ 213,834,195</u>	<u>\$ 1,966,191</u>
	Balance 6/30/2016	Additions	Reductions	Reclassification	Balance 6/30/2017	Due Within One Year
Business-Type Activities:						
Loans Payable	\$ 145,774,138	\$ 839,280	\$ 7,946,622	\$ -	\$ 138,666,796	\$ 8,346,475
Capital Lease Obligations	8,044,666	-	398,167	(2,104,265)	5,542,234	421,586
Compensated Absences	956,373	925,350	910,606	-	971,117	165,163
Net Pension Liability	32,780,630	8,618,051	4,724,256	-	36,674,425	-
Net OPEB Obligation	4,212,788	1,044,573	-	-	5,257,361	-
Pollution Remediation	1,355,000	-	-	-	1,355,000	-
Business-Type activities long-term liabilities	<u>\$ 193,123,595</u>	<u>\$ 11,427,254</u>	<u>\$ 13,979,651</u>	<u>\$ (2,104,265)</u>	<u>\$ 188,466,933</u>	<u>\$ 8,933,224</u>
	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year	
Private-Purpose Trust:						
Loans Payable	\$ 203,683	\$ -	\$ 85,160	\$ 118,523	\$ 36,823	
Bonds Payable	45,661,212	-	2,013,220	43,647,992	2,651,903	
Private-Purpose trust long-term liabilities	<u>\$ 45,864,895</u>	<u>\$ -</u>	<u>\$ 2,098,380</u>	<u>\$ 43,766,515</u>	<u>\$ 2,688,726</u>	

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

Activity

The following is a summary of changes in long-term liabilities for governmental activities. Activity for the City's fiscal year ended June 30, 2017:

	Beginning				Ending	Due Within
Capital Lease Obligations:	Balance	Additions	Reductions	Reclassification	Balance	One Year
Vacaville Recreation Corporation	1,422,575	-	124,092	-	1,298,483	130,441
Westamerica Bank	67,323	-	67,323	-	-	-
Westamerica Bank	54,446	-	26,658	-	27,788	27,790
Westamerica Bank	40,529	-	40,529	-	-	-
Holman Corporation	213,182	-	169,843	-	43,339	43,339
PNC, LLC	5,847,167	-	332,022	-	5,515,145	394,497
Holman Corporation (Fire Station)	5,690,915	-	320,154	-	5,370,761	331,620
Holman Corporation - 2014 Acquisition	-	-	45,794	463,140	417,346	47,117
Holman Corporation - 2015 Acquisition	-	-	144,812	1,641,125	1,496,313	148,795
Holman Corporation - 2017 Acquisition	-	323,010	-	-	323,010	28,060
Total Capital Lease Obligations	<u>13,336,137</u>	<u>323,010</u>	<u>1,271,227</u>	<u>2,104,265</u>	<u>14,492,185</u>	<u>1,151,659</u>
Total Long-term debt	<u>\$ 13,336,137</u>	<u>\$ 323,010</u>	<u>\$ 1,271,227</u>	<u>\$ 2,104,265</u>	<u>\$ 14,492,185</u>	<u>\$ 1,151,659</u>

Debt of the vehicle replacement internal service fund were previously reported with the business-type activities since the enterprise funds were the predominant participants of the internal service fund. The internal service fund is now reported with the governmental activities since the governmental funds are now the predominant user of the fund. The reclassification column represents the outstanding debt total of the vehicle replacement fund at the beginning of the fiscal year.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

Capital Lease Obligations:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2017</u>	
\$ 2,626,700	\$ 1,298,483	<p>Sublease agreement with Vacaville Recreation Corporation (Corporation) and Agency. The Agency entered into an agreement, option to purchase and right of first refusal with the Corporation for the in-line/multi-purpose portion of the Vacaville Skating Center. Pursuant to a separate sublease agreement between the City and Agency, the City agreed to assume all rights and responsibilities of the Agency under the lease agreement. In the event of the City's inability to pay the sublease, the Agency is obligated to pay the Corporation the lease payments. The City also assumed the option to purchase the subleased premises for one dollar at the expiration of the term of the sublease or prepayment in full of the sublease payments. This sublease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid monthly through September 2025. Lease payments are funded through the Parks and Recreation Capital Projects Fund.</p>
\$ 239,500	\$ 27,788	<p>Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for the purchase of a patch truck and chipper at an estimated cost of \$239,500 with an interest rate of 4.25%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2017. Lease payments are funded through the City's Gas Tax and General Funds.</p>
\$ 810,000	\$ 43,339	<p>Lease agreement between the City and Holman Capital Corporation for telecommunication equipment installed throughout the City at an estimated cost of \$810,000 with an interest rate of 2.90%. Lease payment will be paid quarterly through August 2017. Lease payments are funded through the Technology Replacement Internal Service Fund.</p>
\$ 6,993,972	\$ 5,515,145	<p>Lease agreement between the City and PNC, LLC for facility improvement projects in progress throughout the City at an estimated cost of \$6,993,972 with an interest rate of 3.10%. Lease payment will be paid semi-annually beginning February 2014 through August 2026. Lease payments are funded through energy cost savings in the General Fund, Gas Tax and Special Revenue Maintenance Districts Funds.</p>
\$ 6,000,000	\$ 5,370,761	<p>Lease agreement between the City and Holman Capital Corporation, for the construction of Fire Station 75 at an estimated cost of \$6,000,000 with an interest rate of 3.55%. Lease payment will be paid semi-annually beginning October 2015 through April 2030. Lease payments are funded through the Community Benefit District Fund.</p>
\$ 507,647	\$ 417,346	<p>Lease agreement between the City and Holman Corporation for the purchase of a dump truck and vector truck at an estimated cost of \$507,647 with an interest rate of 2.89%. Lease payment will be paid annually through March 2025. Lease payments are funded through the Equipment Replacement Internal Service Fund.</p>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

\$ 1,641,125	\$ 1,496,313	Lease agreement between the City and Holman Capital Corporation, for the purchase of a fire engine and ladder truck for Fire Station 75 at an estimated cost of \$1,641,125 with an interest rate of 2.75%. Lease payment will be paid annually beginning September 2016 through 2025. Lease payments are funded through the City's Equipment Replacement Internal Service Fund.
\$ 323,010	<u>\$ 323,010</u>	Lease agreement between the City and Holman Capital Corporation, for the purchase of a TV van with inspection system for the Utilities Department at an estimated cost of \$323,010 with an interest rate of 3.09%. Lease payment will be paid annually beginning April 2018 through 2027. Lease payments are funded through the City's Equipment Replacement Internal Service Fund.
	<u>\$14,492,185</u>	Total capital lease obligations

The annual requirement to amortize debt outstanding as of June 30, 2017 for capital lease obligations is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,151,659	\$ 477,461	\$ 1,629,120
2019	1,154,182	438,486	1,592,668
2020	1,230,769	398,990	1,629,759
2021	1,300,894	356,981	1,657,875
2022	1,364,873	312,772	1,677,645
2023-2027	6,824,107	837,810	7,661,917
2028-2030	<u>1,465,701</u>	<u>92,391</u>	<u>1,558,092</u>
Total	<u>\$ 14,492,185</u>	<u>\$ 2,914,890</u>	<u>\$ 17,407,076</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

The assets acquired through capital leases are as follows:

Asset:		
Buildings & Improvements	\$	10,870,125
Equipment		4,404,852
Less: Accumulated depreciation		<u>(3,975,357)</u>
Total	\$	<u><u>11,299,620</u></u>

The capital lease obligation exceeds the total of the capital assets acquired through leases due to the Siemens Energy Efficiency project. Some of the projects did not meet our threshold for capitalization and therefore are not included in the table above.

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

Activity

The following is a summary of changes in the business-type and proprietary fund long-term liabilities at June 30, 2017:

	Beginning Balance	Additions	Reductions	Reclassification	Ending Balance	Due Within One Year
State Revolving Loans Payable:						
Interim Renovation	\$ 334,943	\$ -	\$ 63,341	\$ -	\$ 271,602	\$ 65,115
Tertiary Project	103,831,248	839,280	4,203,360	-	100,467,168	4,502,082
Plant Expansion	<u>41,607,947</u>	<u>-</u>	<u>3,679,921</u>	<u>-</u>	<u>37,928,026</u>	<u>3,779,278</u>
Total Easterly Wastewater Treatment Plant	<u>145,774,138</u>	<u>839,280</u>	<u>7,946,622</u>	<u>-</u>	<u>138,666,796</u>	<u>8,346,475</u>
Capital Lease Obligations:						
Equipment - 2007 Acquisition	40,164	-	40,164	-	-	-
Equipment - 2009 Acquisition	53,070	-	25,981	-	27,089	27,089
PNC, LLC	5,847,167	-	332,022	-	5,515,145	394,497
Holman Corporation - 2014 Acquisition	463,140	-	-	(463,140)	-	-
Holman Corporation - 2015 Acquisition	<u>1,641,125</u>	<u>-</u>	<u>-</u>	<u>(1,641,125)</u>	<u>-</u>	<u>-</u>
Total Capital Lease Obligations	<u>8,044,666</u>	<u>-</u>	<u>398,167</u>	<u>(2,104,265)</u>	<u>5,542,234</u>	<u>421,586</u>
Total	<u><u>\$ 153,818,804</u></u>	<u><u>\$ 839,280</u></u>	<u><u>\$ 8,344,789</u></u>	<u><u>\$ (2,104,265)</u></u>	<u><u>\$ 144,209,030</u></u>	<u><u>\$ 8,768,061</u></u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

The reclassification column represents the capital asset total of the vehicle replacement fund at the beginning of the fiscal year which were moved to governmental activities.

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

This loan is a State Revolving Loan Fund Program contract between the State Water Resources Control Board and the City with a maximum loan amount of \$1,104,315 to fund the Easterly Wastewater Treatment Plant Interim Renovation. The loan is due in installments of \$72,720. Principal and interest at 2.8% are paid annually each September through 2021.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 65,115	\$ 7,605	\$ 72,720
2019	66,938	5,782	72,720
2020	68,812	3,907	72,719
2021	70,737	1,981	72,718
Total	<u>\$ 271,602</u>	<u>\$ 19,275</u>	<u>\$ 290,877</u>

State Water Resources Control Board Loan for the Easterly Wastewater Treatment Plant Tertiary Project – Original Issue \$119,858,236

This loan is a State Revolving Loan Fund Program contract between the State Water Quality Control Board and the City with a maximum loan amount of \$119,858,236 to fund the Easterly Wastewater Treatment Plant Tertiary Project. The project consists of four construction phases. There are four separate financial agreements for each phase as follows:

- Phase 1 – Denitrification Improvements; financial agreement executed on August 23, 2011 for \$32,162,246
- Phase 2 – Laboratory Expansion Improvements; financial agreement executed on October 12, 2011 for \$4,781,000
- Phase 3 – Filtration Improvements; financial agreement executed on October 21, 2011 for \$68,834,990
- Phase 4 – Completion Improvements; financial agreement executed on October 12, 2011 for \$14,080,000

The term of the loan is 20 years with an interest rate of 2.6%. Annual payments will begin following the agreed upon completion date for each individual phase. The City had a contract with C. Overaa & Company for \$22,630,000 to construct the Denitrification Improvements, Phase 1 of the SRF loan. The Denitrification Improvements are required by the Central Valley Regional Water Quality Control Board of the City's National Pollutant Discharge Elimination System Discharge Permit for the Easterly Wastewater Treatment Plant, and by the Time Scheduled Order issued by the same board. Phase 1 of the project was completed in fiscal year 2013-14 and Phase 3 was completed in fiscal year 2015-16. The Phase 2 lab expansion was completed by Landmark Construction during the current fiscal year.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

The City currently draws on the SRF loan as work is performed. The City has drawn the following amounts through June 30, 2017 for each phase:

	Available Loan	Amount Drawn	Remaining Loan To Be Drawn
Phase 1 - Denitrification	\$ 32,162,246	\$ (32,162,246)	\$ -
Phase 2 - Lab Expansion	4,781,000	(4,781,000)	-
Phase 3 - Filtration Improvements	68,834,990	(68,834,990)	-
Phase 4 - Completion	10,898,764	(306,023)	10,592,741
	\$ 116,677,000	\$ (106,084,259)	\$ 10,592,741
Construction Period Interest added to Loan		\$ (3,983,510)	
Less: Repayments		9,600,601	
Amount Due		\$ (100,467,168)	

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 4,502,084	\$ 2,603,529	\$ 7,105,613
2019	4,631,220	2,495,092	7,126,312
2020	4,751,633	2,374,680	7,126,313
2021	4,875,175	2,251,138	7,126,313
2022	5,001,930	2,124,383	7,126,313
2023-2027	27,029,357	8,602,207	35,631,564
2028-2032	30,730,707	4,900,860	35,631,567
2033-2037	18,924,887	982,191	19,907,078
2038	20,175	524	20,699
Total	\$ 100,467,168	\$ 26,334,604	\$ 126,801,772

A principal payment in the amount of \$4,203,360 was made during fiscal year 2017 for Phases 1 and 3 of the project. Loan repayments for Phase 3 will begin in fiscal year 2018.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

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

This loan is a State Revolving Loan Fund Program contract between the State Water Resources Control Board and the City with a maximum loan amount of \$67,786,401 to fund the Easterly Wastewater Treatment Plant Expansion. The loan repayment amounts are due in installments of \$4,803,335 which began in 2006. Principal and interest at 2.7% are paid annually each July through 2025.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,779,278	\$ 1,024,057	\$ 4,803,335
2019	3,881,319	922,016	4,803,335
2020	3,986,115	817,221	4,803,336
2021	4,093,740	709,595	4,803,335
2022	4,204,271	599,064	4,803,335
2023-2026	17,983,302	1,230,039	19,213,341
Total	<u>\$ 37,928,025</u>	<u>\$ 5,301,992</u>	<u>\$ 43,230,017</u>

Capital Lease Obligations:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2017</u>	
\$ 233,450	\$ 27,089	Lease agreement between the City and First Municipal Leasing Corporation and Westamerica Bank for the purchase of a utility vacuum and a flusher truck at an estimated cost of \$233,450 with an interest rate of 4.25%. The lease qualifies as a capital lease for accounting purposes and has been recorded as a capital asset and liability at the present value of the future minimum lease payments. Lease payments are paid annually through November 2017. Lease payments are funded through the City's Sewer and Water Funds.
\$ 6,993,972	<u>\$5,515,145</u>	Lease agreement between the City and PNC, LLC for facility improvement projects in progress throughout the City at an estimated cost of \$6,993,972 with an interest rate of 3.10%. Lease payment will be paid semi-annually beginning February 2014 through August 2026. Lease payments are funded through the City's Water Fund.
	<u>\$5,542,234</u>	Total capital lease obligations

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

The annual requirement to amortize debt outstanding as of June 30, 2017 for capital lease obligations is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 421,586	\$ 163,802	\$ 585,388
2019	443,278	150,459	593,737
2020	494,048	136,780	630,828
2021	537,375	121,572	658,947
2022	573,531	105,184	678,715
2023 - 2027	<u>3,072,416</u>	<u>239,855</u>	<u>3,312,271</u>
Total	<u>\$ 5,542,234</u>	<u>\$ 917,652</u>	<u>\$ 6,459,886</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

C. Compensated Absences

Compensated absences are due to employees for earned but unused leave balances, including vacation, sick, and compensated time off. Compensated absences are generally liquidated by the City's General Fund, Internal Service Funds and Enterprise Funds in each fiscal year. The following is a summary of the compensated absences liability at the fiscal year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities	\$ 9,408,465	\$ 6,388,065	\$ 6,124,073	\$ 9,672,457	\$ 814,532
Business Activities	956,373	925,350	910,606	971,117	165,163
Total	<u>\$ 10,364,838</u>	<u>\$ 7,313,415</u>	<u>\$ 7,034,679</u>	<u>\$ 10,643,574</u>	<u>\$ 979,695</u>

D. Debt Without City Commitment

Special Assessment Debt

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

The amount of bonds outstanding at June 30, 2017 is as follows:

Description	Original Bond Amount	June 30, 2017
1997 Northeast Sector	\$ 8,434,307	\$ 3,015,000
2002-A Consolidated Refunding	18,365,000	690,000
2005-Nut Tree Assessment Dist	7,275,000	<u>5,270,000</u>
Total 1915 Act Limited Obligation Bonds		<u>\$ 8,975,000</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

Mark-Roos Local Bond Pooling Act Funds

This \$6,150,000 bond issue was authorized pursuant to the Mark-Roos Local Bond Pooling Act, and is payable from special taxes levied on property within the District according to a methodology approved by the voters within the District and by the City Council of the City of Vacaville. Neither the faith and credit nor taxing power of the City of Vacaville is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the City has no duty to pay the delinquency out of any available funds of the City. The City acts solely as an agent for those paying taxes levied and the bondholders. The amount of bonds outstanding at June 30, 2017 is \$1,120,000.

Conduit Debt

The City has issued multifamily housing revenue bonds to provide funds for the refinancing and rehabilitation of rental housing developments by private developers. The proceeds were used for the following multifamily rental housing projects: The Willows, Orchards/Maples, Quail Run, and The Sycamores Apartments. The bonds are payable solely from loan repayments made by the borrower directly to the bond trustee. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the principal or interest on the bonds.

The amount of bonds outstanding at June 30, 2017 is as follows:

Description	Original Bond Amount	June 30, 2017
Multifamily Revenue Bonds 1999A	9,600,000	9,600,000
Multifamily Revenue Bonds 2000A	6,945,260	3,357,000
Total Conduit Debt		\$ 12,957,000

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

Private Purpose Trust Fund - Successor Agency Activity

Activity
The following is a summary of changes in long-term liabilities for Private Purpose Trust Fund Successor Agency (Agency) activities. Activity for the Successor Agency's fiscal year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Loans Payable:					
Beck & Clark Family Trust	\$ 152,897	\$ -	\$ 34,374	\$ 118,523	\$ 36,823
Babington, Richard & Carol	<u>50,786</u>	<u>-</u>	<u>50,786</u>	<u>-</u>	<u>-</u>
Total Loans Payable	<u>203,683</u>	<u>-</u>	<u>85,160</u>	<u>118,523</u>	<u>36,823</u>
 Bonds Payable:					
2000A Multifamily Mortgage	1,252,220	-	109,220	1,143,000	115,570
2014 Subordinate Tax Allocation Refunding Bonds	25,010,000	-	1,465,000	23,545,000	1,520,000
2014 Subordinate Tax Allocation Refunding Bonds Premium	2,633,992	-	439,000	2,194,992	146,333
2016 Subordinate Tax Allocation Refunding Bonds Series A	1,480,000	-	-	1,480,000	-
2016 Subordinate Tax Allocation Refunding Bonds Series A-T	<u>15,285,000</u>	<u>-</u>	<u>-</u>	<u>15,285,000</u>	<u>870,000</u>
Total Bonds	<u>45,661,212</u>	<u>-</u>	<u>2,013,220</u>	<u>43,647,992</u>	<u>2,651,903</u>
Total Long-Term Debt	<u>\$ 45,864,895</u>	<u>\$ -</u>	<u>\$ 2,098,380</u>	<u>\$ 43,766,515</u>	<u>\$ 2,688,726</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

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

Loans Payable:

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2017</u>	
\$ 475,000	\$ <u>118,523</u>	Long-term note for the Agency's purchase of .51 acres of downtown property. Principal and interest are paid in semi-annual installments of \$22,243 each March and September including interest at 7.0% through March 1, 2020. Payments of principal and interest are funded by property tax revenues distributed to the former Redevelopment Property Tax Trust Fund (RPTTF).
	\$ <u>118,523</u>	Total loans payable

The annual requirement to amortize debt outstanding as of June 30, 2017 for loans payable is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 36,823	\$ 7,663	\$ 44,486
2019	39,445	5,041	5,041
2020	<u>42,255</u>	<u>2,239</u>	<u>44,494</u>
Total	<u>\$ 118,523</u>	<u>\$ 14,943</u>	<u>\$ 94,021</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

Bonds Payable:

There are four Bonds payable secured by property tax increments: Series 2000A, 2014 Subordinate Tax Allocation Refunding, 2016 Subordinate Tax Allocation Refunding A and 2016 Subordinate Tax Allocation Refunding A-T Bonds. Due to the dissolution of the Redevelopment Agency, these bonds have been transferred to the Successor Agency and \$7,471,830 in Redevelopment Property Tax Trust Funds were received during the fiscal year to fund these enforceable obligations.

	Principal and Interest	
	Paid During Fiscal Year	Estimated Remaining to be Paid
2000A Multifamily Mortgage Revenue	\$ 184,903	\$ 1,440,065
2014 Subordinate Tax Allocation Refunding	3,065,543	33,793,527
2016 Subordinate Tax Allocation Refunding A	28,359	2,125,932
2016 Subordinate Tax Allocation Refunding A-T	267,986	18,790,721
	\$ 3,546,791	\$ 56,150,245

Original Debt Amount	Outstanding June 30, 2017
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\$ 2,364,740	\$ 1,143,000
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Multifamily Mortgage Revenue Bonds were issued by the Agency to provide financing for Vacaville Community Housing (VCH), a non-profit corporation, to acquire and rehabilitate multifamily rental housing units. The bonds are limited obligations of the Agency and are payable solely from VCH project revenues, certain tax increment revenues, and certain other revenue and pledge funds. The Agency is committed to funding 25.4% of the debt service on the bonds from tax increment revenue during the 30 year life of the bonds, and as such 25.4% of the bond principal has been recorded in the financial statements as an obligation of the Agency. The Agency has an offsetting note receivable from VCH for \$1,455,000, with payments starting in 2025, to be amortized over the following 30 years, to reimburse the Agency for debt service payments advanced on behalf of VCH. Interest rates on the bonds range from 4.78% to 6.00% and the bonds mature in 2025.

\$ 28,090,000	\$ 23,545,000
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Subordinate Tax Allocation Refunding Bonds issued by the Successor Agency to the Redevelopment Agency of the City of Vacaville to prepay 1996, 2000 and 2001 Tax Allocation Bonds outstanding loans payable from tax increment revenue generated in the Vacaville Community Redevelopment Project Area in the I-505/80 Project Area. Interest rates range from 2.0% to 5.0% and the bonds mature in March 2032. Payments of principal and interest are funded by property tax revenues distributed to the former Redevelopment Property Tax Trust Fund (RPTTF).

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES, continued

<u>Original Debt Amount</u>	<u>Outstanding June 30, 2017</u>	
\$ 1,480,000	\$ 1,480,000	Subordinate Tax Allocation Series A Refunding Bonds issued by the Successor Agency to advance refund \$1.7 million of outstanding 2006 ABAG Tax Allocation Bonds. Interest rates for the newly issued bonds range from 2.75% to 2.875% and the bonds mature in September 2032. Payments of principal and interest are funded by property tax revenues distributed to the former Redevelopment Property Tax Trust Fund (RPTTF).
\$15,285,000	<u>\$15,285,000</u>	Subordinate Tax Allocation Series A-T Refunding Bonds issued by the Successor Agency to advance refund \$15.4 million of 2006 Taxable Housing Bonds. Interest rates range from 1.1% to 3.4% and the bonds mature in September 2031. Payments of principal and interest are funded by property tax revenues distributed to the former Redevelopment Property Tax Trust Fund (RPTTF).
	<u>\$41,453,000</u>	Total bonds payable

The annual requirement to amortize debt outstanding as of June 30, 2017 for bonds payable is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,505,570	\$ 1,595,051	\$ 4,100,621
2019	2,671,920	1,498,292	4,170,212
2020	2,774,540	1,394,431	4,168,971
2021	2,882,160	1,283,574	4,165,734
2022	2,991,050	1,165,513	4,156,563
2023-2027	13,252,760	4,122,114	17,374,874
2028-2032	13,185,000	1,429,997	14,614,997
2033	1,190,000	17,106	1,207,106
Subtotal	41,453,000	<u>\$ 12,506,078</u>	<u>\$ 53,959,078</u>
Unamortized premium	2,194,992		
Total	<u>\$ 43,647,992</u>		

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS

Pension related balances presented on the Statement of Net Position as of June 30, 2017 by individual plan are described in the following table:

	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense
CALPERS Miscellaneous	\$ 13,647,478	\$ 3,590,109	\$ 68,455,541	\$ 5,230,883
CALPERS Safety	19,876,849	3,853,362	99,240,719	10,247,739
PARS	<u>4,475,379</u>	<u>368,583</u>	<u>33,417,855</u>	<u>3,172,409</u>
	<u>\$ 37,999,706</u>	<u>\$ 7,812,054</u>	<u>\$ 201,114,115</u>	<u>\$ 18,651,031</u>

Deferred Outflows and Inflows by individual plan are described below:

	Deferred Outflows	Deferred Inflows
CaIPERS Miscellaneous		
Changes of Assumptions	\$ -	\$ 1,532,938
Differences between Expected and Actual Experiences	-	2,057,171
Difference between Projected and Actual Earnings on Pension Plan Investments	8,135,788	-
Current Year Contributions	<u>5,511,690</u>	-
Total CaIPERS Miscellaneous	<u>13,647,478</u>	<u>3,590,109</u>
CaIPERS Safety		
Changes of Assumptions	-	2,768,454
Differences between Expected and Actual Experiences	1,099,981	1,084,908
Difference between Projected and Actual Earnings on Pension Plan Investments	9,576,218	-
Current Year Contributions	<u>9,200,650</u>	-
Total CaIPERS Safety	<u>19,876,849</u>	<u>3,853,362</u>
PARS		
Changes of Assumptions	927,502	-
Differences between Expected and Actual Experiences	-	368,583
Difference between Projected and Actual Earnings on Pension Plan Investments	1,100,415	-
Current Year Contributions	<u>2,447,462</u>	-
Total PARS	<u>4,475,379</u>	<u>368,583</u>
Total	<u>\$ 37,999,706</u>	<u>\$ 7,812,054</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years of service	5 years of service
Benefit payment	monthly for life	monthly for life
Earliest retirement age	50	50
Benefit factor for each year of service, as a % of salary	3% at age 50	2% at age 55
Required employee contribution rates	9%	7%
Required employer contribution rates	46.700%	22.340%

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. This State law applies to employees hired after January 1, 2013 who are new to PERS. These employees are termed PEPRA members and employees that were enrolled in PERS (without significant separation) prior to January 1, 2013 are now referred to as classic members. PEPRA miscellaneous members will be enrolled in a 2% at 62 plan and PEPRA safety members will be enrolled in a 2.7% at 57 plan. PEPRA members will be required to pay half the normal cost of their plans.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	Safety	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	180	414
Inactive employees entitled to but not yet received benefits	78	227
Active employees	162	314
Total	420	955

Contributions

Section 20814(C) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The Total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with estimated amount to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following assumptions:

	Safety	Miscellaneous
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	
Investment Rate of Return	7.50%	7.50%
Mortality (1)	Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.75 until Purchasing Power Protection Allowance Floor on Purchasing Power applies,	
Post Retirement Benefit Increase		

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2010 experience study report.

Change of Assumptions

In 2016, there were no changes.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.50 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Assets	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follow:

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	<u>\$ 260,282,885</u>	<u>\$ 172,959,269</u>	<u>\$ 87,323,616</u>
Changes in the year:			
Service Cost	5,552,457	-	5,552,457
Interest on Total Pension Liability	19,576,598	-	19,576,598
Differences between Expected and Actual Experience	(1,413,668)	-	(1,413,668)
Changes of Assumptions	-	-	-
Plan to Plan Resource Movement	-	-	-
Contribution - Employer	-	8,843,994	(8,843,994)
Contribution - Employee	-	2,201,585	(2,201,585)
Investment Income	-	858,115	(858,115)
Administrative Expenses	-	(105,410)	105,410
Benefit Payments, including Refunds of Employee Contributions	<u>(11,484,404)</u>	<u>(11,484,404)</u>	<u>-</u>
Net Changes	<u>12,230,983</u>	<u>313,880</u>	<u>11,917,103</u>
Balances at June 30, 2016	<u><u>\$ 272,513,868</u></u>	<u><u>\$ 173,273,149</u></u>	<u><u>\$ 99,240,719</u></u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Changes in the Net Pension Liability

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	<u>\$ 210,382,139</u>	<u>\$ 151,518,288</u>	<u>\$ 58,863,851</u>
Changes in the year:			
Service Cost	3,639,007	-	3,639,007
Interest on Total Pension Liability	15,690,624	-	15,690,624
Differences between Expected and Actual Experience	(2,033,908)	-	(2,033,908)
Changes of Assumptions	-	-	-
Plan to Plan Resource Movement	-	-	-
Contribution - Employer	-	5,298,538	(5,298,538)
Contribution - Employee	-	1,707,009	(1,707,009)
Investment Income	-	790,828	(790,828)
Administrative Expenses	-	(92,342)	92,342
Benefit Payments, including Refunds of Employee Contributions	<u>(10,123,097)</u>	<u>(10,123,097)</u>	<u>-</u>
Net changes	<u>7,172,626</u>	<u>(2,419,064)</u>	<u>9,591,690</u>
Balances at June 30, 2016	<u><u>\$ 217,554,765</u></u>	<u><u>\$ 149,099,224</u></u>	<u><u>\$ 68,455,541</u></u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Safety	Miscellaneous
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 138,750,969	\$ 97,225,747
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 99,240,719	\$ 68,455,541
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 67,014,751	\$ 44,570,616

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$18,651,031. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety		Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,200,650	\$ -	\$ 5,511,690	\$ -
Changes of Assumptions	-	(2,768,454)	-	(1,532,938)
Differences between Expected and Actual Experiences	1,099,981	(1,084,908)	-	(2,057,171)
Differences between Projected and Actual Earnings on Pension Plan Investments	<u>9,576,218</u>	<u>-</u>	<u>\$ 8,135,788</u>	<u>-</u>
Total	<u>\$ 19,876,849</u>	<u>\$ (3,853,362)</u>	<u>\$ 13,647,478</u>	<u>\$ (3,590,109)</u>

\$9,200,650 for Safety and \$5,511,690 for Miscellaneous reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	<u>Safety</u>	<u>Miscellaneous</u>
	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2017	\$ 410,913	\$ (1,038,427)
2018	410,915	(107,339)
2019	3,632,050	3,560,479
2020	2,368,959	2,130,966

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

SUPPLEMENTAL PENSION PLAN

PENSION PLAN

Plan Description

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

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

Benefits Provided

PARS provides service retirement benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for each plan are applied as specified by contract. Death and disability benefits are not covered under the plan.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous
Benefit vesting schedule	5 years of service
Benefit payment	monthly for life
Earliest retirement age	50
Benefit factor for each year of service, as a % of salary	.7% at age 55
Required employee contribution rates	2%
Required employer contribution rates	16.820%

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. This State law applies to employees hired after January 1, 2013. The City updated the Plan to reflect compliance with PEPRA. The Plan has been amended and is closed to all new hires on or after January 1, 2013.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	202
Active employees	231
Total	433

Contributions

Section 20814(C) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The Total plan contributions are determined through PARS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate is 2.0 percent of annual pay for the Plan, and employer contribution rate is 16.82 percent of annual payroll for the Plan.

Net Pension Liability

The City’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following assumptions:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality	Consistent with the Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.
Post Retirement Benefit Increase	2.00%

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Plan.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses.

In determining the long-term expected rate of return, the best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2015.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation	Real Return Long-Term Arithmetic	Real Return Long-Term Geometric
US Cash	2.81%	0.38%	0.38%
US Core Fixed Income	39.58%	2.00%	1.87%
US Equity Market	41.61%	5.14%	3.83%
Foreign Developed Equity	12.33%	5.93%	4.28%
Emerging Markets Equity	3.67%	8.20%	4.91%
Total	100.00%		

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follow:

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	<u>\$ 47,510,758</u>	<u>\$ 15,317,308</u>	<u>\$ 32,193,450</u>
Changes in the year:			
Service Cost	950,515	-	950,515
Interest on Total Pension Liability	3,463,819	-	3,463,819
Differences between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contribution - Employer	-	2,709,376	(2,709,376)
Contribution - Employee	-	402,607	(402,607)
Investment Income	-	180,668	(180,668)
Administrative Expenses	-	(102,722)	102,722
Benefit Payments, including Refunds of Employee Contributions	<u>(2,653,022)</u>	<u>(2,653,022)</u>	<u>-</u>
Net changes	<u>1,761,312</u>	<u>536,907</u>	<u>1,224,405</u>
Balances at June 30, 2016	<u>\$ 49,272,070</u>	<u>\$ 15,854,215</u>	<u>\$ 33,417,855</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.50%
Net Pension Liability	\$ 38,283,721
Current Discount Rate	7.50%
Net Pension Liability	\$ 33,417,855
1% Increase	8.50%
Net Pension Liability	\$ 27,790,372

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 7 – EMPLOYEE RETIREMENT PLANS, continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PARS financial report.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$3,172,409. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,447,462	\$ -
Changes of Assumptions	927,502	
Differences between Expected and Actual Experiences		(368,583)
Net differences between projected and actual earnings on plan investments	1,100,415	-
Total	\$ 4,475,379	\$ (368,583)

\$2,447,462 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	\$ 426,798
2018	426,798
2019	568,105
2020	237,633

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 8 – POST-EMPLOYMENT HEALTH BENEFITS

In addition to the pension benefits described in Note 7, the City provides other post-employment benefits (OPEB), in accordance with employee collective bargaining agreements, to all employees who retire from the City on or after attaining age 50 with at least five years of PERS service. For 2017, 401 retirees met those eligibility requirements.

The City contributes a monthly amount to PERS for each retiree, determined by the retiree's employment classification when employed by the City. If the retiree selects health coverage through PERS that has a higher premium than the City's contribution, the balance is deducted from the retiree's monthly PERS pension benefit. The post-retirement health care employer contributions range from \$300 to \$1,906 per month per participant, which covers between 89% and 100% of the benefit costs, depending on the choice of plan and number of dependents. The post-employment health care contributions are defined by labor agreements and resolutions approved by the City Council.

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

Funding Policy

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

The City contributes an amount less than the annual required contribution (ARC) of the employer. The ARC is an amount actuarially determined in accordance with the parameters of GASB statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC rate for the fiscal year ended June 30, 2017 was 29.20% of total payroll.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 8 – POST-EMPLOYMENT HEALTH BENEFITS, continued

Annual OPEB Cost and Net OPEB Asset

The City's annual OPEB cost, amount actually contributed to the plan, and changes in the City's net OPEB obligation/asset for the fiscal year ended June 30, 2017, are as follows:

Annual required contribution	\$ 13,657,152
Interest on net OPEB obligation	1,709,977
Adjustment to annual required contribution	<u>(1,797,902)</u>
Annual OPEB expense (income)	13,569,227
Contribution made	<u>(7,510,248)</u>
Increase in net OPEB obligation	6,058,979
Net OPEB obligation - beginning of year	<u>24,428,245</u>
Net OPEB obligation - end of year	<u><u>\$ 30,487,224</u></u>

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

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	OPEB (Asset) Liability
6/30/2015	\$ 9,973,803	\$ 5,580,779	55.95%	\$ 17,076,548
6/30/2016	\$ 12,906,529	\$ 5,554,832	43.04%	\$ 24,428,245
6/30/2017	\$ 13,569,227	\$ 7,510,248	55.35%	\$ 30,487,224

Funded Status and Funding Progress

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

Funding Progress

Valuation Date	Actuarial Liability	Actuarial Value of Assets	Unfunded Liability (UL)	Funded Status	Valuation Payroll	UL as a % of Payroll
7/1/2015	\$ 141,683,924	\$ 17,030,398	\$ 124,653,526	12.02%	\$ 43,332,311	287.7%

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 8 – POST-EMPLOYMENT HEALTH BENEFITS, continued

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 7.00% investment rate of return, an annual healthcare cost trend rate of 6.25% initially and declining to 4.5%, and an inflation factor of 2.50%. The OPEB unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed 30-year period, 23 years remaining as of July 1, 2015.

NOTE 9 – FUND EQUITY

Deficit Fund Balances

The following fund had a deficit as of June 30, 2017:

Energy Efficiency Siemens Fund

The Energy Efficiency Debt Service Fund had a deficit of (\$302,216) at June 30, 2017. The City entered into a contract with Siemens to perform facility improvements throughout the City. The improvements will produce energy savings for the City which in turn will be used to pay the debt service commitment. The operational departments will contribute to the debt service fund from their energy savings.

Deficit Net Position

Central Services Fund

The Central Services Internal Service fund has a deficit of (\$5,939,296) at June 30, 2017. A majority of the deficit is due to the implementation of GASB Statement No. 68 – reporting of the long-term obligation for pension benefits as a liability. The remaining difference is from a shortfall in the centralized garage and fuel services. The charge-out rate for the City's central garage services was increased beginning fiscal year 2017 to help recover the shortfall. The City will continue to evaluate the charge-out rate in order to ensure the costs are fully recovered.

Insurance Fund

The Insurance Internal Service fund has a deficit of (\$1,341,132) at June 30, 2017. The City's policy has been to record the insurance liability at 100%. This has resulted in the fund going into a deficit position, because claims expenses exceeded revenues charged over the past several years. Charges in future periods will be increased over time to recover the current deficit. The City is planning to evaluate and recover costs in future years.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 9 – FUND EQUITY, continued

Employee Benefits

The Employee Benefits fund has a deficit of (\$233,800) at June 30, 2017. In fiscal year 2017, the City created a new internal service fund for vacation and sick leave cash outs for active employees. The deficit is due to the vacation and sick leave payouts exceeding the contributions made by the departments into the newly created fund. The City will increase the budgeted contribution amount in the following fiscal year to recover costs.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 10 – INTERFUND TRANSACTIONS

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

The major transfer activity consists of the following: 1) Community Facility Districts transferred \$3,056,831 in property tax to the General Fund to cover public safety costs to maintain the districts; 2) Water Utility transferred \$1,744,731 in development impact fees to City Projects for the Jepson Parkway Project; 3) General Fund transferred \$1,590,623 to the City Projects fund for pavement rehabilitation of 17 street courts and repairs and exterior painting of the Vacaville Performing Arts Theatre.

The following schedule briefly summarizes the City's transfer activity for the fiscal year ended June 30, 2017:

<u>Transfers In (fund receiving transfer):</u>									
<u>Transfers Out (fund making transfer):</u>	<u>Special Revenue</u>		<u>Capital Projects Fund</u>		<u>Enterprise Funds</u>		<u>Internal Service Fund</u>		<u>Totals</u>
	General Fund	Successor Housing	City Projects	Other Governmental Funds	Sewer Utility	Water Utility	Central Services	Employee Benefits	
General Fund	\$ -	\$ -	\$ 1,590,623	\$ 1,002,883	\$ -	\$ -	\$ 50,000	\$ 459,030	\$ 3,102,536
Special Revenue Funds:									
Housing Assistance	-	9,009	-	-	-	-	-	-	9,009
Capital Projects Funds:									
City Projects	-	-	-	519,576	-	72,882	5,000	-	597,458
Other Governmental Funds:	3,062,149	-	224,262	201,465	268,000	-	-	-	3,755,876
Enterprise Funds:									
Sewer Utility	-	-	690,395	-	-	1,000,000	7,500	-	1,697,895
Water Utility	-	-	1,744,731	7,995	-	-	7,500	-	1,760,226
Internal Service Funds:									
Central Services	-	-	-	2,877	-	-	-	-	2,877
Vehicle Replacement	-	-	-	-	32,700	33,430	-	-	66,130
Totals	<u>\$ 3,062,149</u>	<u>\$ 9,009</u>	<u>\$ 4,250,011</u>	<u>\$ 1,734,796</u>	<u>\$300,700</u>	<u>\$1,106,312</u>	<u>\$ 70,000</u>	<u>\$ 459,030</u>	<u>\$ 10,992,007</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 10 – INTERFUND TRANSACTIONS, continued

Due To/Due From Other Funds:

<u>Due From Other Funds</u> (fund making loan):	<u>Due to Other Funds</u> (fund receiving loan):			
	Internal Service	Other		
	<u>Fund</u>	<u>Governmental</u>	<u>Transit</u>	<u>Total</u>
General Fund	\$ 277,299	\$ 302,216	\$ 32,454	\$ 611,969
	<u>\$ 277,299</u>	<u>\$ 302,216</u>	<u>\$ 32,454</u>	<u>\$ 611,969</u>

Advances To/Advances From Other Funds:

<u>Advances To Other Funds</u> (fund making loan):	<u>City Projects</u> <u>Capital</u>				<u>Total</u>
	<u>General Fund</u>	<u>Projects Fund</u>	<u>Sewer Utility</u>	<u>Water Utility</u>	
General Fund:					
General Fund	\$ -	\$ -	\$ 27,437	\$ -	\$ 27,437
Total General Fund	<u>-</u>	<u>-</u>	<u>27,437</u>	<u>-</u>	<u>27,437</u>
Enterprise Funds:					
Sewer Utility	69,392	531,424	-	100,000	700,816
Water Utility	<u>-</u>	<u>1,062,848</u>	<u>-</u>	<u>-</u>	<u>1,062,848</u>
Total Enterprise	<u>69,392</u>	<u>1,594,272</u>	<u>-</u>	<u>100,000</u>	<u>1,763,664</u>
Total	<u>\$ 69,392</u>	<u>\$ 1,594,272</u>	<u>\$ 27,437</u>	<u>\$ 100,000</u>	<u>\$ 1,791,101</u>

The advances to/from consists of the following: The Water and Sewer Utility Enterprise loans to the City Projects Capital Projects fund were for: 1) Parks and Recreation infrastructure in the amount of \$1,026,583; 2) Construction of a fire station in the amount of \$896,652, and 3) the purchase of 2 two ambulances in the amount of \$449,482. The General fund loaned the Sewer fund \$282,833 for the purchase of a vactor truck.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 11 – UNEARNED REVENUE

Unearned revenues in the government-wide financial statements as of June 30, 2017 were as follows:

	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds
General services and recreation revenue	460,950	-	460,950	-
Community Facilities District	1,305,112	-	1,305,112	-
Grant proceeds received in advance	346,357	-	346,357	-
GWTP Closure	-	36,995	36,995	-
Water utility revenue	-	125,691	125,691	-
Harbison maintenance reserve	-	-	-	19,946
Total	<u>\$ 2,112,419</u>	<u>\$ 162,686</u>	<u>\$ 2,275,105</u>	<u>\$ 19,946</u>

Unearned revenues in the fund financial statements as of June 30, 2017 were as follows:

	<u>Major Governmental Funds</u>			<u>Proprietary Funds</u>		<u>Fiduciary Funds</u>	
	General	Housing Assistance	Other Governmental Funds	Sewer Utility	Water Utility	Total	Successor Agency
General services and recreation revenue	\$ 460,950	\$ -	\$ -	\$ -	\$ -	\$ 460,950	\$ -
Grant proceeds received in advance	-	34,825	311,532	-	-	346,357	-
Community Facilities District	-	-	1,305,112	-	-	1,305,112	-
Mariani GWTP closure	-	-	-	36,995	-	36,995	-
Water utility revenue	-	-	-	-	125,691	125,691	-
Harbison maintenance reserve	-	-	-	-	-	-	19,946
	<u>\$ 460,950</u>	<u>\$ 34,825</u>	<u>\$ 1,616,644</u>	<u>\$ 36,995</u>	<u>\$ 125,691</u>	<u>\$ 2,275,105</u>	<u>\$ 19,946</u>

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

- \$ 1,398,334 Community Facilities District Fees for the Opportunity Hill project until fiscal year 2031.
- \$ 304,763 Recreation and facility rental fees collected in advance of class or usage.
- \$ 156,187 Cell tower lease revenue received in advance of service period.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 12 – CLASSIFICATION OF FUND BALANCES

As of June 30, 2017, classifications of fund balance were as follows:

Fund Balance:	<u>General</u>	<u>Sucessor Housing</u>	<u>Housing Assistance</u>	<u>City Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable						
Loans and long-term receivables	\$ 1,900,805	\$ -	\$ -	\$ -	\$ -	\$ 1,900,805
Advances to other funds	27,437	-	-	-	-	27,437
Subtotal	<u>1,928,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,928,242</u>
Restricted						
Grants, development impact fees	-	-	-	14,580,656	3,051,281	17,631,937
Bond proceeds	-	-	-	5,462,802	-	5,462,802
Highway and streets	-	-	-	4,338,810	4,080,217	8,419,027
Park maintenance	-	-	-	-	336,847	336,847
Community facility district	-	-	-	-	129,874	129,874
Housing	-	34,554,371	10,949,692	-	-	45,504,063
Capital projects	-	-	-	-	954,396	954,396
Subtotal	<u>-</u>	<u>34,554,371</u>	<u>10,949,692</u>	<u>24,382,268</u>	<u>8,552,615</u>	<u>78,438,946</u>
Assigned						
Vehicle replacement	737,357	-	-	-	-	737,357
Capital projects	6,112,169	-	-	500,558	-	6,612,727
Technology	1,051,537	-	-	-	-	1,051,537
General government	98,648	-	-	-	-	98,648
Community services	165,515	-	-	-	-	165,515
Public safety	15,857	-	-	-	-	15,857
Public works	101,282	-	-	-	-	101,282
Subtotal	<u>8,282,365</u>	<u>-</u>	<u>-</u>	<u>500,558</u>	<u>-</u>	<u>8,782,923</u>
Unassigned	<u>22,813,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(302,216)</u>	<u>22,511,245</u>
Total Fund Balances	<u>\$ 33,024,068</u>	<u>\$ 34,554,371</u>	<u>\$ 10,949,692</u>	<u>\$ 24,882,826</u>	<u>\$ 8,250,399</u>	<u>\$ 111,661,356</u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 13 – RISK MANAGEMENT

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

The Human Resources Department is responsible for managing the City's General Liability and Workers' Compensation Internal Service Funds to account for and finance the City's risk of loss. Under these programs, the City is self-insured for the first \$500,000 per occurrence for general, auto, and employment liability and is self-insured for the first \$350,000 for workers' compensation claims. All City operating funds and departments participate in the self-insurance programs and make payments to the General Liability and Workers' Compensation Internal Service Funds based on size of payroll, risk, and actuarial estimates of the amounts needed to pay for both prior and current year claims. The total actuarial estimated claims liability at June 30, 2017 is \$6,051,000, consisting of \$1,667,000 general liability and \$4,384,000 worker's compensation liability. These amounts include allocated expenses and a provision for the incurred but not reported claims. Of this balance, \$1,971,000 has been recorded as a current liability on the City's balance sheet.

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) self-insurance pool. Through CJPRMA, the City has an additional \$39,500,000 in comprehensive liability coverage over and above our self-insured retention of \$500,000 per occurrence. The City is also a member of the Local Agency Workers' Compensation Excess (LAWCX) Joint Powers Authority self-insurance pool which provides excess workers compensation coverage up to \$50,000,000 per occurrence. The purpose of CJPRMA and LAWCX is to spread the adverse effects of losses among the member public agencies and to purchase excess insurance as a group, thereby reducing its expense. The City contributes its pro rata share of expected losses to these self-insurance pools administered by CJPRMA and LAWCX. Should the pool's actual losses among participating agencies be greater than the anticipated losses, the City may be assessed its pro rata share of that deficiency. Conversely, if the actual losses for the pool are less than anticipated, the City may from time to time be refunded a pro rata share of the excess.

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

The City also maintains separate policies for special events with a \$25,000 deductible, automobile physical damage for vehicles valued over \$10,000, property insurance with a \$25,000 deductible, boiler and machinery insurance, employee crime and fidelity insurance.

The following claim estimates are based on the requirements of Governmental Accounting Standards Board Statement 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and include estimated claims incurred but not yet reported as of June 30, 2017. Changes in the Insurance Fund claims liability during the fiscal year July 1, 2016 through June 30, 2017 are as follows:

	Claims Liability July 1	Current Year Claims and Changes in Estimates	Current Year Claim Payments	Balance June 30	Due Within One Year
2014-2015	\$ 6,227,000	\$ 1,427,789	\$ (1,009,789)	\$ 6,645,000	\$ 1,849,000
2015-2016	\$ 6,645,000	\$ 1,388,659	\$ (1,445,659)	\$ 6,588,000	\$ 1,893,000
2016-2017	\$ 6,588,000	\$ 456,422	\$ (993,422)	\$ 6,051,000	\$ 1,971,000

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Vacaville that previously reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of the redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-10.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installments payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California (SCO) to review the propriety of any transfer of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure of encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of the dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

As a result of the dissolution of the redevelopment agency, the City received a one-time settlement of \$4,482,226 during the fiscal year 2012-13.

During fiscal year 2013-14, Pursuant to Health and Safety Code section 34167.5, the SCO reviewed all asset transfers made by the Vacaville Redevelopment Agency (RDA) to the City of Vacaville or any other public agency after January 1, 2011. The SCO determined that the RDA made an unallowable asset transfer in cash to the City after January 1, 2011 in the amount of \$3,814,709 on February 28, 2011 to repay an unsecured Promissory Note dated November 17, 2000. The City was ordered to reverse the transfer and turn it over to the Successor Agency.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY, continued

This “clawback” has been recorded as a receivable to the City from the Successor Agency as of June 30, 2017 and will be repaid as allowed by the California Department of Finance's (DOF) calculation for Loans between the Former RDAs and Sponsoring Entities.

On December 16, 2015 the DOF issued a final determination related to the disposition of Successor Agency properties. The DOF determination approved the transfer of 16 parcels to the City for governmental use, including the Harbison Event Center, Carnegie Library, and the downtown parking lots.

Long-term Receivable from City of Vacaville

\$ 7,212,790 The former Redevelopment Agency loaned the City \$10,999,100 for the construction of a City owned police facility. Repayments will be made twice a year on December 31st and June 30th in amounts equal to 80% of the revenue collected by the Police Development Impact Fee with an interest rate of 0%. Additional repayments will also be made when funds become available in the Community Benefit Contribution fund.

Long-term Note Payable to City of Vacaville

\$ 2,376,006 The former Redevelopment Agency loaned the City \$7,881,241 for the purchase of the Nut Tree Property in October 2000. The former Redevelopment Agency repaid the note February 28, 2011. Upon dissolution of Redevelopment and during the course of a review conducted by the State Controller's Office, it was determined that the loan repayment was not allowed, therefore the City had to return the payment. The City returned the payment, however the amount was still due to the City. The amount may be repaid as allowed by the Department of Finance's calculation for Loans between the Former RDAs and Sponsoring Entities.

NOTE 15 – POLLUTION REMEDIATION

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 16 – COMMITMENTS AND CONTINGENCIES

A. COMMITMENTS

City Projects

The City entered into a contract with Drake Haglan and Associates in 2013 to provide structural design services on the Buck Avenue Bridge over Alamo Creek Rehabilitation Project. The project consists of rehabilitating the existing functionally obsolete bridge and widening it to meet current standards for travel lane and shoulder widths. This project has now become a bridge replacement instead of a widening. The City is still consulting with Drake Haglan and Associates on the environmental requirements for this project. The balance of the contract as of June 30, 2017 was approximately \$106,665.

The City entered into a contract with Teichert Construction for the Jepson Parkway Phase One (Roadway) and Jepson Parkway Phase One (Bridge) projects. The roadway portion of the project consists of widening Leisure Town Road between Vanden Road and Commerce Place from two lanes to a four-lane divided roadway with a landscaped center median-island and enlarged landscape buffer, intersection signal improvements along Leisure Town Road, and roundabout construction at the Vanden Road/Leisure Town Road intersection. The bridge portion consists of replacing the New Alamo Creek Bridge on Leisure Town Road with a new bridge. The projects will run concurrently and are expected to be completed in early 2019. The contract was entered into in Dec 2016 with work beginning in Mar 2017. The contract balance as of June 30, 2017 for the roadway portion was approximately \$13,388,935 and approximately \$2,774,050 for the bridge portion.

Sewer Utility

The City entered into a contract with Kennedy/Jenks Consultants for the preliminary design and phase management services for the Well improvement project. This project provides funding to research various treatment systems and methods to bring City groundwater wells exceeding the maximum contaminate level (MCL) of 10 parts per billion (ppb) for hexavalent chromium into regulatory compliance with the MCL established in June of 2014. The contract was entered into in March 2016 for \$453,483 and the balance as of June 30, 2017 was approximately \$314,158.

The City entered into a contract with Meyers & Sons Construction, LP for the last phase of the City's EWWTP Tertiary project that provides upgrades to the City's treatment plant to meet current regulatory requirements. The project includes construction of a vehicle storage building, concrete lining of the of the emergency storage basin, repair of the northerly biosolids drying bed, complete demolition of the north plant, and extension of the north plant containment wall. The contract is expected to be completed in December 2017 and the balance of the contract as of June 30, 2017 was approximately \$4,553,321.

B. CONTINGENCIES

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

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

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 17 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS

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

The Solano Water Authority

The Solano Water Authority (the Water Authority), a joint powers agency, was organized in September of 1987 to develop water resources and related water projects for the participating local county agencies. The governing body of the Water Authority consists of a representative from each participating agency. The Water Authority has initiated three major water projects to date; Noonan Reservoir, Imported Water Supply Development, and Groundwater Management; all of which are in the research and development phase.

The City's equity investment in the Water Authority, \$362,619, is reported in the Water Utility Enterprise Fund as an investment in joint venture. Complete financial statements may be obtained from the Solano Irrigation District.

The following unaudited information for the Water Authority is presented as of, and for the year ended June 30, 2017:

Current assets		\$	522,854
Property, plant and equipment, net			<u>954,067</u>
Total assets			<u><u>1,476,921</u></u>
Current liabilities			<u>-</u>
Total liabilities			<u><u>-</u></u>
Net position		\$	<u><u>1,476,921</u></u>
Other revenues (expenses), net			<u>(16,390)</u>
Decrease in net position		\$	<u><u>(16,390)</u></u>

North Bay Treatment Plant

The North Bay Treatment Plant was constructed through a joint exercise of powers agreement between the City of Fairfield and the City to operate and maintain facilities for supplying potable water to their respective service areas. A Joint Powers Policy Committee (JPPC) handles the organization and administration of the North Bay Treatment Plant. The JPPC is composed of the Director of Public Works from Fairfield and the Director of Utilities from the City or their designated alternates. The City's equity in the joint venture is shown as an investment in joint venture in the City's enterprise funds in the amount of \$21,206,104 which represents a 36.6% equity interest. The City's contribution to the operations of the North Bay Treatment Plant for the fiscal year was \$3,775,594. This amount is included in the total operating revenues stated in the following financial information. Complete financial statements may be obtained through the City of Fairfield Finance Department.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 17 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

Summarized audited financial information for the North Bay Treatment Plant as of June 30, 2017 is shown below.

Current assets	\$ 5,226,014
Noncurrent assets	<u>58,271,018</u>
Total assets	<u><u>63,497,032</u></u>
Deferred outflows of resources	<u>1,154,308</u>
Current liabilities	429,031
Noncurrent liabilities	<u>5,943,574</u>
Total liabilities	<u><u>6,372,605</u></u>
Deferred inflows of resources	<u>328,993</u>
Net investment in Capital Assets	36,424,687
Restricted for major maintenance	20,299,946
Restricted for minority interest	466,970
Unrestricted	<u>758,139</u>
Total Net Position	<u>\$ 57,949,742</u>
Total operating revenues	\$ 10,216,275
Total operating expenses	<u>8,363,268</u>
Operating Income	1,853,007
Total non-operating revenues	<u>1,416,032</u>
Income before transfers	<u>3,269,038</u>
Transfers	<u>(105,545)</u>
Total transfers	<u>(105,545)</u>
Increase in Net Position	<u>3,163,493</u>
Net Position	
Beginning of Year	<u>54,786,249</u>
End of Year	<u><u>\$ 57,949,742</u></u>

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 17 - JOINTLY GOVERNED AND RELATED ORGANIZATIONS, continued

A summary of the City's equity in the joint venture is presented below:

<u>Net Position</u>	<u>City of Vacaville</u>	<u>City of Fairfield</u>	<u>Total</u>
Net investment in capital assets	\$ 13,364,310	\$ 23,060,377	\$ 36,424,687
Restricted for major maintenance	7,374,824	12,925,122	20,299,946
Restricted for minority interest	466,970	-	466,970
Unrestricted	-	<u>758,139</u>	<u>758,139</u>
Total net position	<u>\$ 21,206,104</u>	<u>\$ 36,743,638</u>	<u>\$ 57,949,742</u>

Vacaville-Dixon Greenbelt Authority

In order to provide a distinct separation between the urban areas of Vacaville and Dixon, it was determined that a permanent greenbelt should be established. The Vacaville-Dixon Greenbelt Authority (VDGA) was created under a joint exercise of powers agreement between the two cities for the purpose of providing for the preservation and conservation of viable agricultural and open space land. The governing body consists of two members each from the City Councils of Vacaville and Dixon and one ex-officio member from the Solano County Board of Supervisors. The cities share equally in VDGA operations. During the fiscal year ended June 30, 2017 the City did not make any contributions to the VDGA.

Solano Animal Control Authority

The Solano Animal Control Authority (SACA), a California Joint Powers Authority, provides animal control services to member cities in Solano County. The City, through its membership in SACA, receives animal control services including response for vicious, injured, dead, loose, unwanted and noisy animals. During the fiscal year ended June 30, 2017 the City contributed \$516,572 to the operation and maintenance of the Claybank Animal Shelter and \$89,477 towards capital improvements. The City has no equity interest in SACA.

Solano Transportation Authority

The Solano Transportation Authority (STA), a California Joint Powers Authority, provides for coordinated, continuous and comprehensive transportation planning for Solano County and the cities within its boundaries. STA members refine and update the County transportation plan, coordinate planning and implementation of improvements and operate or contract for transit and paratransit services. The City paid a membership fee of approximately \$176,648 through the Local Transportation Fund and \$62,573 from gas tax revenues to STA for fiscal year 2017. The City has no equity interest in STA.

CITY OF VACAVILLE
Notes to the Basic Financial Statements
For the year ended June 30, 2017

NOTE 18 – TAX ABATEMENT

GASB Statement No. 77 defines tax abatements as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. According to the GASB 77, the substance of these agreements meet the definition of “tax abatements” as the revenues received were not available for general municipal services purposes but rather used to reduce the net tax liability of certain taxpayers per the conditions of an agreement. The taxes paid to the City are included in the revenue reported in these financial statements and the payments made to the businesses based upon the taxes paid are also included as expenditures in these financial statements.

The City offers several economic development incentive programs - which are detailed below - to entities that propose to locate or expand already established businesses within the City. In compliance with Government Code sections 53084 and 53084.5, the incentives may not be offered to entities that relocate their business to Vacaville from another city. The City Council must approve the incentive will result in a net financial benefit to the public that will exceed the value of the incentive provided to the entity, a direct public benefit through the provision of high-paying jobs, the generation of sales, property, and/or transient occupancy taxes, or other benefits to the City will be provided by the entity, and the incentive represents a partial return of revenues or fees that will be realized once the project is completed.

Retail Incentive Program

The purpose of the Retail Incentive Program is to attract “unique businesses” to leverage the strengths of the City’s retail areas with public sector support. This program is meant to attract new investment dollars by retailers that are not currently serving the area. The program uses sales tax rebate as the incentive.

Office and Industrial Incentive Program

This program is intended to provide financial incentives to eligible developer-owners, prospective tenants, or tenant representatives for clients looking to locate or expand in the City’s office or industrial areas. The financial incentive may be either sales or use, property, or other tax rebate; or direct financial assistance via reduction of development impact fees. Entities must meet one or more of the following criteria: generate annual gross sales of at least \$10 million, generate sales or use tax to the City corresponding to the gross sales, and/or provide a minimum of 200 full-time equivalent high paying (annual gross salary that meets or exceeds 60% of the current City median household income) jobs.

The City currently has two tax abatement agreements: a sales and transient occupancy tax rebate agreement with ICON Aircraft, Inc. and a property tax rebate agreement with Genentech. During the fiscal year, the City rebated \$5,400 in transient occupancy tax to ICON Aircraft, Inc. and \$650,839 in property tax to Genentech.

NOTE 19 – RESTATEMENT OF VEHICLE REPLACEMENT FUND

The beginning net position of the governmental activities and business-type activities have been restated on the Statement of Activities. The beginning net position of the business-type activities have been decreased by \$3,983,209 and the net position of the governmental activities have been increased by the same amount. Prior to fiscal year 2017 the sewer and water functions were the predominant users of the internal service fund. Currently, the governmental funds are the predominant user of the fund and the fund is now reported, accordingly, with the governmental activities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2017

Budgetary Data

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

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

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

Increases to appropriations totaling \$2,541,776 for the City operating budget were made by City Council action during the year. Appropriations were also increased due to operating carryovers by \$963,788 and grant awards of \$253,681. The net increase to appropriations was \$3,759,245.

Encumbrances

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

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE/(NEGATIVE)
Revenues:				
Taxes and fees	\$ 69,631,055	\$ 69,631,055	\$ 71,942,073	\$ 2,311,018
Licenses and permits	212,400	212,400	204,123	(8,277)
Investment income	780,498	780,498	800,537	20,039
Intergovernmental	639,610	639,610	855,286	215,676
Charges for services	8,638,726	8,638,726	9,066,669	427,943
Rents and royalties	476,931	476,931	384,194	(92,737)
Fines, forfeitures and penalties	230,719	230,719	392,688	161,969
Other	62,500	62,500	144,913	82,413
Total revenues	80,672,439	80,672,439	83,790,483	3,118,044
Expenditures:				
Current:				
General government	12,282,450	12,710,381	9,937,290	2,773,091
Public safety	55,946,642	57,432,682	56,135,977	1,296,705
Public works	6,029,168	6,094,341	6,059,850	34,491
Community services	9,244,708	9,341,781	8,883,472	458,309
Debt service:				
Principal	53,204	53,204	53,204	-
Interest	4,676	4,676	4,676	-
Total expenditures	83,560,848	85,637,065	81,074,469	4,562,596
Excess (deficiency) of revenues over (under) expenditures	(2,888,409)	(4,964,626)	2,716,014	7,680,640
Other financing sources (uses):				
Transfers in	2,735,288	2,735,288	3,062,149	326,861
Transfers out	(7,704,820)	(8,168,850)	(3,102,536)	5,066,314
Sale of capital assets	-	-	46,303	46,303
Total other financing sources (uses)	(4,969,532)	(5,433,562)	5,916	5,439,478
Net change in fund balance	\$ (7,857,941)	\$ (10,398,188)	2,721,930	\$ 13,120,118
Fund balances, beginning of year			30,302,138	
Fund balances, end of year			\$ 33,024,068	

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE/(NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 100,195	\$ 100,195
Rents and royalties	6,008	6,008	6,008	-
Other	664,285	664,285	97,155	(567,130)
Total revenues	670,293	670,293	203,358	(466,935)
Expenditures:				
Current:				
Housing	728,629	737,084	652,391	84,693
Total expenditures	728,629	737,084	652,391	84,693
Excess (deficiency) of revenues over (under) expenditures	(58,336)	(66,791)	(449,033)	(382,242)
Other financing sources (uses):				
Transfers in	-	-	9,009	9,009
Sale of capital assets	-	-	528,124	528,124
Total other financing sources (uses)	-	-	537,133	537,133
Net change in fund balance	\$ (58,336)	\$ (66,791)	88,100	\$ 154,891
Fund balances, beginning of year			34,466,271	
Fund balances, end of year			\$ 34,554,371	

CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		WITH FINAL BUDGET POSITIVE/(NEGATIVE)
Revenues:				
Investment income	\$ -	\$ -	\$ 7,523	\$ 7,523
Intergovernmental	12,915,405	12,915,405	12,203,198	(712,207)
Charges for services	14,616	14,616	15,889	1,273
Other	-	-	168,259	168,259
Total revenues	<u>12,930,021</u>	<u>12,930,021</u>	<u>12,394,869</u>	<u>(535,152)</u>
Expenditures:				
Current:				
Housing	13,128,246	13,152,233	12,594,216	558,017
Total expenditures	<u>13,128,246</u>	<u>13,152,233</u>	<u>12,594,216</u>	<u>558,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(198,225)</u>	<u>(222,212)</u>	<u>(199,347)</u>	<u>22,865</u>
Other financing sources (uses):				
Transfers out	-	-	(9,009)	(9,009)
Net change in fund balance	<u>\$ (198,225)</u>	<u>\$ (222,212)</u>	<u>(208,356)</u>	<u>\$ 13,856</u>
Fund balance, beginning of year			11,158,048	
Fund balance, end of year			<u>\$ 10,949,692</u>	

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

OTHER POST-EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS- OPEB

Valuation Date	Actuarial Liability	Actuarial Value of Assets	Unfunded Liability (UAL)	Funded Ratio	Valuation Payroll	UAL as % of Payroll
7/1/2011	80,254,313	8,707,156	(71,547,157)	10.85%	47,313,037	151.2%
7/1/2013	105,221,390	12,288,500	(92,932,890)	11.68%	43,370,992	214.3%
7/1/2015	141,683,924	17,030,398	(124,653,526)	12.02%	43,332,311	287.7%

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

**Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
CalPERS - Safety Plan**

Measurement Period	2015-16	2014-15	2013-14
TOTAL PENSION LIABILITY			
Service Cost	\$ 5,552,457	\$ 5,591,667	\$ 5,523,872
Interest	19,576,598	18,681,145	17,583,301
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(1,413,668)	1,979,967	-
Changes of Assumptions	-	(4,983,218)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(11,484,404)</u>	<u>(10,784,136)</u>	<u>(9,983,580)</u>
Net Change in Total Pension Liability	12,230,983	10,485,425	13,123,593
Total Pension Liability - Beginning	<u>260,282,885</u>	<u>249,797,460</u>	<u>236,673,867</u>
Total Pension Liability - Ending (a)	<u>\$ 272,513,868</u>	<u>\$ 260,282,885</u>	<u>\$ 249,797,460</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 8,843,994	\$ 8,631,967	\$ 7,911,265
Contributions - Employee	2,201,585	1,816,937	1,940,540
Net Investment Income	858,115	3,809,579	25,257,498
Benefit Payments, Including Refunds of Employee Contributions	(11,484,404)	(10,784,136)	(9,983,580)
Administrative Expense	(105,410)	(194,650)	-
Other Changes in Fiduciary Net Position	-	(851)	-
Net Change in Fiduciary Net Position	313,880	3,278,846	25,125,723
Plan Fiduciary Net Position - Beginning	<u>172,959,269</u>	<u>169,680,423</u>	<u>144,554,700</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 173,273,149</u>	<u>\$ 172,959,269</u>	<u>\$ 169,680,423</u>
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 99,240,719</u>	<u>\$ 87,323,616</u>	<u>\$ 80,117,037</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.58%	66.45%	67.93%
Covered Payroll	\$ 19,274,948	\$ 20,137,068	\$ 22,090,332
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	514.87%	433.65%	362.68%

Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Benefit Changes

The figures reported do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions

The discount rate was changed from 7.5percent (net of administrative expense) to 7.65 percent.

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

**Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
CalPERS - Miscellaneous Plan**

Measurement Period	2015-16	2014-15	2013-14
TOTAL PENSION LIABILITY			
Service Cost	\$ 3,639,007	\$ 3,593,518	\$ 3,780,586
Interest	15,690,624	15,160,887	14,586,721
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(2,033,908)	(1,553,311)	-
Changes of Assumptions	-	(3,722,850)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(10,123,097)</u>	<u>(9,514,061)</u>	<u>(9,097,351)</u>
Net Change in Total Pension Liability	7,172,626	3,964,183	9,269,956
Total Pension Liability - Beginning	<u>210,382,139</u>	<u>206,417,956</u>	<u>197,148,000</u>
Total Pension Liability - Ending (a)	<u>\$ 217,554,765</u>	<u>\$ 210,382,139</u>	<u>\$ 206,417,956</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 5,298,538	\$ 4,433,062	\$ 4,145,910
Contributions - Employee	1,707,009	1,680,540	1,856,352
Net Investment Income	790,828	3,371,547	22,833,932
Benefit Payments, Including Refunds of Employee Contributions	(10,123,097)	(9,514,061)	(9,097,351)
Administrative Expense	(92,342)	(170,549)	-
Other Changes in Fiduciary Net Position	-	851	-
Net Change in Fiduciary Net Position	<u>(2,419,064)</u>	<u>(198,610)</u>	<u>19,738,843</u>
Plan Fiduciary Net Position - Beginning	<u>151,518,288</u>	<u>151,716,898</u>	<u>131,978,055</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 149,099,224</u>	<u>\$ 151,518,288</u>	<u>\$ 151,716,898</u>
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 68,455,541</u>	<u>\$ 58,863,851</u>	<u>\$ 54,701,058</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.53%	72.02%	73.50%
Covered Payroll	\$ 23,566,640	\$ 25,025,634	\$ 26,450,347
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	290.48%	235.21%	206.81%

Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Benefit Changes

The figures reported do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015 valuation date.

This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

CalPERS - Schedule of Plan Contributions

Safety Plan	Fiscal Year		
	<u>2016-17*</u>	<u>2015-16</u>	<u>2014-15</u>
Actuarially determined contribution	\$ 9,200,650	\$ 8,837,204	\$ 8,632,358
Contribution in relation to the actuarially determined contributions	<u>(9,200,650)</u>	<u>(8,837,204)</u>	<u>(8,632,358)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 20,989,408	\$ 19,274,948	\$ 20,137,068
Contributions as a percentage of covered payroll	43.83%	45.85%	42.87%

*Historical information is required only for measurement periods for which GASB 68 is applicable.

Miscellaneous Plan	Fiscal Year		
	<u>2016-17*</u>	<u>2015-16</u>	<u>2014-15</u>
Actuarially determined contribution	\$ 5,511,690	\$ 5,289,899	\$ 4,433,886
Contribution in relation to the actuarially determined contributions	<u>(5,511,690)</u>	<u>(5,289,899)</u>	<u>(4,433,886)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 25,775,960	\$ 23,566,640	\$ 25,025,634
Contributions as a percentage of covered payroll	21.38%	22.45%	17.72%

*Historical information is required only for measurement periods for which GASB 68 is applicable.

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

**Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
PARS**

Measurement Period	2015-16	2014-15	2013-14
TOTAL PENSION LIABILITY			
Service Cost	\$ 950,515	\$ 1,070,789	\$ 1,037,084
Interest	3,463,819	3,331,873	3,183,730
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	-	(622,779)	-
Changes of Assumptions	-	1,567,158	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,653,022)</u>	<u>(2,338,674)</u>	<u>(2,221,976)</u>
Net Change in Total Pension Liability	1,761,312	3,008,367	1,998,838
Total Pension Liability - Beginning	<u>47,510,758</u>	<u>44,502,391</u>	<u>42,503,553</u>
Total Pension Liability - Ending (a)	<u>\$ 49,272,070</u>	<u>\$ 47,510,758</u>	<u>\$ 44,502,391</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 2,709,376	\$ 2,760,122	\$ 2,102,393
Contributions - Employee	402,607	414,680	443,777
Net Investment Income	180,668	311,185	1,731,278
Administrative Expenses	(102,722)	(70,906)	(66,579)
Benefit Payments, Including Refunds of Employee Contributions	(2,653,022)	(2,338,674)	(2,221,976)
Other Changes in Fiduciary Net Position	-	-	-
Net Change in Fiduciary Net Position	536,907	1,076,407	1,988,893
Plan Fiduciary Net Position - Beginning	<u>15,317,308</u>	<u>14,240,901</u>	<u>12,252,008</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,854,215</u>	<u>\$ 15,317,308</u>	<u>\$ 14,240,901</u>
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 33,417,855</u>	<u>\$ 32,193,450</u>	<u>\$ 30,261,490</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.18%	32.24%	32.00%
Covered Payroll	\$ 19,274,948	\$ 21,588,915	\$ 23,910,195
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	173.37%	149.12%	126.56%

Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Benefit Changes

The figures reported do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015.

This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions

There were no changes in assumptions.

**CITY OF VACAVILLE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

PARS - Schedule of Plan Contributions

Miscellaneous Plan	Fiscal Year		
	2016-17*	2015-16	2014-15
Actuarially determined contribution	\$ 2,447,462	\$ 2,400,502	\$ 2,760,122
Contribution in relation to the actuarially determined contributions	(2,447,462)	(2,400,502)	(2,463,322)
Contribution deficiency (excess)	\$ -	\$ -	\$ 296,800
Covered payroll	\$ 18,828,810	\$ 19,274,948	\$ 21,588,915
Contributions as a percentage of covered payroll	13.00%	12.45%	12.78%

*Historical information is required only for measurement periods for which GASB 68 is applicable.



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SUPPLEMENTARY INFORMATION

OTHER GOVERNMENTAL FUNDS

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

SPECIAL REVENUE FUNDS:

BUILDING & STREET DEVELOPMENT

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

COMMUNITY DEVELOPMENT

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

MAINTENANCE DISTRICTS

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

COMMUNITY FACILITIES

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

SPECIAL PROGRAMS

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

DEBT SERVICE FUNDS:

ENERGY EFFICIENCY SIEMENS

To account for the collection of energy savings and payment of debt service for the lease issued to fund facility improvements throughout the City.

FIRE STATION # 75

To account for the payment of debt service for the lease issued to fund the construction of Fire Station 75 in the Southtown subdivision.

CAPITAL PROJECT FUNDS:

ASSESSMENT AND IMPROVEMENT DISTRICTS

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

**CITY OF VACAVILLE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017**

	SPECIAL REVENUE					DEBT SERVICE		CAPITAL PROJECTS	
	BUILDING & STREET DEVELOPMENT	COMMUNITY DEVELOPMENT	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	ENERGY EFFICIENCY SIEMENS	FIRE STATION # 75	ASSESSMENT & IMPROVEMENT DISTRICTS	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS									
Cash and investments	\$ 4,313,310	\$ 501,299	\$ 5,269,860	\$ 1,434,986	\$ 625,833	\$ -	\$ -	\$ -	\$ 12,145,288
Receivables:									
Taxes	57,083	-	-	-	-	-	-	-	57,083
Accounts	194,110	50,578	-	-	193,881	-	-	-	438,569
Loans	-	2,261,069	-	-	-	-	-	-	2,261,069
Restricted cash and investments	-	-	-	-	-	-	-	954,396	954,396
Total assets	\$ 4,564,503	\$ 2,812,946	\$ 5,269,860	\$ 1,434,986	\$ 819,714	\$ -	\$ -	\$ 954,396	\$ 15,856,405
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts and contract payable	\$ 108,595	\$ 2,920	\$ 60,824	\$ -	\$ 63,540	\$ -	\$ -	\$ -	\$ 235,879
Accrued payroll	144,501	1,781	59,128	-	34,428	-	-	-	239,838
Due to other funds	-	-	-	-	-	302,216	-	-	302,216
Deposits payable	138,190	898	4,813,061	-	92,987	-	-	-	5,045,136
Unearned revenue	-	36,756	-	1,305,112	274,776	-	-	-	1,616,644
Total liabilities	391,286	42,355	4,933,013	1,305,112	465,731	302,216	-	-	7,439,713
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue under modified accrual	93,000	-	-	-	73,293	-	-	-	166,293
Total deferred inflows	93,000	-	-	-	73,293	-	-	-	166,293
Fund balances:									
Restricted	4,080,217	2,770,591	336,847	129,874	280,690	-	-	954,396	8,552,615
Unassigned	-	-	-	-	-	(302,216)	-	-	(302,216)
Total fund balances	4,080,217	2,770,591	336,847	129,874	280,690	(302,216)	-	954,396	8,250,399
Total liabilities, deferred outflows of resources and fund balances	\$ 4,564,503	\$ 2,812,946	\$ 5,269,860	\$ 1,434,986	\$ 819,714	\$ -	\$ -	\$ 954,396	\$ 15,856,405

**CITY OF VACAVILLE
OTHER GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE					DEBT SERVICE		CAPITAL PROJECTS	TOTAL OTHER GOVERNMENTAL FUNDS
	BUILDING & STREET DEVELOPMENT	COMMUNITY DEVELOPMENT	MAINTENANCE DISTRICTS	COMMUNITY FACILITIES	SPECIAL PROGRAMS	ENERGY EFFICIENCY SIEMENS	FIRE STATION # 75	ASSESSMENT & IMPROVEMENT DISTRICTS	
REVENUES:									
Taxes and fees	\$ 190,902	\$ -	\$ 2,746,761	\$ 3,102,728	\$ -	\$ -	\$ -	\$ -	\$ 6,040,391
Licenses and permits	1,559,883	-	-	-	-	-	-	-	1,559,883
Investment income	26,932	3,082	-	-	1,453	-	-	1,037	32,504
Intergovernmental	733,482	373,527	-	-	1,375,972	-	-	-	2,482,981
Charges for services	2,861,919	-	-	-	174,674	-	-	-	3,036,593
Fines, forfeitures and penalties	-	-	-	-	4,756	-	-	-	4,756
Other	2,678	-	-	21,850	-	-	-	-	24,528
Total revenues	5,375,796	376,609	2,746,761	3,124,578	1,556,855	-	-	1,037	13,181,636
EXPENDITURES:									
Current:									
General government	3,576,261	-	-	-	-	-	-	-	3,576,261
Public safety	-	-	-	-	1,135,630	-	-	-	1,135,630
Public works	1,972,242	-	-	-	109,992	-	-	-	2,082,234
Community services	-	243,528	3,702,856	-	291,694	-	-	-	4,238,078
Debt service:									
Principal	-	-	-	-	-	332,022	320,154	-	652,176
Interest and fiscal charges	-	-	-	40,397	-	167,036	199,211	-	406,644
Total expenditures	5,548,503	243,528	3,702,856	40,397	1,537,316	499,058	519,365	-	12,091,023
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(172,707)	133,081	(956,095)	3,084,181	19,539	(499,058)	(519,365)	1,037	1,090,613
OTHER FINANCING SOURCES (USES):									
Transfers in	250,000	-	489,819	-	7,689	467,713	519,365	210	1,734,796
Transfers out	(409,276)	(130,000)	(60,433)	(3,056,831)	(5,318)	-	-	(94,018)	(3,755,876)
Sale of property	2,000	-	-	-	-	-	-	-	2,000
Total other financing sources (uses)	(157,276)	(130,000)	429,386	(3,056,831)	2,371	467,713	519,365	(93,808)	(2,019,080)
NET CHANGE IN TOTAL FUND BALANCE	(329,983)	3,081	(526,709)	27,350	21,910	(31,345)	-	(92,771)	(928,467)
Fund balances, beginning of year	4,410,200	2,767,510	863,556	102,524	258,780	(270,871)	-	1,047,167	9,178,866
Fund balances, end of year	\$ 4,080,217	\$ 2,770,591	\$ 336,847	\$ 129,874	\$ 280,690	\$ (302,216)	\$ -	\$ 954,396	\$ 8,250,399

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	BUILDING & STREET DEVELOPMENT			VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
Revenues:				
Taxes and fees	\$ 268,000	\$ 268,000	\$ 190,902	\$ (77,098)
Licenses and permits	1,740,000	1,740,000	1,559,883	(180,117)
Investment income	8,000	8,000	26,932	18,932
Intergovernmental	828,860	828,860	733,482	(95,378)
Charges for services	1,924,263	1,924,263	2,861,919	937,656
Other	2,800	2,800	2,678	(122)
Total revenues	4,771,923	4,771,923	5,375,796	603,873
Expenditures:				
Current:				
General government	4,403,348	4,460,518	3,576,261	884,257
Public works	1,342,431	1,349,398	1,972,242	(622,844)
Total expenditures	5,745,779	5,809,916	5,548,503	261,413
Excess (deficiency) of revenues over (under) expenditures	(973,856)	(1,037,993)	(172,707)	865,286
Other financing sources (uses):				
Transfers in	250,000	250,000	250,000	-
Transfers out	(268,000)	(268,000)	(409,276)	(141,276)
Sale of property	-	-	2,000	2,000
Total other financing sources (uses)	(18,000)	(18,000)	(157,276)	(139,276)
Net change in fund balance	\$ (991,856)	\$ (1,055,993)	(329,983)	\$ 726,010
Fund balance, beginning of year			4,410,200	
Fund balance, end of year			\$ 4,080,217	

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	COMMUNITY DEVELOPMENT			VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
Revenues:				
Investment income	\$ -	\$ -	\$ 3,082	\$ 3,082
Intergovernmental	579,426	579,426	373,527	(205,899)
Total revenues	<u>579,426</u>	<u>579,426</u>	<u>376,609</u>	<u>(202,817)</u>
Expenditures:				
Current:				
Community services	579,426	579,426	243,528	335,898
Total expenditures	<u>579,426</u>	<u>579,426</u>	<u>243,528</u>	<u>335,898</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	133,081	133,081
Other financing sources (uses):				
Transfers out	-	-	(130,000)	(130,000)
Total other financing sources (uses)	-	-	(130,000)	(130,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,081</u>	<u>\$ 3,081</u>
Fund balances, beginning of year			2,767,510	
Fund balances, end of year			<u>\$ 2,770,591</u>	

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	MAINTENANCE DISTRICTS			VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
Revenues:				
Taxes and fees	\$ 2,673,691	\$ 2,673,691	\$ 2,746,761	\$ 73,070
Total revenues	<u>2,673,691</u>	<u>2,673,691</u>	<u>2,746,761</u>	<u>73,070</u>
Expenditures:				
Current:				
Community services	3,509,574	3,540,099	3,702,856	(162,757)
Total expenditures	<u>3,509,574</u>	<u>3,540,099</u>	<u>3,702,856</u>	<u>(162,757)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(835,883)</u>	<u>(866,408)</u>	<u>(956,095)</u>	<u>(89,687)</u>
Other financing sources (uses):				
Transfers in	474,425	474,425	489,819	15,394
Transfers out	-	-	(60,433)	(60,433)
Total other financing sources (uses)	<u>474,425</u>	<u>474,425</u>	<u>429,386</u>	<u>(45,039)</u>
Net change in fund balance	<u>\$ (361,458)</u>	<u>\$ (391,983)</u>	<u>(526,709)</u>	<u>\$ (134,726)</u>
Fund balance, beginning of year			863,556	
Fund balance, end of year			<u>\$ 336,847</u>	

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	COMMUNITY FACILITIES			VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
Revenues:				
Taxes and fees	\$ 2,732,566	\$ 2,732,566	\$ 3,102,728	\$ 370,162
Other	-	-	21,850	21,850
Total revenues	<u>2,732,566</u>	<u>2,732,566</u>	<u>3,124,578</u>	<u>392,012</u>
Expenditures:				
Debt service:				
Interest and fiscal charges	-	-	40,397	(40,397)
Total expenditures	<u>-</u>	<u>-</u>	<u>40,397</u>	<u>(40,397)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,732,566</u>	<u>2,732,566</u>	<u>3,084,181</u>	<u>351,615</u>
Other financing sources (uses):				
Transfers out	(2,732,566)	(2,732,566)	(3,056,831)	(324,265)
Total other financing sources (uses)	<u>(2,732,566)</u>	<u>(2,732,566)</u>	<u>(3,056,831)</u>	<u>(324,265)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>27,350</u>	<u>\$ 27,350</u>
Fund balance, beginning of year			102,524	
Fund balance, end of year			<u>\$ 129,874</u>	

CITY OF VACAVILLE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ALL SPECIAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL PROGRAMS			VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
Revenues:				
Investment income	\$ -	\$ -	\$ 1,453	\$ 1,453
Intergovernmental	-	753,555	1,375,972	622,417
Charges for services	-	-	174,674	174,674
Fines, forfeitures and penalties	-	-	4,756	4,756
Total revenues	-	753,555	1,556,855	803,300
Expenditures:				
Current:				
Public safety	1,444,844	1,648,695	1,135,630	513,065
Public works	-	50,940	109,992	(59,052)
Community services	281,768	285,535	291,694	(6,159)
Total expenditures	1,726,612	1,985,170	1,537,316	447,854
Excess (deficiency) of revenues over (under) expenditures	(1,726,612)	(1,231,615)	19,539	1,251,154
Other financing sources (uses):				
Transfers in	-	5,000	7,689	2,689
Transfers out	-	-	(5,318)	(5,318)
Total other financing sources (uses)	-	5,000	2,371	(2,629)
Net change in fund balance	\$ (1,726,612)	\$ (1,226,615)	21,910	\$ 1,248,525
Fund balance, beginning of year			258,780	
Fund balance, end of year			\$ 280,690	

INTERNAL SERVICE FUNDS

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

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

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

CENTRAL SERVICES

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

VEHICLE REPLACEMENT

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

TECHNOLOGY REPLACEMENT

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

INSURANCE

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

EMPLOYEE BENEFITS

To account for sick and vacation leave payoffs related to employee retirements and other postemployment benefits (OPEB) that are held by California Employers' Retiree Benefit Trust (CERBT) Fund in an irrevocable trust established by PERS to pre-fund OPEB and payments made to active employees as part of the City's vacation and sick leave buyback program.

CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2017

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
ASSETS						
Cash and investments	\$ -	\$ 1,943,372	\$ 1,050,699	\$ 6,012,703	\$ 1,620,071	\$ 10,626,845
Receivables:						
Accounts	19,709	-	-	-	-	19,709
Inventories - supplies	138,249	-	-	-	-	138,249
Prepaid expenses	5,113	265,280	15,893	7,500	-	293,786
Restricted cash and investments	-	316,010	-	-	-	316,010
Deposits	-	-	-	127,850	-	127,850
Capital assets - non-depreciable	-	-	-	-	-	-
Capital assets - net of accumulated depreciation	68,575	6,055,117	1,154,131	-	-	7,277,823
Total assets	231,646	8,579,779	2,220,723	6,148,053	1,620,071	18,800,272
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension	1,159,865	-	-	289,964	-	1,449,829
LIABILITIES						
Accounts and contract payable	194,690	421,852	20,790	7,538	1,660	646,530
Accrued payroll	85,566	-	-	25,467	(4,346)	106,687
Interest payable	-	38,969	157	-	-	39,126
Employee benefits payable	-	-	-	-	1,856,557	1,856,557
Due to other funds	277,299	-	-	-	-	277,299
Deposits payable	-	-	-	1,835	-	1,835
Pension liability	6,519,898	-	-	1,629,973	-	8,149,871
Claims payable - due within one year	-	-	-	1,971,000	-	1,971,000
Claims payable - due in more than a year	-	-	-	4,080,000	-	4,080,000
Lease payable - due within one year	-	223,972	43,339	-	-	267,311
Lease payable - due in more than a year	-	2,012,697	-	-	-	2,012,697
Total liabilities	7,077,453	2,697,490	64,286	7,715,813	1,853,871	19,408,913
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pension	253,354	-	-	63,336	-	316,690
NET POSITION						
Net investment in capital assets	68,575	3,818,448	1,110,792	-	-	4,997,815
Restricted for capital projects	-	316,010	-	-	-	316,010
Unrestricted	(6,007,871)	1,747,831	1,045,645	(1,341,132)	(233,800)	(4,789,327)
Total net position	\$ (5,939,296)	\$ 5,882,289	\$ 2,156,437	\$ (1,341,132)	\$ (233,800)	\$ 524,498

**CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
OPERATING REVENUES:						
Internal service charges	\$ 3,180,976	\$ 2,664,841	\$ 2,260,421	\$ 3,407,760	\$ 6,277,306	\$ 17,791,304
OPERATING EXPENSES:						
Internal service expenses	3,179,850	56,879	1,480,184	2,563,605	6,970,136	14,250,654
Depreciation	3,047	629,782	342,141	-	-	974,970
Total operating expenses	3,182,897	686,661	1,822,325	2,563,605	6,970,136	15,225,624
OPERATING INCOME (LOSS)	(1,921)	1,978,180	438,096	844,155	(692,830)	2,565,680
NON-OPERATING REVENUES (EXPENSES):						
Interest expense	-	(63,530)	(4,154)	-	-	(67,684)
Gain (Loss) on disposal of capital assets	-	50,560	(22,989)	-	-	27,571
Total non-operating revenues (expenses)	-	(12,970)	(27,143)	-	-	(40,113)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(1,921)	1,965,210	410,953	844,155	(692,830)	2,525,567
TRANSFERS:						
Transfers in	70,000	-	-	-	459,030	529,030
Transfers out	(2,877)	(66,130)	-	-	-	(69,007)
Total transfers	67,123	(66,130)	-	-	459,030	460,023
Change in net position	65,202	1,899,080	410,953	844,155	(233,800)	2,985,590
NET POSITION:						
Net position, beginning of year	(6,004,498)	3,983,209	1,745,484	(2,185,287)	-	(2,461,092)
Net position, end of year	\$ (5,939,296)	\$ 5,882,289	\$ 2,156,437	\$ (1,341,132)	\$ (233,800)	\$ 524,498

**CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	CENTRAL SERVICES	VEHICLE REPLACEMENT	TECHNOLOGY REPLACEMENT	INSURANCE	EMPLOYEE BENEFITS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 3,183,165	\$ 2,664,841	\$ 2,260,421	\$ 3,407,760	\$ 6,277,306	\$ 17,793,493
Payments to suppliers	(2,674,547)	351,834	(1,491,398)	(745,563)	(4,556,257)	(9,115,931)
Payments to employees	(399,646)	-	-	(773,856)	(1,659,498)	(2,833,000)
Claims paid	-	-	-	(1,530,422)	-	(1,530,422)
Net cash provided by (used in) operating activities	108,972	3,016,675	769,023	357,919	61,551	4,314,140
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Due to/(from) other funds	(176,095)	-	-	-	-	(176,095)
Transfers in	70,000	-	-	-	459,030	529,030
Transfers out	(2,877)	(66,130)	-	-	-	(69,007)
Net cash provided by (used in) noncapital financing activities	(108,972)	(66,130)	-	-	459,030	283,928
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Net proceeds from issuance of long-term debt	-	323,009	-	-	-	323,009
Acquisition of capital assets	-	(2,702,118)	(273,638)	-	-	(2,975,756)
Proceeds from sale of capital assets	-	50,560	(46,131)	-	-	4,429
Principal paid on capital debt	-	(190,605)	(169,843)	-	-	(360,448)
Interest paid	-	(65,516)	(4,771)	-	-	(70,287)
Net cash used in capital and related financing activities	-	(2,584,670)	(494,383)	-	-	(3,079,053)
Net increase (decrease) in cash and cash equivalents	-	365,875	274,640	357,919	520,581	1,519,015
CASH AND CASH EQUIVALENTS:						
Cash and cash equivalents, beginning of year	-	1,893,507	776,059	5,654,784	1,099,490	9,423,840
Cash and investments	-	1,943,372	1,050,699	6,012,703	1,620,071	10,626,845
Restricted cash and investments	-	316,010	-	-	-	316,010
Cash and cash equivalents, end of year	\$ -	\$ 2,259,382	\$ 1,050,699	\$ 6,012,703	\$ 1,620,071	\$ 10,942,855
NONCASH TRANSACTIONS:						
Contribution and transfer of capital assets, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CITY OF VACAVILLE
INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>CENTRAL SERVICES</u>	<u>VEHICLE REPLACEMENT</u>	<u>TECHNOLOGY REPLACEMENT</u>	<u>INSURANCE</u>	<u>EMPLOYEE BENEFITS</u>	<u>TOTAL</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ (1,921)	\$ 1,978,180	\$ 438,096	\$ 844,155	\$ (692,830)	\$ 2,565,680
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	3,047	629,782	342,141	-	-	974,970
Changes in assets and liabilities:						
Decrease (increase) in prepaid expenses	(5,113)	-	(10,269)	(7,500)	-	(22,882)
Decrease (increase) in inventories - supplies	(9,693)	-	-	-	-	(9,693)
Decrease (increase) in deposits	-	-	-	44,825	-	44,825
Decrease (increase) in deferred outflows of resources - pension	(578,487)	-	-	(144,620)	-	(723,107)
Increase (decrease) in accounts and contracts payable	89,931	408,713	(945)	7,199	(22,509)	482,389
Increase (decrease) in accrued payroll	22,432	-	-	4,216	(8,919)	17,729
Increase (decrease) in employee benefits payable	-	-	-	-	785,809	785,809
Increase (decrease) in pension liability	692,231	-	-	173,057	-	865,288
Increase (decrease) in deferred inflow of resources - pension	(105,644)	-	-	(26,413)	-	(132,057)
Increase (decrease) in claims payable	-	-	-	(537,000)	-	(537,000)
Total adjustments	110,893	1,038,495	330,927	(486,236)	754,381	1,748,460
Net cash provided by (used for) operating activities	\$ 108,972	\$ 3,016,675	\$ 769,023	\$ 357,919	\$ 61,551	\$ 4,314,140

FIDUCIARY FUND FINANCIAL STATEMENTS

OTHER DEPOSITS

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

SPECIAL ASSESSMENTS

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

MULTIFAMILY HOUSING REVENUE BONDS

To account for bond proceeds and repayment of debt service held in trust. The City participated in the issuance of the Multifamily Housing Revenue and Refunding Bonds Series 2000A and 1999 Series A bonds.

CITY OF VACAVILLE
COMBING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2017

	OTHER DEPOSITS	SPECIAL ASSESSMENTS	MULTIFAMILY HOUSING REVENUE BOND PROCEEDS	TOTAL AGENCY
Assets				
Cash and investments	\$ 18,654,013	\$ 4,441,787	\$ 2,733,252	\$ 25,829,052
Total Assets	\$ 18,654,013	\$ 4,441,787	\$ 2,733,252	\$ 25,829,052
Liabilities				
Accounts and contract payable	\$ 2,520	\$ 880	\$ -	\$ 3,400
Deposits payable	18,651,493	-	-	18,651,493
Due to bondholders	-	4,440,907	2,733,252	7,174,159
Total Liabilities	\$ 18,654,013	\$ 4,441,787	\$ 2,733,252	\$ 25,829,052

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>OTHER DEPOSITS</u>	<u>BALANCES</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCES</u> <u>JUNE 30, 2017</u>
Assets				
Cash and investments	\$ 19,674,797	\$ 4,831,052	\$ 5,851,836	\$ 18,654,013
Liabilities				
Accounts and contracts payable	\$ -	\$ 115,048	\$ 112,528	\$ 2,520
Deposits payable	19,674,797	4,847,552	5,870,856	18,651,493
Total Liabilities	\$ 19,674,797	\$ 4,962,600	\$ 5,983,384	\$ 18,654,013

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>SPECIAL ASSESSMENTS</u>	<u>BALANCES</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCES</u> <u>JUNE 30, 2017</u>
Assets				
Cash and investments	\$ 4,476,261	\$ 2,716,285	\$ 2,750,759	\$ 4,441,787
Liabilities				
Accounts and contracts payable	\$ -	\$ 35,878	\$ 34,998	\$ 880
Due to bondholders	4,476,261	2,680,407	2,715,761	4,440,907
Total Liabilities	\$ 4,476,261	\$ 2,716,285	\$ 2,750,759	\$ 4,441,787

CITY OF VACAVILLE
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	BALANCES JULY 1, 2016	ADDITIONS	REDUCTIONS	BALANCES JUNE 30, 2017
<u>MULTIFAMILY HOUSING REVENUE BONDS</u>				
<u>Assets</u>				
Cash and investments	\$ 2,557,954	\$ 276,682	\$ 101,384	\$ 2,733,252
<u>Liabilities</u>				
Due to bondholders	\$ 2,557,954	\$ 276,682	\$ 101,384	\$ 2,733,252



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STATISTICAL SECTION

This part of the City of Vacaville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	146
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	152
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	156
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	160
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	162

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

Schedule 1

**CITY OF VACAVILLE
Net Position by Component,
Last Ten Fiscal Years**

(accrual basis of accounting)

(expressed in thousands of dollars)

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities										
Net investment in capital assets	\$428,611	\$419,176	\$400,267	\$418,360	\$420,604	\$431,692	\$407,621	\$422,965	\$406,869	\$388,546
Restricted	78,936	76,780	59,774	22,122	19,306	27,189	27,685	15,519	28,588	38,832
Unrestricted	<u>(131,398)</u>	<u>(131,083)</u>	<u>(125,004)</u>	<u>35,258</u>	<u>34,732</u>	<u>14,452</u>	<u>70,762</u>	<u>68,304</u>	<u>71,554</u>	<u>80,491</u>
Total governmental activities net position	<u>376,149</u>	<u>364,873</u>	<u>335,037</u>	<u>475,740</u>	<u>474,642</u>	<u>473,333</u>	<u>506,068</u>	<u>506,788</u>	<u>507,011</u>	<u>507,869</u>
Business-type activities										
Net investment in capital assets	205,549	202,700	205,054	204,329	227,804	214,851	216,439	213,956	194,484	187,090
Restricted	-	-	102	473	2,309	-	-	-	-	-
Unrestricted	<u>111,075</u>	<u>99,939</u>	<u>80,293</u>	<u>102,150</u>	<u>70,344</u>	<u>79,401</u>	<u>75,025</u>	<u>78,818</u>	<u>88,016</u>	<u>91,178</u>
Total business-type activities net position	<u>316,624</u>	<u>302,639</u>	<u>285,449</u>	<u>306,952</u>	<u>300,457</u>	<u>294,252</u>	<u>291,464</u>	<u>292,774</u>	<u>282,500</u>	<u>278,268</u>
Primary government										
Net investment in capital assets	634,160	621,876	605,321	622,689	648,408	646,543	624,060	636,921	601,353	575,636
Restricted	78,936	76,780	59,876	22,595	21,615	27,189	27,685	15,519	28,588	38,832
Unrestricted	<u>(20,323)</u>	<u>(31,144)</u>	<u>(44,711)</u>	<u>137,408</u>	<u>105,076</u>	<u>93,853</u>	<u>145,787</u>	<u>147,122</u>	<u>159,570</u>	<u>171,669</u>
Total primary government net position	<u>\$692,773</u>	<u>\$667,512</u>	<u>\$620,486</u>	<u>\$782,692</u>	<u>\$775,099</u>	<u>\$767,585</u>	<u>\$797,532</u>	<u>\$799,562</u>	<u>\$789,511</u>	<u>\$786,137</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Schedule 2

CITY OF VACAVILLE
Changes in Net Position, Primary Government
Last Ten Fiscal Years

(accrual basis of accounting)

(expressed in thousands of dollars)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities	\$ 125,764	\$ 115,864	\$ 121,619	\$ 107,636	\$ 104,526	\$ 113,843	\$ 133,834	\$ 143,389	\$ 134,012	\$ 130,966
Business-type	54,595	51,419	49,775	50,193	49,291	44,493	44,388	41,401	38,950	36,251
Total primary government expenses	<u>180,359</u>	<u>167,283</u>	<u>171,394</u>	<u>157,829</u>	<u>153,817</u>	<u>158,336</u>	<u>178,222</u>	<u>184,790</u>	<u>172,962</u>	<u>167,217</u>
Program Revenues										
Governmental activities	54,702	69,483	47,765	44,265	34,627	33,006	41,311	45,251	39,990	40,817
Business-type	73,738	67,197	59,156	53,650	54,245	46,024	43,063	40,443	37,150	37,443
Total primary government program revenues	<u>128,440</u>	<u>136,680</u>	<u>106,921</u>	<u>97,915</u>	<u>88,872</u>	<u>79,030</u>	<u>84,374</u>	<u>85,694</u>	<u>77,140</u>	<u>78,260</u>
Net (Expense)/Revenue										
Governmental activities	(71,062)	(46,381)	(73,854)	(63,371)	(69,899)	(80,837)	(92,523)	(98,138)	(94,022)	(90,149)
Business-type	19,143	15,778	9,381	3,457	4,954	1,531	(1,325)	(958)	(1,800)	1,192
Total primary government net expense	<u>(51,919)</u>	<u>(30,603)</u>	<u>(64,473)</u>	<u>(59,914)</u>	<u>(64,945)</u>	<u>(79,306)</u>	<u>(93,848)</u>	<u>(99,096)</u>	<u>(95,822)</u>	<u>(88,957)</u>
General Revenues and Other Changes in Net Position										
Governmental activities	78,355	76,217	74,430	64,469	71,877	50,213	91,803	97,915	93,164	103,130
Business-type	(1,174)	4,307	2,526	3,038	2,477	554	8,245	11,232	6,032	8,802
Total primary government	<u>77,181</u>	<u>80,524</u>	<u>76,956</u>	<u>67,507</u>	<u>74,354</u>	<u>50,767</u>	<u>100,048</u>	<u>109,147</u>	<u>99,196</u>	<u>111,932</u>
Changes in Net Position										
Governmental activities	7,293	29,836	576	1,098	1,978	(30,624)	(720)	(223)	(858)	12,981
Business-type	17,969	20,085	11,907	6,495	7,431	2,085	6,920	10,274	4,232	9,994
Total primary government	<u>\$ 25,262</u>	<u>\$ 49,921</u>	<u>\$ 12,483</u>	<u>\$ 7,593</u>	<u>\$ 9,409</u>	<u>\$ (28,539)</u>	<u>\$ 6,200</u>	<u>\$ 10,051</u>	<u>\$ 3,374</u>	<u>\$ 22,975</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Schedule 2a

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
General Government	\$14,849	\$11,350	\$10,997	\$10,446	\$ 8,439	\$ 6,803	\$ 4,633	\$ 7,540	\$ 8,594	\$10,388
Public Safety	61,505	58,052	52,077	49,612	46,731	46,439	45,563	46,573	46,837	45,705
Public Works	22,247	19,989	21,159	21,135	23,099	19,978	26,091	25,464	25,069	21,328
Community Services	13,567	12,507	12,258	12,118	11,601	12,423	12,467	13,490	12,578	12,856
Housing	13,019	13,303	24,623	13,805	14,425	14,637	15,209	14,567	16,189	13,795
Redevelopment	-	-	-	-	-	11,982	25,720	31,596	19,671	21,500
Interest on long-term debt	577	663	505	520	231	1,581	4,151	4,159	5,074	5,394
Total governmental activities expenses	<u>125,764</u>	<u>115,864</u>	<u>121,619</u>	<u>107,636</u>	<u>104,526</u>	<u>113,843</u>	<u>133,834</u>	<u>143,389</u>	<u>134,012</u>	<u>130,966</u>
Program Revenues										
Charges for services:										
General Government	4,442	4,893	4,382	3,476	3,026	2,866	4,359	2,737	3,266	3,827
Public Safety	4,978	4,334	3,715	3,503	3,673	3,497	3,457	4,204	4,658	4,498
Public Works	1,383	991	778	2,429	486	125	288	594	870	311
Community Services	6,607	6,340	6,333	6,426	6,226	6,007	5,863	5,829	5,687	5,984
Housing	22	34	426	928	929	975	855	661	387	397
Redevelopment	-	-	-	-	-	-	103	103	103	103
Operating grants and contributions	15,828	18,785	16,520	13,831	14,339	15,330	16,360	15,718	14,338	17,386
Capital grants and contributions	21,442	34,106	15,611	13,672	5,948	4,206	10,026	15,405	10,681	8,311
Total governmental activities program revenues	<u>54,702</u>	<u>69,483</u>	<u>47,765</u>	<u>44,265</u>	<u>34,627</u>	<u>33,006</u>	<u>41,311</u>	<u>45,251</u>	<u>39,990</u>	<u>40,817</u>
Net (Expense)/Revenue	<u>(71,062)</u>	<u>(46,381)</u>	<u>(73,854)</u>	<u>(63,371)</u>	<u>(69,899)</u>	<u>(80,837)</u>	<u>(92,523)</u>	<u>(98,138)</u>	<u>(94,022)</u>	<u>(90,149)</u>
General Revenues and Other Changes in Net Position										
Taxes										
Property taxes	41,210	37,869	35,283	32,855	31,805	43,463	61,385	64,348	65,731	63,793
Sales taxes	24,855	26,632	23,627	22,215	17,596	15,766	15,218	13,787	14,077	14,984
Franchise taxes	4,366	4,045	3,925	3,578	3,471	2,461	2,441	2,383	2,352	2,248
Transient lodging tax	1,678	1,688	1,398	1,194	1,067	986	955	929	930	1,005
Business license tax	291	300	339	325	315	291	290	281	298	306
Excise tax	2,572	2,617	2,407	2,431	2,322	2,302	2,262	2,258	2,169	2,234
Gasoline tax	-	-	-	3,050	2,211	2,717	2,426	1,596	1,564	1,719
Vehicle license taxes	-	-	-	-	41	-	569	290	283	417
Investment income	887	967	875	668	728	437	1,145	2,112	2,998	13,957
Unrestricted capital contributions	-	-	-	898	1,165	2,271	3,856	7,592	431	2,861
Special Item - gain on dissolution of Redevelopment	-	1,582	3,815	(3,815)	4,482	(22,403)	-	-	-	-
Miscellaneous	433	858	2,938	1,145	6,642	827	667	1,724	1,990	1,331
Transfers	2,063	(341)	(177)	(75)	32	1,095	589	615	341	(1,725)
Total governmental activities	<u>78,355</u>	<u>76,217</u>	<u>74,430</u>	<u>64,469</u>	<u>71,877</u>	<u>50,213</u>	<u>91,803</u>	<u>97,915</u>	<u>93,164</u>	<u>103,130</u>
Changes in Net Position	<u>\$ 7,293</u>	<u>\$29,836</u>	<u>\$ 576</u>	<u>\$ 1,098</u>	<u>\$ 1,978</u>	<u>\$(30,624)</u>	<u>\$ (720)</u>	<u>\$ (223)</u>	<u>\$ (858)</u>	<u>\$12,981</u>

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Starting 2015, gasoline tax and unrestricted capital contributions are reported as grants and contributions under Program Revenues instead of General Revenues due to restrictions placed on the use of these resources.

Schedule 2b

CITY OF VACAVILLE
Changes in Net Position, Business-Type Activities
Last Ten Fiscal Years

(accrual basis of accounting)
(expresses in thousands of dollars)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Sewer	\$ 32,908	\$ 29,548	\$ 28,480	\$ 26,659	\$ 23,502	\$ 23,792	\$ 23,464	\$ 22,611	\$ 21,284	\$ 18,710
Water	18,021	18,318	17,747	20,063	21,731	16,637	16,601	16,124	15,282	14,976
Transit	3,666	3,553	3,548	3,471	4,058	4,064	4,323	2,666	2,384	2,565
Total business-type activities expenses	54,595	51,419	49,775	50,193	49,291	44,493	44,388	41,401	38,950	36,251
Program Revenues										
Charges for services:										
Sewer	33,807	33,680	33,071	32,222	29,017	25,340	22,793	19,478	18,071	18,269
Water	18,487	15,979	15,361	16,514	16,010	14,665	14,071	13,412	12,608	12,323
Transit	441	453	487	456	502	503	406	377	359	411
Operating grants and contributions	1,903	1,857	1,807	1,865	2,248	2,109	1,696	1,674	1,675	1,812
Capital grants and contributions	19,100	15,228	8,430	2,593	6,468	3,407	4,097	5,502	4,437	4,628
Total business-type activities program revenues	73,738	67,197	59,156	53,650	54,245	46,024	43,063	40,443	37,150	37,443
Net (Expense)/Revenue	19,143	15,778	9,381	3,457	4,954	1,531	(1,325)	(958)	(1,800)	1,192
General Revenues and Other Changes in Net Position										
Taxes										
Property taxes	98	96	101	92	91	91	84	83	81	90
Investment income	90	769	540	202	97	375	946	517	(85)	2,237
Unrestricted capital contributions	-	-	-	2,540	1,045	1,173	7,439	10,070	4,700	1,769
Miscellaneous	701	3,101	1,708	129	1,276	10	365	1,177	3,032	2,981
Special item	-	-	-	-	-	-	-	-	(1,355)	-
Transfers	(2,063)	341	177	75	(32)	(1,095)	(589)	(615)	(341)	1,725
Total business-type activities	(1,174)	4,307	2,526	3,038	2,477	554	8,245	11,232	6,032	8,802
Changes in Net Position	\$ 17,969	\$ 20,085	\$ 11,907	\$ 6,495	\$ 7,431	\$ 2,085	\$ 6,920	\$ 10,274	\$ 4,232	\$ 9,994

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Starting 2015, unrestricted capital contributions are reported as grants and contributions under Program Revenues instead of General Revenues due to restrictions placed on the use of these resources.

Schedule 3

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

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

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,278	\$ 513	\$ 938
Unreserved	-	-	-	-	-	-	-	3,149	5,370	10,664
Nonspendable	1,928	2,862	3,185	185	234	767	2,635	-	-	-
Restricted	-	-	102	118	143	128	115	-	-	-
Committed	-	-	-	-	-	-	1,012	-	-	-
Assigned	8,282	3,279	2,674	2,855	1,419	667	251	-	-	-
Unassigned	<u>22,814</u>	<u>24,161</u>	<u>16,101</u>	<u>8,587</u>	<u>8,068</u>	<u>-</u>	<u>(89)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 33,024</u>	<u>\$ 30,302</u>	<u>\$ 22,062</u>	<u>\$ 11,745</u>	<u>\$ 9,864</u>	<u>\$ 1,562</u>	<u>\$ 3,924</u>	<u>\$ 4,427</u>	<u>\$ 5,883</u>	<u>\$ 11,602</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,921	\$ 77,773	\$ 81,231
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	16,898	17,388	15,256
Capital projects funds	-	-	-	-	-	-	-	9,452	(1,931)	9,782
Debt service funds	-	-	-	-	-	-	-	353	498	601
Nonspendable	-	-	-	97	194	1,003	2,556	-	-	-
Restricted	78,439	76,777	58,340	21,753	17,755	45,540	83,046	-	-	-
Committed	-	-	-	-	-	-	13,198	-	-	-
Assigned	501	1,098	12,137	608	-	21	94	-	-	-
Unassigned	<u>(302)</u>	<u>(271)</u>	<u>(175)</u>	<u>(250)</u>	<u>(1,309)</u>	<u>(3,601)</u>	<u>(4,285)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 78,638</u>	<u>\$ 77,604</u>	<u>\$ 70,302</u>	<u>\$ 22,208</u>	<u>\$ 16,640</u>	<u>\$ 42,963</u>	<u>\$ 94,609</u>	<u>\$ 93,624</u>	<u>\$ 93,728</u>	<u>\$ 106,870</u>

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

Schedule 4

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes and fees	\$ 87,932	\$ 87,142	\$ 77,766	\$ 75,450	\$ 62,910	\$ 69,404	\$ 87,292	\$ 90,971	\$ 91,125	\$ 91,052
Licenses and permits	1,764	2,028	1,545	1,264	1,212	1,403	1,022	877	1,498	1,596
Investment income	954	975	1,701	1,157	1,108	898	3,464	2,955	3,499	15,026
Intergovernmental	26,258	27,985	20,178	21,144	19,752	21,586	27,950	29,010	24,052	24,265
Charges for services	12,119	11,179	10,088	11,356	8,834	7,793	7,908	9,200	9,733	9,664
Rents and royalties	390	540	-	-	-	-	-	-	-	-
Fines, penalties and forfeitures	397	310	235	287	352	430	409	514	494	471
AB 1484 County distribution	-	-	-	-	4,482	-	-	-	-	-
Other	443	826	1,934	767	2,665	764	977	966	2,047	992
Total revenues	130,257	130,985	113,447	111,425	101,315	102,278	129,022	134,493	132,448	143,066
Expenditures										
General Government	13,513	11,129	9,509	9,093	7,580	6,105	6,087	6,321	8,333	9,390
Public Safety	57,272	53,059	50,112	46,950	44,868	45,161	43,849	45,130	46,224	44,560
Public Works	8,142	7,107	6,904	6,196	5,993	5,851	6,020	6,136	6,786	7,566
Community Services	13,121	11,782	11,387	11,474	11,066	11,810	11,787	12,889	11,974	12,159
Housing	13,247	13,168	13,207	13,258	14,520	14,928	15,152	14,545	16,215	13,787
Redevelopment	-	-	-	-	-	11,818	24,598	30,789	23,868	21,533
Capital Outlay	21,996	16,113	10,236	11,002	9,712	8,423	13,012	13,378	21,071	25,755
Debt service										
Principal	911	2,217	961	1,737	3,443	3,712	4,511	3,749	15,677	3,456
Interest and fiscal charges	585	687	483	572	541	2,284	4,142	4,365	5,088	5,313
Total expenditures	128,787	115,262	102,799	100,282	97,723	110,092	129,158	137,302	155,236	143,519
Excess (deficiency) of revenues over (under) expenditures	1,470	15,723	10,648	11,143	3,592	(7,814)	(136)	(2,809)	(22,788)	(453)
Other Financing Sources (uses)										
Transfers in	9,056	10,458	4,645	4,186	5,819	48,953	17,610	15,008	13,888	15,171
Transfers out	(7,465)	(10,829)	(4,897)	(4,331)	(5,846)	(47,983)	(17,185)	(13,963)	(13,224)	(15,476)
Sale of capital assets	694	189	240	105	3	1,270	31	203	3,024	70
Issuance of debt and loans	-	-	6,000	161	6,994	-	163	-	239	2,860
Total other financing sources (uses)	2,285	(182)	5,988	121	6,970	2,240	619	1,248	3,927	2,625
Extraordinary gain/(loss)	-	-	3,815	(3,815)	-	(45,641)	-	-	-	-
Net change in fund balances	\$ 3,755	\$ 15,541	\$ 20,451	\$ 7,449	\$ 10,562	\$ (51,215)	\$ 483	\$ (1,561)	\$ (18,861)	\$ 2,172
Debt services as a percentage of noncapital expenditures	1.3%	2.9%	1.5%	2.5%	4.2%	5.8%	7.0%	6.0%	14.8%	9.3%

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Schedule 5

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

Fiscal Year Ended June 30,	City					Redevelopment Agency					Total Direct Tax Rate
	Secured	Nonunitary Utilities	Unsecured	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value		
2017	\$ 11,883,362	\$ 175	\$ 401,437	\$ (844,519)	\$ 11,440,455	\$ -	\$ -	\$ -	\$ -		
2016	11,163,934	240	392,820	(836,233)	10,720,761	-	-	-	-	0.214%	
2015	10,696,951	240	378,843	(759,342)	10,316,692	-	-	-	-	0.216%	
2014	9,942,612	240	365,046	(776,951)	9,530,947	-	-	-	-	0.220%	
2013	9,430,496	240	388,656	(767,410)	9,051,982	-	-	-	-	0.516%	
2012	9,683,084	234	366,082	(686,886)	9,362,514	3,348,177	234,200	(12,817)	3,569,560	0.518%	
2011	9,925,910	234	383,112	(718,975)	9,590,281	3,509,267	228,673	(13,111)	3,724,829	0.526%	
2010	10,289,741	234	363,728	(715,811)	9,937,892	3,631,032	230,204	(13,071)	3,848,165	0.527%	
2009	10,812,536	234	290,993	(508,057)	10,595,706	3,597,849	178,363	(13,122)	3,763,090	0.513%	
2008	10,510,630	223	283,351	(403,014)	10,391,190	2,960,637	172,093	(13,243)	3,119,487	0.493%	

The City of Vacaville implemented GASB 34 for the fiscal year ended June 30, 2003.

Source: HDL Coren & Cone, Solano County Assessor 2007/08 - 2016/17 Combined Tax Rolls

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

Schedule 6

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City Direct Rates:										
City Basic Rate	0.24267%	0.24267%	0.24267%	0.24267%	0.27352%	0.27354%	0.27350%	0.27350%	0.27343%	0.27352%
Redevelopment agency	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	1.03087%	1.03084%	1.03083%	1.03076%	1.03085%
Total City Direct Rate	0.21275%	0.21439%	0.21596%	0.22018%	0.51629%	0.51806%	0.52590%	0.52677%	0.51289%	0.49309%
Overlapping Rates:										
Basic Levy*	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Davis Unified	0.05713%	0.04833%	0.05691%	0.05222%	0.05487%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Dixon Unified School Bonds	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.06717%	0.05170%	0.05456%	0.00000%	0.00000%
Dixon USD GOB Series 2005									0.02131%	0.01958%
Dixon USD GOB Series 2006									0.00844%	0.00898%
Dixon USD State Repay									0.00000%	0.00000%
DUSD GOB Series 2003									0.01724%	0.01808%
Fairfield/Suisun USD GOB 2002S	0.10295%	0.04185%	0.05176%	0.05018%	0.05547%	0.05313%	0.05206%	0.05071%	0.01894%	0.01852%
Fairfield/Suisun USD GOB 2004S									0.02152%	0.02005%
Sc Fld State Wtr Prj Zone Ben#1	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%	0.02000%
Scc Gob Series 2003A	0.03504%	0.03492%	0.03672%	0.03955%	0.02060%	0.02016%	0.01945%	0.01846%	0.01240%	0.01189%
Solano Community College GOB Series 2006B									0.00258%	0.00269%
City of Vacaville	0.03074%	0.03080%	0.03080%	0.03086%	0.03085%	0.03087%	0.03084%	0.03083%	0.03076%	0.03085%
Vacaville Unified School Bonds	0.11261%	0.11411%	0.05921%	0.07033%	0.06550%	0.06941%	0.06315%	0.05906%	0.00000%	0.00000%
VV USD GOB Refunding Ser 2005									0.02109%	0.02256%
VV USD GOB Series 2005									0.01107%	0.01095%
VV USD Meas V GOB Series 2007									0.01590%	0.02055%
VV USD Meas V GOB Series 2002									0.00000%	0.00000%
VV USD Meas V GOB Series 2003									0.00000%	0.00000%
Refund of Excess Taxes FD 427	-0.00121%									
	<u>1.35726%</u>	<u>1.29001%</u>	<u>1.25540%</u>	<u>1.26314%</u>	<u>1.24729%</u>	<u>1.26074%</u>	<u>1.23720%</u>	<u>1.23362%</u>	<u>1.20125%</u>	<u>1.20470%</u>

Because basic and debt rates vary by tax rate area individual rates cannot be summed. Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information. Beginning in 2013/2014, the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/2013.

Redevelopment agency (RDA) rate is based on the largest RDA tax rate areas (TRA) and includes only the rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of California Assembly Bill ABX1 26 eliminated RDA from the State of California for the fiscal year 2012/13 and years thereafter.

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

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

Source: HDL Coren & Cone, Solano County Assessor 2007/08 - 2016/17 Tax Rate Table

Schedule 7

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

Taxpayer	2017			2008		
	Taxable	Rank	Percentage of	Taxable	Rank	Percentage of
	Assessed Value		Total City	Assessed Value		Total City
Genentech Inc.	\$ 868,466,428	1	7.591%	\$ 1,040,559,661	1	10.014%
Alza Corporation	116,442,175	2	1.018%	178,316,166	2	1.716%
Central Valley Industries Core H LLC	114,139,514	3	0.998%			
Nut Tree Retail LLC	108,089,739	4	0.945%	79,529,574	4	0.765%
CPG Finance II LLC	104,025,433	5	0.909%	91,650,977	3	0.882%
Eli Lilly and Company	63,617,117	6	0.556%			
Sequoia Equities - River Oaks	55,609,656	7	0.486%			
6801 Leisure Town Road Apt Invest	55,367,032	8	0.484%			
State Compensation Insurance Fund	53,472,874	9	0.467%			
Walmart/Sams Club	47,866,903	10	0.418%			
Wetern Pacific Housing INC				76,534,450	5	0.737%
Marvin L. Oates Trust				53,850,661	6	0.518%
North Pointe Vacaville Inc				50,561,278	7	0.487%
Chiron Corporation				49,962,081	8	0.481%
SSR Western Multifamily LLC				47,493,731	9	0.457%
Lucky FLA Nocal Investor LLC				43,019,089	10	0.414%

Source: HDL Coren & Cone, Solano County 2007/08 & 2016/2017 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

Schedule 8

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percentage of Levy	Supplemental/Prior Years Collections	Amount	Percentage of Levy	
2017	\$ 13,007,698	\$ 13,007,698	100.00%	\$ 381,439	\$ 13,389,137	102.93%	
2016	12,107,472	12,107,472	100.00%	327,997	12,435,469	102.71%	
2015	11,390,987	11,390,987	100.00%	219,506	11,610,493	101.93%	
2014	10,303,894	10,303,894	100.00%	330,585	10,634,479	103.21%	
2013	12,809,959	12,809,959	100.00%	76,530	12,886,489	100.60%	
2012	11,259,697	11,259,697	100.00%	84,765	11,344,462	100.75%	
2011	10,140,845	10,140,845	100.00%	215,790	10,356,635	102.13%	
2010	10,344,568	10,344,568	100.00%	(50,956)	10,293,612	99.51%	
2009	11,436,989	11,436,990	100.00%	54,823	11,491,812	100.48%	
2008	11,789,745	11,789,745	100.00%	597,191	12,386,936	105.07%	

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

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

Source: Solano County Auditor Controller's Office.

Schedule 9

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

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita	Special Assessment Bonds
	City Loans	Redevelopment Loans	Certificates of Participation	Redevelopment Bonds	Capital Leases	Total Governmental Activities	State Revolving Loan	Capital Leases	City Loans	Total Business-type Activities				
2017	\$ -	\$ -	\$ -	\$ -	\$ 14,492,185	\$ 14,492,185	\$ 138,666,796	\$ 5,542,234	\$ -	\$ 144,209,030	\$ 158,701,215	5.55%	\$ 1,612	\$ 8,975,000
2016	-	-	-	-	13,336,137	13,336,137	145,774,138	8,044,666	-	153,818,804	167,154,941	5.91%	1,711	9,855,000
2015	742,500	-	-	-	14,976,298	15,718,798	142,630,945	7,282,233	-	149,913,178	165,631,976	5.99%	1,749	12,480,000
2014	810,000	-	-	-	10,093,165	10,903,165	137,072,464	7,226,227	-	144,298,691	155,201,856	5.64%	1,658	14,560,000
2013	877,500	-	1,175,000	-	10,520,257	12,572,757	88,894,322	7,293,616	-	96,187,938	108,760,695	3.97%	1,174	17,040,000
2012 *	2,776,805	-	2,285,000	-	3,264,085	8,325,890	81,800,867	363,011	-	82,163,878	90,489,768	3.45%	983	19,305,000
2011	2,844,305	1,063,120	3,335,000	60,630,770	3,680,095	71,553,290	56,011,966	423,840	104,956	56,540,762	128,094,052	5.21%	1,377	22,325,000
2010	3,353,055	1,202,228	4,330,000	63,144,510	3,878,801	75,908,594	59,286,601	482,232	204,956	59,973,789	135,882,383	4.85%	1,396	31,740,000
2009	3,420,555	1,412,320	5,270,000	65,329,440	4,225,557	79,657,872	62,475,097	538,283	304,956	63,318,336	142,976,208	5.30%	1,482	36,440,000
2008	3,620,769	1,616,772	17,375,000	68,095,560	4,386,742	95,094,843	65,579,716	365,883	404,956	66,350,555	161,445,398	6.14%	1,666	38,910,000

*On February 1, 2012 the Redevelopment Agency was dissolved under state law. See Footnote 14 for further discussion.

Schedule 10

**CITY OF VACAVILLE
Direct and Overlapping Debt
As of June 30, 2017**

City Assessed Valuation \$ 11,440,454,969

	Percentage Applicable	Outstanding Debt	Estimated Share of Overlapping Debt
	(1)		
Overlapping Tax and Assessment Debt:			
Solano County Community College District	24.158%	\$ 297,379,164	\$ 71,840,858
Dixon Unified School District	0.380%	50,316,999	191,205
Fairfield-Suisun Joint Unified School District	0.062%	151,715,000	94,063
Vacaville Unified School District	90.155%	147,240,000	132,744,222
City of Vacaville 1915 Act Bonds	100.000%	10,095,000	10,095,000
Total overlapping debt repaid with property taxes		656,746,163	214,965,348
Direct and Overlapping General Fund Debt:			
Solano County Certificates of Participation	23.229%	93,260,000	21,663,365
Solano County Pension Obligations	23.229%	32,880,000	7,637,695
Solano County Board of Education Certificates of Participation	23.229%	715,000	166,087
Solano Community College District Certificates of Participation	24.158%	9,862,635	2,382,615
Dixon Unified School District Certificates of Participation	0.380%	9,537,362	36,242
Fairfield-Suisun Joint Unified School District Certificates of Participation	0.062%	1,181,872	733
Travis Unified School District Certificates of Participation	57.101%	34,260,000	19,562,803
Vacaville Unified School District Certificates of Participation	90.155%	15,890,000	14,325,630
Total Overlapping other debt		197,586,869	65,775,170
Overlapping Tax Increment Debt (Successor Agency):	92.508%	44,810,000	41,453,000
Total Overlapping debt		\$ 899,143,032	322,193,518
City direct debt			14,492,185
Total direct and overlapping debt			\$ 336,685,703 (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the districts's total taxable assessed value

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

Schedule 11

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

(expressed in thousands of dollars)

	2017	2016	2015	Fiscal Year 2014	2013	2012	2011	2010	2009	2008
Assessed value	\$11,440,455	\$10,720,761	\$10,316,692	\$9,530,947	\$9,051,982	\$9,362,514	\$9,590,281	\$ 9,937,892	\$10,595,706	\$10,391,190
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,860,114	2,680,190	2,579,173	2,382,737	2,262,996	2,340,629	2,397,570	2,484,473	2,648,927	2,597,798
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	429,017	402,029	386,876	357,411	339,449	351,094	359,636	372,671	397,339	389,670
Total net debt applicable to limit:	-	-	-	-	-	-	-	-	-	-
General obligation bonds	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 429,017</u>	<u>\$ 402,029</u>	<u>\$ 386,876</u>	<u>\$ 357,411</u>	<u>\$ 339,449</u>	<u>\$ 351,094</u>	<u>\$ 359,636</u>	<u>\$ 372,671</u>	<u>\$ 397,339</u>	<u>\$ 389,670</u>
 Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: HDL Coren & Cone, Solano County 2007/2008 - 2016/2017 Combined Tax Rolls.

Schedule 12

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

Fiscal Year	Water Revenue Bonds						Tax Allocation Bonds				
	Water Revenue	Less Operating Expenses (1)	Net Available Revenue	Debt Service			Tax Increment (2)	Debt Service			
				Principal	Interest	Coverage		Principal	Interest	Coverage	
2017	\$ 18,357	\$ 17,217	\$ 1,140	\$ -	\$ -	-	\$ -	\$ 1,574	\$ 1,534	-	
2016	15,855	15,768	87	-	-	-	-	2,128	2,343	-	
2015	15,361	14,881	480	-	-	-	-	2,368	2,388	-	
2014	16,514	17,224	(710)	-	-	-	-	3,453	3,166	-	
2013	16,010	19,391	(3,381)	-	-	-	-	1,998	3,108	-	
2012	15,976	14,070	1,906	-	-	-	-	1,898	3,241	-	
2011	15,712	14,464	1,248	-	-	-	33,824	2,514	4,125	5.09	
2010	15,386	14,127	1,259	-	-	-	37,108	2,185	3,475	6.56	
2009	14,797	13,327	1,470	-	-	-	37,083	2,766	3,337	6.08	
2008	13,650	13,048	602	-	-	-	30,339	1,477	3,715	5.84	

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

(1) Expenses exclude depreciation and debt service.

(2) Due to the dissolution of the redevelopment agency in 2012, the tax allocation bonds secured by property tax increments will now be repaid from the Redevelopment Property Tax Trust Fund of the successor agency.

Schedule 13

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

<u>Year</u>	<u>Population</u> ⁽¹⁾	<u>Personal Income</u> <u>(thousands of dollars)</u> ⁽²⁾	<u>Per Capita</u> <u>Personal Income</u>	<u>Unemployment</u> <u>Rate</u> ⁽³⁾
2017	98,456	\$ 2,861,231	\$ 29,061	4.5%
2016	97,667	2,830,236	28,978	4.6%
2015	94,702	2,764,353	29,190	5.5%
2014	93,613	2,751,473	29,392	6.0%
2013	92,677	2,737,586	29,539	7.5%
2012	92,092	2,621,030	28,461	8.1%
2011	93,011	2,460,792	26,457	9.2%
2010	97,305	2,800,924	28,785	9.1%
2009	96,450	2,695,199	27,944	8.5%
2008	96,905	2,628,354	27,123	5.1%

Sources: (1) State of California Department of Finance (as of January 1st each year)
(2) HDL Coren & Cone
(3) State of California Employment Development Department (as of January each year)

Schedule 14

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

Employer	2017			2008		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Kaiser Permanente	1,038	1	2.31%	500	6	1.15%
Genentech	1,015	2	2.26%	900	3	2.06%
Walmart	427	3	0.95%			
Alza Corporation	330	4	0.73%	900	3	2.06%
M & G Duravent	330	4	0.73%	350	9	0.80%
Mariani Packing Co Inc	248	6	0.55%	308	10	0.71%
Costco Wholesale Corporation	234	7	0.52%			
Sam's West Inc.	164	8	0.37%			
The Home Depot	140	9	0.31%			
Northbay Distribution Inc	136	10	0.30%			
California State Department				2,885	1	6.62%
Vacaville Unified School District				1,276	2	2.93%
City of Vacaville				822	5	1.89%
Northbay Vaca Valley Hospital				461	7	1.06%
Hines Nursery, Inc.				400	8	0.92%

Number of Employees data was previously obtained from businesses through a local survey.

Beginning 2017, the information is based on information provided through business license renewal.

Government employee information has been excluded since it is not obtained through the business license renewal process.

Source: State of California Employment Development Department, City survey of area businesses conducted in 2008, & City business license software.

Schedule 15

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30, 2017</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Government										
City Attorney	4	2	4	4	4	4	4	4	4	4
City Manager	9	10	7	6	6	6	9	9	10	11
Finance	25	25	23	24	24	23	22	23	27	27
Human Resources	11	11	9	9	9	9	8	10	10	11
Information Technology	8	9	8	7	7	7	7	7	12	14
Community Development	17	18	13	13	13	12	15	14	14	21
Police Department	149	153	149	145	143	143	151	161	170	171
Fire Department	82	102	75	78	76	69	74	75	85	82
Community Services	16	17	15	15	15	14	16	16	16	20
Housing and Successor Agency	14	12	15	15	14	18	29	29	35	31
Utilities	68	67	59	63	68	-	-	-	-	-
Public Works	<u>89</u>	<u>83</u>	<u>70</u>	<u>87</u>	<u>83</u>	<u>152</u>	<u>168</u>	<u>161</u>	<u>174</u>	<u>177</u>
Total	<u>492</u>	<u>509</u>	<u>447</u>	<u>466</u>	<u>462</u>	<u>457</u>	<u>503</u>	<u>509</u>	<u>557</u>	<u>569</u>

Starting fiscal year 2013, Sewer and Water Operations employees are reported in the Utilities function. In previous years, employees were included with Public Works.

Schedule 16

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

Function/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Fire										
Emergency responses	10,520	9,471	9,242	8,780	7,642	7,758	7,874	8,020	8,360	8,155
Inspections	1,490	2,287	1,251	1,292	903	1,152	1,035	1,296	1,698	1,464
Parks and Recreation										
Number of recreation registrants	31,651	31,741	33,824	32,358	32,744	33,533	34,915	33,884	32,706	29,895
Number of facility rentals	573	502	561	582	557	568	609	611	780	910
Police Department										
Physical arrests	5,739	4,767	4,555	3,523	2,977	2,966	3,504	3,874	4,051	4,303
Parking citations issued	2,681	3,615	3,615	3,614	3,983	4,184	5,193	6,582	6,359	8,090
Public Works										
Street resurfacing (miles)	1	-	34	-	-	4	-	-	31	28
Potholes repaired	1,937	1,035	952	453	586	545	758	420	336	277
Transit										
Total revenue route miles	576,898	569,949	568,463	569,139	584,797	587,521	353,354	423,357	406,916	401,288
Passengers	449,010	509,023	499,458	523,372	521,248	459,816	386,624	350,410	302,461	280,691
Wastewater										
Average daily sewage treatment (million gallons per day)	9	7	7	7	8	8	9	8	8	8
Water										
New Connections (meter sets)	339	376	273	170	145	84	214	325	188	166
Average daily consumption (thousands gallons per day)	11,497	10,694	12,879	13,353	14,498	13,398	13,847	13,913	15,571	16,386

Source: Various City Departments

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Fire										
Fire Stations	5	5	4	4	4	4	4	4	4	4
Fire Engines	13	13	12	12	12	12	11	11	11	11
Parks and Recreation										
Parks	34	34	34	30	30	30	30	30	30	30
Park Acres	572	572	572	566	513	513	513	513	513	513
Special Community Facilities	6	6	6	6	6	6	6	6	6	6
Neighborhood Centers	11	11	11	11	11	11	11	11	11	11
Police Department										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles (excluding motorcycles)	108	113	112	108	109	110	111	104	114	122
Police Motorcycles	9	9	9	7	9	9	9	9	9	9
Public Works										
Traffic Signals	67	69	69	69	69	69	69	69	69	69
Transit Buses										
Fixed Route	18	18	18	18	15	15	15	12	12	12
Special Services	7	6	6	6	6	6	6	6	6	6
Wastewater										
Sewers (miles)	249	249	245	244	244	242	241	238	233	232
Storm Drain (miles)	151	151	147	145	145	144	143	140	134	134
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Water										
Water Mains (miles)	295	295	291	290	289	288	286	283	278	277
Fire hydrants	3586	3580	3509	3,490	3,478	3,467	3,453	3,413	3,348	3,338
Reservoirs	10	10	8	8	8	9	9	8	8	8
Wells	13	13	12	12	12	13	13	13	13	13

Source: Various City Departments