

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and accounting policies of the City of Suisun City (City) conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. *Reporting Entity*

The City is governed by a five-member Council elected by City residents. The City is legally separate and fiscally independent which means it can issue debt, set and modify budgets and fees, and sue or be sued. These financial statements present the government and its component unit-entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

PRIMARY GOVERNMENT

The financial statements of the primary government of the City of Suisun City include the activities of the City as well as the Redevelopment Agency of the City of Suisun City, City of Suisun City Public Financing Authority, and City of Suisun City Housing Authority, which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blending") with those of the primary government of the City in the accompanying financial statements.

BLENDED COMPONENT UNITS

The City of Suisun City Redevelopment Agency (Agency) was established to assist in the clearance and rehabilitation of City areas determined to be in a declining condition. The Agency has the same governing board as the City, all accounting and administrative functions are performed by City staff and its activities are intended to finance capital improvements and economic development to benefit the City. The financial activities of the Agency have been included in the Redevelopment Agency and Redevelopment Agency Low Income Housing Special Revenue Funds, the Redevelopment Agency Debt Service Fund, and the Redevelopment Agency Capital Projects Fund. Audited annual financial statements are available from the Agency at 701 Civic Center Boulevard, Suisun City, CA 94585.

The Public Financing Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated as of March 9, 1990, by and between the City of Suisun City and the Redevelopment Agency of the City of Suisun City, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of the Agency to provide financing for public improvements of the Agency and for the purpose of providing funds to purchase bonds of the Agency for the Suisun City Redevelopment Project.

Housing Authority of City of Suisun City was established on November 26, 1968. The City Council members are the commissioners of the Housing Authority pursuant to Section 34290 of the Health and Safety Code of the State of California. The Authority manages and administers the U.S. Department of Housing and Urban Development, Housing Choice Voucher Program.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

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

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These 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. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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 (a) charges paid by the recipients of goods or *services* offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) capital grants and contributions, all of which are capital grants under California law. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Major Funds

Major funds are defined as governmental funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and 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.

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

General Fund – The 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 Special Revenue Fund - This fund accounts for federal, state and local funds used for streets, pedestrian and bikeway improvements.

RDA Housing Set - Aside Special Revenue - This fund is used to account for the 20 percent tax increment revenues set-aside monies required by law to be used only for low and moderate-income housing.

RDA – Other Special Revenue Funds - This fund accounts for primarily for the administrative operations of the Agency

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RDA Bonds Debt Service - This fund is used to account for the payment of principal and interest on long-term obligations.

D. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal 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.

E. 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.

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

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Prepaid Items*

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.

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

H. *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 and contributions of capital assets are recorded at fair market value on the date donated. Depreciation of capital assets is charges 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.

I. *Compensated Absences*

Compensated absences comprise unused vacation leave and other employee benefits which are accrued as earned. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be permanently liquidated are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets. Compensated absences are reported in governmental funds only if they have matured (unused reimbursable compensated absences still outstanding following an employee's resignation or retirement).

Changes in compensated absences were as follows:

| | |
|---------------------------|------------------|
| Beginning Balance | \$429,503 |
| Additions | 553,274 |
| Payments | <u>(551,113)</u> |
| Ending Balance | <u>\$431,664</u> |
| | |
| Due in One Year | <u>\$215,832</u> |
| Due in More than One Year | <u>\$215,832</u> |

J. *Property Tax Revenues*

Solano County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

Annual budgets are adopted on a basis consistent with accounting principals 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. Encumbrances accounting, a method of recording purchase commitments, is not used by the City.

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

B. *Expenditures that Exceed Budget*

The following major funds below incurred expenditures in excess of their budgets in the amounts below. Sufficient resources were available within each fund to finance the expenditures.

| | Amount |
|--|----------|
| General Fund: | |
| Debt Service – Principal | \$19,296 |
| Local Transportation Special Revenue Fund: | |
| Highway and Streets | 29,436 |

NOTE 3 - CASH AND INVESTMENTS

A. *Policies*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the City's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the City's name and places the City ahead of general creditors of the institution pledging the collateral.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements. Cash and investments as of June 30, 2009 are as follows:

| | |
|--|--------------|
| City cash and investments in primary government: | |
| Cash and investments | \$38,290,729 |
| Cash with fiscal agent | 4,790,056 |
| Total City cash and investments in primary government | 43,080,785 |
| Cash and investments in Fiduciary Funds (Separate Statement) | |
| Cash and investments | 12,853,354 |
| Cash with fiscal agent | 790,150 |
| Total Fiduciary Funds cash and investments | 13,643,504 |
| Total cash and investments | \$56,724,289 |

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive that addresses interest rate risk, credit risk and concentration of credit risk. 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, rather than the general provisions of the California Government Code or the City's investment policy.

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

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|---------------------------------------|---------------------|------------------------------|---------------------------------------|--|
| U.S. Treasury Bills, Bonds, and Notes | 5 years | No Limit | No Limit | No Limit |
| Federal Agency Obligations | 5 years | No Limit | No Limit | No Limit |
| Commercial Paper | 180 days | A-1 | 25% | 10% |
| Certificates of Deposit | 1 year | No Limit | 30% | No Limit |
| Local Agency Investment Fund | No Limit | No Limit | No Limit | No Limit |

D. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions of these debt agreements:

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 3 - CASH AND INVESTMENTS (Continued)

| Authorized Investment Type | Maximum Maturity | Credit Quality |
|---------------------------------------|------------------|----------------|
| Federal Securities | No Limit | N/A |
| U.S. Government Obligation | No Limit | N/A |
| U.S. Government Sponsored Obligations | No Limit | N/A |
| Money Market Accounts | N/A | AAm - AAAm |
| FDIC Insured Deposits | One year | N/A |
| Investment Agreements | No Limit | AA - AAAm |
| Commercial Paper | None to 270 days | A-1 |
| State Obligations: | | |
| General Obligation | N/A | A |
| General Short-Term Obligation | No Limit | A-1 |
| Special Revenue Bonds | No Limit | AA |
| Federal Funds | 360 days | A-1 |
| Repurchase Agreements | 30 days | A |
| Local Agency Investment Fund | N/A | N/A |

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is 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 by maturity or earliest call date:

| Investment Type | 12 Months or less | 13 to 24 Months | 25 to 36 Months | 37 to 48 months | Total |
|-----------------------------------|----------------------|--------------------|---------------------|--------------------|---------------------|
| U.S. Treasury Notes | | \$1,845,203 | \$3,275,625 | \$890,375 | \$6,011,203 |
| Federal Agency Securities | \$1,693,908 | 4,770,321 | 8,142,355 | 2,696,720 | 17,303,304 |
| Local Agency Investment Fund | 29,279,526 | | | | 29,279,526 |
| Money Market Mutual Funds | 1,890,102 | | | | 1,890,102 |
| Certificate of Deposit | 21,372 | | 230,000 | | 251,372 |
| Total Investments | \$32,884,908 | \$6,615,524 | \$11,647,980 | \$3,587,095 | 54,735,507 |
| Cash In Bank and on hand | | | | | 1,988,782 |
| Total Cash and Investments | | | | | \$56,724,289 |

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, United States Treasury Notes and Bills and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2009, these investments have an average maturity of 235 days.

Money market mutual funds are available for withdrawal on demand and at June 30, 2009, have an average maturity of less than 45 days.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual ratings as of June 30, 2009 for all U.S. Treasury Notes and Federal Agency Securities are AAA as provided by Standard and Poor's investment rating system. Money Market Mutual Funds were rated AAAM by Standard and Poor's investment rating system. The Local Agency Investment Funds were not rated as of June 30, 2009.

G. Concentration of Credit Risk

The City's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the City is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual City Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2009, those investments consisted of:

| Reporting Unit | Issuer | Investment Type | Reported Amount |
|-------------------|------------------------|---------------------------|--------------------|
| Entity-wide | Fannie Mae | Federal Agency Securities | \$8,331,195 |
| | Federal Home Loan Bank | Federal Agency Securities | 6,025,361 |

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2009 were as follows:

| <u>Fund Making Transfer</u> | <u>Fund Receiving Transfers</u> | <u>Amount Transferred</u> | |
|------------------------------|-----------------------------------|-------------------------------|-------------|
| General Fund | RDA - Other Special Revenue Funds | \$18,400 | A |
| | Internal Service Funds | 102,987 | A |
| | Non-Major Governmental Funds | 190,966 | A |
| RDA - Housing Set Aside Fund | General Fund | 62,300 | A |
| | RDA - Bonds Debt Service Fund | 492,218 | C |
| RDA - Bond Debt Service Fund | RDA - Other Special Revenue Funds | 4,089,795 | A, B |
| | RDA - Housing Set Aside Fund | 3,052,151 | D |
| | Non-Major Governmental Funds | 198,670 | A |
| Non-Major Governmental Funds | General Fund | 497,222 | |
| | RDA - Bond Debt Service Fund | 318,287 | C |
| | Local Transportation Fund | 2,269,742 | C |
| | Internal Service Funds | 2,987 | A |
| | Non-Major Governmental Funds | 2,382,135 | A |
| Internal Service Funds | Internal Service Funds | <u>247,549</u> | A |
| | | <u>\$13,925,409</u> | |

- (A) To fund general operations/receiving transfers.
- (B) To fund capital improvement projects.
- (C) To fund debt service.
- (D) To fund 20% tax increment to Housing Set-Side Fund.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2009 the following funds have balances due to the General Fund.

| Due From Fund | Due To Fund | Amount |
|---|---|------------------|
| General Fund | Special Revenue Funds: | |
| | Special Gas Tax | \$32,377 |
| | Traffic Safety | 33,307 |
| | Boating Safety | 16,676 |
| | Traffic Towing | 12,266 |
| | Bureau of Justice Vest Grant | 9,444 |
| | SLESF Grant | 42,273 |
| | Traffic Safety PT0554 Grant | 34,743 |
| | Fire Assistance | 1,966 |
| | Workforce Grants | 66,887 |
| | Police Grants | 8,863 |
| | Special Assessment Districts | 29,346 |
| General Fund | YMCA Debt Service Fund | 206,739 |
| Park Development Capital Projects Fund | YMCA Construction Capital Projects Fund | 40,876 |
| RDA Other Special Revenue Funds | Marina Operations Special Revenue Fund | 2,065 |
| | Total | <u>\$537,828</u> |

C. Long-Term Interfund Advances

The long-term interfund advance is composed of a Redevelopment Agency Reimbursement Agreement in which the Redevelopment Agency agreed to provide the City all or a portion of the moneys paid as lease payments under a lease agreement entered into between the City and the Suisun City Public Financing Authority providing for the lease by the City of the Civic Center improvements, amounting to \$4,591,318 as of June 30, 2009.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 5 – NOTES RECEIVABLE

Notes receivable, including accrued interest and related deferred revenue, comprised balances from the following programs, all of which are discussed below:

| | |
|--|--------------|
| Bay Homes Development Corporation | \$1,936,859 |
| Cottonwood Creek Housing Association, LP | 6,645,442 |
| Solano County - Library Construction | 1,023,891 |
| Redevelopment Loans - Rice/Miller | 71,685 |
| Housing Rehabilitation Loans | 183,214 |
| CDBG loans | 43,495 |
| Capital Asset Sale -Twin Sister | 792,000 |
| First Time Home Buyers | 580,548 |
| Total Notes Receivables | \$11,277,134 |

A. *Bay Homes Development Corporation*

The note receivable of \$1,936,859 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 residual cash flows, to the extent generated by the completed housing project. The Corporation owes unpaid interest of \$114,932 to the Agency as of June 30, 2009. All outstanding and accrued but unpaid interest is due and payable June 21, 2026.

B. *Cottonwood Creek Housing Association*

The Agency entered to a Disposition, Development and Loan agreements with Cottonwood Creek Housing Associates, LP, a California limited partnership for the construction of Cottonwood Creek Apartments, a low and moderate income housing project of the Agency. The total loan agreement provides for loans up to \$7,950,000. The loan bears a contingent simple interest of 3% from the date of disbursement until paid and is secured by a deed of trust with assignment rents and security agreement. Repayment of the loan is contingent upon availability of residual income. The loan receivable at June 30, 2009 consists of a note from the sale of land valued at \$1,800,000 and cash advances of \$4,845,442.

C. *Solano County Library Construction*

The Agency advanced \$1,098,000 to Solano County for the construction of the Solano County Library. The Agency will be repaid from future collections of Public Facilities Fees for all advances made by the Agency. The City has collected \$0 Public Facilities Fees as of June 30, 2009. Such repayments shall include interest of three percent (3%) per annum. As of June 30, 2009, the outstanding balance of these loans was \$1,023,891.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 5 – NOTES RECEIVABLE (Continued)

D. *Redevelopment, Housing Rehabilitation, and CDBG*

The City and the Agency entered into agreements with individuals and businesses for housing rehabilitation, economic development, and redevelopment loans. As of June 30, 2009, the outstanding balance of these loans was \$298,394.

E. *Twin Sister*

The City sold the Twin Sister property to Herman Rowland on January 18, 2006 for \$2,392,000. The remaining principal balance is payable in five years with 5% simple interest. At June 30, 2009, the outstanding balance was \$792,000.

F. *First Time Home Buyers*

To create affordable home ownership opportunities for low income and moderate income persons and households, the Agency has restricted the sale of some homes at a price below market rate. The City has granted loan recipients a total of \$580,548 during FY09 to partially finance the purchase of the property. The loans terms are zero interest rates with a payments deferred. The loan may become in current repayment upon sale of the property or the occurrence of any default event (e.g., maturity date). In such situation, the entire outstanding principal amount of the Loan, together with accrued interest shall become due and payable pursuant to the terms of the Deed of Trust and Promissory Note. The City has collected \$0 repayment from the loan recipients during 2009.

NOTE 6 – DEVELOPMENT AGREEMENT

Pursuant to a Development and Disposition Agreement, the Agency sold, for \$722,400, a parcel of 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 at the fund level statement under modified accrual accounting; but is recognized as revenue at the government-wide Statement of Activities under full accrual accounting.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 7 - CAPITAL ASSETS

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

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of 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 capital assets. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

| | |
|----------------------------------|-------------|
| Buildings | 25-30 years |
| Improvements | 25-30 years |
| Buildings and Vehicle, Equipment | 3-25 years |
| Machinery and Equipment | 3-20 years |
| Infrastructure | 25-65 years |
| Streets-Pavement System | 10-75 years |

A. Capital Asset Additions and Retirements

Capital assets activity for the year ended June 30, 2009 is as follows:

| | Balance June 30, 2008 | Additions | Transfers | Balance June 30, 2009 |
|---|--------------------------|--------------------|--------------------|--------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$51,480,638 | \$1,433,284 | \$615,000 | \$53,528,922 |
| Construction in Progress | 3,847,959 | 8,845,261 | (2,094,194) | 10,599,026 |
| Total Non-Depreciable Assets | <u>55,328,597</u> | <u>10,278,545</u> | <u>(1,479,194)</u> | <u>64,127,948</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 33,226,371 | | | 33,226,371 |
| Buildings and improvements | 9,017,114 | 30,000 | 128,676 | 9,175,790 |
| Equipment | 2,791,540 | 1,160,780 | 70,514 | 4,022,834 |
| Internal Service-Vehicle, Machine & Equipment | 2,530,958 | 120,766 | | 2,651,724 |
| Infrastructure | 44,330,299 | | 742,987 | 45,073,286 |
| Streets-Pavement System | 94,836,783 | | 537,017 | 95,373,800 |
| Total capital assets being depreciated | <u>186,733,065</u> | <u>1,311,546</u> | <u>1,479,194</u> | <u>189,523,805</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,531,532 | 653,375 | | 7,184,907 |
| Buildings and improvements | 6,413,559 | 415,001 | | 6,828,560 |
| Equipment | 2,379,229 | 68,386 | | 2,447,615 |
| Internal Service-Vehicle, Machine & Equipment | 1,808,126 | 118,223 | | 1,926,349 |
| Infrastructure | 16,015,557 | 949,906 | | 16,965,463 |
| Streets-Pavement System | 46,430,364 | 1,784,062 | | 48,214,426 |
| Total accumulated depreciation | <u>79,578,367</u> | <u>3,988,953</u> | | <u>83,567,320</u> |
| Net capital assets being depreciated | <u>107,154,698</u> | <u>(2,677,407)</u> | <u>1,479,194</u> | <u>105,956,485</u> |
| Total capital assets, net | <u>\$162,483,295</u> | <u>\$7,601,138</u> | | <u>\$170,084,433</u> |

Major construction in progress consists of \$2,646,045 in Main Street Improvement, \$719,254 Crystal Middle School Development, \$4,193,036 in Sunset & RR Intersection and \$1,000,734 in Bikeway Gap Closure and \$1,874,546 in Harbor Center Street Extension.

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| <p>CITY OF SUISUN CITY Notes to Basic Financial Statements For the Year Ended June 30, 2009</p> |
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|---|
| <p>NOTE 7 - CAPITAL ASSETS (Continued)</p> |
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B. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are required to be accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

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

| | |
|----------------------------|-------------|
| Public safety | \$55,024 |
| Public works | 814,443 |
| Highways & streets | 1,784,062 |
| Building services | 542,070 |
| Culture and recreation | 144,153 |
| Community development | 530,978 |
| Internal Service Funds | 118,223 |
| Total depreciation expense | \$3,988,953 |

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG TERM DEBT

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

A. Current Year Transactions and Balance

The City's long-term debt activities for the year ended June 30, 2009 is as follows:

| | Balance June 30, 2008 | Additions | Retirements | Balance June 30, 2009 | Current Portion |
|---|--------------------------|--------------------|--------------------|--------------------------|--------------------|
| Redevelopment Agency: | | | | | |
| <i>Tax Allocation Bonds:</i> | | | | | |
| 1998 Tax Allocation Revenue Bonds | | | | | |
| Current Interest Term Bonds | | | | | |
| 3.9%-5.20%, due 10/1/28 | \$6,805,000 | | \$215,000 | \$6,590,000 | \$215,000 |
| Capital Appreciation Bonds | | | | | |
| 3.9%-5.32%, due 10/1/28 and 3.9%-5.37, due 10/1/33 | 12,194,785 | \$660,170 | | 12,854,955 | |
| 2003-B Tax Allocation Refunding Bonds | | | | | |
| 2.0%-3.375%, due 10/1/2023 | 36,795,000 | | 1,635,000 | 35,160,000 | 1,670,000 |
| 2003-A Tax Allocation Refunding Bonds | | | | | |
| 2.0%-3.375%, due 10/1/2023 | 5,935,000 | | 205,000 | 5,730,000 | 220,000 |
| <i>Loans payable:</i> | | | | | |
| Marina Loan #94-5-319 | | | | | |
| 4.5%, due 10/1/48 | 1,619,783 | | 14,355 | 1,605,428 | 15,001 |
| Marina Loan #91-10-305 | | | | | |
| 4.5% due 8/1/22 | 1,481,296 | | 71,272 | 1,410,024 | 74,479 |
| Marina Loan #91-10-305 | | | | | |
| 4.5% due 8/1/42 | 3,961,797 | | 48,614 | 3,913,183 | 50,802 |
| Marina Expansion Loan | | | | | |
| 7.239%, due 10/24/25 | 2,612,898 | | 78,844 | 2,534,054 | 84,552 |
| Total Redevelopment Agency | <u>71,405,559</u> | <u>660,170</u> | <u>2,268,085</u> | <u>69,797,644</u> | <u>2,329,834</u> |
| City of Suisun City: | | | | | |
| North Bay Aqueduct | | | | | |
| due 7/1/36 | 2,129,650 | | 71,590 | 2,058,060 | 72,615 |
| General Obligation Bonds Highway 12 Expansion | | | | | |
| 5.0%-5.2%, due 2/1/19 | 2,685,000 | | 175,000 | 2,510,000 | 190,000 |
| 2004 Certificates of Participation | | | | | |
| 1.5%-4.40%, due 11/1/15 | 1,755,000 | | 195,000 | 1,560,000 | 200,000 |
| Capital Lease Obligation | 1,859,280 | \$700,000 | 235,775 | 2,323,505 | 291,365 |
| Total City of Suisun City | <u>8,428,930</u> | <u>700,000</u> | <u>677,365</u> | <u>8,451,565</u> | <u>753,980</u> |
| Total Governmental Activity Debt | <u>79,834,489</u> | <u>1,360,170</u> | <u>2,945,450</u> | <u>78,249,209</u> | <u>\$3,083,814</u> |
| <i>Less / Plus:</i> | | | | | |
| 2003-B deferred refunding, net | (1,537,434) | | (96,089) | (1,441,345) | |
| 2003-B premium, net | 46,105 | | 2,882 | 43,223 | |
| 2003-A discount, net | (19,506) | | (813) | (18,693) | |
| Total long-term debt, net | <u>\$78,323,654</u> | <u>\$1,360,170</u> | <u>\$2,851,430</u> | <u>\$76,832,394</u> | |
| Less: current portion | | | | <u>(3,083,814)</u> | |
| Non-current portion | | | | <u>\$73,748,580</u> | |

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG-TERM DEBT (Continued)

B. Debt Service Requirements

Future principal and interest payments were as follows at June 30, 2009:

| For the Year Ending June 30 | Principal | Interest |
|--------------------------------|---------------------|---------------------|
| 2010 | \$3,083,814 | \$2,787,890 |
| 2011 | 3,206,380 | 2,678,235 |
| 2012 | 3,296,865 | 2,556,024 |
| 2013 | 3,452,062 | 2,425,143 |
| 2014 | 3,784,432 | 2,279,012 |
| 2015-2019 | 19,102,280 | 8,924,715 |
| 2020-2024 | 20,285,353 | 5,898,671 |
| 2025-2029 | 11,555,379 | 15,569,281 |
| 2030-2034 | 7,766,596 | 14,249,044 |
| 2035-2039 | 1,211,849 | 488,785 |
| 2040-2044 | 1,121,266 | 222,442 |
| 2045-2049 | 382,933 | 53,203 |
| Total | <u>\$78,249,209</u> | <u>\$58,132,445</u> |

C. Redevelopment Agency Long-Term Debt Issues

1998 Tax Allocation Bonds - On February 1, 1998, the Redevelopment Agency issued \$14,996,384 original principal amount of 1998 Tax Allocation, which were purchased by the Suisun City Public Financing Authority (a component unit of the City of Suisun City). The proceeds from the sale of the Bonds were used to finance redevelopment activities of the Agency. The bonds bear interest at rates from 3.9%-5.37%. Interest is payable semi-annually each April 1 and October 1 through 2033. Principal payment are payable annually on October 1 through 2033.

Upon sale of the bonds, \$6,906,000 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 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 of the bonds. All remaining funds in the special escrow fund were released by October 1, 2002. The bonds are secured by a lien of the tax revenues of the Agency on parity with the lien securing the outstanding 2003 Series A & B Tax Allocation Bonds.

The Agency's bonds secure payment of the Financing Authority's bonds totaling \$14,996,384. The Authority's 1998 Tax Allocation Revenue Bonds consist of \$7,955,000 term bonds maturing October 1, 2028, and \$7,041,384 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 semi-annually on April 1 and October 1, commencing October 1, 1998, payable upon maturity or prior redemption. As of June 30, 2009, accreted interest amounted to \$5,813,568.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG-TERM DEBT (Continued)

The Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Low Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of \$52,252,648 remaining debt service on the Bonds, which is scheduled to occur in 2034. For fiscal year 2009, tax increment revenue net of expenditures, excluding debt service and transfers, amounted to \$11,596,009 which represented coverage of 20.61 over the \$562,651 of debt service.

2003 Series A Tax Allocation Bonds and 2003 Series B Tax Allocation Refunding Bonds – On July 1, 2003, the Agency issued \$6,390,000 original principal amount of 2003 Series A Tax Allocation Bonds and \$43,000,000 original principal amount of 2003 Series B Tax Allocation Refunding Bonds. The proceeds from the sale of the Bonds were used to refinance and advance refund the 1993 Tax Allocation Bonds and to obtain additional financing for redevelopment projects. The bonds bear interest at rates from 2.0% to 3.375%. Interest is payable semi-annually each April 1 and October 1, through 2023. Principal payments are due October 1, through 2023.

The refunding took advantage of lower interest rates which were available and results in reduction debt service requirements over the life of the new debt. Proceeds of \$44,680,426 were transferred to a trustee and placed in 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 amount recognized is 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 a redemption price equal to the principal amount plus accrued interest.

At June 30, 2009, \$500,851 was on deposit in the 2003 Series A reserve account, and \$3,238,065 was on deposit in the 2003 Series B reserve account.

The Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Low Income Housing Fund, for the repayment of the Tax Allocation Bonds. The pledge of all future tax increment revenues ends upon repayment of \$56,621,095 remaining debt service on the Bonds, which is scheduled to occur in 2032. Projected tax increment revenues are expected to provide coverage over debt service of 3.2 over the life of the Bonds. For fiscal year 2009, tax increment revenue, excluding debt service and transfers, amounted to \$11,596,009 which represented coverage of 3.27 over the \$3,541,569 of debt service.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG-TERM DEBT (Continued)

Marina Loan – On July 22, 1991, the Agency entered into agreement with the California Department of Boating and Waterways, whereby a loan of \$8,091,405 was granted to the Agency 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 commences August 1, 1998, with 68% of the loan repayable over 50 years and 32% of the loan payable over 30 years. The Agency is required to maintain a reserve fund increasing to a limit of \$2 million. At June 30, 2009, the Agency had \$1,353,504 in its reserve account.

The Marina expansion loan – On October 24, 1995, Agency entered into a loan agreement with Sheldon Oil Company in the amount of \$3,250,000 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 annually on 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%.

D. City's Long-Term Debt Issues

North Bay Aqueduct Agreement Payable – On October 22, 1985, the City entered into an agreement 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 payment under the agreement. The agreement bears no interest and matures July 1, 2036.

General Obligation Bonds – The City issued \$4,250,000 of voter-approved general obligation bonds for the purpose of financing costs of widening that portion of California Highway 12 located within the City. The bonds bear interest at rates from 5.0% to 5.2%. Interest is payable semi-annually each February 1 and August 1, through 2019. Principal payments are payable annually 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 from .5% to 2.0% 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.

In April 2004, the Suisun City Public Financing Authority issued \$2,490,000 of 2004 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 from 1.5% to 4.40%. Interest is payable semi-annually each May 1 and November 1, through 2015. Principal payments are payable annually each November 1, 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% through October 31, 2010.

Capital Lease Obligations – 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 in equal payments required by the City to discharge its lease obligations.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG-TERM DEBT (Continued)

On January 9, 2006, the City entered into a five-year lease agreement for the purchase of a new street sweeper. The lease is payable in semi-annual installments of \$14,225 through January 4, 2011.

On March 29, 2006, the City entered into a five-year lease agreement for the purchase of 5 copiers. The lease is payable in semi-annual installments of \$1,608 through March 2011.

On January 23, 2003, the City entered into a five-year lease agreement for the purchase of a trash collection vehicle (dump truck). The lease is payable in annual installments of \$11,895 through March 24, 2008, and bears interest at 4.25% per annum.

On September 2, 2008, the City entered into a seven-year capital lease agreement to purchase a new fire truck in the amount of \$700,000. The lease is payable in semi-annual installments of \$ 58,597 through September 27, 2015.

NOTE 9 – SPECIAL ASSESSMENT DEBT WITHOUT CITY’S COMMITMENT

On June 6, 2003, the City of Suisun City issued \$570,000 principal amount of Limited Obligation Refunding Improvement Bonds to refund \$615,000 outstanding aggregate principal amount of the City’s Limited Obligation Improvement Bonds, Victorian Harbor Assessment Reassessment District, Series 1994-1. The Bonds are secured by the unpaid reassessments against 93 reassessment parcels. Neither the faith and credit nor the general taxing power of the City of Suisun have been pledged to the payment of the Bonds. Therefore, the Bonds have not been included in the accompanying financial statements. The balance of the outstanding debt was \$551,456 at June 30, 2009.

NOTE 10 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

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

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

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

B. Fund Equity

Fund equity consists of reserved and unreserved amounts. Reserved fund equity represents that portion of a fund balance or net assets, which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved. Net Assets is reserved for debt service requirements.

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

NOTE 11 - RISK MANAGEMENT

A. Risk Coverage

The City is exposed to various risks of loss 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 provided 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 Joint Powers Authority (LAWCX) that provides coverage in excess of \$250,000.

LAWCX's financial statements may be obtained from Bickmore & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621.

The City is a member of the Association of Bay Area Governments (ABAG) PLAN Corporation, a 32-member public entity insurance pool. The ABAG PLAN Corporation provides the City general liability coverage of \$5,000,000 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 \$10,000,000 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.

Audited financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94604-2050.

The City has coverage for Commercial Crime under Driver Alliant Integrated Insurance. This policy provides coverage up to a maximum of \$1,000,000, 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. The claims liability of \$1,144,259 reported in the fund at June 30, 2009 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.

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 11 - RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

The following is a summary of changes in City recorded claim liabilities during the years ended June 30:

| | 2009 | 2008 |
|--|-------------|-------------|
| Beginning balance | \$1,132,015 | \$762,665 |
| Increase (decrease) in current year claims and changes in estimates | (146,453) | 544,539 |
| Claims paid | (168,366) | (175,189) |
| Ending Balance | \$817,196 | \$1,132,015 |
| Current portion | \$171,778 | |
| Non-current portion | \$645,418 | |

NOTE 12 – DEVELOPER LEASEBACK AGREEMENT

To assist in the development of the commercial office building, the Agency agreed to lease 12,400 square feet of space for a period of 60 months from November 1, 2001 to October 31, 2006 and 5,000 square feet until March 2009. As of June 30, 2009, all of the spaces have been subleased through the developer. The Agency's remaining commitment under the lease agreement is the difference between the Agency's lease rate and that of the subleases including CPI adjustments. The leaseback agreement expired on October 31, 2006.

NOTE 13 - PENSION PLAN

CALPERS Safety and Miscellaneous Employees Plans

The City participates in cost-sharing pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding for city's contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS. The Plans' provisions and benefits in effect at June 30, 2009, are summarized as follows:

| | Safety - Fire | Safety - Police | Miscellaneous |
|---|------------------|------------------|------------------|
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 55 | 50 | 55 |
| Monthly benefits, as % of annual salary | 1.426% - 2.50% | 3% | 1.426% - 2.418% |
| Required employee contribution rates | 7% | 9% | 7% |
| Required employer contribution rates | 25.599% | 34.534% | 11.053% |

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 13 - PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30 as follows:

| | Employer Contribution Amount | Employer Contribution Rate | | |
|------|------------------------------------|----------------------------------|---------|---------------|
| | | Police | Fire | Miscellaneous |
| 2006 | \$973,602 | 29.575% | 26.451% | 9.979% |
| 2007 | 1,214,640 | 31.642% | 26.147% | 10.879% |
| 2008 | 1,318,012 | 32.453% | 25.812% | 11.088% |

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service and annual retirement benefit increases are assumed to be 3.25%. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at June 30, 2009 was 16 years for the miscellaneous plan, 16 years for the safety police plan, and 15 years for the safety fire plan.

As required by State law, effective July 1, 2005, the City's Safety Plans and Miscellaneous Plan were terminated, and the Safety and Miscellaneous employees in the plan were required by CALPERS to join the new State-wide pools. One of the conditions of entry was for the City to adjust and true-up any unfunded liabilities or overfunded assets in the former Plan, either by paying cash or by increasing or decreasing its future contribution rates through a Side Fund offered by CALPERS.

The latest available actuarial values of the above State-wide pools (which differs from market value) and funding progress were set forth as follow. The information presented below relates to the State-wide pools as a whole, of which the City is one of the participating employers:

CITY OF SUISUN CITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 13 - PENSION PLAN (Continued)

State-wide Pool - Safety Plan: Fire

| Actuarial | | | | | | |
|----------------|-----------------------------|-----------------|---------------------------------|--------------|------------------------|---|
| Valuation Date | Entry Age Accrued Liability | Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) Liability as % of Payroll |
| 2005 | \$80,635,642 | \$74,447,690 | \$6,187,952 | 92.3% | \$26,985,629 | 22.9% |
| 2006 | 80,120,356 | 73,620,920 | 6,499,436 | 91.9% | 25,907,168 | 25.1% |
| 2007 | 77,117,539 | 69,523,793 | 7,593,746 | 90.2% | 22,403,563 | 33.9% |

State-wide Pool - Safety Plan: Police

| Actuarial | | | | | | |
|----------------|-----------------------------|-----------------|---------------------------------|--------------|------------------------|---|
| Valuation Date | Entry Age Accrued Liability | Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) Liability as % of Payroll |
| 2005 | \$6,367,049,264 | \$5,295,150,375 | \$1,071,898,889 | 83.2% | \$664,147,796 | 161.4% |
| 2006 | 7,278,049,834 | 6,102,615,567 | 1,175,434,267 | 83.8% | 754,730,438 | 155.7% |
| 2007 | 7,986,055,176 | 6,826,599,459 | 1,159,455,717 | 85.5% | 831,607,658 | 139.4% |

State-wide Pool - Miscellaneous Plan:

| Actuarial | | | | | | |
|----------------|-----------------------------|-----------------|---------------------------------|--------------|------------------------|---|
| Valuation Date | Entry Age Accrued Liability | Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) Liability as % of Payroll |
| 2005 | \$2,891,460,651 | \$2,588,713,000 | \$302,747,651 | 89.5% | \$755,046,679 | 40.1% |
| 2006 | 2,754,396,608 | 2,492,226,176 | 262,170,432 | 90.5% | 699,897,835 | 37.5% |
| 2007 | 2,611,746,790 | 2,391,434,447 | 220,312,343 | 91.6% | 665,522,859 | 33.1% |

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The City participates in several Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no other pending litigation, which is likely to have a material adverse effect on the financial position of the City.

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