



C i t y o f S u i s u n C i t y
C a l i f o r n i a

**Notes to Basic Financial
Statements**

CITY OF SUISUN CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies:

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

A. Reporting Entity

The City is a municipal corporation governed by an elected five-member Council. As required by accounting principles generally accepted in the United States of America, these 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 so data from these units are combined with data of the primary government.

The City of Suisun City Redevelopment Agency (the "Agency"), City of Suisun City Public Financing Authority, and City of Suisun City Housing Authority serve the citizens of the City. Boards comprised of the City's elected Council govern the Agency and Authorities. The Redevelopment Agency and the Housing Authority are reported as a component of the City's special revenue, capital projects, and debt service funds. The Financing Authority is reported as a component of the City's capital projects funds.

B. Description of Funds

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 with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial expectations.

C. Government-Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities and Business-type activities for the City and its component unit accompanied by a total column. These financial statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed generally through taxes, intergovernmental revenues, and other non-exchange transactions. The City does not have any Business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* ("GASB No. 34") in regards to interfund activities, payables and receivables.

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D. Governmental Fund Financial Statements

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

GASB 34 defines major funds and requires that the City's major funds governmental funds be identified and presented separately in the Fund financial statements. All other governmental funds, called non-major funds are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as governmental funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total or five percent of the grand total. The general fund is always a major fund. The City may select other governmental funds it believes should be presented as major funds, although no such funds were selected in fiscal 2004.

The major governmental funds of the City are:

- **General Fund** – The General Fund is used to account for the resources to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation which are not required to be accounted for in another fund.
- **Local Transportation Fund** - This fund was established to receive and expend Federal, State and Local funds to be used for streets, pedestrian and bikeway improvements.
- **Housing Authority Choice Vouchers** – This fund is used to account for intergovernmental revenues received to be used for housing assistance payment programs.
- **Housing Set-Aside** – This fund is used to account for the 20 percent tax increment revenue set-aside monies required by law to be used only for low and moderate-income housing.
- **1998/2003 Tax Allocation Bonds** – This fund is used to account for the bond proceeds used for capital projects, including the new community center and other capital projects.
- **RDA Bonds Debt Service** - This fund is used to account for the payment of principal and interest on long-term obligations.

E. Basis of Accounting

The City-wide, Proprietary Funds and fiduciary fund financial statements required by GASB 34 are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, if any are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Governmental fund financial statements are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities (except for long-term advances from the City) are included in the Balance Sheet, The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving value in exchange, include taxes, grants, entitlements and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City follows Statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB No. 34:

F. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds and internal service funds. Budgets are not adopted for Fiduciary funds. All annual appropriations lapse at fiscal year end.

All agencies of the City and the Housing Authority submit requests for appropriations to the City Manager so that a budget may be prepared. The proposed budget is presented to the City Council for review. The Council holds public hearings and adopts a final budget.

The budgets for the Suisun/Solano Water Authority and the Fairfield-Suisun Sewer district are prepared for approval by the respective agency's board.

The appropriated budget is prepared by fund, function, and department. The City Manager may make transfers of appropriations within a department. The legal level of budgetary control is the fund level. Any changes to increase total appropriations in a fund require approval of the City Council. The governing Council made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting, a method of recording purchase commitments, is not used by the City.

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H. Receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Long-term advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. The investment in tax allocation bonds held by the Financing Authority, a component unit, has been eliminated in the accompanying financial statements.

The City uses the allowance method of accounting for uncollectable trade receivables in the enterprise funds.

The City makes housing rehabilitation, economic development, and redevelopment loans to individuals and businesses. These long-term loans are carried as assets of the governmental funds making the loans. Fund balance accounts are reserved for such loans to indicate they are not available for appropriation and are not expendable available financial resources.

I. Inventories and prepaid items

Inventories are recorded as expenditures when consumed rather than when purchased. These inventories are stated at cost, using the first-in, first-out (FIFO) method. Inventories in the proprietary funds are stated at the lower of cost or market and consist of expendable materials and supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventories and prepaid items, as reported in the fund financial statements are offset by a reservation of fund balance for noncurrent assets in governmental funds to indicate that they do not constitute resources available for appropriation.

J. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value on the date donated. Depreciation of capital assets is charged as an expense each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Statement of Net Assets as a reduction in the book value of capital assets.

K. Compensated Absences

City employees accrue vacation, sick, holiday, executive leave and compensatory time off benefits. Vacation may not accrue beyond 240 hours or as provided in the employee's memorandum of understanding (MOU). No cash compensation is payable for accrued vacation until the employee terminates employment. No cash payment is made for accrued sick leave upon separation of service. Upon retirement, eligible employees may convert sick leave to years of service credit as provided for in the City's contract with PERS. Accrued executive leave may be converted to cash upon separation of service. In lieu of overtime, it is the City's policy to allow employees to accumulate compensatory time to limits provided for in the MOU. This accumulation may subsequently be converted to cash up to limits provided for in their MOU or converted to cash upon separation of service.

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary financial statements. A liability for these amounts is reported in the governmental funds only when they have

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matured (such as vacation time, estimated to be paid upon retirement in the next fiscal year with expendable available financial resources).

L. Property Tax Revenues

State statutes provide that the property tax rate be limited generally to one percent of market value, be levied only by the County, and be shared with applicable jurisdictions. The County of Solano collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to adjustments for voter-approved debt. Property taxes are levied March 1 and are due on November 1 and March 1, and become delinquent on December 10 and April 10. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan", whereby the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The Redevelopment Agency also receives tax increment revenues allocated to the Agency from the redevelopment project area. The City recognizes property tax revenues (including tax increment revenues) to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

Incremental property tax revenues represent property taxes in a project area arising from increased assessed valuations over base valuations established at the inception of a project. Incremental property taxes from a project accrue to the Agency until all liabilities of the project have been repaid (including cumulative funds provided by the City). After all such indebtedness has been repaid, all property taxes from a project area accrue to the various taxing authorities.

M. Net Assets

Government-Wide Net Assets consist of the following:

Invested in capital assets, net of related debt – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that was attributed to the acquisition, construction or improvement of the assets.

Restricted net assets – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Governmental Fund Balance consist of the following: Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws that require a portion of the fund balance to be segregated or identify the portion of the fund not available for future expenditures.

N. Deferred revenues

Deferred revenues in governmental funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

O. Statement of cash flows

For purposes of the statement of cash flows, all highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. The City considers all pooled cash and investments as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds.

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P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

NOTE 2 - Stewardship, compliance, and accountability:

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the special revenue, capital projects, and debt service governmental funds. All annual appropriations lapse at fiscal year end. The City submits requests for appropriations to the City Manager so that a budget may be prepared. The proposed budget is presented to the City Council for review. The Council holds public hearings and adopts a final budget.

The appropriated budget is prepared by fund, function, and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments and other changes require the approval of the City Council. The legal level of budgetary control is the department and fund level. Encumbrance accounting, a method of recording purchase commitments, is not used by the City. See Note 15 for analysis of excess expenditures over appropriations.

NOTE 3 - Cash and investments:

Cash and investments at June 30, 2004 consisted of the following:

Deposits	\$ 2,848,463
Pooled investments with State Local Agency Investment Fund	23,670,961
Pooled investments with the City of Suisun City	4,000,000
Investment held by trustee for capital projects	5,380,366
Investments held by trustee for tax allocation bonds	<u>6,137,538</u>
Total cash and investments	<u><u>\$ 42,037,328</u></u>

Interest earned on pooled deposits and investments is allocated to the various funds based upon average balances. Interest earned by all debt service fund investments is credited directly to the respective fund.

Pooled demand deposits. The California Government Code requires California banks and savings and loans to secure a local agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the agency's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes at least equal to 150% of an agency's deposits. The agency may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

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The City's deposits are categorized below to give an indication of the level of risk assumed by the City at fiscal year end:

	Carrying amount	Bank balance
Category 1: Insured (FDIC)	\$ 100,000	\$ 100,000
Category 3: Uninsured, collateralized (i.e., collateralized with securities held by the pledging financial institution's agent at 110% of the City's cash deposits, in accordance with State of California Government Code, but not in the City's name	2,748,463	2,748,463
Total deposits	\$ 2,848,463	\$ 2,848,463

Investments. The City is authorized by its most recent investment policy to invest in the following investments generally with a maturity date not to exceed three years from the date of purchase:

- State Local Agency Investment Fund
- Solano County Treasurers' Pool
- Securities of the U.S. government
- Certificates of deposit
- Passbook savings and money market accounts

The City's investments are categorized below to give an indication of the level of risk assumed by the City at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Investments held by trustees	Category1	Category2	Uncategor- ized	Carrying amount
First American Mutual Funds	\$ -	\$ -	\$ 2,376,252	\$ 2,376,252
Investment agreements		9,141,653		9,141,653
Subtotal	-	9,141,653	2,376,252	11,517,905
<u>Pooled investments</u>				
City of Suisun City Investment Pool			4,000,000	4,000,000
State of California Local Agency Investment Fund			23,670,961	23,670,961
Subtotal	-	-	27,670,961	27,670,961
Total	\$ -	\$ 9,141,653	\$ 30,047,213	\$ 39,188,866

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The investment agreements consist of the following:

The investment agreement totaling \$3,761,287 consists of a Collateralized Flexible Draw Investment agreement with MBIA Inc. under which \$3,257,458 is at 5.31%, maturing October 1, 2023, and \$503,829 is at 5.12%, maturing October 1, 2032. The remaining funds are held in U.S. Treasury & Agency Obligations. The agreement is secured by a collateral account having on deposit U.S. government securities in amounts equal to at least the above balance.

The investment agreement totaling \$5,380,366 consists of the Agency's 2003 Series A Bond Proceeds which are invested at 2.71% and mature October 1, 2007. The investment agreement is a Collateralized Flexible Draw Investment agreement with Rabobank International.

The City's investments in the State of California Local Agency Investment Fund (LAIF) and in mutual funds are not categorized by risk category because the City's share in such investments is not evidenced by specifically identifiable securities. The fair value of the City's position in the Local Agency Investment Fund is the same as the fair value of the pool shares at June 30, 2004.

The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1956 and has oversight provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB board members are the State Treasurer, Director of Finance, and the State Controller.

The disposition of cash and investments by funds was as follows:

General fund	\$ 2,295,359
Local Transportation	-
Housing Authority Choice Vouchers	247,418
RDA-Housing Set-Aside	4,744,153
1998/2003 Tax Allocation Bonds	6,645,303
RDA Bonds Debt Service	7,456,214
Other non-major funds	6,273,698
Internal service fund	904,130
	<u>28,566,275</u>
Fiduciary fund	13,471,053
Total cash and investments	<u><u>\$ 42,037,328</u></u>

NOTE 4 - Notes receivables:

Notes receivable at June 30, 2004 consist of the following:

Bay Homes Development Corporation	\$ 1,990,124
Non-tax exempt disposition loans	263,112
Housing Rehabilitation loans	213,490
CDBG loans	43,494
	<u>43,494</u>
	<u><u>\$ 2,510,220</u></u>

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Bay Homes Development Corporation Loan: The note receivable of \$1,990,124 (principal of \$1,936,859 and accumulated and unpaid interest of \$53,265) relates to a loan made by the Agency to the Bay Homes Development Corporation for the purpose of constructing a 28-unit very low and moderate income rental housing project. The loan bears interest at 2% per annum and is secured by a deed of trust, assignment of rents, security agreement, and fixture filing on the underlying project. Repayment of the loan is to be made from the residual cash flows, to the extent generated by the completed housing project. All outstanding principal and accrued but unpaid interest is due and payable June 21, 2026.

The other notes receivable totaling \$520,096 consists of housing rehabilitation, economic development, and redevelopment loans to individuals and businesses.

NOTE 5 - Developer agreement:

Equity sharing agreement receivable. Pursuant to a Development and Disposition Agreement, the Redevelopment Agency sold for \$722,400 real property, known as the North Harbor site, to a developer for the purpose of assisting in the construction of a commercial office building. The developer is to pay the Agency the greater of \$500,000 or 10% of the cumulative gross proceeds derived from the project as defined whether derived from operation or sale of the project. If the Agency has not been paid such amounts prior to 20 years after the certificate of occupancy is issued with respect to the building, then the entire amount shall become due and payable. The Agency has recorded this receivable at \$500,000 and has offset it by deferred revenue.

NOTE 6 - Capital assets:

All capital assets are valued at historical cost or estimated cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

The City has chosen to defer the recording of historical costs of infrastructure assets; GASB 34 allows up to four years to record the costs and depreciation on these assets. With the implementation of GASB 34, the City has begun recording costs and depreciation of current infrastructure assets and prior year infrastructure assets related to the City's Pavement Sub-System.

GASB 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of the depreciation is to spread the cost of the capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro-rata share of the cost of the capital assets. Depreciation is provided using the straight-line method over its expected useful life. Capital assets with a value over \$5,000 or more are capitalized. The City has assigned the useful lives listed below to capital assets: Buildings and improvements (25-30 years); Transportation equipment (5-25 years) and Machinery and Equipment (5-20 years).

Depreciation expense for governmental activities was charged to function as follows:

Governmental activities:	
General government	\$ 8,343
Public safety	155,481
Public works	344,625
Building services	5,619
Culture and recreation	331,768
Community development	701,969
Infrastructure	3,617,719
Capital assets held by City's	
Internal Service Funds	181,598
	<u>\$ 5,347,122</u>

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The following is a summary of capital assets as of June 30, 2004:

	Governmental Activities	Internal Service	Total
Capital assets not being depreciated:			
Land and improvements	\$ 19,212,432	\$ -	\$ 19,212,432
Construction in progress	2,887,355	-	2,887,355
	<u>22,099,787</u>	<u>-</u>	<u>22,099,787</u>
Depreciable capital assets:			
Buildings	14,192,483	-	14,192,483
Building improvements	19,819,083	-	19,819,083
Vehicles and equipment	-	1,871,660	1,871,660
Computer Network/Servers	-	92,030	92,030
Machinery and equipment	2,277,621	492,331	2,769,952
Infrastructure	2,886,690		2,886,690
Streets-Pavement System	109,920,010	-	109,920,010
Total	<u>149,095,887</u>	<u>2,456,021</u>	<u>151,551,908</u>
Less: accumulated depreciation	74,345,056	1,429,875	75,774,931
Depreciable capital assets, net	<u>74,750,831</u>	<u>1,026,146</u>	<u>75,776,977</u>
Total capital assets, net	<u>\$ 96,850,618</u>	<u>\$ 1,026,146</u>	<u>\$ 97,876,764</u>

Combined Governmental capital asset activity for the fiscal year was as follows:

	June 30, 2003	Increases	Decreases	June 30, 2004
Capital assets not being depreciated:				
Land and improvements	\$ 19,212,232	\$ 200	\$ -	\$ 19,212,432
Construction in progress	2,652,912	3,046,264	2,811,821	2,887,355
	<u>21,865,144</u>	<u>3,046,464</u>	<u>2,811,821</u>	<u>22,099,787</u>
Depreciable capital assets:				
Buildings	14,138,680	53,803	-	14,192,483
Building improvements	19,630,298	188,785	-	19,819,083
Equipment	2,243,142	34,479	-	2,277,621
Internal Service-Machinery & Equip	2,318,596	194,538	57,113	2,456,021
Infrastructure	-	2,886,690		2,886,690
Streets- Pavement System	109,920,010	-	-	109,920,010
Total	<u>148,250,726</u>	<u>3,358,295</u>	<u>57,113</u>	<u>151,551,908</u>
Less: Accumulated Depreciation for				
Redevelopment Agency	3,095,620	701,969		3,797,589
Internal Service Fund	1,305,389	181,599	57,113	1,429,875
City	6,712,072	845,836		7,557,908
Streets- Pavement System	59,371,840	3,617,719	-	62,989,559
	<u>70,484,921</u>	<u>5,347,123</u>	<u>57,113</u>	<u>75,774,931</u>
Depreciable capital assets, net	<u>77,765,805</u>	<u>(1,988,828)</u>	<u>-</u>	<u>75,776,977</u>
Total capital assets, net	<u>\$ 99,630,949</u>	<u>\$ 1,057,636</u>	<u>\$ 2,811,821</u>	<u>\$ 97,876,764</u>

Construction in progress consists of \$2,337,671 in infrastructure capital projects, \$372,807 in Sports Complex, \$130,733 in Corp Yard construction, and \$46,144 in other Redevelopment Agency improvement projects.

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NOTE 7 - Long-term debt:

The City generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The City's debt issues and transactions related to governmental activities are summarized below and discussed in detail subsequently.

<u>Redevelopment Agency</u>	Balance, <u>June 30, 2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance, <u>June 30, 2004</u>	Due in <u>One year</u>
<u>Tax allocation bonds:</u>					
1993 Tax Allocation					
Refunding Bonds	\$ 42,635,000	\$ -	\$ 42,635,000	\$ -	\$ -
1998 Tax Allocation					
Bonds	17,229,314	407,164	175,000	17,461,478	185,000
2003-B Tax Allocation					
Refunding Bonds	-	43,000,000	-	43,000,000	1,500,000
2003-A Tax Allocation					
Refunding Bonds		6,390,000		6,390,000	-
Total bonds payable	<u>59,864,314</u>	<u>49,797,164</u>	<u>42,810,000</u>	<u>66,851,478</u>	<u>1,685,000</u>
2003-B deferred refunding, net		(1,921,790)		(1,921,790)	
2003-B premium, net		57,633		57,633	
2003-A discount, net		(22,758)		(22,758)	
	<u>59,864,314</u>	<u>47,910,249</u>	<u>42,810,000</u>	<u>64,964,563</u>	<u>1,685,000</u>
<u>Loans payable:</u>					
Marina loan	7,652,190		107,721	7,544,469	112,569
Marina expansion loan	2,934,115		55,591	2,878,524	59,615
Total loans payable	<u>10,586,305</u>	<u>-</u>	<u>163,312</u>	<u>10,422,993</u>	<u>172,184</u>
<u>Notes payable:</u>					
Main Street property	217,766		81,855	135,911	87,338
Griffin note	494,004		13,053	480,951	14,066
Highway 12 North note	529,290		13,978	515,312	15,071
Highway 12 North II note	219,956	-	4,316	215,640	4,582
Total notes payable	<u>1,461,016</u>	<u>-</u>	<u>113,202</u>	<u>1,347,814</u>	<u>121,057</u>
<u>Capital lease obligation:</u>					
Civic Arts Theater					
equipment	139,892		37,226	102,666	44,612
sub-total	<u>72,051,527</u>	<u>49,797,164</u>	<u>43,123,740</u>	<u>76,838,036</u>	<u>2,022,853</u>
<u>City of Suisun City</u>					
North Bay Aqueduct	2,472,225		66,465	2,405,760	67,490
Special Assessment Bonds					
Victorian Harbor	570,000	-	-	570,000	25,000
General obligation bonds					
Highway 12 expansion	3,435,000		140,000	3,295,000	140,000
1993 Certificates of Participation	2,525,000		2,525,000	-	-
2004 Certificates of Participation	-	2,490,000	-	2,490,000	180,000
Capital lease obligations	2,445,054	-	163,417	2,281,637	130,975
Compensated absences	456,751	11,281		468,032	
sub-total	<u>11,904,030</u>	<u>2,501,281</u>	<u>2,894,882</u>	<u>11,510,429</u>	<u>543,465</u>
Totals	<u>\$ 83,955,557</u>	<u>\$ 52,298,445</u>	<u>\$ 46,018,622</u>	<u>\$ 88,348,465</u>	<u>\$ 2,566,318</u>

CITY OF SUISUN CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS

1993 Tax Allocation Refunding Bonds. The bonds, dated July 1, 1993, were issued to refinance and advance refund the 1990 Tax Allocation Bonds and the 1990 Subordinate Bond Anticipation Notes, and to obtain additional financing for redevelopment projects. The 1993 bonds bore interest at rates from 3.0% to 5.90%, payable each April 1 and October 1, and principal payments were due each October 1, through 2023. The original issue consisted of \$9,845,000 in serial bonds, \$29,565,000 in term bonds, and \$19,000,000 in special term bonds.

The bonds were subject to optional redemption on any date on or after April 1, 2002, with a premium of 2% in 2003 to 1% through 2006. Term bonds maturing October 1, 2013 were subject to mandatory redemption commencing October 1, 2007, from sinking account payments. Term bonds maturing October 1, 2023 were subject to mandatory redemption commencing October 1, 2019 from sinking account payments made by the Agency. The bonds were secured by a pledge of all incremental tax revenues to be received by the Agency and reserve and other funds held by the bond trustee.

In July 2003, The Agency issued the Suisun City Redevelopment Project 2003 Series B Refunding Tax Allocation Bonds in the amount of \$43,000,000 to refund the 1993 Tax Allocation Bonds (see discussion below under *2003 Series A Taxable Tax Allocation Bonds and 2003 Series B Refunding Tax Allocation Bonds*).

1998 Tax Allocation Bonds. The Agency issued \$14,996,384 in 1998 Tax Allocation Bonds dated February 1, 1998, which were purchased by the Suisun City Public Financing Authority (a component unit of the City of Suisun City). The Suisun City Public Financing Authority issued its \$14,996,384 capital appreciation and current interest bonds (Tax Allocation Revenue Bonds, 1998 Series A, dated February 1, 1998) to provide funds to purchase the Agency's Tax Allocation Bonds.

The 1998 Tax Allocation Bonds were issued to provide funds to finance redevelopment activities of the Agency. The bonds bear interest at rates from 3.9% to 5.37%, interest is payable each April 1 and October 1, and principal matures each October 1, through 2033. Upon sale of the bonds, \$6,905,000 was placed on deposit in a special escrow fund. Prior to each April 1 and October 1, through 2003, the Agency shall file, with the bond trustee, a Tax Revenue Certificate to identify amounts, if any, to be released from the Series 1998 special escrow fund and transferred to the Agency and to the reserve fund to meet the increased reserve requirement, as a result of such a release of funds. On October 1, 2000, \$3,889,303 was released from the Series 1998 special escrow fund with \$3,494,260 being deposited into the Agency tax allocation bond project fund and \$270,740 being deposited into the reserve fund, and \$124,303 was deposited into the interest account. An additional \$20,597 of investment earnings was released and deposited into the interest account for payment of the current year interest on the bonds. All remaining funds in the special escrow fund were released by October 1, 2002. The bonds are secured by a lien on the tax revenues of the Agency on parity with the lien securing the \$49,390,000 in outstanding 2003 Series A & B Tax Allocation Bonds. Future debt service on the 1998 bonds at June 30, 2004 is:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 185,000	\$ 392,280	\$ 577,280
2006	185,000	383,110	568,110
2007	200,000	373,850	573,850
2008	210,000	363,765	573,765
2009	215,000	353,115	568,115
2010 to 2014	1,210,000	1,593,120	2,803,120
2015 to 2019	1,475,000	1,251,585	2,726,585
2020 to 2024	1,790,000	835,120	2,625,120
2025 to 2029	6,123,456	14,331,884	20,455,340
2030 to 2034	5,868,022	14,967,072	20,835,094
	<u>\$ 17,461,478</u>	<u>\$ 34,844,901</u>	<u>\$ 52,306,379</u>

CITY OF SUISUN CITY, CALIFORNIA
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The Agency's bonds secure payment of the Financing Authority's bonds. The Authority's 1998 Tax Allocation Revenue Bonds consist of \$955,000 in current interest bonds, \$6,905,000 in escrow term bonds maturing October 1, 2028, and \$9,369,313 in capital appreciation bonds maturing 2028 and 2033. Interest on those bonds (other than the capital appreciation bonds) is payable each October 1 and April 1, commencing October 1, 1998. In the case of the capital appreciation bonds, accreted value shall be determined by compounding interest semiannually on April 1 and October 1, commencing October 1, 1998, payable upon maturity or prior redemption. As of June 30, 2004, accreted interest amounted to \$2,835,094.

Current interest bonds maturing on or after October 1, 2009 are subject to optional early redemption with a premium of 2% from 2008 through 2009, and 1% from 2009 through 2010. The current interest bonds maturing on October 1, 2015 and October 1, 2023, the escrow term bonds maturing on October 1, 2028, and the capital appreciation bonds maturing October 1, 2023 and October 1, 2028 are subject to mandatory sinking fund redemption at various dates, commencing October 1, 2013 for the escrow term bonds, and commencing 2024 for the capital appreciation bonds.

2003 Series A Taxable Tax Allocation Bonds and 2003 Series B Refunding Tax Allocation Bonds.

The bonds, dated July 1, 2003, were issued to refinance and advance refund the 1993 Tax Allocation Refunding Bonds and to obtain additional financing for redevelopment projects. The bonds bear interest at rates from 2.0% to 3.375%, payable each April 1 and October 1, and principal payments are due each October 1, through 2023. The original issues consisted of the following: \$6,390,000 (\$880,000 in serial bonds and \$5,510,000 in term bonds) and \$43,000,000 (\$43 million in serial bonds).

The refunding took advantage of lower interest rates which were available and results in reductions of debt service requirements over the life of the new debt. Proceeds of \$44,680,426 were transferred to a trustee and placed in an irrevocable trust to redeem the 1993 tax allocation refunding bonds. Accordingly, the 1993 bonds were removed from the balance sheet. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,017,879 which has been deferred in accordance with GASB Statement No. 23. The deferred amounts recognized are being amortized over the life of the new debt on a straight-line basis.

The 2003 Series A bonds are subject to optional redemption on any date on or after October 1, 2012, with a premium of 2% from October 1, 2011 through September 30, 2012 and 1% from October 1, 2012 through September 30, 2013. Term bonds maturing October 1, 2013, October 1, 2018, October 1, 2022 and October 1, 2032 are subject to mandatory sinking fund redemption commencing October 1, 2010, from sinking account payments at a redemption price equal to the principal amount plus accrued interest.

The 2003 Series B bonds maturing on or after October 1, 2012 are subject to redemption at the option of the Agency from any source of available funds on any date on or after October 1, 2011 with a premium of 2% from October 1, 2011 through September 30, 2012 and 1% from October 1, 2012 through September 30, 2013. Bonds maturing October 1, 2013 and thereafter are subject to redemption at a redemption price equal to the principal amount plus accrued interest.

The bonds are secured by a pledge of all incremental tax revenues to be received by the Agency and reserve and other funds held by the bond trustee. At June 30, 2004, \$554,487 was on deposit in the 2003 Series A reserve account, and \$3,388,883 was held in the 2003 Series B reserve account.

CITY OF SUISUN CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS

Combined future debt service on the 2003 Series A & B Bonds at June 30, 2004 is :

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,500,000	\$ 1,844,704	\$ 3,344,704
2006	1,660,000	1,812,791	3,472,791
2007	1,730,000	1,778,179	3,508,179
2008	1,770,000	1,742,269	3,512,269
2009	1,840,000	1,701,569	3,541,569
2010 to 2014	10,325,000	7,637,534	17,962,534
2015 to 2019	12,855,000	5,447,478	18,302,478
2020 to 2024	16,070,000	2,328,346	18,398,346
2025 to 2029	1,070,000	274,541	1,344,541
2030 to 2034	570,000	43,196	613,196
	<u>\$ 49,390,000</u>	<u>\$ 24,610,607</u>	<u>\$ 74,000,607</u>

Individual future debt service on the 2003 Series A & B Bonds at June 30, 2004 is:

2003 Series A Taxable Tax Allocation Bonds:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 295,993	\$ 295,993
2006	125,000	294,430	419,430
2007	160,000	290,868	450,868
2008	170,000	286,658	456,658
2009	205,000	281,373	486,373
2010 to 2014	1,315,000	1,272,898	2,587,898
2015 to 2019	1,235,000	990,181	2,225,181
2020 to 2024	1,540,000	641,920	2,181,920
2025 to 2029	1,070,000	274,541	1,344,541
2030 to 2034	570,000	43,196	613,196
	<u>\$ 6,390,000</u>	<u>\$ 4,672,058</u>	<u>\$ 11,062,058</u>

2003 Series B Refunding Tax Allocation Bonds:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,500,000	\$ 1,548,711	\$ 3,048,711
2006	1,535,000	1,518,361	3,053,361
2007	1,570,000	1,487,311	3,057,311
2008	1,600,000	1,455,611	3,055,611
2009	1,635,000	1,420,196	3,055,196
2010 to 2014	9,010,000	6,364,636	15,374,636
2015 to 2019	11,620,000	4,457,297	16,077,297
2020 to 2024	14,530,000	1,686,426	16,216,426
	<u>\$ 43,000,000</u>	<u>\$ 19,938,549</u>	<u>\$ 62,938,549</u>

CITY OF SUISUN CITY, CALIFORNIA
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Loans payable. The Marina loan of \$7,544,469 is a loan borrowed from the California Department of Boating and Waterways to finance a small craft harbor. The loan bears interest at 4.5% per annum on the unpaid balance, commencing with the date of each transfer of loan funds to the Agency. Repayment of the loan commenced August 1, 1998, with 68% of the loan repayable over 50 years and 32% of the loan repayable over 30 years. The Agency is required to maintain a reserve fund increasing to a limit of \$2 million. At June 30, 2004, the Agency had \$1,184,666 in its reserve account.

The Marina expansion loan of \$2,878,524 is payable to Sheldon Oil Company for the acquisition of property related to the Marina. The note bears interest at 7.239% per annum, is payable in installments of \$268,000 each October 24, through 2025. The loan may be prepaid at the option of the Agency after October 24, 2001 with a premium of up to 4%. Future debt service on the Marina and Marina expansion loan is:

Marina loan:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 112,569	\$ 339,501	\$ 452,070
2006	117,634	334,436	452,070
2007	122,928	329,142	452,070
2008	128,460	323,610	452,070
2009	134,240	317,830	452,070
2010 to 2014	767,438	1,492,912	2,260,350
2015 to 2019	956,368	1,303,982	2,260,350
2020 to 2024	1,053,862	1,068,542	2,122,404
2025 to 2029	696,675	874,025	1,570,700
2030 to 2034	868,184	702,516	1,570,700
2035 to 2039	1,081,915	488,785	1,570,700
2040 to 2044	1,121,267	222,441	1,343,708
2045 to 2049	382,929	53,203	436,132
	-	-	-
	<u>\$ 7,544,469</u>	<u>\$ 7,850,925</u>	<u>\$ 15,395,394</u>

Marina Expansion Loan:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 59,615	\$ 208,385	\$ 268,000
2006	63,931	204,069	268,000
2007	68,559	199,441	268,000
2008	73,522	194,478	268,000
2009	78,844	189,156	268,000
2010 to 2014	488,565	851,435	1,340,000
2015 to 2019	692,934	647,066	1,340,000
2020 to 2024	982,793	357,207	1,340,000
	369,761	36,073	405,834
	<u>\$ 2,878,524</u>	<u>\$ 2,887,310</u>	<u>\$ 5,765,834</u>

Notes payable. The Main Street note payable of \$135,911, dated December 8, 1995, for the purchase of property, bears interest at 6.5% per annum, and is payable in monthly payments of \$7,800 through December 2005.

CITY OF SUISUN CITY, CALIFORNIA
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The Griffin note payable of \$480,951 for the purchase of property bears interest at 7.5%, and is payable in monthly installments of \$4,138 through September 2006. On October 3, 2006, the remaining principal balance is due and payable.

The Highway 12 note payable of \$515,312 for the purchase of property bears interest at 7.5% and is payable in monthly installments of \$4,434 through September 2006. On October 3, 2006, the remaining principal balance is due and payable.

The Highway 12 note payable of \$215,640 for the purchase of property bears interest at 6% and is payable in monthly installments of \$1,450 through March 2009. On April 1, 2009, the remaining principal balance is due and payable. Future debt service on the notes is:

Combined future debt service on the note is :

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 121,056	\$ 92,807	\$ 213,863
2006	84,832	84,922	169,754
2007	940,894	29,671	970,564
2008	5,484	11,912	17,396
2009	195,548	8,713	204,261
	-	-	-
	<u>\$ 1,347,814</u>	<u>\$ 228,025</u>	<u>\$ 1,575,838</u>

Capital lease obligation. The Agency entered into a seven-year lease, dated December 1, 1999, for the purchase of lighting and stage equipment for the Civic Arts Theater. The lease is payable in semiannual installments of \$22,306 through December 1, 2006 and bears interest at 5.65% per annum.

Future minimum rental payments are:

<u>Fiscal year:</u>	<u>Theater Payments</u>
2005	44,612
2006	44,612
2007	22,306
Total minimum lease payments	111,530
Less amount representing interest	(8,864)
Present value of minimum lease payments	<u>\$ 102,666</u>

North Bay Aqueduct Agreement Payable. The City entered into an agreement, dated October 22, 1985, with the Solano County Flood Control and Water Conservation District for the purpose of obtaining an additional water supply up to a maximum of 1,300 acre-feet per annum. Under the agreement, the City is required to make annual payments to the District for the cost to the District of route for the reach of the North Bay Aqueduct from the Delta to Cordelia (the capital cost of the Phase 2 of the North Bay Aqueduct). The City is obligated under the agreement to levy a zone of benefit property tax sufficient to provide for payments under the agreement. The agreement bears no interest and matures July 1, 2036. Future debt service is:

CITY OF SUISUN CITY, CALIFORNIA
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<u>Fiscal year</u>	<u>Total</u>
2005	\$ 67,490
2006	68,515
2007	69,540
2008	70,565
2009	71,590
2010 to 2014	373,325
2015 to 2019	388,700
2020 to 2024	388,700
2025 to 2029	388,700
2030 to 2034	388,700
2035 to 2036	129,935
	<u>\$ 2,405,760</u>

Special Assessment Bonds - Victorian Harbor. During fiscal 2003, the City issued \$570,000 in Limited Obligation Refunding Improvement Bonds, Victorian Harbor Assessment Reassessment District (Reassessment and Refunding of 2003). The proceeds of the bonds were used to refund the outstanding principal due on the Victorian Harbor Assessment Reassessment District, Series 1994-1 bonds. Serial bonds are due in varying annual installments with interest rates from 2.50 percent to 4.75 percent. Term bonds of \$220,000 mature on September 2, 2019, and bear interest at 5.15 percent. The bonds are secured by levies of special assessments against benefiting property owners. The bonds are subject to early redemption, mandatory early redemption (term bonds), and are subject to advance refunding.

The bonds are "Limited Obligation Improvement Bonds" and the City has determined that it shall not be obligated to advance funds of the City in case of any deficiency of assessments. However, the City may, at its discretion, advance the funds necessary to cure the deficiency from general governmental resources.

Future debt service on the Special Assessment Bonds – Victorian Harbor is:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 25,000	\$ 23,599	\$ 48,599
2006	30,000	22,943	52,943
2007	30,000	22,155	52,155
2008	30,000	21,293	51,293
2009	30,000	20,355	50,355
2010 to 2014	165,000	84,156	249,156
2015 to 2019	210,000	40,605	250,605
2020	50,000	1,287	51,287
	<u>\$ 570,000</u>	<u>\$ 236,393</u>	<u>\$ 806,393</u>

General Obligation Bonds. The City issued \$4,250,000 of voter-approved general obligation bonds for the purpose of financing the cost of widening that portion of California Highway 12 located within the City.

The bonds bear interest at rates from 5.0 percent to 5.2 percent, interest is payable each February 1 and August 1, and principal matures each February 1 through 2019. Bonds maturing February 1, 2005 or thereafter are subject to early redemption, at the option of the City, with a premium of from .5 percent to 2.0 percent from February 1, 2004 through January 31, 2008. The bonds are secured by levies of ad valorem taxes upon all property within the City subject to taxation. Future debt service is:

CITY OF SUISUN CITY, CALIFORNIA
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<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 140,000	\$ 169,730	\$ 309,730
2006	150,000	162,590	312,590
2007	155,000	154,940	309,940
2008	165,000	147,035	312,035
2009	175,000	138,620	313,620
2010 to 2014	1,060,000	546,220	1,606,220
2015 to 2019	1,450,000	235,560	1,685,560
	-		
	<u>\$ 3,295,000</u>	<u>\$ 1,554,695</u>	<u>\$ 4,849,695</u>

Certificates of Participation. The Suisun City Public Financing Authority issued \$3,440,000 in Certificates of Participation, dated June 1, 1993, to assist the City in advance refunding its 1987 Certificates of Participation used to finance the Civic Center project. The Certificates are secured by an agreement between the Authority and the City, wherein the City agreed to make such lease payments and to include such payments in its budget during the term of the lease. The Certificates bear interest at rates 5.2 percent to 6.45 percent, payable each May 1 and November 1. Principal matures each November 1 through 2015. Certificates maturing on or after November 1, 2004 were subject to redemption on or after November 1, 2003, with a premium of from .5 percent to 2.0 percent through October 31, 2007. Certificates maturing on November 1, 2015 are subject to mandatory redemption on or after November 1, 2006, from sinking fund payments.

In April 2004, the Suisun City Public Financing Authority issued \$2,490,000 in Certificates of Participation, to assist the City in advance refunding its 1993 Certificates of Participation used to finance the Civic Center project. The Certificates are secured by a lease agreement between the Authority and the City, wherein the City agreed to make such lease payments and to include such payments in its budget during the term of the lease. The Certificates bear interest at rates 1.50 percent to 4.40 percent, payable each May 1 and November 1. Principal matures each November 1 through 2015. Certificates maturing on or after November 1, 2004 are subject to redemption on or after November 1, 2004, with a premium of 2.0 percent through October 31, 2010. Future debt service on the 2004 Refunding Certificates of Participation at June 30, 2004 is:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 180,000	\$ 84,253	\$ 264,253
2006	180,000	77,467	257,467
2007	185,000	73,857	258,857
2008	190,000	69,447	259,447
2009	195,000	64,244	259,244
2010 to 2014	1,070,000	214,989	1,284,989
2015 to 2019	490,000	21,661	511,661
	<u>\$ 2,490,000</u>	<u>\$ 605,918</u>	<u>\$ 3,095,918</u>

Capital Lease Obligations

YMCA Facility Lease. The City entered into a capital lease agreement for the purpose of the reconstruction of recreation facilities to provide the City with a modern YMCA. Title to the assets revert to the City upon making the final lease payment. The lease is due in 80 quarterly installments through August 31, 2014. Under the terms of an operating agreement, the YMCA is to pay rent to the City equal to payments required by the City to discharge its lease obligation.

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Street Sweeper Lease. The City entered into a five-year lease, dated March 8, 2001 for the purchase of a new street sweeper. The lease is payable in semi-annual installments of \$16,183 through March 30, 2006.

Toshiba Copier Lease. The City entered into a five-year lease, dated September 16, 2002 for the purchase of 4 copiers. The lease is payable in monthly installments of \$673.44 through August 30, 2007.

Trash Collection Vehicle. The City entered into a five-year lease, dated January 23, 2003 for the purchase of a trash collection vehicle (dump truck). The lease is payable in annual installment of \$11,895 through March 24, 2008, and bears interest at 4.25 percent per annum. The debt service payments for this lease are reimbursed in full by Gas Tax, Sewer & Drainage maintenance funds.

Future minimum rental payments for capital leases are:

Fiscal year	YMCA	Street Sweeper
2005	\$ 200,000	\$ 32,366
2006	200,000	32,366
2007	220,000	-
2008	240,000	-
2009	240,000	-
2010 to 2014	1,273,907	-
2015 to 2017	673,907	-
Total minimum	3,047,814	64,732
Less - interest	(896,205)	(3,893)
Present value of net minimum lease payments	<u>\$ 2,151,609</u>	<u>\$ 60,839</u>

Fiscal year	Trash Collection Truck	Copiers
2005	\$ 11,895	\$ 8,081
2006	11,895	8,081
2007	11,895	8,081
2008	11,895	2,021
Total minimum	47,580	26,264
Less - interest	(4,655)	-
Present value of net minimum lease payments	<u>\$ 42,925</u>	<u>\$ 26,264</u>

CITY OF SUISUN CITY, CALIFORNIA
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NOTE 8 - Risk Management:

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has a self-insurance internal service fund to account for and finance its uninsured risks of loss. Under this program, the self-insurance fund provides coverage up to a maximum of \$25,000 for each general liability claim, \$5,000 for each property damage claim, and \$250,000 for each workers compensation claim. The City is a member of the Local Agency Worker's Compensation Excess JPA (LAWCX) that provides coverage in excess of \$250,000.

The City is a member of the ABAG PLAN Corporation, a 32-member public entity insurance pool. The ABAG PLAN Corporation provides the City general liability coverage of \$5 million per occurrence and property insurance coverage of \$100,000 per occurrence, both subject to the respective deductibles in the above paragraph. The City is also covered by the Special Excess Liability Policy with Driver Alliant Integrated Insurance for up to \$10 million in general liability, and for property, excess of \$100,000 up to replacement cost. Special Excess Liability Settled claims have not exceeded this commercial coverage in any of the past three years.

The City has coverage for Commercial Crime under Driver Alliant Integrated Insurance. This policy provides coverage up to a maximum of \$1 million, with a \$5,000 deductible.

All funds of the City participate in the program and make payments to the self-insurance fund based on estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. At June 30, 2004, the self-insurance fund had a reserve (retained earnings) equal to \$311,035. The claims liability of \$276,358 reported in the fund at June 30, 2004 is based on accounting standards which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonable estimated.

Changes in the fund's claim liabilities in fiscal years 2004 and 2003 were:

	<u>Fiscal year ended June 30.</u>	
	<u>2004</u>	<u>2003</u>
Claims payable, July 1	\$ 183,154	\$ 273,591
Current year claims and change in estimates	270,173	196,957
Claim payments	<u>(176,969)</u>	<u>(287,394)</u>
Claims payable, June 30	<u>\$ 276,358</u>	<u>\$ 183,154</u>

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NOTE 9 - Interfund Receivables and Payables:

The composition of interfund balances as of June 30, 2004, is as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund:		
	\$ 362,991	\$ -
	<u>362,991</u>	<u>-</u>
Special Revenue Funds:		
Off-Site Street Improvements	1,460,641	-
Special Assessment Districts	-	167,920
Boating safety	-	16,894
Alcohol, Tobacco & Other Drugs	-	10,463
Traffic Safety	-	6,064
School Resource	-	5,604
Local transportation	-	1,460,641
	<u>1,460,641</u>	<u>1,667,586</u>
Internal Service Fund:		
Motor Vehicle	-	1,628
	<u>-</u>	<u>1,628</u>
Capital Projects:		
1998/2003 Tax Allocation Bonds	392	392
YMCA Construction	-	151,578
	<u>392</u>	<u>151,970</u>
Fiduciary Funds:		
Harbor plaza trash	-	2,840
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,840</u>
Totals	<u>\$ 1,824,024</u>	<u>\$ 1,824,024</u>

CITY OF SUISUN CITY, CALIFORNIA
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Long-term interfund advances as of June 30, 2004 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund:		
	\$ -	\$ -
	<u>-</u>	<u>-</u>
Special Revenue Funds:		
Offsite street improvements	291,823	-
	<u>291,823</u>	<u>-</u>
Debt Service Funds:		
Civic center	-	-
Redevelopment Agency debt service	-	4,727,543
	<u>-</u>	<u>4,727,543</u>
Capital Projects:		
Park development	310,140	
Municipal Facilities & Equipment	3,860,405	
YMCA	-	-
	<u>4,170,545</u>	<u>-</u>
Internal Service Fund		
Self-insurance	265,175	-
	<u>-</u>	<u>-</u>
	<u>265,175</u>	<u>-</u>
Totals	<u>\$ 4,727,543</u>	<u>\$ 4,727,543</u>

CITY OF SUISUN CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS

The composition of interfund transfers as of June 30, 2004 is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
	\$ 284,504	\$ 209,019
	<u>284,504</u>	<u>209,019</u>
Special Revenue Funds:		
Redevelopment Agency Administration	1,183,648	76,036
Local Transportation	234,504	234,504
Marina Berth Operations	205,154	274,171
Housing Set-aside	2,173,981	612,263
Special Assessments	111,588	74,139
Others	196,994	602,865
	<u>4,105,869</u>	<u>1,873,978</u>
Debt Service Funds:		
City Debt Service	315,071	-
Redevelopment Agency Debt Service	2,666,046	3,799,575
	<u>2,981,117</u>	<u>3,799,575</u>
Capital Projects:		
Capital Improvement Fees	-	230,685
Highway 12 Expansion	1,157	-
Redevelopment Agency	25,610	1,065,000
	<u>26,767</u>	<u>1,295,685</u>
Sub-total	7,398,257	7,178,257
Internal Service Fund:		
Liability Insurance/Workers Comp	17,745	237,745
Equipment Maintenance	6,102	-
	<u>23,847</u>	<u>237,745</u>
Fiduciary Fund:		
Equipment Replacement	-	6,102
	<u>-</u>	<u>6,102</u>
Totals	<u>\$ 7,422,104</u>	<u>\$ 7,422,104</u>

NOTE 10 - Developer Leaseback agreement:

Leaseback obligation. To assist in the development of the commercial office building, the Agency agreed to lease 16,200 square feet of space for a period of 60 months commencing upon the certificate of occupancy date. As of June 30, 2004, all of the space except for 1,910 square feet had been directly leased through the developer. The Agency's remaining commitment under the lease arrangement is:

<u>Year</u>	<u>One Harbour Center Payments</u>
4	43,340
5	45,507
	<u>\$ 88,847</u>

The Agency anticipates not occupying such space and instead subletting the space to future tenants. The Agency is pursuing potential tenants to lease up the remaining existing space.

CITY OF SUISUN CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - Public Employees Retirement System:

Plan Description. The City of Suisun City contributes to the California Public Employees Retirement System (PERS), an agent, multiple-employer, public employee, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by the State statute and City ordinance. Copies of PERS annual financial report may be obtained from their executive office, 400 "P" Street, Sacramento, California 95814.

Funding Policy and Annual Pension Cost. The contribution requirements of plan members and the City are established by and may be amended by PERS. The City's annual pension cost for the most recent year and related information for each plan is as follows:

Annual Pension Costs and Related Information

	<u>Miscellaneous Employees</u>	<u>Safety-Police Employees</u>	<u>Safety-Fire Employees</u>
Contribution rates:			
City	0.00%	6.02%	6.02%
Employees	7.00%	9.00%	7.00%
Annual pension cost	\$ -	\$ -	\$ -
Contributions made	\$ -	\$ 287,372	\$ 39,447
Actuarial valuation date	June 30, 2003	June 30, 2003	June 30, 2003

note: miscellaneous employees were superfunded for fiscal year 2003-04

	<u>Regular Employees</u>	<u>Safety Employees</u>
Actuarial cost method	Entry age	Entry age
Amortization method	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	17 years as of valuation date	17 years as of valuation date
Asset valuation method	3-year smoothed market	3-year smoothed market
Actuarial assumptions:		
Investment rate of return	7.75%	7.75%
Projected salary increases	3.25% to 14.45%	3.25% to 13.15%
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%

CITY OF SUISUN CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS

Three Year Trend Information

Plan	Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
Regular employees	6/30/2002	\$ -	100%	\$ -
	6/30/2003	\$ -	100%	\$ -
	6/30/2004	\$ -	100%	\$ -
Safety employees	6/30/2002	\$ 180,891	100%	\$ -
	6/30/2003	\$ 200,390	100%	\$ -
	6/30/2004	\$ 326,819	100%	\$ -

NOTE 12 - Fund Equity:

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent those portions of fund balances which are not available for appropriation or are legally or third-party restricted for specific future purposes. The remaining portions are unreserved fund balances. Reserved fund balances at June 30, 2004 were:

	Imprest Cash	L-T Receivables	Capital Projects	Debt Service	Total
General fund	\$ 2,775		\$ -	\$ -	\$ 2,775
Local Transportation Fund	-	136,153	-	-	136,153
RDA:					
Housing Choice Vouchers	-	12,027	-	-	12,027
Housing Fund	-	1,990,124	-	-	1,990,124
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	4,530,838	4,530,838
Non-Major Funds	-	335,688	359,811	476,367	1,171,866
	<u>\$ 2,775</u>	<u>\$ 2,473,992</u>	<u>\$ 359,811</u>	<u>\$ 5,007,205</u>	<u>\$ 7,843,783</u>

Portions of unreserved fund balances may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, have not been legally authorized, and may not result in expenditures. Unreserved designated fund balances at June 30, 2004 were:

CITY OF SUISUN CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS

	Compensated Absences	Stabilization	Capital Projects	RDA- Other	Total
General fund	\$ 468,032	\$ 1,212,796	\$ -	\$ -	\$ 1,680,828
Local Transportation Fund	-	-	-	-	-
RDA:					
Housing Choice Vouchers	-	-	-	37,468	37,468
Housing Fund	-	-	-	2,000,000	2,000,000
Capital Projects	-	-	6,542,555	-	6,542,555
Debt Service	-	-	-	1,897,584	1,897,584
Non-Major Funds	-	-	-	17,232	17,232
	<u>\$ 468,032</u>	<u>\$ 1,212,796</u>	<u>\$ 6,542,555</u>	<u>\$ 3,952,284</u>	<u>\$ 12,175,667</u>

NOTE 13 - Joint Ventures:

Suisun-Solano Water Authority. The City of Suisun City and the Solano Irrigation District entered into a Joint Powers Agreement for the construction and operation of the Suisun/Solano Water Authority in the Suisun City area. Daily water service activities are administered by the Solano Irrigation District, and the City of Suisun City administers the billing and collection activities. The Authority is governed by a Board of Directors consisting of five members elected to the City Council of the City of Suisun City and the five elected members of the Board of Directors of the Solano Irrigation District. This joint venture with the Solano Irrigation District is considered to be one without an equity interest, and therefore, the financial activities of the Authority are excluded from the accompanying financial statements. Audited financial statements of the Authority may be obtained from the City of Suisun City at 701 Civic Center Boulevard, Suisun City, California 94585.

Fairfield-Suisun Sewer District. The District is a special district consisting of all territory within the City of Suisun City and the City of Fairfield. The District is governed by the City Councils of both Cities. The District has broad powers to finance, construct, and operate the systems for the treatment, collection, and disposal of sewage and stormwater. The joint venture is considered to be one without an equity interest, and therefore, the financial activities are excluded from the accompanying financial statements. Audited financial statements of the District may be obtained from the Fairfield-Suisun Sewer District at 1010 Chadbourne Road, Fairfield, California 94585.

NOTE 14 - Commitments and Contingencies:

The City is a defendant in several lawsuits. Although the ultimate liability resulting from these matters cannot presently be determined, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 15 - Prior period adjustment:

Beginning net assets of the City's internal service funds have been reduced to correct an error in accounting for the value of its capital assets. The impact of this adjustment was to increase its net capital assets value by \$61,782.

CITY OF SUISUN CITY, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - Excess of Expenditures Over Appropriations:

The following expenditure categories in major funds had an excess of expenditures over appropriations for the fiscal year ended June 30, 2004:

	<u>Exceeded Budget By</u>
General Fund:	
Public Safety	\$ 76,877
Capital Outlay	8,165
Housing Authority	
Choice Vouchers:	
Community Development	291,094
RDA Bonds	
Debt Service:	
Community Development	281,897
Intergovernmental	206,195
Principal debt service	810,986

The excess expenditures were funded by available financial resources.